GAI International Academic Conferences Proceedings

2016 Prague International Academic Conference
September 4-7, 2016
Prague, Czech Republic

Hosted by
Global Academic Institute

ISBN: 978-0-9965808-4-7
Table of Contents

Free-Markets’ Sustainability: Socio-Economic Policy Analysis .................................................. 1
   Reza G. Hamzaee

Attitudes of Business Deans and Students Regarding Academic Sustainability Programs: A
Comparative Analysis ............................................................................................................. 17
   David S. Harrison
   Patsy Lewellyn
   David Newlands
   C. Michael Ritchie

Socio-Economic Determinants of Lottery-Linked Savings: Evidence from the UK Premium
Bonds Market ......................................................................................................................... 30
   Anna Kaliciak

Small Businesses as a Force for Sustainable Development? New Perspectives from an
Emerging Market ................................................................................................................. 31
   Chanel Venter

Ethical Considerations in the Utilization of Net-Sourced Information .................................. 41
   Imelda Braganza-Valera
   John Lorenz Belanio

Using Mentorship Programmes to Transfer Pervasive Skills (Soft Skills): Empirical Evidence
................................................................................................................................................ 42
   Monique Keevy

Perceived Challenges in Applying Teacher Education Preparation to Classroom Instruction ... 55
   Ronald L. Brown

Scenario Planning in Education as a Means of Anticipating Changes in Education Systems .... 74
   Vuksanović Nemanja

The Influence of Country Competitiveness onto the Inflow of FDI- Evidence from Serbia and
Regional Countries .............................................................................................................. 88
   Čeliković Zorica

Universal Secondary Education (USE) in Trinidad & Tobago: Educational Reform, Politics
and Religion ......................................................................................................................... 98
   Jeniffer Mohammed

Exploring Policy Leverage for Preventing Adolescents’ Media Addiction: A System
Dynamics Approach .......................................................................................................... 99
   In Young Hwang
   J. Hun Park

Teachers Use of Questioning in the ESL Classroom: Questioning as a Teaching Strategy ..... 100
   Husniah Sahamid
   Nor Ashikin Abdul Aziz
   Nor Syaheeda

Collaborative Consumption of Medical Equipment ................................................................ 101
   Agnieszka Malecka
   Agnieszka Marie
<table>
<thead>
<tr>
<th>Title</th>
<th>Author(s)</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Effect of Lesson Study on Pre-Service Teachers Professional Development: Research on Arabic Language Pre-Service Teachers</td>
<td>Remzi Y. Kincal, Osman Yılmaz Kartal, Akan Deniz Yazgan</td>
<td>108</td>
</tr>
<tr>
<td>Analysis of Government Funding of Federal and State Colleges of Education in the Southwest of Nigeria</td>
<td>Isaiah Olasumbo Bayonle Lawal</td>
<td>119</td>
</tr>
<tr>
<td>Impact of the 2014 Oil Price Drop on the Sudanese Economy</td>
<td>Hala Mutwakil Ahmed Elamin</td>
<td>126</td>
</tr>
<tr>
<td>Impact of FX Movements on the Valuation of Turkish Non-Financials: A WACC Framework</td>
<td>Kaya Tokmakcioglu, Emir Bolen</td>
<td>144</td>
</tr>
<tr>
<td>Language Learning from the Aspects of Self-Transformation and Possible Self-Discovery</td>
<td>Yuko Tomoto</td>
<td>164</td>
</tr>
<tr>
<td>Development of Code-Switching: A Case Study on a Turkish/English/Arabic Multilingual Child</td>
<td>Mehmet Tunaz</td>
<td>165</td>
</tr>
<tr>
<td>Perceptions of ‘Feedback’ as Formative Assessment in Higher Education; Views of Student-Teachers from Pakistan</td>
<td>Rashida Qureshi, Mahrukh Zahoor, Mahwish Zahoor</td>
<td>172</td>
</tr>
<tr>
<td>Matching Occupational Needs in Tour Service Industry and In-Service Training in Higher Education for Globalized Taiwan</td>
<td>Shin-Mei Kao</td>
<td>185</td>
</tr>
<tr>
<td>Managing Customer Satisfaction in an Unwanted Service Industry: An Exploratory Study of Dental Services</td>
<td>Edwin Theron</td>
<td>186</td>
</tr>
<tr>
<td>Selected Antecedents Impacts on Performance of Employees</td>
<td>Ashraf Mohammad AlFandi</td>
<td>207</td>
</tr>
<tr>
<td>New IFRS 7 Hedge Accounting Disclosure Requirements as a Way of Achieving Greater Transparency in Risk Management Activities</td>
<td>Milutin Živanović</td>
<td>224</td>
</tr>
</tbody>
</table>
AKP as a Liberal “Project Party” in the Political Communion Struggle in Turkish Conservatism

A. Baran Dural

Managing Trust in Marketing Relationships: Do Different Industries Require Different Strategies?

Edwin Theron

‘The Relentless Parade of Insults’: A Literature Review on Negative Perceptions about Disability and Disabled People in the Society.

Ambuj Sharma
Anna Dunay

The User Acceptance of Social Media: A Motivational Perspective

Albert Nelmapius
Christo Boshoff

A Case Series of Pediatric Autoimmune Encephalopathy

Amanda R. Lucchetti
Tanya M. Brown

Jordanian EFL Students’ Use of Reading Strategies

Khaleel Bader Bataineh

The Effects of Linear and Non–Linear Computer Games on Students’ Learning of Scientific Concepts and Argumentation

Ting-Ju Shu
Yu-Ling Lu

Cohering Destination Choice of Travelers: A Memories Devices Perspective

Edward C. S. Ku
Chien Chi Yeh
Ching Hua Ho

Bibliotherapy for Child Victims of Post Disaster Recovery

Marianne Lim
Kristine Canon

Bright Lights: Increasing Online Tourism Products Visibility

Edward C. S. Ku
Chien Chi Yeh

The Way We Cooperate, Compete and Dominate: Analysis of Talk among Iranian Female Friends

Leila Mohajer

“Why They Buy”: Impacts of Packaging Elements on Children’s Decision Making

Palita U-Prasitwong
Phallapa Petison

Citizen Action Education Based on Theory of Critical Pedagogy: A “Media and Society” Curriculum Design Example for General Education

Huei Lan Wang

A Case Study on the Comparison of Online Navigation Competence and Searching Strategies between Different Age Groups and Web Experiences

Yen-Mei, Lee

Kazakh Language Teaching and Psychotherapy Approaches

Aigerim Yessirkepova
The Determinant Factors and Effects of R&D Outsourcing in Korean Manufacturing Firms. 283

Min Ki Kim
Sang Yun Han

Constructing The Body Shop’s Management Opportunity Grid – An Examination of the Beauty Industry in Taiwan .......................................................................................................................... 296
Keng-Hsiang Cheng
Hajnalka Fórián

The Efficiency of Governance in Financial Institutions: Looking for the Paradigms of Corporate Governance .................................................................................................................. 297
Emilia Klepczarek

How Does Spatial Proximity Influence Product Evaluation? .......................................................... 298
Chien-Huang Lin
Su-Hui Kuo
Free-Markets’ Sustainability: Socio-Economic Policy Analysis

Reza G. Hamzaee¹, Missouri Western State University, USA

Abstract
Learning from historical experience, economic policies could always be much more responsive to the critical needs of societal sustainability and justice. This occurs in the sense that rules and regulations to be mandated by a balancing force of various income classes as opposed to mainly being developed by the most financially influential businesses, individuals, and/or politicians. Capitalism would never be conducive to an ideal system in which prosperity can be maximized if it is not effectively saved from overly greedy capitalists, and allegedly itself, through appropriate laws and regulations. Although many countries have implemented all types of regulations and regulators’ oversight of businesses, it is argued that those were formulated and implemented either directly or indirectly through financially-influential businesses and individuals. The ongoing challenge of market-oriented economic policy has been in the mixture of highly valuable efficiency of the competitive market system and the often-compromised socio-economic welfare of a nation as a whole. This research is dedicated to an analysis of appropriate policy choices that would serve capitalism and a nation better in the long run in achieving societal sustainability and equity. A healthy policy would not be expected to result in a marginalization of - and shrinking – the middle class. There seems to be a lack of appropriate regulations as well as an adequate understanding of the damaging effects of a rapidly-evolving financial system into more sophistication. The long-term effects of such adverse evolutions are more unemployment, violence, crime, terrorism, increasing family breakups and divorces, alcoholism, drug addiction, admissions to mental hospitals, increasing rates of suicide, and the huge national output and prosperities that would be forgone. The statistical procedure adopted here would minimally include – but not be limited to - correlational analysis of major socio-economic variables and data, including human development, economic indicators, income distribution measures, social justice measures, and economic policy consequences.

Keywords: Policy, socio-economic, middle class, capitalism, income, market

¹ BOG-Distinguished Professor of Economics
I. INTRODUCTION

Learning from historical experience, economic policies could always be much more responsive to the critical needs of societal sustainability and justice in the sense that rules and regulations to be mandated by a balancing force of various income classes as opposed to those mainly generated by the most financially influential businesses, individuals, and/or politicians. Capitalism would never be conducive to an ideal system in which prosperity can be maximized if it is not effectively saved from overly greedy capitalists and, allegedly, itself through appropriate laws and regulations. Although many countries have implemented all types of regulations and regulators’ oversight of businesses, it is argued that those were formulated and implemented either directly or indirectly through financially-influential businesses and individuals. The ongoing challenge of market-oriented economic policy has been in the mixture of highly valuable efficiency of the competitive market system and the often-compromised socio-economic welfare of a nation as a whole.

The anxiety of the post Great Recession of 2007-2009 has brought about many more tendencies in various groups and individuals towards certain more liberal ideologies. Capitalism and free enterprise system have appeared to be less attractive to many due to the vulnerabilities of many families’ prospects to the devastating consequences of capitalists’ greed and manipulations of the markets. The massive layoffs and losses of family structures have broken the needed trust for the system and big businesses. In response to all such adverse events, among other emerging strident economists, Piketty (2014), Robert Reich (2015), Deaton (2015), and Bernie Sanders’s political platform (2014-2015), have all recommended notions and policy prescriptions that are expected to influence the new face of capitalism. This transition is envisaged to be from what it has been to being somewhat more regulated via new types of regulations that are designed to save capitalism from the capitalists. Perhaps the two biggest threats of our modern economies have been a lost understanding of the damaging effects of a shrinking middle class and a run-away or rapidly-evolving financial system into more sophistication. Obviously, violence, crime, terrorism, increasing family breakups and divorces, alcoholism, drug addiction, admissions to mental hospitals, increasing rates of suicide, and more than anything else, the huge national output and prosperities that would be forgone could be highlighted in a more tangible and measureable fashion.

It is not a hidden issue that, at this time, many nations of the world are frustrated about how big businesses, and to a large extent, their capital-driven-and-lobbied governments, have not contributed to the wealth of nations, as once recommended by the father of free economic systems, Adam Smith, in his world shaking, The Wealth of Nations (1776). In response to so much frustration, Raghuram R. Rajan and Luigi Zingales (2013) published their recommendations in their: “Saving Capitalism from the Capitalists: Unleashing the power of financial markets to create wealth and spread opportunity.” The following is their summarized advice:

Politics—for better or worse—lays the foundations for markets, and thus for prosperity. For creative destruction, sustained by free markets, is the elixir that has let the free enterprise system flourish for so many years. Yet the disruptions that creative destruction spawns sometimes prove too big for a free society to survive without a safety net. Markets need to be preserved against their biggest enemy: Themselves. Markets need a heart for their own good.

They assessed that financial markets provide golden opportunities for individuals in advanced countries, like U.S. and Germany to take risk and implement daring ideas. Yet there is a pronounced concern that: “It is not inconceivable that the anti-market movement may gather strength there and then spread to developed countries.”

William A. Niskanen (Fall 2009) in his “The Undemanding Ethics of Capitalism” tries to refute the rapidly-growing notion that the financial turbulence of 2007-2009 was simply inherent in the nature of greed in capitalism. He argues that if we can blame an airplane’s crash on gravity, we can similarly blame a financial crisis on greed. Capitalism’s main challenge is how to channel self-interest into mutually beneficial behavior. He acknowledges that:
“On occasion, the public and private institutions that have the responsibility to monitor economic behavior fail to perform their roles before there are large losses to other parties.” (p. 559)

Rober Reich (2014) argues that capitalism needs to be regulated but regulations and laws have been made by the richest not by a real representation of the general public. Bernie Sanders’ ideas (2014) are also, to some extent, in line with Deaton’s and Reich’s, in which he calls for a political revolution in a sense that a healthy government budgeting necessitates a new tax system in which the richest would shoulder more of the tax burdens and sacrifices necessary to provide reliable and better social security as well as a Medicare system for all not just those of 65 or higher. His officially-declared list includes the following:

Table 1: Some Well-known Economic Policies Proposed by Reich and Sanders

<table>
<thead>
<tr>
<th>Robert Reich’s Stabilizing Policy Choices</th>
<th>Bernie Sanders’ Stabilizing Policy Choices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Rebuilding Our Roads</td>
<td>1. Make work pay</td>
</tr>
<tr>
<td>2. Reversing Climate Change</td>
<td>2. Unionize low-wage workers</td>
</tr>
<tr>
<td>4. Protecting Unions</td>
<td>4. Invest in infrastructure</td>
</tr>
<tr>
<td>5. Raising the Wage</td>
<td>5. Pay for these investments with higher taxes on the wealthy</td>
</tr>
<tr>
<td>6. Pay Equity</td>
<td>6. Make the payroll tax progressive</td>
</tr>
<tr>
<td>7. Making Trade Work for Workers</td>
<td>7. Raise the estate tax and eliminate the “stepped-up basis” for determining capital gains at death</td>
</tr>
<tr>
<td>8. Cutting College Costs</td>
<td>8. Constrain Wall Street</td>
</tr>
<tr>
<td>10. Bringing Health Care to All</td>
<td>10. Get big money out of politics</td>
</tr>
<tr>
<td>11. Ending Poverty</td>
<td>11. Building a Movement</td>
</tr>
<tr>
<td>12. Stopping Tax Dodging Corporations</td>
<td></td>
</tr>
</tbody>
</table>

Bernie Sanders’ proposed platform is based on his belief that there is a strong need for a political revolution, through which his ideas above could be implemented. This may make sense on the grounds that given current influences of the affluent industries and individuals, through their lobbyists, most of those ideas are not even be possible. Robert Reich’s list (2014) is, to a large extent, similar to those of Sanders’, as seen in Table 1.

Thomas Piketty’s monumental book (2014), *Capital in the Twenty-First Century*, is more of an integrative approach based on facts and massive data on economic evolution of current issues and challenges. He too has addressed the outgrowing of power and disproportional average growth rate of capital, as contrasted with the average economic growth rates. He has concluded that fact as being a reason for an imbalanced economic development and more loss of the middle class, in both size, net worth, and hence influence on major sets of socio-economic prospects.

A socially equitable economic policy that would indirectly contribute to the sustainability of the free-enterprise system has repeatedly been recommended to include the following targets and provisions:

- Higher minimum wages that will be indexed to the inflation variations: According to Robert Reich (May 12, 2014), “The fastest-growing categories of work are retail, restaurant (including fast food), hospital (especially orderlies and staff), hotel, childcare and eldercare.” The pay in these work categories is too low. He argues that no full-time working American should live in poverty.
• Investment in the foundation and infrastructure of the economy

On wages and the shrinking middle class, both Reich (2014) and Sanders (2014) emphasize raising wages. Sanders argument is that one of the key empowering forces for low-wage earners in the private sector is their unionization and reinvigoration of unions. Reich similarly proposes that unions must be protected.

Government investing in education and cutting the cost of higher education are strongly recommended by both Reich (2014) and Sanders (2014). Another critically needed policy is investment in infrastructure, which has been obsolete - as faced especially by many lower income-groups of American workers. Sanders has made references to “long commutes to work, excessively high home and rental prices, inadequate Internet access, insufficient power and water sources, and unnecessary environmental degradation.” (p. 1)

Higher taxes on the wealthy individuals who have been enjoying a higher share of the total national income in recent years are recommended. Also, a progressive payroll tax policy is the choice of most of liberal economists and politicians.

The financial sector’s negative impact on the middle class and the poor has added to their already-challenging pressures. The Glass-Steagall Act, which had prevented commercial- and investment-banking functions to be merged, should be brought to an effective implementation. The nation’s biggest banks’ sizes should be limited.

The richest 10 percent of Americans own roughly 80 percent of the value of the nation’s capital stock; the richest 1 percent own about 35 percent. Due to the outweighing growth rate of returns to capital relative to the returns to labor, the wealth allocation and ownership are further aggravating inequality. So, Sanders (2014) recommends most specifically that:

“Ownership should be broadened through a plan that would give every newborn American an ‘opportunity share’ worth, say, $5,000 in a diversified index of stocks and bonds—which, compounded over time, would be worth considerably more. The share could be cashed in gradually starting at the age of 18.”
Figure 1. Change in U.S. Real Household Income and Selected Goods and Services (2000-2012)

Data Source: Center for American Progress – “The Middle Class Squeeze”, September 2014, extracted from:
https://en.wikipedia.org/wiki/Income_inequality_in_the_United_States

Bernie Sanders (2014) has emphasized the fact that policies are influenced by wealthy corporations and individuals. Therefore his platform is heavily based on “getting big money out of politics.” He strongly suggests that the influence of great accumulations of wealth on the political process is damaging to American democracy in the sense that average Americans lose their fairly expected voice of collective influence. He suggests that some corrective constitutional amendment needs to be implemented, and before that happens, the U.S. needs to move toward a well-calculated way of public financing of elections, in which the federal government would provide $2 for every $1 raised from small donors by presidential candidates, as well as House and Senate candidates in general elections.

Sanders’s political revolution also includes his well-emphasized prescription of a public grass-root movement for shared prosperity in the country as opposed to leaning on corrupt and hopeless political reforms through the U.S. Congress. That, he recognizes, would take time. He too believes that as before, capitalism can be saved from itself through certain appropriate progressive rules and laws initiated by the public.
It is interesting and promising to know that according to a study conducted by Ostry and Berg (2011) for the period of 1950-2006, of the factors affecting the duration of economic growth in developed and developing countries, income equality has been found more effective than trade openness, sound political institutions, or foreign investment.

**Trend of Growth of Government Engagement**

It is worth noting that if socialism should be identified in how heavily governments participate in economic activity, the directions and trajectory are clearly showing more active governments, and hence, more of “socialism.” In that context, many U.S. conservative presidents of the recent times could be identified as more engaged in “socialism” than the liberal ones of the 1960’s. The following example clearly attests to that fact.
An absolute reliance on free competition and market economic system could lead to disastrous consequences, such as those globally experienced during the most recent Great Recession of 2007-2009 (and even longer for many countries). The real challenges faced by nations of the world are in their genuine exploration of more sustainable and equitable economic policies that would lead to promotion of the middle class. The classical and neo-classical economic policies have been proven to be inadequate in stabilizing nations’ economies and prosperity.

Table 2: Distribution of Net Worth and Financial Wealth in the United States, 1983-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 1 percent</th>
<th>Next 19 percent</th>
<th>Bottom 80 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>33.8%</td>
<td>47.5%</td>
<td>18.7%</td>
</tr>
<tr>
<td>1989</td>
<td>37.4%</td>
<td>46.2%</td>
<td>16.5%</td>
</tr>
<tr>
<td>1992</td>
<td>37.2%</td>
<td>46.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>1995</td>
<td>38.5%</td>
<td>45.4%</td>
<td>16.1%</td>
</tr>
<tr>
<td>1998</td>
<td>38.1%</td>
<td>45.3%</td>
<td>16.6%</td>
</tr>
<tr>
<td>2001</td>
<td>33.4%</td>
<td>51.0%</td>
<td>15.6%</td>
</tr>
<tr>
<td>2004</td>
<td>34.3%</td>
<td>50.3%</td>
<td>15.3%</td>
</tr>
<tr>
<td>2007</td>
<td>34.6%</td>
<td>50.5%</td>
<td>15.0%</td>
</tr>
<tr>
<td>2010</td>
<td>35.4%</td>
<td>53.5%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 1 percent</th>
<th>Next 19 percent</th>
<th>Bottom 80 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>42.9%</td>
<td>48.4%</td>
<td>8.7%</td>
</tr>
<tr>
<td>1989</td>
<td>46.9%</td>
<td>46.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>1992</td>
<td>45.6%</td>
<td>46.7%</td>
<td>7.7%</td>
</tr>
<tr>
<td>1995</td>
<td>47.2%</td>
<td>45.9%</td>
<td>7.0%</td>
</tr>
<tr>
<td>1998</td>
<td>47.3%</td>
<td>43.6%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

**Figure 3. Size of Government, in percentage of GDP for a Selected Group of Countries**

U.S. government spending (combining federal, state, and local levels) as a share of GDP is comparable to that in Canada, Japan, and Australia, but lower than in many European countries.
<table>
<thead>
<tr>
<th>Years</th>
<th>Fed Income Tax - Top 1%</th>
<th>Top 5%</th>
<th>Top 10%</th>
<th>Top 25%</th>
<th>Top 50%</th>
<th>Bottom 50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>19.29</td>
<td>37.07</td>
<td>49.47</td>
<td>73.12</td>
<td>92.98</td>
<td>7.02</td>
</tr>
<tr>
<td>1985</td>
<td>22.3</td>
<td>39.28</td>
<td>51.89</td>
<td>74.31</td>
<td>92.9</td>
<td>7.1</td>
</tr>
<tr>
<td>1990</td>
<td>25.13</td>
<td>43.64</td>
<td>55.36</td>
<td>77.02</td>
<td>94.19</td>
<td>5.81</td>
</tr>
<tr>
<td>1995</td>
<td>30.26</td>
<td>48.91</td>
<td>60.75</td>
<td>80.36</td>
<td>95.39</td>
<td>4.61</td>
</tr>
<tr>
<td>2000</td>
<td>37.42</td>
<td>56.47</td>
<td>67.33</td>
<td>84.01</td>
<td>96.09</td>
<td>3.91</td>
</tr>
<tr>
<td>2007</td>
<td>39.81</td>
<td>59.9</td>
<td>70.41</td>
<td>85.71</td>
<td>96.64</td>
<td>3.36</td>
</tr>
<tr>
<td>2008</td>
<td>37.51</td>
<td>58.06</td>
<td>69.2</td>
<td>85.57</td>
<td>96.9</td>
<td>3.1</td>
</tr>
<tr>
<td>2009</td>
<td>36.34</td>
<td>58.17</td>
<td>69.89</td>
<td>86.74</td>
<td>97.54</td>
<td>2.46</td>
</tr>
<tr>
<td>2010</td>
<td>37.38</td>
<td>59.07</td>
<td>70.62</td>
<td>87.11</td>
<td>97.64</td>
<td>2.36</td>
</tr>
<tr>
<td>2011</td>
<td>35.06</td>
<td>56.49</td>
<td>68.26</td>
<td>85.62</td>
<td>97.11</td>
<td>2.89</td>
</tr>
<tr>
<td>2012</td>
<td>38.09</td>
<td>58.95</td>
<td>70.17</td>
<td>86.42</td>
<td>97.22</td>
<td>2.78</td>
</tr>
<tr>
<td>2013</td>
<td>37.8</td>
<td>58.55</td>
<td>69.8</td>
<td>86.27</td>
<td>97.22</td>
<td>2.78</td>
</tr>
</tbody>
</table>


Potential Damaging Tendencies for Deterioration of Capitalism

It is a great responsibility for governments through a real democratic process to guard the system from the ever-existing tendencies of capitalists’ greed and fraud. Let’s refer one more time to Niskanen’s (2009) comparison of the placement of blame on gravity in causing airplane crashes with the potential excessive greed in causing financial failures. In the former case, critically needed efforts are constantly made in making the best possible planes to not only prevail over any gravity-related challenges but over all other environmental risks that are possibly involved in every flight. Many economists and policymakers are now more sensitive to the existing externalities that have not been quite properly recognized by most market-oriented economists and policymakers. These externalities such as huge and often irreversible and devastating losses that could be inflicted by unethical practices of some market participants are supposed to be prevented and/or corrected by governments to save capitalism from those illegitimately-greedy capitalist through appropriate regulations and even deregulations within the market economic system.

Dyck, Morse, and Zingales (February 2013) estimated the percentage of firms engaged in fraud as well as the consequential cost of fraud. They reported that there was an estimated chance of 14.5% in any given year that a company would be engaging in a fraud. The loss as a result of fraud is not too small to ignore under the rosy promises of more extensive enterprise freedom that would necessitate no or minimal government regulations. They also estimated that corporate fraud resulted in investors losing 22 percent of the fraud-committing company’s value and an average rate of 3 percent of enterprise value across all firms.
Table 4: Corporate Fraud and Weakening Trends of Legal Consequences

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigations Initiated</td>
<td>75</td>
<td>88</td>
<td>60</td>
<td>80</td>
<td>110</td>
<td>116</td>
<td>123</td>
</tr>
<tr>
<td>Prosecution Recommendations</td>
<td>35</td>
<td>54</td>
<td>66</td>
<td>67</td>
<td>79</td>
<td>91</td>
<td>86</td>
</tr>
<tr>
<td>Indictments/Information</td>
<td>29</td>
<td>65</td>
<td>60</td>
<td>59</td>
<td>81</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Sentenced</td>
<td>43</td>
<td>79</td>
<td>40</td>
<td>78</td>
<td>82</td>
<td>61</td>
<td>72</td>
</tr>
<tr>
<td>Incarceration Rate*</td>
<td>81.4%</td>
<td>72.2%</td>
<td>90.0%</td>
<td>83.3%</td>
<td>81.7%</td>
<td>77.0%</td>
<td>77.8%</td>
</tr>
<tr>
<td>Average Months to Serve</td>
<td>35</td>
<td>40</td>
<td>67</td>
<td>47</td>
<td>51</td>
<td>48</td>
<td>43</td>
</tr>
</tbody>
</table>

*Incarceration Rate includes confinement to federal prison, halfway house, home detention, or some combination thereof. Data Source: Criminal Investigation Management Information System. Also: https://www.irs.gov/uac/Corporate-Fraud-Criminal-Investigation

The above tabulated information, followed by the following figures, show the weakening trend of punitive consequences of various stages of fraud, which would be in line with serious concerns about a lack of effective government rules and regulations governing greed and corporate crime.
Trend Analysis Plot for Indictments/Information
Linear Trend Model
\[ Y_t = 99.7143 - 8.35714 \times t \]

Trend Analysis Plot for Sentenced
Linear Trend Model
\[ Y_t = 78.2857 - 3.32143 \times t \]
When a linear trend model was applied, among all the variables tested, the only upward trend experienced was about the incarceration rate, which was ruled out by a more valid quadratic trend model, through its lower estimated error measures.
RECOMMENDED SOCIO-ECONOMIC THEORETICAL FRAMEWORKS

The author recommends two of his formulated alternative methodologies for this research:

(I) The first framework is proposed to link various indicators of social equity measures to an indicator of economic performance, as formulated below:

\[ EPI_{ij} = a_{ij+1} \cdot SEI_{i+1,j} + \xi_{ij} \]  

Equation (1) is simply the matrix form of the regression equation of \( EPI_{ij} \) for representing either \( i = 1, \ldots, 4 \) countries, or 4 various measures (indicators) of economic performance for any single country. Also, the matrix of 4 independent variables (or social equity indicators) is represented by \( SEI_{i+1,j} \); the last one represents the error terms vector.

\[
\begin{bmatrix}
EPI_{11} \\
EPI_{21} \\
EPI_{31} \\
EPI_{41}
\end{bmatrix} =
\begin{bmatrix}
a_{10} & a_{11} & a_{12} & a_{13} & a_{14} \\
a_{20} & a_{21} & a_{22} & a_{23} & a_{24} \\
a_{30} & a_{31} & a_{32} & a_{33} & a_{34} \\
a_{40} & a_{41} & a_{42} & a_{43} & a_{44}
\end{bmatrix}
\begin{bmatrix}
1 \\
SEI_{11} \\
SEI_{21} \\
SEI_{31} \\
SEI_{41}
\end{bmatrix}
+ 
\begin{bmatrix}
\xi_{11} \\
\xi_{21} \\
\xi_{31} \\
\xi_{41}
\end{bmatrix}
\]  

(2)

That would be simply summarized in (3), as follows, for a choice of only one EPI (e.g., real GDP per capita for many countries), or one country’s one EPI only:

\[ EPI = a_0 + a_1 SEI_1 + a_2 SEI_2 + a_3 SEI_3 + a_4 SEI_4 + \xi \]  

(3)

Where:
- \( EPI \) = Economic performance indicator
- \( SEI_i \) = Social equity indicator for \( i = 1, \ldots, 4 \), and to be more specific, let:
- \( SEI_1 \) = Gini Coefficient
- \( SEI_2 \) = Human development indicator
- \( SEI_3 \) = literacy index
- \( SEI_4 \) = Healthcare indicator

(II) The second method is based on the application of Categorical Data Analysis, in which a column of 4 countries’ (or more) Economic Performance Indicators, \( EPI_i \), will be listed in the first column of the categories matrix, and 4 (or more) Social Equity Indicators, \( SEI_j \), will be listed in the first row of the matrix, where \( i = 4 \) (or more) and \( j = 4 \) (or more).

The following empirical analysis relies heavily on the first proposed framework.

An Empirical Analysis of Quality of Life in Various Countries, and a Balancing Policy

The author has collected data for 57 countries covering many socio-economic factors in explaining the quality of life. So Quality of Life Index would stand for the EPI (economic performance indicator).

Regression Analysis: Quality of Life

The following estimated regression equation is a summary of the factors that explain Quality of Life in a statistically-significant way:

\[ QLI = -211 + 1.32 SI + 1.56 HCI - 5.39 PPIRI - 1.17 TCTI + 0.995 GI + 291 HDI \]  

(4)
Table 2: Regression Results for Quality of Life Index for 56 Countries of the World

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>SE Coef</th>
<th>T</th>
<th>P</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-211.15</td>
<td>46.85</td>
<td>-4.51</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>SI (Safety Index)</td>
<td>1.3171</td>
<td>0.3072</td>
<td>4.29</td>
<td>0.000</td>
<td>1.7</td>
</tr>
<tr>
<td>HCI (Health Care Index)</td>
<td>1.5590</td>
<td>0.3764</td>
<td>4.14</td>
<td>0.000</td>
<td>1.4</td>
</tr>
<tr>
<td>Property-Price-to-Income Ratio (PPIR)</td>
<td>-5.3936</td>
<td>0.6859</td>
<td>-7.86</td>
<td>0.000</td>
<td>1.4</td>
</tr>
<tr>
<td>*Traffic-Commute-Time Index (TCTI)</td>
<td>-1.1666</td>
<td>0.5982</td>
<td>-1.95</td>
<td>0.057</td>
<td>1.8</td>
</tr>
<tr>
<td>Gini Index(GI)</td>
<td>0.9951</td>
<td>0.3902</td>
<td>2.55</td>
<td>0.014</td>
<td>1.2</td>
</tr>
<tr>
<td>Human Development Index (HDI)</td>
<td>291.24</td>
<td>49.43</td>
<td>5.89</td>
<td>0.000</td>
<td>1.8</td>
</tr>
</tbody>
</table>

S = 25.6669  R-Sq = 88.7%  R-Sq(adj) = 87.4%

*TCTI is the only variable with a significance level of 0.057 (slightly worse than 5%)

Table 3: Analysis of Variance for the above Regression Model

<table>
<thead>
<tr>
<th>Source</th>
<th>DF</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6</td>
<td>259844</td>
<td>43307</td>
<td>65.74</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual Error</td>
<td>50</td>
<td>32940</td>
<td>659</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>292784</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is obvious that almost all the included variables in the above model are significant at 5% and better levels, and the F value is perfectly high with a 0 level of significance. In simple words, quality of life is most strongly and significantly explained by HDI, Property-Price-to-Income Ratio (PPIR), Health Care Index (HCI), Safety Index (SI), Traffic-Commute-Time Index (TCTI), and Gini Index (GI, as explained in the following figure).

Figure 4. Cumulative Percentage of households
Gini Coefficient = A/(A+B) (Min or worst = 0; Max or best = 1)

In search of any alternative empirical explanation, the following slightly revised regression model was also estimated:

QLI (Quality of Life Index) = 65 + 1.00 PPI (Purchasing Power Index) + 0.75 SI (Safety Index) + 0.50 HCI (Health Care Index) - 0.2 CPI (Consumer Price Index) - 2 PPIRI (Property Price to Income Ratio Index) + 0.5 TCTI (Traffic Commute Time Index) - 1 PI (Pollution Index) - 0.0001 GI (Gini Index) (5)
Table 4: Quality of Life Regression Model

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>SE Coef</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>64.9835</td>
<td>0.0116</td>
<td>5620.97</td>
<td>0.000</td>
</tr>
<tr>
<td>Purchasing Power Index</td>
<td>1.00000</td>
<td>0.00006</td>
<td>6583.53</td>
<td>0.000</td>
</tr>
<tr>
<td>Safety Index</td>
<td>0.750085</td>
<td>0.000105</td>
<td>7124.710</td>
<td>0.000</td>
</tr>
<tr>
<td>Health Care Index</td>
<td>0.499943</td>
<td>0.000130</td>
<td>3847.700</td>
<td>0.000</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>-0.199920</td>
<td>0.000090</td>
<td>-2233.34</td>
<td>0.000</td>
</tr>
<tr>
<td>Property Price to Income Ratio</td>
<td>-2.00057</td>
<td>0.000300</td>
<td>-6665.98</td>
<td>0.000</td>
</tr>
<tr>
<td>Traffic Commute Time Index</td>
<td>-0.499726</td>
<td>0.000204</td>
<td>-2451.65</td>
<td>0.000</td>
</tr>
<tr>
<td>Pollution Index</td>
<td>-0.999824</td>
<td>0.000098</td>
<td>-10162.98</td>
<td>0.000</td>
</tr>
<tr>
<td>Gini Index</td>
<td>-0.0001112</td>
<td>0.0001517</td>
<td>-0.73</td>
<td>0.467</td>
</tr>
</tbody>
</table>

\[
S = 0.00821876 \quad R-Sq = 100.0\% \quad R-Sq(adj) = 100.0\%
\]

Table 5: Analysis of Variance for the above Regression Model

<table>
<thead>
<tr>
<th>Source</th>
<th>DF</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>8</td>
<td>292784</td>
<td>36598.0000</td>
<td>5.41807E+08</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual Error</td>
<td>48</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>292784</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The lack of statistical significance of Gini Index in the above regression would lead to a more narrowed-down regression, as presented in Table 6, which reveals results significant at all levels.

Table 6: Stepwise Regression Results for Quality of Life

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>64.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Power Index-PPI</td>
<td>0.99997</td>
<td>19120.19</td>
<td>0.00</td>
</tr>
<tr>
<td>Pollution Index, PI</td>
<td>-0.99985</td>
<td>-10857.40</td>
<td>0.00</td>
</tr>
<tr>
<td>Property Price to Income Ratio, PPIRI</td>
<td>-2.00064</td>
<td>-7007.20</td>
<td>0.00</td>
</tr>
<tr>
<td>Safety Index, SI</td>
<td>0.75010</td>
<td>7369.38</td>
<td>0.00</td>
</tr>
<tr>
<td>Health Care Index, HCI</td>
<td>0.49995</td>
<td>3889.51</td>
<td>0.00</td>
</tr>
<tr>
<td>Traffic Commute Time Index, TCTI</td>
<td>-0.49975</td>
<td>-2483.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Consumer Price Index, CPI</td>
<td>-0.19991</td>
<td>-2271.53</td>
<td>0.00</td>
</tr>
</tbody>
</table>

\[
QL = 64.98 + 1PPI – 1PI – 2PPIRI + 0.75 SI + 0.5 HCI – 0.5 TCTI – 0.2 CPI
\]
CONCLUSION

Without some effectively implemented laws and regulations, capitalism would hardly be conducive to an ideal system in which prosperity can be maximized. It has to be effectively saved from too greedy capitalists and allegedly itself through well-calculated laws and regulations. The Nobel Prize worthy formulations of the optimal number of - as well as most appropriate policies - is the challenge of our globally dominating pessimistic sentiments against the seemingly unrestricted influence of capital. Although many countries have implemented all types of regulations and regulators’ oversight of businesses, it is argued that those were formulated and implemented either directly or indirectly through financially-influential businesses and individuals. Long-term strategic policy should target social stability and promotion of the middle class, which has been shrinking to smaller fractions. The more sophisticated our modern systems are becoming, the more significant the needs are realized for policymakers and legislators in adopting rules and policies that would improve lives of all classes through better and cleaner environments, more inclusive health care benefits, education at all levels, an equitable legal justice system, home ownership opportunities, smoother and more equitable income distributions, elimination of financial influences of big corporations and extra wealthy individuals, improved working conditions, and adoption of some equitable minimum wage laws. Countries that are ranked as best places to live, have responded to those societal needs much better than the others. The author has found in this empirical examination that Quality of Life has been influenced - through a strength ranking - by Purchasing Power, Safety, Health Care, CPI (Consumer Price Index), Property Price to Income Ratio Index, Traffic Commute Time Index, Pollution Index, and Gini Index. Such stabilizing policy implications are broad in not only elevating the prosperity of nations but helping effectively in overcoming problems of violence, crime, and even terrorism, in the longer lives of nations.
APPENDIX

In Table 2, Domhoff (2016) has defined:

Total assets: sum of the gross value of owner-occupied housing, other real estate owned by the household, cash and demand deposits, time and savings deposits, certificates of deposit, and money market accounts, government bonds, corporate bonds, foreign bonds, and other financial securities, the cash surrender value of life insurance plans, the cash surrender value of pension plans, including IRAs, Keogh, and 401(k) plans, corporate stock and mutual funds, net equity in unincorporated businesses, and equity in trust funds.

Total liabilities are the sum of mortgage debt, consumer debt, including auto loans, and other debt.

REFERENCES


Attitudes of Business Deans and Students Regarding Academic Sustainability Programs: A Comparative Analysis

David S. Harrison¹, University of South Carolina Aiken, USA
Patsy Lewellyn², University of South Carolina Aiken, USA
David Newlands³, IÉSEG School of Management, France
C. Michael Ritchie⁴, University of South Carolina Aiken, USA

ABSTRACT
This study reports on the opinions and perspectives of business school deans and students on the role of sustainability in business academic programs. The focus of the enquiry is to investigate the status, standing, and appeal of sustainability topics in business curricula, including the desirability of alternative approaches to teaching sustainability. Harrison et al. (2015) reported survey results of U.S. business school deans covering these topics, including their assessment of students’ sentiments toward sustainability in the curricula. That work was extended to include student sustainability perspectives directly, taken from students studying in the U.S. and France, comparing and contrasting these results independently and with the previously reported deans’ sustainability viewpoints.

Key words: Business Sustainability, Business Education, Curricular Design

INTRODUCTION AND LITERATURE REVIEW
The issue of sustainability affects everyone, although clearly people of differing persuasions (politically and otherwise) have widely dispersed viewpoints. Business schools have taken on the issue to varying degrees, with very few, to our knowledge, absent some level of sustainability in the curricula. With AACSB and EQUIS accreditation standards openly requiring some level of sustainability coverage, this trend will surely continue. As no dominant methodology, technology or emphasis exists to achieve optimal sustainability, the area remains open to alternative approaches. The umbrella of corporate social responsibility (CSR) clearly includes green and environmental issues, along with related human resource issues, working conditions, ethical practices, and financial/security aspects such as living conditions, pensions, health care and education. Impacting all, the contributions of all are welcome and needed, although the emphasis and paths toward progress is neither clearly defined nor enjoys universal accord. Employees, managers and future business owners are urged to balance the needs to ‘make budget’ without putting in danger long-term survival of business and society in general. As such, business school graduates, regardless of specialization, require some level of sustainability in their curriculum.

Rapid advances in global technologies offer the prospect of exciting future opportunities for business students on many levels. Paired with corresponding population increases and resource concerns, the opportunities are vast, tempered by increasing environmental challenges. The challenges and environmental risks are increasing at what many consider dangerous and exponential rates (Hansen et al, 2005). The Paris Climate Change Talks reported that environmental challenges need prompt and effective action on a coordinated level. Differences in opinion exist and seriously impede progress, adding to delay, the level of threat, and rates of change. Governments, society and businesses jointly have recognized the need to increase awareness and knowledge of potential environmental vulnerabilities, as well as stimulate research on feasible alternatives and implementations of solutions to mitigate identified issues. The business community is aware of the importance of the issues, with some working toward leadership roles. Over 7,000 businesses now issue sustainability reports that include their environmental performance and impacts (GRI,

¹ Professor & Chair in Global Business, University of South Carolina Aiken
² Visiting Professor, IÉSEG School of Management
³ Associate Professor, IÉSEG School of Management
⁴ Professor of Management, University of South Carolina Aiken
This is not all reactionary, costly, or negative. New business opportunities have developed in response to growing environmental awareness, with new technologies finding receptive and profitable markets for practical environmental solutions. “Green Business; Sustainable Production; Environment Friendly Products & Production, Green Accounting” are but a few of the now common terms found throughout the world. Sustainability clearly is an important area for business, requiring business schools to adequately prepare graduates for the issues, challenges, and opportunities awaiting them.

Some segments of the business community have engaged more enthusiastically than others to the growing global interest in sustainability. They believe the sustainability area offers new market segments, new opportunities and niches in current markets, and the prospect of leading product development life cycles. The AICPA suggests that business should move toward business sustainability “not just because it is the right thing to do, but also because it makes good business sense.” (Coffey, 2012) The academic community needs to work with business to provide leadership, research, and motivated graduates ready to take on the challenges and opportunities these technologies offer, in safe, sustainable and profitable directions.

The academic community, business schools in particular, have responded with growing interest and active program development. The eagerness with which they have responded, however, is not well documented. Sustainability pairs well with existing CSR programs integrated within business programs for several decades; to that extent the addition of sustainability should be somewhat seamless. The AACSB and EQUIS both recently added sustainability requirements in their accreditation standards. The AACSB also added an annual sustainability conference to their educational programs and a Sustainability Resource Center to its website. With varying levels of interest and progress, university business programs are incorporating sustainability topics into their curricula. In Europe, educational institutions that have been slow to implement some level of sustainability into their curricula are additionally encouraged by the European Higher Education Area (EHEA), who report they are “dealing with non-implementation.” (As reported within their website on implementation and quality assurance; Bologna Process, EHEA 2016; http://www.ehea.info/article-details.aspx?ArticleId=391). Business schools and individual degree programs may treat the field of sustainability differently, to best fit the students' major, and cognizant of resource and course constraints. There are choices, sustainability objectives can be achieved with varying degrees of efficiency, effectiveness, and resources. Deans have ultimate responsibility for strategic sustainability deployment within the curricula, but this is further complicated by student needs and perceptions. Curricula influences student experiences and perceptions, ultimately reflecting on the reputation of the school and university. Underlying all of this is the need to meet the relatively new sustainability curricular accreditation requirements (although admittedly vague). The less than perfectly defined sustainability accreditation requirements give way to various coverage alternatives, which we queried as well.

Education ideally includes esoteric and abstract notions. Such education may heighten intellectual capability and abstract thought. Graduates seeking employment, however, may be hampered if they do not have skills grounded in the practical applications, problems, and pressing issues affecting the employer, the industry sector and nation states. This includes a working knowledge of the issues and alternative approaches to sustainability objectives. Sustainability topics, as a growing field, offer both esoteric challenges as well as practical groundings. Sustainability pedagogy offers a valuable chance to otherwise avoid ‘death by PowerPoint’, using other interactive means, including a range of games to teach sustainability (Dahlin, Fenner and Cruickshank 2015). The EHEA aims to achieve improve educational models by orienting away from theoretical knowledge toward professional skills. Practical problems in sustainability that demonstrate value added provide welcome, grounded learning opportunities for both business and engineering students. Business school students typically do not have the technical background of an engineer, however, they can direct attention toward challenges and solutions – in this case sustainability – working with the technical side, from different perspectives. Such harmony could provide valuable teamwork experiences across disciplines in an area of increasing importance [sustainability] that will surely be pertinent to both disciplines as the students move into the workplace.

Recent adoption of some environmental and sustainability academic program initiatives show varied progress, with most moving favorably forward. Given continued impetus from society, the need to meet accreditation standards, and the expanding commercial market for green products and technology, this momentum will likely increase. Despite progress, the future remains vague; much needs to be done and learned. It remains unclear how business schools ultimately will respond
with viable program initiatives that will contribute meaningfully to business leadership and measureable progress. Will business programs take the route of complying the standards, “checking the boxes” but adding little to the research and leadership needed to truly meet the needs of advancing global technologies and environmental issues? Or will significant advancements be made with new academic programs, integrative curricular approaches with meaningful advances? Such progress requires energy, enthusiasm, change – a truly dynamic willingness to change (Saffron, 2016). In the opinion of some, change is something that may challenge the comfortable academic way of life, and may therefore find less than enthusiastic acceptance. Further, some wonder if the attention paid to business ethics, integrative course approaches, assessment, and accreditation requirements has truly produced a generation of business school graduates best equipped to lead the business community into the future. If not, better direction and execution are necessary. Sustainability issues, programs, and pedagogy are similarly impacted. Understanding the present academic sustainability alternative approaches, practices, programs, and achievements is a start.

A study by Rezaee and Homayoun (2014) concluded that “business colleges and accounting schools have much work to do in terms of motivating students to the importance of CSR and sustainable practices in business programs.” Their conclusions were based on their examination of 45 business sustainability course syllabi with corresponding observations from academics. Our study examines implementation from a different perspective using a different modality. We used survey data to compile and compare the perceptions of and favorability toward sustainability curricular alternatives. The survey compared the responses of business school deans with those of students. Our survey diverges from the Rezaee and Homayoun (2014) study of existing curricular practices, by moving to an information gathering modality, investigating and contrasting the viewpoints held by those responsible for future sustainability curricular directions, the deans, with those to whom the programs are addressed, the students. We examined their opinions on alternative sustainability curricular designs, program approaches, best practices, and ideal implementation strategies. The question of efficacy in terms of student success in understanding sustainability issues, applications and alternative solutions sets was not a subject of our or the Rezaee and Homayoun (2014) study. That important question remains, requiring resolution in itself, regardless of the positive directions taken by many to integrate sustainability within the curricula (Rundle-Thiele and Wymer, 2012). Much work remains open for all.

METHODOLOGY

Our study merged the results of two surveys we performed on sustainability issues and curricular approaches. We started with a prior study (Harrison et al. 2015) that examined the practices, plans and viewpoints on sustainability curricular issues held by U.S. Business Schools deans with our more recent survey of business students. The students were undergraduates from the University of South Carolina Aiken (USA), and the IESEG School of Management (Paris & Lille, France). IESEG School of Management has a mix of French students in their third year of study along with a broad mix of international graduate students; (about 75% of the IESEG students surveyed were French). Given the mix of U.S. students, French, and international students, we believe we have attained a wide segment of student opinion on sustainability, albeit mostly U.S. and French. As were the dean responses in the initial survey, the subsequent student responses are of great interest independently, each as standalone studies, but provide even more interesting observations as side-by-side analyses. All in all we believe we attained an interesting spectrum of viewpoints and perspectives in this important and timely area. Comparing responses between U.S. and international students provides yet further opportunities to compare and contrast perspectives. Noting that both EQUIS and the AACSB’s latest accreditation standards require increasing commitments to sustainability within the curricula, and that much progress remains to be made, we believe our analyses will be of some help to those interested in developing sustainability programs further.

We used web-based survey software (Lime) for the first, deans’ survey, with responses limited to mid-sized AACSB business schools in the United States, our peer group. While we hoped the results and observations of this first survey would have value to others, we had a more parochial motivation as well. We are in the process of developing an inter-curricular sustainability center at our university. Our business school is taking the lead role. We believed that the survey results would provide us with valuable insights with which to move forward. As we moved ahead with the analyses of the deans’ survey results it occurred to us that it might be interesting to ask the same sustainability questions of our students in the U.S., and to add to that students in a French business school with which we had contact and access, and which included a significant segment of international students from different parts of the world.

© Copyright by Author(s) September 4-7, 2016
The deans’ survey ended up with a respectable 31 responses of the 83 deans we polled (37%), although it was less than for which we hoped. We had a more “controlled” survey environment for the student surveys – we simply surveyed students in our classes. We decided to use a paper survey for this, as we could ensure survey completion, achieving basically a 100% response rate. We had 60 U.S. students’ respondents and 72 French/International. We should also point out that in contrast to the investigation Rezaee and Homayoun (2014) undertook where they painstakingly reviewed program syllabi, the nature of voluntary questionnaire surveys necessitates less detail. To ask more of the respondents would diminish both the number and quality of responses. We believe, however, our analysis of the results has provided some valuable insights and information for those business programs desiring to further integrate sustainability with their curricula.

The surveys for the deans and students were essentially identical instruments. They included 21 main questions; the dean survey also included a set of sub-questions for those schools that already offered some form of sustainability courses. We did not include those in the student survey, however, as students were not likely to know much of programs or courses for which they were not registered. (See Harrison, et al. 2015 for other results.) The survey questions were all simple “check the box,” type, and designed to appear relatively easy to read and complete. Most of the questions were of the “strongly agree to strongly disagree” fashion. The survey took roughly 15 minutes to complete. Accordingly, the survey was not a burden, and seemed to hold the students’ attention, something we had worried about. And it was short enough to attract a reasonable dean response rate.

RESULTS, & OBSERVATIONS

What is Sustainability? We initiated the survey by asking respondents to identify with one (or more) of the following sustainability definitions. We considered this a “set the stage” question in our initial survey of deans. It served to get the respondents thinking about sustainability, and focus them on some generally recognized definitions of sustainability. While [hopefully] not as important for the deans, for the students we felt it was especially important to give them definitions of sustainability prior to moving ahead with the rest of the survey. In this instance, and only in this instance we had different formats for the deans and students. For the deans we simply asked them to select definitions that they felt appropriately defined sustainability. (They could choose more than one.) We gave the students the strongly agree / strongly disagree scale. While we truly were interested in the dean definitional preferences, we felt most students would not appreciate the nuanced differences in the definitions, would not really devote much time contemplating such, and didn’t want to turn the students off with a difficult first question. The ‘agree/disagree’ format doesn’t stretch the brain much. We did, however, very much want to inject these sustainability concepts and definitions into the student mindset at the outset of the questionnaire. Given that the students all seemed to basically like all the definitions (avg. of 3.7 of 5), with a standard deviation of less than 1.0, we seem to have judged this decision properly.

For the deans, the only definition that directly mentioned CSR had the lowest response rate. This is a bit of a surprise. To be fair, however, that definition contrasted CSR with sustainability in terms of a time frame, so the low score may have less to do with the CSR term, than the framing of the questions in a past/future context. Most deans favored the triple bottom line approach, joining profits with social and environmental goals.

Here is a table showing the results of the survey:

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Deans: %</th>
<th>Students:</th>
</tr>
</thead>
<tbody>
<tr>
<td>An appreciation for the impacts of business activity on society, especially the environment, beyond simply focusing on short-run corporate profits.</td>
<td>21%</td>
<td>3.6</td>
</tr>
<tr>
<td>Finding a way for businesses to meet the demands of today’s customers without compromising the needs of future generations.</td>
<td>21%</td>
<td>3.8</td>
</tr>
<tr>
<td>Corporate social responsibility typically addresses the social impacts of past corporate actions, while sustainability seeks to change the future direction of the company.</td>
<td>8%</td>
<td>3.4</td>
</tr>
<tr>
<td>Sustainability considers business practices that enhance the firm’s long-term triple bottom line, which includes monetary profits, social impacts on the community, and environmental impacts of the firm’s stakeholder eco-system.</td>
<td>51%</td>
<td>3.9</td>
</tr>
</tbody>
</table>
What is the Value of Sustainability?

It is encouraging to note that substantially everyone, deans (90%), USA students (81%) and French students (69%) overwhelmingly agree or strongly agree that sustainability topics are important components of business education. At the same time, it is perhaps disappointing to see that 10% of deans, 18% of USA students and almost a full third of French students are either neutral or disagree (much less, 3%, 3%, 7%) and don’t think there is any value in sustainability in the curricula. As noted throughout this survey, the American students had a far more favorable attitude toward sustainability than did the French. While pleasing to these U.S. authors (plus one British), the comparative level of French enthusiasm is surprising. It encourages us to widen the respondents within Europe. We would expect more favorable sustainability acceptance in countries such as Germany, Sweden, and others.

While we can content ourselves about the positive value placed on sustainability by all, our prior deans’ survey showed that only nine of the 31 respondents had [at least] one sustainability course in place, and that there was a generally low level of self-reported faculty sustainability expertise overall (presented further along in the tables). Who is going to teach these courses as they are introduced?

Approaches to Sustainability (Current Practices – from Prior Dean Survey): Business schools indicated a diverse approach to covering sustainability within their curriculum. We were surprised to see that only about 30% in our survey of U.S. Deans at our peer institutions had sustainability embedded within existing core courses, and one-quarter of the schools reported “no program or emphasis in place yet.” No schools had yet required sustainability courses within their core, and only one in ten had any sustainability elective courses. This may be because we targeted mid-sized schools. We suspect that larger schools would at least have elective courses, including a major or minor, none of which our respondents had. We are a somewhat small school, with business student enrollments of about 500, yet we have had an elective cross-discipline (Biology) sustainability course for five years. We hope to expand our program soon, indeed are required to for accreditation! (Enrollments are now building, although admittedly the course got off to a slow start.) Four of the 31 respondents included some level of emphasis in sustainability in their capstone course.

Opinions Favoring Various Approaches: The following charts show response attitudes toward a series of approaches, viewpoints, and other sustainability matters, with our discussion following. We have highlighted some response areas that are of note.

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>DEANS</th>
<th>USA Students</th>
<th>French Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>28%</td>
<td>40%</td>
<td>36%</td>
</tr>
<tr>
<td>Agree</td>
<td>62%</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>Neutral</td>
<td>7%</td>
<td>15%</td>
<td>24%</td>
</tr>
<tr>
<td>Disagree</td>
<td>3%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
At this time most respondents, deans and students (86%, 71%, 69%), favored embedding sustainability topics in several core courses. This approach reminds us of the mode of ethics coverage many AACSB schools chose when required to do so for accreditation. While in an ideal curricula an integrative approach is perhaps among the best of learning pedagogies, it can also represent an “easy” means to report coverage, while in actual practice often lacks true substance. For example, it can be argued that including different currencies (euro, rupee, yen) in accounting homework embeds global perspectives in courses; at best that approach is pretty superficial. Raising course content from “embedded” to “significant component” of the Business & Society core course drops the deans from 48% strongly agreeing to only 19%. The students, both US and French seem to agree that sustainability is appropriate within the major, although in contrast to the deans and USA students, only 6% of French students strongly agree on that point, and a whopping 39% were neutral.

We unfortunately neglected to ask student about standalone courses (an oversight), but clearly the deans disfavor this approach – including a strong showing of 25% that felt it was inappropriate, with one in ten strongly objecting. This is probably more a resource issue than desirability, but that remains conjecture on our part.

Student Interest in Sustainability? It seems the younger generation, in the eyes of the dean’s anyway, is less receptive to sustainability than one might think from the popular press. The students, again especially in the U.S. show a distinctly more favorable, and expected (on the authors’ part in any event), attitude toward the area. Here’s some contrasting statistics: While almost one in four (24%) of U.S. students believe students have strong interest in a sustainability major, only 3 of 100 deans feel students share the opinion. We believe this is a remarkable difference. (Of course it is also quite remarkable that even less (1%) French students believe students are strongly interested. This trend was consistent through this attitudinal area. Deans feel 60% of students are indifferent to a sustainability major. And 50% of the French believe students have no interest at all in such a major.

Moving beyond the major, interest pick up at most levels. Deans still feel only 3% of students would have an interest in a sustainability minor, but the French move up to 12%, and at the somewhat interested level, clearly interest has risen. Courses in sustainability are clearly favored, with 86% of deans responding that students would have at least some level of interest in sustainability embedded in coursework. (Perhaps wishful thinking on the deans’ part, as we have discussed the embedded
modality most easily “checks that box.” Again the USA leads in interest for certification programs. We should note that several large universities in the U.S. have very successful and popular sustainability specialization and major programs.

And… Faculty Interest? Given the relatively high student level of interest, what about faculty?

None of the deans took a ‘neutral’ position on this, interesting. Two thirds like the idea (mostly at the ‘agree’ level’) and one third don’t. Students, however, are much less certain how faculty feel about sustainability. That in itself is an interesting observation. On the plus side, in contrast with the dean’s 33% of negative faculty interest, students think it to be much less, 7% for USA and 14% French. About half the USA and French students feel faculty are receptive to sustainability within the curricula.
Faculty Sustainability Expertise: Given the overall favorable faculty, dean, and student interest in sustainability, what about the faculty expertise – how well are we equipped to deliver credible topical coverage?

The answer, faculty expertise, appears to be “pretty good.” Appears is the key word here, depends on how one looks at the answers. The deans report that existing faculty can deliver effective coverage given additional training, well about half say they can: half empty or half full? For a new area we’ll choose the half full version, and conclude that it’s acceptable if not pretty good. Of course if asked about coverage in the traditional areas any answer other than 100% -- (of course we deliver effective coverage) – would be heresy. Still about one third of the deans did not feel existing faculty could be effective even with further training. The students, pleasingly, have far more confidence in faculty. Hardly any feel we cannot be effective in the area given some training, and only about 20% of USA students feel we can’t do an effective job unless we have further training – the other 80% think we can do it without further training needed. Apparently USA faculty have properly instilled the superman/woman philosophy effectively in our student population. In conclusion, there seems to be some acceptable level of confidence that sustainability can be effectively covered by existing faculty, recognizing that additional training would be valuable. There was a notable minority that disagreed that current faculty could properly cover the area.

Other Disciplines In Coordinated Teaching Approaches: We also asked about cross-discipline approaches to sustainability topics. This included coupling business faculty with faculty from other areas including biology, ecology, political science, freshman orientation, and integrated within general education programs. Our university currently has a sustainability topics course team taught by management and biology professors. None of the deans strongly favored any of these cross discipline approaches, although about half liked the idea of immersing it within general education coverage. (One might speculate on motives here, getting that bird and General Ed at the same time would have its attractions!) There was not a lot of “strongly agree” across any category, with the exception of the French and Political Science. The French and their love of political debate, you’ve
got to love them! It was very surprising that everyone thought combining Ecology with business sustainability was not a good idea. Ecology? While we may perhaps forgive students not understanding what ‘ecology’ means exactly, for only 56% of the deans to not look favorably on this remains surprising. The deans looked even more unfavorably on a combined approach with Political Science, which is perhaps not surprising. Overall the cross discipline approach appeared less favorable than we expected.

### Table 6: Cross Discipline Teaching Approaches

<table>
<thead>
<tr>
<th>Biology with Business Issues</th>
<th>Deans</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7%</td>
<td>30%</td>
<td>48%</td>
<td>11%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>12%</td>
<td>17%</td>
<td>17%</td>
<td>27%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>9%</td>
<td>4%</td>
<td>23%</td>
<td>29%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ecology with Business Issues</th>
<th>Deans</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7%</td>
<td>37%</td>
<td>37%</td>
<td>15%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>18%</td>
<td>25%</td>
<td>27%</td>
<td>14%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>14%</td>
<td>23%</td>
<td>31%</td>
<td>14%</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Political Science with Business Issues</th>
<th>Deans</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4%</td>
<td>33%</td>
<td>40%</td>
<td>19%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>14%</td>
<td>36%</td>
<td>31%</td>
<td>14%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
<td>36%</td>
<td>23%</td>
<td>6%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Freshmen Orientation Courses with Business Issues</th>
<th>Deans</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>29%</td>
<td>32%</td>
<td>21%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>14%</td>
<td>10%</td>
<td>36%</td>
<td>12%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>12%</td>
<td>22%</td>
<td>30%</td>
<td>22%</td>
<td>14%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Education Requirements with Business Issues</th>
<th>Deans</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7%</td>
<td>55%</td>
<td>28%</td>
<td>7%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>15%</td>
<td>29%</td>
<td>32%</td>
<td>10%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>15%</td>
<td>32%</td>
<td>34%</td>
<td>13%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

**Approaches to Sustainability:** Having covered student and faculty interest in sustainability, we investigated a related question, different nuance. We asked how they felt their school would favor various approaches to implement sustainability within the curricula. Importantly, we asked them to consider this in the absence of resource constraints. We had not asked this in original dean survey, unfortunately. We believed that looking at the desirability of alternative approaches from the school’s perspective, and in the absence of resource constraints, would provide further insights. While we [unfortunately] did not have the deans’ responses, we did survey an additional 22 students enrolled in a sustainability elective course at the French university. As these students presumably had elevated interests in sustainability (as evidenced by taking the elective course), we did not include their responses in with the other survey topics, but lacking the dean data, we thought it would be interesting to view their responses with those of their colleagues in the U.S. and France. We looked at these alternative approaches from two vantages: (1) creating opportunities for students to take sustainability courses, and (2) requiring sustainability in alternative formats.

It comes as no surprise that the French “sustainability” students favored creating sustainability program coverage at higher levels than USA or “regular” French students. (“Favoring” = strongly agree + agree responses combined.) In terms of creating sustainability major, the sustainability students led at 62% over USA students at 52%. French regular students trailed at 35%. Surprisingly, the USA students led French sustainability students in favor of a minor, 75% vs. 68%, with only 44% of the regular French student in favor of a new minor in sustainability. USA students favored new sustainability electives 80% over 68% for French sustainability students. As far as working within the General Education curricula to include sustainability, the USA students flipped on this one, with only 33% favorability, vs. 72% for French sustainability students. The French regular students came around on the General Education side, with a 61% favorability rating.
Moving from “creating” sustainability academic opportunities to requiring coverage, the USA students generally led the others in accepting this approach. Fifty eight percent of the USA students thought requiring sustainability coverage in “most” core courses was a good idea, vs. 37% regular French students, and 45% in the sustainability course. It was striking that about one in three of the French sustainability students did not like that idea, at all. This level of disapproval was not noted in the other approaches or by other students. Requiring sustainability coverage within the major was highly supported by French sustainability students, (72%), and generally favorable by all. Recall from Table 4A on student interest in majors, minors, etc. that the level of favorable interest was much lower. For example only 38% and 25% (USA/French) felt there was student interest in a sustainability major. The lower level of student interest, vs. alternative approaches they felt their school would endorse, was consistent through categories. Although we noted that, with only one exception, students approved of the alternative approaches, they responded (Table 4A) with far greater negativity in terms of student interest. The conclusion is, yes, they appreciate the need for sustainability education (Table 2), and they understand the need for alternative sustainability approaches (above), but they either don’t seem to like these particular alternative approaches, or simply don’t know what might be the most valuable, or perhaps interesting, approaches in practice.
CONCLUDING REMARKS / LIMITATIONS

As expected, everyone surveyed, business school deans (90%), USA Students (81%), and French students (69%) overwhelming agree [or strongly agree] sustainability topics were important to a business education. We were surprised that USA students reportedly favored sustainability within the curricula more than French students. We suspect that students in other EU countries would respond more favorably than the French. There is always the possibility of survey bias or faulty construction influencing these results, especially with respondents across nationalities. Certainly with English as the second language for the French students (their English, however, is excellent) there may be some nuance in our questionnaire wording causing the divergence. We will consider paying closer attention to that potentiality for future designs. Regardless, the responses, USA and French, were consistent directionally and our preconceived assumptions perhaps are not well founded.

We found that sustainability topics were welcomed by most respondents, with deans and students (86%, 71%, 69%) favoring embedding sustainability topics in several core courses. The students, both USA and French, seem to agree that sustainability is appropriate within the major, although in contrast to the deans and USA students, only 6% of French students strongly agree on that point, and a large portion (39%) were neutral. It was interesting to contrast the deans’ thoughts on how they believe students feel toward sustainability in the curriculum with the students’ actual opinions. Only three percent of deans feel students have a strong interest in a sustainability major, while almost one in four USA students reported a strong interest in a sustainability major. Further, deans believed 60% of students were indifferent to a sustainability major, way more than the 24% indifference reported by USA and French students alike. At the same time the French students pretty much agreed with the deans in terms of strongly agreeing” that a sustainability major was not of much interest to students.

Students seemed to have far greater confidence in faculty preparedness to teach sustainability, while the deans were not so sure – needing further training according to the deans. We were surprised to find that respondents across the board did not strongly favor cross-discipline approaches to teaching sustainability, with no combination of disciplines getting more than 18% strong agreement (one exception). There was, however, more favorable reception (“agree”) to cross-discipline around the 25 to 30% level for the most part. The majority thought was either neutral or on the disagreeing side. This is counter to popular current approaches in curricular design, combatting the dreaded silos of education, but on a practical level implementation of integrated approaches is far more troublesome than the ideal would have us believe.

Our research suggests that the senior administrators, deans, of today’s business schools and students share an awareness of their responsibility to educate and be educated in sustainability if we are to truly prepare responsible business leaders of tomorrow. Society’s dependence on limited resources, renewable and non-renewable, highlights the need for better stewardship and management of our environment. Sustainability has evolved from an emotional, philosophical, and political debate to growing acceptance based on research and knowledge. It is clear to many segments of society that our dependence on finite, non-renewable resources has an unpleasant end. That business schools, accrediting organizations, and students agree on the challenges, opportunities, and difficulties is a welcome finding of the survey. To say that acceptance and the favored educational approach is universal, however, largely overstates the case. While a growing portion of society believe it is imperative to develop and apply programs to motivate different areas of sustainable research and discovery, backlash remains. Higher education has an important role in the process. And business schools, in particular, can lead the way with relevant research and supportive educational programs.

The world business community can and should play a major part in the education, investment, and implementation of activities furthering sustainable technological advances, industrial practices, and business opportunities. Developing technologies demonstrating the growth and profit potential...
of sustainable directions will go a long way to foster the sustainable movement. Sustainability education in Business School programs, at the undergraduate and graduate levels, will support the necessity of efficient and effective resource management, as well as the impetus to develop new and renewable sources of energy. We believe our survey moves us some, perhaps small, steps closer to understanding current business school curricular initiatives and programs. The survey shows that sustainability course integration and programs are largely favored by business schools, although implementation remains an issue. As programs develop, further successes and failures in curricular approaches should lead the way to effective advances supporting our next generation of business leaders with knowledge on effective and profitable sustainability business ventures. Higher education, with science and business programs in particular, remains in a supportive, developmental phase. As academic programs move forward, the research and educational needs to meet the challenge and opportunities afforded by the sustainable movement look to be both favorable and opportunistic. The business leaders of tomorrow must be involved in the knowledge, education, and research focused on the concept of sustainability. This will create future leadership that will direct the global business community to seek out and develop new practices to help ensure a future that will allow mankind to live in a safer, more productive, and interesting world.

REFERENCES


Coffey, S.S. (2012). Stakeholders invested in sustainable business practices


Socio-Economic Determinants of Lottery-Linked Savings: Evidence from the UK Premium Bonds Market

Anna Kaliciak, City, University of London, United Kingdom

Abstract

Premium bonds constitute a special type of financial product called lottery-linked savings. As such, they are neither an ordinary savings tool nor a traditional investment product. The program of premium bonds has been in operation in the United Kingdom since 1956, offered by National Savings and Investments (NS&I). Today, as many as 21 million individuals across the UK hold premium bonds, and the total value of their deposits is the highest among all the NS&I financial products. What makes the program so successful? Does it attract all the social groups equally, or are there any specific characteristics embedded in the premium bonds' structure which engage some groups more than others? In order to answer such questions, we conducted an analysis based on the individual-level data obtained from the Family Resources Survey, which annually gathers information on the living circumstances of British households. The models constructed include a multivariate logistic regression, exploring the effects of particular socio-economic characteristics of individuals (income, qualifications, age, employment status, family size, etc.) on the probability of holding the bonds. Using the linear regression model, we also identify the determinants of the proportion of individuals’ income invested in the instrument, among the existing bondholders. The results are partially consistent with the previous findings in the area of lottery-linked savings, with respect to the income effect. In that context, they also follow the image of a typical lottery participant presented in existing literature. However, after a proposition of disentangling an education effect, it is shown that such exists, but works in an opposite direction when compared to the traditional gambling behaviour.
Small Businesses as a Force for Sustainable Development? New Perspectives from an Emerging Market

Chanel Venter, Stellenbosch University, South Africa

Abstract

The sustainability discourse is receiving increased attention in the business, academic and public domains. Various sustainability studies have focused on large corporates. This is understandable as large organisations have been the main change agents in the adoption of sustainable practices. A less frequently studied area is that of Small and Medium Enterprises (SME) and the integration of sustainability into their business strategies. Given the importance of SMEs to South Africa’s economy, and owing to the fact that SMEs are well positioned to pursue sustainability agendas, the business implications of sustainability for SMEs merit greater scrutiny. SMEs have only hesitantly adopted focused sustainability strategies, therefore research into the sustainability perceptions of SME owner-managers is required. How a business perceives sustainability will clearly be essential to the way it approaches this relatively new business phenomenon. Access to small business data in South Africa remains a challenge. For this study, 33 SME owner-managers’ views were collected to provide an exploratory glance into their perceptions of sustainability. An adapted web-based questionnaire was used, and results show that although there is some awareness of the concept of sustainability among SME owners, the implementation of sustainability lacks strategic focus. Findings have the potential to guide government and business initiatives to ensure that sustainability is managed in an integrated manner. Further investigation into promoting sustainability in SMEs is warranted.

Key words: sustainability, corporate sustainability, corporate social responsibility, SME, small business, owner-managers, business strategy, South Africa.

JEL M14, L21

Introduction

The days when businesses could attempt to conduct operations independently of its community, suppliers and environment, are long gone. An interconnected world and diminishing resources demand value-driven businesses to engage much more closely with their stakeholders to ensure a sustainable future. Debates around sustainable development and the role of the public and private sectors also feature increasingly in the popular media and on the South African legislative agenda (Hens & Nath, 2003; Du Plooy, 2006; NPC, 2012).

Sustainability requires that businesses consider the environmental, social, cultural and economic needs of their present and future generations. Businesses are sustainable when they commit to sustainable practices at a strategic level, involve all divisions in the planning process, embed a sustainable development approach all policies, plans, programmes and projects as well as boosting a desire and willingness among employees to contribute by taking ownership for the creation of economic, social and environmental value simultaneously, working toward the so-called “triple bottom line” (Wilson, 2003; Hubbard, 2005; Morrison-Saunders & Therivel, 2006; Lozano, 2012; UNCG, 2015).
It seems that larger enterprises have accepted the sustainability challenge, and see sustainable business as a source of competitive advantage. Many small businesses however, experience increasing pressure on premium assets such as time and money, and have not adopted a sustainability focus (Miller, 2010). It is ironic, then, that small businesses were actually the original adopters of sustainable business practices. They have close ties with suppliers, customers and their community, and since many of them are family businesses, their longevity has always been a primary concern (Aronoff, 2004). These attributes are key to sustainable business practices. The question thus arises as to why small businesses remain hesitant to include sustainability into their core operations.

The perception among most small businesses is that business cannot be seen as a vehicle to assist in addressing sustainability issues (Elkington, 1998). The popular view is that the development and implementation of sustainable practices cost money, and that sustainability issues are not real or material. The common misconception remains that there are neither immediate advantages nor threats to businesses in becoming more sustainable (Nidumolu, Prahalad & Rangaswami, 2009; Berns, Townend, Khayat, Balagopal, Reeves, Hopkins, & Kruschwitz, 2009a). This is a skewed view, because a corporate sustainable advantage has become not just complementary, but elementary (Morrison-Saunders & Therivel, 2006).

**Defining corporate sustainability**

Sustainability is a loaded albeit relatively young concept, with complementary definitions based on the context in which it is used. Visser (2007) proposes that sustainability be viewed as an umbrella concept which focuses on the management of the interface between business, society and the environment. Wheeler, Colbert and Freeman (2003) state it most elegantly as: “the business of business is the creation of sustainable value — economic, social and ecological.”

Returning to the roots of corporate sustainability, one has to acknowledge that there is an ongoing debate concerning sustainable development, the organisation’s role and areas that require focus in order to achieve sustainable development. It is important to understand that action needs to be taken and that business as usual will not be able to sustain the world in the future. This does pose a challenge as sustainable development is still a relatively new field of study and thus more research needs to be done with regards to best practices and what is already done in organisations to align to sustainable development goals of a country, as set by government, but also with regards to international goals as set by the United Nations and agreed to by countries around the world.

The most cited definition of sustainable development is that of the World Commission on Environment and Development (WCED, 1987), the Brundtland Commission: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainability is vital, among others, to corporate social responsibility, business ethics, stakeholder management and general development. Hart (1997) conceptualises sustainability in three dimensions: economic, social and environmental. Concurrently Elkington (1998) coined the triple bottom line which incorporates two additional dimensions of social and environmental responsibility to the traditional economics-focused perspective of businesses.

Sustainability as a business imperative has increased in status and more and more organisations are looking to ensure sustainability of their existence. Wilson (2003) argues that corporate sustainability can be regarded as the new paradigm for corporate management. He uses the term “paradigm” because corporate sustainability goes further than the traditional capitalist thinking of organisations. Sustainability within organisations requires more than a profit focus. Corporate sustainability as a management paradigm, as the strategic intent of an organisation, recognises that although profit is important, the development and preservation of the society and environment is of equal importance (Wilson, 2003; Lozano, 2012). Corporate sustainability is based on the core idea of sustainability and the need for organisations and our world to be able to operate today, but also in the future. Organisational leaders are also coming to realise the interdependence of the
economic, environmental and social aspects of development (Elkington, 1997; Baumgartner, 2014; Hahn, Pinkse, Preuss & Figge, 2015; Benn, Dunphy & Griffiths, 2014).

Corporate sustainability is built on the understanding of a combination of different theories and concepts. Various authors (Wilson, 2003; Sharma & Khanna, 2014; Amini & Bienstock, 2014; Linnenluecke & Griffiths, 2010) refer to corporate sustainability in terms of a combination of the following terms: sustainable development, stakeholder theory or shared value, corporate social responsibility and corporate accountability. The United Nations Global Compact (UNGC), as an authoritative voice, states that in order for corporate sustainability to be achieved, organisations need to operate responsibly, support and strengthen their society, commit to sustainable practices at a strategic level, report on their practices and they need to take local action and create change in their local sphere (UNCG, 2015).

More specifically, corporate sustainability, as the strategic intent of an organisation, recognises that although profit is important, the development and preservation of society and the environment is of equal importance (Wilson, 2003; Lozano, 2012), if not more so, as without society and the environment, profit will be irrelevant.

In order for an organisation to be sustainable, it is thus necessary to connect and grow partnerships in their local community and country, as change can and should be effected locally. Organisations within a community have some of the best chances to impact their society and support and strengthen development initiatives as they are closest to the source of the issue and possible solutions. To create this change and impact, strategic intent is required and therefore the consideration of sustainable practices and how to operate sustainably need to be incorporated into the strategic planning of an organisation. It is therefore relevant to better understand strategic planning in terms of how organisations can use it to include a focus on sustainable development. With regards to the locality of the impact, it is necessary for organisations to engage and support government, where government sets specific goals towards sustainable development of the country.

Considering the myriad of definitions and views of corporate sustainability, this study will focus on the concepts identified by various researchers as listed above, and conceptualised in the model proposed by Wilson (2003) in Figure 1. He argues that in trying to define corporate sustainability, it is evident that the term is used in conjunction with or as synonym to “sustainable development” or “corporate social responsibility”. The research conducted on corporate sustainability gives rise to an understanding of four main theories that together add to the understanding of corporate sustainability as a concept. The evolution of corporate sustainability effectively combines the disciplines of economics, ecology and social justice to the moral drive for sustainability as well as the strategic intent and regulatory environment.
The evolution of the corporate sustainability conceptual model does not necessarily describe a change in focus from one concept to the other as corporate sustainability gained popularity, but instead refers to the integration of these concepts that together create the concept of corporate sustainability.

Whatever the focus and history, the business implications of sustainability merit further investigation (Berns et al., 2009a). This is echoed in practice by Fludder: “I think that the world has reached a tipping point now. We’re beyond the debates over whether addressing sustainability is something that needs to be done or not—it’s now mostly about how do we do it?” (Fludder cited in Berns et al., 2009b).

Problem statement

Sustainability efforts are mainly evident in large corporates, those businesses that seem to have sufficient resources to manage such an integrated and complex phenomenon. Previous research however proposes that SMEs can also play a significant role in the sustainability landscape (York & Venkataraman, 2010). While SMEs may have small social, environmental and economic impacts, “cumulatively their impact is significant” (Lawrence, Collins, Pavlovich & Arunachalam, 2006). SMEs contribute significantly to job creation and GDP. In South Africa this contribution is more than 40 per cent of total GDP, and SMEs account for more than 60 per cent of all employment (DTI, 2008). SMEs are the dominant driver of productive economic growth and employment in Africa, accounting for approximately 90 percent of all businesses in Sub-Saharan Africa (IFC, 2011) and anywhere from 55 to 93 percent of jobs across the continent.

Additionally, quantitative and qualitative research with respect to sustainability in SMEs is limited, especially in developing countries (Hongxia & Fong, 2010:34).

Based on the sustainability imperative, the hesitant adoption of focused sustainability strategies by small businesses remains worrying. It was expected that small businesses would have moved on from awareness to adoption. Taking a step back, insight into small businesses’ perception of
sustainability is lacking. If there is no clear indication of what the concept of sustainability means to small businesses, no appropriate government and internal initiatives will be developed to ensure that sustainability leads to a competitive advantage.

Thus, based on the impact of SMEs on the economy, their longevity and unrealised potential as a force for sustainable development, and given that the focus of sustainability research has mainly been on large corporates, the question is raised: How can SMEs become engaged in the uptake of sustainability practices? (Lawrence et al., 2006). Acknowledging that this is a valid question, the author proposes that a baseline to which to work from first needs to be established. In other words, limited knowledge exists on the sustainability phenomenon in SMEs, and as such this research has the primary objective of filling this gap by exploring the sustainability perspectives of SME owner-managers.

Insight from these perspectives can hopefully act as a solid foundation from which academics, government and SME advisors can collaborate on integrated sustainability efforts.

**Research design and methodology**

In this descriptive study, an adapted Business of Sustainability questionnaire by Berns et al. (2009a) was used. Researchers at MIT Sloan Management Review, together with The Boston Consulting Group, conducted more than 50 in-depth interviews with a broad mix of global thought leaders and academics to form hypotheses and shape questions prior to the survey. They subsequently developed a 20-question electronic questionnaire, 16 of which were deemed relevant to the aim of the current study.

To determine if the 16-question questionnaire functioned effectively in a South African setting, a pilot test was conducted with 7 SMEs in the Western Cape, and improvements were made to ensure coherence and comprehension.

A non-probability sampling method using a convenience sample approach was adopted. The population for this study comprised the members of the Helderberg Small Business Club, which forms part of Helderberg Branch of the Cape Chamber of Commerce in the Western Cape Province. The criterion for inclusion was the classification of the business as an SME, based on the criteria provided by the National Small Business Act No. 102. Forty-one SME owner-managers’ contact details were acquired.

Google survey was used as a web-based tool to facilitate the data collection for the study, and the questionnaire was emailed to the 41 SMEs. The survey was conducted over a period of three weeks, after which follow-up reminder emails were sent throughout this period. The data collection stage concluded with a realised sample of 33.

As this study was intended to provide insights from the sample, descriptive statistical analysis methods were used.

**Results and discussion**

The characteristics of the sample indicated that there was an even spread between micro, very small and small businesses in the sample. The SMEs conducted business in diverse industries, and two-thirds (73%) of the owner-managers regarded themselves as novices in the field of sustainability, with none classifying themselves as thought leaders or experts.

**Defining Sustainability**

The first question in the survey tried to determine what SME owner-managers perceived as sustainability. The results echo the point made earlier that sustainability is a complex and
interrelated concept, and Figure 2 portrays that a single definition for sustainability eluded SME owner-managers. Definitions ranged from very broad to a very narrow environmental focus.

**Figure 2: Sustainability definition**

`Operationalising sustainability`

A question was asked to determine if there were operational tools, techniques or processes in place to manage sustainability. The majority (72%) of SME owner-managers indicated that they had no knowledge of, and were subsequently not managing a sustainability-focused business strategy via a policy or business tool.

This is in stark contrast to the global findings indicating more than 90% were addressing sustainability “in some way”. It could also be argued that SME owner-managers are already incorporating a level of the sustainable practices into their daily operations, but have no explicit language to articulate this as it has not been formalised. The treatment of sustainability as independent issues seems to be a concurrent theme. Explicit processes and policies need to support a sustainability strategy, and not be treated as an add-on (Lurie, 2009).

**Motivations for the uptake of sustainability**

SME owner-managers were highly motivated to adopt sustainability as a strategic focus provided that improved company image and brand equity were realised in the process. This finding reinforces the “green/blue-washing” phenomenon in which organisations pursue sustainability efforts only to ensure an enhanced brand image.

Almost a third (30%) of the SME owner-managers indicated that increased economic incentives and clear industrial standards would add urgency to the adoption of sustainability. In line with Jenkins (2009), only four owner-managers indicated that sustainability could differentiate the business and lead to a competitive advantage.
Assigning responsibility to sustainability

Even though a business case for sustainability might be evident in an organisation, the responsibility of driving an integrated sustainability effort may remain fragmented (Lurie, 2009). The aim was to establish if there is a disconnect between presumed responsibility and what occurs in SMEs in reality. The results in Figure 3 indicate that there is the perception that senior leadership should be taking responsibility for sustainability efforts, but that in practice the employees were perceived as being responsible for implementing sustainability.

Figure 3: Perceptions of responsibility for sustainability

A potential explanation for this occurrence could be linked to compliance. Lurie (2009) explains that the senior leadership may view sustainability as a set of technical compliance issues to be “crisis managed” and thus delegate them to lower levels to execute. Again, the value of an integrated systemic view eludes SME owner-managers.

Barriers to sustainability

Not surprisingly, the results portrayed in Figure 3 indicate that there are too many internal competing priorities present in an SME. These, together with a clear roadmap for implementation, are barriers to adopting a strategic sustainability focus. Porter and Kramer (2006) maintain that “the pressure companies feel to implement sustainability practices too often results in a jumble of uncoordinated sustainability activity, disconnected from the firm’s strategy, that neither make any meaningful social impact nor strengthen the firm’s long-term competitiveness.”

Figure 4: Internal barriers to addressing sustainability
Turning to the external environment, SME owner-managers viewed the insufficient demand from customers (30%) and limited availability of financial capital (27%) as factors pushing sustainability even lower down the SMEs’ list of priorities.

Implications & Conclusion

The findings indicated that most of the SME owner-managers in the sample are only partly aware of the concept, scope, and ownership requirements of implementing sustainability initiatives.

In looking ahead, a consensus is required of what sustainability means for SMEs. Appropriate language and frameworks need to be created or formalised to ensure a generally accepted standard is adopted (i.e. UN Global Compact). SME owner-managers should prioritise and integrate sustainable goals and build collaborative capacity. Sustainability considerations should not be treated as a crisis.

Government’s small business initiatives need to include the objective of promoting the awareness and adoption of sustainable businesses practices in SMEs and not incentivise short-termism.

Educators should take cognisance of the challenges to SME owner-managers regarding sustainability and aim to equip them with skills to ensure that they take their sustainability efforts to the next level.

To assist practitioners from an academic perspective, future research agendas could include obtaining insight into best practices employed by SME owner-managers’ in the operationalisation of sustainability. This could also lead to an identification of the critical skills such as scenario-planning and systems-thinking SME owner-managers’ need in order to implement and manage their sustainability efforts.

In conclusion, sustainability considerations in large and small business are here to stay. A need for a thorough and structured gathering and sharing of basic facts about sustainability was confirmed as a first step towards assisting SME owner-managers to integrate sustainability objectives, strategies and measures into their business strategies. This research has been a first attempt at trying to answer that call, and focuses on providing a view into SME owner-managers in one region of the Western Cape’s perspectives on the intersection of sustainability and business strategy.

Bibliography


Ethical Considerations in the Utilization of Net-Sourced Information

Imelda Braganza-Valera, University of the Philippines Open University, Philippines
John Lorenz Belanio, University of the Philippines Visayas, Philippines

Abstract

The concept of global collaboration through internet technology that has wired the world, has transformed the learning landscape. The ubiquitous World Wide Web has gathered a vast amount of information and through the information highway, learners gain immeasurable access to information and materials applicable to their studies. Volumes of materials are readily available for use and their convenience affects the practice of learning and teaching, as well as research. Standards and guidelines in the fair use of net-sourced information and materials have emerged. The crucial issue in the utilization of information sourced from the internet is whether students demonstrate honest and responsible behavior in the use of information. This paper highlights the affective dimension of graduate students from the University of the Philippines Visayas particularly ethical considerations in their utilization of information sourced from the internet. The focal question pursued was: “What ethical considerations governed the graduate students’ utilization of information from the internet?”

Graduate students enrolled in the Masters of Management program (majors in Business Management and Public Management) were respondents to an online survey questionnaire on what materials / information were utilized, how these were processed, and what ethical considerations governed their use. The survey-questionnaire was a Likert-type scale, with 0.96 coefficient reliability. Descriptive statistics were applied to determine levels of learners’ cognitive processing, and their ethical considerations in utilizing information sourced from the net. Results bear heavily on curriculum and instruction, emerging models of learning in a technology driven environment, and learner support programs.

Key words: cognitive processing; ethical considerations; utilization of information sourced from the net
Using Mentorship Programmes to Transfer Pervasive Skills (Soft Skills): Empirical Evidence

Monique Keevy, University of Johannesburg, South Africa

Abstract

The use of student-centred teaching methods to develop pervasive skills has strong support globally. As prior research provides evidence of the value of mentorship programmes in the development of pervasive skills, the objective of this paper is to examine the extent to which South African accounting academics use mentorship programmes (a student-centred method) as a means of instruction, and to establish their views on whether this method can be used to develop pervasive skills. An electronically administered questionnaire was sent to South African accounting academics. The findings of this paper reveal that mentorship programmes are a method that can enhance the development of pervasive skills, but is underutilised by South African academics.

Keywords: academics, chartered accountants, competencies, development, mentorship programmes, pervasive skills
INTRODUCTION

The twenty-first century is characterized by globalisation, technological innovation, flattening organizational structures, business complexity and a culturally diverse work force (Albrecht & Sack, 2000; Shuwayto, 2001; Spanier, 2001; Barac, 2009). The "continuing acceleration of these changes have made intellectual capital the greatest resource for the future" (Spanier, 2001, p. 112). As a result, employers are seeking graduates with not only technical expertise but also pervasive skills, to maintain a competitive edge in the business environment (Drennan & Kavanagh, 2008, p. 280). The pressure to equip students with these competencies "is the beating heart" of academics at higher education institutions (Spanier, 2001, p. 112).

Since the Bedford Report in 1986, the teaching practices of academics have been questioned (Cotton, Rainsburg & Scott, 2002; Bolt-Lee & Foster, 2003). It was conveyed that "accounting graduates did not know how to communicate, could not reason logically and had limited problem solving ability" (Cotton et al., 2002, p. 3). In 1989, the Big 8 White Paper was published, which detailed the competencies required for success in the profession (Cotton et al., 2002; Bolt-Lee & Foster, 2003), followed by the Accounting Education Change Commission (AECC), which facilitated improvements in teaching practices (Sundem, 1999).

In light of this, the International Federation of Accountants (IFAC) developed a set of education standards in 2003 encompassing both technical and pervasive skills (IFAC, 2014), the latter being the focus of this paper. Consequently, IFAC member bodies had to align their qualification models to the IFAC (Cargill, Gammie & Hamilton, 2010). In 2008, the South African Institute of Chartered Accountants (SAICA) introduced a Competency Framework, which embodied the skills set forth (SAICA, 2009). Previously, South Africa academics were not formally tasked with ensuring that pervasive skills were transferred to aspirant chartered accountants (CAs). However, as a result of the development of the Competency Framework, academics now have to ensure that each pervasive skill is addressed in their academic programmes and that evidence of this is provided to SAICA (SAICA, 2015).

Pervasive skills are the so-called "soft skills", also termed "behavioural, employability, generic, interpersonal, non-technical or transferable skills" (Ballintine & McCourt Larres, 2009; Brungardt, 2009; De Villiers, 2010) in the literature. These skills are "neither domain [n]or subject specific" (Ballintine & McCourt Larres, 2009, p. 388), and are therefore essential to the profile of professional accountants (De Villiers, 2010; Low, Samkin & Liu, 2013). The accounting literature is, however, still reporting a gap between the skills provided by academics and those required in the business environment (Ballintine & McCourt Larres, 2009; Barac, 2009; Brungardt, 2009; Coetzee, Joubert & Oberholzer, 2009; Stovall & Stovall, 2009; De Villiers, 2010; Low et al., 2013).

It has been suggested that academics should move to student-centred learning approaches (Saunders, 1992; Albrecht & Sack, 2000), which complement the traditional lecture-based method (Saunders, 1992). Bonwell and Eison (1991, p. 8) posit that the "exclusive use of the lecture in the classroom constrains students’ learning". While, the IFAC (2014) have advocated that lecturing merely results in the transfer of knowledge, rather than in the development of competencies.

The use of mentorship programmes has been described as a student-centred approach (Spanier, 2001; Zachary & Fischler, 2009), given that students are no longer seen as "an empty vessel to be filled by the instructor" (Spanier, 2001, p. 110). By fulfilling a mentorship role, academics have a far greater educational impact on students by not restricting them to the classroom environment (Spanier, 2001). Mentoring has been highlighted in the literature, given the high correlation between having a mentor and being successful (Fagenson, 1989; Agrawal, Leavins, Rigsby & Siegal, 1995; Cheetham & Chivers, 2001). Executives who had mentors are more satisfied with their careers and have achieved higher educational levels than those who did not have mentors.
(Allen, Eby & Rhodes, 2007). Mentoring is said to give an individual "an edge" in their career (Jackling & McDowall, 2008). Moreover, with the upsurge of accountability expectations in the profession, the importance of mentorship is becoming increasingly important (Mullen, 2005). Mullen (2005) advocates that "it is time to develop highly supportive mentoring cultures and to transform how we teach and learn as mentors and protégés alike in our academic and professional lives" (p. 6).

Academics globally have acknowledged that mentorship is a powerful approach when developing pervasive skills. Furthermore, mentoring is seen as "a precious resource that has been underutilized worldwide" (Mullen, 2005, p. 1), and "obsolete" in the academic sphere (Spanier, 2001, p. 110). Thus, the purpose of this paper is to examine the use of mentorship programmes by academics in South Africa and to obtain their views on the effectiveness of this method in developing pervasive skills.

**LITERATURE REVIEW**

**Nature of mentorship programmes**

At the outset, it may be useful to define mentor and mentorship. The *Oxford Dictionary* (2015) defines a mentor as "an experienced and trusted adviser" who acts in this capacity to a younger person (Johnson, 2007). Zachary (2002) is of the viewpoint that hierarchical mentoring relationship is not the only example. He advocates that mentoring should be “reciprocal and collaborative” (p. 28) as it ultimately results in a partnership between the mentor and the mentee. Consequently, hierarchical or peer mentoring relationships can exist (Karim, Mosca & Siegel, 1999; Mullen, 2005). Peer mentoring is formed where individuals have the same interests (Zachary, 2009), or social standing, but where one person has more expertise than the other (Colvin, 2007). Mentors from either set of relationships are said to make a vast difference to their mentees' academic skill-building, academic achievement (Allen et al., 2007) and self-confidence (Agrawal et al., 1995), as they are characterized as individuals with experience and knowledge (Fagenson, 1989; Kaplan, Keinath & Walo, 2001).

Mentorship is described "as a personal or professional relationship between two people – a knowing, experienced professional and a protégé or mentee – who commit to an advisory and nonevaluative relationship that often involves a long-term goal" (Mullen, 2005, p. 2). It is a two-way relationship (Butts, Durley & Eby, 2007; Benatti & Reitman, 2014), which is complementary for both the mentor and the mentee (Kram, 1983; Kram & Isabella, 1985; Colvin, 2007; Ghosh & Reio, 2013). It is during this relationship that students develop skills to improve their career opportunities (IFAC, 2006; Benatti & Reitman, 2014).

Mentors act in various roles and capacities during the mentoring relationships, namely: coach, confidant, counsellor, friend, guide, role model, sounding board, sponsor, supervisor and teacher (Kram, 1983; Kram & Isabella, 1985; Agrawal et al., 1995; Cheetham & Chivers, 2001; Viator, 2001; Mullen, 2005; Allen et al., 2007; Johnson, 2007; IFAC, 2014). Ghosh and Reio (2003) maintain that mentors fulfil three key roles: counsellor, friend and role model. As counsellor, the mentor shows empathy for the concerns of the mentee, provides encouragement and acts as a sounding board. When acting in the capacity as friend, mentees confide, enjoy social activities and discuss non-work interests with their mentor. When acting as a role model, the mentor's values, ethics, attitudes and skills may be mimicked by the mentee.

However, regardless of the role played by the mentor, these individuals should ensure that they fulfil an active role in their mentees’ development (Gammie & Lines, 2004). This is achieved by providing challenging work assignments (Kram, 1983; Kram & Isabella, 1985), offering feedback, and motivating and directing their mentees on the attainment of competencies (IFAC, 2014). This will ensure that they are committed to their mentees’ development (Ghosh & Reio, 2013). Jackling and McDowall (2008, p. 449) convey a view where mentoring programmes have "the potential to assist in addressing not only academic issues but also more indirectly the social issues that underpin the totality of the university experience".
Formal or informal mentoring relationships can be formed (Allen et al., 2007). Formal mentoring relationships can transpire in an academic (Allen et al., 2007) or work environment where a mentee is formally assigned to a mentor (Mullen, 2005; Allen et al., 2007). The matching of the two individuals takes place by a third party, such as an employee or a mentoring program manager (Allen et al., 2007). Conversely, informal mentoring relationships occur spontaneously without any outside influence and are therefore not controlled (Agrawal et al., 1995; Cheetham & Chivers, 2001; Mullen, 2005; Allen et al., 2007). These relationships are “described as unstructured, casual, and natural” (Zachary, 2009, p. 64).

The one-on-one relationship between a mentor and a mentee is not without its problems. The difficulties reported in the literature pertaining to mentorship relationships include possible conflict situations between the two parties (Agrawal et al., 1995), or the mentor and mentee may be unwilling to participate in this reciprocal relationship (Butts et al., 2007). Mentors may be incompetent in their role (Butts et al., 2007) by not demonstrating leadership skills (Agrawal et al., 1995) or empathy towards their mentee (Butts et al., 2007). Adequate preparation as a mentor is also essential (Zachary, 2002). Furthermore, the literature has identified a shortage of mentors in relation to the number of mentees (Mullen, 2005). However, despite these challenges regarding mentorship programmes, Allen et al., (2007) consider it to be “an essential component of graduate student professional development” (p. 16). Zachary (2002) is in agreement with this by advocating that mentors will “enhance student growth and development” (p. 27). Moreover, the literature provides a host of competencies that can be developed using mentorship programmes, as set out below.

### Summary of the pervasive skills that can be developed by employing mentorship programmes

This section provides a summary (Table 1) of the pervasive skills that can be developed using mentorship programmes. A literature review was used to identify and retrieve empirical studies that were relevant to whether mentorship programmes can be employed to develop SAICA’s pervasive skills. The search was limited to empirical studies that were written in English and that were within the accounting literature and/or accounting profession. To ensure coverage of empirical studies on the topic, the literature review included peer-reviewed journal articles, conference papers, master’s theses and doctoral dissertations. The keywords and descriptors used in the search included "accountants, accounting, development, education, mentor, mentoring, mentoring programmes, skills development and soft skills”. Based on the literature search, the pervasive skills that could be developed using mentorship programmes were linked to the literature search sources.

SAICA’s pervasive skills were divided into three categories, namely ethical behaviour and professionalism (IA), personal attributes (IB), and professional skills (IC) (SAICA, 2009). The literature review was condensed into a summary by identifying whether mentorship programmes can be employed to develop SAICA’s pervasive skills. Therefore, each pervasive skill was linked to the literature review source, as set out below.

### Table 1: Summary of the pervasive skills that can be developed using mentorship programmes

<table>
<thead>
<tr>
<th>(IA) ETHICAL BEHAVIOUR AND PROFESSIONALISM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(IA) 1. Protects the public interest</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(IA) 2. Acts competently with honesty and integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Butts al., 2007; Johnson et al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
<tr>
<td><strong>(IA) 3.</strong> Carries out work with a desire to exercise due care</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IA) 4.</strong> Maintains objectivity and independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IA) 5.</strong> Avoids conflict of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson et al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IA) 6.</strong> Protects the confidentiality of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson et al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IA) 7.</strong> Maintains and enhances the profession’s reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson et al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IA) 8.</strong> Adheres to the rules of professional conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Puxty et al., 1994; Flemming, 1996; Armstrong et al., 2003; Mullen, 2005; Johnson et al., 2007; McManus &amp; Subramaniam, 2009; Ghosh &amp; Reio, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) PERSONAL ATTRIBUTES</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 1.</strong> Self-manages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Fox &amp; Stevenson, 2006; Colvin, 2007; Johnson, 2007; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 2.</strong> Demonstrates leadership and initiative</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 3.</strong> Maintains and demonstrates competence and recognises limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kram, 1983; Fox &amp; Stevenson, 2006; Benjamin et al., 2007; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 4.</strong> Strives to add value in an innovative manner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrawal et al., 1995; Scandura &amp; Williams, 2004; Fox &amp; Stevenson, 2006; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 5.</strong> Manages change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fox &amp; Stevenson, 2006; Benjamin et al., 2007; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 6.</strong> Treats others in a professional manner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kram &amp; Isabella, 1985; Saunders, 1992; Fox &amp; Stevenson, 2006; Benjamin et al., 2007; Jackling McDowall, 2008; Zachary &amp; Fischler, 2010; Luyt &amp; Winfield, 2013; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 7.</strong> Understands the national and international environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Mullen, 2005; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 8.</strong> Is a life-long learner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fox &amp; Stevenson, 2006; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 9.</strong> Works effectively as a team member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crombie et al., n.d; Fox &amp; Stevenson, 2006; Benjamin et al., 2007; Jackling &amp; McDowall, 2008; Zachary &amp; Fischler, 2010; IFAC, 2014.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>(IB) 10.</strong> Manages time effectively</th>
</tr>
</thead>
</table>
The above summary provides evidence that all 25 (eight IA, ten IB and seven IC) of SAICA’s pervasive skills can be developed using mentorship programmes as each competency is linked to one or more source. SAICA’s pervasive skills are akin to the skills and values of the IFAC, and are comparable to the competencies of other professional bodies (SAICA, 2009; Cargill et al., 2010). Consequently, if academics, locally and internationally were to employ this method in their academic programmes, they could similarly address all 25 pervasive skills. Therefore, this study provides one student-centred method that can be used by academics to enhance the development of pervasive skills in their pedagogy.

RESEARCH METHOD
To achieve the objective of this study, a structured web-based questionnaire was used as a research instrument. The questionnaire set out to ascertain whether academics use mentorship programmes and to obtain their views on how effective this method is in developing pervasive skills. The questionnaire was distributed to all South African accounting academics who instruct aspirant CAs (SAICA, 2012).

The questionnaire consisted of two sections of mostly closed-ended questions of a quantitative nature. Comments boxes that comprised the qualitative aspect of the questionnaire were included at the end of each section, allowing descriptive responses to enrich and expand the research results.

The questionnaires were pilot tested with a selected group of academics. A data controller was used to set up an online website where the questionnaire could be answered and the data recorded. The questionnaire, containing a dedicated uniform reference (URL), was sent via email to participants. The participants were directed to a website and asked to complete the questionnaire by clicking on the URL. The completed questionnaires were electronically collated by the data controller. Means, medians, standard deviations, minimums and maximums were calculated.
Population and response rate
The population for the empirical work included all South African accounting academics who provide instruction to aspirant CAs (SAICA, 2012). In total, 443 emails were dispatched to the academics and 147 academics responded. Note that none of the questions in the questionnaire were compulsory and the participants could refrain from answering a particular section or questions in a section. This explains why the participants did not necessarily answer all the questions. For section one, the effective response rate was 33% (147/443) and for section two, 32% (142/443).

EMPIRICAL FINDINGS
Academics’ views on the use of mentorship programmes during their academic programmes
In the first section, the academics were asked to indicate whether they use mentorship programmes in their academic programmes for development. The data analysis of this question is set out in Table 1 below and is based on the use of mentorship programmes subsequent to SAICA releasing its Competency Framework. This is indicated by the number of participants who noted that they use mentorship programmes and is presented in the "applied" column. A percentage has been calculated using the applied column, which represents the percentage of participants who indicated that they use this method.

Table 2 Academics’ views on their use of mentorship programmes for development after SAICA introduced the Competency Framework:

<table>
<thead>
<tr>
<th>Applied</th>
<th>%</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>18.4</td>
<td>147</td>
</tr>
</tbody>
</table>

Key: Applied = number of academics who use mentorship programmes, % = percentage of academics who use mentorship programmes, n = number of participants who answered the question

A mere 18.4% of respondents employ mentorship programmes in their academic programmes. This is noteworthy because as far back as 1983, it was noted that this method can be used in the development of skills (Kram, 1983). Furthermore, as indicated in the literature review, a mentoring relationship is considered essential for a student’s learning (Allen et al., 2007) as it has a far greater educational impact (Spanier, 2001), and has "the potential to assist in addressing not only academic issues but also more indirectly the social issues that underpin the totality of the university experience" (Jackling & McDowall, 2008, p. 449). Therefore, in agreement with Spanier (2001) and Mullen (2005), this method is clearly underutilised, specifically in the South African context.

Academics’ views on the use of mentorship programmes to develop categories IA, IB and IC of the pervasive skills
In the second section, the views of the academics were sought on whether the use of mentorship programmes can be applied in the development of category IA, IB and IC. The data analysis of this question is set out in Table 3 below, and is based on whether academics hold that mentorship programmes can be applied in the development of the three categories of pervasive skills. Based on the applied column, a percentage has been calculated to represent the percentage of participants who indicated that this method could be applied in the development of each category.
Table 3 Academics’ views on the whether mentorship programmes can be applied in the development of category IA, IB and IC

<table>
<thead>
<tr>
<th></th>
<th>IA</th>
<th></th>
<th>IB</th>
<th></th>
<th>IC</th>
<th></th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>The use of mentorship programmes for purposes of development</td>
<td>60</td>
<td>42.3</td>
<td>63</td>
<td>44.4</td>
<td>45</td>
<td>31.7</td>
<td>142</td>
</tr>
</tbody>
</table>

Key: Applied = number of academics who indicated that mentorship programmes can be applied; % = percentage of academics who indicated that mentorship programmes can be applied; n = number of participants who answered the question.

From the results above, more respondents indicated that mentorship programmes could be used in the development of all the categories of the pervasive skills (Table 3) than respondents who actually employ this method (Table 2). Therefore, these results suggest the possible further employment of mentorship programmes in the academic environment with existing teaching resource personnel.

It was interesting to note that respondents’ indicated that mentorship programmes can be applied more effectively when addressing category IA and IB, compared to category IC. From the literature review, several academics (Crombie et al., n.d; Fox & Stevenson, 2006; Benjamin et al., 2007; Colvin, 2007; Johnson, 2007; Jackling & McDowall, 2008) have identified how the competencies under the IC category can be developed. Therefore, academics should engage the literature on how mentorship programmes can develop pervasive skills.

CONCLUSIONS, RECOMMENDATIONS AND FURTHER RESEARCH

Academics need to move from lecture-based education pedagogy to student-centred approaches. The paper set out to examine the extent to which South African accounting academics use mentorship programmes – a student-centred approach – in their teaching, and how effective they view this method to be in developing pervasive skills. Literature emphasised that mentorship programmes are beneficial to students developing pervasive skills, but that this method is underutilised worldwide and specifically in the academic arena.

The results indicated that very few South African accounting academics use mentorship programmes in their academic activities. However, more hold the view that this method can be used to develop pervasive skills. Therefore, the results suggest the possibility of mentorship programmes being further employed by academics in their teaching practices. The paper also provided a summary of all the competencies that can be developed by employing mentorship programmes. Therefore, a greater awareness needs to be created among academics on the effectiveness of mentorship programmes in developing pervasive skills. Additionally, if academics do not have the capacity to act as mentors, possible mentoring partnerships should be established with employers. Therefore, the value of having network forums for students to meet mentors in the work environment to cultivate the mentoring relationships.

Academics were also asked whether mentorship programmes could be applied in the development of the three categories of pervasive skills. Academics indicated that the attributes relevant to the IA category, such as honesty, due care, independence and avoiding conflict of interest; and the attributes relevant to the IB category, such as self manages, manages change, leadership and life-long learning can be better addressed than the IC category (professional skills). However, a limitation of this study was that academics were merely asked whether mentorship programmes could be used to transfer the three categories of pervasive skills. Consequently, further research is required to establish why academics view mentorship programmes as being more suitable in developing the IA and IB categories than the professional skills (IC category), consisting of attributes such as problem solving, thinking critically and communicating.
This study is particularly valuable to the South African situation, given the adoption of the Competency Framework. It can also inform academics, both locally and internationally, on the effectiveness of mentorship programmes in developing competencies, given that SAICA’s pervasive skills are aligned to the competencies of other professional accounting bodies.

Further research is needed to establish why academics are not using mentorship programmes in their academic programmes. This study could also be extended to include the benefits of mentorship programmes for the mentor and not only the mentee.
REFERENCES


South African Institute of Chartered Accountants (SAICA) 2015. Accreditation criteria: Application for new and continued accreditation. Email to: mstrauss@uj.ac.za. From: mandio@saica.co.za, 29 January 2015.


### List of abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AECC</td>
<td>Accounting Education Change Commission</td>
</tr>
<tr>
<td>CA</td>
<td>Chartered Accountant</td>
</tr>
<tr>
<td>IA</td>
<td>Category of pervasive skills: Ethical behaviour and professionalism</td>
</tr>
<tr>
<td>IB</td>
<td>Category of pervasive skills: Personal attributes</td>
</tr>
<tr>
<td>IC</td>
<td>Category of pervasive skills: Professional skills</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>SAICA</td>
<td>South African Institute of Chartered Accountants</td>
</tr>
<tr>
<td>URL</td>
<td>Uniform Reference</td>
</tr>
</tbody>
</table>
Perceived Challenges in Applying Teacher Education Preparation to Classroom Instruction

Ronald L. Brown, University of Bahrain, Bahrain

INTRODUCTION

Fourth year students at teacher education college in a Middle East country have completed seven semesters of study in current educational approaches and instructional methodology, as well as involvement in three short-term teaching practicum experiences. These students are being prepared for teaching upper primary students in Grades 1 – 6 (called Cycle 1 for Grades 1 -3 and Cycle 2 for Grades 4 - 6). In their final semester, they are required to apply their learning and skills through a supervised practicum experience in a government school. This paper summarizes a field study of a sample of graduating students that was conducted during their final teaching practicum to determine (1) their perceptions of their pre-service program and (2) the extent to which they applied their learning to teaching in authentic instructional settings.

Background – The Public Education System

The nation’s primary education is organized into a six year sequence of two three-year cycles for children 6-11 years old: Cycle 1 (Grades 1 – 3) and Cycle 2 (Grades 4 – 6). Cycle 1 consists of self-contained classes in which teachers provide instruction in core subject areas, while in Cycle 2, specialist teachers are responsible for each subject.

The educational system has operated under a prescriptive centralized curriculum at all levels. All schools are required to adhere strictly to the content of the established curriculum, completing all units according to an established time-table. The curriculum is a test and textbook-driven system that operates on a set schedule of unit completion with standardized examinations at the end of each semester.

However, the Ministry of Education is currently engaged in the process of education reform with the aim of providing a more flexible structure that provides teachers with more discretion and students with some choices (Ministry of Foreign Affairs, 2013). As part of the reform program, the National Institute of Education in Singapore was contracted to develop the teacher education curriculum for the Teachers College, which was implemented in 2008. However, within the schools, the instructional approach continues to be centralized and employs a rigid approach to teaching and learning (Haslam, 2013).

The Role of the Teachers College in the Education Reform Agenda

The Teachers College was established in 2008 by the Ministry of Education (MOE) in line with the Educational Reform program mandated by the national Vision 2030 economic reform project. The college is a semi-autonomous college established as part of the national university with the directive to prepare teachers, educational administrators, and other education specialists. It is the sole provider of teacher education in the country. The MOE contracted the National Institute of Education (NIE) of Singapore to design and develop the teacher education program for the college. This program places emphasis on the principles of purpose-driven programs, theory-practice link, reflective teachers, establishing instructional standards, and developing authentic and formative assessment procedures.

The college offers a four-year Bachelor of Education (BEd) in Primary Classroom Education that provides a cross-curriculum core to Cycles 1 and 2. In the context of the educational reform process, the purpose of the BEd program is to produce educators who demonstrate the essential professional knowledge, skills, values, and decision-making skills needed by teachers in government schools.
The college’s students are prepared through a range of teaching-learning strategies such as lectures, tutorials, group work, role playing, interactive communication technology, project work, micro-teaching, behavioral analysis, field work, and self-reflection. Instruction is in both English and Arabic. Program and course assessment procedures include examination, research, oral and written reports, case study analysis, production of evidence (such as teaching-learning aids, unit and lesson plans, and student assessment rubrics), and an ePortfolio.

**Expected Competencies**

The stated mission of the Teachers College is to provide the best teacher education possible for public school educators and to empower them to contribute effectively to building quality education in the government schools. The college has identified nine competencies that BEd students are expected to master before graduation:

1. **Content Knowledge:** understanding the central concepts, tools of inquiry, and structures of the discipline and ability to create learning experiences that make these aspects of subject matter meaningful for students.

2. **Student Development:** understanding how children learn and develop and how to provide learning opportunities that support a child’s intellectual, social, emotional, moral, and general personal development.

3. **Diverse Learners:** understanding how students differ in their approaches to learning and being able to create instructional opportunities that are adapted to diverse learners.

4. **Instructional Strategies:** demonstrate ability to plan instruction based on knowledge of subject matter, students, the community, and curriculum goals. Understanding and applying a variety of instructional strategies that encourage student development of critical thinking, problem solving, and performance skills.

5. **Learning Environment (Classroom Management):** applies understanding of individual and group motivation and behavior to create a learning environment that encourages positive social interaction, active engagement in learning, and self-motivation.

6. **Assessment:** understanding and applying formal and informal assessment strategies to evaluate and ensure the continuous intellectual, social, and physical development of the learner.

7. **Communication & Instructional Technology:** applying knowledge of effective verbal, nonverbal, and multi-media communication techniques to foster active inquiry, collaboration, and supportive interaction in the classroom.

8. **School, Community, and Civic Engagement:** promoting relationships with school colleagues, parents, and agencies in the larger community to support students’ learning and well-being.

9. **Reflective Practice, Ethics and Professionalism:** continually evaluating the effects of instructional choices and actions on others (students, parents, and other professionals in the learning community) and actively seeking opportunities for professional growth.

**THE STUDY**

**Purpose**

The research project was designed to conduct a qualitative study using a sample of Year 4 Teacher Education students during their final teaching practicum to determine:

1. student perceptions of their preparation for classroom teaching.

   a. student perceptions of the BEd program’s effectiveness in preparing them to meet the nine competencies
b. student perceptions of the effectiveness of the required courses in preparing them for classroom teaching

2. the extent to which students applied their BEd learning in teaching in classes

Specifically, the aim of this study was to gather and analyze qualitative data on the instructional practices of students in their final semester during their teaching practicum experience to determine:

1. consistent instructional patterns in the students’ teaching
2. the extent of transfer of the students’ academic learning to their observable instructional behaviors.
3. student perceptions of the applicability of their instructional program to authentic classroom settings.
4. student perceptions of constraints they experience when trying to apply the educational approaches they have learned to authentic classroom teaching.

The BEd program emphasizes a decision-making student-centered approach to classroom instruction, which can be described as decision-making teaching that is responsive, collaborative, and problem-solving and in which students actively participate in learning processes (Dupin-Bryant, 2004). BEd courses provide students with background in planning and implementing instruction that is interactive, collaborative, and project-based. This approach is in contrast to the traditional teacher-centered approach that emphasizes formal instruction involving direct instruction based on a set schedule of completion, summative assessment, and passive learning.

The participants were first surveyed and interviewed to determine their perceptions of the BEd curriculum. Then all participants were observed teaching to determine if they behaved as decision-making professionals who used these specific student-centered approaches for teaching their classes, including:

1. Explicit planning of student-centered learning activities.
2. Specification of learning outcomes that emphasized collaborative and interactive instruction.
3. Planned student-teacher and student-student interaction activities.
4. Allowing students some choices in topics for class activities.
5. Progress to next unit determined by students’ performance rather than a set schedule of textbook unit completion.
6. Students given opportunities for independent use of learning.
7. Use of formative and embedded assessment during instruction.

As a result of the participants’ preparation in student-centered learning in the BEd program, the expectation was that their teaching approaches should involve:

1. Classes organized around the learning needs of students rather than completion of a given number of instructional units.
2. Adequate time allocated for essential learning related to both content and performance standards, and that this time is free from external interruptions.
3. Resources allocated to support the instructional program.
4. Students who experience problems in learning receiving extra time and support.
5. Classes are organized in ways that encouraged interactive learning.
Methodology

1. Data Collection: Six 4th Year students assigned to teaching practicum agreed to participate in the study. All participants were assigned to a government primary school to teach at the Cycle 2 level (Grades 4 – 6). Data were collected at a local girl’s upper-primary school over a 15 week period between March and June, 2015. During that period each participant was observed teaching, lesson plans were collected, and all participants returned surveys and joined in interview discussions. The data used for the project included:

   a. Documents – Relevant documents, including lesson plans, student journals, BEd course objectives, and MOE documents were reviewed to establish the context of the practicum experience. In addition, a report on the qualifications of teachers prepared by the college that was published in 2012 by the National Recognition Information Centre for the United Kingdom (UK NARIC) was reviewed as an external support document.

   b. Observations – Four direct observations of each participant’s classroom teaching were conducted.

   c. Surveys – Participants completed two surveys on their perceptions of the quality of learning they experienced in the BEd program:

      (1) Participant perceptions of their achievement of the nine competencies.

      (2) Participant perceptions the effectiveness of the BEd curriculum in preparing them for classroom teaching.

   d. Open-ended interviews: The results of the above surveys were discussed with the participants.

2. Analysis of Data – The data were analyzed through:

   a. review of all data to categorize and organize into themes and patterns.

   b. identification and description of relevant patterns.

   c. interpretation of patterns.

3. Human subjects and ethics clearance:

   a. Participants were informed of the project and their permission secured before data were developed.

   b. All participants and the site remain confidential.

   c. The purpose of the study was described to all participants and they were assured that neither their participation nor non-participation would have any impact on their TP evaluations.
Site and Participants

For this study, the school used for the project will be called Al Maqtab Primary Girls School. The school is located in a middle class neighborhood in a suburb of the primary city. The school includes both Cycle 1 (Grades 1 – 3) and Cycle 2 (Grades 4 – 6). Cycle 2 class sizes run between 30 – 35 students. The school was evaluated by the National Quality Assurance Authority for Education and Training (NQAAET) in 2010 and received an overall rating of “Good,” with several categories rated as “Outstanding.”

Participants in the study were six 4th Year BEd students specializing as Cycle 1 and Cycle 2 English language teachers who were completing their final semester of full-time Teaching Practice at the Al Maqtab school. Each participant was supervised and guided by the regular classroom teacher. Teaching Practice requirements included observation of classes, peer observation, and complete responsibility for one class for a full semester. Each participant was observed teaching four times; the focus of the observations was to determine if the students were using the instructional methods and teaching strategies they had studied in their BEd courses.

FINDINGS

The purpose of this study was not to evaluate the participants’ teaching performance during practicum but to (1) determine the participants’ perceptions of their preparation for teaching by the college and (2) observe the extent to which participants used classroom teaching methods they had learned in the BEd program.

1. Documents – External Reports
   a. National Institute of Education (Singapore) 2013 Review of the Teachers College

      A NIE Consulting Team reviewed the BEd program in October, 2012, and issued a final report in 2013. The report was positive over the delivery of the curriculum and commended the college in its ability to meet the Ministry of Education needs, including a theory-practice link through the teaching practicum program. The report also commended the college for preparing graduating students with the nine competencies. The report noted that the competencies were suitable for the level of teacher preparation provided by the college and provided the graduates with a clear understanding of their strengths and areas that need development in different stages of their teaching careers (National Institute of Education, 2013).

   b. UK NARIC Report on International Initial Teacher Education Programs

      As a further basis of external evaluation, the relevant results of the UK NARIC Report, An assessment of international teacher training systems: equivalence for England (The Regional Recognition Information Center for the United Kingdom, 2012) were reviewed to provide an external, independent opinion of the college’s BEd program. In 2011, the National Recognition Information Centre for the United Kingdom (UK NARIC) conducted a comparative study of international initial teacher education programs in relation to the teacher education system in England. The results of the study ranked the initial teacher education program provided by the college overall as 5th in a field of 28 programs. In rankings based on minimum thresholds representing the minimum acceptable standards in England, the BEd program was ranked 3rd, meeting nine of the eleven indicators. The results of this study indicate that the BEd program meets international standards of quality in teacher preparation.

2. Survey – Participants’ Assessment of the Nine Competencies

The participants completed a survey in which they indicated their opinions of (1) how well the BEd program had prepared them for each of the nine competencies and (2) if they believed they were able to use these competencies as decision-makers during Teaching Practicum. Participants were given three possible evaluation choices:
1. Evaluation 1: The BEd program has effectively prepared me and I am able to use what I have learned: I fully understand the central concepts and methods of teaching English to young learners.

2. Evaluation 2: The BEd program has prepared me, but I cannot use what I have learned: I have some understanding of the central concepts and methods of teaching English to young learners.

3. Evaluation 3: The BEd program has not prepared me in this area: I have little or no understanding of the central concepts or methods of teaching English to young learners.

The participants were reminded that they were not evaluating on how well they believed they were actually performing in the teaching practice but on how well they believed the BEd program had prepared them and how much they believed they were using what they had learned. The results of the survey are presented in Table 1.

The data indicate that the participants believe that they had been generally well prepared in the nine competencies, particularly in assessment, reflective practice, student development, and needs of diverse learners but that they believed they would be unable to use several competencies in their teaching.

3. Survey – Participants’ Assessment of Courses in the BEd Program

The BEd degree requires 129 credit hours in forty-three courses in four areas of study:

1. Education Studies: General education courses, most of which are required in all specializations (19 courses).

2. Education Content and Theory Courses (10 courses).

3. Teaching Methods in Specialization (10 courses).

4. Teaching Practicum Assignments (1 attachment and 3 practicum assignments).

Participants were given a list of the 43 teacher education courses required in the BEd program and asked to assess each using an evaluation number that best indicated their opinion of how useful each course had been in preparing them to become teachers. They were reminded that they were evaluating how much they believed each course had been useful in preparing them for teaching and how much they believed they would use what they learned in each course, not on how well they believed they performed in the course.

Rating Scale for Evaluating BEd Courses

5 = The course was extremely useful and greatly helped me in my teaching practicum experience.

4 = The course was useful and often benefited me in my teaching practicum experience.

3 = The course had some useful benefits that I was able to use in my teaching practicum Experience.

2 = The course had hardly any useful benefits that I was able to apply to my teaching practicum experience.

1 = The course provided no useful benefits that I can recall or apply to my teaching practicum experience.

The participants identified sixteen courses (37%) as being extremely useful or useful and beneficial in the teaching practicum experience (Table 2). Six Education Studies classes, nine English Language Education specialization courses, five English Language Education content and theory classes, four
English Language Education methodology, and the final Year 4 Teaching Practicum were ranked as most useful.

Eight courses (19%) were considered to have some useful benefits that the participants believed they were able to use in their teaching practicum (Table 3), including one course in English Language Education content and theory, two courses in English Language Education methods, Teaching Practice for Years 1, 2, and 3, and two Education Studies courses.

Finally, nineteen courses (44%) were ranked by the participants to have little or no benefit that could be applied to their final teaching practicum (Table 4). These courses included ten Education Studies courses, five English Language Education content and theory courses, three English Language Education methods classes, and the Semester 1 Initial School Attachment.

4. Observations - Extent to Which Participants Observed to Apply Their BEd Learning During Teaching Practicum

Each participant was observed teaching a lesson four times between February and May. Observations focused on the participants’ teaching specifically to determine if they used these particular student-centered approaches for teaching English that are emphasized in the BEd program:

1. Planning for student-centered learning activities and student-teacher and student-student interaction activities
   
a. Establishing learning outcomes that specify collaborative and interactive performance indicators for assessment
   
   For the most part, participants planned lessons as teacher-centered activities. Planning for daily lessons by all six participants was centered on the textbook and resources from as required by the MOE. All participants were required to use a standard MOE lesson plan template associated with the textbook units (see Appendices 1 and 2) and were required to complete all lessons and units within an established time frame.

   b. Organizing instruction around the learning needs of students rather than completion of instructional units
   
   All instruction was organized for completion of instructional units with little or no attention provided to student needs.

2. Students are provided opportunities for independent use of language
   
The BEd English Language Education program emphasizes that young learners need opportunities for language production without excessive teacher correction to develop fluency, and encourages students in plan student-centered activities that promote linguistic interaction. Lesson plans and observations of classroom instruction showed that the participants occasionally planned interactive activities based on the textbook lessons within limited time provided for lessons.

3. Students were allowed some choice in topics for language activities
   
   Allowing students to suggest topics was not evident. The English language program is linked to completion of units of the prescribed textbook series, all of which must be completed within established time frames.

4. Deliberate use of formative and embedded assessment in instruction
   
   While the MOE policy on assessment and evaluation advises the use of formative evaluation, there was no evidence that the participants deliberately used either formative or embedded assessment methods to determine how well lesson or unit objectives had been fulfilled or to confirm that the students had mastered basic capabilities needed to move to the next unit. These decisions were determined by the instructional schedule that required completion of designated textbook units. Moreover, although assessment and evaluation have been ostensibly decentralized by MOE by assigning these responsibilities to the school and teachers (El Abdallah, 2000), the final two weeks of the semester were set aside entirely for preparing students for unified Ministry examinations.
DISCUSSION

The purpose of this project has been to conduct a qualitative study of a sample of graduating students in English Language Education during their final teaching practicum to determine their perceptions how well they had been prepared for teaching and to observe the extent to which they apply their learning in the English Language Education program to teaching in authentic instructional settings.

Discussion of participants’ assessment of Nine Competencies

The surveys and follow-up discussion demonstrated the participants believed that they had been generally well prepared in the nine competencies, particularly in the four competencies of assessment, reflective practice, student development, and needs of diverse learners, but that they believed they would not be able to relate some competencies to classroom teaching.

Five participants expressed concern over their content competence, in particular their English language abilities. All participants stated that the BEd program concentrated on learning theory and methodology, but that they regretted that they had not been provided developmental courses in English language, in particular with speaking and writing skills. The English language education program does offer one course in public speaking, one general course each in basic composition and English grammar, but no courses are provided that develop advanced composition skills or enhance reading comprehension.

Participants also expressed reservations on their understanding of instructional strategies. In discussion, they stated that they believed they understood the concepts and methods of strategic instruction in their class work, but had not had opportunities to apply or practice instructional strategies independently until the current Teaching Practicum. These participants believed that supervised micro-teaching opportunities within their courses would have given them more understanding and confidence in strategic instruction.

All six participants were concerned that their BEd program provided no significant coursework in using information technology (IT) to support classroom instruction. They all asserted that the sole IT course, which was offered in the first year of study, only covered content they had learned in high school, such as using MS Word. No instruction was provided on using Smart Board software applications as instructional resources, and as a result they used the Smart Boards in the classrooms solely for PowerPoint presentations.

The participants indicated that the BEd program had made them aware of diversity in classrooms and that felt they were prepared to meet challenges and they were positive over their coursework in student development. On the other hand, they expressed doubts about school, community, and civic engagement competency, asserting that this competency was not explicitly addressed in the BEd program; however, they also agreed that community engagement was not a factor in the school. The participants’ perception was that parental contact with the school is not encouraged and that parents show little interest in active involvement in their children’s schooling. The validity of this perception could not be confirmed in this study and could be a subject for future research.

The participants indicated they been well prepared for assessment by the program, but they believed their poorest preparation was with instructional planning and classroom management. They noted that the only management course in the BEd curriculum was delivered during their first year and all participants asserted that they recalled little or nothing from the course that was applicable to their TP assignment.

With class management, the participants followed the classroom routines instituted by the cooperating teachers (CT). In all of the observed classes, the CTSs had established effective, positive routines so that the participants experienced little, if any, serious issues in student behavior or management. However, this also means that the participants had no opportunities to develop their own independent management procedures that they would need after graduation.

The participants were positive on the competency of reflection and progressive growth and were especially pleased with the action research course that they had taken during the previous semester, yet they did not believe they had the opportunity to use the skills during their TP.
Discussion participants’ evaluation of courses in the BEd English Language Education Program

1. Discussion of courses rated by participants as irrelevant or not useful

Participants were asked to rate each course on a five point scale according to their perceptions of the course usefulness to their preparation for classroom instruction in classes. Nineteen courses were rated by participants as having little use or relevance to teaching with averages of 2.9 to 0 points. In group discussions, participants were asked their reasons for ranking ten Educational Studies courses as having little use or relevance to teaching. The participants were quite insistent that they believed that most Year 1 courses had little benefit and the group consensus was that some courses were “a waste of time.”

When pressed for details, participants acknowledged that in Year 1 they had been confused with adjusting to the college, had little interest in their courses, but were mostly interested in just completing the first year. They acknowledged that had been less than diligent with their study of Year 1 ES courses since at the time they did not perceive many of them as relevant to teaching. All the participants also asserted that they recalled little, if any, course content from Year 1 and what little they did remember was theoretical, not practical, and had no relevance to their teaching.

The participants were also asked their reasons for ranking eight English Language Education courses as having little use or relevance to their teaching. The participants were less specific with their perceptions of these courses, but agreed that they believed the courses were excessively redundant and overlapping resulting in coverage of the same content in several different classes. Some courses were perceived as too theoretical, providing little information that was directly related to practical classroom teaching.

2. Discussion of courses rated by participants as very useful and relevant

Participants rated sixteen courses as very useful with averages of 5 – 4 points. The participants perceived the courses in educational psychology as particularly beneficial to their preparation for becoming classroom teachers.

Three English content/theory courses and five methods courses were ranked as highly useful by the participants, who commented that they believed the courses had helped develop deeper understanding of what they would teach and prepared them to integrate teaching skills.

Discussion of the extent to which participants were observed to apply their BEd learning to teaching during Teaching Practicum

The purpose of the BEd program is to produce decision-making teachers who demonstrate the essential professional knowledge, skills, and values and use student-centered approaches for teaching by:

1. Planning student-centered learning activities.
3. Planning for student-teacher and student-student interaction activities.
4. Encouraging student production of language without constant teacher correction that interferes with fluency.
5. Permitting students some choice in topics for language production.
6. Progressing to next unit determined by students’ performance rather than a set schedule of textbook unit completion.
7. Providing students with opportunities for independent use of language.
8. Using formative and embedded assessment.
The surveys and discussions show participant satisfaction with the BEd program’s effectiveness in preparing them to meet the nine competencies and general satisfaction with the effectiveness of the BEd curriculum in preparing them for classroom teaching.

Discussion of Participants Lesson Planning

Review of the lesson plans indicated the participants had little understanding of developing effective learning outcomes or performance indicators and relied on a lesson plan template provided by the school (see Appendices 1 – 3). Although this template was mandatory, none of the participants considered the option of developing separate, more effective plans independently. In the discussions, all participants stated that they understood developing lesson plans based on learning outcomes stated with Bloom verbs, but that they did not know how to apply this understanding to instructional planning.

Moreover, since they knew they were required to follow a set schedule of lessons and units, they saw no need for innovative lesson planning. However, in the discussions, all participants also agreed that they were dissatisfied with the prescriptive instructional approach and wished they had been given more explicit instruction in effective lesson planning and practice in creating relevant learning outcomes and performance indicators.

Feeling confined by the required MOE lesson plan format, participants planned lessons primarily as teacher-centered activities and largely filled in the components by migrating textbook unit features over to the mandated lesson plan form. The result was that lesson plans failed to identify what the students would know and what they would be able to do after a lesson, followed the prescribe sequence of textbook units with no procedures to monitor students’ understanding, and provided no authentic formative or embedded assessment that would determine each student’s progress or identify areas in which more instruction may have been needed. Also lacking in the plans were provisions for feedback to be given to students about their learning process.

Discussion of participants’ teaching

Observations of the participants’ teaching show little evidence of student-centered approaches. Discussions with the participants indicate that they were aware that they were not using student-centered approaches but that they believed that they were constrained by school and MOE requirements by being compelled to follow a prescriptive, text-based curriculum that allowed few opportunities for innovation. Because of the prescribed curriculum, participants believed they had little opportunity to make decisions on effective student-centered learning activities or to encourage independent production of language by students. In addition, because of time constraints, participants felt that had limited opportunities to assess student needs, provide support to students experiencing problems, or encourage student interaction. Their perceptions are supported by the MOE requirement for completion of all textbook and workbook lessons within the allotted 50 minute time frame following a set schedule. Furthermore, each class had 34 – 36 students, which further restricted planning for student-centered activities.

However, the participants indicated that their cooperative teachers were supportive of their trying innovative approaches, and some participants occasionally demonstrated decision-making by incorporating student-centered activities within the constraints of the textbook, allotted time, and class size. Two constraints that impacted these activities were (1) limited time within the class period restricted useful interactions, and (2) most students relied entirely on Arabic in the activities, with no observed attempts to practice with English.

In post-observation discussions, all the participants acknowledged the teacher-centered emphasis in their planning and stated that they preferred to plan student-centered lessons with interactive activities, but felt restricted by the necessity to cover textbook content within the required time limit allocated for each unit. Moreover, all participants expressed concern that students were learning little, but felt constrained by the large class size and the need to follow the instructional schedule within the time allocated for each unit to prepare students for MOE examinations. These perceived restrictions allowed
for little or no attention to providing additional support to students who experienced problems and limited opportunities for interactive learning. 

While the participants indicated that they believed that they were well prepared and competent in the assessment, lesson plans of all participants indicated a general lack of understanding of assessment procedures, both summative and formative.

Finally, it is worth noting that, although the BEd program emphasizes interactive and collaborative learning, group work was limited to brief activities within a 10 minute time frame. All participants stated that they believed the interactive activities were more useful than the direct teaching of content or routine coverage of textbook and workbook exercises, and would have like to have set up learning projects. However, the allotted time was too brief for them to introduce projects and still complete the required textbook units. In addition, they also acknowledged that the students usually relied on Arabic during activities, and that it was very difficult for them to monitor five or six small groups effectively.

CONCLUSIONS

This study addressed four questions on the Bachelor of Education program:

1. How do graduating students perceive the effectiveness of the BEd program in preparing them for classroom teaching?

The study showed that the participants were generally satisfied with the BEd program’s effectiveness in preparing them to meet the nine competencies, and believed that they had been well-prepared to meet the demands of classroom teaching with the exception of class management. Furthermore, reviews of two external reports on the college’s initial teacher education program were favorable in their conclusions of the quality of preparation provided.

2. Are BEd students in their final TP experience applying their learning to their classroom teaching?

Analysis of lesson plans and observations of teaching did not show the participants to be decision-makers who used student-centered approaches for teaching. Rather, the participants engaged primarily in teacher-centered direct instruction with the goal to complete units within an allocated time frame.

3. If they are, are the methods effective?

While some participants attempted to embed student-centered activities into their teaching, the effectiveness of the methods could not be ascertained.

4. If they are not, why?

In planning, the participants felt constrained by a mandated lesson plan template and showed little attention to formulating learning outcomes that specified collaborative and interactive student performance or to developing student-centered learning activities. During instruction, because of time limitations, class size, and the need to complete textbook units, little or no attention was given to encouraging student production of language to improve fluency nor were choices in selecting topics for language production given to students. Students were provided few, if any, opportunities for independent use of language. Planning and teaching were centered on progressing through each unit of the prescribed textbook on a set schedule for unit completion regardless of student achievement. Use of formative or embedded assessments to gauge student progress was not evident.

The participants acknowledged this mismatch between their BEd preparation and their teaching practice routines, but maintained that they were limited by constraints imposed by the school administrators and MOE conditions. Encouragingly, however, all acknowledged that their Cooperating Teachers were interested in innovative methods and encouraged them to incorporate their ideas into learning activities. This would suggest that the participants may have had more opportunity to conduct student-centered activities than they perceived.
Since this was a study that was limited to the activities of six participants, the findings cannot be generalized across all teaching practicum experiences; more systematic study is required. However, based on the perceptions and experiences of the participants, a few conclusions on the needs of the Year 4 BEd students can be suggested:

1. Preparation in classroom management relevant immediately prior to their TP placement.
2. Instruction and practice in developing lesson plans that include instructional purposes, learning outcomes, performance indicators, instructional methods, and intended assessment procedures.
3. Instruction and practice in using information technology in instruction
4. Microteaching activities that support incorporating student-centered activities required units and lessons before Teaching Practice.
REFERENCES


Table 1: Student evaluation of preparation for the nine competencies

<table>
<thead>
<tr>
<th>Competency</th>
<th>Eval 1</th>
<th>Eval 2</th>
<th>Eval 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEd program has effectively prepared me and I am able to use what I have learned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator: I fully understand the central concepts and methods of teaching English to young learners.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEd program has prepared me, but I cannot use what I have learned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator: I have some understanding of the central concepts and methods of teaching English to young learners.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEd program has not prepared me in this area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator: I have little or no understanding of the central concepts or methods of teaching English to young learners.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competency</th>
<th>Eval 1</th>
<th>Eval 2</th>
<th>Eval 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content knowledge</td>
<td>1</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Student development</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Needs of diverse learners</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Instructional strategies</td>
<td>2</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Control of the learning environment</td>
<td>0</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Appropriate assessment</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Communication and instructional technology</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>School, community, and civic engagement</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Reflective practice, ethics and professionalism</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 2: Summary of High Student Ratings of BEd Courses Arranged by Assessment Ranking

<table>
<thead>
<tr>
<th>Course</th>
<th>Rating</th>
<th>Area of Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCPB 321 Assessment for Learning</td>
<td>5.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 326 Primary School Project Work in English</td>
<td>4.5</td>
<td>Education Studies*</td>
</tr>
<tr>
<td>TCPB 112 Child Development and Learning in the Primary Years</td>
<td>4.3</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 211 Inclusive Classrooms</td>
<td>4.2</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 411 Action Research for Reflective Practitioners</td>
<td>4.2</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 123 Developing Thinking in Children</td>
<td>4.1</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TC2EN 316 Grammar in Context</td>
<td>5.0</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2EN 317 Children’s Literature</td>
<td>4.8</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2EN 212 Genres of Writing</td>
<td>4.7</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2EN 328 Oral Skills</td>
<td>4.7</td>
<td>ELE Content/Theory</td>
</tr>
</tbody>
</table>
TC2ENT 328 Teaching Multiliteracies & ELE Content/Theory 4.3
TC2ENT 327 Monitoring & Assessing the 4 Language Skills & ELE Methods 4.8
TC2ENT 316 Teaching Listening & Viewing & ELE Methods 4.5
TC2ENT 224 Teaching Speaking & Representing & ELE Methods 4.2
TC2ENT 419 Planning & Organizing the English Language Programs & ELE Methods 4.2
TCPB 426 Teaching Practice 4 & Teaching Practicum 4.5

* Taught in English Language Education only to English language specialists

Table 3: Summary of Medium Student Ratings of BEd Courses Arranged by Assessment Ranking

<table>
<thead>
<tr>
<th>Course</th>
<th>Rating</th>
<th>Area of Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCPB 325 Planning &amp; Teaching Integrated Language Skills</td>
<td>3.5</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 113 Psychology of Learning</td>
<td>3.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TC2EN 224 Phonetics and Phonology</td>
<td>3.7</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2ENT 223 Teaching Reading 2</td>
<td>3.0</td>
<td>ELE Methods</td>
</tr>
<tr>
<td>TC2ENT 315 Teaching Grammar Based on Text Types</td>
<td>3.0</td>
<td>ELE Methods</td>
</tr>
<tr>
<td>TCPB 316 Teaching Practicum 3 with Seminar</td>
<td>3.7</td>
<td>Teaching Practicum</td>
</tr>
<tr>
<td>TCPB 226 Teaching Practicum 2 with Seminar</td>
<td>3.3</td>
<td>Teaching Practicum</td>
</tr>
<tr>
<td>TCPB 126 Teaching Practicum 1 with Seminar</td>
<td>3.0</td>
<td>Teaching Practicum</td>
</tr>
</tbody>
</table>
### Table 4: Summary of Low Student Ratings of BEd Courses Arranged by Assessment Ranking

<table>
<thead>
<tr>
<th>Course</th>
<th>Rating</th>
<th>Area of Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCPB 121 Managing Learning</td>
<td>2.8</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 127 Teaching &amp; Learning Civics and National Education</td>
<td>2.8</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 124 Research for Educators</td>
<td>2.7</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 111 Social Context of Schooling in Bahrain</td>
<td>2.5</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 114 ICT to Enhance Teaching and Learning</td>
<td>2.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 116 Arabic for Educators</td>
<td>2.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 125 English for Educators</td>
<td>2.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 413 Current Trends and Issues in Education</td>
<td>2.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TCPB 311 History of Bahrain</td>
<td>1.8</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TC2EN 225 Principles &amp; Practices of English Language Teaching</td>
<td>2.7</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2EN 419 Varieties of English</td>
<td>2.5</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2EN 410 Current Trends &amp; Issues in English Language Education</td>
<td>2.5</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TCPB 114 ICT to Enhance Teaching and Learning</td>
<td>2.0</td>
<td>Education Studies</td>
</tr>
<tr>
<td>TC2EN 213 Introduction to Language Development</td>
<td>1.8</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TC2ENT 211 Teaching Reading 1</td>
<td>2.6</td>
<td>ELE Methods</td>
</tr>
<tr>
<td>TC2ENT 212 Teaching Writing</td>
<td>2.6</td>
<td>ELE Methods</td>
</tr>
<tr>
<td>TC2ENT 410 Teaching English for Specific Purposes</td>
<td>2.5</td>
<td>ELE Methods</td>
</tr>
<tr>
<td>TC2EN 211 The Reading Process</td>
<td>2.3</td>
<td>ELE Content/Theory</td>
</tr>
<tr>
<td>TCPB 100 Initial School Attachment</td>
<td>2.5</td>
<td>Teaching Practicum</td>
</tr>
</tbody>
</table>
Lesson Plan Template Required of the Participants

**LESSON PLAN TEMPLATE**

<table>
<thead>
<tr>
<th>DATE:</th>
<th>SUBJECT:</th>
<th>CLASS:</th>
<th>UNIT:</th>
<th>LESSON:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bloom’s words for objectives</th>
<th>All</th>
<th>Some</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define, label, list, name, order, Classify, describe, discuss, explain</td>
<td>Apply, compare, demonstrate, Analyze, appraise</td>
<td>compose, construct, create, argue, assess, choose, defend, estimate, judge, predict</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage/Time</th>
<th>Page</th>
<th>Activities</th>
<th>Teacher Instructions</th>
<th>Objectives</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

New Vocabulary:
Materials Needed:

Lesson Plan Example 1

**DATE:** 18 March 2015  **SUBJECT:** English  **CLASS:** Grade 5
**UNIT:** Backpack 2, Unit 5  **LESSON:** Reading

<table>
<thead>
<tr>
<th>Bloom’s words for objectives</th>
<th>All</th>
<th>Most</th>
<th>Some</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define, label, list, name, order, Classify, describe, discuss, explain</td>
<td>Apply, compare, demonstrate, Analyze, appraise</td>
<td>compose, construct, create, argue, assess, choose, defend, estimate, judge, predict</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage/Time</th>
<th>Page</th>
<th>Activities/Instructions</th>
<th>Objectives</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Lesson – 2 min</td>
<td>54 of CD</td>
<td>Unit 5 song</td>
<td>To sing together</td>
<td></td>
</tr>
</tbody>
</table>
Brainstorm (Groups) – 5 min
- T Tells Ss that one of the great, unsolved mysteries in science is the disappearance of the dinosaur.
- T asks Ss “What happened to the dinosaur?”
- T records Ss responses

To form hypotheses as to why dinosaurs are extinct
Why did the dinosaurs die out?

Video - 8 min
CD
- T shows Sts a video of an asteroid collision
  “Where did the dinosaurs go” 2 minutes
- T asks Sts questions about the video

To analyze the shown video, finding useful information about dinosaurs disappearance
From the video, can you tell how dinosaurs die out?

Reading Comprehension (Para 1) – 15 min
56
- T reads out loud with Sts
- T discusses new vocabulary and asks students Qs

To read for details
- To infer the meaning of new vocabulary using clues in text
- To identify the effects of an asteroid collision

What’s the meaning of extinct?
What’s an asteroid?

End of lesson – 5 min
Sts create a mind map of what they’ve learn today
To analyze
What did you learn today about dinosaurs?

Homework: Homework Sheet 6

New Vocabulary: Extinct, Asteroid, Earth

Materials Needed: White board, Smart board, Visual aids

Appendix 3

Lesson Plan Example 2

<table>
<thead>
<tr>
<th>Stage</th>
<th>Time</th>
<th>Activities</th>
<th>Teacher’s Instructions</th>
<th>Students Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-reading</td>
<td>3-5 minutes</td>
<td>Warm up activity: brainstorming</td>
<td>To present pictures and ask the students what they see and predict what the lesson is about?</td>
<td>Tell us what they see in the pictures</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Share their predications</td>
</tr>
<tr>
<td>While-reading</td>
<td>20-25 minutes</td>
<td>Activity 1: listening</td>
<td>Listening to a cassette while the book is closed (once).</td>
<td>Listen to the cassette</td>
</tr>
<tr>
<td>Time</td>
<td>Activity</td>
<td>Activity Description</td>
<td>Activity Description</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>2-3 minutes</td>
<td>Announcements</td>
<td>Call out the names of the super speller students and tell why they are getting the certificates.</td>
<td>Students that’s names will be called will stand up and the rest will cheer.</td>
<td></td>
</tr>
<tr>
<td>3-5</td>
<td>Post-reading</td>
<td>Answer the questions</td>
<td>Answer the questions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Comprehension activity page 23 from the workbook.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Read along with the teacher.</td>
<td>Read along with the teacher.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>random individual reading to explain the poem</td>
<td>random individual reading to explain the poem</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity 2: reading and explaining</td>
<td>Ask the students to read after me one time and the second they read and stop for explanation</td>
<td>Ask the students to read after me one time and the second they read and stop for explanation</td>
<td></td>
</tr>
</tbody>
</table>

**Materials**

Cash, I.D, Keys pictures, markers, certificates, gifts, white board and magnets, PowerPoint
Scenario Planning in Education as a Means of Anticipating Changes in Education Systems

Vuksanović Nemanja, University of Belgrade, Serbia

Abstract:
The growing uncertainty and complexity, with an increasing number of participants, largely shapes the educational systems of almost all countries. However, education is still determined, in most cases, by short-term decisions of education policy makers. Neglecting the long term can be problematic for reasons of inability of education systems to respond to the rapid and dramatic changes that are likely in the future to be even more pronounced. Regarding this, the use of scenario methods in education can contribute to understanding and adapting to the changes that are taking place. The subject of this paper is the method of scenarios per se and its application in the field of education. Such analysis can be helpful to education policy makers, taking into consideration how the uncertainty and complexity of the system within which education operates, and the continuing need for the implementation of the reform of educational systems. The primary goal is to show the development and importance of this method as a means of planning, and the possibilities of its application in the field of education.

Keywords: changes, scenario, planning, education

1. Introduction

In the literature (e.g. Betts, 1992 Barrett, 1997) is commonly stated that the three traditional roles of the school within the educational system are primarily (1) the transfer of knowledge and cultural values, (2) the provision of care and protection, and (3) preparing for future life. Schools, according to Betts (1992), are very successful in the first role, generally successful in performing second role, and only partially successful in a third role. Therefore, with new timeshare was a need to reform the education system. These reforms were aimed at redefining the existing organizational structure of education, to improve the level of performance in carrying out the traditional role of the school. However, over time, education policy makers realized that just fine-tuning the old educational structure is not successful for reasons of the dynamic relationships that take place within the educational system. Namely, education and other areas are characterized by constant changes, accompanied by a high degree of uncertainty (Laws and McLeod, 1999). In recent decades, researchers from different scientific fields continuously expressed growing interest in studying those changes. One reason for this tendency is the fact that the changes have become present in all spheres of science and that they are one of the defining characteristics of this age (Vujačić et al., 2011). Therefore, there was increased interest in the study of changes in education. The field of education is characterized by rapid and dramatic changes that are likely to be even more pronounced in the future. Consequently, planning and decision making based on such plans as emerge will be especially challenging for education policy makers (Sayers, 2010).

The growing uncertainty and complexity, with an increasing number of participants, largely shapes the educational systems of almost all countries. However, education continues to be determined, in most cases, by short-term decisions of education policy makers. These decisions are still predominantly related to solving current problems or searching for more effective ways to maintain the existing practice of educational policy. Neglecting the long term can be problematic for reasons of

---

1 This paper was funded by the Ministry of Education, Science and Technological Development of Serbia, in the framework of the project entitled "The role of government in the new model of economic growth of Serbia", no. 179065.

2 In the context of the role of schools which refers to preparing for future life, one of the most important aspects is the development of critical thinking for problem solving and decision making.
inability of education systems to meet the challenges of increasing uncertainty and complexity. Changes in education today may profoundly affect the way of life of whole communities tomorrow. In this respect, the creation and application scenarios enable appropriately reducing the imbalance between the present and the future. The use of scenario methods in education can contribute to understanding and adapting to the changes that are taking place. They can help education policy makers in clarifying the vision about what education should be and how to achieve such education. Consequently, his would enable the creation, and not a prediction, of the nature of future of education systems (OECD, 2001).

Bearing in mind the things mentioned above, the subject of this paper is the method of scenario per se and its application in the field of education. Such analysis can be helpful to the education policy makers when taking into consideration the uncertainty and complexity of the system within which education operates, and the continuing need for the implementation of the reform of educational system. The primary goal is to show the development and importance of this method as a means of planning, and the possibilities of its application in the field of education.

This paper consists of five parts. After introductory materials, the second part of the paper presents on historical developments and provides an overview of some of the definitions and types of scenarios. The third part presents the scenarios method in education. It highlights the reasons for the creation and application scenarios in the field of education, as well as the steps of scenario. The fourth part introduces examples of the use of the scenario method in the field of education. More specifically, the scenarios in education developed by the Organization for Economic Cooperation and Development and the Institute for Educational Research of Serbia are presented. The last section contains the conclusions.

2. Scenario method: history, definition and typology

The term ‘scenario’ was originally used in the context of theatre and film to indicate a short description of events (Marolt, 2015). The first use of this term in a broader sense is associated with Herman Kahn who in 50s of the last century used the concept of scenarios in the context of military planning. Working for the RAND Corporation, which was at that time investigating new forms of military technology, Kahn developed a method called future-now. The purpose of the method developed was to combine imagination with a detailed analysis to obtain the content of the stories that would act as if they were written by someone from the future (Chermack et al., 2001). At the end of the 60s of the 20th century one of the first companies that started using the scenario method was Royal Dutch Shell. As part of the company, Pierre Wack and Ted Newland were using scenarios to emphasize the importance of taking into account changes in the long-term future, prompting other companies to use the scenario method. In this regard, at the end of 70s of the last century, the greatest number of Fortune 1000 companies adopted the method. Today, one of the most prominent organizations engaged in creating scenarios is the Global Business Network (GBN). The founder of the GBN corporations is Peter Schwartz, who published the book, The Art of the Long View (1991), which in particular contributed to the promotion of the use of the scenario method.

Decades of use of the scenario method in different areas resulted in the literature (e.g. Kahn and Wiener, 1967; Porter, 1985; Schwartz, 1991; Shoemaker, 1995; Ringland, 1998) providing a range of different definitions of scenario. The original definition of scenario was given by Kahn and Wiener (1967). According to them, scenario is a hypothetical sequence of events that has been designed with the aim of placing the focus of attention on causal processes and decision points. Porter (1985) points out that the scenario presents a consistent view of what the future of an organization might be. Wack (1985) however states that the scenario method can be defined as a disciplined way of thinking about the future. That is, the scenario is commonly used by different organizations to anticipate changes related to the future or one aspect of the future concerning the organizations themselves. Therefore, the

---

3 Herman Kahn eventually left the RAND Corporation and founded the Hudson Institute, specialized in the creation of scenarios. The greatest attention of the general public came when Kahn had the idea that the best way to prevent nuclear war was the examination of the possible consequences of nuclear war, and then publish of the results of such an examination.
scenario involves creating several different stories, each of which contains a vision of the outcomes for a particular organization. Such stories can express multiple perspectives on complex events, with scenarios give meaning to these events (Marolt, 2015). Fulton and Scearce (2004) point out that scenario is a tool for motivating people to review the current situation, with the aim of improvement, by asking questions: "What if?" Posing that question allows assessment of the challenges and opportunities of tomorrow and allow taking appropriate measures today. Peterson et al. (2003) point out that the scenario method represents an effective means of planning in those organizations in which controllability is poor, and uncertainty is high.

Bearing in mind all of the above definitions of scenario, it is not surprising that the scenario is a vague concept which is used and abused with different meanings (Mietzner and Reger, 2005). Therefore, one way to better understand the scenario is the understanding of what the scenario is not. Scenario is not forecasting. While forecasting an attempt to predict the future, the basic assumption underlying scenario is that the future is unpredictable. Scenario is not a strategy. Unlike strategies in which attention is mainly focused on the near future, usually up to one year, attention in the scenario is focused on the distant future, with a typical distance of twenty to thirty years (Sayers, 2010).

In the literature (e.g. Godet and Roubelat, 1996 Rothmans et al., 2000; Godet, 2000 Alcamo, 2001 Van Noten et al., 2003) is found a large number of scenarios typology. Moreover, in recent years it is particularly evident that there has been an increase in the complexity of the types of scenarios. Some of the criteria by which one can parse scenario characteristics are:

(1) the possibility and desirability,
(2) data type, and
(3) target.

A select number of typologies shared the distinction of scenarios with regard to the two main questions that should answer: "What could happen?" and "What should happen?" The first type of scenario that gives the answer to the question of what might happen is based on an analysis of the current situation and trends and consequently questions the possible directions for future development. The second type of scenario gives the answer to the question of what should happen, starting from the preferred situations, whereby ways to achieve them in the future are sought. Thus, scenario can be developed in a:

(a) explorative or
(b) normative way.

When making a large number of scenarios they combine both approaches whereby the one comes to be designated as dominant (Kaufmann, 2016). Borjeson et al. (2006) proposed a distinction among

---

4 In most cases, created from three to five scenarios.
scenarios not only taking into consideration the possibility and desirability of a future state, but also on the basis of two aspects. The first aspect relates to the concept of the structure of the system, under which it refers to the connections between different parts of the system and the restrictive conditions of establishing these links. The second aspect concerns internal and external factors, whereby the internal factors are those that are under the control of the participants’ scenario, while under external factors analysis are those that are beyond the control of those involved. Thereby, Borjeson et al. (2006) distinguish six types of scenarios: (1) forecasting scenario, (2) what-if scenario, (3) the external scenario, (4) the strategic scenario, (5) conservation scenario and (6) scenario transformation.

(2) The division of the scenario can be developed on the basis of the type of data that are predominantly used in the development and implementation of scenario, so we are able to distinguish:

(a) qualitative and
(b) quantitative scenarios.

Qualitative scenarios describing future states use images and diagrams, and they are particularly suitable for the analysis of complex circumstances with a high level of uncertainty in which the information can not be quantified. Quantitative scenarios are in turn usually based on the presentation of the future status with mathematical models in which the information is presented in the form of tables and graphs (Van Notten, 2003). However, in some cases, the difference between qualitative and quantitative scenarios is not clear. The qualitative scenarios can be created virtually with formalized methods, while quantitative scenarios can develop usable semi-quantitative methods. In addition, a combination of qualitative and quantitative scenarios can be used to represent the best way to achieve the objectives of scenario analysis (Alcamo, 2008).

(3) Van Notten (2003) states that the typology of scenarios can be made with respect to the objectives of the creators of the scenario they want to achieve. So there is a difference between:

(a) process-oriented scenario and
(b) production-oriented scenario.

The aim of the scenario that is focused on the process is to encourage learning and creative thinking. In this type of scenario, the process of production of the scenario is as important as the product. The design of the future and process-oriented scenario aims to review the dominant patterns of thinking. On the other hand, the goal of the production-oriented scenarios is to identify trends and development or testing policy. Therefore, production-oriented scenarios may contain specific recommendations for decision makers on the course of action in the future (Vujačić et al., 2011).

3. The scenario method in the field of education

Education contributes to the stability of an economy and educational institutions face pressure to adapt to changes such as the ones that affect all other institutions. However, it seems that the educational institutions are more focused on looking at the past rather than in the design and planning for the future. Vrčelj et al. (2001) state that “school, as the most significant part of the education system, like they have Janus-face and looking at the past and the future at the same time.” It is further stated that “is not an exaggeration to say that with the school all countries are dissatisfied, and that is the reason for dissatisfaction with the constant intervention in the education systems.” Also, it became apparent that these interventions do not provide the desired educational change, and that the solution lies in changing the educational paradigm (Juniper et al., 2015). Therefore, education policy makers have to take into consideration the fact of the existence of continuing uncertainty as to whether the policy will be successful in the future. It is necessary to make best use of all that is known, or what is thought to be known, and to explore all that is not known. The scenario method enables exploration of the unknown, since it is a method that allows the identification of contingencies and anticipating changing events (Rasmus, 2009). The significance of the scenario method is reflected in the fact that it takes into consideration complex elements which are then woven into a story that is coherent, systematic and comprehensive (Mietzner and Reger, 2005). Creating and applying the method of scenario appropriately

---

5Janus was the god of the beginning and end of all things in Roman mythology. His character is usually represented with two faces, which symbolize two aspects of time, past and future.
can help makers of educational policy in providing innovative responses to current and future challenges.  

Scenario creation usually involves interactive and intensive process that includes systematic steps. Despite the multitude of definitions and typologies of scenarios, the basic structure of the process of scenario includes the following steps (Snoek, 2003; OECD, 2006; Marolt 2015):

1. determination the topics or key questions for analysis,
2. identification of major trends and sources of change,
3. scenario configuration, and
4. evaluation of the scenario and developing an action plan.

(1) The first step in the process of developing scenarios is related to the determination of topics and formulation research questions for which scenarios would offer a response. Research questions depend primarily on the goals to be achieved by the scenario creators (Marolt, 2015). For example, if the objective is to examine the possible scenarios of the future education development, the research question can be defined as follows: "What will schools of the future look like?" However, if the objective of the scenario is analysis of directions in which the current education system is moving, the question in the scenario can be: "Which scenario is closest to the current education system?" (OECD, 2006). Identification of topics and formulation research questions implies a decision on the level of analysis, which is primarily related to the choice of timing and thematic framework. Specifically, in defining the timeframe scenarios, one should bear in mind that too short a time frame limits the scope of the available options for analysis while focusing on a too long a time frame carries the risk of speculative description of a future state. Therefore, most scenarios should be limited to description of the future for a period of ten to twenty years. Such a defined time frame presents a sufficient time distance that reasonably predicts the future, on the one hand, and a sufficient time interval in which the observed trends in the scenario may come to the fore, on the other hand (Vujačić et al., 2011). When defining the thematic framework, it is possible to vary the global scenarios and scenarios that are focused on specific topics. Connecting to this, in the field of education it is necessary to define whether the scenarios concern creation of educational policy at the level of the education system or the level of the specific school (Mietzner and Reger, 2005). Also, the formulation of the research questions depends on the sources and types of data that will be used for the analysis. The most common choice of information in the field of economy are theoretical and mathematical models of design on quantitative data. This approach allows for more precise analysis of anticipating changes and, consequently, more effective planning on the basis of the outcome of the scenario (OECD, 2006).

(2) The next step in the scenarios creation involves the identification of major trends and sources of change as a framework for thinking about possible changes in the area which is the subject of analysis. In this step, it is possible to single out a number of significant trends, or for making scenarios it needs to take into consideration only some of the trends identified. Therefore, the second step in the process of developing scenarios is procedure of reducing a large number into a smaller number of key trends. In the selection process, the selection of trends is mainly done by combining criteria (Ramirez and Wilkinson, 2014, Snoek, 2003; OECD, 2006):

(a) the possibility and desirability, whereby selected trends are also the most desirable and most likely,
(b) predictability and impact, whereby selected trends are with the greatest possible impact on the future state, but with at least predictable outcome.

---

6 Fulton and Scearce the 2005 published a book called The Art of Scenario Thinking for Nonprofits, where he discussed the use of scenario method for non-profit institutions, including educational institutions, which are highly dependent on a large number of participants who are inside and outside these institutions, emphasizing the complexity of the problems that these institutions may face under conditions of uncertainty.
The most commonly used are two-dimensional models of scenario that combine two key criteria that were assessed as mutually independent in the context of possible future structuring (Marolt, 2015). By crossing these criteria four fields are formed as space mapping differentiated scenarios. For example Saussois (2006), in a study on the future of education by crossing dimension of openness versus closure systems with a social dimension versus individualistic orientation in education, presents four different scenarios that arise by combining these dimensions: (1) conservation scenario, (2) transformation scenario, (3) a survival scenario and (4) the market scenario. However, besides the use of two-dimensional models, it is possible to create a scenario positioning along one or more dimensions, according to the criteria of growth or desirability. Thus, for example, the scenarios of the Organization for Economic Cooperation and Development positioned are along one dimension into three groups: (1) scenarios of the weakening the position of the school, (2) scenarios of retaining the existing position of the school, and (3) scenarios of the strengthening the position of school (Vujačić et al., 2011).

(3) The third step regards design scenarios and includes a detailed analysis of previously identified trends and sources of change. According to the Snoek (2003), the figuration of scenarios should enable consistent and recognizable description, without value judgments. Also, the description of the scenario should not be unexpected, should encourage dialogue and should contain the effect of surprise. The process through which it takes place involves the creation of scenarios which can be developed from the narrative procedures into mathematical techniques. With that, in the field of education, it is more appropriate to use of narrative procedures (Kosow and Gassner, 2008). For the successful implementation of these procedures the selection of elements is of particular importance the, which will then be properly fit into the story of a future state of education. Therefore, each scenario is presented in the form of short stories in which they highlight and elaborate key elements of the scenario (Marolt, 2015). Connected to that, the scenarios should include a description of the main participants in the script as well as their positions. Namely, of particular importance for the development of scenarios, is to determine the scenario leaders, their relationships and the role that they are assigned in the scenario, as well as defining the interests of such leaders which should be met (OECD, 2006).

(4) The last step in the process of scenario creating involves an evaluation of scenarios as well as developing an action plan. The procedure of evaluation scenarios is needed to be undertaken for reasons of checking the relevance and effectiveness of scenario. This procedure usually involves both analysis.
of potential gains and losses from realizations of these scenarios, and analysis of challenges and opportunities that these scenarios bring (Wilson, 2000). Evaluation of the scenarios includes the assessment of the participants about their desirability and feasibility to test the performance of different scenarios. In the fourth step besides scenarios evaluation will be carried out an action plan based on the analysis of created scenarios. Namely, the story formulation is not only a goal in itself, but it is necessary to develop an appropriate action plan in line with the outcomes of these stories predicting (Vujačić et al., 2011). Questions that are suitable for the planning of activities based on a scenario, according to Godet (2000), can be formulated as follows: "What can happen?", "What can be done?", "What is the intention to do so?" and "How to do it?" As the target of the application of scenarios can support the process of formulating and implementing reform measures in education, development of scenarios in accordance with the above steps and appropriately becomes particularly important (Marolt, 2015).

4. Application of scenario method in education: Selected studies

4.1 Organization for Economic Cooperation and Development study

Within the Centre for Research and Innovation in Education of the Organization for Economic Cooperation and Development, a project entitled "Education for the Future" was launched at the end of the 90s of the last century in which were presented opinions on the future development of education. The basic idea of the project is that neglecting a long period of time can cause a problem due to inability to cope with the challenges of the educational systems of increasing complexity and uncertainty. The main aim of the project "Education for the future" is thinking about the future in order to help education policy makers in clarifying vision about what kind of education we want and how to achieve such education. In this regard, theoretical frameworks that are useful for thinking about different possible future states in education and creation of long-term education policy within the project have been developed.

The project "Education for the Future" consists of two phases. In the first phase of the project was created six scenarios of the future educational system. The purpose of the created scenarios is understanding the future development of education and the potential role that education policy can play in this formation. Six scenarios were created for the purpose of emphasizing that there is no one but a number of possible future states of education. In the second phase of the project it was investigated how could created scenarios be used to solve specific problems observed in the education systems of individual countries. For example, in Canada a project called "Teaching as a Profession" began in which these six scenarios were adapted according to data collected from the workshop with the participants such as students and teachers in the education system. The adaptation scenario should have allowed the recognition of specific Canadian educational system. The aim of this project was the reform of education, and the dimensions considered were related primarily to class and teaching in schools (OECD, 2006).

The scenarios created under the project "Education for the Future” are not clean prediction and not clean vision. The scenarios are designed more as an alternative vision of the future of the educational system, rather than exclusive extrapolation of the current educational situation. The time frame of these scenarios is defined for a period of fifteen to twenty years, a period of time sufficient to make significant changes occur. The created scenarios are positioned along one dimension in the three groups, according to the criterion of the impact of changes, where in each of these three groups developed two scenarios. As a result of this emerged the following six scenarios: (1) school as a bureaucratic system, (2) expanded market model school, (3) school as an important social center, (4) school as a learning organization, (5) learning in networks instead of at school and (6) dissolution of the school system. The first two scenarios relating to the retention of the current position of the existing school, the other two on strengthening the position of school, and the last two are concerning bout weakening of the position of schools (OECD, 2001).

For more details, visit: https://www.oecd.org/edu/centre/eduforlatter/fortomorrow
Table 4.1.1: Six scenarios in education developed within the project "Education for the Future"

<table>
<thead>
<tr>
<th>Group I: maintaining the current position of school</th>
<th>Group II: strengthening the position of school</th>
<th>Group III: weakening the position of school</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) school as a bureaucratic system</td>
<td>(3) school as an important social center</td>
<td>(5) learning in networks rather than in school</td>
</tr>
<tr>
<td>(2) expanded market model school</td>
<td>(4) school as a learning organization</td>
<td>(6) dissolution of the school system</td>
</tr>
</tbody>
</table>

Source: OECD (2001)

In order to facilitate comparison, the six scenarios are created on the basis of a community framework made up of variables which were identified as key in determining the appearance of the future of the education system. Variables which make such a framework are: (a) the attitudes, expectations and support, (b) the objectives and functions, (c) organization and structure, (d) geopolitical events and (e) teaching staff (OECD, 2001). The following is a description of these scenarios.

1. School as a bureaucratic system: This scenario is built on the basis of a continuum of the existing school system. The school system is characterized by strong bureaucratic elements, enhancing the uniformity of such a system, where there are still problems associated with school funding. Also, an important characteristic of the school system in this scenario is resistance and insensitivity to changes. Special attention is paid to the school’s curriculum, where a large number of countries operate under the joint defined curriculum. There is a growth in the use of modern methods of learning, but not a radical change in the organizational structure of the school system, so it is still dominated by the traditional method of teaching. Globalization, decentralization and growing interest of the organization for education in a large extent shapes the school system. Teachers are joining the union and associations, leading to a strengthening of union action of the teaching staff.

2. Extended market of school model: Under this scenario comes the growth of discontent of the participants in the educational process which leads to redefining the method of funding schools. That is, reducing the proportion of schools that are publicly funded and a growing share of schools that are financed by private funds. Consequently, growing inequality in education and declining availability of educational services. Attention is less focused on the curriculum, so that the greatest focus is on the development of skills and competencies. There is greater experimentation with organizational forms of the school system, where individualism and diversified management are key characteristics of the organizational structure. Significantly the role of local educational institutions it is reduced at the expense of international educational institutions as providers of education. Teaching is increasingly performing individuals who come to the position of teacher by training, not education.

3. School as an important social center: In this scenario, the school is one of the most important factors preventing social fragmentation, contributing to the growth of equality in education. Also, the importance of education as a public good becomes more prominent. The role of the school, according to this scenario, involves transferring the legitimization of knowledge, where there is a focus on informal learning. It appears to be a new organizational form of the school system, which is characterized by a weakening of bureaucratic elements while strengthening diversified management. The local dimension of education is increasingly gaining in importance, providing support to those communities with weakened social infrastructure, and with the international dimension of education still important. The high degree of public support contributes to the satisfaction of the teaching staff which applies complex teaching methods.

4. School as a learning organization: According to this scenario, schools are networked through learning organizations with the salient features of this networking being diversity and innovation. There is a high degree of public confidence in the education system, so that the problems related to the school funding are largely resolved. Moreover, significant public funds have been provided in order to create satisfactory working conditions for all participants in the education system. Consequently, there is a growing availability of educational services. Special attention is paid to the implementation of highly

8 For more details visit: OECD, 2001, What Schools for the Future, OECD Publishing
demanding curricula. The team-oriented organizational structure of the school system, with prominent management skills becomes dominant. A strong national framework and support with a focus on communities with strong funding problems, is another feature of the education system. It promotes international networking of students and teachers. The teaching staff apply innovative techniques in teaching, developed on the basis of research and development.

(5) Learning in networks rather than in school: In this scenario schools are disappearing. Instead of school, learning takes place in networks operating within the networked society. This is caused by the growing discontent with the organizational structure of the school system, which is derived from the bureaucratic nature of schools and the inability to adapt learning to the complex changes in social infrastructure. As a result, there are problems related to school funding and equity in education. With the application of information and communication technologies, there different forms of formal and informal learning organizations have been developed. New forms of international educational institutions have appeared which are available only to certain communities. The demarcation between teachers and students, on the one hand, and parents and teachers, on the other hand, becomes blurred and eventually disappears.

(6) Dissolution of the school system: This scenario describes the disappearance of the school system. Possible causes are lack of teaching staff and the dissatisfaction of all stakeholders in the education system’s operating conditions. Discontent is especially present in a situation where in educational terms of teachers and teaching methods, education policy makers are unable to adequately address this problem. Due to the lack of teachers, there is increasing of the average class size. In this regard, there is a change in the curriculum. It also establishes a diversificated organizational structure of the school system. New forms of evaluation of educational achievements of students were developed in response to the growing responsibility of the participants in the educational process. Communities in which there is no significant lack of teachers are applying protectionist measures leading to declining solidarity. The national framework has been strengthened in an attempt to somewhat preserve the school system. The growing importance of union action of teachers is taken into consideration along with the limited supply of teachers.

In the Asia-Pacific study conducted by the Pacific consortium, which represents the organization of educational institutions in the Asia-Pacific region, they explored which of the six scenarios created under the project “Education for the Future” is the most desirable for a particular country, or the most likely.

Table 4.1.2: The most desirable and most likely scenario in the education of each country Asia-Pacific region

<table>
<thead>
<tr>
<th>Country</th>
<th>The most desirable scenario</th>
<th>The most probable scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Thailand</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Japan</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>USA</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Mutch and Ninomiya (2008)

The study results indicate that for almost all countries observed in the Asia-Pacific region, the most desirable scenario is four, that is school as a learning organization, and the most likely scenario is one, or school as a bureaucratic system.
4.2 Study of the Institute for Educational Research of Serbia

Application of the scenario method in the field of education in Serbia is recent. Namely, in 2011 the Institute for the Educational Research of Serbia presented a project called "Performances of the education changes in Serbia: Reflections on the past, vision for the future." The objective of the project emphasizes the study of perception of changes in education that have occurred over the past decade, but also researches visions of the future appearance of the educational system in Serbia. That is, the goal of the project was, as stated, understanding changes in education in Serbia from the perspective of the key participants in the educational process (Vujačić et al., 2011). The scientific contribution of this project is twofold, and refers to: (1) the opening of a new research field that studies the changes in the education of Serbia and (2) the introduction of the scenario method as a methodological innovation in the field of education. In addition to scientific contributions, the project had a practical contribution, since the results of the research in this project have been of benefit to the education policy makers in Serbia when they were making development strategy for education.

A project, "Performances of the education changes in Serbia: Reflections on the past, vision for the future", is an attempt to offer answers to research questions such as: "How do key stakeholders in the education system perceive past and future educational changes?", "What are the possible scenarios for the future of education changes in Serbia?" and "How do the key participants of the educational process perceive these possible scenarios of the future education?" The project was implemented in three phases. The goal of the first phase of the project was to review the changes that have occurred in the Serbian education system and preparation of materials on which basis they created scenarios for the future state in education. In this phase, interviews were conducted with participants in the educational process, such as students, parents, teachers and experts in the field of education, in order to provide the necessary data. In the second phase of the project objective was to create scenarios of future changes in education. Consultations were held with decision-makers in the field of education, which resulted in the creation of four scenarios on the future status of education in Serbia: (1) school made for child, (2) school that fosters excellence, (3) teacher as a respected professional and (4) responsible management of change. The aim of the last phase of the project was to evaluate created scenarios. Evaluation of the scenarios were made from the standpoint of the following elements: (a) the desirability of scenarios, (b) the feasibility of scenarios, (c) the implications of scenarios, (d) conditions and obstacles in the process of deployment scenarios and (e) comparison of scenarios (Vujačić et al., 2011).

One of the problems regarding the process of creating scenarios is the fact that developed scenarios are not mutually exclusive. That is, all four created scenarios are desirable and reflect the elements of a course of development of the educational system in Serbia, which prevents the appropriation for the most desirable scenario. Thereby, it is not possible to position the developed scenarios along one or more dimensions to a given criterion.

Table 4.2.1: Evaluation of scenarios in education developed within the project "Performances of the education changes in Serbia: Reflections on the past, vision for the future" from the standpoint of desirability and feasibility scenarios

<table>
<thead>
<tr>
<th>Name of the scenarios</th>
<th>Desirability of the scenarios (%)</th>
<th>Feasibility of the scenarios (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) school made for child</td>
<td>75</td>
<td>36</td>
</tr>
<tr>
<td>(2) school that fosters excellence</td>
<td>76</td>
<td>54</td>
</tr>
<tr>
<td>(3) teacher as a respected professional</td>
<td>75</td>
<td>51</td>
</tr>
<tr>
<td>(4) responsible management of change</td>
<td>75</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Vujačić et al. (2011)
Evaluation of the developed scenarios from the standpoint of desirability, as already pointed out, refers to the fact that all four scenarios are highly desirable. From the standpoint of feasibility evaluation, the created scenarios suggest that the least feasible scenario is scenario one, or school made for child, and the most feasible scenario is scenario two, or a school that nurtures excellence. A brief description of the key elements of the scenarios is given below:

(1) School made for child: Under this scenario, the school is organized in a way that takes into account the specificity of each child, and in accordance with this school system is dedicated to the student and the development of its potency. So, the school system is not designed to average child. In this regard, the curriculum is characterized by exceptional flexibility to allow targeting of different needs of students by teachers. This scenario highlights the safety characteristics as the basic education system involves inclusive education and significant support to teachers by the community.

(2) School that fosters excellence: In this scenario, the school will greatly contribute to improving the educational achievement of students through the system highlighting and rewarding to students and teachers for their results. A key feature of the school system is the responsibility of the participants in the educational process. Namely, it is necessary to monitor the progress in the work of teachers and encourage competition among students. The education system should enable the recognition and highlighting excellence, but also to promote the continuous training.

(3) Teacher as a respected professional: Under this scenario, the teacher in the educational system is viewed as a respected professional who has considerable autonomy in decision-making at the school level, but is also responsible for the quality of teaching. Selection is introduced to the teachers according to predefined rules. The school system is characterized by the systematic and continuous training of teachers. Consequently, there is a high level of autonomy and responsibilities of teachers. An outcome is the improving public perception of the teaching profession.

(4) Responsible management of change: This scenario implies the existence of mutual trust of all stakeholders in the education system in order to appropriate responses to changing schools. There are clearly defined objectives and strategy for the development of education. Safety characteristics of the school system are adequately informed and active participation of teachers in changes. They established cooperation between schools and the community about the details concerning the changes.

5. Conclusion

The paper has described the historical development and provides an overview of some of the definitions and types of scenarios. Decades of use of the scenario method in different areas resulted in the fact that the literature provides a range of different definitions of scenarios. The original conception is that the term ‘scenario’ means the hypothetical sequence of events that has been designed with the aim of placing the focus of attention of causal processes and decision points. One of the newer understandings rests on the view that the term scenario involves creating several different stories, each of which contains a vision of possible future of a particular organization. Also, in recent years is particularly evident that increases in the complexity of the types of scenarios have occurred. Some of the criteria by which the division of scenarios can be sorted are: (1) possibility and desirability, (2) data type and (3) target.

Special attention in this paper was dedicated to the application of the scenario method in the field of education. That was to point out the reasons for the creation and application of scenarios in education, as well as the steps of scenario developing. Specifically, the paper highlighted that education policy makers must take into consideration the fact of the continuing uncertainty as to the policy to be successful in the future. In other words, it is necessary to make best use of all that is known, or what is meant to be known, and to explore all that is not known. The method of scenario allows us to explore the unknown, since it is a method for identification of contingencies and anticipate changing events. The significance of the scenario method is reflected in the fact that takes into consideration complex elements which are then woven into a story that is coherent, systematic and comprehensive. Creating and applying the scenario method appropriately can help makers of educational policy in providing

---

9 For more details see: Vujačić et al., 2011, *Predstave o obrazovnim promenama u Srbiji: refleksije o prošlosti, vizije budućnosti*, Institut za pedagoška istraživanja Srbije
innovative responses to current and future challenges. Just to create a scenario usually involves interactive and intensive process that includes systematic steps. Despite the multitude of definitions and typologies of scenarios, the basic structure of the process of scenario usually includes such steps as: (1) determining the themes or key issues for analysis, (2) the identification of major trends and sources of change, (3) scenario configuration and (4) evaluation of scenarios and developing an action plan.

The paper also presented two projects in the field of education in which the scenario method was used. Presentation of the international project entitled "Education for the Future" was made in the context of the Centre for Research and Innovation in Education of the Organization for Economic Cooperation and Development. The main objective of the project "Education for the Future" was to encourage thinking about the future in order to assist education policy makers in clarifying vision about what kind of education we want and how to achieve such education. Six scenarios developed under the program: (1) school as a bureaucratic system, (2) expanded market model school, (3) school as an important social center, (4) school as a learning organization, (5) learning in networks instead of at school and (6) dissolution of the school system. Evaluation created scenarios in the context of Asia-Pacific Studies which indicates that the most desirable scenario is four, that is school as a learning organization, and the most likely scenario is one, or school as a bureaucratic system. A domestic project was done in the framework of the Institute for Educational Research of Serbia entitled "Performances of the education changes in Serbia: Reflections on the past, vision for the future." As the objective of this project emphasizes, it focuses on the study of perception of changes in education that have occurred over the past decade, but also the research vision of the future appearance of the educational system in Serbia. There were four scenarios created surrounding the future status of education in Serbia: (1) school made for child, (2) school that fosters excellence, (3) teacher as a respected professional and (4) responsible management of change. Evaluation of the developed scenario points to the fact that all four scenarios are highly desirable, but that the most feasible is scenario two, or a school that fosters excellence.
Literature


Borovica et al., 2015, Škola budućnosti: Alternativne budućnosti institucionalnog obrazovanja, Filozofski fakultet u Novom Sadu


Kosow, H., Gassner, R., 2008, Methods of Future and Scenario Analysis: Overview, Assessment and Selection Criteria, German Development Institute


OECD, 2006, Think scenarios, rethink education, OECD Publishing


Vrcelj et al., 2001, Prema pedagoškoj futurologiji: škola budućnosti, Hrvatski pedagoško-književni zbor

Vujačić et al., 2011, Predstave o obrazovnim promenama u Srbiji: refleksije o prošlosti, vizije budućnosti, Institut za pedagoška istraživanja Srbije


The Influence of Country Competitiveness onto the Inflow of FDI- Evidence from Serbia and Regional Countries

Čeliković Zorica, Belgrade University, Serbia

Abstract:

Along with the globalization of the world economy the importance of the competitiveness concept is expressed. The currently modeled conditions of business do not just bring individuals and companies in the position of constant fighting for competitive positions, but due to modern trends, it is inevitable that the states themselves also participate in the competitive game. The countries which have seen the importance of competitiveness in time have managed in a relatively short term to strengthen their economies, increase investment and export and thus create important preconditions for long term economic development. The competitiveness is especially important for small countries which, due to insufficient resources, i.e. development funds, are directed to international funds and attracting foreign investors. The paper analyzes the state of competitiveness of Serbia, as well as its competitive position compared to other regional countries. The aim of the paper is to determine whether the degree of country competitiveness influences the inflows of FDI in 10 regional countries: Albania, Bosnia, Croatia, Hungary, Macedonia, Montenegro, Romania, Serbia, Slovakia and Slovenia. The data which have been used have been retrieved from relevant reports and data bases. FDI data was provided by the United Nations Conference on Trade and Development (UNCTAD), and the Global Competitiveness Index was collected from the Global Competition Report (GCI). The analysis has been performed for a period of eight years. The overall results demonstrate that the host country's global competitiveness is a significant predictor of inflows of FDI for all countries studied in the observed period. This research confirms the fact that the improvement of competitiveness of a country must be in the focus of the creators of economic policies, therefore, within the final analyses, potential directions for their acting are raised.

Key words: national competitiveness, FDI, GCI, Serbia, transition countries.

Introduction

In modern conditions competitiveness is gaining more and more importance and is becoming the most important determinant of success of a country. The competitiveness of an economy represents a particular contribution to the social product, life standard and employment. Also, it contributes to innovation, business improvement and total economic growth. The importance of the competitiveness concept is even more clear with the process of globalization of the world economy. Such modeled conditions of market business do not just bring individuals and companies into a state of permanent battle for the competitive position, but due to modern trends and creating a global village, it is inevitable for the states themselves to participate as well. The thing which needs to be pointed out is that the sources of competitive advantage are always changing and their sustainability during time is difficult, even impossible. Thus the key task of every country is to be compatible with those sources.

Competitiveness, both on a micro, i.e. company level, and macro, i.e. state level, during the last 30 years has become one of the most often analyzed economic variables. When we speak of competitiveness on a macro level, there are different attitudes concerning its measurement. It is interesting that certain analyses represent an extreme attitude that the term “competitiveness” is not applicable at the state level, but only at the level of companies.1 However, significant differences in economic movements in

individual countries clearly imply the existence of more and less successful countries. The national competitiveness or the competitiveness of a country is defined as the country’s capability to achieve growth faster than other countries and to increase the welfare in such a manner that its economic structure does not change and that it adapts as best as possible to the movements in international trade.²

The competitive position of Serbia

Up until the 70ies of the past century, the term “competitiveness” referred to the ability of a company to produce and sell the product on the domestic or foreign market. Bearing in mind the barriers in trade, a difference was made between competitiveness/sales on the domestic versus competitiveness/sales on foreign markets. The bearers of the so called constant market share analysis connected competitiveness to the ability of a company and country to increase its participation in global goods export and in global production.³ From the 70ies onward, competitiveness has started to be connected with the ability of a company to create, produce and successfully sell products on the domestic and foreign markets.

With the globalization of the world economy the competitiveness concept is becoming more and more important. Countries which have in time seen its significance have managed in a relatively short term to reinforce their economies, increase investment and export and thus create important preconditions for long term development. Numerous analyses have shown that countries which are highly ranked when it comes to competitiveness are also highly ranked when it comes to income per capita, i.e. standard of living.⁴ Competitiveness is especially important for small countries which due to insufficient resources, i.e. funds for development, have been directed to international funds. Serbia belongs in this group of countries.

The competitiveness of the Serbian economy, after two decades since the start of transition is still very low. Although the majority of socialist countries which started the transition process in the same period as Serbia even before the beginning of the global economic crisis have achieved pre-transit levels of GDP, that was not the case with Serbia. Serbia faced already being in a crisis.⁵ The low level of competitiveness of the Serbian economy is shown by numerous indicators. For example, judging by the score of the Global economic Forum, Serbia holds the 94th position out of 140 ranked countries when it comes to the level of global competitiveness.

The following tables show the rank of Serbia’s competitiveness for the period 2007 until 2015 and the value of the total Global competitiveness index (GCI) for the regarded period, but also its individual components.⁶

---

² Bienkowski, W., (2006), How much are studies of compatitiveness worth? Some critical theoretical reflec on the issue., Poland, p. 45.
³ Trusrinski, H., (1980), World Trade in Manufactured Commodities, Manchester School, Manchester, p.23.
⁶ The reports of the Global economic forum for the stated years, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf, accessed on 20th July 2016; 1) the report contains 131 country; 2) the report contains 134 countries; 3) the report contains 133 countries; 4) the report contains 139 countries; 5) the report contains 142 countries; 6) the report contains 144 countries; 7) the report contains 148 countries; 8) the report contains 140 countries; 9) the report contains 140 countries.
Table 1. The rank of Serbia according to the Global competitiveness index (GCI) and the value of GCI for the period 2007-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Rank of Serbia according to GCI</th>
<th>The value of GCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>91</td>
<td>3.78</td>
</tr>
<tr>
<td>2008</td>
<td>85</td>
<td>3.90</td>
</tr>
<tr>
<td>2009</td>
<td>93</td>
<td>3.77</td>
</tr>
<tr>
<td>2010</td>
<td>96</td>
<td>3.84</td>
</tr>
<tr>
<td>2011</td>
<td>95</td>
<td>3.88</td>
</tr>
<tr>
<td>2012</td>
<td>95</td>
<td>3.87</td>
</tr>
<tr>
<td>2013</td>
<td>101</td>
<td>3.77</td>
</tr>
<tr>
<td>2014</td>
<td>94</td>
<td>3.90</td>
</tr>
<tr>
<td>2015</td>
<td>94</td>
<td>3.90</td>
</tr>
</tbody>
</table>


Historically seen, the best position in the past seven years our country achieved a little bit before the first tide of crisis in 2008, when the GCI recorded the value of 3.9. Already the following year, 2009, the value of GCI had dropped significantly to 3.77. After that period came a gradual recovery, only to see the GCI drop to the level of 2009 again in 2013. During the most recent years, the competitive position of Serbia has become much better (it has improved by seven positions), but it is still very bad. The low competitiveness of the economy of the Republic of Serbia is confirmed when compared to other transition countries.

Analyzing the changes which occurred in the individual pillars of competitiveness (Table 2) during the regarded period, we can see much more clearly the consequences of low competitiveness. This is very significant for the bearers of the economic policy of the country, since only in that manner can we have a wider picture of the issue and direct our strategies onto improving the key elements of competitiveness.

Table 2. The Value of GCI by pillars of competitiveness for the period 2011-2015

<table>
<thead>
<tr>
<th>Pillars of competitiveness</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions</td>
<td>3.15</td>
<td>3.16</td>
<td>3.20</td>
<td>3.21</td>
<td>3.2</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3.67</td>
<td>3.78</td>
<td>3.51</td>
<td>3.93</td>
<td>3.9</td>
</tr>
<tr>
<td>Macroeconomic environment</td>
<td>4.18</td>
<td>3.91</td>
<td>3.36</td>
<td>3.51</td>
<td>3.5</td>
</tr>
<tr>
<td>Health and primary education</td>
<td>5.82</td>
<td>5.73</td>
<td>5.75</td>
<td>5.76</td>
<td>5.8</td>
</tr>
<tr>
<td>Higher education and training</td>
<td>3.98</td>
<td>3.97</td>
<td>4.05</td>
<td>4.25</td>
<td>4.3</td>
</tr>
<tr>
<td>Goods market efficiency</td>
<td>3.49</td>
<td>3.57</td>
<td>3.64</td>
<td>3.78</td>
<td>3.8</td>
</tr>
<tr>
<td>Labor market efficiency</td>
<td>3.94</td>
<td>4.04</td>
<td>3.90</td>
<td>3.73</td>
<td>3.7</td>
</tr>
<tr>
<td>Financial market development</td>
<td>3.74</td>
<td>3.68</td>
<td>3.48</td>
<td>3.50</td>
<td>3.5</td>
</tr>
<tr>
<td>Technological readiness</td>
<td>3.63</td>
<td>4.10</td>
<td>3.94</td>
<td>4.45</td>
<td>4.4</td>
</tr>
<tr>
<td>Market size</td>
<td>3.61</td>
<td>3.64</td>
<td>3.68</td>
<td>3.68</td>
<td>3.7</td>
</tr>
<tr>
<td>Business sophistication</td>
<td>3.08</td>
<td>3.11</td>
<td>3.18</td>
<td>3.21</td>
<td>3.2</td>
</tr>
<tr>
<td>Innovation</td>
<td>2.90</td>
<td>2.81</td>
<td>2.85</td>
<td>2.89</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: The global economic forum (Reports for 2011-2015)
The movement of the value of the pillars of competitiveness for Serbia in the five year period

Based on the data from the previous table and graph we can clearly see that in the seen five-year period, although they have recorded slight growth, the worst graded factors are still Business sophistication and Innovation. The best graded factor is Health and primary education, although its value has fallen compared to the beginning of the period and mostly as a consequence of bad macroeconomic surroundings where the index value has fallen from 4.18 to 3.5. Also, it is an encouraging fact that the other group of factors, i.e. the factors which increase the efficiency have the tendency of growth in the years considered, and it is known that this group has the biggest influence while calculating the total composite index for Serbia (the particular weigh is 50%).

Also, from the data we see that during the past five years Serbia has achieved a minor improvement in Institutions, Infrastructure, Higher education and training, while the biggest downfall has been recorded in Macroeconomic environment and the Sophistication of the Financial market. The macroeconomic pillar of competitiveness analyzes the budget deficit, inflation, savings and state indebtedness and shows the slight downfall of indicators in the first three years, after which it recovers, but this recovery has not yet given significant results when it comes to the national competitiveness, but certainly it represents a good direction and a platform for future steps which could improve our position on the global level. The worst graded is the last pillar which refers to the influence of innovation on the country competitiveness. In the case of our country, innovation is certainly the missing element which should be improved and thus correct the total grade and country rank. Of course, the key role in defining the competitiveness development strategy is in the hands of the state. However, despite small growth during on the first and second decimal in certain pillars, as generally seen, the grades which Serbia has are rather low, and what is particularly worrying is the multi-decade stagnation with only slight movements. Therefore, the key question is how to find the real and shortest path to achieve a higher level of competitiveness.

The competitiveness of Serbia and the regional countries

In the lower phase of competitiveness, in the factor driven phase, the countries compete with available factors and natural resources. Professor Porter often states that the inherited natural resources do not represent a good basis for achieving global competitiveness, and that it must be built on what is not inherited but created. Therefore, a greater degree of competitiveness is achieved by those countries which do not necessarily have a lot of inherited natural resources, but which invest a lot of efforts to...
utilize them. With the improvement of development, country wages also rise, thus the country passes on into the middle phase of development in which competitiveness is based on efficiency, in which more efficient product processes are developed and the quality of products is achieved. As the country is getting nearer to the top, innovative phase, it shall be in the position to sustain higher wages, and thus a growing life standard, if and when the business within it is capable to compete with new and innovative products. In this phase, the companies compete first of all with their own innovation and production of new and differentiated products which use the most developed production processes. Serbia is still in the second phase, as is the majority of regional countries.

Besides serious financial and economic issues which the European countries are facing, the Old Continent is still one the most competitive regions in the world. Out of 10 best ranked countries in the world, six come from Europe.

Within the following tables we see given data on the value of GCI and the rank of Serbia and regional countries for the period 2007-2015.

### Table 3. The value of the GCI for the period 2007-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>3.48</td>
<td>3.55</td>
<td>3.72</td>
<td>3.94</td>
<td>4.06</td>
<td>3.91</td>
<td>3.85</td>
<td>3.84</td>
<td>3.84</td>
</tr>
<tr>
<td>Bosnia</td>
<td>3.55</td>
<td>3.56</td>
<td>3.53</td>
<td>3.7</td>
<td>3.83</td>
<td>3.93</td>
<td>4.02</td>
<td>4.02</td>
<td>4.01</td>
</tr>
<tr>
<td>Croatia</td>
<td>4.2</td>
<td>4.22</td>
<td>4.03</td>
<td>4.04</td>
<td>4.08</td>
<td>4.04</td>
<td>4.13</td>
<td>4.13</td>
<td>4.1</td>
</tr>
<tr>
<td>Hungary</td>
<td>4.35</td>
<td>4.22</td>
<td>4.22</td>
<td>4.33</td>
<td>4.36</td>
<td>4.3</td>
<td>4.25</td>
<td>4.28</td>
<td>4.2</td>
</tr>
<tr>
<td>Macedonia</td>
<td>3.73</td>
<td>3.87</td>
<td>3.95</td>
<td>4.02</td>
<td>4.05</td>
<td>4.04</td>
<td>4.14</td>
<td>4.26</td>
<td>4.3</td>
</tr>
<tr>
<td>Montenegro</td>
<td>3.91</td>
<td>4.11</td>
<td>4.16</td>
<td>4.36</td>
<td>4.27</td>
<td>4.34</td>
<td>4.2</td>
<td>4.23</td>
<td>4.2</td>
</tr>
<tr>
<td>Romania</td>
<td>3.97</td>
<td>4.1</td>
<td>4.11</td>
<td>4.16</td>
<td>4.08</td>
<td>4.07</td>
<td>4.13</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Serbia</td>
<td>3.78</td>
<td>3.9</td>
<td>3.77</td>
<td>3.84</td>
<td>3.88</td>
<td>3.87</td>
<td>3.77</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.45</td>
<td>4.4</td>
<td>4.31</td>
<td>4.25</td>
<td>4.19</td>
<td>4.14</td>
<td>4.1</td>
<td>4.15</td>
<td>4.2</td>
</tr>
<tr>
<td>Slovenia</td>
<td>4.48</td>
<td>4.5</td>
<td>4.55</td>
<td>4.42</td>
<td>4.3</td>
<td>4.34</td>
<td>4.25</td>
<td>4.22</td>
<td>4.3</td>
</tr>
</tbody>
</table>


### Table 4. Rank of Serbia and regional countries according to the value of GCI for the period 2007-2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>109</td>
<td>108</td>
<td>96</td>
<td>88</td>
<td>78</td>
<td>89</td>
<td>95</td>
<td>97</td>
<td>95</td>
</tr>
<tr>
<td>Bosnia</td>
<td>106</td>
<td>107</td>
<td>109</td>
<td>102</td>
<td>100</td>
<td>88</td>
<td>87</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Croatia</td>
<td>57</td>
<td>61</td>
<td>72</td>
<td>77</td>
<td>76</td>
<td>81</td>
<td>75</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Hungary</td>
<td>47</td>
<td>62</td>
<td>58</td>
<td>52</td>
<td>48</td>
<td>60</td>
<td>63</td>
<td>60</td>
<td>63</td>
</tr>
<tr>
<td>Macedonia</td>
<td>94</td>
<td>89</td>
<td>84</td>
<td>79</td>
<td>79</td>
<td>80</td>
<td>73</td>
<td>63</td>
<td>60</td>
</tr>
<tr>
<td>Montenegro</td>
<td>82</td>
<td>65</td>
<td>62</td>
<td>49</td>
<td>60</td>
<td>72</td>
<td>67</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Romania</td>
<td>74</td>
<td>68</td>
<td>64</td>
<td>67</td>
<td>77</td>
<td>78</td>
<td>76</td>
<td>59</td>
<td>53</td>
</tr>
<tr>
<td>Serbia</td>
<td>91</td>
<td>85</td>
<td>93</td>
<td>96</td>
<td>95</td>
<td>95</td>
<td>101</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>Slovakia</td>
<td>41</td>
<td>46</td>
<td>47</td>
<td>60</td>
<td>69</td>
<td>71</td>
<td>78</td>
<td>75</td>
<td>67</td>
</tr>
<tr>
<td>Slovenia</td>
<td>39</td>
<td>42</td>
<td>37</td>
<td>45</td>
<td>57</td>
<td>56</td>
<td>62</td>
<td>70</td>
<td>59</td>
</tr>
</tbody>
</table>


---

Regarding the reports of the Global Economic Forum for the last nine years, we can conclude that Albania, Macedonia, Montenegro, Romania and Bosnia and Herzegovina have improved their competitive positions, and some of these countries have even made significant progress on the list. On the other hand, the majority of other regional economies recorded degraded results year after year, with slight irregularities to the rule. The greatest decrease in the stated period has been recorded by Slovakia, followed by Croatia and Slovenia. Serbia also recorded a downfall in the position from the beginning of the regarded period, but after 2013 it comes into a slight growth period of country competitiveness. Although it has not fallen a lot, seen from the perspective of the number of places, compared to other countries, along with Albania it is currently the worst ranked country in the region.

Based on previously stated data we can conclude that during the last two years there has been a trend of convergence of the value of GCI for the chosen group of countries. The countries with a relatively high values of GCI compared to Serbia have recorded a downfall of values, while the countries with low values have recorded growth. With countries that have high values of GCI, the value reduction has come as a result of insustainability of the achieved positions, due to the effect of the crisis and final the decay of vital parameters which are depicted through the quantitative data, but also through the worse perception of country competitiveness as seen by top managers still, which mutually forms a composite value of the GCI.

On the other hand, the countries which have achieved significant progress in the last two years, despite the crisis and the decrease of quantitative indicators of competitiveness, owe their progress firstly to optimistic results as shown by the survey. We can conclude that such movements are not a rule when it comes to Serbia, thus the movements, whether good or bad, mostly demonstrate real movements, which cause relatively sustainable values of GCI, if the strong external shocks are excluded, such as economic crisis of global scale, wars etc.10

We have seen in the past analysis the position of Serbia concerning competitiveness and the lag between the regional countries is worrying. It is obvious that economic reforms and transition should include more seriously the micro economic tissue of the Serbian economy and that firms should take an active stand in the regard to strengthening their own competitiveness. An active approach does not mean that companies just follow modern trends and that their only interest is growth of market share, but also:

- That they recognize and develop their own internal capabilities, and
- That they develop the key factors of success as preconditions for strengthening the strategic position and improving competitiveness.

The setback in economic development compared to the region, but also other European countries, can be compensated for only if Serbia rises the level of the competitiveness of its economy, which in great deal measure depends on the possibility of economic subjects investing in improving the features of the existing products and services and the development of new ones, as well as the introduction of new, modern technology and technological procedures. It is a fact that all countries in the transition period have secured a higher level of competitiveness through FDI, which enabled these countries to successfully integrate the global flows of international production and economy. These measures of progress should be implemented more seriously by Serbia.

The influence of country competitiveness onto the level of FDI on the example of Serbia and the regional countries

The level of country competitiveness encourages both the inflow and outflow of FDI. The aim of this analysis is to determine whether the degree of country competitiveness influences the inflow of FDI. The data used have been retrieved from relevant reports and databases. FDI data was provided by the United Nations Conference on Trade and Development (UNCTAD), and the Global Competitiveness Index was collected from the Global Competitions Report (GCI). The analysis has been performed for the eight-year period from 2007 until 2014. The data on FDI for 2015 are still not available for all countries included, thus this year is omitted. We have included 10 regional countries: Albania, Bosnia, Croatia, Hungary, Macedonia, Montenegro, Romania, Serbia, Slovakia and Slovenia.

The marked regression model is shown using the following equation:

\[ FDI_i = b_0 + b_1 GCI_i + b_2 \text{country} + b_3 \text{year} = -264640.98 + 0.544 \text{GCI} \]

The marked model is statistically significant. The coefficient which stands by the explanatory variable shows the change of FDI due to the change of the change of the explanatory variable for a unit. The Global Competitiveness standardized coefficient is 0.544, meaning that for every unit increase in GCI we can expect a 0.544 point increase in FDI.

The column “R Square” represents the coefficient of determination, i.e., the proportion of dispersion of the dependent variable which can be explained by the independent one. The gained value of 0.865 means that 86.5% variability of the dependent variable can be explained by the independent one, so we conclude that the connection is strong. The results of the analysis show that the independent variable has a good statistical forecast of the dependent variable. The overall results for a sample for the 10 countries demonstrated that the host country’s global competitiveness is significant predictors of inward FDI for all studied countries.

As a limit of this analysis, we must consider a short time period of regarding the change, only 8 years. Also, as one of the limitations we should point out the perception of GCI by potential investors. Although there is a serious connection between the two variables, it is very possible that there is a high degree of skepticism with potential investors towards the methodology of calculating the very GCI, and thus the achieved score of competitiveness of a country. There, following, we shall state the most important potential methodological lacks of this indicator.

---

The concept of national competitiveness, and thus the very indicator has previously been criticized by Paul Krugman, pointing out that the domestic factors dominantly influence the level of GDP per capita and the welfare, and not the national competitiveness confirmed in a global market. Krugman points out that while defining the national competitiveness the importance of structural factors is pointed out (productivity, innovation, skills), and the essence of the competitive advantage, the comparative advantages, is omitted. When economies trade, they do not compete in a confronted manner (as do firms), but they do business in order for every part to have a certain benefit. The countries specialize only in those goods which they produce, i.e. the ones with lower opportunity costs. Besides Krugman, Smith also criticized the GCI, i.e. he criticized the shortcomings of the calculation methodology.

A great shortcoming of this indicator is that it is too partial, and that it derives from the way GCI is formed. The index is formed by a great number of soft and hard data. The soft data are gathered using a survey performed on top management of companies from a chosen sample. The fact is that some categories which are important for the precise profile of a country can be judged by only using a survey, and contain the possibility that some sub-indicators are over or under valued. The surreal grade of sub-indicators is transferred across the pillars onto the final value of the GCI and the country rank. If we add the fact that while calculating the index, the participation of soft data is up to 70%, the relevance of this indicator becomes even smaller.

Also, certain factors can influence the competitiveness of certain countries, but are not included in the analysis. Primarily, we are talking about socio-psychological (economic) factors of competitiveness, but also some others such as: integration participation, closeness to economic centers, other macroeconomic indicators (labor cost per unit, the exchange rate) etc.

**Conclusion**

The paper analyzed the state of competitiveness in Serbia, as well as its competitive position compared to other regional countries. There are numerous research reports which show that a higher degree of competitiveness contributes to the increase of FDI in a country. The results of this study confirm that hypothesis in the case of Serbia and the regional countries. To be precise, within the group of 10 analyzed countries the level of FDI depends on the level of competitiveness of the regarded country. The strengthening of the Serbian economy is one of the main strategic goals of economic policy, and this research only confirms that this is the direction in which the creators of economic policies should be heading in the future. The reach of a certain level of international competitiveness is the precondition to enter the EU, since the states must fulfill the condition of effective market economy and competitive companies capable of sustaining the pressure of the mutual market, which is an additional incentive for our country to engage further in this field.

The analysis of the partial component of GCI has shown that Serbia has a very low position when it comes to numerous factors. In order to improve the competitiveness of Serbia it is necessary to break current institutional and infrastructure obstructions to competitiveness. That should represent a starting point or the basis for bigger legal and investment security, for bigger capital inflow and the intensification of its movement and for the construction of modern competitiveness strategies based on high productivity and innovative business strategy. The most important recommendation for improving Serbian competitiveness is connected to better factor conditions, which firstly refers to infrastructure and institutions. The weaknesses shown in this segment, in the area of administrative and innovation infrastructure, have brought Serbia onto the borders of Europe. The responsibility for solving this issue in the near future lies primarily with the state. When we discuss improving the educational and innovation infrastructure, capital market and financial systems, the responsibility of the state must be activated through educational and financial institutions. Without improving these segments, Serbia

---

cannot step out of the trap of its own underdevelopment, which additionally narrows the space for export expansion. Serbia is not competitive enough on the labor market, and in order to change that in the future, changes are needed within the law on labor. It needs to show more attention to education and employee training, but also to define more clearly the rights of employees and their employers in order for the grade of this factor, while calculating GCI, to be better. In the current economic situation of Serbia, with great technological underdevelopment, insufficient own capital, as well as insufficient management knowledge, it needs to use the advantages and the resources which the country currently has. Porter points out that during competitive battles for national prosperity it is less important in which branch a nation competes. The way in which it competes is far more important. The entry into the investment led phase sets upon Serbia new challenges in the form of improving competitiveness, and the transfer to the innovation phase in the future shall demand the fulfillment of even more quality demands. By fulfilling them, but also many other measures, Serbia should improve its business climate, increase the degree of competitiveness, which shall result in the increase of FDI and, what is most important, a better living standard of the entire nation.

---

Literature

Bienkowski, W., (2006), How much are studies of competitiveness worth? Some critical theoretical reflect on the issue., Poljska, str.45.


Trsrinski, H., (1980), World Trade in Manufactured Commodities, Manchester School, Manchester, p.23.


Internet sources:
http://fren.org.rs/sites/default/files/articles/attachments/KONKURENTNOST%20SRBIJE%20ZA%202013%20GODINU.pdf

Universal Secondary Education (USE) in Trinidad & Tobago: Educational Reform, Politics and Religion

Jeniffer Mohammed, The University of the West Indies, Trinidad & Tobago

Abstract

Trinidad & Tobago is a twin-island state in the southern Caribbean which gained independence from Britain in 1962. Oil and gas revenues have boosted efforts to ease access to secondary education for the masses and Universal Secondary Education was achieved in 2001. Educational reforms and massive school building initiatives have been ongoing since the 1970s. This paper traces, through documentary evidence (policy papers and evaluation reports) the achievements and challenges that the secondary education system is still facing despite the spate of reforms in the recent past. It shows that quantitative expansion did not result in an increase in quality in the system. The challenge for the state with the achievement of USE lies in how it will go forward. The system of secondary education has been largely shaped by conflict between the state and denominational bodies – with two distinct paths: state schools and church schools. The gains made by denominational schools though are today being maintained by politics – a reluctance to tamper with the Concordat and the selection of students for secondary schools. Politics, too, seems to be the central factor in explaining why the alternative or state sector remains mired in underachievement and indiscipline. At this point it may not be politically-feasible to dismantle the structures which have increased divisiveness in the education system, and so the paper ends with possibilities to increase quality in the state-run secondary sector.
Exploring Policy Leverage for Preventing Adolescents’ Media Addiction: A System Dynamics Approach

In Young Hwang, Seoul National University, Republic of Korea
J. Hun Park, Seoul National University, Republic of Korea

Abstract

In Korea, the media addiction of adolescents has been a major issue, and the mandatory Shutdown policy, which restricts the access of adolescents aged under 16 to online games late at night, has been in force since 2011. However, the Shutdown policy has consistently been reported to have no significant effect on the time adolescents spend using games, and the Korean government plans to implement a new policy of voluntary restrictions by parents: the so called the revised Shutdown policy. To assess the effectiveness of policy interventions for preventing adolescents’ media addiction, this study attempts to develop a causal loop diagram to explore the structure of children’s media use in Korea, adopting system dynamics approaches. We develop five reinforcing loops based on the conceptual framework of a relationship between media use, media flow, and media addiction, and we also develop three balancing loops. We develop a media addiction causal loop diagram by merging the reinforcing loops and the balancing loops. Finally, we add policy interventions to the media addiction causal loop diagram, based on three policy scenarios. This study suggests that the policy focus should be on media addiction itself rather than on the time spent using media. Also, this study claims that parents and the government should address children’s basic psychological needs, such as autonomy, self-competence, and relatedness, if they wish to prevent children from becoming addicted to media, rather than restricting children’s use of media directly.

Keywords: Shutdown Policy, Media Restriction, Children’s Sleep Time, System Dynamics, Causal Loop Diagram
Teachers Use of Questioning in the ESL Classroom: Questioning as a Teaching Strategy

Husniah Sahamid, University of Malaysia, Pahang, Malaysia
Nor Ashikin Abdul Aziz, University of Malaysia, Pahang, Malaysia
Nor Syaheeda, University of Malaysia, Pahang, Malaysia

Abstract

The employment of questioning as an instructional tool has always been considered part of the teaching tradition, and has a long history. The focus on teacher questioning recently has been due to the opportunities that teacher questioning can provide for students to become actively engaged while also developing thinking skills. This paper describes an ongoing study of three teachers’ classroom questioning behavior in an ESL proficiency course in a public university in Malaysia. The study aims to investigate the types of questions teachers ask in class and the responses elicited from students. The study is conducted on a small scale and is in-depth in nature, using three instruments for triangulation to help to validate the findings. Data is collected using a questionnaire, a semi-structured interview protocol to determine teacher rationale for teacher questions used in the classroom, and video-taped classroom interactions between teacher and students. This paper presents the preliminary findings of the study based on data collected from the video recordings of the class sessions. This paper also recommends strategies to promote teacher questioning and student learning based on the preliminary findings.
Collaborative Consumption of Medical Equipment

Agnieszka Małecka, University of Economics in Katowice, Poland
Agnieszka Marie, University of Economics in Katowice, Poland

Abstract

Collaborative consumption is one of the most under-investigated and most dynamically changing research areas. This paper focuses on medical equipment sharing as an example of collaborative consumption phenomenon. The main contribution of this paper takes the form of presenting research results that identify motives standing behind the inclination to collaborate with other consumers in medical equipment sharing. Based on an explorative online survey among individual customers this paper emphasizes frugality, altruism and sociability as the main determinants.

Key words: Collaborative consumption, consumer behaviour, medical equipment, sharing

The publication has been created as a part of Project 2013/11/B/HS4/01470 financed by National Science Centre.

Introduction

Collaborative consumption as a consumer behaviour phenomenon is gradually gaining attention among researchers, which seems to be directly connected with the mega-trends in the current economy. With progressive development of new technologies, people gain access to unlimited sources of information and, what is even more crucial, unlimited access to each other. Current consumers are not afraid of being connected and a substantial proportion even base at least some fields of their lives on this connection; they have already learnt how to benefit from global networks and tend to naturally develop them to be even more useful.

The phenomenon of collaborative consumption is also of special importance because of the economic crisis, which still has a strong impact on the global economy. This is because sustainable consumption can be treated as a mechanism preventing over-consumption caused by easy credit. The increase in costs of acquiring and maintaining ownership as well as the uncertainties of the labour market have made traditional ownership models less attainable than what they have been used to be before. The last decade saw an increased interest in behaviour which could minimize the psychological and economic costs of long-term interaction with personal property.

The shared consumption is mostly associated with car sharing services, time banking, swapping books or DVDs or booking accommodation via online community marketplaces. It is also present in healthcare. In the broader sense it appears in a sharing economy among hospitals, where thanks to an intermediary, the hospitals can swap the medical devices which are not currently in use and in this way avoid waste of resources. This phenomenon in a basic form appears among patients who share medical equipment, often also some medicines, and in this way save their money. As the collaborative consumption of medical equipment seems to not be analysed in its current state of study at all, the aim of this paper is to describe the propensity of consumers to share their medical equipment.

1. The concept of collaborative consumption

Collaborative consumption, often associated with the sharing economy, takes place in organized systems or networks in which participants conduct sharing activities in the form of renting, lending, trading, bartering, and swapping of goods, services, transportation solutions, space, or money (Möhlmann, 2015).

There is no narrow consensus in the literature with regard to how collaborative consumption should be defined. Originally, the term was proposed by Felson and Spaeth (1978: 614) who defined...
acts of collaborative consumption as those events in which one or more persons consume economic goods or services in the process of engaging in joint activities with one or more others. It focused on joint activities distinguishing collaborative consumption. In this context, drinking tea with friends, joint driving to visit someone, or common use of a washing machine were used as the examples of these specific consumption acts.

Taking into account specific features of collaborative consumption, it means a joint consumption of products or services and consumer ownership of shared goods, it should be assumed that the propensity to collaborative consumption can be far more complex than in case of individual consumption or previously popular forms of cooperation between consumers. Studies which have been conducted up until now have not taken into account some of the important aspects of this phenomenon (e.g. the interaction with unknown people and motifs associated therewith).

Collaborative consumption can concern shared consumption of medical equipment like rehabilitation devices, crutches, inhalers, anti-decubitus mattress, wheel chairs etc. Such equipment can be relatively expensive and very often patients use it just in an emergency situation. Except for proper sterilization, the risk associated with equipment sharing seems to be much lower than in cases of medication sharing. Usually patients are said by doctors to buy such equipment and are guided how to use it. Benkler (2004) conceptualizes collaborative consumption as a shift from our current state of mass-consumption and ownership to the one that deals with relearning to share and relies more on social connections than price systems while helping to reallocate resources. The equipment in many cases would be a waste, if not for a possibility to loan it to other consumers in need. This form of collaborative consumption seems to be very common. It can be observed that when such needs emerge, consumers first ask their family members, friends and other people from their environment if they have the required equipment or alternatively make a relevant purchase.

Although previous works related to the phenomena of collaborative consumption (cf. Hirschel, Konrad & Scholl, 2003, Gansky, 2010) underlined the need to move away from having to use the products determined by many factors related to their characteristics (e.g. price), relatively little attention was devoted to the exploratory motives of participation in such collaborative consumption from the perspective of individual consumers themselves.

The subject of access to goods by other consumers was raised for example in the works of Shaheen, Mallery & Kingsley (2012), Cherrier, Black & Lee (2011). These considerations, however, had a theoretical nature and were related specifically to the situations where the ownership passes to another user (eg. purchases on the secondary market). Moreover, the issues related to the separation of ownership and use were also analysed, for example, in the research of Bardhi & Eckhardt (2012). Their study, however, was focused on motives of the separation of ownership and use in the context of access to goods, in particular on the use of products by renting them via a flexible billing system, such as pay-as-you-go.

Because the exact motives have never been explored in any research, the main contribution of this paper takes the form of presenting research results that identify motives standing behind inclinations to collaborate with other consumers in the form of medical equipment sharing.

2. Methodology

A structured questionnaire was used to collect the data. The following constructs have been measured by appropriate scales for each of variable. The sensitivity towards the price of the products/services (frugality) was operationalised in terms of 6-item measure based on scale developed by Lichtenstein, Ridgway & Netemeyer (1993) and Lastovicka et al. (1999), where respondents were asked to assess the following statements:

a) I believe that it is worth being careful regarding how money is spent;

b) I am very careful to spend my money very reasonably;

c) I deny myself certain things now, to save for the future;
When I am shopping I always compare prices of products to make sure that money is spent well;

Finding the lowest prices is usually worth of my time and commitment,

I shop at many stores to get the lowest prices of products.

Altruism was measured with a 4-item measure based on Morgan, Miller (2002):

a) I agree with the old proverb that it is better to give than to receive;

b) I am happy when I can help others;

c) Helping others is an important aspect of my life;

d) I would do everything I can to save someone's life.

Health literacy was examined with a 4-item measure created on the basis of Ishikawa, Nomura, Sato, Yano (2008):

a) I can collect health-related information from various sources;

b) I can extract the information I want;

c) I can consider the credibility of the obtained health-related information;

d) I can make health-related decisions based on information I found.

Sociability was measured with a 4-item measure created on the basis of Cheek, Buss (1981):

a) I think people are more inspiring than anything else;

b) I prefer to work with other people than alone;

c) Getting to know people is for me a pleasant experience;

d) I really like talking to people.

Perceived health status was gauged with a 4-item measure created on the basis of a general health perception scale (Ware Jr, J. E., 1976):

a) My health is excellent;

b) I am healthier than anyone I know;

c) It is easier for me to get sick than for the others;

d) I expect my health to get worse.

Finally, the propensity to share medical equipment was measured with the following 4-item scale developed by authors:

a) I would be willing to lend medical equipment to the others;

b) I would be willing to borrow the medical equipment of the others;

c) I would be willing to participate in both activities;

d) I will try to participate in sharing various medical equipment in the future.
All items have been measured on a 5-point Likert scale from “strongly disagree” to “strongly agree”. A number of demographic questions have also been included.

The respondents’ responses have been gathered from March till the end of May 2016. The survey questionnaires were distributed in various health centres, they were also published online on SurveyMonkey.com portal and the links were publicized via Facebook and on various thematic forums.

The research sample consists of 93 respondents. 27% of respondents have declared that they had been using lent medical equipment, 20% of them had been loaning medical equipment to the others, 53% of respondents had been participating in both activities.

The sample consists of 60% females and 40% males. The majority of them (52.7%) were aged between 25 and 35, 15.1% below 25, 10.8% between 36 and 45, 15.1% between 46 and 55, and the rest were above 55. Most of respondents within the sample were single (47.3%), followed by 43% of respondents being married, and 9.7% of respondents were divorced. Most of respondents (33.3%) were from big cities with populations above 100,000 inhabitants, followed by citizens of cities with 10,000 to 100,000 inhabitants (31.2%), then inhabitants of cities between 1,000 and 10,000 people (21.5%), from cities below 10,000 inhabitants (6.5%), village people (5.4%) and the rest (2.2%) is from the biggest cities with over 1 million of inhabitants. The vast majority of the sample consisted of full-time employees (73.1%), followed by students (9.7%), part-time employees and unemployed (both 6.5%), and retired (4.3%).

3. Measurement model results

In the first validation step the measurement models for 6 constructs have been evaluated: frugality, sociability, altruism, health literacy (health_literacy), perceived health status (perc_health) and propensity to share medical equipment (propensity), by conducting a principal component exploratory factor analysis (EFA). For all 6 scales Conbach’s α value and composite reliability exceed a recommended threshold of 0.7 (Henseler et al., 2009). The average variance extracted (AVE) exceed a value of 0.5 and provided information about the convergent validity. All results are illustrated in Table 1.

Table 1. Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>Comp. rel.</th>
<th>Cron. alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>sociability</td>
<td>0.7593</td>
<td>0.9037</td>
<td>0.8521</td>
</tr>
<tr>
<td>altruism</td>
<td>0.6862</td>
<td>0.8971</td>
<td>0.8486</td>
</tr>
<tr>
<td>frugality</td>
<td>0.6353</td>
<td>0.8967</td>
<td>0.8578</td>
</tr>
<tr>
<td>health_literacy</td>
<td>0.7124</td>
<td>0.9083</td>
<td>0.8676</td>
</tr>
<tr>
<td>perc_health</td>
<td>0.5389</td>
<td>0.8154</td>
<td>0.7628</td>
</tr>
<tr>
<td>propensity</td>
<td>0.8436</td>
<td>0.9557</td>
<td>0.9382</td>
</tr>
</tbody>
</table>

Source: Own elaboration.

In order to test discriminant validity the Fornell-Larcker criterion was used (Fornell, Larcker, 1981). Discriminant validity is the degree to which items differentiate between constructs or measure different constructs. As indicated in Table 2 for the model in this research, all correlations have met the Fornell-Larcker criterion.

Table 2. Interconstruct Correlations and square roots of the AVE (Diagonal Values)

<table>
<thead>
<tr>
<th></th>
<th>sociability</th>
<th>altruism</th>
<th>frugality</th>
<th>health_literacy</th>
<th>perc_health</th>
<th>propensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>sociability</td>
<td>0.8714</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>altruism</td>
<td>0.6213</td>
<td>0.8284</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>frugality</td>
<td>0.3580</td>
<td>0.3121</td>
<td>0.7971</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>health_literacy</td>
<td>0.3347</td>
<td>0.4392</td>
<td>0.1099</td>
<td>0.8440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>perc_health</td>
<td>0.1997</td>
<td>0.1810</td>
<td>0.0472</td>
<td>0.0441</td>
<td>0.7341</td>
<td></td>
</tr>
<tr>
<td>propensity</td>
<td>0.4147</td>
<td>0.5109</td>
<td>0.2012</td>
<td>0.3176</td>
<td>0.2775</td>
<td>0.9185</td>
</tr>
</tbody>
</table>

Source: Own elaboration.
4. Structural Model Results

The model was tested with a partial least square (PLS) using the structural equation modelling technique with SmartPLS 2.0 software package (Ringle, Wende, Will, 2005). The PLS technique was chosen because it is particularly useful to estimate relatively complex models by using relatively small sample sizes; moreover it is applicable to data that cannot be assured to be of parametric nature, as well as to management-related research with a predictive research scope (Chin, 1998; Henseler et al., 2009; Reinartz et al., 2009). The results of the PLS estimation are presented below (Fig. 1.).

Fig. 1. PLS-SEM Results

Source: Own elaboration.

To obtain the t-values to test for significance, nonparametric bootstrapping procedure as incorporated in the SmartPLS 2.0 software was conducted (Henseler et al., 2009). The analysis revealed that both: perc_health and health_literacy had no significant effect on the endogenous variable. Age and level of education have been also assessed to have no statistical significance. For the other determinants, the critical value $t=1.96$ has been exceeded so they have a statistical significance ($p<0.05$). The coefficient of determination $R^2$ equals 0.49 of the endogenous variable propensity, which indicates that almost half of the variable’s variance can be explained by its indicators. A moderation effect connected with consumer age is of borderline statistical significance ($t=1.865$).

Summary

The research results presented in this article, to the knowledge of its authors, are the first attempt to measure the propensity to collaborative consumption in relation to such specific group of products as medical equipment. Previous researches on this field seem to be rather fragmented (e.g. did not include all the variables which have been taken into consideration in this paper) and were focused on totally difference activities like ride-sharing.
The main conclusion from this research is that the issues directly related to health, mainly both perceived health status and health literacy do not influence significantly the propensity for collaborative consumption of medical equipment. The research, rather, indicates that the propensity for shared consumption is connected with strong frugality and high level of altruism. The potential of collaborative consumption for savings has been underlined, for example, by Belk (2014) and Gansky (2010). The altruism, on another hand, seems to result from the nature of healthcare sector itself. It should be underlined that the majority of respondents had been participating both in lending and borrowing of medical equipment. An analysis of the phenomena that could be very interesting would in terms of differences between those consumers who firstly had lent medical equipment, and afterwards borrowed from other consumers who were participating in collaborative consumption in reverse order, specifically in a context of reciprocity.

The research indicates the propensity to use and share medical equipment through collaborative consumption is a symptom of a strong desire to build social networks. This conclusion derives from the fact that those consumers may be connected for example by experiencing the same medical problem, even if the level of social interactions between consumers in this case is much lower than in case of for example collaborative consumption of flats. Expanding the research by collaborative consumption on other sectors would be then be especially significant in contexts of such mega-trends like sustainable consumption.

The presented research also has some limitations. The research sample was relatively small, the future research should be then performed on larger samples; and the research presented in this article should be treated as exploratory, both in the sense of measurement and the sense of dependencies included in presented model. The research conducted on a larger sample, moreover, with a higher rate of older respondents, could contribute to better understanding of phenomena of collaborative consumption of medical equipment.

References


The Effect of Lesson Study on Pre-Service Teachers Professional Development: Research on Arabic Language Pre-Service Teachers

Remzi Y. Kincal, Atatürk University, Turkey
Osman Yılmaz Kartal, Çanakkale Onsekiz Mart University, Turkey
Akan Deniz Yazgan, Çanakkale Onsekiz Mart University, Turkey

Abstract

When different educational practices are investigated, the quality of education systems of different countries doesn’t go beyond their teachers’ qualities. Teacher quality is the most important variable to describe a country’s education system. In this manner, lesson study comes out as a noteworthy practice in teacher education. Lesson study practice is a research-focused education approach used in the countries like Japan, Singapore, and Hong Kong which has proven its success nationally and internationally. It is a specialized action research which has practical output to aim to enable teachers’ professional development and raise student’s success. Pre-service professional development of pre-service teachers and in-service professional development of teachers are supported with lesson study. According to the literature, content knowledge, pedagogical knowledge, education environment and conditions knowledge, curriculum knowledge, the information about students and their features, educational contexts, and aims are taken into consideration in terms of teachers’ professional development.

The study is aimed to investigate lesson study’s effect upon professional development of pre-service teachers in the process of pre-service education. Content knowledge, using teaching methods, communication with students and developing students motivation from the types of knowledge and skills, which are introduced above, are analyzed to investigate Professional development of pre-service teachers. The design of the study is “The one shot case study” which is one of the pre-experimental designs. The study was implemented with pre-service teachers studying at Arabic Language teaching, Kazım Karabekir Education Faculty, Atatürk University in 2015-2016 academic year and also, it was done in the scope of Special Teaching Methods course. The sample of the study consisted of pre-service teachers studying at Arabic Language teaching who were selected with convenience sampling which is one of the nonprobability sampling types. Semi-structured interview form was used to collect the data, and moreover the data was analyzed with Maxqda 12 program. According to the results of study, it has been understood that lesson study has an effect upon content knowledge, using teaching methods, communication with students and developing students’ motivation in terms of pre-service professional development.

Key Words: Lesson study, professional development, teacher education, pre-service teacher
Introduction

It is generally acknowledged that teachers play a crucial role in the teaching and learning process (Nambiar & Thang, 2016). Teaching can always be improved upon and needs to be related to the specific context in which it takes place, and it has to continuously adapt to a changing society (Hargreaves and Fullan 2000). As Feiman-Nemser (2012) states, teacher learning is a continuum; not a finite event. Thus, teacher professional development (TPD) is internationally recognized as a key component to contemporary education policy (Donnell & Gettinger, 2015; Fore et al., 2015; Gutierrez, 2016; Saito, 2012). A definition of TPD is given by the Organisation for Economic Cooperation and Development (OECD, 2009) to be ongoing, which includes training, practice and feedback, and provides adequate time and follow-up support. According to Ulvik & Riese (2016), it is the total sum of formal and informal learning experiences throughout a teacher’s career. The underlying assumption in much of the work on continuous professional development has been that effective professional development will improve teachers’ instructional practices (Hemphill, 2015). In recent years, the link between high-quality professional development for teachers and improved student outcomes has become increasingly clear (Gomez et al., 2015). As Akiba & Wilkinson (2015) emphasize, professional development is a driving force for improvement of instruction and student achievement.

Knight et al. (2015) underline that quality teaching depends on teachers who have a foundation of effective practices on entry into the profession that they can build on throughout their careers, the ability to assess student knowledge and needs in relation to the content and to respond accordingly, and a disposition towards lifelong learning fostered by effective and ongoing professional development. According to Gorozidis & Papaioannou (2014), the effectiveness of school reform initiatives depends on the quality of teachers and on teachers’ motivation to participate in training and implement innovations. Marques, Loureiro & Marques (2016) emphasize that the dynamic nature of modern societies leads to a continuous need for new knowledge and skills to help today’s students learn effectively. Therefore, effective teacher training and professional development are extremely relevant and there is increasing international interest in this area. The teacher education field is moving diligently in the direction of highlighting the characteristics of effective professional development and evaluating the impact of various types of professional development to inform research, policy makers, and school districts alike. There is an emerging consensus as to what high-quality, effective professional development looks like (Koellner & Jacobs, 2015).

Traditionally, the professional development of teachers has involved attending courses, workshops, training or conferences and reading professional journals. These activities for professional development are not all successful (Darling-Hammond & Richardson, 2009; Voerman et al., 2015). As Borko (2004) states, the quality of professional development is often fragmented and intellectually superficial, failing to take into account what is known about how teachers learn. As Clarke & Hollingsworth (2002) note, teachers’ learning in the context of TPD is complex and the transfer of new knowledge into teachers’ classrooms is an individual process affected by various cognitive and motivational – affective aspects, as well as situational and organizational frameworks. Opfer and Pedder’s (2011) meta-analysis summarizes saying successful teacher professional development attends to three interrelated and mutually informing “systems”: the learning activity system (professional development activities, their coherence, opportunities for reflection and time for supervised application of new learning), the teacher learning system (teacher’s beliefs, values and perceptions), and the school/district systemic context (school practice, routine, and policies).

More successful continuous professional development programs tend to be long term in duration, which often requires follow-up support beyond an in-service workshop. Furthermore, continuous professional development is most effective when teachers are engaged in collaborative learning with their peers formally and informally within the context of their teaching environment (Hemphill, 2015). According to Quinn & Carl (2015), professionalism, the argument goes, must be refashioned to entail the development of deep, collaborative, profession-driven relationships with other teachers, and with parents, students and other stakeholders, with the goal of generating change.
There is significant literature concerning the benefits of teacher collaboration for teachers and students (Hubbard, 2015). Research suggests that effective professional development experiences should involve the creation of opportunities for teachers to engage as learners, build pedagogical and content knowledge, and co-construct and enact new visions of practice in a collaborative setting (Ciampa & Gallagher, 2015). Collaboration, among other things, contributes to a better understanding of the relation between theory and practice; it generates knowledge that is useful for teachers themselves and fosters teacher professional development (Meijer et al., 2013). Borko, Jacobs, and Koellner (2010) presented a synthesis of the characteristics of high-quality professional development, organized around content, process, and structure. With respect to content, research highlights the importance of focusing the professional development on students’ thinking and learning. With respect to process and structure, participating actively and collaboratively in professional learning communities appears to be essential.

In summary, traditional professional development is typically passive, episodic, and disconnected from deep issues of student learning and the classroom. Recent efforts call for professional development that is continuous, active, collaborative, and situated in the on-going work of the teacher (Gomez et al., 2015; Saito et al., 2006).

Effective professional development for teachers goes beyond enhancing their knowledge and skills to providing them with opportunities for self-reflection within a support group which establishes sustainability and collaboration. Teacher inquiry groups, peer coaching, collaborative teacher consultation, teacher mentoring, lesson study, and collaborative professional learning are just a few of the promising teacher professional development models at the present time (Ball and Cohen, 1999; Gutierrez, 2015). What separates lesson study from many other collaborative efforts to plan and discuss teaching is that the participants approach the process as researchers. The lesson is the unit of analysis - thus the reference to it as a “research lesson” and the participants thus need to shift the focus from the teacher to the lesson (Bjuland & Mosvold, 2015; Carroll, 2013). As Bocala (2015) states, working in teams gives teachers the opportunity to make sense of and interpret instructional messages and meanings, and to engage in dialogue or inquiry about practice. Teachers who form positive “norms of collegiality” to support this inquiry have stronger, more productive dialogue about instruction. Lesson study builds from principles of action research. It makes standards visible in classrooms, generates sharable artifacts, and creates on-going, public conversations about how lessons link to students’ learning (Dotger, 2015).

Lesson Study (LS) is a collaborative professional development tool that originated in Japan. In the LS cycle, teachers collaboratively plan a lesson, observe and then analyze, reflect and discuss these observations in a post-lesson discussion (Fernandez and Yoshida, 2004; Lewis, 2002; Robinson & Leikin, 2012; Stigler & Hiebert, 1999; Verhoef et al., 2014). The practice has its roots in the Confucian tradition of ‘public teaching’, which remains an important component of teacher development in China and across East Asia. But, it was also influenced by the ideas of reflective practice, associated with Dewey and the idea of the object lesson from Pestalozzi, which were brought back to Japan by Japanese educationalists who visited the West in the late 1890s (Makinae 2010). It is arguably the purest form of professional development since its focus is upon how pupils actually respond to learning experiences carefully planned by teachers and the further honing of these lessons is the business of education professionals acting cooperatively (Simmons, 2016). In the last 10 years, LS has become increasingly popular internationally, especially in the UK and US, and various models and interpretations have developed. According to Cajkler et al. (2015), what distinguishes this from other forms of professional development is the planning of jointly conceived research lessons to address particular problems with learning, rather than focusing on the performance of an individual teacher.

In a typical lesson study cycle, one team member teaches the lesson, and then the lesson study team meets in a collaborative setting to reflect on and discuss the lesson they just observed, suggesting revisions to the lesson plan for future teaching (Carter & Amador, 2015; Chong & Kong, 2012). According to Murata (2011), teachers organically come together with a shared question regarding their pupils’ learning, plan a lesson to make pupil learning visible, and examine and discuss what they observe. Through multiple iterations of the process, teachers have many opportunities to discuss pupil learning and how their teaching affects it. Through the act of lesson study with pre-service teachers and
the classroom teacher, facilitators can encourage this collaborative learning and reflection on teaching practice. The communication that occurs during lesson study from different professional perspectives can result in varied but distinct sequences of interaction that lead to professionals taking notice (Carter & Amador, 2015). As Lewis (2002) emphasizes, lesson study provides the framework the teachers use to evaluate their practice. It is a long term process intended to foster life-long learning and system-wide improvement in education.

When the literature about professional development and lesson study has been taken into consideration, it points out that the quality of education is directly related to the quality of teacher education (Korthagen, Loughran and Russell, 2006). The indicators which provide a basis for teachers’ professional development in teacher education are important to describe what the teacher’s knowledge is. When the literature is reviewed, it is found that there is no a common acceptance for describing teacher’s knowledge, and there are also different description about it (Fennema & Franke, 1992; Grossman, 1990; Hill, Ball & Schilling, 2008; Shulman, 1986). Teacher’s knowledge, which includes of the variables providing basis for these descriptions, consists of curriculum knowledge, general pedagogy knowledge, knowledge about students and their features, teaching environment and conditions knowledge, educational contents and educational aims according to Shulman (1987). When this scope of teacher’s knowledge is taken into consideration, it comes out as a must that the facts of a professional program must be applied to the teacher education. This necessity comes together with other difficulties. The types of teacher’s knowledge are implemented via practical practices to provide gains to the teachers. Lesson study, one of these practices, is considered as an important approach to support professional development. In this manner, it could be said that the research is original and important to gain the practical practice supporting, especially, professional development. This study represents teacher education politics and practices and concrete output and value-added.

Purpose of this Study

The effect of lesson study upon pre-service teachers who are in the process of pre-service education is researched in this study. In this manner, whether the effect of lesson study upon content knowledge, using of teaching methods, communication skills with students, and developing student’s motivation are used as the indicators of teachers’ professional development as analyzed in the study.

Methodology

Research Design

The study was implemented with ‘the one shot case study’ which is one of the pre-experimental designs. In design, lesson study as independent variable and trainees’ professional development as dependent variables were dealt with. The assessment of changes among participants was done with the post-test (self-assessment approach) because of the fact that there is no pretest section and comparing groups in the one shot case study.

Study group

Convenience sampling, one of the nonprobability sampling methods, was preferred for the sample of the study. An Arabic language teaching group from the 2015-2016 education year spring term pedagogical certification program in which the researcher has a role as an instructor was selected as a study group. The study group consisted of pre-service teachers who have foreign language and pedagogy training, and also whose grade point average (GPA) is above 2 over 4. Pre-service teachers including 26 females and 12 males participated in the study voluntarily.

Procedure

This study was conducted with the pre-service Arabic language teachers attending a pedagogical certification program at Ataturk University in the 2015-2016 Spring term. The study was
implemented during a “Special Teaching Methods” course, which is one of the pedagogical certification program courses. The Special Teaching Methods course was conducted according to lesson study being a specialized action research approach. 38 pre-service teachers were grouped, and they practiced the lesson study process through a 14-week education process. The lesson study approach was presented to the pre-service teachers as a summary of teaching context before the practices, and so all the characteristics of it were tested by the researchers so that it could, in fact, be practiced. Each one of the participants was scheduled into the process of the 14-week-practice, and it was asked how lesson study processes contributed to professional development. The assessment of the participants was handled in terms of a self-assessment approach. Each student assesses themselves as to whether s/he shows his/her professional development during the lesson study practice.

**Data collection tool**

A semi-structured interview form was used to analyze the effect of the lesson study approach upon pre-service teachers’ professional developments in the study. The lesson study approach was explained in the interview form, and pre-service teachers were also asked to describe and explain how content knowledge, use of teaching methods, communication skills with students, and developing of students’ motivation would be useful as the indicators of the professional development affect.

The reliability and validity of data collection tools were also carried out within the protocols. For reliability, four pre-service teachers from the participants were asked to read the interview questions and relate what they understand from them. The four pre-service teachers understood the questions in the same way and so it then seemed that there were no reliability issues. Content validity was used for validity issues, moreover the researchers consulted with two experts who have conducted studies about teachers’ professional development and teacher education. According to their feedback, the study was judged to serve the purpose for which it was intended and it was also found judged that there was no validity problem.

**Data analysis**

While analyzing the data, content analysis was done and the MaxQda12 data analysis program was used. Before the analysis, the intercoder reliability was tested. The interview form was coded separately by two researchers, and then Miles & Huberman’s (1994) intercoder reliability coefficient was calculated. The intercoder reliability coefficient was 84% and it was accepted as reliable (it could be accepted as reliable if the coefficient was 70% or more). The self-assessment results about professional developments of participants were coded and classified as ‘lesson study was effective (as behavioral gain)’, ‘lesson study was effective in a limited way’, ‘lesson study was not effective’, and ‘lesson study affects me as cognitive and affective gains’.

**Findings**

The analysis results carried out in terms of research aim are presented in this section.

**Table 1. The Effect of Lesson Study upon the content knowledge proficiency**

<table>
<thead>
<tr>
<th></th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesson study was effective (as behavioral gain).</td>
<td>21</td>
<td>55.26</td>
</tr>
<tr>
<td>Lesson study affects me as cognitive and affective gains.</td>
<td>14</td>
<td>36.84</td>
</tr>
<tr>
<td>Lesson study was effective in a limited way.</td>
<td>6</td>
<td>15.79</td>
</tr>
<tr>
<td>Lesson study was not effective.</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total (valid)</td>
<td>37</td>
<td>97.37</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>2.63</td>
</tr>
</tbody>
</table>
The content knowledge of the pre-service teachers was collected in the Arabic language. 55.26% of participants expressed that lesson study had affected developing content knowledge in a positive way. 15.79% of participants expressed that lesson study affected developing content knowledge in a limited way. 36.84% of pre-service teachers point out that lesson study has a positive effect upon developing content knowledge in terms of cognitive and affective gains. In this manner, lesson study has been understood to have potential for developing Arabic Language content knowledge as one of the indicators of pre-service teachers professional development.

Table 2. The Effect of Lesson Study upon the proficiency using of teaching methods

<table>
<thead>
<tr>
<th>Effect Description</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesson study was effective (behavioral gain)</td>
<td>26</td>
<td>68.42</td>
</tr>
<tr>
<td>Lesson study affects me as cognitive and affective gains.</td>
<td>9</td>
<td>23.68</td>
</tr>
<tr>
<td>Lesson study was effective in a limited way</td>
<td>1</td>
<td>2.63</td>
</tr>
<tr>
<td>Lesson study was not effective</td>
<td>1</td>
<td>2.63</td>
</tr>
<tr>
<td>Total (valid)</td>
<td>36</td>
<td>94.74</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>5.26</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.00</td>
</tr>
</tbody>
</table>

When the effectiveness of lesson study upon using of teaching methods was analyzed, 68.42% of participants expressed that lesson study is effective, 2.63% of them expressed that lesson study is effective in a limited way and 23.68% of them expressed that lesson study makes them gain positive attitudes and cognitive changes towards use of teaching methods. So, lesson study has been understood to have a potential towards development of using teaching methods as one of the indicators of pre-service teachers professional development.

Table 3. The Effect of Lesson Study upon the proficiency of communication skills with students

<table>
<thead>
<tr>
<th>Effect Description</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesson study was effective (behavioral gain)</td>
<td>19</td>
<td>50.00</td>
</tr>
<tr>
<td>Lesson study affects me as cognitive and affective gains.</td>
<td>16</td>
<td>42.11</td>
</tr>
<tr>
<td>Lesson study was effective in a limited way</td>
<td>4</td>
<td>10.53</td>
</tr>
<tr>
<td>Lesson study was not effective</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total (valid)</td>
<td>37</td>
<td>97.37</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>2.63</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.00</td>
</tr>
</tbody>
</table>

While half of the pre-service teachers state that lesson study has an effect upon communication proficiencies with students which is one of the indicators of professional development, 10.53% of the participants expressed that lesson study has a limited effect upon it. Moreover, 42.11% of the participants judged that lesson study makes them gain positive attitudes and cognitive changes towards communication proficiencies. So, lesson study has been understood to have a potential effect towards development of developing of communication proficiencies with students as one of the indicators of pre-service teachers’ professional development.
Table 4. The Effect of Lesson Study upon developing of student motivation

<table>
<thead>
<tr>
<th>Description</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesson study was effective (behavioral gain).</td>
<td>22</td>
<td>57.89</td>
</tr>
<tr>
<td>Lesson study affects me as cognitive and affective gains.</td>
<td>14</td>
<td>36.84</td>
</tr>
<tr>
<td>Lesson study was effective in a limited way.</td>
<td>3</td>
<td>7.89</td>
</tr>
<tr>
<td>Lesson study was not effective.</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total (valid)</td>
<td>37</td>
<td>97.37</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>2.63</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.00</td>
</tr>
</tbody>
</table>

57.89% of the participants expressed that lesson study has an effect upon the proficiency of developing students’ motivation. 36.84% of the participants emphasized that lesson study has a limited effect, an 36.84% of the participant expressed that lesson study makes them gain positive attitudes and cognitive changes towards developing student motivation. Accordingly, lesson study has been understood to have a potential effect towards developing students’ motivation as one of the indicators of pre-service teachers’ professional development.

Conclusion

According to the findings of the study, there are some indicators as to which lesson study practices have affected Arabic language pre-service teachers’ professional development; and moreover, it is seen that the situation in which lesson study saw no behavioral development, it enabled cognitive and affective development. As Verhoef et al. (2015) noted, lesson study is an excellent professional development model where collegiality and apprenticeship between the “knowledgeable others” and emerging competent teachers serve as the foundation in the development of their instructional practices. Research with pre-service teachers has found that the lesson study process can provide a context to promote connections across its various components, which include planning, teaching, and reflection (Murata & Pothen, 2011).

Yoshida (2012) emphasized effective lesson study practice must provide a basis for students’ learning, developing teachers’ content and pedagogical knowledge, helping to develop teaching in the classroom, and making them improve their perspective via the skills of mentoring and analyzing students’ learning. Similarly, according to Kincal & Beypinar’s (2015) study, it has been stated that lesson study has an effect upon teachers’ professional development. Chassels and Melville (2009) investigated possible benefits and challenges of implementing lesson study in teacher education (pre-service teacher education). Their analysis indicates that lesson study might stimulate development of student teachers’ awareness of the needs of the pupils as well as different possible teaching strategies. Lesson study is an effective and functional approach for pre-service teacher education (Adeosun, Oni and Oladipo, 2013; Cajkler, Wood, Norton and Pedder, 2013; Cajkler and Wood, 2016; Chai, Koh and Tsai, 2010) as well as for in-service teacher education.

The common point of these studies is that lesson study was implemented at in-service education, in other words with teachers. If this study’s problem had been held in the process of pre-service education and is also implemented with pre-service teachers, it can be said that the parallel results with other studies’ results have been an important output. When professional development is analyzed in terms of sub-dimensions, lesson study has an effect upon using teaching methods, developing students’ motivation, content knowledge, and communication proficiencies with students prospectively.

Lesson study practices are seen to be a development process at affective and cognitive levels for professional development in a situation where the lesson study effect upon professional development is limited. As Herbert and Rainford (2014) emphasize, teachers’ initial professional development is characterized by a discipline-based training, which builds confidence among pre-service teachers while
on-going professional development involves learning while in practice with the inclusion of reflection and exploration from actual teaching experiences. It enables the participants to gain a positive approach in terms of cognitive approaches towards professional development and to represent positive attitudes in terms of the affective approach. In this manner, it is found that lesson study has affected some pre-service teachers’ professional development as a behavioral gain while it affects some pre-service teachers’ professional development as cognitive and affective gains. Similarly in Cajkler and Wood’s (2016) study, lesson study was found to be an effective approach to pre-service teachers with respect to their teaching skills, knowledge and confidence in teaching placements for professional development.

Teachers are the most important indicator for efficacy and practicality of the program of other education fields like Arabic Language education being included into the study. Professional development of pre-service teachers is crucial for a qualified teacher profile. So, lesson study is seen as an effective method to develop the quality of professional development of Arabic pre-service teachers in pre-service education. The most difficult effort in the process of education is to have behaviors change in a positive way. This study shows in this way that lesson study has important potential. Moreover, lesson study is understood to have significant contributions to attitude and approach apart from its output towards behavior change. In this manner, lesson study is an important option and effective instrument for professional development of pre-service teachers.

**Scope and Limitations**

- The proficiencies e.g. content knowledge, using teaching methods, communication with students and developing students’ motivation which are the indicators for professional development of pre-service teachers are analyzed in this scope.
- Lesson study practice was implemented in a Special Teaching Methods course.
- Lesson study practice was implemented with Arabic language pre-service teachers.
- A post-test with a self-assessment approach was used to analyze professional development of pre-service teachers without using a pre-test.

**Suggestions**

- It is suggested that lesson study is taken into consideration of teacher education politics and is included in the teacher education process and to increase its practices to develop the quality of professional development of pre-service teachers.
- Lesson study’s effects upon other professional development indicators which are not in the scope of the study is suggested to analyze and conclude in terms of professional development.
- Implementing the study with other experimental designs and comparing the results contributed to the literature about professional development.
References


Analysis of Government Funding of Federal and State Colleges of Education in the Southwest of Nigeria

Isaiah Olasunmbo Bayonle Lawal, Federal College of Education (Special), Nigeria

ABSTRACT

Education is the bedrock of any society’s development, be it a community, a city, local council, state, or country. Any nation that takes education with levity or ignores its effect on its youth cannot develop. Societal development can be conveniently measured by the level of people’s literacy as it is clear that education plays a very important and significant role in the development of mankind at large. One of the major factors that can influence educational development in any nation is funding. If any society fails to fund education at all levels, the by-product will be that society will not progress as desired. This paper therefore focuses on an analytical study of funding Nigerian Federal and State Colleges of Education, with a view to compare the modus operandi and also identifies the problems mitigating against proper funding of the colleges—with a particular focus on South Western Nigeria. 300 staff were randomly selected from three colleges of education, with a validated questionnaire used to elicit vital information regarding funding from the respondents. The data collected were analyzed using frequency count and simple percentage techniques. The findings revealed among others that both the Federal and State Colleges of Education had almost the same modes of funding.

INTRODUCTION

Modern society is giving more value to education all over the world; the demand for popular education particularly in Nigeria is high because education is seen not only as an investment in human capital, but also a pre-requisite and correlate of economic development. Education is the bedrock of any nation’s development. A nation cannot boast of high quality human capital without adequate concentration on the education of its citizens. Education is the key to advancement of any nation, and indeed the most enduring legacy a nation can bequeath to its citizen. Quality education cannot be attained without proper funding. The late Sage Chief Obafemi Awolowo once said that “education is that whereby a man’s personality and potentiality is developed to the fullest.” In other word, ignorance or lack of literacy would only make a nation to become indolent and stagnant. If a man’s personality is fully developed, the individual would not be afraid of any challenge that may come his way, he does not cringe when meeting anyone, and does not feel inferior, no matter the condition or circumstance, to any other race or creed. An educated individual will be self-reliant; he will resist any form of enslavement until the breath in him is exhausted.

His breadth of mind enables him to exercise freedom in such a manner so as to exchange the interest and freedom of the world, free from narrow prejudices. Education is the only solid foundation for a nation’s progress; its problems are ignored only at a great cost to the future of any nation.

Funding is the process or fact of providing the money required for developing a particular event or activity. Such could be funding of government ministries and parastatals, establishment or private businesses or foundation. Part of government parastatals is the education sector. Government cannot boast of any major development without proper funding of her education sector.

Statement of the Problem: The lingering distress in the Nigerian financial system has affected the national economy. The most obvious manifestation concerns the financing of the education sector, especially the financing of the Federal and State Colleges of Education. Today, there is indisputable evidence concerning our institutions of higher learning, particularly the Universities and Colleges of Education, that the government is not aligned with her responsibility to fund these institutions.

Many colleges were unable to pay staff salary as at when due, many of their staff were marking time on the same level for many years for lack of promotion when due; while attendance at conference and journal allowances for many have become a thing of the past, all for lack of adequate fund. As a result of shortages of recurrent funding from government, some of these colleges have resorted to
finding ways of solving some of their problems through internally generated revenue. Also a control
measure had been adopted in some colleges on employment of employees to fill vacant posts; this is as
a result of a serious shortage of lecturers in various departments of the colleges.

Structures in some colleges have become dilapidated, due to lack of maintenance and there are
not enough funds to construct other buildings. Students cramp into lecture halls to receive lectures with
some standing by the window for lack of desks. Lecturers share offices with at least three in a small
office. Students’ halls of residence (hostels) are nothing to write home about; some colleges do not
even have hostels for their students. Most hostels lack the necessary facilities that can make life
comfortable. These and other problems prompted the researcher undertaken here to make comparative
analysis of government funding of colleges of education in the South West of Nigeria with a view to
proffer some possible solutions to the enormous problems of financing education in Nigeria.

Research Questions: The research is intended to give answers to the following questions.
1. How does the government fund colleges of education in Nigeria?
2. To what extent has inadequate funding affected the quality of education in Nigerian institutions
   of higher learning?
3. Why has there been increased shortfall in funds despite government grants and internally
generated revenue (IGR)?
4. Is inadequate funding the cause of the multifaceted problems of Nigeria’s education system?
5. What is the mode of funding Colleges of Education by the government?

Purpose of the Study: The main purpose of this study is to make comparative analysis of government
funding of Colleges of Education in the South West of Nigeria.
Other purposes are:
i. To identify the mode of funding Federal and State Colleges of Education.
ii. To determine the adequacy and efficiency of funding in enhancing the achievement of
   institutions’ goals and objectives.
iii. To ascertain the effects of inadequate funding on the quality of education and
   performance of both Federal and State Colleges of Education.
iv. To make comparison between the mode of funding by the Federal and State government
   towards various colleges of education, particularly in the South Western Nigeria.
v. To proffer lasting solution to the problem of inadequate funding in Nigeria higher
   institutions.

Significance of the Study: This research will serve as catalyst to encourage the voluntary agencies
or organizations to aid Nigerian colleges of education through donation and provision of infrastructural
facilities. The research will also expose some of the funding crises in the colleges to government and
agencies and implore them on actions aimed at improving, alleviating or overcoming the existing crises.
The study will encourage the college management to effectively utilize the various alternative sources
of funding to supplement government’s dwindling education funding.

Scope and Limitation of the Study: The study is first limited to Federal and State Colleges of
Education in the South Western Nigeria. However, because of the large geographical area of study, the
study will be limited to only three Colleges of Education; (a Federal and two State Colleges). Also for
proximity’s sake, the study will be further limited to only two States of the South Western States; that
is Oyo and Ogun States. The colleges are the Federal College of Education (Special) Oyo; Emmanuel
Alayande College of Education, Oyo and College of Education, Omu, Ogun State.

The study faced some forms of limitation, because some staff of the colleges understudy were
very reluctant to divulge vital financial information regarding funding of their colleges.
LITERATURE REVIEW

Any education institution, like any other organization or business, requires funds to carry out its plans and objectives. Institutions are non-profit organizations, before the political era, all colleges of education were established through decrees in the case of the military era, while those that were established after the military era were by edict.

Many causes could be attributed to the poor funding of education in Nigerian institutions especially the colleges of education. One of these is irregular release of funds for recurrent and capital project to the colleges, thereby creating shortfalls as a result of salary accumulation. A major cause of poor funding is the incessant currency devaluation and high rate of inflation which reduces the subvention to the colleges to very little when compared with other nations of the world.

Another major cause of poor funding of colleges is political instability, such as experienced by Nigerians a couple of years ago, with changes from civilian to military and vice-versa, the recent one having to do with the change of government from one party to another, whereby colleges are put at the mercy of the unconcerned governors or governing bodies whose main target is to amass wealth and divert government money into their private businesses. The effect of that is still hanging over the finance of Nigerian colleges. The unsettled political condition in the country has often resulted in termination of government projects, placing higher priority to other expenses over colleges funding, preferring to spend billions of naira on frivolous projects rather than to put such money towards financing colleges. The global economic recession is another factor for poor funding of our colleges, as the economy of Nigeria is now at low ebb. The Nigerian economy as we have been made to believe is no more buoyant than others, probably due to the recent fall in the oil industry; hence it could not sustain adequate financing of colleges as expected.

Corruption which has become the bane of the economic imbroglio is also a major cause of poor funding; some authorities concerned believe in their own purse rather than development of the college sector; corruption that has affected all the various aspects of government. If the government released money to colleges, the official at the source will demand a certain percentage, even before the money could be allocated to college you have to do public relations (bribe someone) in anticipation of the college or recommended the college receiving a reasonable amount. All these are bounce back in poor funding of colleges and if you do not do as they wish then there will be no money for you to develop any tangible project. For instance, UNICEF (1993) in the national report noted the following as factors inhibiting proper funding of college in Nigeria: decline in Gross Domestic Product (GDP), rise in inflation, collapse of international crude oil prices, unstable exchange rates and serious debt.

Poor teaching and lack of job satisfaction is one effect of poor funding of college’s performance, the situation is such that even office accommodation for lecturers is not assured. In some colleges one would discover that lecturers are packed 3 or 4 in one small office. They have no privacy; they have no immediate access to toilets and other basic conveniences. In the area of maintenance, one could observe another effect of under-funding of a college: a visit to the works and services department will convince anyone that all is not well with maintenance generally in the college. Much of the equipment and machines needed for employees of the department of works are in bad shape, some eventually packed up. The college incurred much loss by lack of maintenance of the existing assets all due to poor funding.

In order to effectively tackle the multifaceted problems bedeviling the country’s educational sector, the government is expected to embark on far reaching reforms. However, the reformation of the sector centers the issue of adequate funding. Education financing all over the world, is not the responsibility of only the government. Adequate funding of tertiary education can only be accomplished by all stakeholders including parents, alumni, well-meaning individuals, communities, philanthropists, and corporate organizations in the country all working together. There is also the need for government to compel banks, national and multi-national companies that have several billions of naira as profit annually, to contribute to the funding of Polytechnics and Colleges of Education in Nigeria.

Brief History of the Study Area

The National Policy on Education emphasizes the provision of education opportunities to all Nigerian citizens without any form of discrimination. In this regard the education of those exceptional people, the type of education that will cater for their special needs are spelt out in the decree that
established the Federal College of Education (Special) Oyo on 5th October 1977. It was initially called Federal Advanced Teachers’ College for Special Education and one of the teachers’ colleges under the direct supervision of the Federal Ministry of Education. The college was, however, renamed a College of Education through a decree No. 4 of 1986, and amended decree No. 6 of 1993 which gave the college full autonomy. The founding Principal was Mr. C. C. Azodor.

The Emmanuel Alayande College of Education, Oyo formerly Saint Andrew’s College of Education and Oyo State College of Education, have been described as the pacesetter in education. According to Dr. Kunle Ogunmola (a former provost of the college), the description is very apt, taking into consideration the pioneering role of the forerunner institution (Saint Andrew’s College) in tertiary education in the country. The Saint Andrew’s College succeeded the Catholic Mission School Training Institution (CMS) established at Ikija, Abeokuta in 1853. In 1867, the training institution was moved to Lagos and later to Oyo on 18 March 1896. St. Andrew’s College pioneered tertiary education in Nigeria between 1896 when it started in Oyo and 1948 when the University College of Ibadan was founded. The College became a College of Education in September 1980 and had full autonomy in 1985. The college was taken over by the Federal Government in 1975 so that the college would have a national outlook. The Federal Government had since become the main source of both the recurrent and capital expenditure of the colleges, until the dispensation of the civilian regime.

Methodology: The methodology focuses on the following: Research design, population, sample and sampling technique, research instrument, validity and reliability of the instrument, and method of data analysis.

Research Design: The research design adopted in this study was that of an exploratory survey. Exploratory survey design is suitable because it allows researcher to select a sample size from the population using the sample frame. This method was used because it does not manipulate or control variables.

Population of the Study: The population for this study consists of all the staff (both teaching and non-teaching) of the three selected colleges of education: Federal College of Education (Special) Oyo; Emmanuel Alayande College of Education, Oyo; and Tai Solarin College of Education in Ogun State.

Sample and Sampling Technique: The adopted procedure for sampling in this study was simple random sampling method which was used to determine the result of the objective of this work; this is to avoid bias in the sampling. The sample size for this study consists of 300 staff especially from three departments of the colleges, i.e. Bursary, Academic Planning and Auditing and Budgeting respectively.

Research Instrument: The instrument used is a self-designed questionnaire to elicit information on comparative study of funding of Federal and State Colleges of Education in South Western Nigeria. The questionnaire was divided into various section such that section A deals with demographic information concerning the respondents, while other sections relate to the relevant information on the subject matter of achieving the objectives of the study.

Validity of the Instrument: Copies of the questionnaire were distributed to expertise knowledgeable about financing education and academic planning. Necessary corrections were made on the questions before final drafting and distribution to the respondents.

Data Analysis: Three hundred (300) copies of questionnaire were distributed to the selected staff of the three colleges of education understudy. The respondents were however assured of confidentiality in treating any information given for this study. All the 300 questionnaires were returned. The data collected from the field was analyzed using frequency count and simple percentage method respectively.
Respondents’ opinions on sources of colleges funding

Table 1: Federal College of Education (Special) Oyo

<table>
<thead>
<tr>
<th>Sources of Funding</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Grant</td>
<td>54</td>
<td>18%</td>
<td>66</td>
<td>22%</td>
<td>108</td>
</tr>
<tr>
<td>TETFUND Intervention</td>
<td>51</td>
<td>17%</td>
<td>69</td>
<td>23%</td>
<td>96</td>
</tr>
<tr>
<td>Internally Generated Revenue</td>
<td>114</td>
<td>38%</td>
<td>96</td>
<td>32%</td>
<td>42</td>
</tr>
<tr>
<td>Students Fees</td>
<td>126</td>
<td>42%</td>
<td>60</td>
<td>20%</td>
<td>48</td>
</tr>
<tr>
<td>Investment Income</td>
<td>51</td>
<td>17%</td>
<td>69</td>
<td>23%</td>
<td>108</td>
</tr>
<tr>
<td>Administrative Charges</td>
<td>96</td>
<td>32%</td>
<td>84</td>
<td>28%</td>
<td>51</td>
</tr>
</tbody>
</table>

Table 2: Emmanuel Alayande College of Education, Oyo

<table>
<thead>
<tr>
<th>Sources of Funding</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Grant</td>
<td>126</td>
<td>42%</td>
<td>60</td>
<td>20%</td>
<td>48</td>
</tr>
<tr>
<td>TETFUND Intervention</td>
<td>48</td>
<td>16%</td>
<td>42</td>
<td>14%</td>
<td>114</td>
</tr>
<tr>
<td>Internally Generated Revenue</td>
<td>54</td>
<td>18%</td>
<td>66</td>
<td>22%</td>
<td>108</td>
</tr>
<tr>
<td>Students Fees</td>
<td>51</td>
<td>17%</td>
<td>69</td>
<td>23%</td>
<td>108</td>
</tr>
<tr>
<td>Investment Income</td>
<td>72</td>
<td>24%</td>
<td>108</td>
<td>36%</td>
<td>66</td>
</tr>
<tr>
<td>Administrative Charges</td>
<td>114</td>
<td>38%</td>
<td>96</td>
<td>32%</td>
<td>42</td>
</tr>
</tbody>
</table>

Table 3: Tai Solarin College of Education, Omu, Ogun State

<table>
<thead>
<tr>
<th>Sources of Funding</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Grant</td>
<td>42</td>
<td>14%</td>
<td>48</td>
<td>16%</td>
<td>96</td>
</tr>
<tr>
<td>TETFUND Intervention</td>
<td>69</td>
<td>23%</td>
<td>51</td>
<td>17%</td>
<td>72</td>
</tr>
<tr>
<td>Internally Generated Revenue</td>
<td>72</td>
<td>24%</td>
<td>108</td>
<td>36%</td>
<td>66</td>
</tr>
<tr>
<td>Students Fees</td>
<td>126</td>
<td>42%</td>
<td>60</td>
<td>20%</td>
<td>48</td>
</tr>
<tr>
<td>Investment Income</td>
<td>51</td>
<td>17%</td>
<td>69</td>
<td>23%</td>
<td>96</td>
</tr>
<tr>
<td>Administrative Charges</td>
<td>66</td>
<td>22%</td>
<td>48</td>
<td>16%</td>
<td>60</td>
</tr>
</tbody>
</table>

Summary of Findings: The tables above reveal the respondents opinion on sources of funding to the selected colleges of education in South Western Nigeria. The tables revealed that the bulk of the money used to administer the colleges came from the grant allocation from the Federal Government and States government as the case may be. The findings also revealed that most of the colleges are involved in investment, therefore the colleges relied much on internally generated revenues, such as operating part time programmes, affiliating degree programmes etc. Even though, almost all the respondents believed and agreed that government grant is the major source of financing the colleges, there is an indication that students’ fees cannot be overlooked, since
all the students admitted into the college have to pay tuition fees, part of which is being used to conduct examinations, run the internet portal for students’ results and other academic records.

Table 4: Percentage distribution of respondents’ opinion on adequacy and efficiency of funding colleges

<table>
<thead>
<tr>
<th>Funding</th>
<th>SA</th>
<th>A</th>
<th>D</th>
<th>SD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding available to the college is sufficient to achieve its set goals</td>
<td>69</td>
<td>51</td>
<td>72</td>
<td>108</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>17%</td>
<td>24%</td>
<td>36%</td>
<td>100%</td>
</tr>
<tr>
<td>Funds increase in relation to students enrolment and employment of staff</td>
<td>126</td>
<td>60</td>
<td>48</td>
<td>66</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>42%</td>
<td>20%</td>
<td>16%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Funds are released adequately and timely to the college</td>
<td>42</td>
<td>48</td>
<td>96</td>
<td>114</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>14%</td>
<td>16%</td>
<td>32%</td>
<td>38%</td>
<td>100%</td>
</tr>
<tr>
<td>The staff salary and other benefits are paid as at when due</td>
<td>72</td>
<td>108</td>
<td>66</td>
<td>54</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>24%</td>
<td>36%</td>
<td>22%</td>
<td>18%</td>
<td>100%</td>
</tr>
<tr>
<td>TETFund Intervention to the college is regular</td>
<td>51</td>
<td>69</td>
<td>96</td>
<td>84</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>23%</td>
<td>32%</td>
<td>28%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Conclusion: Nigeria Colleges are faced with numerous problems because of inadequate funding such as staff shortage, poor remuneration, improper maintenance of college facilities etc. Education is the best resource point to this nation, a great investment indeed. The financial constraints in the country has made education suffer; government has not been able to fund college education effectively and efficiently due to increased numbers served and to plan our economy and alleviate economic crises, education has to be funded adequately. Things have got to change; education in Nigeria must be a right to all citizens and never a privilege. Commercialization of education is detrimental to the growth of literacy.

A trend where only the children of the rich can afford to pave their way through cost of education; while the children of the poor are made to stay at home for lack of finance is counterproductive. As a nation, we cannot aspire to keep a truly united nation through biased educational policies which are designed to slow down the progress of other components of the large society, we cannot fold our hands when our colleges which ought to be centers and citadels of academic excellence are being gradually reduced to a state not befitting international standards through under funding. The researcher is of the opinion that every patriotic individual must have a role to play in the drive towards total reawakening of hope in the course of education in Nigeria.

The government should see to the demands of Colleges of Education Academic Staff Union (COEASU) as legitimate and reasonable, instead of intimidating the lecturers, it should map out viable plans to solve these problems. Its argument that the demand of COEASU cannot be met because of lean resources is nothing, if not mere quibbling.

Recommendations: In view of the findings of this study; the following recommendations are made:

- The government should increase the allocation given to education especially the college to meet the bench mark of UNESCO that recommended 25% of the total budget to education.
- The government should embark on aggressive renovation of the lecture rooms, lecturers’ offices etc. as this will enhance or promote good teaching and learning processes.
- The government should pay more attention to researches in our colleges by providing enough money and incentive for them to carry out good research and innovation.
- The colleges however should not entirely depend on grants from government hence they should explore and exploit more aggressive ways of getting financial support through internal revenue generation to augment what they receive from government as statutory allocation.
- Public spirited individuals should be contacted to assist the colleges in funding some of its programs such as procurement of necessary equipment and machines for teaching and learning. This could be done through private partnership programs,
REFERENCES
Abdu, P.S. (2003); The Cost and Finance of Education; Education Today “Quarterly”; June, Vol.10(1); 12-16.
Adeyemo, Bade (2000); Public School Funding: The Case of Community Mobilization and Effective Management; in Journal of Educational Development; Vol.1(2) 27-28.
English, L. (1998); Education Finance, ADEA Newsletter, 10(1)), 1-3.
Okebukola, Peter (2004); Issues in Funding University Education in Nigeria, NUC Monograph Series, Abuja, NUC.
Impact of the 2014 Oil Price Drop on the Sudanese Economy

Hala Mutwakil Ahmed Elamin, University of Khartoum, Sudan

ABSTRACT

The objective of this paper is to determine whether the Republic of Sudan has been affected by the oil prices plunge that occurred in June 2014; where oil prices took a gradual drop which continued into early 2016. A major conclusion is that falling oil prices reduce the need for domestic fuel subsidies, and provide an opportunity for subsidy reform with limited impact on the prices paid by consumers. In order to determine whether Sudan has benefitted from the oil price drop, it is important to determine whether the country is a net importer or net exporter for oil. Sudan produces oil and oil derivatives locally, however, its production is still not up to the level of local consumption and Sudan thus resorts to importing oil. Another element of the situation is that Sudan’s national budget relies on revenues from transit fees for South Sudan oil exports.

A quantitative analysis was used to determine where the effect of oil price drop in the country’s budget and its Balance of Payments by seeing how the price drop has directly affected both exports and imports of the country.

The results obtained in this paper showed that Sudan became a net importer of oil since the secession of South Sudan in 2011. Also, the country being a net importer, it benefitted from the oil price drop in form of budget relief, and a positive impact on trade balance. However, no impact on domestic fuel prices and cost of transportation was found. Impacts on remittances and aid from Arab World are to be addressed. The paper ends by recommending that the government of Sudan reform its fiscal and trade policies to maximize the benefits from the drop in the oil prices.

Key words: Oil Price Drop 2014, Sudan, Remittances, South Sudan transit fees, Sudanese cost of transportation.

INTRODUCTION

Oil is the most important commodity in the world today due to its use in everyday life aspects by all countries. Oil being a commodity, it has its market and prices are governed by supply and demand. The sudden oil price drops in 2014 affected both net importing as well as exporting countries. Oil exporting countries, being revenue-makers from the production and exportation of oil, have suffered a drop in the revenues they make annually due to the drop in prices by which they sell oil and oil products; but the effect varied along different economies. Some exporters, mostly newly emerging oil exporters, have been affected drastically whereas others like Saudi Arabia haven’t been affected as much due to their large reserves. On the other side of the market, oil consuming nations have benefitted from this price drop due to the ability of those countries to import a much higher quantity of oil within the same budget.

The aim of this paper is to review how Sudan changed from a net exporting country to net importing country. This oil crisis supposedly had a beneficial effect upon the Sudanese current balances reducing its cost of imports. After the separation of Sudan into North and South, Sudan lost most of its oil reserves and fell back from being an emerging oil exporter back to being an importer. Therefore, the Ministry of Finance set policies appropriate to the major economic crisis the country was facing. Sudan has been subsidizing fuel but due to the recession, the country gradually lifted oil subsidies for consumers in order to minimize its expenditure which was multiplying rapidly. This policy was a 3-year program to
annually lower the fuel subsidies. Many developing countries have put in place such policies as responses to reduce their dependence on oil whether due to reducing consumption or as a revenue maker; however, these policies must be in place to fit the current situation as well as future changes in the country’s local economy.

The rest of the paper is structured as: 1. Sudan’s Oil History, 2. Sudan an Oil Net Importer, 3. Effects of Oil Price Plunge: Direct effect(s), Indirect effect(s), Effects on other macroeconomic indicators, 4. Policy Implications.

**SUDAN’S OIL HISTORY**

Exploration for oil in Sudan started in 1959 by Italy’s Agip oil company along the Red Sea; however, nothing was found. But it in 1979 Chevron (an American company) discovered oil in parts of the Darfur-Kordofan boundary. Discoveries increased when Sudan was divided into blocks to organize oil production; these discoveries were in Al-Muqlad Basin, Western Upper Nile. And later on, Chevron discovered the Heglig and Unity oil fields.

After Chevron, the Sudanese government gave a concession to the Franco-Belgian company Total in 1980. However, this company did not begin its search due to security problems, and Chevron followed its withdrawal for the same reason later on.

Civil war broke out again in 1983, and Chevron suspended its work in Sudan. It completely stopped due to the killing of three of its workers by forces belonging to Southern movements. There were no oil exports at all during the 1980s; Saudi Arabia provided loans and oil at prices below those of the international market to Sudan. However, all of this changed at the beginning of the 1990s after facing an expensive war (the Gulf War, in which Sudan supported Iraq).

Sudan defaulted with the IMF and the Islamic front that led the coup in 1989 pressured Chevron to begin operations while the American government was pressuring the company to suspend its operations in Sudan. It finally sold its concession to Concorp International, a company owned by a member of the National Islamic Front with little experience in oil production. It only produced 23,000 barrels per day (bbl/d) in 1993 until August 1993 which the government soon resold to SPC of Vancouver, which was then almost completely acquired by another company named Arakis.

A little oil production was achieved by Chinese and Malaysian oil companies, and the result of these companies has been much more impressive than that of the

Sudanese company, Concorp. Throughout the mid 1990s Arakis had been trying to find financial backing from different international companies, until 1996 when it found backing in exchange for a majority stake from China and Malaysia where Sudan agree to provide capital for all new expenses. The consortium was called the Greater Nile Petroleum Operating Company (GNPOC); Arakis had a 25% share based on its previous investments, while Sudapet was not required to make any expenditure. Other shareholders were China National Petroleum Company (CNPC) with 40%, PETRONAS 30%, and Sudapet 5%. Despite this agreement, by 1998 Arakis was not able to keep its share and was bought by Talisman Energy, a Canadian company.

In March 1997 work began on a 1540km oil pipeline to a terminal at Port Sudan, and in 1999 the pipeline began delivery, and the first 600,000 barrels were loaded onto a shell tanker. A section of this pipeline was attacked later in 1999. In 1999, a Swedish company Lundin also obtained a contract of concession in the field in Western Upper Nile-block 5A. In 2003, Lundin announced the sale of its interest in this field to PETRONAS.¹

The Sudanese economy nourished since the start of oil production in the 1990’s, and Sudan became an oil net-exporting country. The United States had strict policies and sanctions against Sudan labeling it

as a terrorism supporting country. But times changed when South Sudan was given the right of self-determination, which led to separation in 2011. This agreement led to the deterioration of the economies of both countries. Sudanese revenues decreased due to oil being available in the southern areas of the country, and Sudan, having been dependent on oil exports as a lead export commodity saw an increase in its budget gap which resulted from losing a majority of its revenues after the secession of the country.

**Fiscal policies**

The civil war in Sudan while remaining geographically confined, increased economic pressure on government whilst it was getting heavily hit by the loss of oil revenue in 2011. The fiscal deficit increased from 0.3% of the GDP in 2010 to approximately 3.8% in 2012. The real GDP contracted by 2.6% in 2011 due to the loss of oil’s impact on different economic sectors. Sudan then resorted to gold exports, but still could not cover the oil revenue losses and became a net importer of oil. This loss of oil revenues resulted in pressure on the balance of payments. Due to the scarcity of foreign currency reserves, the black market exchange rate went out of control. The value of the Sudanese Pound (SDG) against the US dollar went from 3.4 SDG in July 2011, to 6.3 SDG in July 2012, and 7.2 SDG in July 2013.

In early 2011, the government formulated a Three-Year National Salvation Programme to respond to secession. It included elements of export promotion, import substitution, and fiscal tightening. However, the first two components proved slow to implement in practice, while the third remained highly problematic.

The government had expected to negotiate high oil fees to be paid by South Sudan for use of the export pipeline, which would have compensated for much of the lost revenue. These were included in the original 2012 budget. After South Sudan shut down its own oil extraction in January 2012 to prevent Sudan from taking the fees in kind, it was necessary to produce a revised 2012 budget.

There were some successful attempts to increase revenue, but the preponderance of politically sensitive items, such as public-sector wages and subsidies in the budget, made it difficult to reduce spending. As a result, the government launched a round of austerity measures in July 2012, including some fuel subsidy cuts, as well as plans for greater economy in government departments and at the state level that were never fully implemented. These had been intended as part of a larger reform process, discussed with the IMF. However, they proved politically controversial, and as a result, the government appears to have drawn back, so that the 2013 budget did not reflect the austerity plans. This, in turn, stymied efforts to agree to a new Staff-Monitored Program with the IMF, which had been seen as a key part of the government’s efforts to demonstrate macroeconomic rectitude in its search for multilateral debt relief. Reflecting both the mid-2012 rise in fuel prices, and the ongoing Central Bank deficit financing; annual inflation rose further, peaking at 47.9 per cent in March 2013.²

**SUDAN - NET IMPORTER FOR 2014**

The bulk of oil resources in Sudan were found in South Sudan before the secession of the country, with it went around three quarters of the former country’s oil production, which had accounted for around 50% of the government budget, and 90% of exports. However, the pipelines and exportation port (Portsudan) were both in the northern part of the country. After the separation, Sudan lost a huge portion of its oil products, and went from being an emerging net exporter for oil and oil derivatives, to a heavy importer. Sudan becoming a net importer now gets affected substantially by the change in global oil prices. So how did the oil price drop in 2014 affect the Sudanese economy?

---

² CBS, n.d.
Table 1: Exports and imports of oil in 2014 (US $ 000)  

<table>
<thead>
<tr>
<th>Exports (USD 000’s)</th>
<th>Imports (USD 000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil</td>
<td>Petroleum products</td>
</tr>
<tr>
<td>1,090,789</td>
<td>1,523,619</td>
</tr>
<tr>
<td>Benzene</td>
<td>-</td>
</tr>
<tr>
<td>156,768</td>
<td></td>
</tr>
<tr>
<td>Kerosene</td>
<td>-</td>
</tr>
<tr>
<td>Light gas</td>
<td>-</td>
</tr>
<tr>
<td>F/O &amp; HCGO</td>
<td>-</td>
</tr>
<tr>
<td>Furnace</td>
<td>102</td>
</tr>
<tr>
<td>Mixed butagas</td>
<td>295</td>
</tr>
<tr>
<td>Diesel</td>
<td>-</td>
</tr>
<tr>
<td>Other products</td>
<td>6116</td>
</tr>
<tr>
<td>Total</td>
<td>1,254,070</td>
</tr>
</tbody>
</table>

From the table above it is seen that the imports of oil and petroleum products exceeded the exports; even though by a minimal figure. Yet an effect is witnessed upon the economy, making Sudan a net importing country in the year 2014; with a deficit in cost of imports of USD 269,549,000.

EFFECTS OF THE OIL PRICE PLUNGE

DIRECT EFFECT
The oil prices underwent the changes mentioned in the previous section towards mid-2014. Starting June 2014 prices of crude oil started dropping as shown:

---

3 Table extracted from CBOS Foreign Trade Digest2014
Table 2: Decline of prices during 2014

<table>
<thead>
<tr>
<th>Month</th>
<th>Crude oil average ($/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2014</td>
<td>102.10</td>
</tr>
<tr>
<td>March 2014</td>
<td>104.04</td>
</tr>
<tr>
<td>May 2014</td>
<td>105.71</td>
</tr>
<tr>
<td>July 2014</td>
<td>105.23</td>
</tr>
<tr>
<td>September 2014</td>
<td>95.85</td>
</tr>
<tr>
<td>November 2014</td>
<td>76.99</td>
</tr>
<tr>
<td>December 2014</td>
<td>60.70</td>
</tr>
<tr>
<td>January 2015</td>
<td>47.11</td>
</tr>
<tr>
<td>February 2015</td>
<td>54.76</td>
</tr>
</tbody>
</table>

Global oil prices started making a decline in June 2014, after being 105.71$/bbl in May, declining to $60.70 by the end of the year. This drop gradually increased due to the increase in oil supply in the world due to shale oil and oil sands production starting up at low costs. The oil market suffered from a case of supply being higher. The price dropped further drop until hitting USD 47.11 in January 2015 due to the disequilibrium in the market. The price changes shown above, of course, had different effects on exporting countries compared to importing countries.

Sudan being a net importer has been affected by these changes. The following analysis reflects how the oil prices affected the cost of oil imports in Sudan in the period January-December 2014: Total value of oil and oil derivatives' imports was USD 1,523,619,000 by the end of the year.

Table 3: Value in US $ (000’s) in 2014

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>July-Sep</th>
<th>Oct-Dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum products</td>
<td>329,690</td>
<td>415,496</td>
<td>390,990</td>
<td>387,443</td>
<td>1,523,619</td>
</tr>
</tbody>
</table>

This table above represents the figures of cost of imports for each quartile of the year 2014. It is noted that the imports of petroleum products cost USD 329,690,000 during the 1st quartile; when global oil

---

4 Table extracted from World Bank
5 Table extracted from CBOS Foreign Trade Digest 2014.
prices ranged around USD 102.10 to USD 104.04/bbl. As for the 2nd quartile, costs increased to reach USD 415,496,000; global oil prices ranged around USD 105/bbl, explaining to some extent why the costs of imports for Sudan increased.

However, in the 3rd and 4th quartiles of 2014; global oil prices were declining due to the world oil surplus. Where prices in July were 105.23/bbl and then dropped by 42.3% in the second half of the year to reach 60.70/bbl in December.

Table 4: Summary of foreign trade (value in US $ 000)

<table>
<thead>
<tr>
<th>Period</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4,789,732</td>
<td>9,918,068</td>
<td>(5,128,336)</td>
</tr>
<tr>
<td>2014</td>
<td>4,350,210</td>
<td>9,211,300</td>
<td>(4,861,090)</td>
</tr>
</tbody>
</table>

The table above shows that the total exports in the foreign trade balance decreased from 2013 to 2014; along with the imports which also decreased from 2013 to 2014, causing the trade balance to have a deficit of USD 4,861,090,000 in 2014 after being USD 5,128,336,000 in 2013.

If assumed that the country imported the same quantity of barrels throughout the study period, the given value is the cost of the same amount of oil imports. It can be seen that the total imports and exports (petroleum and non-petroleum products) fluctuated between the years. This fluctuation of imported oil products formed a big portion of import costs for the country, leaving us to conclude that the costs of importing oil itself underwent much fluctuation, representing the highest value of cost of imports in 2014 (1,526.6 million USD), forming 16.8% of the total imports of the country, and thus being the highest. (Oil products represent 25% of Sudan exports.)

CALCULATING NET BENEFIT IN BALANCE OF PAYMENTS

Table 5: Monthly oil price pattern for 2014

<table>
<thead>
<tr>
<th>Month</th>
<th>Value in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>102.10</td>
</tr>
<tr>
<td>Feb</td>
<td>104.83</td>
</tr>
<tr>
<td>Mar</td>
<td>104.04</td>
</tr>
<tr>
<td>Apr</td>
<td>104.87</td>
</tr>
<tr>
<td>May</td>
<td>105.71</td>
</tr>
<tr>
<td>June</td>
<td>108.37</td>
</tr>
<tr>
<td>July</td>
<td>105.23</td>
</tr>
<tr>
<td>Aug</td>
<td>100.05</td>
</tr>
<tr>
<td>Sept</td>
<td>95.85</td>
</tr>
<tr>
<td>Oct</td>
<td>85.06</td>
</tr>
<tr>
<td>Nov</td>
<td>76.99</td>
</tr>
<tr>
<td>Dec</td>
<td>60.70</td>
</tr>
</tbody>
</table>

*Table extracted from World Bank

Table 6: Value of oil imports in 2014 (monthly)

<table>
<thead>
<tr>
<th>Month</th>
<th>Value (000’s USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>55,238</td>
</tr>
<tr>
<td>Feb</td>
<td>129,343</td>
</tr>
<tr>
<td>Mar</td>
<td>145,109</td>
</tr>
<tr>
<td>Apr</td>
<td>132,233</td>
</tr>
<tr>
<td>May</td>
<td>104,403</td>
</tr>
<tr>
<td>June</td>
<td>178,860</td>
</tr>
<tr>
<td>July</td>
<td>114,600</td>
</tr>
<tr>
<td>Aug</td>
<td>138,851</td>
</tr>
<tr>
<td>Sept</td>
<td>137,539</td>
</tr>
<tr>
<td>Oct</td>
<td>131,736</td>
</tr>
<tr>
<td>Nov</td>
<td>118,980</td>
</tr>
<tr>
<td>Dec</td>
<td>136,727</td>
</tr>
</tbody>
</table>

*Table extracted from CBOS Foreign Trade Statistical Digest 2014
The quantity of oil imported in barrels per month \(Q\) is equal to the value of the oil imported in each month \(V\) divided by the global oil price in USD per barrel at that month \(P\), i.e. \(Q = \frac{V}{P}\).

The following table shows these calculations.

### Table 7: Calculation of Quantity of barrels imported per month in 2014

<table>
<thead>
<tr>
<th>Month</th>
<th>(V) (000’s USD)</th>
<th>(P) in (USD)</th>
<th>(Q = \frac{V}{P})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>55,238</td>
<td>102.10</td>
<td>541.01</td>
</tr>
<tr>
<td>Feb</td>
<td>129,343</td>
<td>104.83</td>
<td>1,233.83</td>
</tr>
<tr>
<td>Mar</td>
<td>145,109</td>
<td>104.04</td>
<td>1,394.74</td>
</tr>
<tr>
<td>Apr</td>
<td>132,233</td>
<td>104.87</td>
<td>1,260.92</td>
</tr>
<tr>
<td>May</td>
<td>104,403</td>
<td>105.37</td>
<td>987.76</td>
</tr>
<tr>
<td>June</td>
<td>178,860</td>
<td>108.37</td>
<td>1,650.45</td>
</tr>
<tr>
<td>July</td>
<td>114,600</td>
<td>105.23</td>
<td>1,089.04</td>
</tr>
<tr>
<td>Aug</td>
<td>138,851</td>
<td>100.05</td>
<td>1,387.82</td>
</tr>
<tr>
<td>Sept</td>
<td>137,539</td>
<td>95.85</td>
<td>1,434.94</td>
</tr>
<tr>
<td>Oct</td>
<td>131,736</td>
<td>85.06</td>
<td>1,548.74</td>
</tr>
<tr>
<td>Nov</td>
<td>118,980</td>
<td>76.99</td>
<td>1,545.39</td>
</tr>
<tr>
<td>Dec</td>
<td>136,727</td>
<td>60.70</td>
<td>2,252.50</td>
</tr>
</tbody>
</table>

To prove the hypothesis that Sudan’s balance of payments did benefit from the world oil price drop; the value of imported oil was calculated based on two different scenarios. In the first scenario, the value of imported oil was calculated based on the actual oil price. In the second scenario, the global oil price was fixed at June’s price (108.37 USD) under the assumption that the oil prices did not drop in the second half of the year, and remained the same.

**Case 1:** Actual global oil prices

\[ V_A = Q \times P \]

**Case 2:** Global oil prices under the assumption that prices did not drop beyond June 2014 (remained constant) (C)

\[ V_C = \begin{cases} Q \times P, & \text{for the period from January to June} \\ Q \times P_{June}, & \text{for the period from July to December} \end{cases} \]

Where \(P_{June}\) is the actual oil price per barrel in June 2014, which is 108.37 USD.

Table 8 shows the result of comparing \(V_A\) with \(V_C\), giving the net benefit from the oil price change in 2014.

\[ \text{Net Benefit} = V_A - V_C \]
### Table 8: Calculation of Net Benefit in Balance of Payments Value in (000’s US$)

<table>
<thead>
<tr>
<th>Month</th>
<th>Quantity</th>
<th>$V_A$</th>
<th>$V_C$</th>
<th>$V_A - V_C$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>541.01</td>
<td>55,238</td>
<td>55,238</td>
<td>0</td>
</tr>
<tr>
<td>Feb</td>
<td>1233.83</td>
<td>129,343</td>
<td>129,343</td>
<td>0</td>
</tr>
<tr>
<td>Mar</td>
<td>1394.74</td>
<td>145,109</td>
<td>145,109</td>
<td>0</td>
</tr>
<tr>
<td>Apr</td>
<td>1260.92</td>
<td>132,233</td>
<td>132,233</td>
<td>0</td>
</tr>
<tr>
<td>May</td>
<td>987.76</td>
<td>104,403</td>
<td>104,403</td>
<td>0</td>
</tr>
<tr>
<td>June</td>
<td>1650.45</td>
<td>178,860</td>
<td>178,860</td>
<td>0</td>
</tr>
<tr>
<td>July</td>
<td>1089.04</td>
<td>114,600</td>
<td>118,019</td>
<td>3419</td>
</tr>
<tr>
<td>Aug</td>
<td>1387.82</td>
<td>138,851</td>
<td>150,398</td>
<td>11,547</td>
</tr>
<tr>
<td>Sept</td>
<td>1434.94</td>
<td>137,539</td>
<td>155,504</td>
<td>17,965</td>
</tr>
<tr>
<td>Oct</td>
<td>1548.74</td>
<td>131,736</td>
<td>167,863</td>
<td>36,127</td>
</tr>
<tr>
<td>Nov</td>
<td>1545.39</td>
<td>118,980</td>
<td>167,474</td>
<td>48,494</td>
</tr>
<tr>
<td>Dec</td>
<td>2252.50</td>
<td>136,727</td>
<td>244,103</td>
<td>107,376</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,327.14</td>
<td>1,523,619</td>
<td>1,748,547</td>
<td>224,928</td>
</tr>
</tbody>
</table>

It is clearly seen from the table above that the total value of $V_A$ was less than the total value of $V_C$, which indicates that Sudan benefitted from the oil price drop by the amount calculated in the table above. Sudan’s ability to import oil for a lower cost lessened the pressure on the reserves at the central bank which leaves the country more space to control the direction of its foreign currency spending.

Figure 2 below represents the difference between the actual cost of imports and the cost of imports assuming that prices did not drop in July 2014.

![Figure 2: Cost of imports under fixed and variable oil prices](image-url)
The results proved that Sudan made a net benefit in all the months following June, and that is due to the value of imports in the original case being less than if the prices had not declined, which happened in reality. The difference between the total costs of imports in both cases gives the net benefit the country made in its balance of payments. The positive hypothetical result was observed, however it did not affect the economy as a whole for the following reasons:

- The variation between income and expenditure in the country’s budget is very high as Sudan’s budget gap is quite big for such a minimal effect to reflect upon.
- In the global oil market, oil is sold and bought based on Forward Contracts (countries buy oil in forward contracts with current prices, and therefore, if future prices fall in the market, this marks a loss for those countries whom have previously bought oil at a higher cost; and vice versa), therefore, Sudan’s instant benefit in balance of payments did not reflect upon the real life economy nor highly reduce the budget gap.
- Sudan made minimal benefits from this oil price drop which did not cover the cost of total imports nor form a relatively large portion of exports. However, those minimal benefits eased pressures upon the foreign currency reserves at the CBOS, which in turn should have provided resources for investment in different sectors.

**INDIRECT EFFECTS**

In Sudan, fiscal policies being the main setter for prices, transportation costs are prevented from varying with oil prices, and therefore, increases in transport consumption were not be a second round effect of the oil price drop.

**COST OF TRANSPORTATION**

<table>
<thead>
<tr>
<th>Month</th>
<th>Value in USD</th>
<th>Transportation CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>102.10</td>
<td>515.9</td>
</tr>
<tr>
<td>Feb</td>
<td>104.83</td>
<td>529.0</td>
</tr>
<tr>
<td>Mar</td>
<td>104.04</td>
<td>550.6</td>
</tr>
<tr>
<td>Apr</td>
<td>104.87</td>
<td>553.5</td>
</tr>
<tr>
<td>May</td>
<td>105.71</td>
<td>554.3</td>
</tr>
<tr>
<td>June</td>
<td>108.37</td>
<td>556.7</td>
</tr>
<tr>
<td>July</td>
<td>105.23</td>
<td>565.1</td>
</tr>
<tr>
<td>Aug</td>
<td>100.05</td>
<td>565.5</td>
</tr>
<tr>
<td>Sept</td>
<td>95.85</td>
<td>580.2</td>
</tr>
<tr>
<td>Oct</td>
<td>85.06</td>
<td>580.4</td>
</tr>
<tr>
<td>Nov</td>
<td>76.99</td>
<td>596.3</td>
</tr>
<tr>
<td>Dec</td>
<td>60.70</td>
<td>601.5</td>
</tr>
</tbody>
</table>

**Figure 3: Oil Prices per barrel during 2014**
Oil prices affect the cost of transportation as an increase in oil prices increases the cost of transportation. Figure 4 shows the oil prices drop in 2014 along with transportation sector monthly consumer price indexes in 2014. According to the economic theory stated, the drop in global oil prices should result in a drop in domestic prices for consumption for importing and net importing countries. The figures in the table 9 above contradict the theory. Whereas oil prices started dropping in June, CPI for transportation witnessed an increase which reflecting inflation in transportation costs. The conclusion here is that the cost of transportation has zero elasticity with regard to oil prices’ fluctuation in Sudan. Cost of transportation is set by fiscal policies, and therefore has no correlation with the oil price drop. Figure 3 and Figure 4 show clearly that as oil prices declined, the CPI of transportation sector costs rose. This rise is explained as a result of net inflation in the consumer prices in Sudan due to other economic factors.

**REMITTANCES**

Remittances are funds transferred from migrants to their home country. They are the private savings of workers and families that are spent in the home country for food, clothing and other expenditures, and which drive the home economy to varying degrees. For many developing nations, remittances from citizens working abroad provide an import source of much-needed funds. In some cases, funds from remittances exceed aid sent from the developed world, and are only exceeded by foreign direct investment (FDI).

Remittances are associated with monetary gain, and a beneficiary effect upon the GDP of any given country. However, remittances are also associated with human development across different areas like education and health care. Nations try to maximize benefit from remittances from outer countries through policymakers, who aim to tailor policies to maximize the positive impact of remittances upon their economies.6

Remittances resemble a big share of Sudan’s revenue, which is utilized to face obstacles like budget deficits, foreign currency scarcity, and low national savings. Remittances improve welfare for expats as well as their families back in the country, which in turn can lead to increase in domestic consumption, and put inflationary pressures upon the economy. It also increases imports which affects the budget by increasing the budget gap due to the un-competitiveness of Sudan’s exports in global markets. Remittances are thought to have decreased due to the drop in income in Gulf countries due to political issues along with the oil prices drop; oil often being the essentially singular source of income for most of these countries. Sudanese remittances are divided into two forms:

- Formal remittances: those are remittances transferred via banks, postal offices, and non-banking financial institutions. And these are the transfers recorded and calculated by the Central Bank and the World Bank.

6 Migration Policy Institute
• Informal remittances: which refer to the remittances transferred via market deals i.e. no formal bank or institution involved in the transfer. Informal transfers like transferring via friends or family travelling to Sudan, or via illegal channels that work efficiently with commissions. The World Bank estimates the informal remittances to exceed 50% of the total remittances absorbed into the economy.

The drop in remittances negatively affected the Sudanese economy by reducing the supply of foreign currency in the exchange markets, which in turn affects the exchange rates. As the oil prices dropped globally, this negatively affected oil exporting countries due to the decrease in revenues earned from oil exports, which in turn reflected upon their budgets. When a country suffers a drop in revenues, as a compensative action, the nation must reduce its expenditure. In this oil price drop case Gulf countries and other oil exporting countries cut down their expenditures by:

• Minimizing quantity of laborers and employees
• Prioritizing local citizens

Sudan being a country with a large number of expats in the Gulf countries (highest number in Saudi Arabia), will undergo a decline in remittances due to the reasons mentioned above, which in turn is affecting the foreign currencies absorbed into the Sudanese economy.

Table 10: Flow of Remittances of Sudanese nationals in million USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (in Million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>971.42</td>
</tr>
<tr>
<td>2011</td>
<td>437.65</td>
</tr>
<tr>
<td>2012</td>
<td>401.37</td>
</tr>
<tr>
<td>2013</td>
<td>424.04</td>
</tr>
<tr>
<td>2014</td>
<td>278.91</td>
</tr>
</tbody>
</table>

8 Central Bank of Sudan Reports

Figure 5: Remittances in Million USD
It is evident from Figure 5 that the in-flow of remittances from outer countries into Sudan had a decreasing pattern, which increased slightly in 2013 to 424.04 million USD, but dropped again in 2014 to 278.91 million USD.

Saudi Arabia scores the highest density of Sudanese laborers and employees in comparison with other countries. Sudanese remittances witnessed an increase before the secession of the country, but continued to drop afterwards.

However, the results obtained are accurate for 60% of the incoming remittances, and that is due to the increase of indirect transfers of remittances from abroad. Sudan being a country with high demand on foreign currency has a very high exchange rate in parallel markets, which is almost double the official price of foreign currency today. Due to this, remittances are more likely sent via routes other than banks and financial institutions, which in turn reduces the country’s ability to benefit from the foreign currency transfers in different sectors in order to improve its economic status by financing agricultural and industrial projects and increasing competitiveness of its goods in global markets.

TRANSIT FEES
Transit fees continue to constitute a major source of revenue for Sudan, which lost the bulk of its oil revenues when South Sudan gained its independence in 2011. Prior to the split, the south accounted for roughly 75% of oil production.

South Sudan became independent in July 2011, taking about three-quarters of the production. A dispute over transit fees led South Sudan to halt production for most of 2012.

Figure 6 shows the production of Sudan and South Sudan in thousands of barrels per day. It is seen that until 2010 all of the production belonged to Sudan—the whole country, before the secession. In 2011, the country separated and oil production accordingly split also. In 2011, majority of production belonged to South Sudan where most oil is being extracted.

Sudan exports its goods and commodities via the Red Sea, Port Sudan. And as the countries split, Sudan and South Sudan signed a transit fees agreement. In order for Southern oil to pass for exportation through the Northern part of Sudan transit fees where to be paid. Disputes over transit fees led to the drop of production of oil in Southern Sudan. Combined production from Sudan and South Sudan plummeted to 115,000 bbl/d because South Sudan shut down all of its production at the end of January 2012. In 2013 the oil production in the South slightly exceeded the North’s, and then rose gradually to exceed the northern production further in 2014.
On September 2012, both sides signed a cooperation agreement on post-independence issues. The agreement on oil called for the resumption of oil production in South Sudan, and granted that country access to use oil transportation and processing facilities in Sudan. It stipulated that South Sudan would pay Sudan processing, transit, and transportation fees to use facilities and pipelines in Sudan, facilities which are owned by the Greater Nile Petroleum Company (GNPOC) and Petrodar. The total fee to use the GNPOC facilities and pipeline is $11/bbl; the Petrodar facilities and pipeline fee is $9.10/bbl, as established in the August 2012 provisional agreement. The USD 3.028 billion compensation can be paid over time at a rate of $15/bbl and must be paid within three and a half years. All fees associated with moving the crude oil to Sudan's export terminal, in addition to the compensation fee, bring the total payment to $24.10/bbl for use of the Petrodar facilities and $26/bbl for use of the GNPOC facilities. Both sides agreed to cancel and forgive any claims of oil-related arrears and outstanding financial claims. This includes South Sudan's previous claims that Sudan diverted the South's crude oil to the refinery in Sudan. However, Sudan is still expected to give the South proceeds from the oil confiscated prior to the 2012 shutdown and shipped by the Trafigura Group in February 2012. The agreement on oil also stipulates that if operations related to production or use of processing and/or transportation facilities become technically or economically unsustainable, then the country must provide a 60-day notice prior to shutting down production or suspending access to processing and transportation facilities.7

South Sudan’s oil production commenced again in mid-2013, but fell from around 240,000 barrels/day (bbl/d) before the current fighting, to around 160,000 bbl/d. However, in 2013, Sudan did not obtain transit fees revenues from southern Sudan due to an agreement of cutting off transit fees in the year as the South was facing political and economic issues due to civil wars. South Sudan's production has been severely affected by the ongoing conflict there since December 2013. Production has fallen by about one-third.

EFFECTS ON OTHER MACRO- ECONOMIC INDICATORS

Inflation rate
Inflation in developing countries is linked to a combination of international oil prices and domestic demand pressures. Therefore, when oil prices dropped, the domestic demand on fuel and consumption goods like food, as a result of its effect on cost of production of food commodities should decrease as a part of the chain, leading to lower inflation rates.

7 US ENERGY INFORMATION ADMINISTRATION- COUNTRY ANALYSIS BRIEF: SUDAN
Figure 7 shows how a fall in oil prices will shift Short Run Aggregate Demand, causing lower inflation rates.

![Figure 7: Short Run Aggregate Demand Vs. Oil Prices](image)

It is not possible to measure the effects on all indicators in such a short period, because some indicators take long time for results to reflect. However, it is adequate here to compare the inflation rates between 2014 and 2013.

<table>
<thead>
<tr>
<th>Month</th>
<th>Oils price 2013 (USD)</th>
<th>Inflation rate 2013</th>
<th>Oil prices 2014 (USD)</th>
<th>Inflation rate 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>105.04</td>
<td></td>
<td>102.10</td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td>107.66</td>
<td></td>
<td>104.83</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>102.61</td>
<td></td>
<td>104.04</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>98.85</td>
<td>37.1%</td>
<td>104.87</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>99.35</td>
<td></td>
<td>105.37</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>99.74</td>
<td></td>
<td>108.37</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>105.21</td>
<td></td>
<td>105.23</td>
<td></td>
</tr>
<tr>
<td>Aug</td>
<td>108.06</td>
<td></td>
<td>100.05</td>
<td></td>
</tr>
<tr>
<td>Sept</td>
<td>108.78</td>
<td></td>
<td>95.85</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>105.46</td>
<td></td>
<td>85.06</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>102.58</td>
<td></td>
<td>76.99</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>105.49</td>
<td></td>
<td>60.70</td>
<td></td>
</tr>
</tbody>
</table>

Table 11: Comparison between inflation rates in 2013 and 2014

8 Table extracted from CBOS Economic and Statistical Report
Figure 8 shows monthly inflation rates varying with oil prices drop. It started increasing again in April to reach more than 46.8% in July. However, the rates started declining again to reach the minimum during the 3rd quartile; stopping at 25.7% in December.

Oil being the largest imported commodity by the Sudanese government accounts for most of the foreign currency spent on imports. Therefore, the drop in its prices hypothetically should benefit the country’s local indicators. We can clearly see that there is no correlation between the oil prices and the inflation in prices rate in Sudan in 2014. The price of oil and inflation are often seen as being connected in a cause and effect relationship, as oil prices move up or down, inflation follows in the same direction. The reason why this happens is that oil is a major input in the economy — it is used in critical activities such as fueling transportation and heating homes — and if input costs rise, so should the cost of end products. For example, if the price of oil rises, then it will cost more to make plastic, and a plastics company will then pass on some or all of this cost to the consumer, which raises prices and thus inflation.

However, from the monthly bar graph of the case, it is concluded that inflation rates have minimal correlation with oil prices and fluctuate according to many different factors — only one of which is oil prices drop. And therefore the drop in oil prices which in turn leads to drop in inflation rates did not show the effect anticipated due to other pressures upon inflation rates.

**EXCHANGE RATES**

| Table 12: Comparison between exchange rates increase between 2013 and 2014 |
|-----------------|-----------------|
| 2013            | 2014            |
| 4.76%           | 5.79%           |

The IMF claims that the decline in oil prices contains an impact of exchange rates depreciation on cost of imports. However, this did not apply to the Sudanese economy where the exchange rate of Sudanese pounds to US dollars rose, which indicates that the demand on foreign currency increased in 2014. Exchange rates in Sudan are moved by different factors and policies, and are not necessarily elastic to the drop in oil prices. However, it is thought that the exchange rates are affected highly by the drop in oil prices. However, the rates started declining again to reach the minimum during the 3rd quartile; stopping at 25.7% in December.

---

9 Extracted from CIA world Fact book
remittances from Gulf countries with Sudanese locals working there, as well as the decrease in aids sent in foreign currencies from these countries, and in turn affecting the exchange rates.

**POLICY IMPLICATIONS**

- Since oil prices have been continuing to decline until this current month (August 2016), Sudan should fix a strategic fiscal policy to make maximum benefit from this ongoing price drop since it will continue to tighten the gap between the income and expenditure in the country’s budget as a result of the reduction of the cost of oil imports (highest gross cost imported commodity) by the country. This reduction in cost of imports provides the country with a surplus in foreign currency reserves which could be utilized in different aspects that could be benefit Sudan’s GDP growth.

- Knowing that most of the transactions between suppliers and demanders in the oil market are in the form of forward contracts, Sudan should benefit from the low prices now and buy oil products from suppliers in the future with the current costs in expectation of the increase in prices in the future to prevent losses from buying with relatively high prices.

- The country should consider amending its trading policies by resorting to diversified exported goods and increasing their competitiveness in global markets in order to minimize the budget gap. This minimization will cause the drop in oil prices to have a more significant reflection upon the balance of payments and the budget of Sudan.

- The government should loosen its fiscal policies that control the price of the local oil sold for consumers. Since the oil prices dropped this should lead to a lower cost of fuel for transportation locally but the government’s restrictive policies prevent this drop from benefitting the local consumer leaving Sudanese consumption to pay the former higher prices, benefiting not at all from the global oil price drop.

- The country should work on developing its employment skills by starting projects and training centers to reduce the number of Sudanese citizens travelling abroad seeking jobs in order to minimize the negative effect of falling remittances and aid from different countries. Specifically, in Gulf countries, seeing as they are net oil exporters, the negative effect upon them negatively affects our Sudanese economy as explained in various ways above.

- The country should focus on devaluing its currency in order to increase its benefit from global trading of exports and imports and in turn improve its economic welfare.

- Falling oil prices reduce the need for fuel subsidies, and provide an opportunity for subsidy reform with limited impact on the prices paid by consumers. Fiscal resources released by lower fuel subsidies could either be saved to rebuild fiscal space lost after the global financial crisis or reallocated towards better-targeted programs to assist poor households, critical infrastructure, and human capital investments.
## LIST OF ABBREVIATIONS

- **bbl**: barrel
- **bbl/d**: barrels per day
- **CBOS**: Central Bank of Sudan
- **CIA**: Central Intelligence Agency
- **CNPC**: China National Petroleum Company
- **CPI**: Consumer Price Index
- **FDI**: foreign direct investment
- **GDP**: Gross Domestic Product
- **GNPOC**: Greater Nile Petroleum Operating Company
- **IMF**: International Monetary Fund

### Quantities

- \( p_{16} \): global oil price in USD per barrel at specific month
- \( Q_{16} \): quantity of oil imported in barrels per month
- \( v_{16} \): value of oil imported in each month
- \( v_A \): actual value of oil imported
- \( v_C \): hypothetical value of oil imported
REFERENCES

- Deloitte (2015), “Oil Prices in Crisis Considerations and Implications for the Oil and Gas Industry”
- Derek Chen, Raju Huidrom and Tianli Zhao.(2015): “Understanding the Plunge in oil prices; Sources and Implications”-Global Economic Prospects
- Foreign Trade Statistical Digest (2014)-CBOS
- GLOBAL ECONOMIC PROSPECTS,(Jan 2015) “Understanding the Plunge in Oil Prices: Sources and Implications”
- Laura M. James (January 2014)” Recent Developments in Sudan’s Fuel Subsidy Reform Process“-Global Subsidies Initiative
- Nichola Cantore, Alessandro Antimiani and Paulo RuiAnciaes (2012)- “Energy price shocks- Sweet and sour consequences for developing countries”-ODI
- Shanta Devarajan (2015, Jan) “What does cheap oil mean for the Arab world”
Impact of FX Movements on the Valuation of Turkish Non-Financials: A WACC Framework

Kaya Tokmakcioglu¹, Istanbul Technical University, Turkey
Emir Bolen², Istanbul Technical University, Turkey

Abstract

This research attempts to investigate the currency impact on the cost of debt when valuing Turkish non-financial companies through the weighted average cost of capital (WACC) approach. Previous works in the literature focused on firm’s exposure to exchange rate risk which affects their cost of banks loans (Francis & Hunter 2012), hedge impact on cost of debt (Chen & King 2014), and exchange rate exposure through stock returns (Jorion 1990, Jorion 1991, Amihud 1994, Choi & Prasad 1995, He, Ng & Wu 1998, Dahlquist & Robertsson 2001, Bodnar & Marston 2002, Fraser & Pantzalis 2003, Jayasinghe & Tsui 2008, Akay & Cifter 2014, Al-Shboul & Anwar 2014). The paper contributes to the literature by trying to assess how and to what extent the valuation of firms’ cost of capital would be affected due to currency rate movements and how the FX volatility of the cost of debt should be computed and regarded. A model is created through adjusting generalized WACC with an additional variable of volatility in order to reflect FX movement risk on the valuation. Our focus is on non-financial companies. Broader research for other geographies and industries might extend the outcomes of this paper.

Key words: WACC, FX exposure on balance sheet, capital structure

¹ tokmakcioglu@itu.edu.tr +902122931300-2050/11
² bolen15@itu.edu.tr +908502019489
1. Introduction

The intention of this paper is to contribute to the finance literature while trying to assess the impact of currency movements on the capital structure, hence the valuation of non-financial companies in Turkey. The authors believe that although currency impact on stocks’ returns have been widely researched in an operational perspective, to our best knowledge few works focus on the currency impact of hard-currency denominated debt. Furthermore, the literature for the Turkish market remains even more limited. We deploy a regression model and try to model an exogenous variable to add to the traditional weighted average cost of capital (WACC) equation, standing for the currency impact. In order to do so, 552 listed companies were observed for the years between 2008 and 2015, noting quarterly data, to align with financial results announcements. Throughout this paper, we find a meaningful relationship of currency rate movements with the change in capital structure, especially for the companies with high FX-denominated debt. We also find proof that currency rate movements have an influence on stock returns, particularly for companies with high FX-indebtedness. Further research in peer developing markets might extend the outcomes of this research.

2. Literature review

The finance literature contains many works regarding the impact of currency rate movements on the stocks. While most of the literature is focused on the relationship of the currency rate with the stock returns (Jorion 1990, Jorion 1991, Amihud 1994, Choi & Prasad 1995, He, Ng & Wu 1998, Dahlquist & Robertsson 2001, Bodnar & Marston 2002, Fraser & Pantzalis 2003, Jayasinghe & Tsui 2008, Akay & Cifter 2014, Al-Shboul & Anwar 2014), few focused on the actual valuations. Parallel to the majority of the literature, all of the studies mentioned have an operational focus, including multinational operations and exports ratio, to assess the currency impact. For instance, Dahlquist and Robertsson (2001) and Fraser and Pantzalis (2003) built common exchange rate indices to examine the effects of currency movements on stocks returns from an operational perspective. Likewise, Jorion (1991) spoke of the exchange exposure of net monetary assets, but focused rather on the operational side. Al-Shboul and Anwar (2014) examined the currency impact on importer/exporter Canadian firms but found no statistical evidence neither in their linear nor non-linear model. Salifu, Osei and Adjasi (2007) researched exchange rate risk for Ghanaian firms and found that the most of the firms investigated could face a detrimental effect on valuation when the local currency (cedi) loses considerable value against hard currencies. Akay and Cifter (2014) inspected the currency impact on Turkish non-financials using industry-weighted exchange rate indices and found that macroeconomic indicators and firm-specific factors together may explain substantial amounts of the variation in exposure.

Considering the motivation to borrow in hard currencies, the literature has well-grown in the 2000s. This has led to the idea of “currency matching” which refers to the efforts of companies to balance their open FX position in their debt with the FX income from operations, e.g. exporting. Bodnar and Marston (2002) developed a model to examine currency impact dependent on only three variables, the percentage of the firm’s revenues and expenses denominated in foreign currency and its profit rate. They found that foreign exchange exposure may be low because the firms match their proportion of foreign currency revenues and costs. Brown, Ongena and Yesin (2011) investigated small firms in transition economies and their outcome suggested that firm-specific characteristics, like foreign currency revenue, are stronger determinants of foreign currency borrowing, compared to macroeconomic conditions, such as interest rate differentials.

Some researchers have focused on the balance sheet impact of foreign currency which creates a basis for our paper. As stated by Kim (2016), the adverse impact of foreign currency-denominated liabilities on balance sheets has been a major issue in the emerging markets recently. The findings suggested that foreign currency borrowing should not be discouraged in emerging markets itself, rather the firms are advised to reduce currency mismatch through hedging foreign currency liabilities with export revenues and assets denominated in foreign currency.
Moreover, Kim, Tesar and Zhang (2015) found a negative relationship between foreign debt and firm net worth for the firms with foreign-currency denominated debt on their balance sheets during the 1997-98 Korean crisis. However, they added that this relationship was meaningful only during the crisis. In addition, they spotted the adverse impact of foreign debt exposure on firm performance, particularly for small firms dependent on survival.

Bleakley and Cowan (2008) focused on nonfinancial Latin American companies between 1990 and 1999 and investigated currency impact on balance sheet and competitiveness levels, where the latter relates to the potential earnings for exporters from depreciation. Following their test for “currency matching”, they pointed out that the dollar-indebted companies offset the currency depreciation impact on their balance sheet with the higher competitiveness income, thanks to the elasticity of their gain to the exchange rate. They also found that firms with dollar-denominated debt do not invest less than their peso-indebted peers following a depreciation in the local currency. Similarly, Benavente et al. (2003) observed the expansionary impact of the currency devaluation on dollar-indebted firms in Chile, which is somewhat attributable to the domination of firms which benefit from the local currency depreciation on their income statements.

Kesriyeli et al. (2011) contribute to the literature by examining the motivation and outcomes of corporate sector Liability Dollarization (LD) in Turkey using the sector-level data of 26 nonfinancial sectors between 1992 and 2003. They confirmed “currency matching” to an extent, through showing the positive correlation of the LD and exports. Contrary to the above-mentioned works, the outcome of the paper suggested that for sectors with higher LD, real exchange rate (RER) depreciations have an adverse impact on investments and profits. The partial hedge is dominated with the high level of exposure to exchange risk, which leads to an overall negative balance sheet impact. This negative impact is not fully offset by the expansionary competitiveness effect of RER depreciations.

Parallel to the outcomes of Kesriyeli et al. (2011), Carranza et al. (2003) found evidence that the currency devaluation has an adverse effect on the investment decisions of the dollar-indebted firms. They name the causes as currency mismatch and high degree of liability dollarization which creates financial stress following currency depreciation and weakening domestic demand which hits firms’ revenues. Moreover, they did not find a significant ‘competitiveness effect’, where exports and tradability do not seem to have any essential role in the investment behavior.

Likewise, Bonomo et al. (2003) tested the balance sheet effect of the exchange rate on investment, but their results were not statistically significant. The main impact they witnessed was that firms with a higher share of imports as their inputs are likely to invest less in cases of currency depreciation.

This paper contributes to the literature through having a different perspective to assess currency impact, namely on the balance sheet level. We choose to focus on FX-denominated debt to assess the currency impact, which is a crucial story for the Turkish companies, considering their high indebtedness in hard currencies. Throughout this paper, we try to inspect the currency impact on the capital structure, hence impact on the valuation of the Turkish non-financial companies. We use linear regression, constructed with an exogenous variable added to the general Weighted Average Cost of Capital (WACC) model.

3. The model

We deploy a linear model to assess the impact of FX indebtedness of non-financial Turkish companies on their valuation, and we use Weighted Average Cost of Capital (WACC) to include cash flows to debt-holders. We inspected quarterly data between 2008 and 2015 to create a parallel time-line relation to the financial report announcements of the companies.
We observed 552 companies in Borsa Istanbul in 31 quarters, including all listed companies since then till now to overcome survivorship bias. 271 of these companies are listed without interruption throughout our time-line while the rest ceased to be quoted at some time or IPOed in between. Since it is not possible to align these non-continuous stocks with the panel data due to the stock-specific missing data for each, we focus rather on the companies which were listed without interruption.

\[ WACC_t = w_{eq}CoE_t + w_{de}CoD_t + \Omega \]  

(1)

\( \Omega \) denotes the variation in currency risk of the company related to debt structure. Premium or discount relating to in country-, industry- or firm-specific context.

We developed a scale-based model to calculate cost of debt for each company, which is somewhat similar to credit rating agencies. We inspected debt-to-equity and Net Debt/EBITDA ratios and size factors, as we believe those have been important determinants of cost of debt. We divided each variable into five pieces (Size: nano, small, mid, large, giant – Net Debt/EBITDA: risk-free, healthy, covered, risky, very risky – Debt-to-Equity: very conservative, conservative, moderate, aggressive, very aggressive) and attached a premium depending on our perception of importance. For instance, a company with a TL55mn market cap, 2.8x Net Debt/EBITDA and 53% Debt-to-Equity would have 1.1%, 0.3% and 0.7% premiums to calculate cost of debt, respectively, which sums up as 2.1% plus risk-free rate.

\[ CoD_t = R_f + SR_t + \beta_{size_t} + \beta_{leverage_t} + \beta_{solvency_t} \]  

(2)

\( R_{f,US} \): U.S. 10-year benchmark yield

\( SR_t \): TRY – USD 10-year swap rate

\( \beta_{size} \): Market cap-based size premium

\( \beta_{leverage} \): Debt-to-total capital premium

\( \beta_{solvency} \): Net debt/EBITDA premium

To base the cost of debt, we use US 10-year benchmark yield which is closely related to FX denominated debt used by companies. Even if some companies might have used some other hard currency-denominated debt, US rates draw an indicative picture for these hard currencies, especially since we’re more interested in calculating TRY depreciation/appreciation.

The problem that arises here is that we implement the same rate for companies using domestic currency-denominated debt only. We tried to solve this issue to an extent through using a currency swap rate. Also, in order to convert hard currency rates to Turkey benchmark rates throughout our observable period, so that we can create a unity in the WACC equation, we needed to use the TRY - USD swap rate. Using the TRY – USD swap rate is justifiable to some extent as TRY vs other currency swaps are not theoretically available, although they are used through cross currency swaps. The reason why we are not keen on using the Turkey 10-year yield is that it is not available in earlier periods, because its
high volatility might be distorting, and because it is not indicative for FX-denominated debt in the short-term.

Calculating cost of equity was rather smoother where we rely on CAPM. We used Turkey 2-year benchmark yield here which is more indicative to calculate required return on equity, according to our perspective. We include 3-year geometric beta for each period calculated separately.

\[
CoE_t = R_{f_{TR}} + \beta_{t,i}(ERP_{t_{TR}})
\]

(3)

\(R_{f_{TR}}\): Turkey 2-year benchmark yield

\(\beta_{t,i}\): 3-year geometric beta for company \(i\)

\(ERP_{t_{TR}}\): Turkey equity risk premium (Source: Bloomberg)

Ultimately, we utilize market capitalization as equity to wipe off inflationary impact on shareholder’s equity both in \(\beta_{leverage}\) ratio and calculating \(w_e\) and \(w_d\).

4. Results

We try to inspect and make sense of the change in debt to total capital ratio in relation to the FX rate. As an outcome, we witnessed the correlation of the change in capital structure with FX rate change in this research. This correlation was even clearer for FX-indebted companies.

We denote high correlation as the correlation of FX rate with a debt-to-total capital ratio above .50, low correlation between 0.50 and 0.00 and negative correlation below 0.0. The companies for which there is high correlation seem to have a higher FX-indebtedness compared to other classes. We observed 50% FX-indebtedness on average for these companies, which make 33 of the total 271. Please note that here we call FX-indebtedness referring to the ratio of FX liabilities in total debt. 26 of these companies have more than 40% of their total debt denominated in FX on average throughout the observed period. (We regard FX liabilities as financial loans here).

191 companies fall into a low correlation category where the average FX-indebtedness drops to 38%. 91 of these companies, slightly below 50% of total, have 40% FX liabilities/Total debt ratio, where 61 companies have less than 20% FX-indebtedness. In terms of negative correlation, we found 43 companies where the FX-indebtedness falls to 10%, and only 2 companies in this category have above 40% FX-indebtedness. However, we note that, although negative, the correlation is weak amongst these companies (35 companies have below -.20 correlations).

76 of 271 non-continuously trading companies belong to BIST100 Index as of latest data. Note that BIST100 Index has witnessed changes throughout the research period which quarterly considers size and trading volume of the stocks to be included. Our notation points latest hundred stocks as of September-2015 since it is time-consuming and data-distorting to go through the 100 index for each quarter of the time-period we observe.
An interesting outcome of our research is that exporter companies are more likely to fall into the first category. What surprises us here is that, although exports have the chance to offset their FX indebtedness through FX income, they were unable to reflect their export advantage to their capital structure. We find 25% exports-to-total revenue ratio in high-correlated companies. This ratio drops to 19% in low correlation levels, and to 7% in negatively-correlated names. Eight names in first category had more than 40% export-exposure on average throughout our research period, whereas 82 companies in the low-correlation level have less than 10% export-exposure in terms of revenues.

The correlation of FX impact on stock returns delivers solid results as well. The high category has -.50 correlations on average, where 17 companies have stronger negative correlations than .50. The correlation weakens to -.32 at the low correlation category and to -.18 for the negatively correlated companies. The overall negative picture is parallel to our prediction as TRY depreciation has an adverse impact on the valuation of all companies in USD terms. We also inspected the direct correlation of FX movements on WACC of the companies, which doesn’t seem to be distinctive for FX-indebted companies. This is somewhat understandable given we ignore any other changes in capital structure or growth rate, and also find that equity share in total capital tends to be dominant. We do not find this outcome contradicting with the stock returns as the latter rather reflects the perception of the investors in the short- to medium-term.

5. Conclusion

In this paper, we try to assess the impact of FX rate volatility on the valuation of Turkish non-financial companies. The volatility is searched within cost of debt as we are focused on the companies with sizable FX-denominated debt, rather than inspecting FX impact through operations, i.e. exporters and importers. This research is differentiated from the general literature as many works observe FX impact on stocks’ returns based on their export-orientation, but few focus on the net income level and this paper is unique in focusing on the Turkish market, to the best of our knowledge.

The outcomes show that there is a strong correlation of debt-to-equity ratios with FX movements, especially for those companies with sizable FX-denominated debt. We believe this should help to assess the impact of FX movements while calculating WACC. In line with the literature, we find that FX movements are correlated with stock returns of the related companies. Since TRY depreciation has an adverse effect on the valuation of Turkish companies for foreign investors, we witness negative correlation for all of the companies under inspection. This correlation is stronger for companies with higher FX-indebtedness.

A direct correlation of FX rate with WACC fails to be meaningful for companies with high FX-indebtedness which can be attributed to the other variables having impact on WACC. Surprisingly, the strong exposure of exporters to FX movements in terms of debt-to-equity ratio fails to satisfy. Our anticipation has been contrarily counting on an offsetting effect.

Further research is needed to see the possible lagged impact of FX movements which can also be associated with WACC. Moreover, whether the impact of the FX-dominated debt could the offset with export-oriented operations remains in question. Also, the impact of the change and deteriorations in capital structure have not been thoroughly inspected which might have an impact on the correlation, despite being indirectly observed via the change in debt-to-equity ratio. Lastly, the research could be more focused on industry-specific characteristics and implemented for other geographies.
References


Appendix

Table 1. Cost of Debt Scale

<table>
<thead>
<tr>
<th>Net debt/EBITDA</th>
<th>0x ≤1x</th>
<th>0.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;1x ≤5x</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>&lt;5x ≤10x</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td>&lt;10x ≤15x</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>&gt;15x</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Size premium (TLmn)</th>
<th>0&lt;= ≤100</th>
<th>1.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;100 ≤300</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>&lt;300 ≤1000</td>
<td>0.5%</td>
</tr>
<tr>
<td></td>
<td>&lt;1000 ≤3000</td>
<td>0.2%</td>
</tr>
<tr>
<td></td>
<td>&gt;3000</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt to equity</th>
<th>0&lt;= ≤5%</th>
<th>0.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;5% ≤25%</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>&lt;25% ≤60%</td>
<td>0.7%</td>
</tr>
<tr>
<td></td>
<td>&lt;60% ≤100%</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>&gt;100%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
Table 2. Statistical output

<table>
<thead>
<tr>
<th>Stock</th>
<th>Premiums</th>
<th>Net debt/EBITDA</th>
<th>Size</th>
<th>Debt to equity</th>
<th>Cost of Debt</th>
<th>Correlation</th>
<th>Export exposure</th>
<th>XU100</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDIP</td>
<td>1.5%</td>
<td>1.1%</td>
<td>1.5%</td>
<td>16.8%</td>
<td>0.74</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TKFEN</td>
<td>0.3%</td>
<td>0.2%</td>
<td>1.1%</td>
<td>14.3%</td>
<td>0.72</td>
<td>44%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>SAHOL</td>
<td>1.5%</td>
<td>0.0%</td>
<td>1.5%</td>
<td>15.7%</td>
<td>0.72</td>
<td>10%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>FONSY</td>
<td>0.0%</td>
<td>1.1%</td>
<td>0.0%</td>
<td>13.8%</td>
<td>0.72</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKENR</td>
<td>1.5%</td>
<td>0.5%</td>
<td>1.5%</td>
<td>16.2%</td>
<td>0.71</td>
<td>0%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>YKGYO</td>
<td>1.5%</td>
<td>1.1%</td>
<td>1.5%</td>
<td>16.8%</td>
<td>0.49</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARCLK</td>
<td>1.1%</td>
<td>0.0%</td>
<td>1.5%</td>
<td>15.3%</td>
<td>0.49</td>
<td>62%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>CLEBI</td>
<td>0.3%</td>
<td>0.5%</td>
<td>1.5%</td>
<td>15.0%</td>
<td>0.49</td>
<td>12%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>BAKAB</td>
<td>0.7%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>15.6%</td>
<td>0.49</td>
<td>63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPLAS</td>
<td>1.5%</td>
<td>1.1%</td>
<td>0.0%</td>
<td>15.3%</td>
<td>0.49</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KONYA</td>
<td>0.0%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>12.9%</td>
<td>-0.01</td>
<td>5%</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>USAK</td>
<td>1.5%</td>
<td>1.1%</td>
<td>1.5%</td>
<td>16.8%</td>
<td>-0.02</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEMTS</td>
<td>0.3%</td>
<td>0.8%</td>
<td>0.3%</td>
<td>14.1%</td>
<td>-0.02</td>
<td>49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKSGY</td>
<td>1.5%</td>
<td>0.5%</td>
<td>1.5%</td>
<td>16.2%</td>
<td>-0.02</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YYAPI</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.3%</td>
<td>14.5%</td>
<td>-0.02</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Top five stocks in each class.

Hakan Acet, Selçuk University, Turkey
Burcu Güvenek, Selçuk University, Turkey
Mahamane Moutari Abdou Baoua, Selçuk University, Turkey

Abstract
Since the 1940s, economists have investigated whether inflation is harmful to the economy or not, analyzing the relationship between inflation and economic growth. While most of researchers see inflation as a problem for the economy, some suggest that only beyond a certain level, can inflation hurt the economy. What is the relationship between inflation and economic growth in Niger, which has one of the least developed and fastest growing economies in recent times? To answer this question, we should also act as these researchers, by investigating the relationship between inflation and economic growth for Niger. Thus, in this study, using data for the 1971-2014 periods and by time-series analysis, the relationship between inflation and economic growth is examined. During the time series analysis, the ADF unit root test, Johansen co-integration test, and Granger causality test were performed. According to the results of co-integration test, a 1% increase in inflation in the long term, leads to a decrease of 1.91% of GDP, and therefore inflation affects economic growth negatively. This means that there exits in opposite long-run relationship between inflation and economic growth. The causality test results suggest that there is a unilateral causal relationship which is determined by inflation one economic growth. It was deemed appropriate for Niger, which shares the same central bank (BCEAO) with seven (7) UEMOA member countries but must setup its own monetary policy independently of BCEAO and, if necessary its own central bank because Niger is experiencing structural problems which are due to political and economic instability of the larger monetary union.

Key words: Niger, inflation, economic growth, time series analysis.

1. INTRODUCTION
After the Second World War until today, various macroeconomic variables have been the subject of research. Inflation has been one of the most common issues investigated from among these variables. Since the Second World War, inflation has been the cause of financial crisis in many countries. Therefore, these countries have targeted inflation reduction in order to escape from such crisis. Inflation is defined by economists as the quick and permanent increase of the general price level. Inflation is measured by the consumer price index (CPI) which measures the price of a representative basket of goods and services purchased by the average consumer and is calculated based on periodic survey of consumer prices. Another measure of inflation is the GDP deflator which is available on an annual basis. When there is inflation, the currency losess purchasing power. Inflation is frequently described as a state where “too much money is chasing too few goods”. Even if the potato seller in the market or any person in the street may not know the exact meaning of inflation, he assumes that it is a problem for the market and the nation.

Since the 1940s, researchers have investigated how inflation affects the economy. The question of whether or not inflation is harmful to economic growth has recently been the subject of intense debate among policy makers and among macroeconomists. Details and results of these investigations will be given in the Literature Review. While most researchers consider that inflation is harmful to the economy, some have concluded that it is not harmful at a certain level. However, they conclude and concur that the fact that excessive and continuous inflation harms the economic growth of a country. To investigate whether inflation is harmful or not it is necessary to note the relationship of economic growth with the inflation.
The Niger Republic, which obtained its independence in 1960, is endeavoring to stay below the 3% standard inflation level determined by UEMOA. Despite several crises in its economic history, Niger has recently been able to keep its inflation under the standard recommended. Niger has never had a 3-digit inflation rate; and the highest inflation rate experienced was 36%. So if the Niger government generally has been able to keep the inflation below 3% level, what can be the impact of inflation on economic growth? We could not find any study investigating the relationship between growth and inflation for Niger and set out to do one ourselves (AFRISTAT, 2007; Presidency du Niger, 2015).

Thus, the main objective of this study is to investigate the relationship between inflation and economic growth in (the West African country) Niger in the independence era, and to discuss and put forward the results of this relationship. In this context, our work is structured as follows. In the second part of this study, we provide a literature review concerning the relationship between inflation and economic growth. In section 3, the data and methodology are presented followed by the empirical results in section 4. In section 4, in order to investigate the relationship between inflation and economic growth, time series analysis is made with E-views 8.0 program using annual data of the 1960-2014 period. The ADF test and co-integration analysis results are presented in the same section together with the result of the Granger causality test. Results and suggestions are discussed in section 5 as a conclusion.

## 2. LITERATURE REVIEW

Numerous studies have been carried out to provide clear evidence on the relationship between inflation and economic growth. While some economists see inflation as a danger for a country’s economy, some of them think that it has a positive effect on the economic growth of a country. Other studies yet state that the impact of inflation on economic growth could be positive up to a certain threshold level and beyond this level, the effect turns to be negative. In this section, we provide a brief review of these studies and analyze some of the related studies of African countries.

Firstly, let us start with the studies which conclude that there is a negative effect of inflation on economic growth. In its study of 53 countries in the 1961-1981 period, Fischer (1983) concluded that inflation negatively affects economic growth. Fischer (1993) found evidence for a negative relationship between inflation and growth in pooled cross-section time series regressions for a large set of 93 countries. In the same context, De Gregorio (1991) investigated the long-term relationship between growth and inflation by taking data of 12 Latin American countries for the 1951-1985 period. He found a negative long term relationship between inflation and economic growth. Using panel estimation for industrial and developing countries, Burdekin et al. (1994) found significant negative impacts of inflation on economic growth. However, they stated that the magnitude of these effects is much larger for the industrial countries than for the developing countries. Faria and Carneiro (2001) examined the link between inflation and economic growth of Brazil, which is a country facing continuous, permanent high inflation. In this context, they found that there is no effect of inflation on real output in the long-term. However, there is a negative effect of inflation on output. Their results also support Sidrauskis’ Super Neutrality Concept of Money in the long run. However, as shown by Fischer (1979), there is doubt about the short-term effects of the model for the divisible utility functions in the consumption and real money balances. Saaed (2007), who explored the relationship between inflation and economic growth of Kuwait for the period 1985-2005 found a long-run and strong opposite relationship between inflation and growth in Kuwait. In the same context, Yap (1996) investigated the link of inflation and economic growth in the Philippines and concluded that inflation is harmful for economic growth due to the lack of macro-economic policy towards inflation. Berber and Artan (2004) also did the same investigation for Turkey and found that inflation causes economic growth but that increases of inflation by 10% lead to a decrease of growth by 1.9%.

Now let us analyze the studies arguing that there is a positive effect of inflation on economic growth. In this framework, Tobin (1965) concluded that there is positive link between inflation and growth. The Tobin’s model states that during inflationary periods, individuals hold their assets as interest-earning securities. This leads to greater capital intensity and therefore promotes economic growth (Sindano, 2014, p. 18). Malik and Chowdhury (2001) investigated the short and long run dynamics of the relationship between inflation and economic growth for four(4) South Asian countries (Bangladesh, India, Pakistan, and Sri Lanka) using cointegration and error correction models. Their results concluded
that there is a significant positive link between inflation and economic growth, and that the sensitivity of growth to changes in inflation rates is smaller than that of inflation to changes in growth rates. In his thesis related to the relationship between inflation and economic growth of the Chinese economy for the period of 1978-2007, Xiao (2009) employed cointegration and error correction models as well as correlation matrix and the Granger Causality Test in order to investigate the inflation-growth relationship. The results show that in the long run inflation positively affects the economic growth in a bi-direction. Umaru and Zubairu (2012) investigated the impact of inflation on the economic growth of Nigeria for the period of 1970-2010 through Augmented Dickey-Fuller test and Granger causality test of causation between inflation and GDP. The results suggest that a uni-directional causality relationship exists from GDP to inflation and that inflation affects positively the economic growth by encouraging productivity or/and output levels and on evolution of total factor productivity. In the same context, Osuala et al. (2013) also found the same results.

As we said previously, some policy makers or researchers state that the impact of inflation on economic growth could be positive up to a certain threshold level and that beyond this level the effect turns to be negative. In other cases results have been uncertain. In this context, Mubarik (2005) used annual data from the period of 1973-2000 to estimate the threshold level of inflation in Pakistan. His estimation of the threshold model suggests that inflation rate beyond 9% is damaging for the economic growth of Pakistan. Sweidan (2004) also found that the relation between inflation and growth in Jordan is approximately positive and significant below an inflation rate of 2% and there is structural breakpoint effect at inflation rates of 2% in the period studied. According to the result, inflation affects economic growth negatively beyond this threshold level. Lucas (1973) investigated relationships between real output and inflation by using the Ordinary Least Squares (OLS) method and annual data of 18 countries for the period 1951-1967. He found that in the countries where the prices are stable such as USA, there is a positive relationship between inflation and economic growth. However, in countries where the prices are volatile such as Argentina, it is rare to find this kind of positive relationship between inflation and economic growth. In the same framework, Grimes (1991) investigated the relationship between inflation and economic growth in 21 industrialized countries using annual data for the period 1961-1987. The findings suggest that while there is a positive correlation between the two variables in the short term, the relationship is negative in the long term. Christina (1996) investigates the inflation - output relationship for USA. The findings argued that in the 1884-1994 periods, particularly in the beginning of 1930s, an increase of 0.10 per cent in inflation led to an increase of the economic growth by 1%. Nell (2000) examines the effect of inflation on economic growth in South Africa with data for the period 1960-1999 using the Vector Auto Regressive (VAR) technique. He found that inflation may be positive for economic growth in the single-digit zone, while inflation appears to impose costs in terms of slower growth in the double-digit area. Barro (1995) also research the inflation-growth relationship by using a large sample of more than 100 economies in the 1960-1990 period. According to the results of his study, there is a significant negative relationship between inflation and growth if some countries’ characteristics (education, fertility rate etc.) are held constant. More precisely, an increase of the average inflation by 10% points per year decreases the economic growth by 0.3 to 0.4 percentage points per year. Furthermore, if this situation continues over a 30 year period, growth will be reduced by 6 to 9 percent.

As we did not find any case study of Niger about the relationship between these two variables, we looked into the case of countries sharing the same continent with Niger, i.e. African countries. However, there is one study about UEMOA countries. As we stated previously, Niger is a West African country, which is a member of regional economic organizations like UEMOA and CEDEAO. In this framework, Kouame (2010) examined the relationship between inflation and economic growth for West African Economic and Monetary Union (UEMOA), which targets a standard inflation rate of 3%. To do so, he estimated the optimal inflation rate at 8% by using Hansen’s (1999) threshold model. He argued that if the inflation rate in UEMOA countries stays below optimal inflation rate, inflation would not harm the economic growth. Motande and Christian (2015), performed the same investigation for BEAC countries by using the Panel Smooth Transmission Regression (PSTR) model. He found that when the 4.28 percent optimal inflation rate is below the threshold, an increase of 1% of inflation enhances growth by 0.287 point. Over the threshold, a one percent increase in inflation leads to a decrease of 0.257 point in growth. Bittencourt et al. (2014) made the same type of study for 15 Southern African Development
Community (SADC) members’ countries, and their findings show that there is negative effect of inflation on growth. Fabayo and Ajilore (2006) found that there is a significant positive relationship between inflation and growth of Nigeria, while, above a 6% threshold level, inflation begins to hurt economic growth. In the same framework, Salami and Kelikume (2010) used data of the 1970-2008 period to investigate the inflation-growth link in Nigeria. They found that there is an 8% threshold. Seleteng (2004) also concluded that when the inflation in Lesotho is above 10%, it harms economic growth. In Burundi, Ahishakiye (2011) found that there is no cointegration relation between the two variables and there is unidirectional causality from growth to inflation. Kigume (2011) argued that there is no causality between inflation and economic growth in Kenya for the 1963-2000 period. Hodge (2002) and Ogbokor (2004) investigated relationships between inflation and growth for South Africa and Namibia, respectively. All of them found a negative relationship between the two variables.

### 3. Methodology

#### 3.1 Research Questions

In this study, we examine the relationship between inflation and economic growth by using data for the 1971-2014 period using time-series analysis.

#### 3.2 Estimation Techniques

Time series are statistics data observed and recorded in a certain period. These numerical data can be weekly, monthly, 3-monthly, or by year. Time series has deterministic (the presence or absence of fixed, trend and seasonal component within the series) and stochastic (whether the variables are stationary or not) characteristics. Recently time series analysis has been used in economics or other scientific researches. Generally, during time series analysis causality and co-integration relationship, and interaction between the variables are investigated (Sevüktekin & Nargeleşekenler, 2010, pp. 1-11; Köksal, 2003, pp. 443-445).

Before starting our investigation, our variables must be stationary. Non-stationarity has often been seen as a problem. It is not prudent to work with non-stationary series data during empirical analysis because working with them leads to spurious regression results. Several tests are used to test for stationarity. The most popular is Augmented Dickey Fuller Tests (ADF). Thus, we firstly have to test for stationarity of the variables under investigation by applying the ADF. The ADF test is based on rejecting a null hypothesis of unit root in favor of the alternative hypotheses of stationarity. The tests are conducted with and without a deterministic trend (t) for each of the series. The general form of ADF test is estimated by the following regression:

\[
\Delta Y_t = b_0 + b_1 t + \delta Y_{t-1} + \alpha_i \sum_{i=1}^{n_l} \Delta Y_{t-i} + u_t \tag{1}
\]

Where: \( Y \) is a given time series, \( t \) is a linear time trend, \( \Delta \) is the first difference operator, \( b_0 \) is a constant, \( n \) is the optimum number of lags in the dependent variable and \( u \) is the random error term (Dikmen, 2012, pp. 308-310; Gujarati, 1995).

After the stationary test (ADF unit root test), we perform the co-integration test to examine whether there exists a long-run equilibrium relationship between the variables. Johansen (1991) procedure is applied in this study. Engel and Granger (1987) emphasized that a linear combination of two or more than 2 non-stationary variables may be stationary. If such a stationary combination exists, then we can say that the non-stationary time series are cointegrated. The vector auto-regression (VAR) is based on cointegration test by using the methodology developed in the Johansen (1991, 1995) studies. The methodology of Johansen’s takes its starting point in the VAR (p) given by:

\[
Y_t = A_1 Y_{t-1} + A_2 Y_{t-2} + \ldots + A_p Y_{t-p} + u_t \tag{2}
\]

Where, \( Y_t \) is an nx1 vector of variables that are integrated of order commonly denoted (1) and \( u \) is an nx1 vector of innovations. In order to determine the number of cointegrated vectors, two statistic tests were suggested by Johansen (1988, 1989) and Johansen and Juselius (1990); the trace test statistic calculated by:

\[
\text{TRACE STATISTIC} = -N \sum_{r=1}^{p} \ln(1 - \rho_r) \tag{3}
\]
Where, \( i = (r+1), (r+2), \ldots, n \) and \( r = 0, 1, 2 \), and the maximum eigenvalue test determined with the following formula:

\[
\tau_{\text{max}} = -N \ln(1 - \rho_{r+1}) \quad (4)
\]

After co-integration test, we performed the Granger causality test between the variables. The Granger test is used to answer the following questions. Is it GDP that “causes” Consumer Price Index - CPI (GDP→Inflation)? Or is it the Inflation - CPI that causes GDP (Inflation→GDP)? The Granger causality test assumes that the information relevant to the prediction of the respective variables, GDP and Inflation, is contained solely in the time series data on these variables. The test involves estimating the following pair of regressions:

\[
Y_t = a_0 + \sum_{i=1}^{m} a_i Y_{t-i} + \sum_{j=1}^{m} b_j X_{t-j} + u_{1t} \quad (5)
\]

\[
X_t = b_0 + \sum_{j=1}^{m} b_j X_{t-j} + \sum_{i=1}^{m} a_i Y_{t-i} + u_{2t} \quad (6)
\]

Here it is assumed that the disturbances \( u_{1t} \) and \( u_{2t} \) are uncorrelated and \( Y_t \) is Gross Domestic product, \( X_t \) is the Gross fixed capital formation. We have to note that since we have two variables we are dealing with bilateral causality. According to Johansen and Juselius (1988), the existence of co-integration implies the existence of the causality relation between Capital formation and GDP under the constraint /δ1/ + /δ2/ > 0 (Gujarati, 1995, pp. 653-654).

### 3.3 Data

The original data used in this study for the period 1971-2014, are the series of annual real GDP (Gross Domestic Product) and the 2008 = 100 based annual CPI (Consumer Price Index). While real GDP represents the economic growth, CPI represents inflation. All this data was obtained from the data distribution system of the Central Bank of West African States (BCEAO) in West African CFA franc currency. In order to solve the volatility problem, the real GDP calculated in constant prices of 2008 and (2008=100 based) CPI variables have been transformed to logarithms; then they became LGDP and LCPI.

### 4. RESULTS AND DISCUSSION

#### 4.1. ADF Unit root test

In the first instance, we applied the Augmented Dickey Fuller -ADF- Test (Dickey, Fuller, 1979) to check for the stationarity of the variables under investigation. To do so, we needed to determine the appropriate lags length by using Akaike criterion. The ADF test results in levels (intercept; trend and intercept) are given in Table 1.

According to Table-1, all variables are non-stationary in level at 1%, 5% and 10% levels of significance.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Appropriate Lags (AIC)</th>
<th>Variable state</th>
<th>t-ADF Statistic</th>
<th>McKinnon Critical</th>
<th>conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Intercept</td>
<td>1.53</td>
<td>-3.60</td>
<td>-2.935</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trend and Intercept</td>
<td>0.040</td>
<td>-4.20</td>
<td>-3.52</td>
</tr>
<tr>
<td>LGDP</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intercept</td>
<td>-2.53</td>
<td>-3.60</td>
<td>-2.93</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trend and Intercept</td>
<td>-4.34</td>
<td>-4.21</td>
<td>-3.53</td>
</tr>
<tr>
<td>LCPI</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intercept</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We recomputed the test by differencing all variables and the results of ADF test after first differencing are in Table-2.
Table-2: Augmented Dickey Fuller (ADF) Test Results after first Differencing

<table>
<thead>
<tr>
<th>Variables</th>
<th>Appropriate Lags (AIC)</th>
<th>Variable state</th>
<th>t-ADF Statistic</th>
<th>McKinnon Critical %1</th>
<th>McKinnon Critical %5</th>
<th>McKinnon Critical %10</th>
<th>conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(LGDP)</td>
<td>0</td>
<td>Intercept</td>
<td>-6.05</td>
<td>-3.60</td>
<td>-2.93</td>
<td>-2.60</td>
<td>Stationary *</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Trend and Intercept</td>
<td>-6.18</td>
<td>-4.20</td>
<td>-3.52</td>
<td>-3.19</td>
<td></td>
</tr>
<tr>
<td>D(LCPI)</td>
<td>0</td>
<td>Intercept</td>
<td>-4.11</td>
<td>-3.60</td>
<td>-2.93</td>
<td>-2.60</td>
<td>Stationary *</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>Trend and Intercept</td>
<td>-4.49</td>
<td>-4.19</td>
<td>-3.52</td>
<td>-3.19</td>
<td></td>
</tr>
</tbody>
</table>

*Stationary at 1%, 5% and 10% level of significance

According to Table-2, all variables are stationary in levels at 1%, 5% and 10% level of significance.

4.2. Co-integration results

To investigate long run and short run relationship between the variables, we applied the co-integration test. In this context, the Johansen co-integration test result is given in Table-3. Here the essence-hypothesis (H0) is, “There is no co-integration”.

Table-3: Johansen co-integration test results

Unrestricted Cointegration Rank Test (Trace)

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Trace Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>0.302220</td>
<td>15.17072</td>
<td>15.49471</td>
<td>0.0559</td>
</tr>
<tr>
<td>At most 1</td>
<td>0.001355</td>
<td>0.056966</td>
<td>3.841466</td>
<td>0.8113</td>
</tr>
</tbody>
</table>

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Max-Eigen Eigenvalue</th>
<th>Max-Eigen Statistic</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.302220</td>
<td>15.11376</td>
<td>14.26460</td>
<td>0.0366</td>
</tr>
<tr>
<td>At most 1</td>
<td>0.001355</td>
<td>0.056966</td>
<td>3.841466</td>
<td>0.8113</td>
</tr>
</tbody>
</table>

Trace test indicates no co-integration at the 5% level

Max-eigenvalue test indicates 1 co-integrating eqn(s) at the 5% level

* denotes rejection of the hypothesis at the 5% level

**MacKinnon-Haug-Michelis (1999) p-values

According to Trace and Maximum Eigenvalue statistics given in Table-3, there is one co-integration vector in the long. Let us create and estimate the equation of co-integration vector that we found in the table above. The said equation is given in Table-4.
According to the co-integration equation given in Table-4, at the significance level of 1%, the inflation coefficient is statistically significant and inflation has a negative impact on economic growth in the long term. In this case, an increase of inflation by 1%, leads to a decrease of GDP by 1.91%. According to this, we can state that inflation affects economic growth in a negative way. On the other hand, the coefficient of error correction variable \( \partial z_{t-1} \) (indicating that imbalance between variables in the short-term disappear in the long term) is statistically significant at the 1% level.

4.3. Granger causality test results

After co-integration analyze we applied the Granger causality test to check the causality relationship between inflation and growth. The Granger causality test results are given in Table-5.

According to Table-5, there is unidirectional causality relationship from inflation to GDP at the 5% level of significance.

5. CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study has been to investigate the relationship between inflation and economic growth in Niger from 1971 to 2014. The methodology employed in this study is the Johansen co-integration and Granger causality test after the ADF unit-root test. To examine this relationship, the consumer price index (CPI) was used as a proxy for inflation and the GDP as a perfect proxy for economic growth. In Niger, generally there is walking inflation (i.e. moderate rising inflation 3-10%). The highest inflation that Niger recorded was about 36% due to the devaluation of CFA Franc in 1994. We did not find any case study of Niger about the relationship between inflation and growth. However, several studies were performed to discover whether or not inflation harmed economic growth. Most of empirical studies argued that high inflation is harmful for an economy. On the other hand there is some work concluding that inflation accelerates growth. Others studies could not arrive at any definite conclusion relative to the effects of inflation on the economy.

Firstly, a stationarity test was carried out using the Augmented Dickey-Fuller test (ADF). The null hypothesis being that there is presence of a unit root was accepted at levels but rejected at first difference implying that the variables were found stationary at 1% and 5% levels of significance. We used the Johansen-Juselius co-integration technique in assessing the co-integrating properties of variables, especially in a multivariate context. The co-integration test result showed that one co-integration vector could be used for the 1971-2014 periods. According to the results obtained, a 1% increase in inflation in the long term, leads to a decrease of 1.91% in GDP growth. Therefore, there is a negative relationship between inflation and economic growth in Niger’s long-term trends. In order to check the relationship between the two variables, the causality test was performed by employing the VAR-Granger causality test. According to the result of this causality test, a unidirectional causality from inflation to economic growth exists. This study suggested that Niger must design and implement its own monetary policy independently from BCEAO, and if necessary set up its own central bank.
REFERENCES


Language Learning from the Aspects of Self-Transformation and Possible Self-Discovery

Yuko Tomoto, Yokohama College of Commerce, Japan

Abstract

The purpose of this research is to help Japanese students make better use of their language learning experiences with respect to chances to discover more about themselves and rebuild their identities. It is said that people obtain new ways to see and feel the world by acquiring a new language. The same things may start to seem or sound different after they unconsciously obtain new points of view through the new language and its background cultural values.

It is also often said that people change the way they talk or think depending on the language they use. The author has seen many of her Japanese students change their ways of expressing themselves in English. They have tendencies to become more outgoing, open, and confident about themselves when they talk in English compared to when they talk in Japanese. It seems as if they have ideal L2self images and enjoy using English as a tool to become their new selves, and this phenomenon is more evident with female students. Through conversations in English, it seems that they are not only conveying a message but also attempting to describe who they are, what they want to be like, and are continually building up and updating their identities.

The author conducted in-depth interview surveys with 35 bilingual speakers of Japanese and English. Questionnaires were also sent to 300 bilingual speakers and data was collected from 241 subjects. The results show that the bilingual speakers are highly influenced by the language they use and its background cultural values. At the same time, they are also affected by the interlocutors they are talking to. Many female subjects refer to their mental liberation from Japanese cultural and social expectations concerning women as well. They feel more relaxed and truer to themselves when they talk in English even though it is not their native language.

It has been claimed that the possible self-discovery and the image of ideal self-identity could be a strong motivation for language learners. The author hopes to use this idea for her class and help students enjoy learning and finding better themselves through language education.
Development of Code-Switching: A Case Study on a Turkish/English/Arabic Multilingual Child

Mehmet Tunaz, Erciyes University, Turkey

Abstract

The purpose of this research was to investigate the early code switching patterns of a simultaneous multilingual subject (Aris) in accordance with Muysken’s (2000) code switching typology: insertion and alternation. Firstly, the records of naturalistic spontaneous conversations were obtained from the parents via e-mail, phone calls and researcher’s interval observation sessions. After a detailed revision of the records, code switching samples were categorized into two groups: insertion and alternation. Then, the code switching samples performed by the subject were ordered chronologically. It was found that the insertion type of code switching occurs at the earlier stages of multilingual development whereas the alternation type of code switching comes out later. This case indicated that the form of code switching gets more complex and intentional as linguistic competence and awareness enhance. The results as consistent with the explanations of MacSwan (2000) and Koike (1987) who emphasized that code switching develops in parallel with linguistic ability, and it should not be assumed as a deficit in the early simultaneous multilingual development. The study is a considerable case analysis in terms of including Turkish, English, and Arabic in a multilingual context.

Keywords: code switching, insertion, alternation, multilingual, Turkish, English, Arabic
Introduction

English, which is accepted as “the international” language, has gained importance steadily over the last few decades, driven by the changes in the political, technological and economical fields. Sports, science, the internet, news or education etc.; countless reasons have brought people together to communicate, and there is now no doubt that English has won the followers to serve this function as the international language. As this is the case globally, educational reforms have been renovated accordingly to include more extended and detailed language involvement into school programs. Moreover, some bilingual parents have started to speak two or more languages intentionally following the birth to grow their children up to be bilingual by adopting various approaches such as one-person-one-language, the home immersion strategy or what is called the “mixed strategy” (Weatherford, 2002).

Growing children up bilingual has been a salient trend for bilingual parents since knowing more than one language has many advantages over being monolingual. Whereas growing up bilingual may occur naturally in some multicultural environments or migration circumstances, some bilingual parents try to grow children up bilingual purposefully. Cognitive and linguistic developments of such children have been investigated via many researches, but there is still a huge gap in the literature as to various aspects of bilingual development, one of which is certainly code-switching.

Code-switching, as defined by Poplack (1980), is the alternation between two languages within a single discourse or constituent. Although code-switching has been investigated in language classes or bicultural contexts very commonly, only some case studies, which are usually small-scale regional studies such as English/Italian or English/Japanese bilinguals, have focused on code-switching. Even in such studies, there have been different assumptions regarding the leading causes of blending two or more languages in the process of cognitive and linguistic development.

Purpose of the Study

The leading question behind this research is whether proficiency level in two or more languages affects code-switching, as claimed by Macswan (2000) who stated that code-switching is a prestigious indicator of language talent. Hence, the purpose of this study is to investigate the code-switching patterns of a Turkish/English/Arabic multilingual subject, Aris, depending on reports provided by the parents. More specifically, the motive behind conducting this research is to explain how code-switching is associated with language proficiency in bilingual development. In this sense, the main tendency of the subject to different switching patterns is explained according to Muysken’s (2000) code-switching typology.

Review of Literature

Code-switching is described as “the ability to alternate between languages in an unchanged setting” by Bullock and Toribio (2009, p.2). As noted in Hoffman (1991), there is a distinction between code switching and code mixing, which is based on the assumption that code mixing occurs as intra-sentential whereas code switching is performed as inter-sentential. Also, in some studies code switching has been used to cover both cases, and the term “code-mixing” has been ignored since it has a negative association (Taura, 1996). Nevertheless, Poplack’s (2001) description of code switching as “mixing, by bilinguals, two or more languages in discourse without changing topic or interlocutor” (p. 1) is more comprehensive than the earlier descriptions.

Code Switching Patterns

According to Muysken’s (2000) bilingual speech typology, there are three kinds of code switching, which are insertion, alternation, and congruent lexicalization respectively. Insertion includes incorporation of lexical items of whole units from one language into a structure of another language (Moyer, 2002). This type of switching might rank from a single switch from a noun to an entire noun phrases or full determiner phrases. Both borrowing and nonce-borrowing proposed by Poplack (2001) are included in the insertion type of switching, and as Muysken (2000) stated, there is no need for
Poplack’s distinction between borrowing and nonce-borrowing since both of the terms can be considered as examples of insertion (Moyer, 2002). Insertion can be exemplified as:

“Yo anduve in a state of shock por dos dias.”
“Yo anduve in a state of shock por dos dias.” (Muysken, 2000)

A second typology of code switching suggested by Muysken (2000) is “alternation” which refers to the switching between structures from separate languages. The structures would be a clause, a discourse marker or tag form. In alternation, the elements of separate languages keep their own grammatical structures autonomous and independent; that is, two different structures are used according to their own language rules although one might be more dominant than the other. As explained by Moyer (2002), alternation corresponds with the term “inter-sentential code switching” which refers to the case where a bilingual speaker say one sentence in a language and another sentence in other language to the same interlocutor. Bakaeva (2009) cited an example of alternation as:

“Oni ne zamechayut, I don’t know if I will feel the same.”
“They do not notice that, I don’t know if I will feel the same.” (Muysken, 2000)

The third typology of code switching according to Muysken (2000) is “congruent lexicalization”. In this type of switching, lexical items from different languages are combined within a shared grammatical structure. Indeed, congruent lexicalization is observed only if the languages share similar grammatical and lexical structures, which gives the impression that congruent lexicalization requires languages from the same language families like English/ Dutch or Spanish/ Italian. In this research, the multilingual subject has acquired Turkish, English, and Arabic, all of which are from different language families; therefore, congruent lexicalization was not taken into consideration.

Attitude towards Code Switching

Code switching has drawn the attention of researchers since 1950s, and attitudes toward it have evolved dramatically. The early perception of code switching was rather negative, and it was believed to occur due to the insufficient proficiency in either language (Martin-Jones & Romaine, 1986). However, the perception of code switching has evolved with more recent studies. For instance, MacSwan (2000) noted that code switching might be perceived as a prestigious indicator of linguistic ability in many cultures. Moreover, some studies have regarded code switching as a strategy for establishing a social relationship. Koike (1987), for instance, mentioned that code switching is a personal communication device to enrich discourse. To sum up, the general attitude toward code switching has changed in accordance with new research which showed that, contrary to previous claims, code switching is a communication strategy used by bilinguals to increase the quality of discourse.

Methodology

The main purpose of this research has been to investigate early code switching samples of a simultaneous multilingual subject by associating the findings with Muysken’s (2000) code switching typology. Accordingly, the core question of this research is whether code switching patterns performed by bilingual children change as they grow and acquire two or more languages simultaneously. Since the research is framed on one multilingual child in a restricted time period, the study is designed as a case study.

Description of the Subject and the Parents

The subject in this research was born in 2010 in Turkey, and has been exposed to three different languages since birth. The subject’s father has a high proficiency in English since he lived and had a PhD diploma in Canada on preschool linguistic development. The father and mother are also Arabic/Turkish bilinguals. They planned that the mother would speak only Arabic whereas the father would communicate only in English with the subject, which is actually similar to the one-person-one-language approach. The subject has been exposed to Turkish from his caretaker and other relatives when the parents are at work.
At home, the subject speaks both English and Arabic with his parents, but he has more opportunity to speak Turkish outside of the house. To increase the quantity of contact in all three languages, the parents have maintained various activities in and out of the house. As the father stated, “We have been doing our best to provide as many facilities as we can to make him keep the three languages balanced.” Recently, the subject has indeed acquired three languages simultaneously and has a positive attitude towards switching languages depending on the context and interlocutor.

Data Collection

The research is mainly based on the data recorded by the parents. The father purposefully recorded the naturalistic spontaneous conversations to investigate his son’s linguistic development since he is an expert on preschool linguistic development. The first words in different languages, dialogues in various contexts, private tape recordings, daily and weekly diaries have been kept regularly in order to trace the linguistic development of the child. The father has also noted specific dialogues which involved examples of code switching, language attitude and language awareness.

Parent observers are sometimes criticized for over-interpreting their children’s utterances (Deuchar & Quay, 2001). However, parent observers would be the ones who can interpret the early utterance of their child much better than an outer observer might do. For this reason, their deeper insight into the child’s true linguistic development should be appreciated (Weatherford, 2002). Naturally, a child is more accessible for the parents than an investigator who has restricted opportunities to visit and observe the subject in natural contexts. Furthermore, parent observers eliminate the issue of observer’s paradox (the case in which the observed subject does not behave naturally due to the presence of the observer), for the parents already share the natural context with their own children.

Findings

All the data in this research was obtained from the father via e-mail and phone calls. The dialogues and code switching patterns included the samples which were recorded from the time period when the subject was one year and ten months (1; 10) old to two years and nine months (2; 9) old. Thus, the dialogues used in this research were recorded over an 11 month period from when the subject started to utter his first basic sentences. The recordings were scanned and two sets of data were listed according to Muysken’s (2000) code switching typology: insertion (intra-sentential) and alternation (inter-sentential).

Samples of Insertion (intra-sentential) Code Switching

The results obtained through scanning the written dialogues indicated that switching samples at early telegraphic stage merely consisted of insertion. For instance, the first switching was performed when the subject was one year and ten months (1; 10) old, and it was like:

(1) When he names the objects:
   Father: Aris, what is this?
   Subject: This is Mayy. (Mayy (Ar): water)

   (Aris, 09.12.2011) (1;10)

The shifts at this age were not specific to any language and occurred in all three languages. For instance, when the subject wanted to show and name something, he used the pattern “X over there”, and X could be a subject in all three languages (Arabic, Turkish, and English). Similarly, when he asked for something from his mother, he used the pattern “Şiyli X” (Şiyli: ‘give’ in Arabic), and again, X can be an object in all languages that he speaks. Some of insertions recorded with the exact occurrence dates are given below to provide more examples.

(2) When he wants to repeat something
   Subject: Baba, again çorba. (baba (Tr): father, çorba (Tr): soup)

   (Aris, 17.12.2011) (1;10)

(3) When he points at something
   Subject: Honi ball. Burada ball. (Honi (Ar): Here; burada (Tr): here)

   (Aris, 25.01.2012) (1;11)
Samples of Alteration (inter-sentential) Code Switching

There were not a huge number of alterations performed by the subject in this 11 months because the observation period mostly coincided with the early telegraphic speech. However, there were still examples which are worth mentioning. Considering that this research included the data from 11 months, the subject could perform alternation only after 8 months. Namely, the first alternation occurred when the subject was two years and six months (2;6) old. The first alternation took place in a conversation with his mother.

(5)  When he was showing a toy cow to his mother
Subject: Şuuf heyi annem, it is a cow. (şuuf heyi (Ar): look at this, annem (Tr): my mummy)
(Aris, 18.08.2012) (2;6)

In this type of code switching, the subject used two languages by keeping their own grammatical structures autonomous independent. In the example (5), both Arabic and English sentences were used according to their own grammatical and syntactic rules without mixing any items. Another example of alternation was performed along with insertion when the subject was showing a toy cow to his father. It was one of a few rare examples when the subject used insertion and alternation in the same context.

(6)  When he imitates animal sounds
Subject: Dady, look! Cow moo moo yapıyordu. (yap-iyor (Tr): make- pre.cont.)
(Aris, 25.08.2012) (2;6)

In the example (6), the sentence started in English (Daddy, look), and went on with English words which were uttered in Turkish syntax and finished with a Turkish verb. He preferred “Cow moo moo yapıyordu” instead of “cow is making moo moo”.

Another alternation occurred when the subject wanted to state his hunger and asked for something to eat. This time, the first sentence was in Arabic, and then, shifted into Turkish.

(7)  When he is hungry
Subject: Bedduy yekol nemmuş, acıktım. (Bedduy (Ar): I want, yekol (Ar): eat, Nemmuş (Ar): a kind of Arabic food, acıktım (Tr): I got hungry”
(Aris, 14.11.2012) (2;9)

Discussion and Conclusion

In this research, the findings were categorized according to Muysken’s (2000) code switching typology. The categorization clearly indicated that the subject changed code switching patterns as he gets older and has a higher linguistic awareness. When he was at the telegraphic sentence stage, he could only perform insertion by mixing intra-sentential components. However, through the end of the observation period, the subject started to perform alternation by shifting language at inter-sentential level. Namely, the subject changed the code switching pattern as he developed greater linguistic competence, which implies the that code switching is an indicator of linguistic ability. In this vein, it seems reasonable to assume that code switching is associated with the level of linguistic competence in bilingual cases.

On the one hand, the results of this research contradict the early description of code switching proposed by Martin-Jones & Romaine (1986), which was rather negative and believed to occur due to the lack of proficiency in either language.

On the other hand, the findings of the research are consistent with the description of code switching proposed by Macswan (2000). According to Macswan (2000), code switching is a certain indicator of linguistic ability and can be used as a strategy for establishing social relationships. Similarly, Koike (1987) cited code switching as a personal communication device to enrich discourse. In the light of the results obtained from the present research, it can be suggested that code switching indeed develops in parallel with linguistic ability, and it should not be assumed as a deficit in the early simultaneous multilingual development.
Limitations of the Research

In this research, code switching patterns of a multilingual child were analyzed and categorized according to Muysken’s (2000) code switching typology. Due to the time constraint, the research focused on only code switching development. This might not reveal all the facts of a subject’s linguistic development. Another factor which is worth mentioning is that the data used in this research was recorded and saved by the parents, and that their impressions were supportive but when at variance with the larger picture had no effects on the results.
References


Perceptions of ‘Feedback’ as Formative Assessment in Higher Education; Views of Student-Teachers from Pakistan

Rashida Qureshi, SZABIST, Pakistan
Mahrukh Zahoor, Cardiac Surgery Centre of Pakistan Institute of Medical Sciences, Pakistan
Mahwish Zahoor, Cardiac Surgery Centre of Pakistan Institute of Medical Sciences, Pakistan

Abstract

The present paper is an extension of our previous work on assessment and learning which is under review for publication. In our earlier work¹, we compared students’ results on written assignments and quizzes using formative and summative assessment techniques. The empirical evidence favored the summative assessment in relation to student learning; students’ scores were higher for formally assessed class-work implying that students generally put more effort into learning for tasks that were marked for academic grades. The evidence in favor of formative assessment, however, was inconclusive. Therefore, for the present paper we purposefully selected a sample of high scorers, i.e., with median score = 22 and above as per summative assessment, from our earlier research study. This yielded a student number of 32. The purpose was to explore their views, through a series of focus group discussions, on ‘feedback’ which was used by us as a key instrument of formative assessment. A semi structured questionnaire was used for this purpose and a thematic coding method was used for analyzing the data. The emerging themes included ‘invisibility’ of efforts, intensive engagement with academic reading, and longer harvesting time for the ‘benefits’ of formative feedback. These views of the current student-teachers have implications for the future processes of teaching and learning at the institutions of higher learning as they will be shaping the academic experiences of our future generation of academicians.


Aleksandra Djordjevic, University of Belgrade, Serbia

Abstract

Economies in transition began to liberalize their banking market from the 1990s, allowing the entrance of foreign banks. This trend may have significant implications for the structure of the banking market regarding the decrease in the number of banks and the increase in their market participation, in other words - the increase in the concentration of the banking sector which has aroused numerous questions connected with implications of this phenomenon in the entire market economy. Considering that the majority of the economies in transition face the current account deficit problem, there is a notable question which has been neglected so far. That is the impact of the structure of the banking sector on the export of the country through the financing of the export activities. That being said, relying on the results of the Lin and Huang’s survey that: “more concentrated banking system has an expanding effect on the relative export shares of sectors with higher external funding needs” (Lin, Huang, 2014, p. 1390) the aim of this paper is to show the possible effects of the structure of banking sector on export through practical analysis of the level of concentration of the Serbian banking sector, using numerous relevant indicators. Apart from the obvious great importance of this research when analyzing the Serbian market, this paper can be the basis for conducting this type of research on the data of other countries.

Introduction

The role of banks in financial markets is multifunctional. They mobilize available financial funds, whereas, on the other hand, through allocation and investment, place those funds in order to maximize the profit. Influencing the capital allocation banking industry produces considerable effects on the entire economy. That was confirmed by the economic and financial crisis from 2008 whose consequences are still present.

The banking sector all over the world is exposed to changes. The main drivers of these changes are technology innovations, process of liberalization and privatization, together with issues caused by financial crisis such as decreasing demand and narrowing of the credit market. As a result of these trends, few characteristics of the banking industry in the 21st century are obvious (Kozomara, Stojadinovic Jovanovic, 2011, pp. 127-132; Hawkins, Mihaljek, 2001).

By analyzing the value of total assets of banks in the European Union (EU) it is obvious to notice its increase until 2008, whereas after 2008 there has been a change in the trend, i.e. the decrease in the value of total assets of banks. Modest recovery was noticed in 2014 when the value of total assets increased by 5% in comparison to the value registered the year before (European Central Bank, 2008, Table 2, p. 37; European Central Bank, 2015, Table 4, p. 60).

Analysis of the EU banking sector indicates the decreasing trend in the number of the credit institutions. Between 2003 and 2014 the number decreased by 19%, decreasing from 9054 in 2003 to 7331 in 2014, driven by a consolidation of the banking sector (European Central Bank, 2008, Table 1, p. 36; European Central Bank, 2015, Table 3, p. 59).

Trans-nationalisation, the transfer of banking activities abroad, is another trend that appeared in the late 1970s in developed countries. This trend was later intensified in the early 1990s in the countries of South East Europe (Kozomara, Stojadinovic Jovanovic, 2011, p. 135). As a result of these activities, the share of foreign capital in the banking sector of the host countries has increased.

As a result of the mentioned trends, especially consolidation and trans-nationalization, there has been a rise in the level of concentration of the banking markets. Market concentration is a function of the
number of companies in the market and their market participation. The higher level of concentration implies a smaller number of companies with higher market share and the converse in the case of lower levels of concentration (Djuricin, Loncar, 2012, p. 200). By analyzing the EU market, it can be noticed that the level of concentration rose from 2005 until 2014, with record values in 2014 (European Central Bank, 2015, Chart 2.9, p. 26).

This trend of the rise in the level of concentration has raised the question of the implications of this phenomenon on other segments of the economy. This trend has lately been common for transition economies and developing countries. These countries are also facing current account deficit problems due to a lack of export. Having in mind these two facts, one of the questions that is important to ask is whether and how the level of concentration of a banking sector influences the export of the country.

1. The influence of the banking sector on export

Influenced by globalization, liberalization, and transition, banking sectors all over the world are exposed to changes. Therefore, numerous questions about potential impacts of those changes arise. As mentioned, the rise of the level of concentration of the banking sector can produce various influences on the economy. The most obvious and the most tested among those influences is the effect of concentration on competition.

Proponents of the concentration of the banking sector consider that capital consolidation of the banks is caused by the tendency to achieve economies of scale, which makes the concentration contribute to improvements in efficiency. On the other hand, there are proofs that connect concentration of the banking market with a decrease in the credit supply, an increase in prices of financial services, an increase in active and decrease in passive interest rates, that all together lead to higher bank profits. Based on that, opponents of increased concentration consider it undesired due to the fact that it may cause decreases in social and economic well-being (Sharma, Bal, 2010, pp. 98-99; Tushaj, 2010, pp. 4-6).

In the extensive literature dealing with the impact of the concentration on competition, the SCP (Structure-Conduct-Performance) paradigm prevails. According to this paradigm, there is an inverse relationship between these phenomena, which means that in the highly concentrated market the degree of competition will be lower while the banks are going to earn higher profits (Macit, 2012, p. 21).

The effect of concentration on competition of the banking sector produces a number of other significant influences. The structure of the banking market might have an influence on the efficiency of the production of services, the quality of the services and products, the level of innovations, the access of firms to external sources of financing, etc. Even though former literature did not pay enough attention to this issue, through the previously mentioned effects the banking market structure may have an impact on export, regarding financing of export activities. Having noticed this deficiency in the former research, P.C. Lin and H.C. Huang published a paper in 2014 which presented research about influences of the banking market structure on exports. Lin and Huang used bank concentration as a proxy for banking market structure so as their study is about analyzing the influence of the level of concentration on export, especially on the access of export-oriented firms to external financing (Lin, Huang, 2014).

"On the positive side, less competitive systems may lead to easier access to external financing because banks are more inclined to invest in information acquisition and relationships with borrowers when banks have more market power. By contrast, hold-up problems may lead borrowers to be less willing to enter into such relationship, thereby lowering the effective demand for external financing. In addition, a less competitive banking system can make financial services costlier or of lower quality, thereby reducing the effective demand for external financing and hence discouraging real activities, such as production and export" (Lin, Huang, 2014, p. 1389). Considering these opposite opinions about the impacts of the level of concentration of the banking sector on exports, Lin and Huang conducted research on a sample of 63 countries and 27 industries. The results show that a “more concentrated banking system has an expanding effect on the relative export shares of sectors with higher external funding needs” (Lin, Huang, 2014, p. 1390). This means that a less competitive or more concentrated banking sector appeals the export of the industries which rely on external financial sources. This supports the mentioned viewpoint that “banks with more market power have a greater incentive to
establish lending relationships with their client firms and hence can facilitate their access to credit lines for export expansion” (Lin, Huang, 2014, p. 1400). After these results, Lin and Huang questioned whether the influence of the banking market structure, i.e. concentration on export, will be different in developed countries and developing countries. In order to get the answer they separated the sample into developed and developing countries and conducted the regression analysis again. The results showed that there are differences. Actually, the influence of the concentration of the banking sector on export is trivial and statistically insignificant in the developed countries, whereas a more concentrated banking sector has the positive effects on exports of those industries that rely more on the external financing in developing countries. To explain this phenomenon, Lin and Huang stated that “this result may also be due to the reason that, in developing countries, it is easier for the government to rule over the more concentrated banking system to subsidize exporters and thus make those industries depending more on external finance export more” (Lin, Huang, 2014, p. 1406).

Considering the results of this research as well as the fact that the great number of developing countries and transition economies have the current account deficit problem, with ongoing consolidation of their banking sectors, it is undoubtedly very important to undertake a research about the degree of concentration of their banking sector in order to detect the possibility of positive impacts of the banking market structure on export.

As other countries in South East Europe, Serbia has current account deficit caused by the lack of export, as can be seen in Table 1.

Table 1. Current account transactions in balance of payment of Serbia

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5329</td>
<td>9612</td>
<td>-4283</td>
<td>-1778</td>
<td>-8.4</td>
</tr>
<tr>
<td>2006</td>
<td>6948</td>
<td>11970</td>
<td>-5022</td>
<td>-2356</td>
<td>-9.6</td>
</tr>
<tr>
<td>2007</td>
<td>8110</td>
<td>15468</td>
<td>-7358</td>
<td>-5474</td>
<td>-18.6</td>
</tr>
<tr>
<td>2008</td>
<td>9583</td>
<td>18267</td>
<td>-8684</td>
<td>-7125</td>
<td>-21.1</td>
</tr>
<tr>
<td>2009</td>
<td>8043</td>
<td>13099</td>
<td>-5056</td>
<td>-2032</td>
<td>-6.6</td>
</tr>
<tr>
<td>2010</td>
<td>9515</td>
<td>14244</td>
<td>-4729</td>
<td>-2037</td>
<td>-6.8</td>
</tr>
<tr>
<td>2011</td>
<td>11145</td>
<td>16487</td>
<td>-5342</td>
<td>-3656</td>
<td>-10.9</td>
</tr>
<tr>
<td>2012</td>
<td>11469</td>
<td>16992</td>
<td>-5523</td>
<td>-3671</td>
<td>-11.6</td>
</tr>
<tr>
<td>2013</td>
<td>13937</td>
<td>17782</td>
<td>-3845</td>
<td>-2098</td>
<td>-6.1</td>
</tr>
<tr>
<td>2014</td>
<td>14451</td>
<td>18096</td>
<td>-3645</td>
<td>-1985</td>
<td>-6.0</td>
</tr>
<tr>
<td>2015</td>
<td>15618</td>
<td>18899</td>
<td>-3281</td>
<td>-1577</td>
<td>-4.8</td>
</tr>
</tbody>
</table>


From 2005 to 2015, the average deficit of the current account balance as a % of GDP is about 10%. One of the basic questions raised in the case of high levels of current account deficit is how much is it dangerous for the macroeconomic stability of the country. Sustainability of the current account deficit depends on the possibility of borrowing abroad and the future inflow of foreign direct investment (FDI), which are the two main ways of financing the deficit.

On the one hand, inflow of FDI decreases with the waning of the process of privatization. On the other hand, Serbia, as almost every other transition economy, faces high level of indebtedness, measured by indicator external debt/export of goods and services. The value of this indicator for Serbia for the period 2005-2015 is 215.3%1 in average. This is a high value, considering that the country is over-indebted if the value of this indicator is more than 220%. The two previous statements refer to the limited possibilities for financing of the current account deficit. In these conditions, the increase of export becomes an imperative.

Relying on the results of Lin and Huang’s research, and considering the fact that one of the biggest problems of the exporters in transition economies, as well in Serbia, is the access of firms to external financing, the question that arises is the degree of the banking market concentration, in order to notice the possible positive effects on export.

Significant changes occurred in the Serbian banking market in the last 15 years. The most obvious among them is the decrease in the number of banks. In the period from 2000 to 2005, the number of banks decreased by almost 60% (Chart 1). This trend, with a weaker pace, was continued after 2005. The decrease in the number of banks was a result of active policy of liberalization that has led to the increased entrance of foreign banks, closure of some banks that have lost their licenses, capital consolidation and other activities that happened as a consequence of liberalization and privatization.

Chart 1.

The number of banks in Serbia from 2000 to the first quarter of 2016

According to National Bank of Serbia’s First Quarter Report 2016, at the end of the first quarter of 2016, 30 banks operated in Serbia with total net balance sheet assets of 24.77 billion euros which represent a decrease relative to the end of 2015 of 0.1%. Total capital of the banking sector was 5.13 billion euros (1.8% more than at the end of 2015), gross loans were 15.3 billion euros, (which is a decrease of 0.3% compared to the end of the last year), and total deposits were 16.3 billion euros (decreased 0.4% compared to the end of 2015).

Foreign banks are dominant in the banking sector of Serbia. 23 of 30 banks are foreign owned, while only 7 are in domestic ownership, where 6 are state owned, and 1 is privately owned. Since 2006 there have been more banks in foreign ownership than the banks in domestic ownership. After that, their share increased continuously as presented in Chart 2. Banks that originated from Italy, Austria, Greece and France account for the dominant share of total banking sector assets.
2. Methodological framework for measuring concentration

In the analysis of banking market concentration in this paper we apply a structural approach in which concentration ratios play a central role in the explanation of the market structure. The definition and determination of the relevant market is the first phase in determining the degree of the market concentration, and consequently the conditions of competition upon it. This is discussed in section 2.1. The indicators basically used for measuring concentration are presented in section 2.2.

2.1. Determination of the relevant market

Defining the relevant market is the starting point for calculating the indicators of the market concentration, analysis of the competition and application of the competition rules. Differently defined relevant market implies the different assessment of the corporations’ market power. That is the reason why it happens that the same company has different market power in different proceedings with anti-trust authorities (Kostic, 2014, p. 31). The previous statement indicates the importance of the proper determination of the relevant market.

As the aim of this research is the analysis of the concentration in the banking sector of Serbia, “relevant market” will be defined in accordance with Regulation on the criteria for determining the relevant market of the Government of the Republic of Serbia. Relevant market, according to this Regulation, is a market that includes relevant product market on a relevant geographic market, which means that determination of the relevant market involves determination of two dimensions of this market – relevant product market and relevant geographic market. The relevant product market is a set of goods or services that consumers consider exchangeable in terms of their characteristics, the usual purpose and price. On the other hand, relevant geographic market refers to a territory where market players participate in supply or demand and on which there are same or similar competition conditions that are considerably different than the competition on other markets. A very similar way of defining the
relevant market is also applied by the European Commission.\footnote{For more information: EUR-lex, Access to European Union law, \url{http://eur-lex.europa.eu/legal-content/SV/TXT/?uri=URISERV:l26073} (access: 15.7.2016.)} With the aim of determination of the relevant market, certain tests have been developed. Considering that every one of them has its drawbacks and the fact that the selection of the particular test depends on the characteristics of the industry whose level is being analyzed, determination of the relevant market becomes a complex task. One of the most often used tests is the hypothetical monopolist test (SSNIP – Small but Significant and Non-Transitory Increase in Price) which was defined in the 1980s and is used today in USA and EU. Apart from this, two most often used tests are: the correlation prices test (which is used for determination of the relevant product market) and the Elzinga-Hogarty test (used for determination of the relevant geographic market) (Loncar, Ristic, 2011, pp. 130-131; Kostic, 2014).

### 2.2. Indicators of the market concentration

The significance of the concentration indexes is in their ability to explain structural characteristics of the market. That is the reason why they are the basics of the structural approach. Besides that, indexes enable us to notice the changes in the level of concentration that have occurred due to entrance of new companies into the market, exits of existing companies or mergers and acquisitions. Dominant elements of the concentration indexes are the number of the companies and their market shares, so it can be said that the market concentration is a function of the number of companies and their market shares. According to that, the general form of concentration index can be written as:

\[
\text{CI (concentration index)} = \sum_{i=1}^{n} s_i w_i
\]

where \(s_i\) is company’s market share, \(w_i\) ponder, \(n\) total number of companies on the market.

For determination of the degree of the market concentration, the following indicators are usually suggested in the literature:

1. Reciprocity Index
2. Concentration Ratio of a chosen number of leading companies
3. Herfindahl-Hirschman Index
4. Concentration Curve and Gini Coefficient
5. Horvath Index
6. Hall-Tidemann Index
7. Rosenbluth Index
8. Entropy Index

Each of these eight indicators will be discussed (Bikker, Haaf, 2000a, pp. 22-24; Bikker, Haaf, 2000b, pp. 6-16; Djuricin, Loncar, 2012, pp. 202-207) below.

1. **The Reciprocity Index** is the simplest and, it may be said, the least reliable indicator of concentration, which doesn’t comply with the previous formulation that the market concentration is a function of the number of companies and their market shares. In fact, this indicator considers only the number of companies, neglecting their market shares, where a larger number of companies means lower degree of concentration or higher level of the competition and the reverse in the case of a small number of companies. Negligence of the market share of the individual companies creates a potential problem of making a wrong conclusion about the degree of market concentration. For example, it may happen that there are a lot of companies in the industry, but a single company covers 90% of the market. \[\text{IR} = 1/n, \text{where } n \text{ is the number of companies on the market.}\]

2. **The Concentration ratio** of the chosen number of leading companies is a commonly used indicator of concentration due to its simplicity and limited data necessary for its calculation. In the empirical researches, this indicator is the most often calculated for 3, 4, 5, 8 and 10 leading companies and it is
measured as the sum of market shares of the certain number of companies, where market shares are shown in %.

\[ CR_k = \sum_{i=1}^{k} s_i \]

where \( k \) is the chosen number of leading companies in the industry.

According to the unwritten rule if four largest companies control more than 40% of the market then it is an oligopoly, whereas if the value of \( CR_4 \) is higher than 90%, we can say that is a pure monopoly (Loncar, Rajic, 2012, p. 377). Keynes’ classification is used in USA, according to which the market might be non-concentrated (\( CR_4 < 25\% \)), moderately concentrated (\( 25\% < CR_4 < 50\% \)) or highly concentrated (\( CR_4 > 50\% \)) (Stojanovic, Stanisic, Velickovic, 2010, p. 60).

Drawbacks of this indicator are reflected in arbitrary choice of the number of companies which it is going to be measured for, in neglecting the influence of the companies with smaller market share on the behavior of companies with larger market share and on structural changes that may occur in the companies that are not included in the index, as well as in the inability to notice an absolute market share of the selected companies. In addition, the entrance of the new companies on the market will change the value of \( CR \) index only if the entrance of these companies makes changes in the distribution of the market power of the leading companies, which are included in index calculation.

3. Due to its universality, comprehensiveness and reliability, the Herfindahl-Hirschman Index (HHI) is the most frequently used indicator for calculating the degree of concentration. It is calculated as the sum of squared market shares of all companies in the industry, and therefore it eliminates the drawbacks of concentration ratio.

\[ HHI = \sum_{i=1}^{n} s_i^2 \]

By squaring market shares HHI emphasizes the importance of the big companies giving them greater weight, but it also takes into account smaller companies by giving them smaller weight. The value of HHI varies from \( 1/n \) to 1, in other words from 0 to 10000 (100\(^2\)), whereby the value of HHI increases with a decrease of the number of companies in the market and an increase in market power of its participants. Based on the value of HHI, markets can be classified as: non-concentrated (HHI < 1000 i.e. HHI < 0.1), moderately concentrated (1000 < HHI < 1800, i.e. 0.1 < HHI < 0.18) and concentrated (HHI > 1800 i.e. HHI > 0.18). The maximal value of index (10000, i.e. 1), is reached in the case of pure monopoly, when only one company covers the market. The drawback of HHI is in necessity of obtaining data about market shares of all of the companies operating in the industry. Nevertheless, mentioned drawback does not diminish the significance of the HHI because exclusion from the analysis of a number of the smallest companies, due to unavailability of data on the value of their market shares, would not significantly change the value of the index due to small relative significance given to smaller companies. Aside from that, it should be noted that it is possible to get the same value of HHI for different combinations of the number of companies and their market shares.

4. The Concentration Curve graphically represents the level of concentration and therefore enables noticing the inequality of the distribution of the market power among companies in the industry. On the horizontal axis market participants are ranked based on their market share, from the lowest to the highest, while the vertical axis shows the cumulative value of their market shares. By binding these points, concentration curve is drawn. The point is to compare this curve with the curve of equal market shares, which presents the situation of the perfect competition set at 45 degrees, in order to calculate Gini coefficient. Gini coefficient is calculated as a ratio of surface area between concentration curve and curve of equal market shares and the whole surface area below the curve of equal market shares. The Gini coefficient takes values between 0 and 1, where 0 means that the market power is equally distributed, whereas 1 indicates a situation of full inequality.

5. The Horvath or CCI Index (Comprehensive industrial concentration index) was developed to overcome the disadvantages of other indicators. In fact, measures such as the concentration ratio have been criticized because of emphasizing the role of the biggest players on the market, neglecting the changes in market structure that occur among smaller companies. On the other hand, indicators such
as concentration curve and Gini coefficient can underestimate the importance of the biggest companies. In order to overcome these drawbacks, Horvath developed CCI which reflects the relative dispersion, but also emphasizes the importance of the biggest players on the market. It can be said that CCI relies on HHI and has the following form:

$$CCI = s_1 + \sum_{i=2}^{n} s_i^2 \left(1 + (1 - s_i)\right)$$

where $s_i$ is the market share of the biggest company in the industry.

The value of the index varies between 0 and 1, where 1 indicates pure monopoly, whereas the value above 0.4 considers that further research should be conducted in order to examine whether the market is over-concentrated.

6. The Hall and Tidemann emphasize the necessity of including the absolute number of the companies in calculation of concentration index, because, according to their opinion, the number of the companies determines the conditions of entry into the certain industry. The entrance is easier if there are many companies, and reversely, harder if few large companies dominate the market.

The Hall-Tidemann Index is calculated according to the formula:

$$HTI = \frac{1}{2(\sum_{i=1}^{n} s_i - 1)}$$

where the market share of each company is weighted by rank of that company, in order to put the emphasis on the absolute number of the companies in the industry and to give ponder 1 to the biggest company $(i=1)$. Values of HTI are between 0 and 1, where 0 indicates perfect competition and 1 pure monopoly.

7. The Rosenbluth Index has lots of similarities with the Hall-Tidemann Index so formula is the same. The only difference between these two indexes is in the ranking. Therefore the ponder 1 in the case of HTI is for the company with the highest market share whereas the ponder 1 in the case of RI is for the company with the lowest market share.

8. The Entropy Index is calculated:

$$E = -\sum_{i=1}^{n} s_i \log_2 s_i$$

The value of the index decreases with the increase of the inequality and weights given to the market shares decrease in absolute values when company’s market share increases. The value of the index is from 0 to $\log_2 n$, where 0 indicates pure monopoly, which is the difference compared to other, already mentioned indicators.

Apart from mentioned, commonly used indicators, there are also other indexes that are used for measuring concentration:

- The Linda Index presents the inequality which exists in the distribution of the market power among companies which makes this indicator similar to Gini coefficient.
- The Hannah and Kay Index tends to explain the changes in the degree of concentration that occur as a result of entrance or exit of companies, as well as a result of redistribution of their market power.
- The $U$ Index was created from necessity to overcome flaws of the previous indicators which usually rely on either inequality or the number of companies on the market. The flexibility in giving the relative significance to the inequality $(I)$ and number of enterprises $(n)$ is secured by varying the values of the parameter $\alpha$ $(U = I^\alpha n^{-1})$. 
3. Empirical analysis of the concentration of the Serbian banking sector

Based on the previously mentioned indicators of the concentration, in this part we are going to examine the level of the concentration of the Serbian banking sector in order to make some conclusions about the potential impact of the structure of the banking sector to the financing of export.

As mentioned in part 2 of this paper, the first phase of the analysis of the market concentration is determination of the relevant market which means that a relevant product market and relevant geographic market should be determined. We will consider that the relevant market consists of all licensed commercial banks operating in Serbia by paying attention to the criteria for the determination of the relevant market (presented in 2.1.) as well as availability of the data, respectfully. Relying on the data from financial statements that are banks obliged to submit to the National Bank of Serbia, using formulas presented in the part 2.2, the indicators of the market concentration will be calculated, based on the most recently available data, for the first quarter of 2016. The analysis will take into account four balance sheet items: assets, capital, loans and deposits. The results are presented in the Table 2.

Table 2.
Value of the concentration indicator for Serbian banking market for the first quarter of 2016

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Balance sheet item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>RI</td>
<td>0.0333</td>
</tr>
<tr>
<td>CR₃ (in %)</td>
<td>39.18</td>
</tr>
<tr>
<td>CR₄ (in %)</td>
<td>47.01</td>
</tr>
<tr>
<td>CR₅ (in %)</td>
<td>54.41</td>
</tr>
<tr>
<td>CR₈ (in %)</td>
<td>69.13</td>
</tr>
<tr>
<td>HHI</td>
<td>799</td>
</tr>
<tr>
<td>GINI</td>
<td>0.5854</td>
</tr>
<tr>
<td>CCI</td>
<td>0.2625</td>
</tr>
<tr>
<td>HTI</td>
<td>0.0874</td>
</tr>
<tr>
<td>RI</td>
<td>0.0215</td>
</tr>
<tr>
<td>E</td>
<td>4.0502</td>
</tr>
</tbody>
</table>


Reciprocity index is 0.0333 and, considering the way it is measured, it has the same value for all balance sheet items we are analyzing. Because of the flaws of this indicator, which were mentioned in the part 2.2, we are going to focus on other indicators which are more informative and reliable not only considering the number of the banks on the market but also their share in chosen balance sheet items.

We measured concentration ratio of 3, 4, 5 and 8 leading banks on the market. Based on the data from the Table 2 we conclude that three largest banks in every analyzed balance sheet item control more than a third of the market. All up, they control in average almost 39% of the market. A concentration ratio of the 4 leading banks is in average a bit above 47%, indicating moderate oligopolistic structure, i.e. a moderately concentrated market in accordance with the Keynes’ classification. Five leading banks control almost 55% of the market for each of the analyzed balance sheet items, whereas the values of the CR₈ is in average 70% which confirms the previous statement about moderate oligopolistic structure of the Serbian banking sector.

HHI which, unlike the previous indicator, takes into account all 30 banks, does not exceed the value of 1000 for all analyzed balance sheet items, indicating that the banking market of Serbia is non-concentrated. However, having in mind that values of HHI are near the limit level of 1000 and that they increase over time (as it is shown in Chart 3), it is more accurate to say that the banking sector of Serbia is moderately concentrated.
With the aim to identify the inequalities which exist in the market power distribution, we present the concentration curve for every analyzed balance sheet item, in the chart below (Chart 4).

Chart 4 shows that the concentration curve is almost equal for all balance sheet items and indicates an oligopolistic structure of the banking sector, which is confirmed by the values of Gini coefficient from the Table 2 (in average 0.59).

The value of CCI is in average 0.27 which indicates that there is not an issue of the over-concentration in the Serbian banking market. This statement is also confirmed by HTI values (in average 0.089) and RI values (in average 0.021) which are near 0, indicating the conclusion that Serbian banking sector is almost perfectly competitive, which differs from conclusions adopted on the basis of the values of other indicators.

The Entropy Index is, on average, 4.03 which should be compared with the minimum and maximum value which this indicator may have. For 30 banks, maximal value is 4.907 (log₂ 30), whereas minimal is 0. As maximal value means that competition is perfect and 0 means that there is pure monopoly, it is obvious that Serbian banking market does not have high concentration.

Considering all the analyzed indicators, especially HHI, as the most reliable indicator, we may conclude that Serbian banking sector has a moderately oligopolistic structure.

Relying on the results of Lin and Huang’s research that a more concentrated banking market has an expanding effect on export, i.e. financing of export activities, we may conclude that the level of concentration in Serbian banking market is at low level to achieve positive effects on export.

**Conclusion**

Changes in the banking sector all over the world raise numerous questions. One of the most important refers to the consequences of the banking sector structure measured through concentration, which is supported by a large number of published papers. However, one question has been neglected so far – the question of the impact of the banking sector structure, i.e. concentration on export. Noting this deficiency in the literature, Lin and Huang published a paper in 2014 in which they presented research about the influence of concentration in the banking sector on export, through financing export activities. Results of this research showed that the more concentrated the banking market, i.e. a banking market that is less competitive has an expending effect on export of the sectors that rely more on external funding.

The results of this research are especially important for the transition economies and developing countries. In fact, a great number of these countries have current account deficit as a result of the insufficient export, whereby exporters assert limited possibilities for export financing as the main problem. Serbia is also faced with this problem, while at the same time there is a process of consolidation of the banking sector. For this reason, the aim of this paper was to examine the degree of the concentration of the Serbian banking sector in order to discern possible positive effects of this phenomenon on export and to draw conclusions about future paths of consolidation.

It is stated that the banking sector of Serbia is characterized by moderate oligopoly, based on the use of eight indicators for measuring concentration. Despite that the level that indicators should exceed in order to make positive effects on export has not yet been defined, considering the values of the indicators measured for Serbian banking sector, we may conclude that banking market of Serbia is characterized by very low degree of concentration in order to evince positive effects on export.

It is important to notice that the degree of the concentration increases continuously over time, which indicates the possibility to harness the positive impacts on export if this trend continues. However, although the impact on the export is a very important question for the transition economies and developing countries, it should always be kept in mind that this is one of the many influences that consolidation has on the economy. All effects should be taken into consideration in order to decide if the future consolidation of the banking sector should be supported or not, which represents an important task that it is very difficult to quantify.
References

21. The Republic of Serbia (2009), Regulation on the criteria for determining the relevant market, The Official Gazette, No. 89/09.
Matching Occupational Needs in Tour Service Industry and In-Service Training in Higher Education for Globalized Taiwan

Shin-Mei Kao, National Cheng Kung University, Taiwan

Abstract

Taiwan bears great potential in international tourism owing to her unique geographical location, multicultural history, mild climate, and stable societal conditions. Taiwan gained 270% growth in inbound tourists in 2013 compared to that in 2004. However, only less than 10% of the annual inbound tourists came from Europe, North America, New Zealand, and Australia. Tourists from these areas constitute a large proportion in the world’s international leisure traveling, with high demand for quality tourist service, management, and content. As the Taiwanese government continues promoting the island to international tourists, institutes in higher education which bear the responsibility of incubating human resources should reflect on the current market needs in designing pre- and in-service programs for the industry. This presentation reports on a survey of in-service tour guides and tour interpreters working with international inbound tourists in Taiwan and concerns their occupational needs. The results suggest that in-service tour guides need continuous updates and training in special areas tour guiding, such as bird watching, mountain climbing, arts, ecology, architecture, and history. Results also indicate that workshops are especially needed in communication skills, presentation techniques, and English for tourism and English for general purposes. Responding to their calls for in-service training, higher education should cooperate with tour service providers and tour guide associations to design and conduct such workshops. Suggestions on constructing an occupational-oriented English tour-guiding course module are also provided for higher education.

Keywords: International tour guiding, occupational needs, higher education, in-service training, English for special purposes.
Managing Customer Satisfaction in an Unwanted Service Industry: An Exploratory Study of Dental Services

Edwin Theron, University of Stellenbosch, South Africa

Abstract

The global economic downturn that emerged in the mid-2000s has forced marketers to be more creative in their strategies. Although developing and managing sound relationships with customers could assist them in this respect, marketers need to be fully aware of the building blocks (or dimensions) of such a relationship. Using one of the well-established dimensions of relationship marketing, namely customer satisfaction, this study investigated the management of customer satisfaction from an ‘unwanted’ service perspective. ‘Unwanted’ services refer to those services that typically evoke negative emotions from customers, such as funeral services (Fam, Waller & Erdogan, 2004). The dental services industry was chosen as the focus of this study as this type of service is often characterised by negative customer emotions, and could therefore also be considered to be, to a certain extent, an unwanted service. The specific unit of analysis is the patient-dentist relationship. Based on a literature review, five key antecedents of customer satisfaction were identified: trust, effective communication, reputation, competence and service quality. In order to address the objective of the study, a convenience sampling procedure was used to draw a sample of 150 Generation Y individuals, all between the ages of 18 and 24. Data were analysed by means of a regression analysis. Although support was found for some of the well-established hypothesised relationships, differences were also detected. For example, it appears that managing customer satisfaction in an unwanted service environment is a less complicated process than was previously assumed, and that dental patients tend to regroup the individual dimensions of relationship marketing.

Key words: Customer satisfaction, unwanted service industry, dental services, relationship marketing
Introduction

A number of global trends currently shape the dental services environment. The most prevalent trend is the fact that fewer new patients are visiting dental practices, while many other dental patients reject elective treatment (Levin, 2012). It is therefore not unexpected to observe that dentists are continuously considering new and innovative ways to practice and apply marketing strategies and tactics. This trend concurs with Constantinescu-Dobra’s (2014) notion that a dental marketing strategy will be instrumental for a dental practice to succeed in the future. Levin (2012: 16) concludes that those dentists who are “crossing their fingers and waiting for the economy to improve and expect everything to go back to the way it was, are in for a very rude awakening”.

One of the marketing mechanisms available to dental service providers is relationship marketing. However, relationship marketing can only be practised once dental service providers fully understand the basic building blocks (or dimensions) of a patient-dentist relationship. A key component of any business relationship is customer satisfaction, and patient-dentist relationships appear to be no exception to this rule (Nagappan & John, 2014).

This paper therefore uses customer satisfaction as a point of departure, and investigates and assesses the antecedents of customer satisfaction from a relationship marketing perspective, in the context of dental services. In the context of this study, and throughout this paper ‘customers’ will be referred to as ‘dental patients’ and ‘customer satisfaction’, where applicable, will be referred to as ‘dental patient satisfaction’.

Marketing dental services

The differences between physical products and services are well-documented in the services marketing literature. However, although dental services comply with all the typical service characteristics of intangibility, heterogeneity, perishability and inseparability (Wilson, Zeithaml, Bitner & Gremler, 2012), McDougall and Levesque (2000) found that the nature of dental services is different to that of other types of services. These authors suggest that the demand for dental services is characterised by a number of distinct features: it is an important purchase, perceived differences in quality exist, switching is challenging, and it is viewed as a high contact service. It is therefore logical that a unique set of marketing activities needs to be applied by dental service providers (Geangu, Dumitru & Gardan, 2013). Contributing to this argument, Levin (2012) contends that the economic recession has resulted in dental practices showing a renewed interest in being marketing-orientated (Levin, 2012). Where marketing dental services might have been unpopular in the past, dental professionals have started to realise the benefits of marketing (Asefzadeh, Juhandideh & Asadabadi, 2012).

From a relationship marketing perspective, Vargas, Martin and Idoeta (2012) found that although dental professionals recognise the value of retaining their patients, they do not necessarily perform relationship marketing activities to do so. Therefore, it is not surprising to find that very little research has been conducted on the relationship between the patient and the dental professional, and more specifically, the complexity of the relationship (Griffith & Abratt, 2013). Given the lack of literature on this topic, Hunt, Arnett and Madhavaram (2006) suggest that the relationship between dental professionals and their patients could best be described as ‘relationship marketing’ - because of the similar nature of the relational exchange between a service provider and its customers.

Unwanted services

The majority of products and services today require relatively little input from the customer, and it is often restricted to the mere decision of either buying or rejecting (Xu, Summers & Belleau 2004). However, not all services can be classified in this manner as some products and services (such as funeral services) can evoke strong, negative emotions. Although literature on the management of unwanted services is limited, Schwartz, Jolson and Lee (1986) found that these type of services are characterised by three uncommon conditions: Firstly, the almost complete absence of previous experience by the
purchaser or buyer, often results in the purchaser not having (prior to the situation) sought out or obtained information about availability (including cost considerations). Secondly, substantial time pressure prevails because the purchase cannot be avoided. The third characteristic, according to Schwartz et al. (1986), is that the emotional state of the bereaved buyer has a significant impact on his or her rational decision-making process.

Once these characteristics proposed by Schwarz et al. (1986) are applied to the dental services industry, it becomes clear that this industry could be considered as having a ‘unwanted’ nature. However, it is important to note that this relative ‘unwantedness’ does not reflect on the value of dental services per se, but merely refers to some patients’ perceptions of the purchasing process in the dental services context. This argument concurs with that of Kotler and Keller (2012), who refer to categories of products and services that are often neglected by the general public. Based on this ‘negligence’ or ‘unwantedness’, it is thus not surprising that some customers (in this case patients of dental service providers) are negatively inclined towards fostering a relationship with their dental service provider (Theron, 2011).

Customer satisfaction

The role of customer satisfaction in relationship marketing is well-documented in the literature, and can be defined as “an overall evaluation based on the total purchase and consumption experience with a good or service over time” (Garbarino & Johnson, 1999:71). This definition emanates from an earlier definition by Anderson and Narus (1990:45) who claim that customer satisfaction is “a positive affective state resulting from the appraisal of all aspects of a firm’s working relationship with another firm”. Sheth and Parvatiyar (2000) assert that performance satisfaction is an important variable in business relationships and that partners should secure a high level of satisfaction during each business transaction.

Odekerken-Schröder, Van Birgelen, Lemmink, De Ruyter and Wetzels (2000) observe that customer satisfaction has to be fulfilled to instil trust between partners in a relationship and to increase the intention of continuing the relationship. Ping’s (2003) remarks on the importance of customer satisfaction to an inter-firm relationship quality and contingency, triggered the subjective nature of satisfaction, and resulted in the questioning of possible emotional involvement. Furthermore, Andreassen (2000) defines customer satisfaction in terms of a subjective evaluation of emotions resulting in a positive or negative feeling of fulfilment. Therefore, because of its emotive and subjective nature, satisfaction describes the tone of a service relationship as experienced at a given time and place.

From a dental services perspective, patient satisfaction is an important consequence of quality care, which in turn has a direct influence on the future use of the service (Hashim, 2005). Already in the early 1990s, Gopalakrishna and Mummamalani (1993) stated that “at a time when consumers are becoming more demanding, dentists and other health care providers must respond to these demands through an emphasis on factors influencing consumer satisfaction”. Owing to the multifaceted nature of patient satisfaction, the concept is not only challenging to define, but it is also influenced by the patient’s attitude and expectations of dental care (Nagappan & John, 2014). Armfield, Enkling, Wolf and Ramseier (2014) assert that patient satisfaction with dental treatment is becoming an increasingly important topic of research since it is a key driver of continued treatment-seeking behaviour. Dissatisfaction with dental treatment, on the other hand, is a major reason for patients switching dental service providers (O’Shea, Corah & Ayer, 1986).

Antecedents of customer satisfaction

Given the lack of marketing literature on the antecedents of customer satisfaction in the dental services industry, the objective of this study was to assess the relationship between customer satisfaction and a number of its well-established antecedents from a dental services perspective. Five antecedents of customer satisfaction were investigated: trust, effective communication, customisation, service quality and reputation.
General agreement exists among researchers and marketing practitioners that trust is a central variable in a marketing relationship (Caceres & Paparoidamis, 2007; Jiang, Henneberg & Naudé, 2011). According to Skopik, Schall and Dustdar (2012: 128) the role of trust is to “reflect the expectation one actor has about another’s future behaviour to perform given activities dependably, securely, and reliably, based on experiences collected from previous experiences”. Furthermore, it has been theorised that trust has a direct impact on the perceptions of satisfaction (Harris & Goode, 2004), and that trust is therefore a prerequisite of satisfaction (Johnson & Grayson, 2003).

Communication refers to the verbal or non-verbal transfer of a message (Webster & Sundaram, 2009). From a relationship marketing perspective, there is an almost universal acceptance for the inclusion of effective communication as a key dimension of a marketing relationship (Goodman & Dion, 2001). The benefits of effective communication include the enhancement of the customer’s service experience (Simpson & Mayo, 1997), a willingness to accept and understand new developments (Theron, Terblanche & Boshoff, 2012) and assisting with problem resolution and reducing the possibility of misconceptions (Simpson & Mayo, 1997).

Effective communication is also positively related to satisfaction (Bachner, Carmel, Lubetzky, Heiman & Galil, 2006). Therefore, it is important for service providers to focus on effective communication, since it reflects on satisfaction, which in turn is a necessary requirement to develop sound relationships with customers (Singh & Sirdeshmukh, 2000).

Theron et al. (2012) define customisation as the extent to which a seller uses knowledge about a buyer in order to tailor offerings to buy. According to Jin, He and Song (2012), customisation not only serves as a popular method to cater for customers’ heterogeneous needs, but it also allows the service provider to pacify the desired product or service characteristic (Jin et al., 2012). Although different types of customisation exist, such as information, transaction, product and service customisation (Cho & Lau, 2014), it is service customisation in particular that helps companies to develop and stabilise relationships between the different types of customers and a service provider (Dellaert & Dabholkar, 2009).

Customisation has the ability to increase customers’ perceived value and ultimately, their satisfaction with an experience (Jin et al., 2012). Also, the relationship between customisation and customer satisfaction appears to be of such a nature, that satisfaction is in fact dependent on customisation (Anderson, Fornell & Rust, 1997). Confirming their support for the relationship between service customisation and customer satisfaction, Coelho and Henseler (2012) add that service customisation can provide solutions to customers’ need for uniqueness.

Although the marketing literature occasionally refers to the similarities between service quality and customer satisfaction, recent research has indicated that they are two distinct constructs (Bansal & Taylor, 1997). Furthermore, Bansal and Taylor (1997) argue that service quality precedes customer satisfaction, which implies that customer satisfaction is based on delivering proper service quality. This finding concurs with that of Wilson et al. (2012), who also established that service quality could be measured in terms of a customer’s perception of a service provider’s reliability, assurance, responsiveness, empathy and tangibility. According to Singh and Sirdeshmukh (2000), based on the fact that expectations of a service influence customers’ perceptions of service quality, performance that exceeds the elevated level of expectation will lead to satisfied customers. It was also established that an organisation’s company’s level of service quality influences customer satisfaction ratings of individual service encounters (Dubé, 1992).

According to Flavián, Torres and Guinalíu (2004), reputation refers to a customer’s estimation of the consistency, willingness and ability of a company to continue performing an activity in a similar fashion. Based on this definition of reputation, Keh and Xie (2009) found that numerous benefits originate from having a favourable reputation. These benefits include an increase in purchase intention and customer loyalty, improved customer attitudes towards a company’s products, and customer willingness to pay a premium price.
Jøsang, Ismail and Boyd (2007) argue that a favourable reputation links closely to trustworthiness, and since trust and customer satisfaction are almost inseparable from each other, a favourable reputation influences customer satisfaction indirectly. However, the marketing literature supports a direct link between reputation and customer satisfaction (Walsh & Beatty, 2007). This relationship was described by Ali (2012) as strongly significant, whilst Clow, James, Kranenburg and Berry (2006) assert that reputation represents an essential anchor for the perception of customer satisfaction.

Based on the literature review, the following hypotheses were formulated:

H₁: There is a positive relationship between trust and customer satisfaction  
H₂: There is a positive relationship between effective communication and customer satisfaction  
H₃: There is a positive relationship between customisation and customer satisfaction  
H₄: There is a positive relationship between expected service quality and customer satisfaction  
H₅: There is a positive relationship between a favourable reputation and customer satisfaction

The hypotheses are graphically depicted in Figure 1.
Methodology

Measurement instrument: All the items in the measurement instrument were sourced from the marketing literature. The advantage of this approach is that only those items, of which the validity and reliability were previously confirmed, were included in this study. The items were sourced as follows: customer satisfaction (Sharma & Patterson, 2000), trust (Coote et al., 2003), effective communication (Coote et al., 2003), customisation (Theron et al., 2012), service quality (Parasuraman et al., 1988), and reputation (Casaló, Flavián & Guinalíu, 2008). All items were measured on a 7-point Likert scale, where 1 equalled ‘Strongly disagree’, and 7 equalled ‘Strongly agree’. The final questionnaire consisted of 30 items. The labels that were attached to the antecedents were TRU1-5 (representing trust), COM1-5 (effective communication), CTM1-5 (customisation), SQL1-5 (service quality), REP1-5 (reputation) and SAT1-5 (customer satisfaction).

Sampling: For the purpose of this study, convenience sampling was used to draw a sample of 150 Generation Y participants. All the respondents were between the ages of 18 and 24, and there was an equal distribution of gender.

Data analysis: The data were analysed through SPSS, version 23.0. Reliability was assessed by means of Cronbach alphas, whilst validity was assessed with a Confirmatory Factor Analysis (CFA). Regression analysis was used to establish the relationships between the independent variables and customer satisfaction.

Empirical results

Response rate and validity of the data

A total of 155 questionnaires were completed and returned, however, only 150 could be used for the purpose of the study. Principal axis was used as extraction method, allowing for a maximum of 100 iterations, while direct Oblimin was used as rotation method. Eigen values greater than 1.0 were applied, and only coefficients of 0.4 and above were used. CFAs were conducted repeatedly until a clear four-structure pattern matrix emerged. The results of the final CFA are presented in Table 1.

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>COM2</td>
<td>.860</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTM2</td>
<td>.712</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU3</td>
<td>.648</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU2</td>
<td>.642</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COM4</td>
<td>.603</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU4</td>
<td>.554</td>
<td>.925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQL2</td>
<td>.487</td>
<td>.914</td>
<td>.876</td>
<td></td>
</tr>
<tr>
<td>TRU5</td>
<td>.437</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTM4</td>
<td></td>
<td>.925</td>
<td>.937</td>
<td>.916</td>
</tr>
<tr>
<td>CTM3</td>
<td></td>
<td>.914</td>
<td>.784</td>
<td>.587</td>
</tr>
<tr>
<td>CTM5</td>
<td></td>
<td>.876</td>
<td>.776</td>
<td>.523</td>
</tr>
<tr>
<td>REP1</td>
<td></td>
<td></td>
<td>.672</td>
<td>.456</td>
</tr>
<tr>
<td>REP2</td>
<td></td>
<td></td>
<td>.421</td>
<td></td>
</tr>
<tr>
<td>REP3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REP4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REP5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQL4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTM1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQL5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SQL1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the composition of the four factors shown in Table 1, the factors were labelled as follows:
Factor 1: This factor consisted of eight items: predominantly from trust (four items) and effective communication (two items); with one item each from customisation and service quality. After considering the exact nature of the items included in this factor, it became clear that a level of positiveness caused this newly emerged factor. In order to include the new factor, the following additional hypothesis was created:

H6: There is a positive relationship between positive disposition and customer satisfaction

Factor 2: This factor consisted of three items, all from the original customisation dimension. It was therefore decided to retain the customisation label.

Factor 3: All five the initial reputation items loaded onto this factor, therefore, the reputation label was retained.

Factor 4: Except for one item from customisation, the remaining items all originated from service quality. After a re-inspection of the customisation item (especially considering the nature of this item relative to the remaining service quality items), it was decoded to retain the service quality label.

An assessment of the reliabilities of the four factors indicated in Table 1 revealed that all Cronbach alphas were above the generally assumed threshold of 0.7.

Hypotheses H3, H4, H5 and the additional hypothesis H6 were therefore assessed in the regression analysis.

Regression analysis

During the regression analysis, customer satisfaction was indicated as the dependent variable, with positive disposition, customisation, reputation and service quality being the independent variables. The results of the regression analysis appear in Table 2.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Hypothesised relationship</th>
<th>t</th>
<th>Beta</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6</td>
<td>Positive disposition → Customer satisfaction</td>
<td>8.495</td>
<td>.584</td>
<td>.000</td>
<td>.364</td>
<td>2.749</td>
</tr>
<tr>
<td>H3</td>
<td>Customisation → Customer satisfaction</td>
<td>-2.232</td>
<td>-.093</td>
<td>.027</td>
<td>.991</td>
<td>1.010</td>
</tr>
<tr>
<td>H4</td>
<td>Reputation → Customer satisfaction</td>
<td>4.047</td>
<td>.253</td>
<td>.000</td>
<td>.439</td>
<td>2.276</td>
</tr>
<tr>
<td>H5</td>
<td>Service quality → Customer satisfaction</td>
<td>1.834</td>
<td>.107</td>
<td>.069</td>
<td>.503</td>
<td>1.989</td>
</tr>
</tbody>
</table>

Hypothesis H6 proposed a positive relationship between positive disposition and customer satisfaction. Based on the t-score of 8.495 as well as the significance level of 0.000, the hypothesis was accepted on the 0.001 level. Therefore, in the dental services industry, a significant relationship was found between positive disposition and customer satisfaction.

Hypothesis H3, (there is a positive relationship between customisation and customer satisfaction), was also confirmed on the 0.05 level (t-value of 2.232; significance level 0.027). However, customisation was found to be negatively related to customer satisfaction, implying that should dental services be customised, the patients’ level of satisfaction in the service provider would decrease accordingly. The implications of this unexpected finding are addressed in the upcoming section.

The final hypothesis that was confirmed was the proposed positive relationship between reputation and customer satisfaction (H4). This hypothesis was also confirmed on the 0.001 level, based on the t-value of 4.047 and the accompanying significance level of 0.000. Reputation is therefore an important antecedent of customer satisfaction in the dental services industry.
The current study could not find support for a positive relationship between expected service quality and customer satisfaction. Hypothesis H5 therefore had to be rejected.

The $R^2$ value of 0.763 means that a large proportion (76.3%) of the variation in the dependent variable (customer satisfaction) could be explained by the independent variables.

**Interpretation**

Positive disposition was found to be positively and significantly related to customer satisfaction. When considering the fact that positive disposition mainly consisted of an amalgamation of the items of trust and effective communication, it was necessary to re-examine the theory underlying these two antecedents of customer satisfaction. Indirectly, the current study confirmed earlier research that both trust (Johnson & Grayson, 2003) and effective communication (Bachner et al., 2006) positively influence customer satisfaction. However, it was to some extent unexpected that no direct relationship could be found between each of the two individual variables and customer satisfaction. It therefore appears that the respondents regrouped individual antecedents to form one integrated antecedent, namely positive disposition.

The amalgamation by the respondents of the well-established antecedents of customer satisfaction can also be ascribed to the need of respondents to simplify the purchasing process. This process of ‘simplification’ is not in accordance to the marketing literature, as previous studies on trust and effective communication consider these two items as separate antecedents. Although simplification is not new to the marketing literature, it was rather surprising to find that this concept indeed applied to the dental services industry. The industry may thus be regarded as complex in nature, and furthermore that South African dental patients, regardless of their level of education with dental services, experience the need to simplify their experience with dental services (in terms of the services, the purchasing process as well as procedures).

The study’s confirmation of the significant role that customisation and reputation play in the management of customer satisfaction was to be expected. However, despite the support that was found for customisation as an antecedent of customer satisfaction, it was unexpected to find that this study has actually confirmed a negative relationship between the two antecedents. This finding implies that as service providers customise their services, customers’ satisfaction with their service provider will decrease accordingly. The reason for this situation might be rooted in uncertainty, which is currently being experienced by many South Africans. These relative high levels of uncertainty could be the result of the high incidence of crime that South Africans experience on a daily basis. By insisting on standardised services, dental patients not only reduce their uncertainty, but may also feel in control of the agreed-upon service. This behaviour concurs with the earlier explanation of the simplification process. The finding of a negative relationship between customisation and customer satisfaction therefore deviates from the marketing literature (such as Jin et al., 2012).

Furthermore, it should be kept in mind that, in the current study, the dental services industry was operationalised as an unwanted service, based on the definition of unwanted services. Therefore, the ‘negativity’ that exists regarding dental services may result in patients not being interested in customised dental services. Once dental patients consider a service as unwanted, they may require the dental service provider to perform the task at hand without extending the process unnecessarily.

The significant support that was found in the literature for a positive relationship between reputation and customer satisfaction (Kumar & Eshghi, 2013) was also confirmed in the current study. Therefore, if dental professionals can enhance their reputation, it will have a positive effect on patient satisfaction. Specifically from an unwanted services perspective, dental service providers should take note of this finding and ensure that their reputation is sustained at all times.
Managerial implications

A positive relationship was found between positive disposition and customer satisfaction in the dental services industry. Positive disposition is firstly grounded in the encouragement of a trusting relationship. Although numerous ways exist how trust can be instilled in the dental services industry, offering consistent high-quality services is of utmost importance. This can be achieved, amongst others, by focusing on the promises made by the dental professional, considering that dental services are in essence of an intangible nature. By standardising non-core dental procedures (such as making appointments), a degree of control is exercised, resulting in an increased probability of keeping promises. A positive disposition could further be instilled by focusing on the way in which dental professionals deal with change. It is essential that dental professionals demonstrate a high tolerance for change, such as rescheduling of appointments and being readily available for emergency dental work.

An unexpected finding of the study was the negative effect of customisation on customer satisfaction. This finding suggests that, in an effort to reduce their uncertainty, patients prefer dental service providers not to customise their services, but to rather retain the originally agreed-upon services. Customised dental services are often associated with increased costs, and given South Africa’s relative low levels of disposable income, insisting on non-customised dental services may be a way to avoid unnecessary costs. From a dental professional’s perspective, however, offering customised services are often preferred from an income perspective. Therefore, dental service providers should be frank about the services that the patient is about to receive. In other words, the different procedures that will be applied need to be communicated and confirmed, such as providing patients with written details about what to expect during an upcoming appointment and/or procedure. This confirmation should be provided prior to the appointment. Ultimately, patients need to trust their dental service provider. Therefore, it is crucial to keep promises in nurturing satisfaction in the patient-dental relationship.

Reputation is said to be an aggregation of a person’s perception of how well a company meets its customers’ needs. Similar to the implications of a positive disposition, a favourable reputation may also be instilled by providing consistent service delivery. Dental practices are therefore once again encouraged to set a standard for the consistency of all activities performed by the dental service provider. Furthermore, generating positive word-of-mouth (WOM) becomes increasingly important for dental professionals. Positive WOM can be achieved by providing online platforms where dental patients are encouraged to voice their opinions. Dental professionals should not be frightened by their patients’ opinions, but rather use these opinions as an opportunity to instil trust, and ultimately patient satisfaction. Typical online platforms could be blogs, invitation to leave comments on websites and even direct emails to, in this case, dental service providers.

Limitations and future research

This study may have been constrained by the method of convenience sampling. It is therefore possible that the respondents were not necessarily completely representative of the population. Furthermore, the same argument can be used in terms of the relative small sample size.

Since the current study focused on Generation Y individuals only, the question arises as to whether the results of the study are applicable to other age groups as well. For example, it can be argued that older people have different perceptions about the importance of a patient-dentist relationship. Although it did not form part of the objectives of this study, it will be insightful to include a broader set of demographics when analysing the patient-dentist relationship.

The current study provided evidence of a negative relationship between customisation and customer satisfaction in the dental services industry. This unexpected finding needs further investigation. It is, however, possible that the majority of the respondents participating in this study have not required any specialised dental treatment, which suggests that they may have not necessarily been aware of the level of specialisation that other patients require. Therefore, if the current study were conducted among
individuals who have had personal experience of specialised dental treatment, the findings could have been different.

Conclusion

The objective of this study was to assess the management of customer satisfaction from an unwanted services perspective, with specific focus on the dental services industry. Although the study confirmed some of the key antecedents of customer satisfaction, some differences were detected as well. For example, the regrouping of individual antecedents to form a new antecedent (positive disposition) as well as the negative relationship between customisation and customer satisfaction were unexpected.

The most important contribution of the study is the finding that unwanted services relationships are different compared with relationships in other services, and that the management of customer satisfaction in the unwanted services industry could be challenging. Marketers in the field of unwanted services should thus reconsider their existing marketing strategies, and especially the way in which they practice relationship marketing.
References


The Relationship between Capital Formation and Economic Growth of Niger (1980-2014)

Hakan Acet, Selçuk University, Turkey

Abstract

The purpose of this study is to investigate the link between capital formation and the economic growth of Niger using time series analysis for the 1980-2014 period. During that time series, the ADF unit root test, the Johansen co-integration test, and the Granger causality test were performed. According to the results of the cointegration test, there is no cointegration at the 5% level of significance, suggesting that there is no long-term relationship between economic growth and capital formation. As the cointegration test did not give a significant result, the Granger causality test was conducted in order to check the causality relationship between the two variables. The causality test results suggest that there is an unidirectional causality from economic growth to capital formation. This study suggested that higher economic growth leads to higher capital formation; and that the Niger government must increase investments in order to create a suitable economic atmosphere for capital formation. The causality analysis results suggest that there is a unilateral causal relationship from inflation affecting economic growth.

Key words: Capital formation, economic growth, Niger, time series analysis

1. INTRODUCTION

From the end of Second World War to the present time, especially since the 1960s, various macroeconomic variables have been the subject of research. Mostly the aims of this research have been to see if the macroeconomic variables affect or do not affect economic growth; and if they affect the general economy, how and in which direction. One of these variables is Gross Fixed Capital Formation (GFCF). Capital formation is a concept used in macroeconomics, national accounting, and financial economics. The GFCF started with the studies of Simon Kuznets in the 1930s in which the standard measures were adopted in the 1950s. The GFCF shows us how much of the new value added in the economy is invested rather than being consumed. Capital formation is necessary to provide people with tools and implements for national production. Capital formation contributes to growth by creating employment and making the technological progress of the economy possible (Guru, 2016).

In order to see if GSCF is affecting the economy of a country or not, we need to associate Gross Fixed Capital Formation (GFCF) with Gross Domestic Product (GDP). In other words, we have to examine the nexus between capital formation and growth of a given economy. The economic growth is measured as the percent rate of increase in real gross domestic product (GDP) and defined as the increase in the market value of the goods and services produced by a country in a given period (Ünsal, 2005, s. 14-17). In this context, we will investigate the impact of capital formation on the economic growth of Niger, which is a West African country, by using time series analysis for the period of 1980-2014.

The rest of the paper is structured as follows. After this introduction, the second section provides the literature review about the relationship between capital formation and economic growth. In section 3, the methodology, estimation procedure and data are presented followed by empirical results in section 4. In section 4, time series analysis is made with E-views 8.0 program using annual data of the 1980-2014 periods in order to investigate the relationship between capital formation and economic growth. The ADF test and co-integration analysis results are presented in the same section together with the result of Granger causality test. Results and recommendations are discussed in section 5 as a conclusion.
2. LITERATURE REVIEW

We do not find many studies about the relationship between capital formation and economic growth. We did not find any case study of Niger concerning the relationship between capital formation and economic growth. Most empirical studies were carried out in Nigeria, which is a neighbor of Niger. However, we found studies on other countries and some theoretical studies.

Chow (1990) examined the capital stock annually within 1952-1985 periods in five income-producing sectors of the Chinese economy by distributing official data on net capital formation of fixed and circulating assets in three types of enterprises in the five sectors. He found that there is no technological change in the economic growth of China and that the capital formation is playing an important role as the Chinese economic planners well intended.

On the other hand, Krkoska (2001) found a positive long-run relationship between capital formation and foreign direct investment (FDI) while investigating the foreign direct investment financing of capital formation in transition countries. However, he stated that there is no negative correlation with stock market liquidity. According to these results, there is no statistically significant relationship between capital formation and foreign credit or subsidies. İsmihan et al. (2002) investigated the relationship between macroeconomic instability, capital accumulation and growth in Turkey over the period 1963-1999. They found that macroeconomic instability of the Turkish economy, which is increasing and chronic, has seriously affected Turkish capital formation and therefore Turkish growth.

Akujuobi (2008) examined the relationship between FDI and Capital Formation in Nigeria and found that FDI is a significant positive contributor to aggregate capital formation in Nigeria. However, he stated that the gains of FDI do not come automatically. He therefore recommended that efforts have to be directed at the removal of such impediments as poor transparency in laws, especially in the areas of property rights, patent rights, copyright protection, and commitment to enforcement of contracts etc. Ajao (2011) found a positive and significant relationship between gross fixed capital formation, GDP and industrial production indices while examining the effect of stock market development on capital formation and growth in Nigeria. However, he argued that there is an inverse relationship between capital formation and market capitalization. It means that long run capital accumulation in Nigeria was not largely originated from the capital market as the result above shows the marginal contribution of market capitalization and new issues to capital formation. This is consistent with the results of Sarkar (2006) which found that there is no significant relationship between market capitalization and capital formation.

Unezea (2013) examined the causality link between capital formation and economic growth in the countries of Sub-Saharan Africa by using panel causality and co-integration tests. He found a bi-directional causality link between the variables and suggested that higher economic growth leads to higher capital formation and vice versa. Soliu& Ibrahim (2014) also examined the relationship between trade openness, foreign direct investment (FDI), capital formation, and the economic growth rate in Nigeria for periods 1986-2011, using time series data analysis. The findings showed a significant positive link between the degree of trade openness and level of capital formation.

Kanu&Ozurumba (2014) used the multiple regressions technique to study the effect of capital formation on the Nigerian economy. The findings showed that, in the short-run capital formation had no meaning full effect on growth; while the VAR model estimation states that capital formation, total exports and the lagged values of GDP had positive long-run relationship with economic growth of Nigeria. In the same framework, Shuaib&Ndidi (2015) analyzed the effect of capital formation on the economic growth of Nigeria by using time series data, 1960-2013. According to the results, there is a significant relationship between the two variables. They recommended that the government should continue to create a conducive investment climate, encourage savings and enhance the basic infrastructure of the economy in order to boost capital formation to promote sustainable economic development.

Uremadu (2008) investigated the determinants of capital formation in Nigeria, by using stationarity and co-integration tests. He found that foreign exchange rates lead capital formation in Nigeria, followed by index of energy consumption and then, the debt service ratio. Lucky & Kingsley (2016) also examined factors that determine Nigerian capital formation in order to test Jhingan’s propositions for
sources of capital formation in Nigeria. Their findings proved that the function of Broad Supply, Gross National Savings, Exchange Rate, External Debt and Terms of trade have negative and insignificant effect on capital formation, while Credit to Private Sector, Commercial Banks Lending Rate, Inflation Rate, Public Expenditure, Government Revenue and Operating Surplus have positive and significant effects. The study concludes that the variables have significant impact on Nigerian Gross Fixed Capital Formation and confirm Jhingan’s proposition.

3. METHODOLOGY

3.1 Research Questions

In this study, we examine the relationship between capital formation and economic growth in Niger by using data for the 1980-2014 periods and using time-series analysis. First we will investigate whether capital formation is one of the positive elements of economic growth of Niger or not. In order to be able to know whether the formation of capital causes economic growth in Niger or not, we will also examine the causality link between capital formation and economic growth.

3.2 Estimation procedure

We use time series analysis to examine the relationship between capital formation and growth. Time series, are statistics data observed and recorded in a certain period. These numerical data can be weekly, monthly, 3-monthly or by year. Time series has deterministic (the presence or absence of fixed, trend and seasonal component within the series) and stochastic (whether the variables are stationary or not) characteristics. Recently, time series analysis has been used more commonly in economics or other scientific researches. Generally, during time series analysis the causality and co-integration relationship, and interaction between the variables are investigated (Sevüktekin & Nargeleçekenler, 2010, s. 1-11; Köksal, 2003, s. 443-445).

Before starting our investigation, our variables must be stationary. A stationary condition occurs when time series data fluctuate around a constant mean and variance particularly when the variance of fluctuation is constant throughout constant time. Non-stationarity of variables has often been regarded as a problem. It is not prudent to work with non-stationary series data during the empirical analysis as with them leads to spurious regression results. Thus, we firstly must test for stationarity of the variables under investigation by applying the Augmented Dickey Fuller Tests (ADF). ADF test is based on rejecting a null hypothesis of unit root for the alternative hypothesis of stationarity.

After the stationary test (ADF unit root test), we perform the co-integration test to examine whether there exists a long-run equilibrium relationship between the variables. Johansen’s (1991) procedure is applied in this study. Engel and Granger (1987) emphasized that a linear combination of two or more than 2 non-stationary variables may be stationary. If such stationary combination exists, then we can say that the non-stationary time series are cointegrated. The vector auto-regression (VAR) is based on cointegration tests by using the methodology developed in the Johansen (1991, 1995) studies.

After co-integration tests, we perform the Granger causality test between the variables. The Granger test is used to answer the following questions. Is it GDP that “causes” gross fixed capital formation - GFCF (GDP→GFCF)? Or is it the capital formation - GCF that causes GDP (GFCF→GDP)? The Granger causality test assumes that the information relevant to the prediction of the respective variables, GDP and Capital formation, is contained solely in the time series data on these variables. The test involves estimating the following pair of regressions:

\[ Y_t = a_0 + \sum_{i=1}^{m} a_i Y_{t-i} + \sum_{j=1}^{m} b_j X_{t-j} + u_{1t} \]  

\[ X_t = b_0 + \sum_{j=1}^{m} b_j X_{t-j} + \sum_{i=1}^{m} a_i Y_{t-i} + u_{2t} \]

Where it is assumed that the disturbances \(u_{1t}\) and \(u_{2t}\) are uncorrelated and \(Y_t\) is gross domestic product, \(X_t\) is the Gross fixed capital formation. We have to note that, since we have two variables, we are dealing with bilateral causality. According to Johansen and Juselius (1988), the existence of co-integration means that there are at least unidirectional causal relationship between capital formation and GDP under the constraint \(\delta_1/ + \delta_2/ > 0\) (Gujarati, 1995, s. 653-654).
3.3 Data

The data used in this study for the period 1980-2014, are the series of annual real GDP (Gross Domestic Product) and real GFCF (Gross fixed capital formation) all calculated in constant prices of 2008. While real GDP is representing the economic growth, GFCF represents the Capital Formation. All this data was obtained from the data distribution system of Central Bank of West African States (BCEAO) in the West African CFA franc currency. In order to solve the volatility problem, the real GDP and real GFCF variables have been transformed to logarithms; then they became LGDP and LGFCF.

4. RESULTS AND DISCUSSION

4.1. ADF Unit root test

As the first step, the Augmented Dickey Fuller (ADF) Test as applied in order to check for the stationarity of the variables under investigation. To do so, we need to determine the appropriate lags length by using Akaike criterion. The ADF test results in levels (intercept; trend and intercept) are given in Table-1.

Table-1: ADF test results at intercept, and trend and intercept level

<table>
<thead>
<tr>
<th>Variables</th>
<th>Appropriate Lags Schwarz Info Criterion (SIC)</th>
<th>Variable state</th>
<th>t-ADF Statistic</th>
<th>McKinnon critical %1</th>
<th>McKinnon critical %5</th>
<th>McKinnon critical %10</th>
<th>conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGDP</td>
<td>2</td>
<td>Intercept</td>
<td>1.11</td>
<td>-3.65</td>
<td>-2.96</td>
<td>-2.62</td>
<td>Non-stationary</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>Trend and Intercept</td>
<td>-3.19</td>
<td>-4.25</td>
<td>-3.55</td>
<td>-3.21</td>
<td></td>
</tr>
<tr>
<td>LGFSF</td>
<td>0</td>
<td>Intercept</td>
<td>0.64</td>
<td>-3.64</td>
<td>-2.95</td>
<td>-2.61</td>
<td>Non-stationary</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>Trend and Intercept</td>
<td>-4.00</td>
<td>-4.25</td>
<td>-3.55</td>
<td>-3.21</td>
<td></td>
</tr>
</tbody>
</table>

According to Table-1, all variables are non-stationary in level at 1%, 5% and 10% level of significance. We reconducted the test by differencing all variables and the results of ADF test after first differencing are in Table-2.

Table-2: Augmented Dickey Fuller (ADF) Test Results after first Differencing

<table>
<thead>
<tr>
<th>Variables</th>
<th>Appropriate Lags Schwarz Info Criterion (SIC)</th>
<th>Variable state</th>
<th>t-ADF Statistic</th>
<th>McKinnon critical %1</th>
<th>McKinnon critical %5</th>
<th>McKinnon critical %10</th>
<th>conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(LGDP)</td>
<td>0</td>
<td>Intercept</td>
<td>-8.90</td>
<td>-3.65</td>
<td>-2.95</td>
<td>-2.62</td>
<td>Stationary *</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Trend and Intercept</td>
<td>-6.84</td>
<td>-4.27</td>
<td>-3.56</td>
<td>-3.21</td>
<td></td>
</tr>
<tr>
<td>D(LGFCF)</td>
<td>0</td>
<td>Intercept</td>
<td>-4.24</td>
<td>-3.65</td>
<td>-2.95</td>
<td>-2.62</td>
<td>Stationary *</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>Trend and Intercept</td>
<td>-4.65</td>
<td>-4.26</td>
<td>-3.55</td>
<td>-3.21</td>
<td></td>
</tr>
</tbody>
</table>

*Stationary at 1%, 5% and 10% level of significance

According to Table-2, all variables are stationary in levels at 1%, 5% and 10% level of significance.

4.2. Co-integration results

To investigate long run and short run relationships between the variables, we applied the co-integration test. In this context, the Johansen co-integration test result is given in Table-3.
Table-3: Johansen co-integration test results

Unrestricted Cointegration Rank Test (Trace)

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Trace Statistic</th>
<th>0.05 Critical Value</th>
<th>0.1 Critical Value</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>0.346950</td>
<td>17.86646</td>
<td>18.39771</td>
<td>16.16088</td>
<td>0.0592</td>
</tr>
<tr>
<td>At most 1 *</td>
<td>0.123856</td>
<td>4.231207</td>
<td>3.841466</td>
<td>2.705545</td>
<td>0.0397</td>
</tr>
</tbody>
</table>

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Max-Eigen Statistic</th>
<th>0.05 Critical Value</th>
<th>0.1 Critical Value</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>0.346950</td>
<td>13.63525</td>
<td>17.14769</td>
<td>15.00128</td>
<td>0.1512</td>
</tr>
<tr>
<td>At most 1 *</td>
<td>0.123856</td>
<td>4.231207</td>
<td>3.841466</td>
<td>2.705545</td>
<td>0.0397</td>
</tr>
</tbody>
</table>

Trace test indicates no cointegration at the 5% level
Max-eigenvalue test indicates no cointegration at the 0.05 level
Max-eigenvalue test indicates no cointegration at the 0.1 level
* denotes rejection of the hypothesis at the 0.05 level and 0.1 level

Here the essence-hypothesis (H0) is “There is no co-integration”. According to Trace and Maximum Eigenvalue statistics given in Table-3, there is no cointegration at the 5% level of significance. In other words, this result concludes that there is no long run (cointegrating) relationship between capital formation and economic growth. However, there is one co-integration vector in the long-run significant at the 10% level. Since the null hypothesis is accepted at a significance level of 5 percent, we don’t need to perform the error correction test. This situation leads us to examine whether there is causality nexus between economic growth and capital formation or not.

4.3. Granger causality test results

After the co-integration test we applied the Granger causality test to check the causal relationship between inflation and growth. The Granger causality test results are given in Table-4.

Table-4: Granger causality test results

<table>
<thead>
<tr>
<th>Null Hypothesis:</th>
<th>Observations</th>
<th>F-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DGFCF does not Granger Cause DGDP</td>
<td>32</td>
<td>1.86949</td>
<td>0.1736</td>
</tr>
<tr>
<td>DGDP does not Granger Cause DGFCF</td>
<td>7.26354</td>
<td>0.0030</td>
<td></td>
</tr>
</tbody>
</table>

* There is causality at 5% significance level

According to Table-4, capital formation does not cause the economic growth of Niger. However, economic growth causes the capital formation in Niger. Therefore, we can conclude that there is unidirectional causality relationship from GDP to GFCF at the 5% level of significance. Thus capital formation is caused by economic growth in Niger.

5. CONCLUSIONS AND RECOMMENDATIONS

The aim of this study has been to investigate the relationship between capital formation and economic growth in Niger from 1980 to 2014. The methodology used in this study has been the Johansen co-integration and Granger causality test after performing the ADF unit-root test. To examine this relationship, the Gross fixed capital formation was used as a proxy for capital formation and the GDP

© Copyright by Author(s)
as a perfect proxy for economic growth. We did not find any case study of Niger about relationship between capital formation and growth. Most empirical studies have argued that capital formation has a positive impact on the economy.

Firstly, a stationarity test was performed using the Augmented Dickey-Fuller test. The null hypothesis which is “H₀: there is existence of a unit root” was accepted at levels but rejected at first difference suggesting that the variables are stationary at significance level of 1% and 5%. The co-integration test result showed that there is no cointegration at the 5 percent level of significance, suggesting that there is no long run (cointegrating) relationship between capital formation and economic growth. As the co-integration test did not give a satisfactory result, we made the causality test. In order to check the causality relationship between the two variables, the causality test was performed by employing the Granger causality test. The causality test result suggested that there is unidirectional causality from economic growth to capital formation. This study suggested that higher economic growth leads to higher capital formation and that Niger government must increase investments in order to create a suitable economic atmosphere for the capital formation.
REFERENCES


Selected Antecedents Impacts on Performance of Employees

Ashraf Mohammad Alfandi, Irbid National University, Jordan

ABSTRACT

The focus of this study is on how organization culture, manager attitude, financial incentives, training and satisfaction with work influence employees’ performance at the five stars hotels in Jordan. Multiple regression was used to predict employees’ performance and explain the impact of five predictors of employee performance. Correlation was used to compare the relationship of study variables. The results of multiple regression indicated that financial incentives were the strongest predictor of employees' performance followed by satisfaction with work, manager attitude, and training. Organization culture was found to have no influence on the employees' performance. The combination of the five variables can predict approximately 48 percent of the variance of employees' performance. Overall interrelations among the independent variables showed a strong positive relationship and are positively related to employee performance. Based on the study findings, several recommendations are offered. Finally, the implications for management are discussed.

INTRODUCTION

In the tourism industry, human resources are the key element in achieving organizational goals by increasing the effectiveness and efficiency of the organization (Elmaga and Imran, 2013). Human resources are considered one of the most important assets as their performance determines service quality and delivery, which are finally reflected in customer satisfaction. Hence, the success or failure of any business mainly relies on its employee’s performance that we can define as the achievement of specified tasks measured against predetermined or identified standards of accuracy, completeness, cost, and speed (Cooke, 2000). Nevertheless, the question arises of how an employee can work more effectively and efficiently to increase the growth and the productivity of an organization. Throughout the literature, there are many factors found to have significant impacts on the employee's performance such as flexible scheduling, financial incentives, organizational culture, working environment, training, manager’s attitude, personal problems, job content, and many other factors (Armstrong, 2000; Mathis and Jackson, 2009).

PROBLEM OF THE STUDY

The literature review showed that the development of any organization is directly dependent upon the performance of the human element through work quantity, quality, as well as speed of work achievement, which reflects on the overall performance in the organization. However, there is a lack of previous Arabic studies in the sector of hotel industry especially in Jordan in terms of investigating the factors that influencing the employee’s performance especially at the five stars hotels. Therefore, the present study tends to overcome this issue and provides insight and recommendations for the Jordanian hotels by the factor that influencing their employees’ performance.

OBJECTIVES OF THE STUDY

It is generally agreed that the more a manager can answer the question of what influences their employees' performance, the more effective they will be at enhancing their organization general performance. As such, the main objective of the current study is to identify the factors that influence employees’ performance at the five stars hotel sector in Jordan. This main goal divided is into the following sub objectives:

1. To find out what influence the organization culture has on employee performance in the hotel sector of Jordan.
2. To find out what influence have employee training program has on employee performance in the hotel sector of Jordan.
3. To find out what influence financial incentives have on employee performance in the hotel sector of Jordan.
4. To find out what influence manager attitude has on employee performance in the hotel sector of Jordan.
5. To find out what influence satisfaction with work has on employee performance in the hotel sector of Jordan.

To develop guidelines for assessing employee performance at five stars hotels in Jordan.

QUESTIONS OF THE STUDY

This study seeks to answer the following key research questions:

RQ1: How well does the level of organization culture, financial incentives, training, manager attitude and satisfaction with work influence employee performance at the five stars hotel sector of Jordan?

RQ2: Which factor has the greatest influence on the employee performance?

The first main question was divided into the following sub questions:

1. Is there an impact of organization culture on the employees' performance in the hotel sector of Jordan?
2. Is there an impact of employee training program on the employees’ performance in the hotel sector of Jordan?
3. Is there an impact of the financial incentives on the employees' performance in the hotel sector of Jordan?
4. Is there an impact of manager's attitude on the employees' performance in the hotel sector of Jordan?
5. Is there an impact of satisfaction with work on the employees’ performance in the hotel sector of Jordan?

LIMITATIONS OF THE STUDY

This study is limited to investigating the factors influencing employee performance in the five star hotel sector in Jordan from the perspective of the hotels’ employees in addition to the chairmen. More specifically, this study dealt with hotels in the capital city of Jordan, Amman, as most of the five stars hotels in Jordan are found there. The study was conducted in 2015.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Factors influencing Employees’ Performance

Performance in general deals with the outcomes, results and accomplishments achieved by a person, group, or organization (Rothwell et al., 2007). Organization performance focuses on the organizational ability to meet the customer’s needs, compete in the market, and carry out the strategies related to the organization and achievement of goals. On the other hand, ‘individual performer’ relates to the people that are performing activities related to work (Heck and Maroulides, 1993).

The concept of employee performance means the goals that institutions seek to achieve through their employees. It connects activities and goals via employees' duties inside institutions. It is the individuals’ responsibilities, activities and duties, that their work consists of, which should be done in the right way taking into consideration the qualified employees’ abilities to do them. It is the achievement of specified task measured against predetermined or identified standards of accuracy, completeness, cost, and speed (Cooke, 2000).
The literature review shows numerous factors that could influence the employee's performance at the workplace. For instance, Elnaga and Imran, (2013) found in their study that those employees who receive periodical effective training sessions are more able to perform well on the job by increasing the quality of work, hence achieving organizational goals and gaining competitive advantage. Along the same lines, Badado (2006) found in his study that unavailability of the scientific competences to perform training and education processes in the Jordanian tourism sector negatively influence performance of the employees. Studies provide evidence of the positive impact training when delivered to hotel employees in such way that there is a support of the organization, adequate resources, and the peer support of colleagues. Then, it will have a greater effect on intention and actual behavior of the food handler, increasing the likelihood that safe working practices are carried out at all times (Seamen and Eves, 2005). Another study conducted by Griffin and Neal, (2000) showed that training and knowledge about work place safety and motivation to perform safely influences individual reports of safety performance and mediated the link between safety climate and safety performance. Garavan, (1997) provides evidence of the positive impact that social skills training can have on improving the quality of customer service within a hotel environment. The customers in that study reported that the overall quality of service improved during the time the receptionists were receiving social-skills training.

Employees training is considered one of the important factors that save time and cost (Baum and Devine, 2007) even though it is costly to give training, but in the long run it gives back more than it takes (Flynn et al., 1995; Kaynak, 2003). It is an investment by the firms that not only bring high return on investment but also supports to achieve competitive advantage by providing employees with information and administrative, technical skills required to carry out their work in an efficient and effective way (Elnaga and Imran, 2013; Horng and Lin, 2013; Gana and Bababe, 2011; Jabeen, 2011). Training is a process of building up confidence of employees at a workplace in terms of better performance (Horng and Lin, 2013; McClelland, 2002). Training plays an important role in human resource development to achieve objectives of the organization. If training is seen favorable by employees and positively influences their attitudes, this should positively affect their performance in the workplace. Based on these arguments, the following null hypothesis is proposed:

\((H_01)\): There is no statistical effect of training programs on the employee's performance in the Hotel sector of Jordan.

Incentives

Incentives are external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual’s excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution (Palmer, 2012). Scholars have worked hard to come up with a comprehensive description of how to enhance the professionalism of the employees and how the administration chooses active individuals, and how to connect the institutions’ goals to the personal objectives of the individuals, which will improve their performance. Many studies focused on the importance of the incentive in relation to its role of employees' performance. For instance, a study by Abbas and Hammadi (2009) showed that poor participation by the employees in decision-making and lack of concrete incentives negatively affecting their performance. Other studies clarify the relationship between the incentives methods employed in different public institutions, and found that there is a strong relation between the incentives and loyalty towards the organization which, as a result, affects the performance at work (Al-Fares, 2011).

An incentive involves the concept of material and climate of moral values and they are also a central point for different activities in modern institutions and work environments. Concrete incentives are what are called direct compensation systems such as salaries, rates, and bonuses. On the other hand, moral incentives are called indirect compensation systems such as the stability of the work, participating in decision-making, commitment, pertinence, promotion, and appreciating the Employees' Performance by thanking them. Incentives are the consideration of excellent performance, which could be in the quality, quantity or abundance in the work's time or even in the costs (Palmer, 2012). Al-Nsour (2012)
provides evident of the positive relationship between financial and moral incentives and organizational performance as well as between financial and moral incentives and internal business processes and customer satisfaction. It is plausible that successful organizations set an active incentive system capable of affecting employee performance in a way that pushes them to working harder and maintain the goals of the institution (Alfandi and Alkahsawneh, 2014). In the current study, the focus is on the concrete incentives. More specifically, this study looks at the financial incentives (the most common incentive motivator) and its effect on employees performance. Based on the above findings, the following null hypothesis is proposed:

(H02): There is no statistical effect of financial incentives on the employee's performance in the five star hotel sector of Jordan.

Manager Attitude

Many other variables could affect the performance of employees at work place. One important factor is the employees' satisfaction about their manager's attitude (Mathis and Jackson, 2009). In this context, a theory developed that constitutes most about the two-way relationship between the manager and employee. This theory called Leader-Member interaction (Truckenbrodt, 2000:234). The Leader-Member Interaction theory assumes that the leader does not treat all subordinates in a similar way and focuses on the mutual relations that every leader establishes (Dansereau, Graen and Haga, 1975; Gerstner and Day, 1997:827; Graen and Uhl-Bien, 1995:220). If employees are happy with the work they perform, the satisfaction will occur (Hackman and Oldham, 1975). Consequently, the leaders do not have a uniform interaction with the audience since they have limited time and resources. In the relationship between the leader and the follower, a high level of trust, respect and compliance with obligations are the main determinants of the change relationship (Saeed et al., 2013).

Many studies confirmed this relation and found that manager attitude and manager's unbiased behavior toward their employees will lead to high level of employee as well as organizational performance (Truckenbrodt, 2000:234; Pellegrini and Scandura, 2006:268; Liden and Maslyn, 1998:43; Scandura and Schriesheim, 1994:1590; Liden and Graen, 1980:451-452; Klein and Kim, 1998:89). Based on the previous discussion, the proposed hypothesis is as follows:

(H03): There is no statistical effect of manager attitude on the employee's performance in the Hotel sector of Jordan.

Organizational Culture

Gibson et al (2006) define organizational culture as the system that penetrates values, beliefs, and norms in each organization. Uddin and Luva (2013) view organizational culture as the collection of traditions, values, beliefs, policies, and attitudes that constitute a pervasive context for everything one does and thinks in an organization. It is a set of shared values, beliefs and norms that influence the way employees think, feel, and behave in the workplace (Schein, 2011). Organizational culture refers to the underlying values, beliefs, and principles that serve as a foundation for the organization's management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles.

Some theoretical models emphasize that a successful human resource system is based on supporting values that create a positive impact on employees’ attitudes and behaviors, which in turn influence their performance (Ferris et al., 1998). Early studies have indicated that there exists a relationship between organizational culture and its performance and asserted that positive organizational cultures enhance employee performance. They agreed that the level of well-managed and strong culture is related to level of performance of an organization through positive employee performance (Siehl and Martin, 1990; Heck and Maroulides, 1993). Researchers argued that organizational culture is inherently connected to organizational practices, which in turn positively influence employees’ performance (Magee, 2002; Hellriegel and Slocum, 2009).
Employees need a supportive organizational culture to attain their individual objectives. Organizational culture functions in the internal integration and coordination between a firm’s operations and its employees, where it fails to fulfill these functions to a satisfactory level, employees may be influenced negatively (Furnham and Gunter, 1993). Where a positive culture supports adaptation enhances employees' performance by motivating, shaping and channeling their behaviors towards the attainment of corporate objectives (Daft, 2010). Subsequently, in strong work cultures, employees are working to achieve the organizational goal but in weak work cultures, employees are working for their individual goals (Oparanma, 2010).

Based on these arguments, the proposed null hypothesis is as follow:

**(H04):** There is no statistical effect of organization culture on the employee's performance in the hotel sector of Jordan.

**Satisfaction with Work**

The emotional reaction that employees exhibit towards their job is called satisfaction with work (Hoppock, 1935). Job satisfaction can be defined as positive emotional feelings resulting from acceptable evaluation of his or her experience in the job (Locke, 1976; Hulin and Judge, 2003). Edwards, et al. (2008, p 442) and Aamodt, (2009) refer to job satisfaction as an evaluative judgment about the degree of pleasure an employee derives from his or her job that consists of both the affective and cognitive components. Iverson and Maguire, (2000:53) see job satisfaction as the attitude an employee has toward his job as well as their positive or negative assessments about various aspects of the working environment. In sum, it is the feeling that people have about the job they perform which could be negative, positive, or moderate.

Several previous studies provided evident of the positive influence of employee satisfaction on their performance. For instance, a study conducted by Gu and Siu (2009) on relationships between job satisfaction and job performance among the employees working in Macao casino hotels found a significant relationship between job satisfaction and job performance. Nimalathasan and Brabete (2010) carried out a study on job satisfaction and job performance and found that there is a positive relationship between the two variables. In the study conducted by Prasanga and Gamage (2012) the findings indicate that job satisfaction is one of the most important factors in determining job performance and leads to high performance. Based on the above evidence, it could be concluded that job satisfaction is shown to be positively associated with job performance (Gül and Özcan, 2011:88).

Highly performing individuals will be able to assist the organization to achieve its strategic aims thus sustaining the organization competitive advantage (Dessler, 2010). Employees satisfaction with their job is very healthy to any organization as it positively influences productivity (McNeese-Smith, 1997), enhancing customers’ satisfaction (Burke et al., 2005), encouraging better performance and efficiency (Kalleberg, 1977; Sousa-Poza and Sousa-Poza, 2000). Based on the above findings, the following hypothesis is proposed:

**(H05):** There is no statistical effect of satisfaction with work on the employee's performance in the Hotel sector of Jordan.

**METHODODOLOGY**

**Data Collection**

In order to cover the theoretical part of the study, several books, publications and other theoretical references relevant to the topic were reviewed. The descriptive analytical approach of data analysis was used through field survey of the community studied, that is the employees at five stars hotels in the capital of Jordan, Amman, and then analyzing the collected data by using the statistical analysis program SPSS (Statistical Package for Social Sciences) for testing the hypotheses through regression analysis, depending on a questionnaire as a major tool in collecting the needed data for the topic of the study.
Validity and Reliability Tests

The superficial validity of the measurement method was proven through presenting the questionnaire to five academics and three industry experts in order to benefit from their experiences. The instructors' comments were helpful for enriching the study by making modifications to some paragraphs related to the language structure, clarity and the harmony of the study field. In addition, the Gronbach Alpha test was used even though all items used were adopted and previously tested for its validity and reliability. The findings showed a score ranging between 62% and 72% for all questionnaires' paragraphs, which is good compared to the acceptable percentage, which is 60% (Hair et al., 2007; Balsley and Vernon, 1988). Hence, each subscale was suitable for the later analysis.

Measures and Measurement Methods

A five points Likert scale was used in this study in order to present the questions of the questionnaire. The scales were divided as (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree. Based on these scales, the sum of these scales was 15 and therefore the average is 15/3= 3.

To measure training programs, seven items were adopted and modified from the previous work of Galanou and Priporas (2009). For manager attitudes, four items were adopted from Kalkavan and Katrinli (2014) who previously adopted it from Hackman and Oldman (1975). The organization culture instruments that were used in this study are nine items adopted from previous work by Al-Yahya (2008) who previously adopted it from Glaser et al. (1987). Glaser et al. (1987) provided four operational measures of organizational culture grounded in both management and communication research: teamwork, climate-morale, involvement, and management supervision. Job performance was measured with six items that were adopted from Şahin (2011) who derived them from job performance literature by Motowidlo and Van Scotter (1994). Three items were used to measure job satisfaction adopted from Hackman and Oldham (1975). Five items were adopted from Alfandi and Alkahsawneh (2014) to measure the financial incentives.

Study Population, Sample Size, Sampling Technique

According to the Jordanian Ministry of Tourism and Antiquities (2015), there are 31 five star hotels in Jordan, 14 of them located in Amman. The number of employees working in hotels in Jordan reached 18,644 employees in that year. Approximately 9000 employees working in classified hotels (from one to five stars) located in the capital of Jordan Amman. Of the 9000 employees, about 4900 employees worked in the five stars hotels that are located in Amman, the capital of Jordan. As such, the study population, who consisted of employees working in the five stars hotels in Amman, is around 4900 employees.

In terms of sample size, Roscoe (1975) has mentioned that the most appropriate sample size of most researches is larger than 30 and smaller than 500. In a similar vein, David and Sutton (2004) stated that researchers can reckon the sample size relying on their experience and with consideration to cost and time, however, it should not be less than 30. In the context of the tourism industry, Veal (2006) mentioned that the sample size of 10,000 population equals 370 sample units, and 500,000 and above equals 384. Based on this, and to choose a safe number of respondents, the sample size that was chosen for this study was 200 respondents as we have about 4900 employees as study population.

The sample was chosen randomly (random sampling method) and it consisted of full time employees working in different departments in the hotels. As for the respondents of the sample, they were 200 employees who received questionnaires. 174 questionnaires were returned, which forms 87% of the sample. Of these, 10 were found to be invalid, resulting 164 valid surveys with a final response rate of 82%.
CHARACTERISTICS OF THE SAMPLE OF THE STUDY

Across the sample of the study, the average age was 31 years. Approximately 11% were female. This might be attributed to the declining huge ratio of females in the tourism and hotel sector in Jordan. Around 86% of the samples were Jordanian by nationality. The marital status breakdown was 61% married and 39% single. Most of the respondents have a diploma or degree level (95%). Based on the respondents’ job tenure information, only 8% have been working for more than 7 years in their current hotels, 36% have been working for at least 4 to 6 years whereas 29% have been working for 1 to 3 years and 27% had longevity of less than 1 year.

ANALYZING THE RESULTS OF THE STUDY

The following section explains the results of the descriptive statistical test of the study variables.

Table 1: Descriptive statistics of employee training

<table>
<thead>
<tr>
<th>Employee Training</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can accomplish job tasks better and faster after having the training.</td>
<td>4.8</td>
<td>.852</td>
</tr>
<tr>
<td>Personal relation do not interfere with the employees’ participation in the training courses</td>
<td>3.7</td>
<td>.879</td>
</tr>
<tr>
<td>The hotel provides yearly systematic training plan</td>
<td>2.6</td>
<td>.971</td>
</tr>
<tr>
<td>Training plan based on employees’ training needs</td>
<td>4.0</td>
<td>1.021</td>
</tr>
<tr>
<td>The hotel believes that training is the best way to acquire necessary skills to their employees.</td>
<td>3.8</td>
<td>.787</td>
</tr>
<tr>
<td>The hotel involve all employees in training courses</td>
<td>3.1</td>
<td>.554</td>
</tr>
<tr>
<td>Training plans and programs of the hotel are under of continuous development in accordance with any developments.</td>
<td>2.9</td>
<td>.845</td>
</tr>
</tbody>
</table>

Grand mean of Employee Training 3.2

The table above explains the attitudes of the sample towards training programs applied at Jordanian five stars hotels. The arithmetic means ranges from (2.6) in their least limit for the paragraph “The hotel provides yearly systematic training plan” to (4.8) in their highest limit for the paragraph “I can accomplish job tasks better and faster after having the training”. The general arithmetic mean was close to the neutral level with an arithmetic mean of (3.2). It could be consider as not high which shows a low percentage of employees who think that the hotel does not give systematic training plan in a yearly way and training plans and programs of the hotel are not under of continuous development in accordance with any developments. Still, they agree that they accomplish job tasks better and faster after having training.

Table 2: Descriptive statistics of Manager Attitude

<table>
<thead>
<tr>
<th>Manager Attitude</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I receive respect and fair treatment from my boss</td>
<td>3.0</td>
<td>.730</td>
</tr>
<tr>
<td>I receive support and guidance from my supervisor</td>
<td>3.2</td>
<td>.856</td>
</tr>
<tr>
<td>I receive quality of the supervision in my work</td>
<td>3.3</td>
<td>.602</td>
</tr>
<tr>
<td>Supervisor’s positive attitude increases my performance</td>
<td>4.1</td>
<td>1.049</td>
</tr>
</tbody>
</table>

Grand mean Manager Attitude 3.4

The table above explains the attitudes of the sample towards their satisfaction with their manager at the Jordanian five stars hotels. The general arithmetic mean reached (3.4) which shows a good level of employee satisfaction. They strongly believe that supervisor’s positive attitude increases their performance.
Table 3: Descriptive statistics of organization culture

<table>
<thead>
<tr>
<th>Organization Culture</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Employees in this hotel are provided with clear vision about the future</td>
<td>3.0</td>
<td>.752</td>
</tr>
<tr>
<td>2 There is emphasis on studying and solving employees’ problems and needs</td>
<td>3.1</td>
<td>.874</td>
</tr>
<tr>
<td>3 Employees receive regular performance appraisal on how they perform</td>
<td>3.8</td>
<td>.771</td>
</tr>
<tr>
<td>4 All work members have an equal treatment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 There is strong interest among employees in this hotel to function as team</td>
<td>3.0</td>
<td>.987</td>
</tr>
<tr>
<td>6 Everyone in the group knows what the other people do</td>
<td>2.9</td>
<td>.654</td>
</tr>
<tr>
<td>7 Employees are open and share their ideas with each other</td>
<td>2.8</td>
<td>.545</td>
</tr>
<tr>
<td>8 Most decisions and work policies are made by management with some prior detailed information</td>
<td>3.2</td>
<td>.654</td>
</tr>
<tr>
<td>9 Most decisions and work policies are made by management after consulting employees</td>
<td>2.7</td>
<td>.956</td>
</tr>
</tbody>
</table>

Grand mean of Organization Culture 3.0

The table above explains the attitudes of the sample towards the organization culture of the Jordanian five stars hotels. The arithmetic means ranges from (2.7) in their least limit for the paragraph “Most decisions and work policies are made by management after consulting employees” to (3.8) in their highest limit for the paragraph “Employees receive regular performance appraisal on how they perform”. The general arithmetic mean was at a neutral level reaching (3.0). It could be concluded that employees are not open and they do not share their ideas with each other (Teamwork Scale mean reached 2.9). Further, they think that management makes most decisions and work policies without consulting them (involvement scale mean reached 2.9). However, they still receive regular performance appraisal on how they perform.

Table 4: Descriptive statistics of job performance

<table>
<thead>
<tr>
<th>Job Performance</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I find effective solutions to problems</td>
<td>3.5</td>
<td>1.030</td>
</tr>
<tr>
<td>2 I adapt easily to changing situations</td>
<td>3.9</td>
<td>.956</td>
</tr>
<tr>
<td>3 I assume a sense of ownership and responsibility in the quality of personal Performance</td>
<td>2.9</td>
<td>.902</td>
</tr>
<tr>
<td>4 I strive to meet deadlines</td>
<td>3.9</td>
<td>1.039</td>
</tr>
<tr>
<td>5 I encourage people to do more than what is expected</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>6 I create effective work relationship with others</td>
<td>4.1</td>
<td></td>
</tr>
</tbody>
</table>

Grand mean of Job Performance 3.6

The table above explains the attitudes of the sample towards their job performance at the Jordanian five stars hotels. The general arithmetic mean reached (3.6) which shows a good level of employees’ job performance perceptions. They believe that they create effective work relationships with others and they adapt easily to changing situations in addition to striving to meet deadlines at work. However, they are not assuming a sense of ownership and responsibility in the quality of personal performance.
Table 5: Descriptive statistics of satisfaction with work

<table>
<thead>
<tr>
<th>Satisfaction with Work</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I am satisfied with my general work situation</td>
<td>3.1</td>
<td>1.040</td>
</tr>
<tr>
<td>2 I would advise a friend looking for a new job to take one similar to mine</td>
<td>3.2</td>
<td>0.756</td>
</tr>
<tr>
<td>3 I just hate to get up in the morning to go to work</td>
<td>3.0</td>
<td>0.965</td>
</tr>
<tr>
<td><strong>Grand mean Satisfaction with Work</strong></td>
<td><strong>3.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

The table above explains the attitudes of the sample towards their satisfaction with their work at the Jordanian five stars hotels. The general arithmetic mean was close to the neutral level with an arithmetic mean reaching (3.1) which shows a low percentage of satisfaction from the employees. They believe that they are not that satisfied with their general work situation at the hotel.

Table 6: Descriptive statistics of financial incentives

<table>
<thead>
<tr>
<th>Financial Incentives</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I think that the financial incentives regulations in the hotel are fair</td>
<td>3.1</td>
<td>1.030</td>
</tr>
<tr>
<td>2 Giving financial incentives affects functionality positively</td>
<td>4.7</td>
<td>0.956</td>
</tr>
<tr>
<td>3 Majority of exceptional financial incentives were based on efficiency in performance</td>
<td>3.2</td>
<td>1.002</td>
</tr>
<tr>
<td>4 Majority of financial incentives at work are given according to seriousness and hard work</td>
<td>3.4</td>
<td>1.039</td>
</tr>
<tr>
<td>5 Manager usually recommends giving financial incentives to the effective employee</td>
<td>2.9</td>
<td>1.030</td>
</tr>
<tr>
<td><strong>Financial Incentives</strong></td>
<td><strong>3.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

The table above explains the attitudes of the sample towards the financial incentives applied at Jordanian five stars hotels. The arithmetic means ranges from (2.9) in their least limit for the statement “Manager usually recommends giving financial incentives to the effective employee” to (4.7) in their highest limit for the paragraph “Giving financial incentives affects functionality positively”. The general arithmetic mean was close to the neutral level with an arithmetic mean reaching (3.4). This is a good level, however, it could be consider as not high which shows a quite low percentage of satisfaction from the employees who think that the managers do not usually recommend financial incentives to the effective employees and bonuses and rewards regulation is not fair even though they believe that financial incentives does improve their functionality at work.

**Correlation Analysis**

In order to obtain an understanding of the relationship between variables used in this study, the computation of the Pearson correlation coefficients was performed. Correlation analysis was conducted on the data of the survey based on the independent variable of training, satisfaction with work, manager attitude, financial incentives, and organization culture against the dependent variables of employees' performance.

Correlation is significant when the value is less than 0.05. The result showed that all variables in the research model are significantly correlated. A majority of correlation values of the variables showed correlations coefficients with values below 0.69.

In terms of the correlations between the dependent variables and the employees' performance as the dependent variable, a strong correlation was found between financial incentives and employees' performance \(r = 0.69\) followed by strong correlations between satisfaction with work and employees' performance \(r = 0.61\). On the other hand, a only moderate relationship between manager attitude and training with employees' performance was found with the correlations of (0.30) and (0.32) respectively.
A low correlation was also found between organization culture and employees' performance with the correlation of (0.11).

To examine the multicollinearity among the variables in this study, variance inflated factor (VIF) and tolerance tests were adopted. Hair et al. (2007) define tolerance as the amount of variability of the selected independent variable not explained by the other independent variables, while VIF is the opposite of tolerance value. For the purpose of this study, the two tests were conducted to determine the multicollinearity assumption and the values of VIF and tolerance used showed no multicollinearity between the variables as their values less than 10 for the VIF and more than 0.10 for tolerance as suggested by Field (2005).

Hypotheses Testing

The multiple regressions were used to test the hypothesis of the study as there is more than one independent variable affecting dependent variables. The interruption of the regression analysis is based on the standardized coefficient beta, R square and if its calculated value was higher than its tabulated value that provides evident whether to support the hypotheses stated earlier. Since regression analysis is very sensitive to outliers, standardized residual values above 3.0 or less than 3.0 was deleted by casewise diagnostic in the regression analysis in SPSS package.

Table 7: The influence of training, organization culture, manager attitude, financial incentives and satisfaction with work on employees' performance.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>B</th>
<th>SE B</th>
<th>B</th>
<th>Sig. P&lt;.05</th>
<th>R square</th>
<th>F</th>
<th>Sig. F; p&lt;0.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization culture</td>
<td>.221</td>
<td>.048</td>
<td>.031</td>
<td>.087</td>
<td>.477</td>
<td>21.565</td>
<td>0.00**</td>
</tr>
<tr>
<td>Training</td>
<td>.144</td>
<td>.048</td>
<td>.061</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial incentives</td>
<td>.115</td>
<td>.058</td>
<td>.233</td>
<td>.049</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager attitude</td>
<td>.164</td>
<td>.052</td>
<td>.170</td>
<td>.002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction with work</td>
<td>.163</td>
<td>.060</td>
<td>.189</td>
<td>.007</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B: Unstandardized coefficient beta;
SEB: standard error of regression coefficient;
β: Beta coefficient.

Employees' performance was regressed on the five independent factors. From the first run of the test, the casewise diagnostics indicate that observation numbers 15 and 31 were found to be outliers and hence deleted in the next regression run. The table above provides evident of the influence of the independent variables on the employees performance. The value of calculated F is higher than tabulated F value at the confidence level (α≤ 0.05), and the value of statistical significance level is (0.000) which is less than the value of the confidence level (α≤ 0.05). The F-statistic (F= 21.565, p< .01) indicates that the relationship between independent and depend variables is significant. The R square obtained indicates that the independent factors account of 48 % of the variation in the employees' performance. More specifically, 48% of the change in the degree of job performance of employees can be explained by the factors of satisfaction with work, manager attitude, training, financial incentives and organization culture that are included in the regression equation.

Four out of five independent variables were found to have a significant influence on the employees’ performance. These are satisfaction with work, manager attitude, financial incentives and training. Therefore, it is fair to say the following null hypotheses are rejected and the alternative five hypotheses are accepted (H01: H02: H03: H05). However, the finding from the current study showed that organizational culture does not influence employee performance. As such, the fourth null hypothesis (H04) was accepted.

To investigate which factors have the most influence on employees' performance, the beta values were used. Based on the size of beta values, the predictors variables exercising the most influence on employees' performance was financial incentives (β=.23), followed by satisfaction with work (β=19), manager attitude (β=17) and finally training (β= 6). It is important to note that the tolerance and VIF
values shown in the output indicates that no multicollinearity effect among the independent variables on dependent variables.

CONCLUSION
This study examined the influence of organization culture, manager attitude, financial incentives, training and satisfaction with work on employees’ performance at the five stars hotels found in the capital of Jordan, Amman. Descriptive statistics, Pierson correlation coefficient and Multi-variable regression were used to test the hypotheses in the current study. The obtained result revealed that there is a positive and significant influence of employees’ satisfaction with work, financial incentives, training, and manager attitude on employees' performance. Financial incentives were found to be the most influential factor on the employees' performance (β= 0.23). Nevertheless, there was no significant influence of organization culture on employees' performance.

The finding from the current study showed that organizational culture does not influence employee performance. The results support Syauta, (2012) and Ghani (2006) who stated that there is not a direct influence of organizational culture on performance and Rousseau, (1990) who showed that there is no positive correlation between culture and employees performance. This could be because the impact will occur if mediated by employee behavior. Furthermore, because of that organizational culture value (including bureaucracy, innovative and supportive) should be socialized to employee in each employee work so the organizational culture can be instilled in employees so they able to work better for company. In addition, to measure the organization culture in the current study, we used four scales, which are the management supervision, involvement, teamwork, and climate-morale scale. These scales could be seen as organizational constructs rather than individuals constructs. Therefore, perhaps they should be expected to predict organizational performance rather than individual performance.

The result also showed that the perception of the sample regarding the training program provided by their hotel was quite moderate. They think their hotel does not give systematic training plan in a yearly way and training plans and programs of the hotel are not under continuous development in accordance with any new thinking or methods. However, they agreed that they accomplish job tasks better and faster after having training. Regarding the attitudes of the sample towards their satisfaction with their manager at their Jordanian five star hotel, they strongly believe that supervisor’s positive attitude increases their performance. In terms of the attitudes of the sample towards their satisfaction with their work, the general arithmetic mean shows a low percentage of satisfaction from the employees. They believe that they are not that satisfied with their general work situation at the hotel. Regarding the financial incentives applied at Jordanian five stars hotels, the tested sample in the current study agreed that their managers do not usually recommend giving a financial incentives to the effective employee even though they believe that giving financial incentives affect the functionality positively.

RECOMMENDATIONS AND LIMITATIONS
Counting upon the study results, we review here the most important recommendations for the five stars hotels. This current study provides a better understanding for hotel managers regarding financial incentives in order to foster employees’ performance. When employees are fully satisfied with their pay and with the incentives they perceive, this will result in a higher level of job performance. This probably will occur through job satisfaction, higher self-esteem, more confidence and more willingness to take on new challenges. As such, giving incentives should be linked practically with the level of performance as to distinguish the excellent employees according to their performance; this will enhance the employees’ desires to do their best in order to improve their performance, and therefore incentives will be linked to improving their performance. In addition, hotel managers should keep on giving incentives in the appropriate time and not delaying them so as not to weaken the goal of the incentives. The results of performance evaluation should necessarily be the base for both appreciation and punishment, especially when using either positive or negative incentives as to guarantee achieving the purposes of incentive and bonuses regulations. This could be one of the best strategies to create an effective and satisfied employee, which results in higher levels of job performance. Five stars hotels should commit to paying attention to training programs and put them into force, for it has several advantages. In this light, they should take care of employees as they do of beneficiaries and shall work on having them
trained in order for their abilities and skills to be improved. Employees' satisfaction with their job and with their manager attitude is not less important than other factors. Therefore, hotels managers should pay attention to create satisfied employees through different techniques in order to generate effective and efficient employees at their hotels.

Due to the small sample size, this study failed in generalizing the findings to the whole hotel industry in Jordan. Besides that, there are a few limitations of the study that are worth addressing. It is would be useful to extend the samples to include hotels not only in Amman but also to other cities, which can increase the number of received responses. With the increase of the number of respondents, more advanced statistical analyses could be carried out to confirm on the proposed research model. Furthermore, it would be interesting to compare the findings between five stars hotels in different states as different states have different business and human environmental factors may have influences on employees’ performance, too. In addition, it would also be interesting to compare the findings between five stars hotels and other categorized hotels such as four or three stars hotels. Secondly, this study did not consider detailed characteristics of hotels as different types of hotel (such as international chain, independently owned, local chain) which might have significant influences on employee performance, too. Hence, considering this gap by comparing the findings in different types of hotels may be an interesting insight for future studies. Finally yet importantly, this study failed into taking consideration other factors such as employees’ emotional intelligence, role ambiguity, empowerment, teamwork and customer’s characteristics such as profitability of the guest, rapport of the guest with the service providers in influencing employees’ performance. By taken into consideration of all these variables it may provide more holistic pictures to the study of employees' performance, which are worth considering in future studies.
REFERENCES


Mcneese-Smith, DK (1997),‘The influence of manager behavior on nurses’ job satisfaction, productivity, and commitment’, *Journal of Nursing Administration*, 27(9), 47-55.


Truckenbrodt, Yolanda B. (2000). The Relationship between Leader-Member Exchange and Commitment and Organizational Citizenship Behavior, Acquisition Review Quarterly, Summer, 233-244.


New IFRS 7 Hedge Accounting Disclosure Requirements as a Way of Achieving Greater Transparency in Risk Management Activities

Milutin Živanović, University of Belgrade, Serbia

Abstract

Exposure to various types of financial risks can greatly weaken the ability of key stakeholders to foresee future performance of the businesses in which they invest their resources. Companies hedge financial risks on an on-going basis in order to maximise their value. Using derivatives as specialised financial instruments, companies seek to reduce exposure to interest rate, foreign exchange, price and credit risks which represent basic types of financial risks that can be controlled by using derivative financial instruments. Having in mind that hedge transactions represent transactions that occur on a daily basis in the business life of some companies, their consequences on the financial position of the company and its earnings must be presented in the financial statements.

The first hedge accounting model was developed by accounting regulatory bodies in the context of IAS 39 in order to ensure that hedge transactions would be reflected in the financial statements. However, after it became clear that hedge accounting rules contained in IAS 39 are too complex and do not provide sufficient scope of the actual hedging strategies, the IASB introduced new hedge accounting model in a separate part of IFRS 9 – Financial Instruments. Development of a new hedge accounting model led to significant innovation in terms of hedge transaction disclosure requirements, which are contained in the International Financial Reporting Standard 7 Financial Instruments - Disclosures. In fact, a number of empirical studies that measured the quality of hedge transaction disclosures from a perspective of users of financial statements showed a very low percentage of those who were satisfied with disclosure quality. As users of financial statements expressed a high level of dissatisfaction regarding the disclosure of hedge transactions, considering them insufficiently transparent and useful, the IASB decided to improve the quality of related disclosures and, accordingly, made appropriate changes to certain parts of the IFRS 7. This paper will reflect on how such quality improvements can affect transparency of risk management strategies and what would be the possible benefits for users of financial statements.

Key words: financial risks, hedging, hedge accounting, IFRS 9, IFRS 7, disclosure requirements

Introductory Considerations

Globalization of business operations and financial markets has given rise to intensified existing and arising new types of risks encountered by businesses on a daily basis. Such circumstances accelerated the process of financial engineering since a great many entities felt the need for financial instruments that would enable adequate risk management. This is what brought about derivative financial instruments and, consequently, hedging transactions. As accounting represents one of the basic information systems, in order to develop adequate rules, it has to be ready to adapt to the changes in the environment and support the transactions entered into by entities.
The hedge accounting model developed within IAS 39 was subject to substantial criticism, both by the academic and professional communities. This model used to be described as too complex, insufficiently informative and based on rather rigid rules. Application of such a model commonly resulted in incomplete financial statements that did not adequately reflect all the actually implemented hedging strategies. A number of empirical studies have confirmed the weaknesses mentioned and driven regulators to work more thoroughly on improving the quality of accounting rules relating to the accounting for hedging transactions. The ultimate result of their efforts was development of a new hedge accounting model presented within a new standard – IFRS 9: Financial Instruments. The new model has significantly increased eligibility of hedging transaction elements qualifying for hedge accounting and in this manner enabled inclusion of a larger number of hedging transactions into the financial statements of the transaction participating entities. Development of the new hedge accounting model has introduced significant new disclosure requirements on hedging transactions included in International Financial Reporting Standard 7: Financial Instruments – Disclosures. Numerous empirical studies aimed at measuring the quality of disclosures on hedging transactions from the standpoint of financial statement users revealed rather low levels of satisfaction with the quality of those disclosure protocols among the users.

1. Financial Hedging as Part of the Risk Management Process

In practice a common premise is that a company’s management ought to accept and even additionally expose the company to those risks that are familiar, i.e., associated with the activities in which the company has expertise and a comparative advantage. At the same time, management needs to be ready to hedge certain types of risks if not in a possession of sufficient knowledge or information on certain business segments in order to prevent successes achieved in the areas where the company has comparative advantages from being offset by failures in the areas with no comparative advantages. For example, a company successful in sales of its core activity products in foreign markets must not allow its positive sales revenues to be offset by appreciation of the domestic currency against the foreign currency.

The fact that in the normal daily course of business companies are exposed to a multitude of risks poses numerous questions to which the management ought to respond in an adequate manner. How does one define a specific risk exposure? How does a company identify and measure a specific risk exposure? What risks should a company accept and assume on an on-going basis and to what risks should it be exposed only temporarily? What risks, on the other hand, should it hedge fully? How is a specific risk exposure reduced or fully eliminated? What risk management strategies should be used? How are activities aimed at increased/decreased specific risk exposure monitored?

A company that is able to respond successfully to the above questions may be said to have a good quality of risk management. However, given the subject matter of this paper, a risk management concept may not be identified with the concept of hedging although in literature these terms are quite often regarded as synonymous. In fact, hedging entails the process of risk reduction or elimination whereas risk management is a broader concept and may include risk reduction as well as risk level maintenance or even increased risk exposure.

For reduction of financial risks companies can apply two types of hedging – operational and financial. An example of operational hedging is a situation where companies protect themselves from foreign exchange risk exposure through geographic diversification of operations. In this manner, by “matching”
revenues and expenses in the same currencies, companies avoid adverse effects that changes in specific exchange rates may have on their financial performance and position. However, empirical studies (Allayannis et al., 2001; Kim et al., 2006) have shown that financial hedging is far more effective than operational hedging and that these two hedging types cannot be deemed perfect substitutes. The studies just mentioned demonstrated that financial hedging features much greater flexibility and requires a considerably lower level of capital investments than operational hedging.

In fact, financial hedging is a means of transferring interest rate risk, foreign exchange risk, price risk and credit risk from the party wishing to deter and avoid such risks to the party willing to assume those same risks. In particular, financial hedging is a process within which a specific contracting party, using a hedging instrument, which is most commonly a derivative, takes the position opposite to the position in respect of which it is exposed to a certain financial risk type. Therefore, changes in the value of a hedging instrument will move in the direction opposite to that of the changes in the value of the underlying asset, with changes in the value resulting from the risk subject to hedging. In the ultimate instance, the financial hedging process is to prevent volatility of the profit or loss and cash flows, and thus enable growth of the company’s value.

2. Limitations and Accomplishments of Hedge Accounting under IAS 39

Although issuance and implementation of International Accounting Standard (IAS) 39 – Financial Instruments: Recognition and Measurement, meant a huge step forward in development of regulation of hedge accounting and although the publication of the standard aimed at stimulating companies to apply hedging activities, it turned out that by resolving one issue, regulators opened up room for creation of a new one. In fact, from its first release, IAS 39 received severe criticism from the companies that were to implement it as well as from certain members of the regulatory bodies and auditing firms.1 All of them found the rules defined by the standard overly complex, insufficiently precise in certain parts and at the same time too rigid and restrictive. Sir David Tweedie, IASB Chairman (2001-2011), himself, said on one occasion that a standard open to two hundred different interpretations such as IAS 39 must have serious flaws.

As is well known, hedge accounting entails a set of rules that essentially represent exceptions from the rules commonly applied to the items appearing as hedging instruments and hedged items in a certain hedging transaction. These exceptions were created in order to ensure that gains and losses arising on hedging instruments and hedged items will be recognized in the same accounting period thus preventing volatility of the profit or loss, which is not reflected in economic reality and is therefore referred to as profit or loss artificial volatility2 in the literature. However, in order to prevent corporate management to abuse exceptions from the regular rules for recognition and measurement and in this manner manipulate the profit and loss, IAS 39 defined very complex and rigid terms for companies that were to apply to hedge accounting. Perhaps unexpectedly, rules set up in this way caused a number of companies to alter their optimum hedging strategies so as to adapt them to the stipulated terms and conditions and enable implementation of hedge accounting. This means that, rather than to be focused on the increased informational power of the financial statements through extended scope of actual business transactions, regulatory development led to companies changing their behaviour “for the

1 A similar destiny befell Standard SFAS 133 – Accounting for Derivatives and Hedging Activities, issued by the U.S. regulator FASB, along the lines of which, in the process of the global harmonization of financial reporting, IAS 39 Financial Instruments: Recognition and Measurement was designed.
2 Butler C, 2009: Accounting for Financial Instruments, John Willey and Sons, New Jersey, p. 68.
“worse” and giving up economically optimum solutions only to meet the criteria for hedge accounting applications.

Although regulations relating to hedge accounting gave rise to a major controversy in the area of financial reporting, there is a small number of empirical studies dealing with the effects of application of these accounting rules on the financial position and performance of companies and the impact of such rules on the creation of hedging strategies. The main reason for the foregoing is believed to be a lack of available data based on which such empirical studies could be conducted. Nevertheless, despite the obvious limitations, there are certain empirical studies that examined the impact of the hedge accounting model developed within IAS 39 had on the behaviour of companies that make use of derivatives to mitigate financial risks.

One of the rare empirical studies that examined direct impact of the hedge accounting model on the process of formulating hedging strategies was carried out on a sample of 583 listed non-financial sector companies (headquartered in Germany and Switzerland).\(^3\) That study showed that 90% of the researched companies used derivatives as protection from financial risk exposure, yet at the same time, only 72% of them applied hedge accounting.\(^4\) Such a finding should not be surprising given that analysis of IAS 39 leads to a definite conclusion that stipulated hedge accounting rules are not well suited to the companies operating in the non-financial sector. This research also revealed that with 42% of the companies’ hedge accounting rules affected formulation of the hedging strategies, whereas 13% of the companies admitted that they used the hedge accounting rules as a starting point in defining hedging strategies. With certain companies the extent of financial risk exposure even increased after implementation of IAS 39 mainly because these companies intentionally gave up their optimum hedging strategies as these did not meet the rigid terms for hedge accounting implementation.\(^5\) Hence, one of the conclusions of the empirical research mentioned was that implementation of hedge accounting may lead to decreasing the level of hedging in a company.

Such a finding was supported by results of a similar empirical study conducted in the form of an experiment, where the participants were representatives of multinational companies, both from the corporate and financial sectors. The participants of the experiment were presented with a fictitious situation where a hypothetical company faced making a decision on accepting an appropriate profitable investment project. It was thereby assumed that the financial risks associated with the project could be optimally hedged by use of structured derivatives. However, according to the rules of IAS 39, structured derivatives cannot be designated as hedging instruments, which meant that hedge accounting rules could not be applied to those hedging transactions if the company decided on the use of such derivatives. Therefore, the company could expect increased volatility of the profit or loss arising from changes in the fair values of structured derivatives since, due to disallowed application of hedge accounting, changes in the fair value of derivatives would not be balanced by changes in the fair values of hedged items. The experiment participants were presented different responses of the fictitious company’s management to the described challenge.

---


4 These are mostly companies whose financial risk management processes have as their main objective profit or loss volatility reduction, larger and more mature companies, companies making frequent use of derivatives, and companies with vast experience in application of IAS and IFRS.

5 Such behavior was observed with companies with high leverage, companies with dispersed ownership structures and companies applying so-called selective hedging, i.e., companies hedging only a portion of the risk exposure, regarding the remaining exposure as an opportunity to realize gains, which is why their hedging activities include speculation as well.
Based on the replies given by the experiment participants, only 29.7% companies would have decided to accept the investment project and simultaneously hedge the financial risks associated with it using structured derivatives, thereby neglecting the accounting implications of such a decision. Almost half of the companies (47.3%) would have accepted the investment project but with the use of a basic derivative contract for financial risk hedging, which would partially cover the project’s risk exposure, yet qualify for hedge accounting. Furthermore, 14.9% companies would have accepted the investment project without entering into any type of hedging transactions, while 8.1% of the examinees would have completely given up the investment project. The experiment above demonstrated, among other things, that the problem of suboptimum economic decisions associated with hedging would not exist if, upon measurement of derivatives, instead of fair value, the historical cost model were to be used, as then there would be no volatility of profit or loss unless it had foundations in economic reality. Hence, this survey showed from a hedge accounting example that, despite the benefits the use of fair value provides to the external users of the financial statements in terms of relevant financial information, in the current circumstances it results in express profit or loss volatility, which may prevent the management from making economically rational decisions, and thus hinder the growth of the long-term value of the business.

The studies presented above showed that companies were willing to reduce the level of hedging transactions previously applied, accept a greater extent of risk exposure and sacrifice the value of the business if faced with inability to apply hedge accounting. Such conclusions coincide with the finding presented in one of the frequently quoted works in the field of financial reporting, which examined the implications the financial reporting system may have on the economic decision making. This survey, based on polls and interviews with 400 CFOs of listed American companies, concluded that 96.9% of the interviewees prefer reporting relatively stable profits and that as many as 78% were ready to sacrifice the long-term value of the company in order to be able to report a balanced annual or interim profit or loss in the short term. In fact, CFOs view the annual or interim profit or loss as the key financial information considered by external financial statement users upon making economic decisions. In their opinion, the profit or loss volatility reduces the ability of investors and financial analysts alike to predict future earnings of a company, which consequently leads to higher risk premiums incorporated in the company’s shares. Therefore, they are willing to make short-term decisions to ensure a balanced annual or interim profit or loss even at the price of compromising the long-term value of the business by doing so. It is quite clear that IAS 39, with all the presented “limitations” of its characteristics, encourages corporate management to behave in this manner.

Considering all the above presented facts, it may be inferred that the regulators did not do their best in the area of permissibility of hedge accounting implementation and that by stipulating overly rigid rules for its application, they achieved adverse effects. In fact, for fear of misuse of the standard, the regulators did not manage to align the terms for hedge accounting implementation with the characteristics of the hedging strategies used by in practice by companies. This has led to a division of hedging strategies into the “economically effective” strategies that reduce the financial risk exposure, which may but need not qualify for hedge accounting, and “accounting-effective” strategies that need not result in optimum reduction of the financial risk exposure from the economic viewpoint, but on the

---


7 The idea underlying this research was to demonstrate justified use of fair value from the standpoint of the internal users, i.e., management’s standpoint.

other end, qualify for hedge accounting. After a huge amount of criticism of International Accounting Standard 39 by a number of members of both professional and academic communities and after numerous empirical studies that provided grounds and legitimacy to such criticism, it became clear that regulators had to address these matters thoroughly and find new and more efficient solutions. It became clear that the regulations had to move in a direction that would provide greater alignment between the accounting treatment of hedging transactions and the risk management process applied by the companies on a daily basis. In other words, the scope of the relevant regulations in respect of hedging strategies (hedging transactions) qualifying for hedge accounting had to be extended.

3. New Direction in Development of Hedge Accounting – IFRS 9

Just how complex and insufficiently transparent the accounting regulations related to the financial instruments used to be is demonstrated by the fact that representatives of the 20 most influential countries (G20) openly pressured professional accounting associations to initiate a project of simplifying the accounting rules regarding financial instruments. The main goal of this intervention was to increase the trust that investors, as a predominant stakeholder group, place in the financial statements and, consequently, to achieve greater stability of the financial system whose functioning was severely compromised after the outbreak of the global economic crisis in 2008. In response to the these demands, the International Accounting Standards Board (IASB) commenced a project of IAS 39 replacement, which was to result in improved quality of the accounting treatment of financial instruments, and, ultimately, in issue of a new standard – IFRS 9 – Financial Instruments. This project has been successfully realized in three phases, on which the regulator worked simultaneously and which include:

1. classification and measurement of financial instruments;
2. testing financial instruments for impairment; and
3. hedge accounting.

After it became clear that the hedge accounting rules of IAS 39 were too complex as well as that they provided insufficient scope for all actual hedging transactions and frequently motivated corporate management to undertake activities that would have not been taken in the normal circumstances, on November 19, 2013, as the competent regulator, IASB presented a new model of hedge accounting. Changes introduced with the new model represent a response to all the objections and critique that the previous model received from professionals and scholars alike. The new standard is intended to eliminate all the identified weaknesses thereby focusing on the following three substantial development directions:

- increased eligibility of hedging transactions qualifying for hedge accounting and achievement of closer alignment between the criteria for hedge accounting application and characteristics of the implemented hedging strategies;
- development of a standard based on principles rather than on rigid and elaborately prescribed rules; and
- changes to strictly set limits upon testing hedge effectiveness.

In order to achieve the above listed development directions, upon issue of IFRS 9, IASB expressly defined a new objective posed before hedge accounting. Based on the objective defined, application of

---

9 The standard was completed on July 1, 2014 and January 1, 2018 was set as its effective date.
hedge accounting ought to ensure that financial statements fully reflect the consequences of all those risk management activities entailing the use of financial instruments. Thereby the starting point is that the risk hedged in a hedging transaction must have an effect on the entity’s profit or loss, and, in a smaller number of instances, on its other comprehensive income (OCI).\textsuperscript{10} Bearing in mind the objective defined, creation of a new standard extended eligibility of the hedge transaction elements, i.e., hedging instruments, hedged risks and hedged items qualifying for hedge accounting. Thus the new standard enabled formulation of more hedging strategies to which hedge accounting is applicable.

It should be noted that, in contrast to the previous one, the new standard is characterized by much greater flexibility. Certainly, increased flexibility entails certain risks that were not inherent to the hedge accounting regulations prior to IFRS 9 issuance. The new model requires far greater judgment upon determining the extent to which a specific hedging transaction is aligned with the defined risk management objective, which is the principal criterion for hedge accounting application. Increased reliance on judgment results in an increased subjectivity of the financial statements and poses a new challenge to investors who make decisions based on the financial statements, and auditors, who need to vouch for their material accuracy.

Since, on the outset of creation of the new standard, or, more precisely a part thereof related to hedge accounting, IASB, decided to retain in its focus the general hedge accounting model (micro hedge accounting). The objective of the new standard issuance clearly was not to extend its scope to macro hedge accounting, but to improve the quality of the existing model.

What has definitely remained unaltered within the new model is that hedge accounting is optional. Entities are free to choose and decide, through cost and benefit analysis, whether to apply the relevant hedge accounting rules to their hedging activities or not. Such an unaltered status certainly presents an opportunity for future empirical studies to analyse to what extent the changes to the regulations have encouraged entities to apply hedging activities and hedge accounting. It will be particularly interesting to see what group of entities will be more agile in implementation of the new model given that non-financial entities are expected to be more interested in its implementation than the financial entities. This is because the previous model was not sufficiently ‘inclined’ to non-financial entities, which were its most vigorous critics.

What follows is a presentation of the most significant novelties of the new hedge accounting model, viewed through the phases of a hedging transaction’s life cycle: inception, continuity, modification and discontinuation.

4. New Disclosure Requirements on Hedging Transactions

Development of the new hedge accounting model has introduced significant new disclosure requirements on hedging transactions included in International Financial Reporting Standard 7: Financial Instruments – Disclosures. Numerous empirical studies aimed at measuring the quality of disclosures on hedging transactions from the standpoint of financial statement users revealed rather low levels of satisfaction with the quality of those disclosures among the users. Thus the 2007 research carried out by the Chartered Financial Analysts (CFA) Institute demonstrated that out of the total number of the examinees (mostly comprised of financial analysts as one of the major groups of financial

\textsuperscript{10} EY, 2014: Hedge Accounting under IFRS 9, p. 2. 
statement users) only 34% were satisfied with the quality of hedging transaction disclosures. A great many examinees underlined that the hedge accounting rules and the related disclosures were too complex, insufficiently comprehensible and not informative of the manner in which companies manage risks in practice.

As the financial statement users expressed high dissatisfaction with the disclosures on hedging transactions, having found them insufficiently useful and transparent, IASB decided to work simultaneously on developing the new hedge accounting model and on improving the quality of the related disclosures. Accordingly, IASB amended certain parts of IFRS 7.

Since the new hedge accounting model requires entities to make various forms of judgements, the IASB standing was that, through increased disclosure requirements, the manner in which corporate management arrive at the previously mentioned judgements could be made more transparent for the financial statement users. IASB was also of an opinion that through higher-quality disclosures the financial statement users should be presented the manner in which entities estimate the extent of exposure to certain types of risks as well as the manner in which entities manage the risks mentioned applying the previously adopted hedging strategies.

With regard to the requirements of the amended IFRS 7, entities are now required to disclose:

- adopted hedging strategies and how the strategies are applied in management of certain risk types;
- how the hedging activities affect the amounts, timing and uncertainty of the future cash flows; and
- effects of the implemented hedge accounting on the entity’s financial performance and position.

Companies are obligated to make those disclosures only for the hedging transactions that are subject to hedge accounting rules. Although one of the objections made by the users of financial statements and forwarded to the regulators referred to the fact that disclosures on hedging transactions included only those transactions that an entity has pre-selected for hedge accounting, upon review of IFRS 7, IASB remained firm in its position that these disclosure requirements ought not to be extended to all hedging transactions.

Companies are not expected to present in the notes to the financial statements the information otherwise available to the financial statement users, i.e., available from another report they can access at the same time and under the same conditions as the basic set of the financial statements (e.g., annual business report, report on risks, etc.). Moreover, upon deciding on the extent of aggregation of the information presented in the notes to the financial statements, reporting entities must take care of the requirements in this respect stipulated by other parts of IFRS 7, not associated with hedge accounting. Nevertheless, the extent of aggregation of the information on hedging transactions must be such that implications of

---


the hedge accounting on the entity’s financial performance and position are presented as clearly as possible.  

4.1. Hedging Strategy Disclosures

As stated above, one of the requirements of the revised IFRS 7 pertains to disclosures of implemented hedging strategies subject to application of the relevant hedge accounting rules in accordance with IFRS 9. IFRS 7 requires a reporting entity to present separately, per hedged risk category, the basic characteristics of the implemented hedging strategies. Hence, hedging strategy disclosures are to be made per risk type the strategies relate to rather than hedge accounting models applied to those strategies. In this manner the users of financial statements ought to be enabled better understanding of the very substance of the implemented risk management strategies.

Based on the information disclosed, the financial statement users should be able to assess:

- what may give rise to or affect exposure to a specific risk type;
- how the entity manages risks it is exposed to and whether thereby it manages all the risks it is exposed to per certain item or just certain risk components; and
- to what extent the entity reduces its exposure to a specific risk type – completely or just partially.

In order to enable the users of the financial statements to make the above listed assessments, entities are required to disclose the following information on each hedging strategy to which hedge accounting is applied:

- characteristics of designated hedging instruments and the manner in which such hedging instruments are used in a specific hedging transaction;
- how the entity estimates the existence of the economic relationship between the designated hedging instruments and designated hedged item given that the existence of the economic relationship represents one of the criteria of hedge effectiveness;
- how the entity determines the hedge ratio;
- what possible sources of hedge ineffectiveness may result in the need to modify the hedging relationship in a future accounting period; and
- the way the risk component is related to the item on the whole if the entity designated as the hedged item a risk component only and whether this is a contractually defined component or the nature of the relationship between the risk component and the item on the whole cannot be inferred from the contract.

The foregoing disclosures on the hedging strategies are particularly significant in implementing the new hedge accounting model in order to eliminate the impression frequently felt by the users of the financial statements that hedge accounting represents a purely accounting procedure that is not closely related to

13 Ibid.
the actual behaviour of companies. That is why a prerequisite for understanding of the hedge accounting is thorough familiarization of the financial statement users with the characteristics of the implemented hedging strategies.

4.2. Disclosures on the Amounts, Timing and Uncertainty of the Future Cash Flows

In addition to mandatory detailed disclosures on the implemented hedging strategies, entities are required to provide users of the financial statements with the necessary information based on which the main characteristics of the hedging instruments may be evaluated as well as their potential impact on the amount, timing and uncertainty of the future cash flows. For these purposes, entities are expected to disclose for each type of hedged risks information on:

- movements of the nominal value of the hedging instrument during the accounting period (per month), as well as the amount of the nominal value of the hedging instrument at the end of the accounting period; and

- the average price, i.e., average rate of the hedging instrument (e.g. strike option price or forward exchange rate) for each month during and at the end of the accounting period.

Companies are exempt from the obligation to make the above disclosures in instances when, within the risk management process, they apply the so-called dynamic hedging strategies, which entail permanent changes in the scope of hedging instruments and hedged items. In such circumstances entities are expected to disclose how often they discontinue the previous and designate new hedging relationships in order to account for transactions changing from one period to another.

Furthermore, entities are under obligation to describe in detail all potential sources of ineffectiveness expected to affect a particular hedging relationship over its duration. Thereby, if during a particular hedging relationship new sources of ineffectiveness arise that the company did not consider upon designation of the hedging relationship, the company must disclose this fact in the notes to the financial statements along with the explanation as to why the source was not considered upon hedging relationship designations.

Finally, in the event of a change to the expectation suggesting that a transaction previously designated as a hedging transaction will not occur after all, the revised IFRS 7 requires entities to disclose why the expectation has changed. Such a disclosure needs to demonstrate whether the change in the expectation has resulted from changes in the environment or form a previously made inaccurate accounting estimate. Such information is important for all future instances in which the company at issue wants to designate the same or a similar transaction as a hedged item in the cash flow hedge.\(^\text{15}\)

4.3. Disclosures on the Effects of the Implemented Hedge Accounting on the Entity’s Financial Performance and Position

The third pillar of disclosures on hedging transactions comprises disclosures on the effects of the implemented hedge accounting on the financial position and performance of entities. In order to enable users of the financial statements to appreciate the significance of the risk management and effects of the implemented hedging strategies, within notes to the financial statements a reporting entity needs to expressly present implications of hedge accounting on the financial position and performance of the entity.

\(^{15}\) Ibid., p. 64-65.
In the process of the new hedge accounting model development, users of the financial statements pointed out to IASB that it would be of a great significance to them if the notes to the financial statements included hedge accounting effects presented per hedged risk category rather than per hedging technique applied, given that they are primarily interested in the impact of the implemented hedging strategies on changes in the exposures to certain types of risks. However, IASB concluded that for full understanding of the implications of hedge accounting on the financial position and performance of companies, it is necessary to present what hedge accounting technique (fair value hedge or cash flow hedge) has been applied in particular circumstances bearing in mind that their respective applications have different repercussions on the financial position and performance of entities.\(^{16}\)

As a compromise, the revised IFRS 7 requires entities to present the impact of hedge accounting on the financial position and performance as a tabular disclosure both per hedged risk category and per hedge accounting technique applied.

Hence, according to the requirements of the above said standard, for each item designated as a hedging instrument, entities are obligated to disclose the following information (adhering to the tabular form and above said division criteria):

- the carrying value of the hedging instruments, separately presenting hedging instruments with positive values (within the entity’s assets) from those with negative values (representing the entity’s liabilities);
- the statement of financial position’s line item within which the specific hedging instrument is presented;
- the change to the fair value of the hedging instrument used upon determining any ineffective part of the hedging transaction; and
- the nominal (notional) value of the hedging instrument (presented as value or quantity, depending on the underlying asset of the specific hedging instrument).

The following hypothetical example illustrates what disclosures about the impact of the designated hedging instrument on the financial position and performance in the cash flow hedge should look like in accordance with the requirements of the new standard:

Table 1: Example of a disclosure on hedging instruments in the cash flow hedge

<table>
<thead>
<tr>
<th>Cash Flow Hedge</th>
<th>Nominal Value (Notional Amount)</th>
<th>Carrying Value</th>
<th>Line Item in the Statement of Financial Position</th>
<th>Change in the Fair Value Arisen during the Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Futures contract (Arabica coffee futures)</td>
<td>8,000 kg</td>
<td>(4,500)</td>
<td>Short-term financial liabilities per derivatives</td>
<td>(1,000)</td>
</tr>
<tr>
<td><strong>Interest rate risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap (pay fixed / receive variable)</td>
<td>EUR 50 million</td>
<td>4,000</td>
<td>Long-term financial assets (derivatives)</td>
<td>1,000</td>
</tr>
</tbody>
</table>

As the accounting treatment of the hedged items differs depending on whether the fair value hedge or cash flow hedge is applied in a specific hedging relationship, disclosure requirements regarding the hedged items are presented separately per hedge accounting technique applied.

If a hedge item is subject to the fair value hedge, an entity is expected to disclose the following information in the notes to the financial statements:

- the carrying value of the hedged item previously recognizes in the statement of financial position, separately for assets and liabilities;
- cumulative change to the fair value for which the carrying value of the hedged item was adjusted;
- the statement of financial position’s line item within which the specific hedged item is presented; and
- the change to the fair value of the hedged item used upon determining any ineffective part of the hedging transaction.

On the other hand, if a certain hedged item is subject to the cash flow hedge, an entity is expected to disclosing the following information in the notes to the financial statements:

- the change to the fair value of the hedged item used upon determining any ineffective part of the hedging transaction;
- balance on the account of cash flow reserves reflecting the cumulative change in the fair value (the present value of the future cash flows) of the item not yet recognized in the statement of financial position.

---

17 Adapted from EY, 2014: *Hedge Accounting under IFRS 9*, p. 66.
the financial position (as this is a future transaction at issue), yet which will be reclassified upon the transaction occurrence; and

- balance on the account of cash flow reserves reflecting the cumulative change in the fair value (the present value of the future cash flows) of the item previously recognized in the statement of the financial position, whose value will be adjusted for the amount of this balance in the periods in which it affects the profit or loss.

The following hypothetical example illustrates what disclosures about the impact of the designated hedged item on the financial position and performance in the cash flow hedge should look like in accordance with the requirements of the new standard:

**Table 2:** Example of a disclosure on hedged items in the cash flow hedge

<table>
<thead>
<tr>
<th>Cash Flow Hedge</th>
<th>Change in the Fair Value of Hedged Item</th>
<th>Cash Flow Hedge Reserve Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price risk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anticipated coffee purchases</td>
<td>1,000</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Interest rate risk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast interest payments</td>
<td>(900)</td>
<td>(3,900)</td>
</tr>
</tbody>
</table>

What remains is to consider and illustrate the manner in which the above described transactions of cash flow hedges affect the profit or loss and other comprehensive income:

---

18 Adapted from EY, 2014: *Hedge Accounting under IFRS 9*, p. 66.
Table 3: Example of a disclosure on the impact of the hedging transaction on the profit or loss and OCI

<table>
<thead>
<tr>
<th>Cash Flow Hedge</th>
<th>Hedging gain or loss recognized in OCI</th>
<th>Hedge ineffectiveness recognized in profit or loss</th>
<th>Line item in the Income (Profit or Loss) Statement</th>
<th>Amount reclassified from OCI to profit or loss</th>
<th>Line item in the Income (Profit or Loss) Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge of anticipated coffee purchases</td>
<td>(1,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge of forecast interest payments</td>
<td>900</td>
<td>100</td>
<td>Finance income</td>
<td>500</td>
<td>Interest expense</td>
</tr>
</tbody>
</table>

Concluding Remarks

Since hedge accounting alters the recognition and measurement rules applicable in circumstances when entities do not enter into hedging transactions, in order to prevent abuse of the exemptions, IASB defined very rigid and restrictive rules for application of hedge accounting. The inflexible model of hedge accounting developed within IAS 39 disabled entities involved in numerous hedging transactions to reflect those in the financial statements thus reducing their relevance. A number of empirical studies demonstrated that a great many companies used to give up entering into optimum hedging transactions due to inability to apply hedge accounting rules to such transactions, while others consciously applied suboptimum hedging strategies in order to make them eligible for application or the hedge accounting rules and prevent volatility of the accounting profits. Results of these empirical studies and severe criticism the hedge accounting rules within IAS 39 received from both professional and academic communities have led IASB to modify and improve these rules. IASB has therefore developed within IFRS 9 a new, much more flexible hedge accounting model, whose cornerstone is alignment of the accounting rules with the objectives of risk management at the level of individual hedging transactions. It may also be concluded that, by stimulating entities to enter into larger numbers of hedging transactions, the presented amendments to the regulations will eventually result in decreased volatility of the profit or loss and cash flows and thus, in turn, in the growth of the value of business companies on the whole. As the financial statement users expressed high dissatisfaction with the disclosures on hedging transactions, having found them insufficiently useful and transparent, IASB decided to work simultaneously on developing the new hedge accounting model and on improving the quality of the related disclosures. Accordingly, IASB amended certain parts of IFRS 7.

Adapted from EY, 2014: Hedge Accounting under IFRS 9, p. 67.
Literature

AKP as a Liberal “Project Party” in the Political Communion Struggle in Turkish Conservatism

A. Baran Dural, Trakya University, Turkey

ABSTRACT:

In the “hour and minute” relationship between conservativeness and modernism, hour being a stable and independent variable being modernized, and the minute being a dependent variable being conservatism is the most suitable example for this thesis. Only this time it does not end with this and adds fairness to this thesis about the modernization processes. This matter needs to be emphasized because the interior balance of conservatism: an AKP government that is seen as Islamic but a liberal, tries to keep its 40-45% support by destroying the 50% which is not voting for them. In this matter, they separate the country into two as voting for potency and nor voting for potency. This is suitable for the current treatment as with a “governing” policy of the liberal government that has separated the whole world into liberals and non-liberals, which chooses to reduce its opponents’ voice as general policy. Replacing AKP in Turkey needs to be done by other means than stealing votes from AKP, it being the first party in anti-AKP secular-nationalist-central block, any opposition must show. An opponent which can stop AKP is needed, and also it seems like MHP, the second party of the conservatives, needs to drag away some of the vote from AKP. In this sense, in the next elections we can hope to witness a healthier distribution in the voting pool the of conservatives. It brings this question to mind: “Can the Turkish-Muslim perception or Muslim-Turkish perception succeed in the next elections?”

Keywords: Turkish modernism, Turkish-Muslim electorate, Muslim-Turkish electorate, capitalism, conservatism.

Introduction: Load Line in Turkish Conservatism: Demirel Vision and Beyond

In respect to the picture that set forth by the 1 November elections, AKP determines the agenda with a determined appearance as the Kemalist leadership, Party of Union and Progress, for the first time in the name of Turkish conservatism. For that matter, on the one hand it implies how unexpressed, incomplete political acts the Menderes-Özal line is, which it was using to refer its real political identity, on the other hand it tries to prove that it is the first serious-consistent-dominant option developed by liberalism since 1908 and on which is against ITP-Kemalist leadership-CHP-Türk Yurdu-Community Centers (Halk Evleri) line. Accordingly, all other acts that is planning to stay in charge in the close future of Turkey, forces to produce politics within self-possessed speech relationship. Other than regretting current situation and making absurd/ridiculous assumptions like “carelessness and treachery”, it imposes to use a successful-civilized language that can state, it is an option against that party which is dragging the country to a self-possessed-genuine and society party system without staying out of today’s terminology. Thus in an another sense that it follows a populist line, tries to undress a commutating function on the electorate of populist-aggregate conservative center parties that constitutes former possessed conservative party model. (Dural,2015)

In order to explain the reasons of transformation, researchers need to go back a little and remember the conservative party leaders before AKP. In this sense, maybe not Menderes but Süleyman Demirel's vision to reassert his weight into the politics, has constituted the foundation of central conservative politics in Turkey through AP-DYP, which is the main artery of Turkish conservatism that has a solid-populist party. AP-DYP cult and Süleyman Demirel vision was foremost important in the sense of preparing the grounds in this structure that ANAP will contribute determining the main principles (A posture within Kemalism, nationalism and non-political Islam), determining the central
acquisition facts of the conservative in the future. Especially Demirel, who forces few Islamic values through conservatism from time to time, not giving any credit to the political Islam members in any of its units within his party in the last period, effort of keeping the party staff administration secular, and other than these, that periods Islamic leader Erbakan, getting in contact with that same periods nationalist leader Türkeş, here represents an important threshold. In spite of this, even though he gives place to the nationalism between four tendencies, ANAP’s founding leader Özal, which is exhibiting the maximum effort to exclude MÇP-MHP, together with the leader of these, Türkeş (alienation within the conservatism) and favoring the political Islam members in the government positions, constitutes another threshold in the main conservative artery politics. In this sense, maybe schematics of DP-AP-ANAP-AKP, which is always talked about in the Turkish political literature, should be put aside and even though it is a chronological continuation of DP-ANAP-AKP trilogy, it can be suggested that AP-DYP line to be examined with ideological concerns within itself. It can be noted as an imported registry that today, AKP is not mentioning SüleymanDemirel between the names of its ancestors; Menderes, Özal and Erbakan. Nevertheless, when a population party like AP-DYP-ANAP is found that can represent main conservative in the middle- right, both relationships with this party and gathering votes from conservative groups, when central conservative parties that is keeping the large part of conservative artery disappeared, respectful attitude of Islamic and nationalist politic players against the opposite group, left its place to a rough struggle between two actors of conservative market.

"Muslim-Turkish/ Turkish-Muslim" Electorate Types

In this point, without continuing further, stating the fundamental features of nationalist citizen type that can be classified as “Turkish-Muslim” with Islamic citizen type that is described as “Muslim-Turkish” would be to the point. Then, mentioning the value paradox within the conservative right without forgetting the balance between the value judgement-economic reasons would be in place. Even though “Muslim-Turkish” electorate cares about both religion and nationalism because of its value judgments, it cares about the religion more than the nationalism. In contrary to this, “Turkish-muslin” electorate and/or citizen type is an electorate type—when it came to this point, elaboration is a nature of citizenship-again, that even though it cares about both religious and national values, in takes national values a bit more to the consideration than religious speech (not religion) in the end, mobilizing the excitement threshold more intensively along with the national values. Just in the Ottoman Empire period, Turkism and Islamism flows in the Republic Turkey burgeoned in the frame of TürkOcakları, has pushed away outside the political axis with constitution of main artery Turkish conservatism which is relatively more autonomous and dominant that both. (Dural, 2010: 55-84) From these two flow, while the reason of “disadvantaged alliance” of nationalism with Kemalism obtains a more advantaged position in the main artery Turkish conservatism, political Islam has been alienated. In this sense, Kemalist nationalism with the aim of nationalism that plays a dominant role within the six main principles of Kemalism, has built a bridge between Turkish nationalism, within this period nationalist literates that assumed the mission of explanation and adoption of the reformations to public has been entrusted with the task of founding the philosophical infrastructure of Kemalism. This period constitutes a period which the records of conservatism that is “contaminated” with Islam were trying to be cleaned by nationalism. Both TürkOcakları and Kemalist breakthrough periods, Turkish nationalism has ideologically “rigorously” defeated its opponent political Islam twice. The issue of political Islam being alienated has been solved by Islamist strength barely after 28 February, and raised on its feet with new theoretical base which fictionalized liberalism as a root.

In general, MuslimTurkish and TurkishMuslim1 electorate to be enamored in a morbidly way to acquisitions of industrial population, cares for profiting from the modernism, while joining in the urban life which they got used to very late anyway, it must be noted that they exhibit a common typology that miss some values that they assume they have “lost”. It can be said, that the same typology is visualized a mass that constituted from the most naïve people which can’t tell this is a foremost hypocrite attitude it is and complain about “the stomach”. Naively talk about the disrespectfulness of youth and inconveniencies of the azan, but orders before everyone else for getting a latest model iPhone

---

1It will not be written italic in the rest of this study, because both terms are emphasized adequately.
and looks to the wall clock that calls to the prayer constituting a "zikir reminder" with envy. Muslim Turkish wing that adopting Weber’s hypothesis like it is a God’s command, is dispersed in vortex of a forced conflict like if being Naqshbandi or Nurcu theocracies is more suitable for capitalism spirit, by ignoring the suspicious relationship that they built between Weber’s Protestantism and capitalism gets intense critics even in their own country. Weber that these fraction doesn’t leave his side and weird thesis related to the “Islam Moral/Economy” almost forms an entire corpus in YÖK thesis archive. It’s not settles with this: a social equilatorial religion that makes people to perform prayer in one mosque with an allegiance with sultan in front of the God and social relationships like Islam, tries to overcome the difference from socialism and Weber’s class conflict with the honor of status, but partially makes it depend on a reasonable explanation. Muslim-Turkish mind that worn out between “mind games” caused by “St. Weberianism”, assumes that liberalism which owes the social scolding in Middle Ages to church, and thus to the treachery to God, even gathered Islamic target-act practice from liberalism and assumes it can seem cute to its partners. It thinks that liberal world which doesn’t promise nothing more than absolute deterioration and disaster to all surrounding Muslim communities can be talked to by being in their politics, but it ignores the “privilege” transition that has been given to itself can be realized in the rates of a mouse which found the cheese in a maze alongside with its opponents. Growing period after the Cold War, it has managed to stay out of communal perception that can turn a paranoid hate from time to time in the other conservative fractions. However, it is highly impotent and unsuccessful in the point that it can be converted to a huge advantage to talk outside the cold war. While it has a weird suspicion and insecurity, mostly they have good intentions.

In spite of that Turkish-Muslim treats elitist Weber as an “Anatolian piri-deruviš”. Even though this “faithful Weberianism” and the supernatural history literature it stuck inn sleds itself sometimes, it catches itself while right eye skimming Weber, left eye is stuck in the literature, even there is main texts which constitutes nationalism terminology. It appreciates the status honor and stratification, but in the last phase, it can be foreseen that in an environment whichever problem is solved with conversion, status honor that is merged with the class conflict is the most valuable currency. It is engraved its memory that Marx’s main target is the liberation of the varietal humanity. Because it has learned that every fact escheats together in the nature and society with its contrary, makes an interference about varietal liberation will cause the largest part of the humanity to confront varietal slavery and puts distance between complementary liberalism and partial capitalism. Maybe it doesn’t make these consciously but premises in the Cold War period have been left behind in terms of reading, especially by middle age generation and under this generation. Nevertheless, it can’t out run the weirdness of vocalization as the main hypothesis about the fall of nations development, Herbert Spencer and Social Darwinism that represents the upside down dimension of social relationships of Darwin. The heavy experience that ABD lived in the past, blocked some facts to be infantile like liberalism, while makes it more realistic and sometimes it won’t avoid to carry the dimensions of nationalist skepticism that is connected with the effect of romanticism to a point of paranoia. It generally has good intentions.

Muslim-Turkish and Turkish-Muslim elaborate that is argued on really short and solid examples related to the points of merge/separation to be separated within itself is painful but continues pretty salubriously. In a geography that Demirel represent main artery conservatism, nationalist and political Islamism politics that is placed as the two extremes in the political line by Demirel, again with his own hand not only goes back from the government administration, it also went back through not only the government but also the conservatism and pushed away to the perimeter. In the sense Demirel has a definite role in the politics being modernized and converted. He has an important conditioning role as much as Kemalism. In the other hand, Demirel which is absorbing votes of the political Islam and nationalists leaving “just enough” vote power to live to both fractions. While he raises his party to a place that is a main address of conservatism, he helps conservatism in Turkey to provide a smoke screen function in order to not being easily understand. In the end, Turkish conservatism that contains pretty deep contradictions which is partially related with the description of conservatism, Turkish nationalism and political Islam finds an opportunity to shelter. (AKŞİN, 1995) Especially in times like memorandum and strikes, this ambiguous image of conservatism enables to an integral justification (You can’t make me to confess, nationalists murder people), incredibly fast alliances being built between conservative parties (I.- II. National Front goverments, MHP supported Demirel government,
Communion Quarrel in the Central-Right and Beyond

After the disappearance of parties that completing central-right, nationalist and political Islam member elitists that didn’t lose any time to use their opportunity, step into action in order to fill the gap in center, to permanently settle in center of the politics from environment that they frequently pushed away. On the contrary of Demirel, they were aware that they can’t take roots with a selective identity that everyone can accept and they will almost be obscure in the center that they are going to settle. Nevertheless, two elitist group gave the party that they are supporting an opportunity to be inverted to ideologically backboned mass party from just a mass party. But there was two separate ideologically backboned mass party figure that plays the part of a mass party which melts down the identity of middle aged conservative elaborate and converts the voting tendency of conservative elaborate to a familial/half moral habit. In order the bases to be salubriously evolved from one generation to another, elaborate has to be forced to a decision between MuslimTurkish and TurkishMuslim identities. For that matter both parties can triple the osseous votes when it is compared to before which were representing one of the load lines in the close period of 80’s, and also aside the danger of losing a large part of their votes to a same kind of center conservative leader that can come in from outside, an unexpected guest, (second Uzan- Young Party- example concern). In this sense, when we think about the country-wide vote distribution of Turkish right is 65-70%, this tussle can be counted as a prophecy that it will be the most important fact when it comes to determining political leader.

From now on, actualization politics about integrating the conservatives to liberal values and projections of these in the public opinion of AKP that is targeting convert conservative labels of the society into modernism, conservatism and liberalism relationships, due to being in power since 14 years will be argued. Islamic women and their conversion after meeting economic value-relationship web, will take of the role of “litmus paper” from now on in the article.

According to Göle, the Islamic movement that wanted to stay outside the society in 1990’s, has become of the main arteries of civilian population and emphasized that in the last 20 years Turban has stop being the “symbol of oppressed” and become the symbol of “prestige”. As Göle expressed, after Islamic movement joined the system and the rights of education/work are absorbed by the community, doors of the modern field started to sweat, it cares about Islamic women that can get along well with fashion shows, brand scarf usage, consumption of parfumes and cosmetics sharing the same common space to the rest of the community. (Göle, 1999,7) But at this point, we meet the ideas that pleads that political Islam-modernism relationship can’t be understood with naïve readings like Göle. Islamic men figure’s consumption models to contain collateral differences in the other communal fractions, obligates the argument to be conducted around the Islamic conservative women, Islamic conservative women as a consumer, Islamic conservative women from the point of geological women identities.

From "AdilDüzen" to "Rich Order"

As can be remembered, in 1990’ it is talked about an incorrigible conflicts existence between anti-capitalist value devices (insurgency focuses) and consumption devices (domination focuses) of liberalism (in this article terminology it is conservatism, westernization is understood as economic liberalization). At that time, even Mahmud Hoca proponents which is known as the subgroup of Iskender Pasha community doesn’t let consumer devices inside the house like TV, video, computer in order to “keep the devil far away” and they forbear themselves from listening to the radio because women voice was used. Whereas it came to the beginning of 2000’s, ideology has seen that even most conservative group can be dragged into the market conditions after grocery stores has been certainly defeated with their notebooks when computers got into all conservative companies and perforated the consumer device prohibition. This conversion that indoctrinate a trust to liberal ideology, has left its
As aforementioned, Islamic conservative politicians come first when it comes to observing these tendencies most carefully. It was Islamic politicians that carried the situation to "God loves rich people more than poor ones", embittered the tendencies towards making a peace with global capitalism, that they stood absolutely against in 1960-90 period and promised to be against always. 1990’s were the years that “Islam Moral- Islamic Economy and Weber” themed thesis had a burst. In the years that many literature and writings have been written in the topic of “Esthetics in Islam, beautiful dressing, necessity of being a well-cared woman and its exigency according to Ottoman-Islam” in the Channel 7 and MilliGazete Articles by Frankafon Islamist conservatice writer M. ŞevketEygi, in the same years many writings about hot to catch elegance with the brands that suits for women within “Islam and family” pages and just a little bit later, Islamic fashion and life style” magazine were just the signs of this winds footsteps. It would be relatively easy for Islamic politicians to keep the pace with developments. Islamic parties that hasn’t remained unresponsive to importance of economy in any of the periods within socialization processes, had immediately after foundation of MSP and used this institution in order to provide attention to the economic program called “AdilDüzen”. (Çavdar, 2004: 290-320)

However, “AdilDüzen” targeted the oppressed other than upper-strata and this program were pretty “demode” at the end of the 1990’s. “AdilDüzen” that is only talking to the poor and listen the middle class people’s ambitions very rarely, has become history with new party programs that is “advanced democratic” in the theory and “authoritarian oppressive and even activist” in the practice, pro-EU, directed towards middle-upper-middle classes as economic expansion, traditional Islamic-conservative politics that has been left behind. God certainly loves and spares the poor, but what about rich people? Doesn’t Godlove them too? Wouldn’t an eco-political system that settles with capitalist market relations, cheapen the effort, both cures the wounds of the poor with help-support-donations and organize these against the people with low-income be defended in the quietude of the heavenliness “in both worlds?” Interestingly enough, new Islamic conservative mind answers these questions with “yes.” God always loved the poor but he always loved the rich better. Examination of Islamic conservative mind with existence shortly converted into the inner-conflict of new capitalist market relation, in other words of the existence, undertaken responsibility in “Islam-Ethic-Economy” trilogy, and laid on the market that is the main actor itself as if it is a living creature since Adam Smith and assumed it has a function within. This head spinning conversion of the Islamic political mind, sooner or later will cause Islamic ideology to change. Even not in Islamic economy, it is a determinant fact of economic politics in capitalist globalization processes, after the anti-imperialist, pro-independence, anti-capitalism speech of Islamic conservative mind against old-low income groups came to the point of settlement with capitalist market relations, whatever weight the speech has, root of Islamic politics left it place to liberal mass parties which seems like Islamic, other than gathering votes from politic centers that eviscerated by Islamic politicians, settling down in middle of that empty center only can be actualized with a detailed conversion like this.
Conversion of Islamic Women Figure

AKP government that has come into force in 2002, would shortly reveal that it would climb the top of Islamic administration suitable with capitalism. AKP government targeted especially to make the politics towards Islamic conservative woman, conservative woman more visible, excogitate being a humor object and enable women to enter into the secular public space. The fact of conservative women settling in the public space that started by personnel recruitment with turban in the municipal, turban prohibition in universities to be lifted, the turbaned personnel that represent sanitary work status in government institutions to be able to get in professional jobs that require a degree has acquired dimension. The structure of general community that Islamic conservative women is not only seen as “second class citizen” but also seen as “second class women” being broken, has been resulted with Islamic women changing dressing habits, observing the media up close, be more available in non-governmental organizations, gyms, intellectual events and work in prestigious jobs. After a while, conservative women figure with a secular woman image other than its turban on its head, has fade away and left its place to a prototype that is “eternally hating” the figure of 20 years ago. This transition that is happened on the streets shortly transfer its affect into the media with TV channel’s new owners and new Islamic conservative women figure would be consolidated.

In recent years, the savior of Turkish broadcasting: “domestic TV-Series” would be the perfect example for the aforesaid progression. Şermin Dural remarks that during the social transformation waves, the easiest way to reach the community is through domestic TV-Series, and she elucidates the developments as follows:

“In the conservative fraction, a more modern, more stylish and more acceptable “closure” model for community is taking part in TV-Series other than the image that is forced until today. In these productions that are worked with the turbaned style consultants of Turkey and a new working principle were executed in this sense, is perceived as a valid turban style for conservative fraction by the audience that is watching how the main actress wears its turban and in this matter it becomes a fashion. Before, when even the face of the turbaned women won’t be shown, the transition to the turban advertisements which is on huge billboards took a lot of time. In the TV-Shows that is shoot around 20-30 years ago, the characters we have seen only as ‘janitor’s-doorman’s wife’ or ‘fat-old good hearted old lady’ now left its place to ‘turbaned main actress’. Indeed, even conservative fraction has been a time of losing a tradition, a modern turban closure model that modernism can be accepted in the TV-Shows which masses follow, has presented to the public opinion.” (Dural, 2015:1)

In this sense, it wouldn’t be wrong to say the popular closure model in popular TV-shows is a role model for conservative women that desire join in the community without being limited by the lifetime of a political potency and be articulated by capitalist market relations. If we talk about Simmel with an inspired expression, the achievement here can be “Fashion’s emergence as a cultural expression of modernism, is actually related to emergence, development and disengagement from the traditions of the individual. Accordingly, this challenges the common and traditional opinion that claims advertisement, fashion and modernity doesn’t comply with Islam, also tries to build subjects that will continue this challenge” (Bekaroğlu, 2008).

The judgment that Bekaroğlu got from Simmel is important. Because here, “attitude against modernism within the modernism” constitutes a threshold that needs to be argued. Whether it isa modern challengewithin the modernism that stood against main-artery modernism happening as specified by Bekaroğlu, or does it exhibit an economic assimilation that is relieving the pain of approval of the capitalist market relation in an economic space by showing a cultural reaction? Threshold is knotted just in this point. Because if second comment is happening, not the first, then in the frame work of mass communication devices in the structure of the process, newly formatted Islamic conservative woman figure will be converted by the values which is dominating the capitalist market relations other than conversion of the community which constitute a liberal moral other than Islamic moral, and becomes a copy of modernism that is successfully integrated into the system. For that matter, new
Islamic conservative women figure seems to be obligated to the wedge as copy of its historical base. Accordingly, as an object of a potency that couldn’t carry its political potency to an economic system, it stayed as a “communal-social” presentation.

Examination of Turban with Sector Conditions

In another hand, in the beginning considerably careless image of the women that found place as a high status owner in conservatized screens, is being investigated by the Islamic conservative women mind. Like all other market relations, transition of the Islamic conservative women is up to negotiation. After all, it is stipulated the product that is suggested for the integration of global fashion models of the conservatism into the capitalist market system, has to be presented in a way of conservative woman will grant. In an article that is published by the most active media organ of Islamic conservative media, YeniŞafak, gives clues about how we overcome the aforementioned and emphasized tension. According to the article, “Sukran (modern Aysecik)” that is played by SinemOzturk in the TV-Show called “HuzurSokagi” which broadcasted in ATV channel, constitutes one of the first examples that turbaned women found place as main actress and presented as a “role model.” In the TV-Show, which is transferred into the silver screen with the same name that contains a cultural rebellion feature against the capitalism and has been a “best-seller” for many years in the conservative market, the careless appearance of the Sukran character in the beginning caused reactions in the Islamic conservative public opinion like, “Is turbaned women in TV-Shows consciously dressed bad?” (Sönmezışık, 2012:1). Sönmezışık, has found how this problem is handled and summarized with these words; “... Cast members found the solution by reviewing the clothes of Sükran and deciding to hire a turbaned style consultant. In the next episodes Sükran obtained more modern and elegant appearance when its appearance of the Sukran character in the beginning caused reactions in the Islamic conservative public opinion like, “Is turbaned women in TV-Shows consciously dressed bad?” (Sönmezışık, 2012:1). Sönmezışık, has found how this problem is handled and summarized with these words; “... Cast members found the solution by reviewing the clothes of Sükran and deciding to hire a turbaned style consultant. In the next episodes Sükran obtained more modern and elegant appearance when its appearance of the Sukran character in the beginning caused reactions in the Islamic conservative public opinion like, “Is turbaned women in TV-Shows consciously dressed bad?” (Sönmezışık, 2012:1).

According to the YeniŞafak’s report, it was very hard to find a sponsor (financial supporter) in the first episodes. However, after “Sükran” character’s clothing got better, many companies especially from the conservative fractions got in line to be sponsor to “HuzurSokagi.” As the matter of fact, companies that produce Islamic veiling clothes started to make special clothes for “Sukran.” Clothes that is approved by the costume authorities of the show, took place in the windows of the veiling shops as long as Sukran wear them. Giving place to the interesting example of Sonmezisik about the importance of TV-Shows for media channels is important in order to show righteousness of aforementioned determination; “The audience that called, (means callers that called ATV related to the HuzurSokagi), they say ‘I am an open lady, but if I close, I want to be like Sukran’ and then ask where they can buy the clothes.” (Sönmezışı:\k:1)

As it’s understood, ATV has undertook the mission of the modernization of Islamic conservative woman. Because some other TV-Show that called “DiğerYarım” that is shoot after “HuzurSokagi” and constitute an intense argument-interest in public opinion is also belong to ATV. The Islamic media organs that is complaining from the carelessness and shabbiness of the women in the main roles in first ten episodes of the aforementioned TV-show, shares the ideas that these problems are solved in the following episodes and turbaned women figure has become “a fashion icon.” Referring the “BizimMahalle” term which is got famous in recent times and used by the Islamic conservative fraction, Islamic women blog writer “birsevde” mentions that they have been waited conservative women to play in important roles for many years and giving clues about how Islamic conservative women conversed with KIA’s by saying “new TV-Shows with turbaned actresses means new clothes for us” (birsevde, 2014).

The transition in Turkey got so branched out, leading companies of “conservative fashion” states that there is a new clothing style is developing under the name of “Turkish style” and this fashion almost took over the Arab Emirates completely. This clothing style in Arab Emirates, which it shows itself with increasing interest in Turkish TV-Shows, has been assimilated into former prime minister RecepTayyipErdoğan and his daughter SumeyyeErdoğan’s clothes, even the women that has a low-income in Middle-East adopt this Turkish clothing style. And Kiremitçi, “Dunya El-Vatan” newspaper
that is being published in Jordan that is specifies in the words of a women called Mona el Hindi, which tries to come to Turkey every single year, the visits are for following turban fashion and verifies what has been said (Kiremitçi, 2014). In this way, the story of transition of conservative women in Turkey through TV-Shows ad advertisements has gained an international importance. Can we say Turkish modernization that is given as a 3rd world example to the developing countries in the Middle-East, change its course within its line and it is being used to present/taught a conservative fashion that can be accepted in the same geography by the modernism. It is possible to get the answer to this question from Bekaroğlu that has written an exclusive article about this matter in Birikim:

“While advertisements that is one of the most important tools of capitalist community and free market being legalized by Muslims, what kind of arguments being used is matter of different research. This study is about conservative women and advertisement types their being subjected to. Like all other modern tools, whatever the cause may be, they have the ability to change the essentials of subjects which they verged by imposing their own language and logic. It is possible to watch the adventure of Muslim women that is built within the logic of fashion and market. This is not only the adventure of Muslim women, but also the adventure of Turkish Republic consolidating its basis. As Navaro-Yashin said, there is an analogy between the change of the clothes of Muslim women and closure styles that can be accepted by secular Turkish Republic.” (Bekaroğlu, 2014)

Conclusion: The Luck of the Hour and Minute

In the “hour and minute” relationship between conservativeness and modernism, hour being stable and independent variable being modernized, and minute being dependent variable is the conservativeness is most suitable example for this thesis. Only this time it is not remaining with this and redounds fairness to this thesis about the modernization processes. When situation like this, other than Turkish modernization that started with AKP and gap between Kemalism period which is very important for itself, doesn’t it mean it creates a continuity within this gap? And most important of all, even though Turkish society has been wanted to took away from the Kemalist government sense by the Islamic political leaders, is it too much to say that conversed conservatism has irrevocable changed within the frame of Turkish modernism and “grayed out” within the public space? Isn’t it the saddest part in the Islamic conservative platform, the modernist that the Islamist has sworn to stood up against to the modernist at one time, determines the basin of “frank imitator” thinking because there isn’t any other example in Turkish modernization? These are waiting its searchers as these matters need to be argued without any doubt.

By the way, it needs to be emphasized this matter because the interior balance of the conservatism: AKP government that is seen a Islamic but a liberal, tries to keep its 40-45% support by destroying the 50% which is not voting for them. In this matter, they separate the country into two as voting to potency and nor voting for potency. This is 100% suitable with the “governing” policy of the liberal government that has separated the whole world as liberals and non-liberals, which choose to deteriorate its opponents as the general policy. Even though AKP to lose its place in Turkey needs to be other than stealing votes from AKP, being the first party in anti-AKP secular-nationalist-central block and reflect that it’s an opponent which can stop AKP is needed, and also it seems like MHP, the second party of the conservative, needs to drag some of those vote for AKP. In this sense, next elections we can hope to witness a healthy distribution in the vote pool of conservative like there were all the same until today. It brings this question to mind; “If Turkish-Muslim perception or Muslim-Turkish perception will succeed in the next elections?”
References:

Çavdar, Tevfik (2004), *Türkiye’nin Demokrasi Tarihi- II* (İmge, Ankara)
Dural, A. Baran (2010), *Türk Muhafazakarlığı ve Nurettin Topçu: Başıldırı ve Üyum* (Kriter, İstanbul)
Abstract

There appears to be a renewed interest among marketing academics and practitioners in the management of trust. This development can primarily be ascribed to the 2007-2009 financial crises, which had an almost devastating effect on the prevalence of trust in organisations, particularly in the financial services industry. It is therefore not surprising that businesses are continuously looking for innovative ways to restore trust in their organisations. Despite the renewed interest in the management of trust, a number of uncertainties appear to remain. One of these uncertainties is whether trust should be viewed as an almost generic construct, or whether the management of trust is context-specific. This research therefore investigated the management of trust from the perspective of three distinct industries: financial services, non-profit organisations and personal care. According to the marketing literature, the following five dimensions emerge as particularly important when trust is managed: shared values, effective communication, satisfaction, reputation and competence. A survey approach was used to assess the significance of these five dimensions of trust. A total of 330 students from a leading South African university were approached to complete the questionnaire. The data were analysed using SPSS (version 23), while a regression analysis was used to assess the hypotheses. Firstly, the results of the study failed to support many of the generally assumed dimensions of trust. Secondly, the study found that the management of trust is context-specific. The results of the study thus call for marketing academics and practitioners not to adopt an almost generic approach to the management of trust.

Background and introduction

Since the emergence of relationship marketing in the 1980s, marketing practitioners and academics became intrigue by the value of this particular approach to marketing. It is therefore not unexpected to note that scholars such as Morgan and Hunt (1994), Wilson (1995) and Geyskens, Steenkamp, Scheer and Kumar (1996) realised that it is essential for marketers to be familiar with the dimensions of a successful long-term marketing relationship. One of the key dimensions of a successful long-term marketing relationship appears to be trust.

The concept of trust has been thoroughly researched in a variety of academic disciplines, such as sociology, psychology, economics, organisational behaviour and also marketing (Lin & Wang, 2015). It is especially interesting to observe that the 2007-2009 global financial crises resulted in a renewed interest in the study of trust, as the crises has had a negative effect on consumers’ trust in organisations (Sapienza & Zingales, 2012). In fact, it is believed that the economic crisis led to a loss in confidence, especially, in financial institutions (Uslaner, 2010); therefore, it is not unexpected that many service providers embarked on strategies to rebuild trust with their clients (Hansen, 2014).

Despite the renewed interest in the study of trust, a number of questions remain unanswered (Kang & Hustvedt, 2014). One of these questions is whether the management of trust is industry-specific, or whether it is possible to manage trust in an almost generic manner. For example, should the relationship differences between a client and his/her financial services provider, and a client and his/her hairdresser be considered when trust is managed?

It is against this background that this study investigated the management of trust in the context of three different industries: financial services, the non-profit industry and personal care. The objective was to
ascertain whether there are differences in the management of trust amongst these three industries. Should differences be detected, marketers could adapt their strategies to ensure that trust between their organisation(s) and its clients are optimally managed.

**Trust in marketing relationships**

Trust is an important dimension in the creation, development and protection of long-term relationships between customers and sellers (Rahimnia & Hassanzadeh, 2013; Sekhon, Ennew, Kharouf & Devlin, 2014). Once trust has been inspired, risk and uncertainty is significantly reduced, and complexity is lowered (Hartmann, Klink & Simons, 2010).

However, there is no consensus in the literature on how trust should be defined. For example, Moorman, Deshpandé and Zaltman (1993) define trust from a behavioural viewpoint, arguing that trust is “the willingness to rely on an exchange partner in whom one has confidence”. Similarly, Morgan and Hunt (1994) believe that trust is “when one party has confidence in an exchange partner’s reliability and integrity”, whilst Mukherjee and Nath (2003) suggest that trust encompasses confidence in another’s ability and intention. Leisen and Hyman (2004: 991) declare that trust is “the universally accepted basis for any human interaction”, whilst Ganesan and Hess (1997) refer to the important contribution that trust makes to inter-firm alliances.

Although some authors view trust as a uni-dimensional construct (Wang, Law, Hung & Guillet, 2014), others argue that trust should be viewed as a multi-dimensional construct consisting of numerous facets (Das & Teng, 2001). For example, Ganesan and Hess (1997) found that trust consists of two key building blocks, namely credibility (the exchange partners’ ability to keep promises and being reliable) and benevolence (doing business in a caring manner with concern for the focal partner’s needs).

Regardless of how trust is defined, it is evident that trust has a dominant role in marketing literature and practice and is seen as an essential factor in developing successful relationships (Garbarino & Johnson, 1999).

**The similarity-attraction theory and trust**

The similarity-attraction theory hypothesises that individuals who are similar will be interpersonally attracted (Byrne, 1971). This attraction, which could be based on distinct or personal characteristics (Homburg, Schneider & Fassnacht, 2008), will result in individuals experiencing positive outcomes (Goldberg, 2005). In addition, the anticipation of being liked generates attraction in return (Ziegler & Golbeck, 2006).

In the field of social psychology, the relationship between trust and similarity is clearly stated (Ziegler & Golbeck, 2006). Individuals will tend to choose to invest in trustworthy relationships with others who are like them, because this reinforces their self-esteem and contributes to maintaining a balance in self-identity (Smith, 1998). Furthermore, familiarity breeds trust and similarity moderates the effect of a long-history interaction of trust (Gulati & Sytch, 2008). The general premise is therefore that prior interaction creates familiarity and in turn enables a firm to develop confidence in another firm’s trustworthiness (Uzzi & Gillespie, 2002).

**Antecedents of trust**

Despite previous attempts, it appears that the literature fails to provide a comprehensive list of the antecedents (dimensions) of trust. In line with its objectives, this paper identified five dimensions of trust: shared values, effective communication, satisfaction, reputation and competence. These dimensions were selected based from the three industries in which the empirical section of the study was conducted. It was therefore important to focus on the general applicability of the designated dimensions relative to the three selected industries.
Morgan and Hunt (1994: 25) define shared values as “the extent to which partners have beliefs in common about what behaviours, goals and policies are important or unimportant, appropriate or inappropriate and right or wrong”. Shared values therefore show what an exchange partner view as mutually important, including aspects such as policies and goals (Morgan & Hunt, 1994). Mui, Mohtashemi and Halberstadt (2002) extend this notion by proposing that ethical values and honesty are part of morality and, in the bigger picture (of shared values), form a corner stone of trust.

The positive effect that shared values have on trust in a relationship has been confirmed by Kang, Jeon, Lee and Lee (2005), MacMillan, Money, Money and Downing (2005) and Morgan and Hunt (1994). Furthermore, Gillespie and Mann (2004) found that shared values and the extent to which partners identify with each other’s values, contribute to how trustworthy a relationship is. In addition, the relationship between shared values and trust is of a reciprocal nature, as trust ultimately helps to maintain the shared values in a relationship (Gillespie & Mann, 2004).

Based on the literature review, the following hypotheses were proposed:

**H1a:** There is a positive relationship between shared values and trust in the financial services industry

**H1b:** There is a positive relationship between shared values and trust in the non-profit industry

**H1c:** There is a positive relationship between shared values and trust in the personal care industry

According to Sin, Tse, Yau, Chow, Lee and Lau (2005), communication can be defined as the sharing of relevant and timely information between parties for a specific objective. Kodish and Pettigrew (2008) view effective communication as a critical element of a successful marketing relationship, while Holden and O’Toole (2004) point out that effective communication is both the lifeblood and circulatory system of a successful marketing relationship.

Simpson and Mayo (1997) not only found that the relationship between trust and effective communication is becoming more important and even critical in the marketing literature, but also that it is a key variable, especially at the beginning of a relationship. According to Mukherjee and Nath (2003), timely communication helps to build trust and the latter, in turn, will increase the likelihood of customers to invest in relationships.

Communication is based on information-sharing and when there is a lack of information-sharing in a relationship, it often results in a decline in trusting behaviour (Thomas, Zolan & Hartman, 2009). Furthermore, Berry (1995) emphasise the importance of two-way communication between a firm and its customers, and that the communication takes place on a regular basis. MacMillan et al. (2005), on the other hand, argue that trust levels can be increased by delivering quality communication. The relationship between communication and trust has also been confirmed by Doney, Barry and Abratt (2007) and Kyriazis, Couchman and Johnson (2012).

Against this background, the following hypotheses were formulated:

**H2a:** There is a positive relationship between effective communication and trust in the financial services industry

**H2b:** There is a positive relationship between effective communication and trust in the non-profit industry

**H2c:** There is a positive relationship between effective communication and trust in the personal care industry

Satisfaction appears to be a well-researched relationship marketing dimension. In fact, Fullerton (2011: 94) asserts that satisfaction is “one of the most studied constructs in the history of marketing scholarships”. Satisfying customers is a major concern for organisations, especially since satisfaction assists organisations to manage customer relationships effectively (Ata & Toker, 2012). Although a number of definitions of satisfaction have emerged, this study uses the original definition by Anderson.

© Copyright by Author(s) September 4-7, 2016
and Narus (1990: 45), who describe satisfaction as “a positive affective state resulting from the appraisal of all aspects of a firm’s working relationship with another firm”.

The significance of satisfaction in managing trust has not only been confirmed in the literature; satisfaction also appears to be one of the most frequently cited precursors of trust (Leisen & Hyman, 2004; Dabholkar & Sheng, 2012). Customers base their expectations on prior experiences - if a customer is satisfied with a past experience, it will result in trust (Lin & Wang, 2015). Furthermore, building trust entails a process that takes place over time, and customer satisfaction is an important element of this process (Loureiro & Miranda González, 2008). More specifically, Abdul-Muhmin (2005) found that customers’ satisfaction relates positively with perceptions of suppliers’ benevolence and credibility (which are seen as components of trust).

Therefore, the following hypotheses were proposed:

\[ H3a: \text{There is a positive relationship between satisfaction and trust in the financial services industry} \]
\[ H3b: \text{There is a positive relationship between satisfaction and trust in the non-profit industry} \]
\[ H3c: \text{There is a positive relationship between satisfaction and trust in the personal care industry} \]

Reputation refers to the extent to which a buyer believes that a supplier is honest and concerned about its customers, which can be measured based on direct experience and other forms of communication and symbolism (Chang, Cheung & Tang, 2013). Reputation implies that someone assigns attributes to a person purely based on second-hand information related to the exchange partners (McKnight & Chervany, 2001).

Since a positive reputation enhances the credibility of a supplier, there is a direct and positive association between reputation and trust (Ganesan, 1994). Furthermore, individuals with no prior experience with a service provider, form a generalised opinion and expectation before any decisions are made (Johnson & Grayson, 2005). Such opinions and expectations that can be referred to as a reputation, has a direct impact on the service provider’s level of trustworthiness (Doney & Cannon, 1997).

Based on the above literature, it was hypothesised that:

\[ H4a: \text{There is a positive relationship between reputation and trust in the financial services industry} \]
\[ H4b: \text{There is a positive relationship between reputation and trust in the non-profit industry} \]
\[ H4c: \text{There is a positive relationship between reputation and trust in the personal care industry} \]

Competence is defined by Coulter and Coulter (2003:33) as “the degree to which customers perceive that the service representative possesses the required skills and knowledge to supply the basic service product”. Furthermore, Gregori, Daniele and Altinay (2014) emphasise the importance that promises should be fulfilled, when they define competence as the trustee’s ability to fulfil the promise as initially communicated to the trustor. To understand the competence concept, it is important to consider both components of competence: technical expertise and the knowledge of organisations, competitors, industries and markets (Selnes, 1998). Guenzi and Georges (2010) specifically underline the importance of expertise when managing competence, and argue that an individual must have acquired the necessary skills before he or she be deemed as an expert an expert.

Once an exchange partner is regarded as competent, the level of uncertainty in the relationship will be reduced, resulting in increased trust in the relationship (Selnes, 1998). Consistent with this argument, it was found that a competent party (person) would be favourably viewed by its exchange parties (people that are in a relationship with the person) if the required knowledge and skill are present (Perry, Cavaye & Coote, 2002). Doney and Cannon (1997) and Moorman et al. (1993) confirm the direct influence that expertise has on an individual’s perception that a party can or cannot be trusted.
The above literature review resulted in the formation of the following hypotheses:

\[ H5a: \quad \text{There is a positive relationship between competence and trust in the financial services industry} \]

\[ H5b: \quad \text{There is a positive relationship between competence and trust in the non-profit industry} \]

\[ H5c: \quad \text{There is a positive relationship between competence and trust in the personal care industry} \]

**Research design and methodology**

A quantitative approach was used to collect the data. In the following section, the sampling procedure, the measurement instrument and data collection are described.

**Industries investigated**

In order to address the objectives of the study, three contrasting industries were investigated. Empirical data were collected in the financial services industry (more specifically retail banking), the non-profit industry (represented by the Cancer Association of South Africa, or CANSA) and the personal care industry (more specifically hairdressing). These three industries were selected because of their diversity, and to explore whether the management of trust differ between these three industries. For example, the relationship between a client and his/her retail bank may differ from the relationship the client has with his/her hairdresser.

**Sampling**

Non-probability sampling, and more specifically convenience sampling, was used to collect data from 330 students from a leading South African university. Given the students’ use and support of three selected industries and the parameters of the study, a student sample was deemed appropriate. An equal number of 110 questionnaires were distributed to collect the data from each of the three industries.

Firstly, retail banking was selected based on the fact that the majority of students possess or have access to personal bank accounts. Respondents therefore had to answer the questions from the perspective of managing their personal bank accounts. The non-profit industry was selected as the second industry, with CANSA being the specific non-profit organisation. Although not all students necessarily have had previous exposure to CANSA as a service provider, the organisation is not only well-known in South Africa, but it has also been rated as one of South Africa’s most trusted and admired NGOs (2011 – 80 years of excellence and winning awards, 2011). Furthermore, due to the relative prevalence of cancer, it was argued that the majority of students have been exposed to the illness, be it through family members or friends. Thirdly, the hairdressing industry was selected, where students were regarded as a suitable sample based on their frequent use of hair care service providers. The three sub-samples were thus created as follows: retail banking (sample 1), CANSA (sample 2), and hairdressing (sample 3).

**Measurement instrument**

Existing scales were used to measure the dimensions, but were slightly adapted to reflect the nature of each of the three industries investigated in this study. In this way three measurement instruments were developed. The items were predominantly sourced as follows: Trust: Coulter and Coulter (2003), Morgan and Hunt (1994); shared values: Coote, Forrest and Tam (2003), Johnson and Grayson (2005); effective communication: Kang *et al.*, (2005); satisfaction: Sharma and Patterson (1999), Homburg, Workman and Jensen (2000); reputation: Casaló, Flavián and Guinaliu (2008), Lee and Song (2010); competence: Coulter and Coulter (2003), Selnes (1998).

**Data analysis**

SPSS version 22 was used to analyse the data. The reliability of the scales was assessed by means of Cronbach alphas, whilst the validity was assessed using exploratory factor analyses (EFAs). Regression
analyses were used to assess the significance of the hypothesised relationships. Prior to the analysis, the following labels were awarded to the dimensions: trust – TRU, shared values – SHV, effective communication – COM, satisfaction – SAT, reputation – REP, and competence – CMP.

**Empirical results**

This section commences with a discussion of the response rates, which is followed by the results of the EFAs and the regression analyses. The results of both the EFAs and the regression analyses are presented by separate sub-sample.

**Response rate**

Of the total of 330 questionnaires (110 for each sample), a number of questionnaires were unusable due to incompleteness. In the final instance, 102 were usable in sample 1, 103 in the case of sample 2, and 105 with regard to sample 3.

**Validity of the data**

The EFAs were conducted to determine the validity of the data. Direct Oblimin was selected as rotation method, and items were extracted based on an Eigen value of above 1. Sample 1 (retail banking) rendered a clear four-factor structure, which is presented in Table 1.

**Table 1: Results of the EFA: Sample 1 (Retail banking)**

<table>
<thead>
<tr>
<th>Items</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>REP1</td>
<td>.862</td>
</tr>
<tr>
<td>COM2</td>
<td>.827</td>
</tr>
<tr>
<td>SAT1</td>
<td>.743</td>
</tr>
<tr>
<td>REP3</td>
<td>.720</td>
</tr>
<tr>
<td>SAT2</td>
<td>.681</td>
</tr>
<tr>
<td>CMP2</td>
<td>.636</td>
</tr>
<tr>
<td>SAT3</td>
<td>.614</td>
</tr>
<tr>
<td>SAT4</td>
<td>.497</td>
</tr>
<tr>
<td>COM5</td>
<td>.826</td>
</tr>
<tr>
<td>COM3</td>
<td></td>
</tr>
<tr>
<td>CMP5</td>
<td></td>
</tr>
<tr>
<td>SHV5</td>
<td></td>
</tr>
<tr>
<td>SHV3</td>
<td></td>
</tr>
<tr>
<td>REP2</td>
<td></td>
</tr>
<tr>
<td>SHV4</td>
<td></td>
</tr>
</tbody>
</table>

Each of the new factors in Table 1 had to be reviewed, and where needed, new labels had to be assigned. The final factors to be included in the regression analyses were relabelled as follows:

**Factor 1:** This factor consisted of mainly satisfaction items, as well as two items of reputation, as well as one each from effective communication and competence respectively. From a relationship marketing perspective, satisfaction refers to the positive affective state that is based on an assessment of a relationship (Anderson & Narus, 1990). Reputation, on the other hand, is viewed as “the perception of how honest a supplier is, and also how concerned the supplier is about his consumers” (Doney & Cannon, 1997: 37). A re-inspection of the effective communication and competence items revealed that both these two items contribute to especially reputation which, in turn, can be associated with the
positive affective state that is being referred to in the definition of satisfaction. In order to encompass all these viewpoints, it was decided to relabel this factor as experience.

Factor 2: This factor consisted of two effective communication items, two of shared values, and one each of competence and reputation. Effective communication refers to the sharing of knowledge, while shared values refer to the possible similarity that could exist between the exchange partners. Furthermore, the competence item refers to the knowledge of an exchange partner, while reputation could be built on the premise of knowledge. The new factor was therefore relabelled as shared knowledge.

Factor 3: This factor consisted of one item each of shared values, effective communication and competence. Both the effective communication and competence items include reference to accuracy, while shared values refer to the concept of mutuality. Since a marketing relationship implies that some degree of mutuality needs to exist for the relationship to be beneficial, it was decided to relabel the new factor accuracy.

Factor 4: Two reputation items and one competence item were included in this factor. Based on the possible communality between reputation and competence, it was decided to retain the reputation label for Factor 4.

The EFA for Sample 2 (CANSA) also revealed a four-factor structure. The results appear in Table 2.

Table 2: Results of the EFA: Sample 2 (CANSA)

<table>
<thead>
<tr>
<th>Items</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>SAT4</td>
<td>.879</td>
</tr>
<tr>
<td>REP5</td>
<td>.832</td>
</tr>
<tr>
<td>SHV1</td>
<td>.802</td>
</tr>
<tr>
<td>SHV5</td>
<td>.723</td>
</tr>
<tr>
<td>CMP5</td>
<td>.718</td>
</tr>
<tr>
<td>COM3</td>
<td>.600</td>
</tr>
<tr>
<td>COM5</td>
<td>.561</td>
</tr>
<tr>
<td>CMP1</td>
<td>.426</td>
</tr>
<tr>
<td>SHV2</td>
<td>- .839</td>
</tr>
<tr>
<td>SAT2</td>
<td></td>
</tr>
<tr>
<td>SHV3</td>
<td></td>
</tr>
<tr>
<td>SAT1</td>
<td></td>
</tr>
<tr>
<td>SAT3</td>
<td></td>
</tr>
<tr>
<td>CMP4</td>
<td></td>
</tr>
<tr>
<td>REP1</td>
<td>- .587</td>
</tr>
<tr>
<td>CMP3</td>
<td></td>
</tr>
<tr>
<td>COM1</td>
<td></td>
</tr>
<tr>
<td>COM2</td>
<td></td>
</tr>
<tr>
<td>SHV4</td>
<td></td>
</tr>
<tr>
<td>REP4</td>
<td></td>
</tr>
</tbody>
</table>

The results of the EFA necessitated a re-inspection of the new factors, which resulted in a situation that some of the original dimensions had to be relabelled.

Factor 1: This factor consisted of eight items, and included items from all five the original independent variables (shared values, effective communication, satisfaction, reputation and competence). Since none of the variables turned out to be dominant, a completely new label had to be created. In order to address the general nature of the new factor, it was decided to use the label positiveness for Factor 1.

Factor 2: This factor consisted of three satisfaction items, two of shared values and one competence item. The shared values construct included reference to mutuality, which in turn relates to satisfaction.
in the sense that an assessment needs to be made by an exchange partner regarding the other party’s role and behaviour in the relationship, which implies a degree of mutuality. Furthermore, the competence item could be regarded as part of satisfaction, since the assessment part of the satisfaction item could also include an assessment of the exchange partner’s expertise and skills. Therefore, it was decided to retain the satisfaction label for Factor 2.

Factor 3: This factor consisted of two items only, namely one of reputation and one of competence. It was decided to relabel the factor as reputed knowledge, in order to reflect that a reputation could be built on the knowledge of a service provider.

Factor 4: This factor consisted of two effective communication items, with one item each originated from shared values and one from reputation. Communication as such refers to the sharing of relevant and timely information between parties (Sin et al., 2005), which is positively associated with a service provider’s reputation (Hutton, Goodman, Alexander & Genest, 2001). Therefore, the effective communication label was retained for Factor 4.

The results of the EFA for the hairdressing sub-sample are depicted in Table 3.

Table 3: Results of the EFA: Sample 3 (hairdressers)

<table>
<thead>
<tr>
<th>Items</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>REP1</td>
<td>.928</td>
</tr>
<tr>
<td>REP3</td>
<td>.873</td>
</tr>
<tr>
<td>REP3</td>
<td>.788</td>
</tr>
<tr>
<td>SAT1</td>
<td>.780</td>
</tr>
<tr>
<td>SAT3</td>
<td>.724</td>
</tr>
<tr>
<td>SAT5</td>
<td>.653</td>
</tr>
<tr>
<td>REP4</td>
<td>.620</td>
</tr>
<tr>
<td>REP5</td>
<td>.512</td>
</tr>
<tr>
<td>SHV3</td>
<td>.951</td>
</tr>
<tr>
<td>COM3</td>
<td>.812</td>
</tr>
<tr>
<td>SHV1</td>
<td>.705</td>
</tr>
<tr>
<td>COM4</td>
<td>.687</td>
</tr>
<tr>
<td>SHV5</td>
<td>.664</td>
</tr>
<tr>
<td>CMP1</td>
<td>.610</td>
</tr>
<tr>
<td>CMP5</td>
<td>.440</td>
</tr>
</tbody>
</table>

A clear two-factor structure is visible in Table 3, and the factors were labelled as follows:

Factor 1: Two dimensions (reputation and satisfaction) featured strongly in this factor. In fact, almost overwhelming support was found for the inclusion of reputation, since all five the original reputation items appear in the new factor. Furthermore, the importance of satisfaction is evident in the inclusion of three of the original satisfaction items. In order to reflect the nature of the items included in this factor, it was decided to use the new label of approval for Factor 1.

Factor 2: This factor consisted of seven items, which was a combination of shared values (three items), effective communication (two items) and competence (two items). The concept of shared values accentuates the importance of mutuality in a relationship. Furthermore, a re-inspection of the effective communication and competence items revealed that exchange partners need to be viewed as knowledgeable and accurate, which point towards a perception of proficiency. It was therefore decided to relabel this new factor as mutual proficiency.

The next step was to assess the reliability of the data by calculating the Cronbach alpha values. In the retail banking sample, the reliability scores for three of the four items ranged between 0.699 and 0.900, which provided evidence that the scales were reliable. The only exception was reputation, where the Cronbach alpha value was 0.595. This factor was therefore permanently removed from the dataset.
The reliability scores of the four items in the CANSA sample ranged between 0.801 and 0.898, therefore demonstrating sufficient reliability. In the hairdressing sub-sample, the Cronbach Alphas for the two factors were 0.887 and 0.916 respectively, whilst the value for trust (the dependent variable) was 0.847. All the scales used in the hairdressing sample therefore demonstrated sufficient evidence of reliability.

The emergence of the newly established factors in the three EFAs implied that a number of new hypotheses had to be formulated. These hypotheses were as follows:

- **H6**: There is a positive relationship between experience and trust in the financial services industry
- **H7**: There is a positive relationship between shared knowledge and trust in the financial services industry
- **H8**: There is a positive relationship between accuracy and trust in the financial services industry
- **H9**: There is a positive relationship between positiveness and trust in the non-profit industry
- **H10**: There is a positive relationship between reputed knowledge and trust in the non-profit industry
- **H11**: There is a positive relationship between approval and trust in the personal care industry
- **H12**: There is a positive relationship between mutual proficiency and trust in the personal care industry

These new hypotheses will be assessed together with hypotheses H2b and H3b (from the original set of hypotheses). The final set of hypotheses appears in Figure 1.

**Figure 1: Revised set of hypotheses**

Regression analyses

The relationships between the independent variables and the dependent variable (trust) were assessed by means of regression analyses. The results of the three regression analyses (one each for the three samples) appear in Table 4.
Table 4: Results of the regression analyses

<table>
<thead>
<tr>
<th>Hypothesised relationship</th>
<th>Beta</th>
<th>t-value</th>
<th>Significance</th>
<th>Tolerance level</th>
<th>VIF level</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sample 1 (Retail banking)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H6: Experience → Trust</td>
<td>.558</td>
<td>7.129</td>
<td>.000</td>
<td>.594</td>
<td>1.684</td>
<td>*</td>
</tr>
<tr>
<td>H7: Shared knowledge → Trust</td>
<td>.334</td>
<td>4.216</td>
<td>.000</td>
<td>.580</td>
<td>1.726</td>
<td>*</td>
</tr>
<tr>
<td>H8: Accuracy → Trust</td>
<td>-.004</td>
<td>-.052</td>
<td>.959</td>
<td>.685</td>
<td>1.459</td>
<td>N.S.</td>
</tr>
<tr>
<td>R²: 0.643</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sample 2 (CANSA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H9: Positiveness → Trust</td>
<td>.431</td>
<td>6.870</td>
<td>.000</td>
<td>.538</td>
<td>1.857</td>
<td>*</td>
</tr>
<tr>
<td>H3b: Satisfaction → Trust</td>
<td>.264</td>
<td>4.022</td>
<td>.000</td>
<td>.494</td>
<td>2.026</td>
<td>*</td>
</tr>
<tr>
<td>H10: Reputed knowledge → Trust</td>
<td>.261</td>
<td>4.810</td>
<td>.000</td>
<td>.721</td>
<td>1.387</td>
<td>*</td>
</tr>
<tr>
<td>H2: Effective communication → Trust</td>
<td>.153</td>
<td>2.383</td>
<td>.019</td>
<td>.517</td>
<td>1.934</td>
<td>**</td>
</tr>
<tr>
<td>R²: 0.794</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sample 3 (Hairdressing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H11: Approval → Trust</td>
<td>.641</td>
<td>9.559</td>
<td>.000</td>
<td>.463</td>
<td>2.158</td>
<td>*</td>
</tr>
<tr>
<td>H12: Mutual proficiency → Trust</td>
<td>.308</td>
<td>4.592</td>
<td>.000</td>
<td>.463</td>
<td>2.158</td>
<td>*</td>
</tr>
<tr>
<td>R²: 0.794</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N.S.: Not significant; * p ≤ 0.001; ** p ≤ 0.05; VIF: Variance Inflation Factor

In the retail banking sample, both experience and shared knowledge were found to be significant on at least the 0.001 level of significance. It can therefore be argued that, in the retail banking industry, trust can be increased by focusing on the management of the customer’s experience and shared values. The study also confirmed that no support could be found for the role of accuracy in the management of trust. Hypotheses H6 and H7 were therefore supported, whilst no support could be found for hypothesis H8.

In the CANSA sample, all four the hypothesised relationships were supported, namely hypotheses H2b, H3b, H9 as well as H10. It can thus be deduced that trust in a non-profit environment can be managed by focusing on positiveness, satisfaction, reputed knowledge and effective communication.

In the hairdressing sample, two factors (approval and mutual proficiency) were hypothesised as relative to trust in the personal care industry. Both these hypothesised relationships were confirmed, which means that hypotheses H11 and H12 were supported.

The VIF and tolerance values were inspected in order to establish possible multi-collinearity between the independent variables. In all three samples the VIF and tolerance levels were within the acceptable margins, which mean that multi-collinearity was not found to be a concern in any of the three samples. Furthermore, an inspection of the R² values revealed that in all three samples a relative substantial amount of the variance in trust was declared by the independent variables.

Interpretation and implications

Referring to the retail banking industry, two dimensions were found to be significantly and positively related to trust: experience and shared knowledge. The dimension ‘experience’ emerged from the EFA, and refers to creating an overall environment that is satisfying and is conducive for relationship growth. Although this study failed to provide empirical support for the effect of individual antecedents such as effective communication, competence and reputation in the retail banking industry, these three dimensions merged to form experience. It is therefore important that all three these dimensions be viewed and managed holistically, rather than focusing on individual dimensions.

From the perspective of shared knowledge, the study found that trust in a financial services relationship could be increased if the exchange partners not only share a similar set a values, but also if they are viewed as being knowledgeable. These findings were somewhat unexpected, since the marketing literature does not make provision for shared knowledge as an antecedent of trust. Instead, the marketing
literature supports the importance of shared values (Mui et al., 2002; Morgan & Hunt, 1994) and competence (Coulter & Coulter, 2003; Canary & Cupach, 1988) - the two original dimensions on which the new dimension (shared knowledge) was primarily built. From the literature, it is evident that a financial services relationship need to be built on values such as what is right or wrong, or appropriate or inappropriate (Mui et al., 2002), as well as principles such as shared policies and goals (Morgan & Hunt, 1994). In fact, the effect of shared values on trust in a relationship is so significant, that through shared values, the highest form of trust is reached between partners, namely ‘unconditional trust’ (Gillespie & Mann, 2004).

All four the hypothesised relationships where confirmed in the CANSA sample, with only two of the confirmed hypotheses relating to the marketing literature. Firstly, satisfaction was found to be positively and significantly related to trust. This finding was not surprising, since ample support was found in the literature for this relationship (Leisen & Hyman, 2004; Dabholkar & Sheng, 2012). Secondly, effective communication is a significant antecedent of trust, which is once again in support of the literature (Doney et al., 2007; Kyriazis et al., 2012).

The emergence of two new dimensions in the CANSA sample (positiveness and reputed knowledge) is especially noteworthy. The significance of positiveness is understandable, especially when the nature of CANSA’s service offering is considered. CANSA’s services are often associated with high levels of customer emotions, especially due to the nature of the illness that the organisation is concerned with. In such an environment, it is important for CANSA’s clients to be positive about the process they are involved with.

Reputed knowledge is developed on elements of reputation and competence. The use of CANSA’s services is voluntary, and patients may raise questions as to how the organisation contributes to the well-being of the individual. This is where the reputation of CANSA is of utmost importance. The same can be argued in respect of competence, where patients need to commit themselves to CANSA’s care based on their perceptions of the organisation’s expertise and skills regarding the assistance and care of patients during this challenging phase of their lives.

In the hairdressing sample, both approval and mutual proficiency were found to be significant and positively related to trust. The study confirmed that firstly, hairdressers need to ensure that clients approve of the service provider’s services. Although approval could be cultivated in different ways, this study specifically focussed on the contribution of reputation and satisfaction in managing this dimension. Due to the nature of the service act (especially since hairdressing services cannot be guaranteed), hairdressers are specifically dependent on positive word-of-mouth, which re-emphasises the role of the reputation of the service provider. Similarly, satisfaction as a result of previous exposure or interaction (direct or indirect) leads to an increase in clients’ approval of the service provider.

Mutual proficiency was the final dimension that was found to be significantly related to trust in the hairdressing sample. It was established that shared information is built on effective communication and shared values. The inseparability of demand and capacity forces hairdressers to involve the client in the service processes. For example, the client’s satisfaction is dependent on the client’s direct input regarding aspects such as preferred styles and colour. Furthermore, hairdressers are expected to be well informed regarding trends in the hair care industry, and to share this knowledge in a proficient manner with their clients.

**Limitations to this study**

It can be argued that using a student sample may have been inappropriate as the sample may not necessarily be representative of the population. However, the study was industry-specific. For example, students have first-hand experience of at least two of the industries investigated in this study (retail banking and hairdressing). Furthermore, even in the case of CANSA, many students may have had indirect exposure to the organisation, due to the relative prevalence of the illness.
The objective of this study was to compare the management of trust between different industries. Although this objective has been realised, it should be kept in mind that the results of this study only pertain to the three industries under investigation and that generalisation is not justified. For example, hairdressing was selected to represent the personal care industry. The implication is that the results may only be applicable to managing trust in the hairdressing industry, and not necessarily to other personal care businesses, such as beauty treatments.

Concluding remarks

There appears to be almost universal acknowledgement of the role of trust in the management of long-term marketing relationships. However, research on the exact way in which trust should be managed, is an ongoing process. This paper attempted to assess the management of trust from the perspective of three different industries: financial services, the non-profit industry and personal care.

The results of the study have suggested that the specific industry in which trust is managed, indeed have an influence on the way in which trust should be managed. For example, managing trust in a financial services environment appears to differ significantly from that of the personal care industry. Marketing academics and practitioners should therefore be cautious regarding the way in which they approach the management of trust. Furthermore, one should be careful not to apply existing marketing theory regarding the dimensions of trust in a marketing relationship. This argument is based on the fact that the study failed to support many of the well-established dimensions of trust.

The most important contribution of this paper is that it calls for marketing academics and practitioners to rethink their current trust management strategies and approaches. It is clear that trust is viewed differently by different industries, and one cannot continue to view trust from only a traditional perspective.
References


‘The Relentless Parade of Insults’: A Literature Review on Negative Perceptions about Disability and Disabled People in the Society.

Ambuj Sharma, Szent István University, Hungary
Anna Dunay, Szent István University, Hungary

Abstract

Despite the great success of WHO’s conceptual models and UNCRPD guidelines, there is still a great deal of work to be done in removing the negative barriers which are slowing down the process of social inclusion and integration of disabled people in our society. The objective of this article to critically review the negative barriers which are deep rooted and ingrained in our socio-cultural environment. The barriers, for example impact of languages, conflicting terminology, religious and cultural beliefs, negative attitudes, one-dimension stereotyping, stigma and social prejudice; emerged from times but are still perceptible in our system. Disabled people especially in Third World countries are still living an inferior life as compared to non-disabled people and have to, directly and indirectly, face the unimaginable consequences for possessing a disability. People hailing from different races and religions with different disabilities face different barriers at different levels of the socio-economic platform and we, the researchers, should be able bridge the gap between these ‘different’ yet inter-woven realms of a realistic world.

Keywords
Negative attitude, stereotypes, religion, disabled people.
The User Acceptance of Social Media: A Motivational Perspective

Albert Nelmapius, University of Stellenbosch, South Africa
Christo Boshoff, University of Stellenbosch, South Africa

Abstract

For many business firms, social media and the organisational utilisation of social media has become an essential element of its strategic planning. The use of social media is a unique marketing communication tool for engaging with a new generation of consumers. The value of social media lies in its many uses: social media empowers users by allowing them to share content, create content, share thoughts, share views, find information, be entertained, learn, trade and to share personal details. From a marketing perspective one characteristic of social media is particularly important: many consumers are engaging with and producing information, as opposed to traditional media where the marketer is in control of the media message content and information dissemination.

Against this background the primary objective of this study was to investigate the intentions of users of social network sites to continue using social network sites in the future by using a comprehensive, decomposed Theory of Planned Behaviour.

A non-probability multi-method sampling method was used. The study used a questionnaire with closed-ended questions to collect the demographic information of the respondents and a seven-point Likert scale was selected as the appropriate measurement scale, considering that the variables under investigation were latent and therefore not directly observable. Data were collected from a convenience sample of 307 users of Facebook.

The hypothesised relationships in the structural model were assessed using a structural equation modelling (SEM) approach. The computer programme LISREL 8.80 was utilised for this purpose.

The results showed that Dispositional trust, Internet self-efficacy, Psychological risk, Perceived enjoyment and Perceived usefulness exert a statistically significant influence on the intention of individuals to continue to use Facebook in the future. This study provides insights that can guide marketers’ efforts to devise customised, multi-layered marketing offerings to encourage the use of social network sites for e-commerce purposes.
A Case Series of Pediatric Autoimmune Encephalopathy

Amanda R. Lucchetti, Mayo Clinic, USA
Tanya M. Brown, Mayo Clinic, USA

Paper available from author(s)
Abstract

For the English as a Foreign Language (EFL) students, reading is an essential activity for obtaining information. Studies have indicated that readers spontaneously used reading strategies in the process of comprehending text (Pritchard, 1990). Previous investigations also discovered that the use of appropriate strategies could enhance reading comprehension (Olsen & Gee, 1991). Most educators lack the knowledge of what their students do while attempting to comprehend reading materials; very often, they are unaware whether or not their students do employ reading strategies. Based on this rationale, a study was conducted to investigate the EFL students’ use of reading strategies at the Jordanian secondary schools. They were requested to read a piece of reading material, and then were asked to respond to questionnaires concerning reading strategies such as supervising strategies, support strategies, paraphrase strategies, and strategies for establishing coherence in text. It was found that the subjects utilized a variety of strategies to understand the text. Some strategies were preferred and used more frequently than others. The results would make a positive contribution to the field of applied linguistics because policy makers, education planners, and educators would gain more insight into EFL students’ reading processes and activities. This investigation suggests that the relevant educational bodies would need to incorporate more systematic reading strategy instruction into the English language curriculum content so that the students could be trained to use more effective reading strategies.

Keywords: Reading Strategies
The Effects of Linear and Non–Linear Computer Games on Students’ Learning of Scientific Concepts and Argumentation

*Ting-Ju Shu, National Taipei University of Education, Taiwan
Yu-Ling Lu, National Taipei University of Education, Taiwan*

Empirical evidence has indicated that learners can benefit from educational computer games in many ways. However, the effectiveness of different learning designs remains unclear. This study developed two educational games: linear learning (LL) and non-linear learning (NLL), to let students learn science. Then the relative effectiveness of these two different approaches, in terms of students’ growth in “scientific concepts (green energy and microalgae biomass energy)” and “scientific argumentation”, were examined. In the LL environment, the educational game was designed to deliver learning materials sequentially. In contrast to this, the NLL computer educational game provided diverse learning progressions in which learners had sufficient opportunities to explore his/her learning in non-liner sequences.

The results of this empirical study show that both LL and NLL environments can improve students’ learning in terms of scientific concepts and scientific argumentation. In addition, the NLL environment is more helpful than the LL environment in promoting students’ growth of scientific argumentation.
Cohering Destination Choice of Travelers: A Memories Devices Perspective

Edward C. S. Ku, National Kaohsiung University of Hospitality and Tourism, Taiwan  
Chien Chi Yeh, National Kaohsiung University of Hospitality and Tourism, Taiwan  
Ching Hua Ho, National Kaohsiung University of Hospitality and Tourism, Taiwan

Abstract

The research goal of this study was to investigate how motivation, consumption, and recommendation online affect the destination choice. Samples from the online travel communities were collected by mailing a questionnaire survey to potential participants. In total, 2,100 invitation messages were mailed to the members of the three travel communities. Of these, 456 were returned completed (a return rate of 21.71%). Quantitative analysis employed the statistical package SPSS, while the structural equation modeling analysis was carried out with the LISREL program. Overall, the results of the study provide reliable instruments for operationalizing the key effect constructs in the analysis of online destination choice. From the flow perspective, the information about destination has an impact on the travelers’ cognitive image of destination when a traveler visits an online travel community. Tourism marketers need to understand that the mental images that come to mind make travelers feel as though they were actually experiencing the destination featured in the advertisement. Moreover, destinations should redouble their efforts in using advertising to grow destination advocacy through the integration of online travelers’ contact points.

Keywords, online travel communities, consumption vision, recommendations, decision making.
Bibliotherapy for Child Victims of Post Disaster Recovery

Marianne Lim, California State University, USA
Kristine Canon, De La Salle University, USA

Abstract

The study examines the effectiveness of “Bibliotherapy” as a method aimed to uplift and empower children who are victims of post disaster recovery. Following a natural disaster, children are at risk for mental health problems, often due to their own exposure to traumatic, disaster-related events, and also because of the long term effects disasters have on their families, neighborhoods, and schools. In an effort to reduce the risk of mental health problems as a result of loss, homelessness, death, safety and separation, a technique known as “Bibliotherapy” is an approach that not only promotes literacy development but also addresses emotional challenges experienced by young victims. Exposing early childhood learners to simple but dynamic storylines, to a familiar plot and to characters they can easily identify with dramatically assists victims in the process of mental, social and emotional recovery. The intervention serves as a transition addressing the disruption of education and loss of a protective daytime environment for children. This research is a work in progress, seeking to evaluate, and explore Bibliotherapy as one of the best practices and strategies for addressing post disaster trauma in children. An ex post facto design will be used to examine humanitarian relief operations, evacuation centers, child protective organizations, bibliotherapists, and families who have received and experienced Bibliotherapy as a form of intervention.
Bright Lights: Increasing Online Tourism Products Visibility

Edward C. S. Ku, National Kaohsiung University of Hospitality and Tourism, Taiwan
Chien Chi Yeh, National Kaohsiung University of Hospitality and Tourism, Taiwan

Abstract

According to a 2010 survey of the Market Intelligence and Consulting Institute, the online shopping market reached NT $3,583 million in Taiwan, with an annual growth rate of 21.5%, with the B2C market in the largest-scale tourism commodities accounting for 48.9 per cent overall B2C market. That is, the tourism product is the most popular online product. Tourists from the past engaged in passive participation in tourist groups, and then evolved into a comparison of various types of tourism products initiated by the travel industry which learned how to use website design and online advertising to attract consumers to choose Tourism products and tourism e-commerce has become an important research issue.

On the concept of motivation of tourists' travel decision, they will search through the Internet-related travel websites, visit the related travel information and purchase tourism products from trusted travel website. The present two-year research project was based on a media richness theory and flow perspective, exploring how the website design and advertising effectiveness affect tourists' choice of behavior. The first-year project aims to investigate the attractiveness of advertising design and how websites are designed in attractive ways to attract visitors’ continued use of the website. The purpose of this study’s second year is based on the first stage and explores the recommendation system of websites and functional advantages in how to promote visual appeal of website produced and tourists’ impulse purchasing behavior. In this study, online tourism community members will be used for the sample and will be randomly selected and invited to participate in completing our questionnaire. SPSS 21.0 and LISREL 8.50 will be used to conduct data analysis to test the research hypotheses and then presented in this study's findings and research contributions.

The results of this study are expected to be: website design and advertising appeal affect travelers’ beliefs and choice; study results will provide a point of reference for the travel industry and advertisers in the construction of tourist websites. For enterprises, the description of the perceived attractiveness and hedonic value of impulse buying provides verification of causal analysis, for considerable theoretical and practical reasons.

Keywords: website design, attractive, continued to use, impulse buying
The Way We Cooperate, Compete and Dominate: Analysis of Talk among Iranian Female Friends

Leila Mohajer, University of Science, Malaysia

Feminine talk is mainly associated with the linguistic elements which imply cooperation, support and solidarity. This study looks at the function of some of the linguistics elements in Iranian female interaction. The data of this study is 60 minutes of audio-recorded conversation of four female friends which is transcribed for the purpose of analysis. The findings reveal that while Iranian female participants follow the cooperative linguistics elements of feminine talk such as minimal responses, hedges, etc., they also practice the linguistic styles which are linked with masculinity such as intrusive interruptions. In this study, Iranian female participants are able to be cooperative, competitive and dominant in their interactions concurrently. It appears that the constant fight for equal rights in society has equipped Iranian women with power and dominance. This paper discloses that we cannot simply attach some linguistic behaviours to either women or men in societies. Therefore, the linguistic elements should be reanalysed more carefully among women and men in various societies where they may signify different values.

Keywords: Conversation, Feminine talk, Masculine talk, Cooperation, Iranian women
“Why They Buy”: Impacts of Packaging Elements on Children’s Decision Making

Palita U-Prasitwong, Mahidol University, Thailand  
Phallapa Petison, Mahidol University, Thailand

Abstract

Nowadays there has been rising marketing awareness and targeting children as consumers. To penetrate into this powerful market, marketers intentionally target in product packaging design because it works very well with a diversified-need market like children market. The main objective of this study is to discover how packaging elements of toothpaste effect children’s buying decisions. A total of 19 children aged between 7-11 years who go shopping with parents were interviewed. The study shows that visual packaging elements have a strong impact on children’s product segmentation. Among all visual elements, the graphic including: cartoon characters and brand characters (e.g. brand logo, brand symbol), play the most important role for children; followed by color, size, and packaging design. In addition, some verbal elements also effect children’s product classification; for example, brand name, flavor, etc. Results show that the younger, 7-8 years, give priority to cartoon characters and color while the older, 9-11 years, tend to pay more attention to products’ information details such as toothpaste type, product instructions, and free gifts provided when making purchasing decision.
Citizen Action Education Based on Theory of Critical Pedagogy: A “Media and Society” Curriculum Design Example for General Education

Huei Lan Wang, Nan Hua University, Taiwan

In today’s dynamic social and mobile media environments, educating students to develop and raise their critical consciousness has become a significant challenge facing media literacy educators. In view of meeting this challenge, this paper (1) presents the theoretical design of Critical Pedagogy based on university-level media literacy courses and (2) utilizes a Media and Society general education course of 29 students as its main object. Through classroom work (such as reflective journals, speech messaging data collection and analysis, as well as website discussions), in-depth interviews, and classroom observation, we analyze the impact of personal values on the counterculture’s production of media to meet media literacy education’s curriculum design demands and teaching efficacy standards. The classroom results presented in this paper, while showing an enhancement of students’ media literacy critical thinking skills and sensitivity towards social issues, concludes that the propensity to address social issues through concrete actions continues to be limited.

Key word: media literacy, critical pedagogy, critical consciousness, action

1. Background/ Objectives and Goals

Typhoon Morakot, which occurred in 2009, was Taiwan’s most catastrophic flood in the past 50 years, resulting in more than 600 deaths. A citizen journalist of Chinese Public Television named Sadapeopo reported more than 30 news stories in various flood disaster areas. Other citizen journalists reported the disaster’s impact in their hometowns through citizen journalism platforms. The news attracted such attention as that of the Candor Foundation in the USA which provided stipends to children living in disaster areas. Typhoon Morakot’s disaster report of the Dapu Incident described the role of citizen journalists to be of great importance. Not only did these citizen journalists talk face to face to those in power, thereby forcing the authorities to alter their political decisions, but they also made the mainstream media focus on its fundamental responsibility of reporting (extracted from Hsieh, Hyi-Lien and Peng, Hsuan-Ya, Taipei Report, 2011/09/27, United Evening News; @ http://udn.com/). Recently, there has been a gradual arousal and development of concerned citizen journalists. In 2007, the citizen journalism platform, founded by the Taiwan Broadcasting System, reported having accumulated more than 110,000 news reports in less than ten years. Moreover, more than 9000 citizen journalists have been cultivated so far through this platform (extracted from http://www.peopo.org/, 2016/01/23). Alternative media channels have blossomed and this has made the issues that each media focuses on appear suddenly out of nowhere. These alternative media are not controlled or pressured by organized cultural, private sector, or public goals; therefore, they have decentralized the mode of information transmission. More importantly, by challenging the long-term control of mainstream media, alternative media has highlighted multiple concerns about social issues (and the function of issue identification), has promoted the growth of citizen power, and has become a popular and significant concept of media literacy education at the present time.

The purpose of media literacy is to cultivate a critical mindset of liberation and empowerment that prepares students to become citizens who are willing to engage in democratic activities (Cheng Min-chang, 2012). Content used in the cultivation of citizen’s media literacy, as mentioned by domestic

---

1 Dapu Incident is a famous eminent domain case which occurred in the village of Dapu (大埔) in Miaoli county, Taiwan (ROC).
scholars and overseas researchers (Asthana, 2010), comprises far more than its literal meaning. Ching-Tian Tsai (2010) emphasizes that media literacy includes life-long learning, participation in social activities, citizen responsibilities, and the manners manifested in different social situations. Therefore, the audience, the receiver of media information, will become the producer of media citizen awareness that emerges into community activities (Jenkins, Purushotma, Clinton, Weigel and Robison, 2006). Applying media resources and producing media content that clearly reflects individual perspectives defines the degree of citizen participation and demonstrates how education has develop media literacy in the recent period. The core values of media literacy education include citizens’ connection with, criticism of, and access to media messages. These core values validate the strength of spirit in citizen journalism because students start to see how their own world connects with critical social issues currently facing the public.

Media literacy, following the “Media Literacy Education Policy White Paper” promulgated by the Ministry of Education, has gradually garnered much attention. However, starting from different issues, such as audience, media or society, different perspectives have their own focuses respectively. Generally, there is not so much emphasis on the media literacy education of citizen journalism. Rather, the focus is usually on media critical literacy and retrospection from the audience’s perspective. However, the purpose of media literacy education is to produce real practices through the introspection and awareness of critical thinking. Therefore, in order to discuss the introspection of media literacy education and its strategic implementation of action learning and student training (which utilizes the tools of social practice in media literacy), this paper’s research process uses students who were enrolled in a liberal arts course called “Media and Society” as its research subjects. This paper adopts the case study research method in action research to combine the concepts of liberation and empowerment in media literacy education into the theories proposed by Freire, Giroux and Masterman. In their theories, these scholars proposed the concepts of “learning by doing” to make students channel their communication into their reality. Learners are, accordingly, expected to construct their own knowledge through communication, to raise critical thinking in social issues, and furthermore, to take real action after attaining awareness (Freier, 2003; Giroux, 1994; and Masterman, 1985). This paper accordingly attempts to achieve the following: (1) Through the teacher’s teaching and learning (Freire, 2003 and Giroux, 1988), first consider the meaning of critical pedagogy in the course of media literacy and citizen practice action, and then (2) discuss bachelor-degree students’ learning effects, introspections, processes, and practices in mass communication.

2. Methods
The research began in February, 2010 and ended in July, 2010. In the spring semester of academic year 2009, the course named Media and Society, a Taiwan collegiate liberal arts course, was the data collection basis. The research invited 29 students as the research sample. After the 18-week lecture, it sampled 6 students to process in-depth interviews and analyze their introspection journals. The research applied qualitative research methods to analyze students’ critical awareness of things learned from the course. Moreover, it analyzes whether the media literacy—the recognition, attitude, and behavior change of citizen participation action—impacts their daily lives. Thus, the result reveals the teaching efficacy to achieve the purpose of this research.

The data collection received the participants’ permissions. The collection process was in 3 steps: 1. Inform students to do assignments as the research data. 2. The design in the course/assignment, the observation in course participation, teaching/learning introspection journals, in-depth interview, questionnaires and etc. were solicited. The result was to be analyzed to examine the teaching efficacy. 3. After the semester, questionnaires, in-depth interview and students’ learning journals were analyzed to examine the change of their participation in recognition, attitude, and behavior fields. From these, we came to understand the course impact and the teaching efficacy. During the semi-structured interviews, the researchers needed to solicit consent which focused on the detailed description of the record in the interview process and the participants’ rights. The research proceeded after the researchers gained the participants’ consent. Then, the researchers compiled the interview outline on the basis of the interview purpose, research questions and the identities of the participants.
The structure of data analysis proceeded according to the following steps: 1. the researchers analyzed the data and categorized the data in the initial stage. 2. The research applied literature review to clarify the data analysis. 3. Cross-validation of the data was made to reinforce the connection between the research outcome and other parts of the research, including research questions, research purpose, participants, method, and circumstances. In this way, the data met the rigorous requirements and various perspectives of concerns. The researchers re-read the interview data and re-viewed the feedback as to whether they corresponded to the experience in the participants’ different learning stage of the awareness recognition, attitude, behavior fields, and use of their own professional knowledge and experiences to describe the participants’ course participation and learning process. Therefore, the sequence was thought to be meaningful and relevant in its logic.

3. Result - Teaching Efficacy and Evaluation

The research focused on the research questions and refers to the theoretical structure when making the cross-validation by using qualitative research methods. It categorized students’ critical awareness and practice toward public issues in their learning process. The awareness level is the important standard to evaluate the research result.

3.1 Stage one — the understanding of the right of communication

3.1.1 Un-equipped with the knowledge of the right of communication

In the beginning of the semester, even the students from the Department of Mass Communication had few ideas about the right of communication. Many of them only explained the word from literal meaning. Therefore, the teacher guided and inspired them concerning what the relevant rights and powers are:

Teacher: Have you encountered any unfair things recently?
Student 1: Our school hasn’t built a shelter in the parking lot!
Student 2: Yep! How long have we waited? Our school doesn’t want to build it. It has been so many years..
Students 3: There is no use to reflect the problem! Since we are students, no one wants to take charge..
Student 2: No use…it is waste of time! No use to complain!
(The source from the course in the second week — recognition)

In this stage, the number of students who were willing to talk was few. Most of them remained silent. The build-up shelter suggestion to the school became a discussion issue. Because of the proximity effect, many students started to find this issue connected to their rights. However, when talking of further action, most of them didn’t have much confidence and were negative. This reflected that students are used to downgrading themselves and are unwilling to face or fight for things.

Then, the teacher asked “What can you do?” “Would you prefer to make your motorcycle scorched and drained by the sun and rains?” “Have you ever thought about the right to have a shelter?” “Do you have the right to own a shelter?” “Or do all things need to be decided by our school?” “What is the reason for our school not building the shelter?”

Student 1: The school is afraid of spending money.
Student 2: What kind of rights do we have? There is not as easy as what the teacher said.
Student 3: Yep! Those people are all bureaucracy. Every time they say yes and then nothings happen…
Student 4: However, since it is our motorcycle, we have the power to ask school to do it. Doesn’t the principle say that students are the owners of the school?
(The source from the course in the third week — recognition)

In the discussion, Student 4 mentioned ‘Doesn’t the principle say that students are the owner of the school?’ Here it is obvious that the student had some basic understanding of students’ general rights. Others who didn’t have such views were typified by feeling that no one doubted the school’s decisions before. Also, they didn’t have much confidence in their own. Students didn’t pay much attention to the reason as to why not to build a shelter in the parking lot. In that circumstance, they judged the school
in a negative way. In this stage, it proves what Freire said. The knowledge and information should be sufficient to reinforce and open the possibility of criticism. Even though there is a small group of students who understand this issue as related to their own rights, how to act is another problem. Limited by the amount of information, most students only judge and discuss it on the surface. They can’t relate to what kinds of action to take. That is connected to the awareness level in Freire’s theories.

3.1.2. The equipment of communication knowledge
In the awakening of critical awareness, Knowledge is the foundation of criticism. Students can understand questions, come forward with a question and even criticize the issues from the continuous data collection. With such knowledge, students can challenge the unfair and unreasonable ideological control of the society or media. Analyzing the media content becomes the indispensable step in this course of action. The existing content became the best teaching materials since those contents could connect to students’ life experiences closely.

“As far as I am concerned, the current status in Taiwan has nothing to do with whether it is suitable or not. Since the bureaucracy is endless, what we see is what the bureaucracy expects us to see, rather than what we should see. In such circumstances, there are many reports which take words and phrases out of the real content and stir up trouble.” (Source: Student J’s introspection journals, Recognition)

This case proved what Livingstone is concerned with. The audience is controlled by a certain ideology in the media operation. Who makes the audience see what kinds of content? Or not see what kinds of content? Who has the power to control the content in media? When students are aware of the control of power structure in the media content, this is the awakening of critical awareness (Livingstone, 2004).

3.1.3 The awakening of critical awareness
In this stage, the method stresses attention on the analysis of teaching. Basically, the awakening of critical awareness corresponds to the issues of intermediate concern of students themselves. From the visit led by the teacher to the Alishan tribe and the citizen journalism seminar arranged for the participation of local people, students finally saw the repair process in the disaster areas and the river diversion caused by the typhoon. They experienced the feeling of the catastrophe of one’s hometown. The connection between theories and practice can make academic knowledge and information emerge into students’ real lives (Hook, 1994b).

3.2.1 The beginning of the course (week 1-5)
“When I saw those Aisan pictures and the pictures that I googled about the typhoon, it seemed that Aisan has been heavily devastated.” (Source: Course discussion, Student H, the awareness of issues)
“Our government has already built some prefabs for them. What other problems do they have? Do they ask too much?” (Source: Course discussion, Student H, the awareness of issues)
“I think I am only a student. This should be among the things that belong to adults. It is a little bit far from me. Besides, I don’t know what happened in the mountains. I have no opinions…” (Source: Course discussion, Student H, the awareness of issues)
The phrases during the course discussion, “seem,” “I have no opinions,” and “what other problems do they have” are from the immediate response of students who couldn’t relate the disaster to their own situation. Therefore, it is difficult to have any critical awareness. They just thought it had nothing to do with them. However from the visit and countless experiences shared (Shor, 2012), students changed by the end of the semester.

3.2.2 In the end of semester (week 13-18)
“Is there any necessity to regulate the river highland beach? The Morakot disaster destroyed the original four basketball courts and roller fields in the river highland beach. The original purifying tank has been covered under the river’s highland beach. How can the government section deal with the aftermath? That is a big problem. After I came to the place, I realized that this is the problem” (Student I, in-depth interview, critical awareness/change, 2010/05/15).
“The Bazhang River event appeared in the news coverage in July, 2000. What is the different part after the debatable issue? After ten years, the problem of sand accretion is still there. What has our government done in this field? I don’t understand” (Student Q, in-depth interview, critical awareness/change, 2010/05/15).

“It has been a year after the Morakot disaster. What is the situation in the Fu Weng Bridge now?” (Student B, in-depth interview, critical awareness/change, 2010/05/15).

“Yes! I found there is a rule which mentions there is no gravel pit nearer than one hundred meters around the rivers. However, it is obvious that there were gravel pits under the Fu Weng Bridge. What was the dam for? Sand collection? Did it protect the river or destroy the river?” (Student L, in-depth interview, critical awareness/change, 2010/05/15).

“I think since I have been to Alishan, if I have the chance in the future, I will pose my questions. For example, how is the repair work? How is the learning environment of children? How is the transportation of the mountain products? And also the destroyed tourism. They have already mentioned that the most serious problem is their livelihood. (Student H, in-depth interview, critical awareness/change, 2010/05/15).

The phrases, “What has our government done?” “What do they modify?” “How is the situation,” “protect or destroy the river,” and “the most serious problem is the livelihood” showed students’ strong reflections. Especially through the local people, students realized what they were concerned was the livelihood aside from the ruin of the mountain. Many of them were concerned about the reconstruction in the original place. Many students started to learn the problems and found out the problem belonging. That is because of the understanding of the real situation and realizing what the local people want. Therefore, they had come to have the opinions of critical awareness. The process revealed the effect on students’ critical awareness. In addition, this is as important as what Hooks emphasized, as a life experience (Hook, 1994b).

3.3 Stage three—the action practice
3.3.1 in the beginning of the course (week 1-5)

“Actually, there are many unfair things. There are no fairest things in the world. I don’t know what to do. After all, we are (just) students” (Student K, the course discussion—questions/awareness, 2010/03/07).

“Actually, the problems discussed in the course are not the things that we can solve…our government must also rebuild for them...” (Student J, Introspection Journals—questions/awareness, 2010/03).

“The disastrous areas remained the same…this is the disaster. They are so pitiful. Till now, they cannot step forward from the shadows.” (Student K, course discussion—questions and awareness, 2010/03/21)

“About some issues about the media: actually I haven’t considered them before this course. It is not because I have no idea but because I never thought of them.” (Student K, Introspection Journals—questions/awareness, 2010/03/28).

The phrases, “don’t know what to do,” “it is not the things that we can solve,” “this is a natural disaster, “I don’t have any idea,” and “I never thought of it,” were the proofs that students were in the beginning level of issue discussion. The abstract phrases represented the vague understanding of their recognition and understanding of action practice. Most students didn’t pay much attention to public issues. They used to be those of “others”. However, about the problems in disaster areas, most students could understand the problem but had difficulties criticizing or becoming introspective. Due to the visit, most students finally had further understandings about the problems in the disaster areas. Prior to this stage, the deficiency of critical awareness was obvious.
3.3.2 In the end of the semester (week 13-18)

“Through the movement of the lens, the optimistic attitudes of the aboriginal people can be captured. It is the largest pleasure in this outdoor-teaching visit.” (Student D, in-depth interview—critical awareness/change, 2010/03/15).

“After visiting the disaster areas, I found that the people need us. They need us to speak for them…” (Student D, in-depth interview—action/change, 2010/05/15).

“On the PEOP Citizen Journalism website, Public Television, UNT. Com, our school’s websiet, YouTube, or the print media, we can see and hear what the victims think and are concerned about. Though we took only one course, we helped them.” (Student L, in-depth interview—action/change, 2010/05/15).

“After I came home, I talked to my mom about the Alishan situation. My mom thought that everything would be fine after the typhoon. However, we still saw many problems. I should play the journalist role to report the problems I saw…” (Student J, in-depth interview—action/change, 2010/05/15).

“I will never think I am small again. Actually, through mass communication, the power is huge which I never thought of before…” (Student H, in-depth interview—action/change, 2010/05/15).

The words, “their lives were shot,” “need us,” “still can help,” “play the journalist role” and “think I am not small,” represent students’ admission of the journalist and communication roles. Because of the situation in the disaster areas, media should spread the news as a helper which is the optimistic expression. Some students believed that they were not small anymore because they played the role of media. This is the awareness of citizen recognition and power. However, in change and action awareness, it needs to transform thoroughly to support it by real action. It is still difficult. During the course, the teacher could be the guider; after class, it lacked an environment for reflection. There was no motivation to change and the recognition of possible action could be hard to become a habit in daily life.

“I think after the class I would not have the chance to concern myself with the issues. Since the situation is different, maybe I will be too busy and forget them. Not because I don’t care anymore, but because the lack of the guide from the teacher and classmates…” (Student F, introspection journals—action/change, 2010/05/15).

“I am still too small. I don’t think our government would do anything after we report the problems. The question is not only needed to be seen by the government but also to be seen in their action…” (Student f, introspection journals—action/change, 2010/05/27).

The words, “too small,” “the change of circumstance,” and “not only be seen but also be seen in their action,” showed the deficiency of students’ confidence in the reality of change and practice. That is a reason why real practice can’t become a habit in real life. Though there is the recognition in awareness, after the change of circumstance and class, only those who have much enthusiasm can keep their passions on the real practice of public issues involvement. This proves Hooks’ comment—students regard teaching theories as abstract examples which can’t be applied in real lives (Hooks, 1990).

Especially, the real practice is from the past expectation of government and experience. Many students mistrust the governmental units. Though a course can’t elevate all students’ willingness to participating in real practice, it is significant to increase their critical awareness of public issues.
4. Reference


A Case Study on the Comparison of Online Navigation Competence and Searching Strategies between Different Age Groups and Web Experiences

Yen-Mei, Lee, University of Missouri-Columbia, USA

Abstract

Nowadays, digital devices such as computers, laptops, iPads, and mobile phones are ubiquitous in our daily lives, especially in the educational field. Schools provide learning materials, e-books, or articles on E-platforms to support their long-distance learning or online courses. Learners can access the Internet to acquire massive amounts of information by visiting a variety of websites. Not only in higher education but also in K-12, middle school, and high school, reading by Internet has become a crucial learning style. Based on the reasons above, the aim of this case study was to investigate the difference of online navigation competence between different age groups and their web experiences.

In this research, a total of four participants comprising two junior high school students (13.5 years old/averaged) and two 24 years old individuals in Taiwan who participated in the online navigation processes. These four subjects have different web experiences. Three different navigation tasks were conducted with three topics, including (a) Literacy (OPERA), (b) Science (GENETICALLY MODIFIED ORGANISM), and (c) Personal Interest (based on participants’ interests). A researcher applied observation (non-participant) methodology was applied in this case study. Video was used to record participants’ navigation processes. Important searching behaviors such as the first key word, hyperlink/website addresses they visited, mouse rolling times, etc. were counted by the researcher. On the same trajectory, participants were asked to complete a Mind-Mapping activity after the online navigation tasks. This Mind-Mapping activity is meant to present the correlation between participants’ associated thinking and online navigation processes that they finished some short time before.

The results of the analyses are as follows: (a) there are significant differences in the mouse rolling times between different aged participants. According to the observation results, 24 years old subjects presented more than 100 mouse rolling times for each task, while junior high school students presented about 30-40 mouse rolling times for each task; (b) there is no significant difference in the keywords used between different age groups. All participants used three to six key words on each task. Even though junior high school students are younger than the 24 years old participants, they can figure out different key words to enter into the search engine on each topic; (c) background knowledge and previous experience with the Internet play pivotal roles in participants’ navigational abilities. Based on the observation and Mind-Mapping results, it is obvious that individuals who have higher web experiences (spending about 70 hours per week using the Internet) can perform more effective researching strategies. Also, compared with those of low web use experience (spending less than 30 hours per week using the Internet), higher web experience participants can present plentiful associated thinking on Mind-Mapping.

Keywords: web experiences, online navigation process, Mind-Mapping
Kazakh Language Teaching and Psychotherapy Approaches

Aigerim Yessirkepova, Nazabayev University, Kazakhstan

Abstract
Today, it is very important to research the most effective and easy ways of teaching and learning languages. The recent scientific works in this field discovered that psychotherapy should be taken into consideration in language studies. Psychotherapy allows us to prepare an effective method of language teaching by considering each individual’s mind, his/her psychology, unsuccessful experiences in learning languages, and level of perception. Cognitive psychotherapy is a set of tools that is used for modification of dysfunctional beliefs and curing defect of information processing (Beck, 1993). The beginning of cognitive therapy is related to Kelly’s research (Ch. L. Doyle, 1987). He was one of the first psychotherapists who tried to directly change human thought. Based on this method, the scientist Aaron Beck founded a new direction called cognitive psychotherapy, and he then popularized it. According to his theory, human thought determines feelings, emotions shapes behavior, and behavior forms our environment. Therefore, it can be the reason why students learn the Kazakh language. By evaluating all collected data, I will be able to give practical recommendations to improve second language acquisition and learning in Kazakhstan and beyond. Since the psychotherapy approach is not widely used in teaching Kazakh language yet, I aim to thoroughly research this topic based on international experiences and apply the psychotherapy approaches in teaching language at Nazarbayev University.

Key words: Kazakh language, language teaching, psychotherapy, cognitive psychotherapy, approaches, methods
The Determinant Factors and Effects of R&D Outsourcing in Korean Manufacturing Firms

Min Ki Kim, Korea Institute of S&T Evaluation and Planning, Republic of Korea
Sang Yun Han, Daejeon University, Republic of Korea

Abstract

R&D Outsourcing is a strategy for acquiring the competitiveness of firms as an open innovation strategy. As there is an increasing total R&D investment of firms, the ratio of R&D outsourcing has also increased in Korea. In this paper, we investigate the determinants and effects of R&D outsourcing by firms. Through analyzing the determinants of R&D outsourcing and the effect on firm’s performance, we find some academic and politic issues. Firstly, from an academic point of view, distinguishing the determinants of R&D outsourcing is linked why the firms do open innovation. It can be answered from a resource based view, core competence theory, and others. Secondly, we can get some S&T politic implications for transferring public intellectual properties to the private area. Especially, for supporting the more SMEs or ventures, government can get to the core issues and the reasons why and how to make what sort of policies.

Keywords— determinants, firm performance, open innovation, R&D Outsourcing

1. INTRODUCTION

Korean manufacturing firms have been adapting strategies of taking a share from the market through concentrated capital input and investment in facilities in a short period of time by jumping into an existing pioneered market. These strategies have been recognized as highly valid and effective over the last 30 years. In fact, in large firms in Korea, there are more cases of success in the red ocean market than in the blue ocean market by concentrating on developing applied commercialization technology. Pioneering in a new business area usually supports massive early investigation costs and high risks. Therefore, in rare cases the Korean firms that take the fast-follower strategy take part in the challenges and participation in the process.

On the other hand, in recent market flow, the lifecycle of products is getting much shorter; whereas, consumers’ demand and desire for new products are changed significantly from the past reception of new products. As the emphasis in the technology innovation process is shifted from ‘supply-push’ to ‘demand-pull’, the R&D and the technology innovation strategy of a firm is required to be designed in a more segregated and complex form. The level of consumers’ demand for purchases is amplified and the level of expectation of innovation products is also very high. The limitation of the existing fast-follower strategy has been recognized on the national level. And the political interest on creativity in R&D and creative ability in the science and technology area is very high.

As mentioned above, it is not easy to reinforce development strategies solely through the capability of an individual firm in a rapidly changing business environment due to the technological changes, diversity in consumers’ desire and expansion of competition. Therefore, it is becoming more common to absorb deficient resources in cooperation with other firms including the competitors in seeking possibilities for growth. [1] introduces the open innovation as a new technology innovation method to improve results by selling internal technology resources to the outside and at the same time, utilizing external ideas and technologies. He remarked that since there are various paths and methodologies in technology innovation, the firms pursuing open innovation can yield profits in the environment with a shorter product lifecycle and high R&D cost by conducting innovation in many ways in addition to their own R&D. According to [2], the rate of taking open innovation in advanced firms increased from 26%...
In 2004 to 53% in 2006. In the level of satisfaction studies on the 5 score scale, it showed a minute increase from 3.7 to 3.72. That is, they are actively utilizing external resources in order to improve on investment efficiency through allocating the capital going to the R&D with external sources.

In Korea, although R&D investment has been increasing on the national level, it is still lacking connectivity of R&D into commercialization. For instance, 61.1% patents obtained by the Korean firms in 2004 are still dormant [3]. Some of them are for the purpose of securing the preoccupancy of technological superiority in the related technology area. However, the low ratio of commercialization works as a hindrance in the profitability of firm with increases in investment.

In this study, the analysis on the determinant factor and impact on the result of the R&D outsourcing as one of open innovation strategy was conducted. In particular, the survey on R&D activities in S&T from 2002 to 2007 and the financial data were integrated to improve the reliability of analyses.

2. LITERATURE REVIEW AND HYPOTHESE

A. Open Innovation

As previously noted, open innovation is defined as the acceleration of internal innovation and expansion of external markets through pertinent utilization of internal and external knowledge flows.

![Fig. 1 Idea flows in closed innovation and open innovation](source)

[1] stated that different from closed innovation, in open innovation, the ideas from inside the firm could be exported and ideas from outside could be introduced. That is, in closed innovation, the internal ideas or technologies flow into only one direction; whereas, in open innovation, there are exchanges of diverse ideas from inside and out. [3] defined open innovation into two types. First is the ‘out-in’ type valid in accelerating technology innovation by incorporating external technology and ideas, and diversifying the original sources. Second is the ‘in-out’ type that exports the internal technology
To maximize the value of developed technology through value promotion. In other words, it is to search external ideas and technologies from the basic research stage, activate collaborative studies with the external institutions, and at the same time, open internal technology assets to the outside through licensing, spin-off, and collaboration.

**B. Determinants of R&D outsourcing**

There are many factors of R&D outsourcing in firms such as R&D cooperation. [7] remarked that it conducts R&D cooperation in response to rapid technological advances and market changes in relation to the time of technology development through R&D. This is similar to the causes that [1] and [6] held to be the background for open innovation. That is, it analyzed the environmental changes such as the end of knowledge propriety of large firms, the increase of human resources liquidity, growth of venture capital, cost increase of technological development and reduction of product cycles. [8] asserted that the decision factor of the cooperation type is the plant size, R&D investment, and market structure and environment. [9] used KIS2002 manufacturing data and deduced that the size of the firms and technology knowledge induction of the research institutions showed significant impacts as decisive factors in cooperative R&D. [10] analyzed manufacturing and service that conduct innovation according to the 2001 Technology Innovation Survey which investigated 3,590 firms in France, 1,183

---

**TABLE I**

**TYPES OF OPEN INNOVATION**

<table>
<thead>
<tr>
<th>Type</th>
<th>Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology purchase</td>
<td>Conclusion and utilization of purchase contract with external firms possessing main technology</td>
</tr>
<tr>
<td>Cooperative Study</td>
<td>Promotion of technology development projects in collaboration with external firms or universities</td>
</tr>
<tr>
<td>Venture Investment</td>
<td>Investment of share on venture firms in search of new technologies or to ensure priority rights</td>
</tr>
<tr>
<td>Research Contract (R&amp;D Outsourcing)</td>
<td>Request the services for research to external institutions for ensuring special technology or test evaluations</td>
</tr>
<tr>
<td>Establishment of Joint-venture Company</td>
<td>Establishment of venture companies in cooperation of external technology innovation agents for industrialization of certain technology</td>
</tr>
<tr>
<td>Acquisition and Development</td>
<td>Acquisition of firms possessing the demanded technology</td>
</tr>
<tr>
<td>Cloud Sourcing, Public Competition for Solutions</td>
<td>Use of knowledge of many external experts or technology mediation organizations to solve certain technological problems</td>
</tr>
<tr>
<td>Use of Collective Intelligence</td>
<td>Continuous improvement on one technology through voluntary participation</td>
</tr>
<tr>
<td>User Innovation</td>
<td>Development of new products by providing development tools to the users or getting user feedbacks</td>
</tr>
<tr>
<td>Agreement of Long-term Support</td>
<td>Establish agreement on the use of research performances with the universities and support large-scale research fees</td>
</tr>
<tr>
<td>Sales of Technology Assets</td>
<td>Provide unused technology in the firms externally as a license</td>
</tr>
<tr>
<td>Sales of Technology</td>
<td>Selling marketable technology in the firm</td>
</tr>
<tr>
<td>Distribution</td>
<td>Distribution of relevant technical organizations for utilization and verification of technology</td>
</tr>
<tr>
<td>Opening of Platform</td>
<td>Open internal R&amp;D projects to the public to promote participation of other developers and consumers</td>
</tr>
</tbody>
</table>

Source: Quoted and reorganized from [3], [4], [5], [6]
firms in Germany, 2,747 firms in Spain and 1,145 firms in Great Britain. They found that the size and exclusiveness of the firms and induction of technology innovation from university and research institutions has significant impact on cooperative R&D. [11] used the ‘2001 EURO Technology Innovation Survey’ to analyze the decisive factors of international cooperation between Germany and Portugal. It showed that the decisive factors for promoting international cooperation were absorption ability, public subsidy, concern for information leaking, and the size of the firm. It showed that the quantity of exports and multinational firms had significant influence in Germany; whereas, it showed no significance in Portugal. [12] used KIS2005 data to make an analysis of the decisive factors in cooperative R&D of ICT firms. As a result, in the ICT industry, knowledge influx had greater influences on cooperative researches than ICT industry. [13] analyzed the decisive factors of open cooperation among 1,000 manufacturing firms in Spain. The types of cooperation were analyzed and classified into perpendicular, horizontal, and those with public institutions. Under the assumption of these types using the Logit model, the high technology area, corporate size, existence of R&D organizations and support of policy funds on the horizontal cooperation factor had significant influence. Moreover, the cooperation with American partners was frequent in high and intermediate technology and increased patent acquisition.

From the above discussion, the following hypotheses as advancement factors for R&D outsourcing shall be examined for verification in this analysis:

H1: R&D outsourcing will be more performed when the level of firm’s openness is higher
H2: R&D outsourcing will be more performed when the level of firm’s Capital ratio is higher
H3: R&D outsourcing will be more performed when the level of firm’s R&D is higher

C. The effect of R&D outsourcing on firms performance

[14] proved that the R&D outsourcing and performance of firms in open innovation had a positive relationship on the productivity of firms. [15] analyzed that it is a significant factor in deciding the rate of long term productivity growth. [16] investigated the influence of the scope of original information sources on the novelty of the technology development using the 1999 Technology Innovation Survey on Canadian Manufacturing Firms. They classified the original information source into four categories – firms, markets, research institutions and general information – for studies on the impact on the novelty of technology development. The novelty of technology was then divided into first in the world, first in the country, and first in the firm. The result showed that in development that is first in the world, the original information course in the research institution elevated the novelty of technology development and the novelty of innovation that is increased by increasing the utilization of original information source by one unit was 1.30 in firms and 1.32 in the research institutions. [17] used the data from 1,377 manufacturing firms in Belgium on 1997 Technology Innovation Survey of EU to make an analysis on the impact of cooperation between organizations on the innovation performance. By estimating using Tobit, the sales amount from improvement of existing products and introduction of new products increased as the collaboration got diversified. [18] analyzed the effect of open searching on the performance for 2,707 manufacturers in Great Britain. Consequently, the open search promoted the performance of technology development in the 2001 Technology Innovation Survey of Great Britain. In addition, the depth of searching accelerated radical innovation; whereas, the width of the search accelerated the progressive innovation. The effect of open search on the performance appeared to decrease gradually (an inverted U shape) revealing the limitations in open searching. [19] used the panel data of manufacturing firms in Spain from 1998 to 2002 in studying the impact of cooperative network on the novelty of technology development. The result proved that the cooperative activities and continuity reinforced the novelty. [20] used CIS4 2002-2004 for analysis between R&D cooperation and technology innovation of cooperative research institutions in France and Germany. In both countries, the size and openness of the firms enhanced the probability of technology innovation and also had positive impact on the performance of firms.

H4: R&D outsourcing will be more strongly associated with the firm performance
3. ANALYSIS MODEL AND DATA

A. Analysis Model

In this study, the analysis consists of two models: one for analyzing determinant factor in R&D outsourcing and one for analyzing the relationship between R&D outsourcing and performance of firms.

First, Heckman’s 2-stage estimation method was used to study determinant factors in R&D outsourcing firms. This was used a non-random sample to remove sample selection bias. It first estimates the probability of the observed sample to get conditional expectation on the sample error. Then it includes this onto the explanatory variable on the 2-stage formula and removes sampling error.

Dummy variable I is used to express the firms which conduct or do not conduct open innovation as following in (1)

\[ \text{Prob}(I = 1|Z) = \Phi(Z \gamma) \]  (1)

\( I_{i} = 1 \) (Doing R&D outsourcing) if \( y_{i}^{*} > 0, \epsilon_{i} \geq -z_{i} \gamma \)
\( I_{i} = 1 \) (Not Doing R&D outsourcing) if \( y_{i}^{*} \leq 0, \epsilon_{i} < -z_{i} \gamma \)

\( I = \text{R&D Outsourcing}(1, 0), Z = \text{Explanatory variable}, \gamma = \text{Unknown Parameter}, i = \text{firm i} \)

In the first stage, the probability of open innovation is estimated using the Probit model. The conditional expectation, \( \lambda_{i} \) on the sample error is derived using the estimated \( \beta \).

\[ E[y|X, I = 1] = x_{i} \beta + \rho \sigma_{u} \lambda_{i} + \epsilon_{i} \]  (2)

\( \beta \) is a coefficient of unobserved determinant factor and investment inclined to conduct open innovation. \( \sigma_{u} \) is standard deviation of \( u \). \( \gamma \) is estimated value in (1). \( \lambda \) is inverse Mill’s ratio derived from \( Z \gamma \).

On the second stage, the probability of R&D outsourcing estimated from the first stage is used as an explanatory variable of OLS (only using the samples of firms conducting R&D outsourcing) to induce the determinant factor. Therefore, the 2-stage model of Heckman is used to solve the heteroscedasticity which can be generated in the application of basic OLS.

And to study the impact of attempting R&D outsourcing on the performance of firms, the impact by each explanatory variable on ROA (Return on Asset) to gross asset is analyzed. In this study, a fixed effect model which supposes that there are certain variable invariant over time on the established panel data in every firm and unique characteristic potentials in each time or affiliation.

B. Data

The financial data of KIS includes 97,407 firms from listed corporations, stock corporations with external audits and registered corporations from 2002-2008. The data on the Survey of R&D in S&T is on the firms investigated by the Ministry of Education, Science and Technology in accordance with the OECD Frascati Manual on the equivalent year. These firms encompass 59,911 companies with separate R&D organizations. Finally, a data pool was written by integrating these two sets of data and a study was conducted on 16,265 firms from the two data.

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Data of KIS</th>
<th>Survey of R&amp;D in S&amp;T</th>
<th>Financial Data of KIS and the Survey of R&amp;D in S&amp;T Merged</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>14,108</td>
<td>7,178</td>
<td>2,334</td>
</tr>
<tr>
<td>2003</td>
<td>14,973</td>
<td>6,991</td>
<td>2,475</td>
</tr>
<tr>
<td>2004</td>
<td>15,588</td>
<td>8,300</td>
<td>2,272</td>
</tr>
<tr>
<td>2005</td>
<td>16,567</td>
<td>9,837</td>
<td>2,630</td>
</tr>
<tr>
<td>2006</td>
<td>17,788</td>
<td>12,639</td>
<td>3,237</td>
</tr>
<tr>
<td>2007</td>
<td>18,083</td>
<td>14,966</td>
<td>3,317</td>
</tr>
<tr>
<td>Total</td>
<td>97,407</td>
<td>59,911</td>
<td>16,265</td>
</tr>
</tbody>
</table>
C. Variables

The variables used in analyzing the determinant factor in R&D outsourcing are as following. First, the R&D outsourcing investment compared to the sales amount is used as the dependent variable. Here, the R&D outsourcing investment means the sum of external R&D investment from the government, public institution, firms and overseas. The explanatory variables are the corporate governance dummy variable which shows whether it is affiliated with the corporation such as large corporations, and the CR4 which shows the level of competition. Additionally, the R&D intensity – R&D investment to the sales amount – is used as the explanatory variable, as well as the dummy variable that indicates whether it is included in the high technology. The exportation compared to the sales amount was used as the variable indicating the openness of the firms and also included the capital ratio compared to gross assets which shows the financial healthiness. For control variable, the size and age of the firms, industry and age dummy are used as the control variable.

<table>
<thead>
<tr>
<th>Type</th>
<th>Variables</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Governance Dummy</td>
<td>1 if affiliated to the corporate group or 0 if not affiliated to the corporate group</td>
</tr>
<tr>
<td>Competition Intensity</td>
<td>CR4</td>
<td>Sum of market shares of top 4 firms according to 2-digit industry categorization on the KSIC</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>R&amp;D Intensity</td>
<td>R&amp;D investment / sales amount</td>
</tr>
<tr>
<td></td>
<td>High technology manufacturer dummy</td>
<td>1 if included in the high technology corporation group or 0 if not included in the high technology corporation group</td>
</tr>
<tr>
<td>Technology Intensity</td>
<td>High-intermediate technology manufacturer dummy</td>
<td>1 if included in the high-intermediate technology corporation group or 0 if not included in the high-intermediate technology corporation group</td>
</tr>
<tr>
<td></td>
<td>Intermediate-low technology manufacturer dummy</td>
<td>1 if included in the intermediate-low technology corporation group or 0 if not included in the intermediate-low technology corporation group</td>
</tr>
<tr>
<td>Degree of openness</td>
<td>Exportation / sales amount</td>
<td>Exportation / sales amount</td>
</tr>
<tr>
<td>Financial Healthiness</td>
<td>Capital ratio</td>
<td>Ratio of net worth to total capital</td>
</tr>
<tr>
<td></td>
<td>Size of firms</td>
<td>Ln (Total Asset)</td>
</tr>
<tr>
<td></td>
<td>Age of firms</td>
<td>Age of Firms</td>
</tr>
<tr>
<td>Control Variable</td>
<td>Industry dummy</td>
<td>2-digit Industry classification on KSIC(Korea Standard Industry Classification)</td>
</tr>
<tr>
<td></td>
<td>Age dummy</td>
<td>By year</td>
</tr>
</tbody>
</table>

The variables used in analyzing the determinant factor in R&D outsourcing are as following. First, the R&D outsourcing investment compared to the sales amount is used as the dependent variable. Here, the R&D outsourcing investment means the sum of external R&D investment from the government, public institution, firms and overseas. The explanatory variables are the corporate governance dummy variable which shows whether it is affiliated with the corporation such as large corporations, and the CR4 which shows the level of competition. Additionally, the R&D intensity – R&D investment to the sales amount – is used as the explanatory variable, as well as the dummy variable that indicates whether it is included in the high technology. The exportation compared to the sales amount was used as the variable indicating the openness of the firms and also included the capital ratio compared to gross assets which shows the financial healthiness. For control variable, the size and age of the firms, industry and age dummy are used as the control variable.
The variable used in the analysis of impact of attempting R&D outsourcing on the performance of firms is as following. First, the return on assets (ROA) compared to total assets is used as a dependent variable. Besides the major explanatory variables used earlier in analyzing the determinant factor of the open innovation firms, a dummy for the firms that did not attempt the R&D outsourcing and total investment on R&D outsourcing compared to the sales amount are used as the explanatory variables with the assumption that the time difference of R&D effect is 2 years. Moreover, the R&D outsourcing investment in each R&D outsourcing subject such as government, public institution, firms and overseas is used as the explanatory variable.

4. RESULTS

A. Determinant Factors of R&D outsourcing in Firms

The determinant factors of attempting R&D outsourcing were analyzed such as inducing external R&D funds and conducting outsourcing and cooperative research. The result showed that in many cases, manufacturing firms with smaller assets and defective healthiness attempted R&D outsourcing. In other words, firms with insufficient internal R&D investment were more prone to technical innovation using outsourcing (H3). On the other hand, the determinant factors were exportation in the sales amount, R&D intensity, governance, and affiliation to large sized companies. That is, the firms with large investments on R&D or the open environment firms with a large portion of exportation in sales were more actively involved in attempting R&D outsourcing (H1). [11] had made a similar analysis on the determinant factors of international cooperation activities. As a result, the multinational corporations with large R&D investment and exportation were studied to more attempts of international cooperation activities.
<table>
<thead>
<tr>
<th>Type</th>
<th>Variables</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of Firms</td>
<td>ROA</td>
<td>(Net profit + Interest expense) / Total assets</td>
</tr>
<tr>
<td>Governance</td>
<td>Governance Dummy</td>
<td>1 if affiliated to the corporate group or 0 if not affiliated to the corporate group</td>
</tr>
<tr>
<td>Competition Intensity</td>
<td>CR4</td>
<td>Sum of market shares of top 4 firms according to 2-digit industry categorization on the KSIC</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Intensity</td>
<td>R&amp;D investment / sales amount</td>
</tr>
<tr>
<td></td>
<td>Dummy for firms that did not attempt R&amp;D Outsourcing</td>
<td>1 if included in the high technology corporation group or 0 if not included in the high technology corporation group</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Outsourcing investment compared to sales amount (total)</td>
<td>Investment on open innovation R&amp;D (total) / sales amount</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Outsourcing investment compared to sales amount (government)</td>
<td>Investment on open innovation R&amp;D (government) / sales amount</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Outsourcing investment compared to sales amount (public institution)</td>
<td>Investment on open innovation R&amp;D (public institution) / sales amount</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Outsourcing investment compared to sales amount (firms)</td>
<td>Investment on open innovation R&amp;D (firms) / sales amount</td>
</tr>
<tr>
<td></td>
<td>R&amp;D Outsourcing investment compared to sales amount (overseas)</td>
<td>Investment on open innovation R&amp;D (overseas) / sales amount</td>
</tr>
<tr>
<td>Degree of Openness</td>
<td>Exportation / sales amount</td>
<td>Exportation / sales amount</td>
</tr>
<tr>
<td>Financial Healthiness</td>
<td>Capital ratio</td>
<td>Ratio of net worth to total capital</td>
</tr>
<tr>
<td>Control Variable</td>
<td>Size of firms</td>
<td>Ln (Total Asset)</td>
</tr>
<tr>
<td></td>
<td>Age of firms</td>
<td>Age of Firms</td>
</tr>
</tbody>
</table>
B. The effects of R&D outsourcing on firms performance

To analyze the impact of R&D outsourcing attempts on the performance of firms, the ROA is used as a performance variable. The Model 1 used the outsourcing and cooperative research fund excluding internal R&D investment is used as an explanatory variable regardless of the source of R&D investment fund (see Table VIII). Also, the investment effect of R&D is assumed as 2 years. The panel data was composed of industry groups of each technology level in accordance with R&D intensity. For the classification of manufacturing industry groups, the OECD standard of [21] was used but it was further divided into high technology, high-intermediate technology, intermediate - low technology and low technology manufacturers.

The dummy for firms that did not attempt R&D outsourcing showed that it had a significantly negative relationship in high-intermediate technology and intermediate - low technology manufacturers.

The size of firms not only had positive impacts in all industry groups but also it increased the ROA. In the high technology and intermediate-low technology manufacturers, the ROA was increased as the competition intensity within the industry was higher (H3).

Thus, it can be concluded that the past attempts in open innovation increased the ROA of the present. The R&D intensity only showed significantly positive relationships in the high-intermediate technology manufacturers – chemicals and automobiles and trailer manufacturers (H3). In these areas, the performance of the company is enhanced as the R&D investment gets higher.
However, the ROA was seen to increase when the exportation portion to the sales amount, which is represented as the openness, was lower. The asset healthiness showed significantly positive impact on the ROA in all manufacturing industry groups.

In Model 2, R&D outsourcing investment was separated by the financial sources in each industry group according to comprehensive samples and the technology level. The result showed that for the high-intermediate technology manufacturers, the R&D investment of the external firms had significantly negative influence on the ROA. Generally, the R&D activities through international partnership and inducing investment had positive impacts on ROA. In other words, the induction of international R&D investment, cooperative studies, and outsourcing goes through a more considerable process of selection which has more direct and positive influence on the performance of the firms. Also, the R&D intensity had significantly positive relationships with ROA only in the high-intermediate technology manufacturing firms.

Corporate size had a positive relationship in all sample groups. In the high and intermediate-low technology manufacturing firms, the increase of ROA was negatively influenced as the portion of exportation in the sales amount got larger. The asset healthiness had positive influences on the increase of ROA in all samples.

### TABLE VIII

**RESULT OF ANALYZING THE EFFECT OF R&D OUTSOURCING ATTEMPTS ON THE PERFORMANCE OF FIRMS - MODEL 1**

(***FIXED EFFECT MODEL) DEPENDENT VARIABLE: ROA

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>High</th>
<th>High-intermediate</th>
<th>Intermediate-low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA(t-1)</td>
<td>-0.324***</td>
<td>-0.382***</td>
<td>-0.245***</td>
<td>-0.252***</td>
<td>-0.304*</td>
</tr>
<tr>
<td></td>
<td>(-22.36)</td>
<td>(-15.22)</td>
<td>(-10.35)</td>
<td>(-6.52)</td>
<td>(-6.82)</td>
</tr>
<tr>
<td>Dummy for firms that did not R&amp;D Outsourcing (t-2)</td>
<td>-0.002</td>
<td>0.008</td>
<td>-0.011**</td>
<td>-0.012*</td>
<td>0.015</td>
</tr>
<tr>
<td></td>
<td>(-0.55)</td>
<td>(0.75)</td>
<td>(-2.23)</td>
<td>(-1.69)</td>
<td>(1.20)</td>
</tr>
<tr>
<td>R&amp;D Outsourcing investment compared to sales amount (total) (t-2)</td>
<td>0.007</td>
<td>0.009</td>
<td>-0.030*</td>
<td>0.104</td>
<td>-0.089</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
<td>(0.88)</td>
<td>(-1.72)</td>
<td>(0.90)</td>
<td>(-0.99)</td>
</tr>
<tr>
<td>R&amp;D Intensity (t-2)</td>
<td>0.001</td>
<td>-0.002</td>
<td>0.025**</td>
<td>-0.057</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td>(0.23)</td>
<td>(-0.48)</td>
<td>(2.35)</td>
<td>(-0.73)</td>
<td>(0.73)</td>
</tr>
<tr>
<td>Size of firms</td>
<td>0.108***</td>
<td>0.108***</td>
<td>0.089***</td>
<td>0.098***</td>
<td>0.177*</td>
</tr>
<tr>
<td></td>
<td>(19.69)</td>
<td>(10.19)</td>
<td>(12.28)</td>
<td>(8.49)</td>
<td>(9.13)</td>
</tr>
<tr>
<td>Competition Intensity</td>
<td>0.015</td>
<td>1.286*</td>
<td>-0.222</td>
<td>0.387**</td>
<td>0.237</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(1.84)</td>
<td>(-1.11)</td>
<td>(2.03)</td>
<td>(0.54)</td>
</tr>
<tr>
<td>Exportation / sales amount</td>
<td>-0.022</td>
<td>0.015</td>
<td>-0.069**</td>
<td>0.046</td>
<td>-0.045</td>
</tr>
<tr>
<td></td>
<td>(-0.93)</td>
<td>(0.32)</td>
<td>(-2.30)</td>
<td>(0.88)</td>
<td>(-0.67)</td>
</tr>
<tr>
<td>Asset healthiness</td>
<td>0.456***</td>
<td>0.509***</td>
<td>0.395***</td>
<td>0.287***</td>
<td>0.445*</td>
</tr>
<tr>
<td></td>
<td>(37.31)</td>
<td>(23.73)</td>
<td>(20.56)</td>
<td>(10.80)</td>
<td>(10.50)</td>
</tr>
<tr>
<td>Constant Term</td>
<td>-1.233***</td>
<td>-1.998***</td>
<td>-0.929***</td>
<td>-1.227***</td>
<td>-2.063*</td>
</tr>
<tr>
<td></td>
<td>(-16.28)</td>
<td>(-5.14)</td>
<td>(-9.37)</td>
<td>(-8.36)</td>
<td>(-8.99)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.337</td>
<td>0.41</td>
<td>0.289</td>
<td>0.302</td>
<td>0.262</td>
</tr>
<tr>
<td>log likelihood</td>
<td>7460.129</td>
<td>1700.897</td>
<td>3764.924</td>
<td>1527.221</td>
<td>1038.347</td>
</tr>
<tr>
<td>No. of Observed samples</td>
<td>6,582</td>
<td>1,955</td>
<td>2,691</td>
<td>952</td>
<td>984</td>
</tr>
</tbody>
</table>

Note ) Significant at 1% level (***) , 5% level (**), 10% level (*)
TABLE IX
RESULT OF ANALYZING EFFECT OF R&D OUTSOURCING ATTEMPTS ON THE PERFORMANCE OF FIRMS -MODEL 2
(FIXED EFFECT MODEL) DEPENDENT VARIABLE: ROA

<table>
<thead>
<tr>
<th>Variable</th>
<th>Total</th>
<th>High</th>
<th>High-intermediate</th>
<th>Intermediate-low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA(t-1)</td>
<td>-0.324</td>
<td>-0.382</td>
<td><strong>-0.245</strong>*</td>
<td><em><strong>-0.255</strong></em></td>
<td><strong>-0.308</strong>*</td>
</tr>
<tr>
<td></td>
<td>(-22.39)</td>
<td>(-15.21)</td>
<td>(-10.33)</td>
<td>(-6.58)</td>
<td>(-6.88)</td>
</tr>
<tr>
<td>R&amp;D Outsourcing investment compared to sales</td>
<td>0.006</td>
<td>0.004</td>
<td><strong>-0.100</strong>*</td>
<td>0.034</td>
<td>-0.125</td>
</tr>
<tr>
<td>amount (government) (t-2)</td>
<td>(0.65)</td>
<td>(0.26)</td>
<td>(-3.19)</td>
<td>(0.22)</td>
<td>(-1.34)</td>
</tr>
<tr>
<td>R&amp;D Outsourcing investment compared to sales</td>
<td>-0.01</td>
<td>-0.004</td>
<td>0.174</td>
<td>-0.842</td>
<td>1.989</td>
</tr>
<tr>
<td>amount (public institution) (t-2)</td>
<td>(-0.08)</td>
<td>(-0.02)</td>
<td>(1.07)</td>
<td>(-0.95)</td>
<td>(1.64)</td>
</tr>
<tr>
<td>R&amp;D Outsourcing investment compared to sales</td>
<td>0.006</td>
<td>0.019</td>
<td><strong>-0.049</strong></td>
<td>0.232</td>
<td>-0.167</td>
</tr>
<tr>
<td>amount (firms) (t-2)</td>
<td>(0.51)</td>
<td>(0.82)</td>
<td>(-2.58)</td>
<td>(0.88)</td>
<td>(-0.40)</td>
</tr>
<tr>
<td>R&amp;D Outsourcing investment compared to sales</td>
<td>0.627**</td>
<td>0.572</td>
<td>0.306</td>
<td>-1.738</td>
<td>3.351</td>
</tr>
<tr>
<td>amount (overseas) (t-2)</td>
<td>(2.09)</td>
<td>(1.34)</td>
<td>(0.45)</td>
<td>(-0.70)</td>
<td>(1.16)</td>
</tr>
<tr>
<td>R&amp;D intensity (t-2)</td>
<td>0.001</td>
<td>-0.001</td>
<td><strong>0.065</strong>*</td>
<td>0.004</td>
<td>0.032</td>
</tr>
<tr>
<td></td>
<td>(0.27)</td>
<td>(-0.07)</td>
<td>(3.55)</td>
<td>(0.04)</td>
<td>(0.77)</td>
</tr>
<tr>
<td>Size of firms (ln(Total Assets))</td>
<td>0.108</td>
<td>0.109</td>
<td><strong>0.089</strong>*</td>
<td><strong>0.095</strong>*</td>
<td>0.174*</td>
</tr>
<tr>
<td></td>
<td>(19.78)</td>
<td>(10.22)</td>
<td>(12.27)</td>
<td>(8.11)</td>
<td>(9.00)</td>
</tr>
<tr>
<td>Competition intensity</td>
<td>0.015</td>
<td>1.243*</td>
<td>-0.216</td>
<td>0.401**</td>
<td>0.149</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(1.77)</td>
<td>(-1.08)</td>
<td>(2.09)</td>
<td>(0.34)</td>
</tr>
<tr>
<td>Exportation / sales amount</td>
<td>-0.022</td>
<td>0.013</td>
<td><strong>-0.066</strong></td>
<td>0.054</td>
<td>-0.049</td>
</tr>
<tr>
<td></td>
<td>(-0.94)</td>
<td>(0.29)</td>
<td>(-2.10)</td>
<td>(1.03)</td>
<td>(-0.73)</td>
</tr>
<tr>
<td>Asset healthiness</td>
<td>0.457</td>
<td>0.510</td>
<td><strong>0.392</strong>*</td>
<td><strong>0.285</strong>*</td>
<td><strong>0.445</strong>*</td>
</tr>
<tr>
<td></td>
<td>(37.34)</td>
<td>(23.74)</td>
<td>(20.36)</td>
<td>(10.65)</td>
<td>(10.51)</td>
</tr>
<tr>
<td>Constant Term</td>
<td>-1.240</td>
<td>-1.981</td>
<td><strong>-0.938</strong>*</td>
<td><strong>-1.209</strong>*</td>
<td><strong>-2.016</strong>*</td>
</tr>
<tr>
<td></td>
<td>(-16.39)</td>
<td>(-5.10)</td>
<td>(-9.44)</td>
<td>(-8.14)</td>
<td>(-8.83)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.338</td>
<td>0.411</td>
<td>0.291</td>
<td>0.3</td>
<td>0.266</td>
</tr>
<tr>
<td>log likelihood</td>
<td>7463.29</td>
<td>1702.102</td>
<td>3767.687</td>
<td>1526.338</td>
<td>1040.937</td>
</tr>
</tbody>
</table>

5. CONCLUSION

In this study, the influence of R&D outsourcing activities in manufacturing firms in Korea on the determinant factors and performance of the firms were analyzed using the Survey of R&D in S&T data. Particularly, the financial data of KIS was incorporated in order to complement the objectivity and reliability of the questionnaire data on the sales amount, assets and ROA of the Survey on R&D in S&T. The precedent studies had the basis on the CIS (community innovation survey) to analyze the impact on the determinant factors and performance of the firms according to the existence of the technology innovation activities. However, it is significant that it attempted to make analysis by integrating the data from Survey on R&D in S&T with broader subject of investigation and conducted regularly on a yearly basis to compose the panel data. It also improved the reliability of the analysis using the financial data of the KIS.

The result showed that in many cases, manufacturing firms with smaller assets and defective healthiness attempted R&D outsourcing. The determinant factors were exportation in the sales amount, R&D intensity, governance and affiliation to large sized companies. Thus, small sized firms with larger investment on R&D and well-constructed environments for sufficient use of external resources had more positive impacts on the attempt for R&D outsourcing.
Moreover, in R&D outsourcing effect analysis with the ROA as the performance variable of the firm, the dummy for firms that did not attempt open innovation R&D had significantly positive relationships in the high-intermediate and intermediate-low technology manufacturers. In the analysis of R&D outsourcing on the firms by each financial source, the R&D investment from the government and external firms had significantly negative impact on ROA in the high-intermediate technology manufacturing firms. In general, the R&D activities and inducing investment through international partnership had positive influences on ROA.

This study attempted the analysis to investigate the cause of R&D outsourcing as one of type of open innovation that [6] proposed. Through analyzing the determinant factors in open technology innovation, the asset healthiness had significantly negative relationships with the portion of open innovation R&D investment from the total sales amount. It showed that the firms that required raising investment finances for R&D and innovation attempted open innovation. Additionally, firms with firm financing networks such as subsidies of large corporations were found to have the power to attempt more R&D outsourcing. On the contrary, in the analysis on the corporate performance of open innovation, it differed from each technology level which we can infer to have had the effect of R&D outsourcing being presented differently. In high-intermediate and intermediate-low technology manufacturing firms that had not attempted open innovation R&D in the past, it showed significantly negative relationships with the ROA of the present. Therefore, it had a positive influence on the R&D outsourcing.

The limitation of this study is as follows. The R&D outsourcing will take place in accords within the industry group and individual demand and financial situations of the firms. Hence, in future studies, it is necessary to search and analyze the explanatory variables that represent these characteristics other than the explanatory variables used in this study. Additionally, the variables on the competition intensity within the industry, the aspect of openness and networking capability of the firms should also be improved to reflect the characteristics of firms. In the analysis of the effect of R&D outsourcing on the performance of firms, it is necessary to take into consideration of multiple time differences and to add variables other than the explanatory variables used in the analysis for more effective analysis.
REFERENCES


Constructing The Body Shop’s Management Opportunity Grid – An Examination of the Beauty Industry in Taiwan

Keng-Hsiang Cheng, Chinese Culture University, Taiwan
Hajnalka Fórián, Chinese Culture University, Taiwan

Abstract

This study aims to explore the beauty industry’s core competencies, and at the same time build The Body Shop’s management opportunity grid (MOG), developed by "reliability", "service", "product", "brand", "price" and "the shop", six ability dimensions of the beauty industry, and after concluding 41 ability attribute items, conducted in a questionnaire survey. After obtaining customer’s importance and satisfaction perception through questionnaires, statistical analysis explores which core competencies The Body Shop should possess. A few of the ten most important services by customers’ recognition in order, are: "Effective products", "Companies pay attention to select material harmless to the skin and actively exclude certain chemical substances", "Good product image generates a sense of trust, and customers purchase peacefully", "When there are new scientific developments, continually review their formulations", etc. Customers are most dissatisfied with "effective product."

Keywords: core capability, customer satisfaction, grid management opportunities, beauty industry in Taiwan
The Efficiency of Governance in Financial Institutions: Looking for the Paradigms of Corporate Governance

Emilia Klepczarek, University of Lodz, Poland

Abstract
The Basel Committee on Banking Supervision and the OECD found problems with the mechanisms of corporate governance as one of the major causes of destabilization of the financial system and the subprime crisis in the years 2007-2010. In response to these allegations there were a number of recommendations formulated aimed at improving the quality of supervisory standards in financial institutions. They relate mainly to risk management, remuneration policy, the competence of managers and board members, and transparency issues. A review of the empirical research conducted by the author does not allow for an unambiguous confirmation of the positive impact of the standards’ postulated impacts on the stability of banking entities.

There is therefore a presumption of the existence of hidden variables determining the effectiveness of the governance mechanisms. It is argued that this involves concepts arising from behavioral economics and economic anthropology, which allow for an explanation of the effectiveness of corporate governance institutions on the basis of the socio-cultural profiles of its members. The proposed corporate governance culture theory indicates that the attributes of the members of the organization and organizational culture can determine the different effectiveness levels of the governance processes in similar formal corporate governance structures.

The aim of the presentation is, firstly, to draw attention to the vast discrepancies existing within the results of research on the effectiveness of the standards of corporate governance in the banking sector. Secondly, the author proposes an explanation of these differences on the basis of governance theory breaking with common paradigms.

Keywords: Corporate governance, efficiency, governance culture
How Does Spatial Proximity Influence Product Evaluation?

Chien-Huang Lin, National Central University, Taiwan
Su-Hui Kuo, National Central University, Taiwan

Abstract

Advertisements often present the product and a product endorser to convey its product efficacy simultaneously so as to influence consumers’ product evaluation. Advertisements were reviewed by subjects and some placed the product and product endorser far from each other while others advertisements placed them next to each other. Spatial proximity is regarded as a cue for judging causality. This study found that the spatial proximity of advertisements exerts an influence on product evaluation. The advertisement was judged achieve a higher product evaluation when the product and user images were placed closer rather than farther apart. It was also found that when the advertisement presents the past-left, future-right representation of time, this will enhance processing fluency and product evaluation, and the opposite tends to confuse the subject and diminishes its product evaluation. This study also found that the spatial proximity and interaction with the horizontal direction significantly affects product evaluation. Spatial proximity is also moderated by the effect of horizontal direction on product evaluation.

Key Words: spatial proximity, horizontal direction, product evaluation