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THE IMPACT OF PERCEIVED CORPORATE SOCIAL RESPONSIBILITY TOWARDS MULTI-STAKEHOLDERS ON EMPLOYEES' AFFECTIVE COMMITMENT: THE EVIDENCE FROM EGYPT

DR. MONA SOLIMAN¹, ADEL ZAYED AND WESSAM KHEDR

ABSTRACT

Purpose: This paper examines the influential effect of Corporate Social Responsibility (CSR) towards multi-stakeholders (social and non-social stakeholders, employees, customers and government) in explaining employees' Affective Organisational Commitment (AOC) within an under-researched context: Egypt.

Design/methodology: This research draws on survey data from a sample of 226, and 4 explanatory interviews with employees working in different industries in Egypt.

Findings: Regression analysis confirmed the differential effect of the four components of CSR on AOC, with CSR towards employees having the highest effect.

Practical implications: The differential impact of each type of the CSR on employee behaviour would help practitioners to formulate their CSR strategies in accordance.

Originality/value: This paper tries to validate the stakeholder-based CSR construct in a cultural setting little explored in the literature: Egypt.

Keywords: Corporate Social Responsibility, Egypt, Affective Organisational Commitment.

INTRODUCTION

Corporate social responsibility (CSR) has become a centre of attention for practitioners and academics (Bevan. et al., 2012). However, many have questioned if it “*pays*” to invest in CSR programmes (Glavas and Godwin, 2013), inspiring research to investigate the relationship between CSR and the financial results of businesses (Orlitzky. et al., 2003), customer loyalty (Mandhachitara and Poolthone, 2011) and corporate reputation (Rettab et al., 2009). Nevertheless, the influence of CSR initiatives on employees has remained understudied (Glavas and Godwin, 2013).

Employees play a significant role in their organisation's success. Their perception of CSR can influence their behavior (Peterson, 2004; Rupp. et al., 2006), and the main hypothesis is that CSR makes employees feel proud of being part of an organisation that takes care of the world and helps them fulfil their psychological need for a meaningful existence (Aguilera. et al., 2007).

Yet researchers have confirmed that only limited studies have been conducted to examine the influence of CSR on the attitudes of employees (Akdoğan. et al., 2016; Low. et al., 2017). Moreover, most research on CSR has been conducted in a Western context, with insufficient research carried out on emerging economies (Alnaimi. et al., 2012; Hofman and Newman, 2014).

If CSR is crucial to progressing the development agenda in any country (Gokulsing, 2011), it could be even more important for developing ones. This is because CSR is becoming a development tool to help countries unable to accomplish the developmental agendas independently. (Okoye, 2012).

To achieve this, however, it is important to coordinate efforts between the government and the private sector (Gokulsing, 2011; Okoye, 2012). Unfortunately this condition is not always met; in emerging economies, businesses still benefit from a weak institutional

¹ Doctorate in Business Administration, AASTMT

atmosphere, the loose enforcement of regulations and weak public pressure that enables exploitative environments where employees work in dangerous settings with unfair compensation (Budhwar and Mellahi, 2007; Mozes. et al., 2011).

Egypt as a developing country bears strong witness to this, resulting in labour problems which was one of the reasons that triggered several strikes leading up to the 2011 revolution (Beinin, 2012).

This study aims to investigate whether Egyptian employees living in these conditions would appreciate business CSR. More specifically, the study will examine if employees would place more value on the CSR directed to their own benefits rather than CSR directed towards other stakeholders.

To explore this point, this study deploys Turker's CSR model to argue that employee perception of various types of CSR (social and non-social stakeholders, employees, customers and government) might differ, and consequently their effects on employee's affective organisational commitment (AOC) also differ. Specifically, this study aims at answering the following questions:

- 1- Do Egyptian employees perceive their CSR towards society, customers, employees, and government equally? If not:
- 2- What is the relative impact of CSR towards each stakeholder group on employee's commitment?

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The concept of CSR has been evolving since the 1930s (Carroll, 1979). Carroll (1991) elaborated that, in the past, a corporation's only responsibility was to deliver the highest financial returns; however, although social activists promoted a wider view of corporate responsibility, it was not until 1970s social regulations that this subject was well-defined (Carroll, 1991). Ever since, managers have striven to maintain equilibrium between their responsibilities towards business owners and towards expanding stakeholders groups.

Nevertheless, there has been little agreement on what the features of CSR are. Opponents of CSR's broad economic view assert that businesses are socially responsible, as long as they conform to regulations while maximising profits (Bauman and Skitka, 2012). From this standpoint, profitable corporations accomplish social responsibility because they provide revenues to investors, salaries to employees and goods/services to customers.

Proponents of this argument, propose that businesses should use their resources for wide-ranging social ends (Fredrick, 1960). Hence, socially responsible businesses should initially attain their economic objectives, meet their legal requirements, and then maintain ethical standards and get involved in philanthropic initiatives (Carroll, 1979).

Although these are still unsettled arguments, resources allocated to CSR have risen considerably over the past decades (Bauman and Skitka, 2012), and businesses now ask how, instead of whether, they should adopt it (Smith 2003).

Nevertheless, there is no global definition for CSR to date (D'Aprile and Talò, 2015; Glavas and Kelley, 2014). Well-known definitions include, for example, Carroll (1979): "*The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.*" Another is Turker (2009b): CSR is "*corporate behaviors which aim to affect stakeholders positively and go beyond its economic interest.*"

Notably, there is a link between the CSR concept and the organisation's stakeholders concept (Carroll, 1991; Turker, 2009b). The stakeholders' concept determines the societal groups that are important to business and to whom the organisation is responsible. The literature presents different stakeholder categorisations. This paper uses the comprehensive categorisation of Wheeler and Sillanpää (1997), following the work of Farooq et al. (2014) and Turker (2009b). It includes four categories: *CSR to social and non-social stakeholders*, which

includes business responsibility to nongovernmental organisations, society, and the natural environment; *CSR to employees*, seeking employee welfare by incorporating job security, safety, career opportunities, organisational justice and union relations; *CSR to customers*, representing businesses responsibility toward consumers, including product safety, customer care and handling customer complaints, beyond the law; and *CSR to government*, including law compliance and paying taxes.

Many studies have focused on studying the effects of these types of CSR; however, most have studied the effects on organizations' financial performance. Only a few have studied the effect on employee behaviour (Low et al., 2017; Prutina, 2016).

Based on Social Identity Theory (SIT), it has been argued that the CSR is expected to positively influence an employee's behaviour. It is claimed that an employee's behaviour may be positively influenced if he/she is proud to be a member of a socially responsible organisation (Brammer et al., 2007).

CSR's positive effect on an employee's behaviour has been confirmed by many studies. For example, CSR was found to positively influence employee engagement (Albdour and Altarawneh, 2012); employee motivation (Skudiene and Auruskeviciene, 2012); organisational justice and job satisfaction (Tziner et al., 2011); employee trust (Farooq et al., 2014); and organisational identification (Akdoğan et al., 2016).

Although those studies focused on different employee behaviours, it has been identified that employees' organisational commitment is critical in understanding their work behaviour. The link between CSR and an employee's organisational commitment has been proven by several studies, such as Ebeid (2010), Li (2012) and Kim et al. (2010).

Notably, Allen and Meyer (1990) differentiated between three components of organisational commitment: *affective commitment*, "an emotional attachment to, identification with, and involvement in the organization"; *continuance commitment*, "the perceived costs associated with leaving the organization"; and *normative commitment*, which "reflects a perceived obligation to remain in the organization". They also clarified that employees with strong affective commitment remain in an organisation because they want to; those with strong continuance commitment remain in organisations because they need to; and those with strong normative commitment remain because they feel they ought to.

Turker (2009b) affirmed that, based on the SIT, the link between the affective commitment component and CSR is particularly clear. Being a member of a reputable organisation enhances an employee's social identity and influences affective components rather than normative and continuance components. As a result, studies such as Brammer et al. (2007), Turker (2009b) and Rego et al. (2010) have all focused on affective commitment. Yet, according to Rego et al. (2010), studies have with few exceptions ignored CSR as an antecedent to affective commitment.

Examples of those exception studies are Nejati and Ghasemi (2013), which found that CSR is a significant predictor of AOC. Farooq et al. (2014) confirmed that CSR towards different stakeholders (with the exception of environmental CSR) significantly predicts affective commitment. Additionally, Turker (2009b) affirmed that the commitment levels of employees are positively related to CSR towards society, employees, and customers.

From the above discussion, it can be hypothesised that

H1: *Employee's perception of organisation CSR practices towards social and non-social stakeholders, employees, customers and government will have a significant positive influence on their Affective Organisational Commitment (AOC).*

Although there are plenty of studies confirming the relationship between different CSR types and employee commitment, yet studies that differentiate between the relative impact of these CSR types on employee commitment are rare (Farooq et al., 2014; Hofman and Newman,

2014). Previous studies either examined the CSR aggregate effect (e.g., Tziner et al., 2011) or examined the effect of a single CSR component Albdour and Altarawneh (2012).

It is argued that the relevance of the different CSR components for employees induces different types of social exchange and social identity processes, which in turn have a different influence on employees' attitudes. For example, CSR actions focused on employees may induce restricted social exchange, whereas actions focused on other stakeholders could induce more generalised social exchange (Farooq et al., 2014).

Thus, examining the relative influence of each CSR type on an employee's commitment enables comparing the effect of these components and helps understand what matters more to employees.

Nevertheless, what matters to employees is shaped by the cultural and economic conditions in which those employees live. According to this study, conducted within an eastern-emerging context and based against the Egyptian cultural and economic provisions, it is argued that an employee's perception to different CSR activities differs, and that their affective commitment also differs, with CSR towards employees having the most influential effect.

This argument is based on the fact that Egypt is a collectivist culture (Hofstede, 2001), where people share affiliations within their in-groups (family and friends) and less with society as a whole. We would therefore expect CSR associated with in-group benefits to outweigh CSR directed to outer-groups. Similarly, Egypt's high-power distance culture, denoted by autocratic management styles and compensation systems based on hierarchy/seniority (Hatem, 2006), may affect employees' perception of injustice and thus their view on their legitimacy towards more compensation through internal CSR practices rather than towards their owners and/or government, which are seen as high-power parties.

From the above discussion, it could be concluded that Egyptian employees might not only favour the internal CSR activities; their commitment would also be more shaped by this particular type of CSR rather than other types. Thus, it is hypothesised that

H2: *CSR towards employees would explain the AOC more than the other three CSR components.*

METHODS

This study adopted an explanatory sequential design research, employing a quantitative approach via a cross-sectional design survey alongside a qualitative approach, using six unstructured interviews for data contextualisation and interpretation.

Participants and Procedure

Data was collected from a convenience sample of employees in a variety of industries across private sectors in Egypt. Respondents were first approached through an online survey; due to insufficient responses, a hard copy questionnaire was also used. Respondents below-university education were excluded to ensure awareness concerning the study concepts (Nejati and Ghasemi, 2013).

Of the 340 respondents approached, 226 completed the questionnaire (a 66.5% response rate). Male respondents accounted for 56.2% (n=127) of total respondents, while the female sample totalled 99. About half of the respondents were below 35 years old (49.5%); many worked as employees and middle-level managers (78.5%), had spent >11 years in the organisation (30.7%), worked in large organisations (41.7%) within in private companies (75.2%), and mainly in service industries (52%).

Research Variables and Measures

Affective Organisational Commitment (AOC): A 9-item shortened version of a 15-item organisational commitment questionnaire (OCQ-of Mowday et al., 1979) was used to measure this variable.

Corporate Social Responsibility (CSR): Turker's (2009a) CSR scale was used, consisting of 17 items measuring CSR towards social and non-social stakeholders (CSR-1), employees (CSR-2), customers (CSR-3) and government (CSR-4) on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Control Variables: A range of variables were identified as significant determinants of commitment (Brammer et al., 2007; Turker, 2009b). These included tenure, age, gender, and organisation size and sector.

Statistical Tools

The statistical package of SPSS (version 22) was used for data analysis. The data was first tested for validity and reliability, average variance extracted (AVE), and factor loading (FL) (Sekaran and Bougie, 2010). For hypotheses testing, regression analysis was initially used to examine the impact of (and rank the importance of) different CSRs types with respect to AOC. Accordingly, hierarchical regression analysis was used to evaluate the changes that happen due to each CSR in explaining the variation present in AOC (Malhotra and Birks, 2007).

RESULTS

Table (1-1) shows all the Kaiser–Meyer–Olkin (KMO) values greater than 0.5 and all P-values of Bartlett test less than 0.05. Also, all AVEs are greater than 50%, and FL are greater than 0.4, which means that all variables have adequate convergent validity (Sekaran and Bougie, 2010).

TABLE (1-1) Convergent Validity of the Research Variables

	KMO	Bartlett Test	AVE	Items	FL
CSR-1	0.919	0.000	73.651	10	0.758
				11	0.786
				12	0.831
				13	0.767
				14	0.626
				15	0.690
CSR-2	0.858	0.000	76.248	16	0.699
				17	0.771
				18	0.841
				19	0.772
CSR-3	0.740	0.000	79.522	20	0.713
				21	0.716
				22	0.796
CSR-4	0.500	0.000	90.179	23	0.785
				24	0.805
AOC	0.926	0.000	68.203	25	0.902
				26	0.902
				1	0.655
				2	0.776
				3	0.491
				4	0.643
				5	0.825
				6	0.552
7	0.681				
				8	0.752
				9	0.765

Cronbach's alpha values showed adequate reliability for all variables (>than 0.7): CSR-1=0.94; CSR-2=0.92; CSR-3=0.87; CSR-4= 0.89; AOC=0.939.

Table (1–2) shows the research variables all have adequate discriminant validity. All square roots of AVE values are greater than the correlations between the corresponding construct and other constructs.

TABLE (1–2) Discriminant Validity of the Research Variables

	N	1	2	3	4	5
1.CSR-1	226	(0.858)				
2.CSR-2	226	.753**	(0.873)			
3.CSR-3	226	.660**	.692**	(0.891)		
4.CSR-4	226	.578**	.604**	.618**	(0.949)	
5.AOC	226	.689**	.752**	.656**	.597**	(0.826)

Testing the First Hypothesis

It could be observed from Table (1–4) that multiple regression analysis confirmed a significant positive impact of CSR-1, CSR-2, CSR-3, and CSR-4 on AOC, with $\beta=0.178$ (P-value=0.007); $\beta=0.395$ (P-value=0.000); $\beta=0.157$ (P-value=0.016); and $\beta=0.137$ (P-value=0.018), respectively. Thus, H1 is accepted, confirming that CSR practices towards employees, customers, society and government each have a significant positive effect on employee's AOC.

Table (1–4) Multiple Regression Analysis of CSR Variables on AOC

Model	Un-standardised		Standardised	T	P-value
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.009	.337		.027	.978
Gender	.025	.085	.014	.295	.768
Age	.010	.064	.008	.150	.881
Tenure	.027	.045	.034	.603	.547
1 Sector	.176	.065	.119	2.689	.008
Size	.093	.057	.075	1.649	.101
CSR1	.178	.066	.185	2.706	.007
CSR2	.395	.070	.400	5.611	.000
CSR3	.157	.065	.158	2.419	.016
CSR4	.137	.058	.139	2.378	.018

It could be also observed that, according to the standardised beta values, CSR-2 is the most important practice, with a highest Standardised Beta of 0.400. This is followed by CSR-1(standardised beta=0.185), followed by CSR-3(standardised beta=0.158), and lastly CSR-4 (standardised beta=0.139).

Testing the Second Hypothesis

CSR types were then added in the hierarchical regression analysis based on their relative importance with respect to AOC. It was found that CSR towards employees (CSR-2) has the highest R²change (0.497), followed by CSR towards society (CSR-1; R²change=0.030), then CSR towards customers (CSR-3; R²change=0.016), and lastly CSR towards government (CSR-4; R²change=0.009). Thus, H2 was accepted.

TABLE (1–5) Hierarchical Regression Analysis of CSR Variables on AOC

Model	Un-standardised	Standardised	T	P-value	R ² change
	Coefficients	Coefficients			

		B	Std. Error	Beta			
1	(Constant)	2.857	.415		6.884	.000	0.100
	Gender	-.250	.126	-.135	-1.987	.048	
	Age	.122	.100	.105	1.217	.225	
	Tenure	.062	.070	.079	.887	.376	
	Sector	.359	.102	.242	3.514	.001	
	Size	.083	.089	.067	.930	.353	
	(Constant)	.943	.302		3.119	.002	
Gender	-.132	.085	-.071	-1.556	.121		
Age	-.003	.067	-.003	-.044	.965		
Tenure	.042	.047	.053	.890	.374		
Sector	.173	.069	.117	2.488	.014		
Size	.062	.060	.050	1.033	.303		
CSR2	.718	.044	.727	16.148	.000		
3	(Constant)	.687	.298		2.303	.022	0.030
	Gender	-.085	.083	-.046	-1.034	.302	
	Age	.009	.065	.007	.132	.895	
	Tenure	.014	.046	.018	.313	.754	
	Sector	.197	.067	.133	2.932	.004	
	Size	.073	.058	.059	1.261	.209	
	CSR2	.516	.065	.523	7.906	.000	
	CSR1	.262	.064	.273	4.102	.000	
4	(Constant)	.288	.319		.902	.368	0.016
	Gender	-.016	.084	-.009	-.190	.849	
	Age	-.014	.064	-.012	-.212	.833	
	Tenure	.035	.046	.044	.774	.440	
	Sector	.188	.066	.127	2.850	.005	
	Size	.094	.057	.075	1.640	.102	
	CSR2	.430	.070	.436	6.178	.000	
	CSR1	.202	.066	.210	3.079	.002	
	CSR3	.196	.063	.198	3.100	.002	
5	(Constant)	.009	.337		.027	.978	0.009
	Gender	.025	.085	.014	.295	.768	
	Age	.010	.064	.008	.150	.881	
	Tenure	.027	.045	.034	.603	.547	
	Sector	.176	.065	.119	2.689	.008	
	Size	.093	.057	.075	1.649	.101	
	CSR2	.395	.070	.400	5.611	.000	
	CSR1	.178	.066	.185	2.706	.007	
	CSR3	.157	.065	.158	2.419	.016	
	CSR4	.137	.058	.139	2.378	.018	

DISCUSSION

The main objective of this research was to test the effect of different types of CSR on employees' AOC and to test for their relative impact, with CSR towards employees proposed to be the most influential.

The results flagged up two important findings. First, they confirmed that all four CSR types each have a significant positive effect on employee's AOC, thereby supporting H1. Second, the results highlighted the value of each of the CSR types, showing that CSR-

2(towards employees) is the most important type with the highest standardised-beta (0.400), and a large R^2 change amounting to almost 50%, followed by CSR-1 (towards society) and CSR-3 (towards customers). Lastly came CSR-4 (towards government) with a very low R^2 change level. H2 is therefore supported.

The results of H1 have been corroborated by several studies (e.g., Farooq et al., 2014; Nejati and Ghasemi, 2013; Turker, 2009b). Most of those studies explained their results based on SIT and/or social exchange theories. SIT confirms that employees who identify with their companies are committed because their identification maintains both their external and internal prestige. Their company's image fulfils social identity needs and thus keeps them committed to the company. Similarly, proponents of the social exchange theory argued that if employees perceive that their organisation voluntarily supports their wellbeing, as a result of the reciprocity notion they will reciprocate this attitude. Because employees are part of a bigger group involving their community, their customers and the government, it is also expected that they will reciprocate their firm's actions towards those groups as well. Their commitment is thus positively influenced because employees' commitment could be one facet of these reciprocal actions.

Nevertheless, H2 showed us how the employees' AOC might differ based on each stakeholder set. The results highlighted that, in general, the AOC of employees is not greatly shaped by externally-directed CSR practices (with a total R^2 change less than 5%), yet they mostly favour internal-CSR actions (with a CSR-2 R^2 change of almost 50%). This result is in line with the findings of Turker (2009b), Nejati and Ghasemi (2013) and Farooq et al. (2014).

A direct explanation could be that people in developing countries assign a low level of importance to CSR in comparison with people in developed countries. Wahba (2008) noted that environmental awareness is still a new prototype among Egyptian corporations.

As discussed earlier, it could be Egypt's collectivist and high-power distance culture that leads employees to favour the in-group members over outer-group ones.

It could, however, be further argued that the harsh workplace conditions endured by Egyptian employees might also add to their under-evaluation of external CSR in general and over-evaluation of the inner-group specifically. These harsh conditions are mainly due to employer malpractice. For example, to gain flexibility, private employers used to avoid tax and insurance obligations by not providing their employees with employment contracts or insurance, or even by making them sign undated resignation letters before taking on the job (Ghoneim et al., 2004; Hatem, 2006).

Recently, and with the economic and political unrest following the 2011 revolution, employee demands have increased, and disengagement problems have intensified. This is reflected by the fact that there were 1,969 strikes in 2012, compared with 530 in 2010 (Shukrallah and Ali, 2013).

Besides these conditions directing employees towards internal CSR practices, there are other reasons to explain why CSR towards the government is least favoured. The Global Competitiveness Report (GCR) and the Arab World Competitiveness Report (AWCR) highlighted that most Egyptian businessmen and employees hold very negative view of their government's performance. Among other variables, they perceive burdensome administrative regulations and wasteful government spending (El-Mikawy, 2003).

These explanations were supported by the exploratory interviews conducted in this study. All employees revealed that they would prefer their companies to increase salaries rather than help outside groups, and that they would prefer to be consulted on CSR initiatives. They complained of not benefiting directly or indirectly from them, and they had doubts regarding their employers' motives, accusing their employers of showing off (window dressing) or using CSR as a tool to escape taxation or to pass illegal acts by bribing the government.

To conclude, these research findings may be of interest to Egyptian employers searching for ways to enhance the commitment of their employees. One guaranteed way to do this would be via raising internal CSR activities. It is important for corporate managers to know that employees are very sensitive to any confusion about CSR initiatives. Management should thus clearly disseminate the firm's CSR vision through internal organisational channels, ensure their employees' involvement and clarify resource allocation that is often misinterpreted.

Research Limitations and Future Research

The first limitation of this research is its generalisability. Issues such as cultural differences and current levels of CSR awareness in various countries should be considered. A convenient sample is also a limitation, since participants may not fairly represent whole population; future research should involve a larger sample size. Moreover, self-reported data was used, so a common-method bias may exist.

Finally, CSR was measured based on the perception of employees who may not be involved in CSR activities. Therefore, a difference between the perception and actual involvement levels of respondents is possible (Turker, 2009b). Yet this method is still better than studying official CSR reports which could be subjective and have window-dressing limitations. Social identity theory (SIT) also suggests that the best way to measure employees' affective commitment is through their own perceptions (Peterson, 2004).

CONCLUSION

This research draws attention to the importance of viewing CSR from different perspectives, especially within a context that is characterised by turbulent economic conditions, cultural boundaries and a poor employee-employer relationship.

The differential impact of each CSR component also flags up the fact that managers should design their CSR strategies according to these relative impacts. Finally, this study validates the stakeholder-based CSR construct in a cultural setting little explored in the literature: Egypt.

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SUSTAINABILITY OF PROPRIETARY TECHNOLOGY CONCEPTS, PLATFORMS AND ECOSYSTEMS

DR. DHRUPAD MATHUR¹

ABSTRACT

This research is aimed at identifying and enlisting various diverse factors that lead up to the sustainability of technology concepts, platforms and ecosystems. This would potentially pave the way for systemising such factors and subsequently help in developing various combinations of business strategies and practices to enhance the sustainability of technology concept platforms and ecosystems, and also show a path for possible transformation. This paper recognises various prominent factors, such as: user preference, non-substitutable nature, rareness, inimitable, valuable, sales, pricing, profitability, communicating with the market, strategic signals, flexibility of firms, community, organisation and human capacity, knowledge, innovation, interdependent relationships among multiple technologies, perceived uncertainties, competitiveness, early action, industry standards etc. It also argues that the types of market and the nature of industry in which the technology concept operates also plays an important role in determining the sustainability or scope of possible tech transformation.

Keywords: proprietary technologies, tech sustainability framework, technology transformation

INTRODUCTION

This working paper serves as a foundation for an intended case study that would attempt to identify and analyse various factors leading up to the emergence, evolution, sustainability and extinction of various proprietary technology concepts, platforms and ecosystems. As per the definition by Financial Times, “[t]echnology ecosystems are product platforms defined by core components made by the platform owner and complemented by applications made by autonomous companies in the periphery. These ecosystems offer solutions comprising a larger system of use than the original platform owner created and solve important technical problems within in an industry.” In the last two decades, various proprietary technology concepts and platforms have emerged both in the consumer technology and industrial engineering domains. Some of these technology platforms have emerged and survived while some have not.

The Gartner’s Hype Cycle model, which is a graphical depiction of a common pattern that arises with each new technology or innovation, explains how technology triggers inflated expectations. However, when new technology concepts and platforms emerge, their route to commercialisation and mainstream adoption is quite uncertain. There are a number of examples of new technology concepts that have emerged and vanished – from “pagers” to “push to talk” technologies, and from “magnetic discs” to “optical storage”. These have all been through their period of struggle only to have outlived their utility or useful life. In the wake of the evolution of new technology platforms, it is interesting to explore how market forces behave, how consumers behave, how the consumption patterns change, and what type of business environment dynamics lead to the success or failure of new concepts. This research and the proposed case study aims to bring out a range of pertinent examples from consumer and industrial technologies to establish the path taken by such technology concepts from inception to maturity. It would also attempt to identify the patterns of successful evolution against the background of technology landscape across diverse business ecosystems. One of the key

¹ Associate Professor – IT Mgt. and Assistant Dean – Executive MBA, SP Jain School of Global Management, Dubai, United Arab Emirates. Email: dhrupad.mathur@spjain.org

outcomes of the case study would be to discover major strategic manoeuvres undertaken by successful proprietary technology platform companies that ensure their sustenance and rapid growth. Further, it will also unravel areas of possible tech transformations.

PROBLEM IDENTIFICATION

Adomavicius et al. (2007) argued that the technology ecosystem is a system of interrelated technologies that influence each other's evolution and development, and that a specific technology ecosystem view is defined around a focal technology in a given context.

Amidst the complex dynamics of technology markets, a discussion on proprietary technology sustainability is particularly pertinent today. Over the last few decades, there have been major developments in consumer market technologies as well industrial technologies. Most of these developments have been steered by some pioneering companies (or individuals) who have invested in the related R&D and brought new concepts to market, leading to the development of new market opportunities and enhanced user experience. Advances in semiconductor technologies and the rapid emergence of very large-scale integration has certainly fostered this phenomenon. In the last decade, this pace has increased dramatically due to major technological innovations, and the reducing cost of processing, connectivity and storage etc. Therefore, the tech innovators as well as the technology adopters are faced with an ever-standing challenge of constantly reviewing and evaluating a wide range of new technological concepts and solutions and working towards their mainstream adoption. On one side, there is a constant stream of emerging technologies hitting almost every industry ecosystem, while on the other side there are mature technologies being phased out or that have outlived their useful life.

In the banking industry, for instance, a wide range of scenarios depicting the impact of technology emergence and obsolescence can be observed. While the last few years have added technologies such as e-payments, mobile payments, secured credit cards, near field communication, biometrics etc. to the payment processing portfolio, on one hand, on the other hand the recent situation around the Windows XP discontinuation by Microsoft impacting most ATMs (Automated Teller Machines) is a good example of what can go wrong when even mature technologies in established business ecosystems undergo obsolescence. And in this case the impact of obsolescence could have been quite severe – a CNN report mentions that banks everywhere are in a race against time to upgrade their ATMs before they become hot targets for hackers (Paglirey, 2014).

Dao and Zmud (2015) concluded that to increase the likelihoods of success, innovating firms use strategic signals to communicate with market participants to reduce participants' perceived uncertainties associated with their innovative products. They examined that during a standards war involving a technology-based product, the influence of technology-, market- and standards-related strategic signals on the stock price of one of the technology leaders. (A technology leader is defined as a firm that develops and promotes its proprietary product design to become the industry standard.) Using event study methodology, the authors found that a technology leader's market- and standards-related signals have significant positive influences on this leader's stock price. However, to what extent this market leadership position could be sustained continues to be a persistent question.

RESEARCH PROBLEM

Waite (2006), in his study of the sustainability of the performance of technology innovator firms on business environments exhibiting turbulence, claimed that the combination of business strategies and practices that tends to enhance the sustainability of performance has been the subject of only a modest number of scholarly studies, but has been at the forefront of corporate agendas for decades. He also mentioned that dramatic shifts in performance and

industry standing occur frequently among firms that develop technology products and services, the “technology innovators”, in part because these firms operate in external business environments that tend to be turbulent. The literature does not offer a formal definition of sustainability of performance, nor a method for determining the level of sustainability.

While a lot of work has been done to gauge the acceptance of technology by various stakeholders across industries, the question of the sustainability of technology concepts and platforms, which is very significant from a business performance point of view, has not been adequately addressed in the academic literature. Davis (1989) postulated a popular framework for technology acceptance called the Technology Acceptance Model. However, there are no specific frameworks addressing the business sustainability of technology concepts or platforms.

Kelly and Rice (2002) concluded that in dynamic, technology-dependent environments, firms can take action to protect their unique technologies from imitation, but they cannot protect these technologies from obsolescence. Their strategic decisions must take into account the complex array of technologies that are needed to maintain competitiveness in technology-based industries and the short window through which a particular technology can maintain its value. New firms may need to take action – early on – to maximise the value of their unique technologies.

The business sustainability of technology concepts, platforms and ecosystems is an intricate affair and there are no straightforward approaches to gauging the sustainability of a technology concept. Hence, this pertinent issue of the sustainability of technology concepts is therefore the key research problem being investigated here.

OBJECTIVES OF THE RESEARCH

The objectives of this research are to identify and enlist various diverse factors that lead to the sustainability of technology concepts. This would potentially pave the way for systemising these factors and later help in developing various combinations of business strategies and practices that will enhance the sustainability of technology concepts and platforms. In future, this research can be extended to develop strategic frameworks or models based on the factors identified by the means of the proposed business case-based approach.

SCOPE OF THE STUDY

Looking at the vast expanse of the technology landscape and the myriad possible combinations of factors leading up to sustainability, this study in its present form would entail an extensive exploratory study through qualitative research to identify the key factors across various industries utilising technology. The research therefore would be focused on identifying and enlisting such factors based on leading academic papers and various industry examples.

SURVEY OF LITERATURE

Business sustainability is closely related to competitive advantage; however, it goes beyond competitive advantage in terms of its impact through its continuous derivation of value for all stakeholders and by providing sustained growth and opportunities for technology businesses. The million-dollar question in today’s business environment is how to sustain a technology that has attained competitive advantage or market leadership over time.

Vonderembse and Ragu-Nathan (2013) described that when barriers to entry are limited, technologies often contribute little to a firm's long-term competitive advantage. Their research argues that a manufacturing firm’s proprietary technologies can overcome this limitation because they are rare, inimitable, valuable and non-substitutable. Technologies, which are dedicated by suppliers to meet a manufacturer’s needs, are also a part of a firm’s strategic assets. Based on 201 responses from senior managers and executives at US manufacturers,

their results show that proprietary technologies positively influence suppliers' dedicated technologies. In addition, these two types of technology influence in different ways a manufacturing firm's flexibility and its competitive advantage. Proprietary technologies indirectly impact flexibility and directly impact competitive advantage, while suppliers' dedicated technologies directly impact flexibility and indirectly impact competitive advantage. The combination of the two technology resources creates the overall success for the manufacturer.

Economides and Katsamakas (2006) elucidated that technology platforms, such as Microsoft Windows, are the hubs of technology industries. They compared industry structures based on a proprietary platform (such as Windows) with those based on an open source platform (such as Linux), and analysed the structure of competition and industry implications in terms of pricing, sales, profitability and social welfare. They found that when the platform is proprietary, the equilibrium prices for the platform, the applications and the platform access fee for applications may be below marginal cost, and they characterised demand conditions that lead to this.

They further explained that the proprietary applications sector of an industry based on an open source platform may be more profitable than the total profits of a proprietary platform industry. When users have a strong preference for application variety, the total profits of the proprietary industry are larger than the total profits of an industry based on an open source platform. The variety of applications is larger when the platform is open source. When a system based on an open source platform with an independent proprietary application competes with a proprietary system, the proprietary system is likely to dominate the open source platform industry both in terms of market share and profitability. This may explain the dominance of Microsoft in the market for PC operating systems.

Adomavicius et al. (2007) proposed a new conceptual model for understanding technology evolution that highlights dynamic and highly interdependent relationships among multiple technologies. They argued that, instead of considering technologies in isolation, technology evolution is best viewed as a dynamic system or ecosystem that includes a variety of interrelated technologies. By considering the interdependent nature of technology evolution, they identified three roles that technologies play within a technology ecosystem: components; products and applications; and support and infrastructure. Technologies within an ecosystem interact through these roles and impact each other's evolution. They also classified types of interactions between technology roles, which they termed "paths of influence". They demonstrated the use of their proposed model through examples of wireless networking (Wi-Fi) technologies and a business mini-case on the digital music industry.

Coeurderoy and Durand (2004) emphasised that turning a proprietary technology into a competitive advantage is a critical challenge for pioneers, and it should be defined thoroughly and related to the chosen strategic orientation. In particular, they have shown that pioneers should move carefully towards cost leadership strategies, even if they see these at first glance as the best way of dominating the business. A second stream of research would determine the consequences of both order of entry and proprietary technologies on a firm's overall performance. Pioneer effect has always been related to market share. However, its long-term effect on performance is still unclear.

Kauffman and Mohtadi (2004) in their study of proprietary platform procurement systems mentioned that proprietary platform procurement systems involve traditional electronic data interchange technologies and that open platform procurement systems are associated with e-market web technologies. Hybrid platforms involve elements of both. They mentioned that results explain the coexistence of both proprietary and open platforms, showing that larger firms tend to adopt costlier procurement technology solutions, such as proprietary electronic data interchange, which provides greater supply certainty. Smaller firms adopt less

costly procurement technologies that entail greater supply uncertainties, such as open platform procurement systems. Two guidelines emerge for practitioners: (1) the adoption of standard e-procurement platforms needs to be understood in terms of the controllable risk trade-offs that are offered to small and large firms; and (2) gauging the business value impacts of exogenous shocks is critical to decision-making.

Chengalur-Smith, Nevo and Demertzoglou (2010) discovered that organisations are increasingly interested in exploring Free/Libre Open Source Software-based technologies as viable alternatives to proprietary or commercial solutions, but research on the business value of such technologies is lacking. However, their findings suggest that in order to realise the benefits from open source infrastructure technologies, organisations should have the human and technological capacities to absorb and utilise them as well as the ability to establish, maintain and leverage ties with the technologies' communities of developers and users.

Gawer and Cusumano (2008) described that an industry platform involves not only one company's technology or service but also an ecosystem of complements to it that are usually produced by a variety of businesses. As a result, becoming a platform leader requires different business and technology strategies than those needed to launch a successful stand-alone product. Companies should decide early on whether they want to pursue a platform or a product strategy. The authors describe two fundamental approaches to building platform leadership, which they call "coring" and "tipping". Coring is using a set of techniques to create a platform by making a technology core to a particular technological system and market. When pursuing a coring strategy, would-be platform leaders should think about issues such as how to make it easy for third parties to provide add-ons to the technology and how to encourage third-party companies to create complementary innovations. Tipping is the set of activities that helps a company tip a market toward its platform rather than some other potential one. Another tipping strategy is for a company to bundle features from an adjacent market into its existing platform; the authors call this "tipping across markets".

Lichtenthaler, Ernst and Conley (2011) identified the difficulty in profiting from proprietary technology. They emphasised that in today's challenging economy, many industrial companies are trying to capture additional value from their technologies by licensing their intellectual property to other organisations, including direct competitors. By licensing their proprietary technology, companies attempt to achieve a sufficient return on R&D, and licensing often goes beyond a marginal activity involving residual technology. To identify organisational success factors for technology licensing, they conducted a benchmarking study in medium-sized and large industrial European companies. After analysing the academic and managerial literature on technology licensing, they carried out exploratory interviews with 35 experts in 25 companies to gain a detailed understanding of organising for technology licensing. The findings from this study underscore that strategic intent alone is insufficient for profiting from licensing.

Rong et al. (2013) studied how the technological ecosystem extension facilitates technology substitution in an emerging industry. The paper focuses on: (1) the technological ecosystem with an expanded scope, including supply, demand and intermediaries; (2) two types of ecosystem extension – the bottom-up and top-down ecosystem extension; and (3) the determinants of sustaining the ecosystem extension. They conducted in-depth interviews in the Chinese low-speed electric vehicle industry, which adopted a bottom-up ecosystem extension compared with the traditional car industry with a top-down ecosystem extension to the emerging electric vehicle industry. The paper also offers managerial implications for the focal firms and policy-makers to capture the emerging opportunities within an ecosystem. This study proposed a new product development model that aims to improve the effectiveness of innovative new product development in the medical devices field. By adopting open innovation theory and applying an in-depth investigation methodology, the paper proposed a knowledge

cluster that improves the integration of interdisciplinary human resources and enhances the acquirement of innovative technologies. A knowledge cluster approach helps gather, organise, synthesise and accumulate knowledge in order to create the impetus for innovation.

RESEARCH METHODOLOGY

Information for research to explore sustainability of technology concepts has been gathered from different sources of secondary data. Various online papers were obtained through popular authentic sources such as ProQuest, EBSCO, Google Scholar etc.

Based on the inputs from secondary data, the research frame work is developed on the sustainability of technology concepts, platforms and ecosystems, as shown in Figure 1.

RESEARCH FRAMEWORK

Based on a wide survey of literature and industry illustrations, the following factors have been identified as potential factors impacting the sustainability of technology concepts, platforms and ecosystems:

1. User preference
2. Non-substitutable nature
3. Rareness
4. Inimitable
5. Valuable
6. Sales
7. Pricing
8. Profitability
9. Communicating with market
10. Strategic signals
11. Flexibility of firms
12. Community
13. Organisation and human capacity
14. Knowledge
15. Innovation
16. Interdependent relationships among multiple technologies
17. Perceived uncertainties
18. Competitiveness
19. Early action
20. Industry standards

These factors can be grouped into two broad categories, namely: Tech Firm Dependent or Internal Factors, and Market Dependent or External Factors, thereby producing the following basic framework:

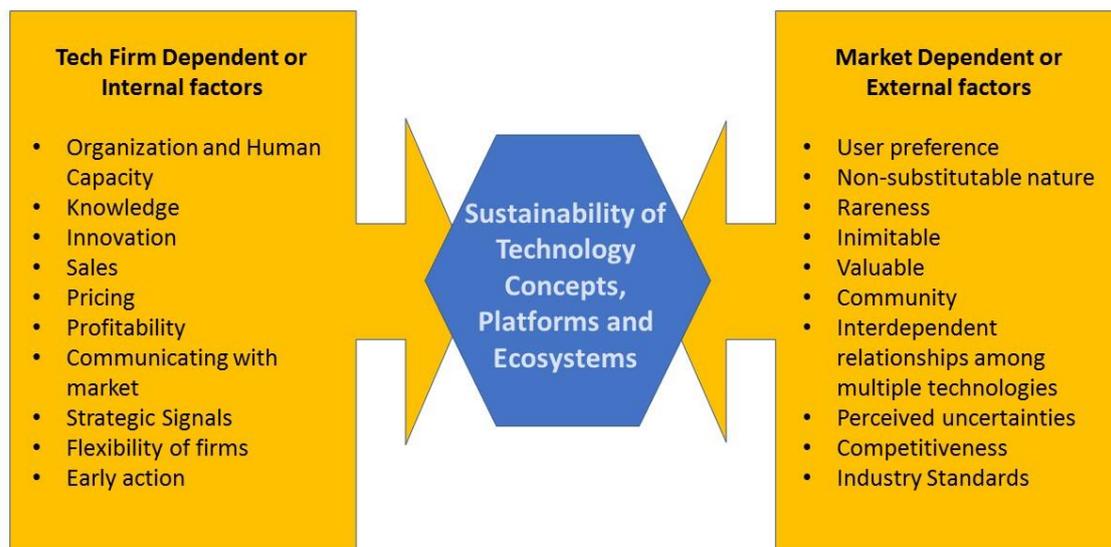


Figure 1. Framework on Sustainability of Technology Concepts, Platforms and Ecosystems

DISCUSSION, ANALYSIS AND FINDINGS

From the perusal of the above framework it is evident that the factors enlisted are very diverse; they range from intricate matters of business strategy to the undercurrents of market behaviour. So while the sustainability of technology concepts is a major area of concern for businesses across all domains, it is difficult to gauge explicitly what set of factors would eventually lead to its sustainability. Clearly there is no single path to success. However, there are a range of different possibilities and if an understanding of potential behaviour of market and technology forces vis-à-vis the listed factors can be elucidated then a capability of optimal decision-making can be developed.

In order to develop a comprehensive case study which can elaborate and substantiate the proposed research framework, it would be useful to observe various companies over a period of time and to review the paths taken by them in terms of the introduction of new technology concepts, their evolution, maturity and obsolescence. It would also be pertinent to see various technology concepts and ecosystems through the same lens.

For example, when IBM introduced its Magnetic Disk in 1956, it was a rare and innovative product offering tremendous value; it later went on to become an “industry standard”. The dominance of this company in the computing space was such that all personal computers were made “IBM compatible”. After a series of progressive changes, today the company operates in cloud computing, IT infrastructure, the Internet of Things, and analytics etc. However, if one looks at what happened in the storage media market, we see a range of different form factors evolving in last few decades such as optical media and semiconductor media etc. From a technology concept standpoint, all these form factors are fundamentally different from each other in terms of the underlying technology. This implies that the same or better service functionality can be offered by various unrelated technology form factors. The same phenomenon can be observed in technology platforms, ecosystems and technology-driven businesses at large.

On the same spectrum are companies such as Cisco, Microsoft, Google, Apple etc. Cisco continues its leadership position in networking hardware and telecommunications equipment and other high-tech services consistently over last few decades, having pioneered the relevant

technology form factors. Microsoft has dominated the PC desktop and office software business for several decades.

Google and Apple have differentiated and maintained leadership positions in what they continue to do. However, if one looks at their competitors, such as Yahoo, RIM Blackberry etc., there are serious lessons to be learnt. Both Apple iPhone and RIM Blackberry are good examples of the evolution of proprietary technology ecosystems. However, the path taken and their fate is radically different due to the different play of the factors listed.

In the consumer markets, a number of companies such as Nokia, Motorola, Sony, Dell, Huawei, Lenovo, Samsung, HP etc. can be reviewed from the perspective of the proposed research framework and the paths taken by each of them will provide valuable insights. However, it is important to note that in today's era most companies offer products and solutions based on a combinations of industry standard and/or proprietary technology.

Though technology sustainability can primarily be considered as a function of the robustness of the technology concept itself, various business cases and industry examples demonstrate that it also depends on the nature of industry and the type of market. For example, the story in the institutional markets is quite different; there we have companies like GE, Siemens, SAP, Oracle, Intel, AMD etc. reaping long-term gains out of their proprietary technology platforms. Siemens, for instance, has developed a range of successful proprietary products in healthcare technology. This reinforces again that there are various possible paths to success in the technology space.

There are furthermore complexities to deal with. Describing the new concepts of “value transposition” and “value extraction”, Mathur (2016) postulated that some non-market (completely unrelated) entities that are not even initially recognised on the business environment landscape and are certainly not “on the radar” using traditional competition strategies can, however, seize the entire value preposition of the pre-existing markets and cause a serious dissolution of existing industry ecosystems or portions through value transposition and value extraction, which can happen with services as well as products. He illustrates this point by recognizing that m-Pesa is not a bank, Zomato is not a restaurant, Uber owns no taxis, AirBnB owns no hotels, Kindle is not a book and Bitcoin is not a monetary authority, but that all these entities have disrupted the pre-existing markets or traditional business environments.

Another extreme example is Walt Disney World, which has created a complete proprietary ecosystem around its business concepts, all powered through its proprietary robotics, instrumentations, intelligence and high-tech applications, leading up to an unparalleled and immersive user experience, a universe of its own. Universal Studios and Legoland are also in the same league.

An altogether new generation of emerging technologies such as the Internet of Things implementations, wearable devices, autopilot cars, hyperloop transport system etc. are already on the horizon and each one of them will soon go through their cycle of maturity and then the quest for sustainability. The research framework and its proposed substantiation through business cases will go a long way towards helping the innovating firms solve this perpetual puzzle of sustainability.

Applicability of the proposed framework

The proposed framework on the Sustainability of Technology Concepts, Platforms and Ecosystems therefore must be applied at a concept or platform level and all the listed factors can be gauged as high, medium or low through empirical observations within a business situation. This will project an integrated view of possible sustainability and highlight the tech concepts and firms that are in an advantageous situation. The framework can also be refined further to suit specific industries or market types.

LIMITATIONS

Survey of literature has shown that the wide and high-level nature of this topic has prevented researchers from coming forward with a conclusive framework to address the puzzle of sustainability. The same applies to this research paper as well. It will also need several refinements adequately supported with business cases to make the proposed framework more practical, realistic and action-oriented. However, here we have taken the first step towards creating a preliminary structure around this ambiguous problem and demonstrated that it has diverse issues, actors and divides.

CONCLUSIONS

Towards the main question of sustainability of technology concepts, this paper concludes with the identification of two broad categories of impacting factors: tech firm-dependent and market-dependent. Both the clusters offer a wide range of identified factors captured in the research framework. Further work on this research will be instrumental to substantiating the factors and putting them in the perspective of diverse business situations depicting the evolution and sustainability of technologies. This paper hence serves as a foundation to develop a management framework or tool for decision-making through further observation-based exploratory research.

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LEADERSHIP OF EXECUTIVES AND MEMBERS OF SMALL AND MICRO COMMUNITY ENTERPRISES FOR SUSTAINABLE ECONOMIC COMMUNITY DEVELOPMENT

PANIDA NINAROON¹ AND KANYANANT ANANMANA

ABSTRACT

The purpose of this research is to investigate: 1) the collective leadership of small and micro community enterprises; and 2) the collective leadership affecting the sustainable economic community development. This is quantitative research. The data was collected from 192 executive and members of small and micro community enterprise at Klonyong Sub-District, Phuthamonthon District, Nakhon Pathom Province, Thailand. The questionnaire was the research instrument. The data will be analysed with a statistical test such as percentages, means, standard deviations and hypotheses testing in multiple regression analysis. The results showed the following: 1) the collective leadership of small and micro community enterprise was high; and 2) the collective leadership has a positive effect on the community economy sustainable development. Finally, this research contributed executive and members of small and micro community enterprise practice based on collective leadership for sustainable economic community development policy.

Key words: leadership of executive, small and micro community enterprises, sustainable economic development

INTRODUCTION

After 2015, the key issue in the global development is the goal of sustainability, which has been stated in the United Nations' framework for 15 consecutive years. The essence of sustainable development is consistent with sustained economic growth, sustainable consumption, production patterns, and promotion of and participation in global development (Office of National Economic and Social Development, 2015). The concept of sustainable development is to create an understanding that recognises the limitations of natural resources. The operation should be developed in parallel with the conservation and restoration of natural resources and the environment. The creation of a balance in the dependence of humans and the environment depends on three dimensions: sustainable economic development, sustainable social development and sustainable environmental development. This concept is consistent with the "Philosophy of Sufficiency Economy" of King Bhumibol Adulyadej Rama IX of Thailand (Ministry of Natural Resources and Environment, 2015).

Community enterprises initially started from the concept of the "Philosophy of Sufficiency Economy", which focuses on the circulation of dependence and knowledge within the group more than the goal of profit-seeking. The community enterprise applies local knowledge and networking to their own resources, which are used as production inputs and results in not only economic profit but also social income (Inwang et al., 2010). According to the Promotion of Community Enterprise Act 2548, the definition of the community enterprise is the business of the community related to the products, services or other actions by the parties who are very close to each other and unite together to undertake operations to generate revenue and to strengthen self-sufficiency in families. Currently, the numbers of community enterprises and community networks who registered with the Department of Agriculture equals 80,076 groups as of May 30, 2015 (Community Enterprise Promotion Division, 2015).

¹ Suan Sunandha Rajabhat University, Innovation and Management College, Thailand. E-mail: panida.ni@ssru.ac.th

The community enterprise, the so-called “community organisation”, arises from the integration of member-owned capital in the same community, thus it could be said that the management of a community enterprise is the same as the management of an organisation which requires a “leader” in carrying out the mission as a conductor under a common purpose. In addition, the research study found that an important element in the movement towards the sustainability of the organisation is leadership (Acar, 2012). Within 10 to 15 years the paradigm of leadership has shifted from a hierarchical to a horizontal one focused on the process-orientation of the group. There have recently been a wide range of studies on leadership (Friedrich, 2016).

Klongyong Sub-District includes an ancient canal used as a route between Bangkok and Nonthaburi which is located in the lowland of the Chao-Phraya River and contacts both sides with the Nakhon Chai Si District and Suphanburi Province near the Tha-Chin River. Klongyong Sub-District is flat and many main waterways flow through it. The ground is fertile so people have settled along the main canal on both sides. In the past, the boat was the main form of transportation. Merchants and residents shipped and transported goods using several tied boats, therefore this district then was called Klongyong Sub-District. Most of the local residents are farmers, followed by lancers and government officials. One of the third missions of Klongyong Sub-District district’s policy is to support any occupations, to enhance their professional knowledge, to promote groups of farmers (Klongyong Sub-District municipality, 2016). Thus, it showed that public authorities has focused on the development of community enterprise that can be strengthened as a powerful foundation for economic development.

As stated, the community enterprise formed by the integration of the community involves an election of community leaders to be a representative for various local operations. In this study, the researchers believe that collective leadership would contribute to the development of community enterprise sustainability in three ways. The move towards the sustainable development of the community enterprise also relies on a leadership development model that is consistent with the context of the community; it would contribute to the development of sustainable enterprises in that community. The researchers noted that the community enterprise is a group of community members who work towards the same goal. Therefore, the move towards sustainable development should apply collective leadership, in which the leader and the followers take turns as the situation arise and it is not the only leader who is capable of working as a team (Phucharoen, 2016). The researchers then realised the importance of this issue so decided to study the topic of leadership of the executive and members of small and micro community enterprises for sustainable economic community development.

OBJECTIVES

The aim of this paper is:

1. to study the collective leadership of small and micro community enterprises, and
2. to study the collective leadership affecting sustainable economic community development.

LITERATURE REVIEW

The evolution of leadership originated with the “great man theory” of leadership, and stem from the trait theory that resulted in the creation of principle of management and organisation. This was followed by the era of rational management, which comprised the behavioural theory and situational leadership resulting in the creation of a vertical management and a governor. Later, in the third period, leadership was focused on teamwork and delivering the decentralisation of responsibility by focusing on quality; this resulted in the creation of a horizontal organisation, cross-functional teams, and organisational downsizing. Currently, the fourth generation focuses on team leadership, where people share their visions and have a relationship without interception of the ability of people (Chotiwan, 2013).

As stated, the researchers concluded that the pattern of collective leadership is a collective focus in which the leader is exchanged or is alternatively led by the situation; the goal is the public interest and driving the group towards common goals.

Sustainable development is the development of human resources, taking into account the limits of the world's natural resources, and to continue to develop in parallel with the conservation and restoration of natural resources and the environment for the development of the needs of people in modern times.

The main principle of sustainable development is to strike a balance between the three dimensions of the development, including:

- Dimensions of sustainable economic development; economic growth with quality, with revenue distribution that benefits the majority of people in society, especially for people on low incomes.
- Dimensions of sustainable social development; develop the knowledge, capacity and higher productivity of humans and foster social quality as well as the learning society.
- Dimensions of sustainable environment development; the use of natural resources in the ecosystem at a certain level to take the environment back to its original state and to keep emissions at a certain level that the ecosystem can absorb pollutants and break them down.

Sustainable development has to give people a better quality of life. This implies a society that shows socially equitable economic development, solid state systems that do not need to rely on external assistance, and the appreciation of natural resources. In particular, it involves the use of natural resources as a base for production to contribute to economic growth (UNU-IHDP and UNEP, 2012).

The integration of the so-called “economic community” arising from economic development based on the “Philosophy of Sufficiency Economy” from the foundation of the local economy which is considered a support of occupation promotion of the local people in the community under the concept of operations under the community enterprise. The community enterprise strategy was set during 2012–2016 under a vision of a strong community and solid economic base that aimed to enhance the learning process, people's participation, the development of management mechanism, and community participation and community learning.

The community enterprise is currently managed under the framework of community management to identify guidelines of strengthen the community. However, the problem is that the local community could not implement management development and self-reliance as well as it could because there are still problems in many areas, including group management and its members, marketing management, production and production support management, accounting, and business development towards community sustainability. The concept of sustainable development is meant to help community enterprise with the support of resources and local knowledge combined with modern knowledge to improve product quality and service standards, and access to capital and markets, as well as to leverage entrepreneurial potential towards medium-sized enterprises. The income trend for community enterprises in 2002–2012 indicated a change in the downturn in 2008 and a recovery in 2012 (Department of Community Development, 2014)

The Act of Community Enterprise Promotion Act was established because many community enterprises are gathered and engaged at the grassroots of Thai society. It is a type of business that is no larger than a small and medium enterprises or a cooperative but a business that can help the country's economy to a certain extent. The business is also experiencing the problem of bad recognised by the government or other private organisations because there is no legal support. Moreover, the government support does not match the actual demand since the data and target demand is unclear. Therefore, the government is determined to support the legislative assembly so that the community enterprise can set itself up to promote and support

sufficiency economy development, which is the basis of economic self-sufficiency. However, existing the group of the community enterprise that is not ready to enter the competition so such help should deliver to them to gain knowledge and wisdom, monetisation, dependence, capacity to manage and develop the community enterprises to a strong economy which result in a potential entrepreneur of better business units (Office of the Secretary of the Board of Community Enterprise, 2016).

From the researchers' point of view, the community enterprise was born from the need to create economic prosperity for the people at the grassroots of Thai society. From the literature review it was found that the problem of creating a successful community enterprise relied on one important factor: management within the community. The leader is still the main factor in driving the development of the community enterprise to succeed. In addition, the appearance of the community enterprise is composed of the integration of members with different human capital; therefore, the collective leadership would be the key to managing a community enterprise and moving it towards sustainable economic development.

HYPOTHESIS: Collective leadership will be positively related to the sustainable community economic development.

RESEARCH METHODOLOGY

Open-ended questionnaires were used as the research tool. They were divided into three sections: 1) general information relating to the executive and members in small and micro community enterprises; 2) questions regarding the collective leadership of executive and members in small and micro community enterprises; and 3) questions regarding sustainable community economic development. There was a total of 25 questions. The first section consisted of a checklist with one tick, the second and third sections were questions using a five-point Likert scale; 1 represented "strongly disagree" and 5 represented "strongly agree".

Content Validity along with Index of Item-Objective Congruence (IOC) was used to test the tool. The results showed that the IOC of the questionnaire was between 0.50 and 1.00, meaning that the questions were consistent with the research objectives. The reliability of the research tool was tested with Cronbach's Alpha Coefficient. The results showed that the reliability of each aspect of the questions was between 0.89 and 0.93, more than 0.70, meaning that the tool was highly reliable.

For the data collection, the population was 192, representing the executives and members in small and micro community enterprise. However, the number of questionnaires eligible for the evaluation was 180. Descriptive statistics along with percentage, means and standard deviations were used to analyse the data, and the hypothesis was tested by analysing the influence of variables by multiple regressions and stepwise techniques.

FINDINGS

This section will present the results of the relationship between the collective leadership and sustainable economic development and examine their effect on the executive and members of small and micro community enterprise using regression.

Table 1: Analysis of the result of collective leadership and the sustainable economic development

Question item	Mean	S.D.	Result
The collective leadership (X)			
Collaboration of member orientation (X1)	3.89	0.86	High
1. I consider the common interest more than my personal interest.	3.59	0.88	High
2. I listen to the opinions of others.	4.13	0.87	High

Question item	Mean	S.D.	Result
3. I aware of the democracy system in management.	3.77	0.81	High
4. I would develop a change in the group.	3.91	0.73	High
5. I am conscientious in my job.	4.05	0.77	High
Delegation to member (X2)	3.84	0.78	High
6. I give someone the freedom and authority to handle certain things on their own.	3.58	0.71	High
7. Members can select the job themselves.	4.03	0.87	High
8. I created challenging to member by authorised.	3.86	0.63	High
9. I supported learning new things.	3.67	0.73	High
10. I evaluated performance.	4.06	0.82	High
Diversity integration (X3)	3.81	0.85	High
11. I prefer to different between member.	3.75	0.91	High
12. I shared the work by ability.	3.61	0.78	High
13. I integrate diversity into guidelines of practice.	3.94	0.74	High
14. I have the approach to understand the members.	3.91	1.01	High
15. I have the principle of cooperation between members.	3.84	0.75	High
Teamwork enhancement (X4)	3.86	0.85	High
16. I consider the guidelines for shared work.	4.17	0.75	High
17. Before the job, the member can share their opinion.	3.76	0.82	High
18. I encourage cooperation in reaching a goal.	3.79	0.93	High
19. I clearly explain the objective of the job.	3.81	0.83	High
20. I would like to share the guidelines on work which is related to the goal's group.	3.77	0.83	High
Summary of collective leadership (X)	3.62	0.72	High
Sustainable economic community development)Y(
21. My group's resource is sufficient for self-sufficiency.	3.85	0.98	High
22. My group has the potential for the basis of community development	3.87	0.98	High
23. My group pursues continual improvement.	3.66	0.65	High
24. My group tends towards continual improvement tendency.	3.58	0.65	High
25. My group is the centre of resource development.	3.95	0.89	High
Summary of the sustainable economic community development)Y(3.78	0.85	High
Total	3.84	0.84	High

According to Table 1, the analysis result of the collective leadership (X), it was found that the overall opinions were at a high level ($\bar{x} = 3.84$, S.D. = 0.84). Considering each aspect, it showed that collaboration of member orientation had the highest average ($\bar{x} = 3.89$, S.D. = 0.86), followed by teamwork enhancement ($\bar{x} = 3.86$, S.D. = 0.85), and delegation to member ($\bar{x} = 3.81$, S.D. = 0.85), respectively.

The analysis result of the economy sustainable development (Y) showed that the overall opinions were at a high level ($\bar{x} = 3.78$, S.D. = 0.75).

Table 2: Regression Analysis of collective leadership and how it affects the sustainable economic development

X	B	S.E.	β	t	sig
Constant	1.236	0.221		4.167	0.000
X1	0.432	0.72	0.279	3.217	0.000
X2	-0.189	0.67	-0.281	-4.897	0.001
X3	0.324	0.68	0.266	3.984	0.000
X4	0.198	0.78	0.256	4.632	0.000
0.05 Significance R= 0.823 R square= 0.534 Adjust R square= 0.7276 Std. Error of the Estimate= 0.47832					
Multiple Regression $\hat{Y} = 1.236 + 0.432X1 - 0.189X2 + 0.324X3 + 0.198X4$					

According to Table 2, the collective leadership affecting sustainable economic development could be predicted at 72.76 percent (Adjusted R2 = 0.7276) with a 0.05 significance statistic: collaboration of member orientation ($\beta = 0.279$, $p < 0.05$), diversity integration ($\beta = 0.266$, $p < 0.05$), teamwork enhancement ($\beta = 0.256$, $p < 0.05$), delegation to member ($\beta = 0.281$, $p < 0.05$), respectively.

DISCUSSION

According to the results, the collective leadership is positively related to the sustainable economic community development; it is agreed in the study that leadership can affect organisation effectiveness (Trewatha and Newport, 1982, p. 383). This finding corresponded to the study of Sittichai Thansriskul (2010), who studied factors affecting sustainable community development in a case study of local administration organisation in Mahasarakham province and found that the three key factors affecting sustainable community development were community business management, social management, and environmental management. It noted that community business management was consistent with sustainable economic community development. In addition to the study of Yani Payapsai et al. (2015) involving an analysis of community enterprise empowerment based on sustainable development approach which showed that community enterprise empowerment based on the sustainable development of simple found that human capital is at a relatively low level. Thus, members should be supported in terms of training of skilled labour from the government and educational institutions in order to develop knowledge about planning, production and the launch of new products; the group members should also be encouraged to share knowledge to develop quality standards in manufacturing.

In addition to the study of Chantawongsri (2003) about factors affecting the success of small and micro community enterprise in Kuntarawichai district, Mahasarakham said that the factors to consider and prioritise was the management. The management is not the duty or responsibility of any one person but every member since members are allowed to choose their leader. However, members who do not participate in the chain of command can also take part

in raising an opinion or participating in the decisions and activities of the community enterprise. The successful enterprises often divide authority and responsibility clearly.

Furthermore, in terms of the factors involved in the community in regard to the involvement of members within the group or community, it is essential to consider the participation in terms of policy and goal-setting, the allocation of qualified authorities who grant decisions and ideas in order to benefit the operation as well as the participation in solving problems that arise. These are all criteria that could reflect the ability to successfully implement the guidelines of the community enterprise because the essence of the community enterprise is that local people take part in the activities, raise opinions and make decisions. Furthermore, leadership is considered another crucial factor; the factors associated with leadership is important to make the enterprise a success or failure. The leaders play a critical role in the initiation and implementation of the proposed alternatives. There is also an important part of being a leader in the planning as well as setting orderly policies.

In addition, factors associated with membership are also a key factor since all members have an important role to play in the community activities by obtaining cooperation from the local people, and those who have the patience and are able to create something meaningful. Nevertheless, all members should recognise and give priority to the operations or activities of their group. The members must keep track of the progress of the organisation and cooperation activities such as attendance, educational field trips, sharing ideas and opinions that benefit the organisation or community where they live. Finally, factors related to the information are important and necessary for community enterprise development. The group must have contact with members thoroughly and regularly. There is an exchange of information between the leaders, members and other groups, or any individual or organisation outside the community to seek and exchange new knowledge that could be applied within the group.

The findings were also consistent with the study of Srisorn (2010) into the civil society's role on the development of small and micro community enterprises; this noted that factors that affected the existence of the strong organisation was to have a good leader and the participation of the community. Moreover, it was agreed in the study of Sriviboon (2016) about the antecedent factors affecting the performance of a real estate entrepreneur, medium hotel in the area special economic zone (terrace economy) who found that situations would lead directly to the ability in competition, innovation and competitiveness as well as the result of performance.

CONCLUSIONS

The researchers believed that the present study makes several important contributions to leadership research. First, the benefit for practice is that the result in this study can set policy on the practice of small and micro community enterprise. Second, the theoretical finding is that the integration of theory from framework so the new knowledge is the relationship between the collective leadership and the sustainable economic community development. Finally, in terms of the trend towards increased research into collectivism behaviour, the leader that uses certain forms of the collective leadership behaviour may be best suited to a rapidly changing environment.

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GOOD GOVERNANCE FOR FOREIGN DIRECT INVESTMENT

MALRAJ B. KIRIELLA¹

ABSTRACT

This is a study of the impact of good governance on foreign direct investment (FDI) inflows. The effect of six Worldwide Governance Indicators on FDI inflows are analysed for eleven selected countries in South Asia and South-East Asia, namely, Bangladesh, Cambodia, India, Indonesia, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam over the period of 20 years from 1996 to 2015. Gross domestic product (GDP) growth is used as a controlled variable. In order to measure the impact of governance indicators on FDI, the study used two tests. The Spearman Correlation Coefficient Analysis was used for country-wise analysis, while Panel Data Analysis was used to measure the overall results. Hausman Test results favoured the Fixed Effect Model for the study. The results indicate that three variables – political stability, the absence of violence and regulatory quality – have a significant impact on FDI inflows in these countries.

Keywords: governance, foreign direct investment, South Asian countries, fixed effect models and panel data

INTRODUCTION

Governance is the traditions and institutions by which the authority in a country is exercised (Kaufman, Kraay and Zoido-Lobaton, 1999). Good governance is concerned with an independent judiciary, impartiality, equality, accountability and responsibility with the effective continuation of public trust (Li, 2005). Good governance is the manner in which the main actors of the society, governments, businesses and civil society work together to make society better (UNCTAD, 2004).

One of the important determinants for FDI is good governance (Loree and Guisinger, 1995; Noorbaksh, Paloni and Yousef, 2001; Addison and Hesh, 2003; and Becchhetti and Hasan, 2004). On the other hand, traditional determinants such as natural resources, low labour costs and good infrastructure become less important (Dunning, 2002). FDI is encouraged by good governance according to Gliberman and Shapiro (2003), Biglaiser and DeRouen (2006), Gani (2007), and Staats and Biglaiser (2012).

Although most empirical investigations show the link between good governance and FDI, some investigations in the selected transition countries reflect the negative results. For example, empirical studies suggest that corruption attracts multinational companies in the selected transition countries (Subasat, 2012). It is convincingly shown that the countries with good governance tend to receive more FDI, whereas the countries with political instability, corruption, bribery, political risks and institutional corporate malpractice experience negative results, and finally end up with socio-economic chaos.

The worldwide indicators of the good governance – voice and accountability, political stability and non-violence, effective and transparent machinery of the government, regulatory quality, rule of law and judiciary and eradication of corruption and bribery – are used in this study to measure good governance. This research investigates the impact of these indicators on the foreign investment flows of selected South Asian and South-East Asian Countries. The selected countries are Bangladesh, Cambodia, India, Indonesia, Malaysia, Thailand, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam over a period of 20 years (1996–2015). Two tests are used in the study to measure the impact of governance variables on FDI

¹ B.A (Econ.) Hons., LL. B, M.A (Econ.), FCMI (UK), FCIM (UK), Chartered Marketer, Attorney at Law and PhD Candidate, University of Colombo, Sri Lanka.

flows. One is country-wise analysis by using Spearman Correlation, and the other is Panel Data Analysis to measure the overall results. The Fixed Effect Model was favoured by Panel Data Analysis by using the Hausman Test.

THEORY AND LITERATURE REVIEW

The empirical studies of various experts identified a number of determinants showing the positive and negative influence on FDI. The empirical study conducted by Singh and Jun (1995), which focused on the influence of political risk and macroeconomic variables on FDI inflows in developing countries, confirms the significance of these factors in explaining the determinants of FDI. In their study, Singh and Jun (1995) used FDI as a percentage of GDP as the dependent variable, and political risk and macroeconomic variables (manufacturing exports and the fiscal system) as explanatory variables. Also, they used control variables. Both authors conducted an econometric study with a panel data set of 31 developing countries in the period 1970–1993. Wang and Swain showed that political instability negatively affects the FDI of multinational corporations and their subsidiaries. Indeed, political instability, corruption and a lack of transparency contribute to unfavourable business climate and thus reduce the possibilities of the entry of FDI. Similarly, other works have shown that political and institutional factors are determinants necessary for the entry of FDI in developing countries (Stein and Daude, 2001) and in Latin America (Stevens, 2001).

Morisset (2000) in his study showed that corruption and bad governance increase administrative costs and therefore reduce FDI inflows. Globerman and Shapiro (2002) stated that a large market would seek more FDIs for a number of reasons, such as robust client base, possible economic clusters, or because of the expected economies of scale in bigger markets. Also, Globerman and Shapiro (2002) studied the relationship between governance and FDI in the USA. In general, governance infrastructure represents attributes of legislation, regulation and legal systems that affect the security of property rights, the transparency of government and legal processes. Their results indicate that the governance infrastructure, including the nature of the legal system, is an important determinant to receive FDI. Globerman and Shapiro in 2003 argue that good institutions establish a conducive climate for multinational companies abroad.

Singh and Jun (1995) studied macroeconomic variables such as GDP, manufacturing, exports and fiscal systems besides their economic study with panel data in 31 developing countries in the period 1970–1993. They say that the foreign developed countries barely invest in the countries with negative factors such as political instability, corruption and political risk. However, good governance infrastructure, including good legal systems and regulation, create good confidence among the foreign donor nations and financing institutions which are instrumental for the inflow of foreign fund to developing countries. Wang and Swain too showed that the political instability and lack of transparency contribute to negative results and affect multinational corporations.

Asiedu (2006) argued that investment restriction, macro-economic instability, corruption and political instability have a negative impact on FDI in Africa. He used panel data for 22 countries during the period 1984–2000 to analyse the influence of market, natural resources, government policies, political instability and the quality of the institutions in the host countries of FDI. He also stated that major markets, natural resources, an educated population, good infrastructure, less corruption and a reliable legal system have a positive impact on the inflow of FDI to the country.

Bénassy-Qu'éré, Coupet and Mayer (2007) investigated institutional determinants from 1985 to 2000 and concluded that low corruption, efficient bureaucracy, vibrant courts, access to information, and a developed banking sector are crucial factors for FDI inflows. Bissoon (2011) analysed the impact of institutional quality on FDIs from African, Asian and Latin

American countries. The results show that the strong regulatory laws, low corruption in the institutions, and political stability enhance inward FDI in these countries. Daude and Stein (2007), using 34 source countries and 152 host economies, found that regulatory quality and government effectiveness have a vital effect on FDI inflows. Other variables such as corruption, rule of law, political stability and voice and accountability had no significant impact on FDI.

Mishra and Daly (2007) focused on the effect of institutional quality of OECD and Asian host countries on FDI during the period 1991–2001 using the International Guide to Country Risk. They argue that respect for human rights, the strength and justice of the legal system and government stability in host countries have a direct, positive impact on FDI inflows. Similarly, Shah (2011) showed that corruption, ineffective government and poor rule of law have a negative influence, whereas political stability and regulatory quality have a positive impact on FDI inflows. Samimi and Ariani (2010) used annual data from 16 countries in the Middle East and North Africa during 2002–2007 and found three governance indicators: – political stability, control of corruption and rule of law – that have positive impact on FDI in those regions.

Mengistu and Adhikary (2011) analysed the impact of six indicators of good governance on FDI inflows in 15 Asian countries for the period 1996–2007. They used a panel data model with fixed effects and found that out of these indicators government effectiveness, political stability and the absence of violence, the rule of law and control of corruption are the main factors for FDI location. They conclude that improving the governance environment attracts more FDI.

Hassen and Anis (2012) studied the impact of FDI on the economic growth of Tunisia over the period from 1975 to 2009. They found that there is a relationship of co-integration in the long term between the coefficients of financial development, FDI, human capital, trade openness and the real GDP of the Tunisian economy.

According to Brada, Drabek and Perez (2012), excessive corruption could ruin the volume of incoming FDI. Voyer and Beamish (2004), studying how the level of corruption affects Japanese FDI in 59 developed and developing countries, found that corruption and FDI were negatively related.

Balasubramaniyam (2002) studied the influence of good governance on FDI inflows in South Asian Association for Regional Cooperation countries and considered infrastructure as another key to FDI. Poor governance is associated with excessive regulation, the arbitrary interpretation of rules, red tape, unskilled workers, low levels of bureaucratic quality and a lack of transparency. Jensen (2003) stated that democratic accountability is important for two reasons. First, it reduces the likelihood of undesirable policies such as nationalisation and expropriation. Second, in democratic countries, the leaders are accountable not only to their voters but also to businesses. If not, it may lead to business retaliation through a refusal to invest.

According to the suggestion made in the OECD report (2002), when good governance conditions prevail, they attract FDI. Poor governance leads to exploitation and malpractice, even by multinational companies and, as a result, an inconsistency impact is made on FDI, but the good governance of democratic institutions has an enhancing impact.

Campos and Kinoshita (2008) tested the impact of structural reforms and institutional quality on FDI and found that bureaucratic quality has a positive and significant coefficient when Latin American and transition countries are included for the study. However, when they are not included, it becomes insignificant. Furthermore, political stability and regulatory quality have a significant impact on FDI inflows (Yosra, Ochi and Ghadri, 2011).

According to Staats and Biglaiser (2012), judicial strength and rule of law are important determinants. Daddi (2013) explored the case of Ethiopia to find governance and FDI and found that three parameters – efficiency, accountability and the decency of public officers –

have a significant impact on FDIs. Shah and Faiz (2015) found that the countries affected by terrorism deter FDIs.

METHODOLOGY

A sample of 11 countries from South Asia and South-East Asia has been taken using the Baptist (2005) model to show the effect of the indicators of the governance on inducing FDI which resulted in either a positive or negative impact.

The complete model is the following:

$$\text{FDI net inflows} = \beta_0 + \beta_1 \text{PSAV}_{it} + \beta_2 \text{RQAL}_{it} + \beta_3 \text{ROL}_{it} + \beta_4 \text{VA}_{it} + \beta_5 \text{COC}_{it} + \beta_6 \text{GE}_{it} + \beta_7 \text{GDPG}_{it} + \epsilon_{it}$$

The complete model uses the country subscript alphabetically using the English letters as the following:

i	stands for the country subscript,
t	represents time subscript,
β_0	remains constant,
β_i	as coefficients with different variable,
FDI	Foreign Direct Investment (net inflows) BoP current USA,
PSAV	stands for political stability and the absence of violence,
RQAL	quality of regulations,
ROL	is for rule of law,
VA	represents voice and accountability,
COC	stands for control of corruption and red tape administrative procedures,
GE	shows the effectiveness of the government,
GDPG	growth rate of gross domestic product.

Further, to facilitate the research, a number of hypothetical assumptions are made, as follows:

The first hypothesis makes the assumption that political stability and the absence of violence (PSAV) positively induces FDI.

The second hypothesis makes the assumption that the quality of regulation (RQAL) has a positive impact on FDI.

The third hypothesis relates its assumption to the control of corruption (COC) as positive and its significant role on FDI inflows.

The fourth assumption is based on the hypothesis that voice and accountability (VA) is positively related to FDI inflows.

The fifth hypothesis makes the assumption that the rule of law (ROL) has a positive impact on FDI.

The sixth hypothesis makes the assumption that government effectiveness has a positive impact on FDI.

The seventh hypothesis makes the assumption that the economics of GDP as the macroeconomic factors on the influence for FDI.

THE DATA AND VARIABLES

a) Data

This data for this study was taken from the World Bank website, the World Development Indicators (Worldwide Governance Indicators (1996–2015)). Empirical investigation focuses on the study of the impact of the six governance indicators on inflows of FDI. The sample is an unbalanced panel data over a 20-year period between 1996 and 2015 consisting of 187 observations.

b) Variables description

There are two types of variables: dependent and independent.

The variables that are used empirically are as follows:

The dependent variable of the model is FDI inflows (current US BDP).

The independent variables are the six governance indicators, namely:

- (1) The fight against corruption and bureaucratic red tape (COC),
- (2) The rule of law (ROL),
- (3) Political stability and the absence of violence (PSAV),
- (4) Voice and accountability (VA),
- (5) Regulatory quality (RQUAL)
- (6) Government effectiveness (GE), and
- (7) The control variable is GDP growth (GDPG).

EMPIRICAL RESULTS

Eleven countries were taken for the study to present statistically the empirical results that effect governance indicators.

a) The Global Model

i. Descriptive statistics

Table 1. Descriptive Statistics for the Study Variables

	Observations	Mean	Maximum	Minimum	Ecart-type	CV
COC	187	-0.31048	2.42	-1.49	0.900046	-2.898
FDI	187	8.20E+09	6.85E+10	-4.55E+09	1.32E+10	1.609
GE	187	0.050267	2.43	-1.07	0.845321	16.816
GDPG	187	5.484542	15.24038	-13.1267	3.073919	0.560
PSAV	187	-0.69802	1.34	-2.81	0.961582	-1.377
ROL	187	-0.17856	1.89	-1.25	0.752294	-4.213
RQ	187	-0.05273	2.26	-1.1	0.767833	-14.561
VA	187	-0.41326	0.51	-1.56	0.529009	-1.280

To estimate the model, the study used the econometric technique for estimating panel data using statistical software for data analysis (E Views 9). In this context, Table 1 reports the descriptive statistics that characterise the series of FDI net inflows retained on the sample period from 1996 to 2015.

Table 1 shows the descriptive statistics of all variables used in the empirical analysis for 11 countries in the sample. The study reveals that the FDI variable is between -4,550 billion and 68,500 billion USD with an average of 8,200 billion USD and a coefficient with a variation of 1.609. In fact, FDI variable shows a higher volatility, more than 50%. The variable COC has an average of -0.31048 with a range between -1.49 to 2.42. GE variable has an average of 0.050 with a highest volatility recorded a coefficient variation of 16.816 in the sample. The growth variable shows an average of 5.48% while recording the lowest volatility of 56% in the sample. Further variables of PSAV, ROL, RQ and VA have averages of -0.69802, -0.1785, -0.0527, and -0.413, respectively, with a standard deviation of 0.96, 0.75, 0.76 and 0.522, respectively.

Table 2. The Impact of PSAV, RQUAL and COC ON FDI

Variables	PSAV	RQUAL	COC
PSAV	2.5** (0.0827)	2.42** (0.0906)	2.85** (0.0551)
RQUAL		8.29** (0.0668)	9.51* (0.0417)
COC			-4.81 (0.2888)
RL			
GDPG	0.310 (0.2155)	0.315 (0.206)	0.363 (0.1553)
GE			
VA			
R2	0.64088	0.6495	0.6531
F	25.877 (0.000)	24.664 (0.000)	23.130 (0.000)
HAUSMAN TEST	0.418 (0.8111)	1.1665 (0.7610)	0.912 (0.9228)

In Table 2, the first line shows the coefficients and the second line shows Probability Value. First the study introduces the variable PSAV to examine its impact on the attractiveness of FDI. The examination of the Fisher statistic reveals the global significance of the model. Indeed, the results have obtained a value statistically significant at the 1% level to confirm the overall significance of the model ($F=25.877$, $P=0.000$) and conclude that this model is homogeneous.

Next, the study uses the variable RQUAL to measure its impact on FDI inflows. This model is globally significant ($F=24.664$, $P=0.000$) and homogeneous. It then includes the variable of control of corruption (COC) in the model in order to clarify its influence on FDI. The results in Table 2 explain that the model, including PSAV, RQUAL and COC, is globally significant ($F=23.130$, $P=0.000$).

The coefficient of determination (R2) gives an idea of the percentage of variability. When the study uses the variables of PSAV, it shows the percentage of variability at 64%. However, 65% of the variability of FDI is explained by the variables of PSAV, RQUAL, and COC.

Control Variable GDP growth rate is not statistically significant at 5% significant level. However, the variable PSAV has a positive impact at 10% significant level. This result confirms the hypothesis of regulatory quality (RQUAL) and political stability and the absence of violence (PSAV) positively affect FDI inflows. Finally, control of corruption is negative and statistically insignificant. The results of the study confirm that political stability and regulatory quality are important factors in the choice of multi-national enterprises to invest in South Asian or South-East Asian Countries while other factors are held constant.

Table 3. The Impact of RL, VA and GE on FDI

Variables	RL	GE	VA
PSAV	6.95 (0.4808)	0.736 (0.6153)	0.646 (0.6967)
RQUAL	6.27 (0.1864)	5.49 (0.2442)	5.34 (0.2588)
COC	-7.28 (0.1114)	-7.62* (0.092)	-7.95* (0.089)
RL	12.1* (0.0097)	12.3** (0.0090)	12.0** (0.013)
GDPG	0.413* (0.10)	0.398 (0.1026)	0.39* (0.10)
GE		3.9 (0.321)	4.14 (0.2968)
VA			0.856 (0.7957)
R2	0.6683	0.6577	0.6569
F	22.97077 (0.000)	20.42151 (0.000)	19.0330 (0.000)
HAUSMAN TEST	1.269 (0.9380)	10.6531 (0.0997)	12.51 (0.0848)

* and ** indicate 5% and 10% significance levels, respectively.

In Table 3, the first line shows the coefficients and the second line shows the Probability Value. The study includes rule of law (RL) with the variables of PSAV, RQUAL and COC to clarify its impact on FDI. This model is globally significant ($F = 22.97$, $P=0.000$). The study then introduces GE to the model and Fisher Statistics can give the global significance of this model at 1% significant level. Finally, the study includes VA to study the influence on FDI inflows with the variables of PSAV, RQUAL, COC, RL and GE. This model is globally significant at 1% ($F=19.03$, $P=0.000$). The coefficient of determination (R2) indicates 0.65, which indicates that 66% of the variability of FDI is explained by the variables of PSAV, RQUAL, COC, RL, GDPG, GE and VA.

Table 4 Correlation Matrix of Country-wise Variables

	Bangladesh	Cambodia	India	Indonesia	Malaysia	Pakistan	Philippines	Singapore	Sri Lanka	Thailand	Vietnam
VA	-0.029	-0.676**	.616**	0.823**	0.135	0.066	-0.052	-0.262	-.750**	-0.441	0.17
	0.911	0.003	0.008	0	0.605	0.8	0.844	0.309	0.001	0.076	0.513
PSNV	-0.458	0.865**	-0.083	0.910**	-0.039	-.502*	0.459	.545*	.580*	-0.676**	-0.463
	0.064	0	0.75	0	0.881	0.04	0.064	0.024	0.015	0.003	0.061
GE	-.500*	0.318	0.399	0.757**	0.155	-0.162	0.750**	0.344	.575*	0.012	.706**
	0.041	0.214	0.113	0	0.553	0.534	0.001	0.176	0.016	0.963	0.002
RQ	0.284	-0.183	-0.161	0.393	.536*	.492*	0.212	-0.001	-.543*	-0.08	0.194
	0.27	0.482	0.537	0.119	0.027	0.045	0.413	0.996	0.024	0.761	0.456
ROL	.741**	0.601*	-.687**	0.717**	0.232	-0.318	0.455	0.828**	-.722**	-0.419	0.149
	0.001	0.011	0.002	0.001	0.371	0.214	0.067	0	0.001	0.094	0.569
COC	0.226	-0.218	-0.31	0.726**	-0.112	0.142	0.286	-0.652**	-0.206	-0.385	0.16
	0.384	0.401	0.225	0.001	0.669	0.586	0.266	0.005	0.427	0.127	0.541
Growth	.605*	-0.071	0.103	0.639**	0.081	0.047	0.11	0.108	0.365	0.135	-.502*
	0.01	0.786	0.694	0.002	0.758	0.859	0.673	0.68	0.149	0.606	0.04

Table 4 shows the results of country-wise analysis.

The P value indicate that Rule of Law (ROL) has a strong positive correlation with FDI inflows in the cases of Bangladesh, Cambodia, Indonesia and Singapore ($P < 0.05$).

Voice of Accountability (VA) is strongly correlated with the FDI of India and Indonesia at 5% significant level.

Political stability and the absence of violence (PSNV) too has a strong positive association with FDI inflows in Cambodia, Indonesia, Singapore and Sri Lanka.

Further, the variable of Control of Corruption (COC) has been a major factor for FDI inflows in Indonesia, but has limited association among most of the countries.

Government Effectiveness (GE) is strongly associated with FDI inflows to Indonesia, Philippines, Sri Lanka and Vietnam.

Regulatory Quality (RQ) has a positive correlation on FDI inflows to Malaysia and Pakistan.

GDP growth (GROWTH) has a strong association with FDI inflows to Bangladesh and Indonesia.

CONCLUSIONS

The main objective of this research is to examine the influence of governance indicators on the attractiveness of FDI in 11 selected countries in South Asia and South-East Asia over the period 1996–2015 using a fixed effect model, for a majority of models each with an explanatory variable in the equation.

The study found that two governance indicators that have a significant and positive impact on the attractiveness of FDI and indicators of governance are political stability and the absence of violence; regulatory quality also have a significant impact on FDI inflows.

This finding indicates that foreign investors are interested in political stability and the absence of violence, and regulatory quality in their choice of investment abroad.

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PERFORMANCE COMPETENCY DEVELOPMENT FOR OPERATING STAFF OF LODGING BUSINESS IN RANONG PROVINCE

CHOLPASSORN SITTHIWARONGCHAI¹

ABSTRACT

This research aimed to study the performance competency development for operating staff of the lodging business in Ranong Province by collecting data from a sample of 400 people, and the questionnaire was used as the research instrument. This questionnaire was composed of content validity and reliability, and the data was analysed by using frequency, percentage, average, standard deviation test, t-test, and the analysis of variance.

The results revealed that: 1) the core competency for operating staff in the lodging business in Ranong Province were female, aged 36–45 years, had working experiences of 1–5 years, had average income less than 15,000 Baht per month, had educational level under bachelor's degree, and worked at operating staff level; 2) an overall and three dimensions of performance competency development for operating staff of lodging business were at the high levels – the first dimension was the working functional competency, the second was the managerial competency and the third was the core competency; 3) male and female operating staff of lodging business had different performance competency development, especially in working functional competency at a statistical significance level of .05, while male operating staff had better working functional competency than female; and 4) operating staff of lodging business who had different monthly income also had different performance competency development especially in working functional competency, at least one pair at statistical significance level of .05. In detail, the operating staff of lodging business who had average monthly income over 45,001 Baht had less working functional competency than the ones who had monthly income under 15,001-25,000 baht and those who had income of 35,00–45,000 Baht per month.

Keywords: performance competency development, operating staff, lodging business

INTRODUCTION

Throughout 40 years of the Thailand tourism development, the tendency of tourism in the ASEAN region, the travel styles of tourists and the change of the groups of foreign tourists who came to visit Thailand, the situations of hotel business and navigation business, in 2002, considered as the business sectors which takes crucial roles towards tourism industry, and the recommendations about the potential development orientation to increase incomes for Thailand further, from all of these mentioned, it can be seen that the tourism industry is essential to the domestic economy. Moreover, the structural revenues of Thai tourism from have been improving, namely, the tourism revenues which were concentrated only in Bangkok are expanding to various regions that enhance civilisation and convenience to the localities and tourists towards investment and development of utilities and facilities, such as roads, electricity and water supply, and telephone, etc., with the support and attention of government sectors. Thailand has beautiful and interesting tourist attractions scattered all over the country. They can be categorised into various types based on the outstanding characteristics and tourism resources of that area, such as health tourist attractions, agricultural tourist attractions, ecological tourist attractions, and cultural/historical tourist attractions.

¹ Suan Sunandha Rajabhat University, College of Innovation and Management, Thailand. E-mail: cholpassorn.si@ssru.ac.th, cholpassorn.si@gmail.com

Ranong Province is located on the upper Andaman coast of southern Thailand; its routes can connect to other provinces in the southern region and it has various potential for tourism, such as natural tourist attractions, artificial tourist attractions, and historical and cultural tourist attractions, including famous natural minerals. In addition, Ranong Province has been determined its provincial development strategy, which is, the enhancement and development of health tourist attractions. The development guidelines are, for example, to organise activities for tourism enhancement, to publicise tourism through various media consistently, to enhance the efficient production of gifts and souvenirs, etc. Therefore, developing and enhancing the tourism of Ranong Province is considered as important to help increase the incomes to local people in the communities. This will drive the economy of Ranong Province and the nation.

The lodging business is regarded as a crucial factor among the tourists for their stay, and it takes a direct role in supporting the tourism activities. This is because most tourists prefer to travel to destinations far away and that offer them relaxing opportunities for travel. Not only should the residences facilitate the rooms and provide food for the tourists, but they should also have been designed and decorated beautifully, the location should be outstanding, and the service staff should be provided appropriately since they come into contact with the tourists directly. The service staff has to maintain the service culture by focusing on good service, satisfaction, and appreciation of the customers. If the customers have good competency on their service such as good language skills, good problem-solving skill, etc., then they will be able to satisfy and attract the tourists to stay at their residences.

Developing human resources in the organisations to reach a level of competitive competency will be able to increase the quality of products or services which can respond to the customers' needs. Therefore, several organisations today have to apply the concept of competency-based management to use for evaluating the performance of their personnel because this can respond to the strategic management and develop the competency of the organisations to enter into competition effectively (Rennie, 2003, p. 18; Wollard and Rocco, 2006). This is in accordance with Kanvalai Nontakaew (2003), who said that developing the competency from self-evaluation and the needs of human resources administrators would lead to the competency development of the human resources administrators concordant with the real needs in order that this can be applied by the administrators for their success based upon their goals or missions. This relies on staff knowledgeable and competency, with their suitable characteristics and competencies in their performances.

With these reasons, it is essential for the research staff to do the research into performance competency development for operating staff of lodging business and strategies for human resources development in the tourism industry: this will take as a case study Ranong Province, in order to analyse the competency for operating staff of lodging business, and analyse the perception of the tourists towards the service competency to improve the lodging staff in Ranong Province so that their work is concordant with the efficient services.

RESEARCH METHODOLOGY

Purposes of Research

1. To study the performance competency development for operating staff in the lodging business.
2. To compare the performance competency development for operating staff in the lodging business classified by personal factors.

Hypothesis of Research

The operating staff of lodging business with different personal factors would have different performance competency development.

This study was carried out by survey research. The population was 4,449 operating staff of the lodging business in Ranong Province. The sample size was calculated by using the formula of Yamane (1970) at the 0.05 significance level and received samples of 367 persons. The researcher selected the samples group from 400 operating staff of the lodging business in Ranong Province by using accidental sampling. The variables used in this research included independent variables: personal factors; gender, age, work experience, monthly income, educational level, and functional level, and dependent level, which was performance competency development for operating staff of the lodging business in terms of three element aspects – core competency, management competency, and functional competency.

The instruments used for this research was questionnaires divided into two parts as follows:

- Part 1: Personal factors: this was the questionnaire of checklist type. The respondents were asked for basic information, which consisted of six items.
- Part 2: Performance competency development for the operating staff of lodging business. The questionnaire was about five levels of Likert's Scale, with 33 items.

The research instrument was examined by the three experts for its content validity and reliability, by trying it out with the group of 30 people who had the characteristics similar to the sample group. The reliability was equal to .98.

The data analysis was used by using the instant programme, and the data analysis was divided as follows:

- 1) Descriptive statistics; this was used for describing the personal information for the operating staff of lodging business in Ranong Province by using frequency and percentage, while the performance competency development for operating staff of lodging business used mean and standard deviation.
- 2) Inferential statistics; this was used for testing the hypothesis as follows:
 - To analyse and compare the performance competency development for operating staff of lodging business by using the analysis of difference between the mean of two sample groups with t-test (independent t-test), the testing of two population groups. Each sample group was independent of the other. At the first stage, the difference between the two sample groups was tested by the statistics of Levene's Test. If the test result was found that the variance of these two groups was not different, then the t-test by equal variances assumed was used, but if the variance of these two groups were different, the t-test by equal variances not assumed was used.
 - To analyse and compare the performance competency development for operating staff of lodging business by using the difference analysis the mean of more than two sample groups to analyse the one-way analysis of variance. after analysing the difference of the sample groups, the least significant difference would be carried out if the difference of the sample groups were found.

FINDINGS

1. The operating staff of lodging business in Ranong Province was mostly female, aged between 36 and 45 years old, the work experience was between one and five years, the monthly income was lower than 15,000 baht, the educational level was lower than bachelor's degree, and the functional level was operating staff level.
2. According to the performance competency development for the operating staff of lodging business, it was found that the overall image and each of three aspects were at a high level. Firstly, this applies to the functional level, secondly the management competency and core competency.
3. The operating staff of lodging business both female and male had the performance competency development of functional level by statistical significance at .05 level. The

male operating staff of lodging business had the performance competency development functional level higher than female)see Table 1).

Table 1: Comparison of performance competency development of the operating staff of lodging business classified by gender

Performance competency development	Gender	\bar{x}	S.D.	t	df	p-value
1. Core competency	Male	4.09	.364	-.470	398	.638
	Female	4.10	.299			
2. Management competency	Male	4.13	.345	-.442	398	.359
	Female	4.15	.380			
3. Functional competency	Male	4.24	.469	2.146*	398	.032
	Female	4.13	.505			
Overall image	Male	4.15	.286	.952	398	.342
	Female	4.13	.286			

*The statistical significance was at 0.05 level.

4. The operating staff of the lodging business who had different monthly incomes had the performance competency development of functional competency differently of at least one pair by the statistical significance at .05 level. The operating staff of lodging business that had the average monthly income more than 45,001 baht had the performance competency development functional competency lower than the operating staff of lodging business who had the monthly income lower than 15,001–25,000 baht and 35,001–45,000 baht, respectively (see Table 2).

Table 2: Comparison of performance competency development of the operating staff of lodging business classified by monthly income

Performance competency development	Variance	df	SS	MS	F	p-value
1. Core competency	Between the group	4	.164	.041	.389	.816
	Within the group	395	41.525	.105		
	Total	399	41.689			
3. Management competency	Between the group	4	.395	.009	.729	.573
	Within the group	395	52.705	.135		

	Total	399	53.100			
4. Functional competency	Between the group	4	2.412	.603	2.503*	.042
	Within the group	395	95.184	.241		
	Total	399	97.596			
Total	Between the group	4	.480	.120	1.472	.210
	Within the group	395	31.745	.082		
	Total	399	32.225			

*The statistical significance was at 0.05 level

CONCLUSION AND DISCUSSION

For this research, the researcher discovered the crucial issues to be used for the results discussion as follows:

1. According to the findings of the performance competency development for the operating staff of the lodging business, it was found that as overall image and all of the three aspects were at the high level; first, the functional competency, secondly, management competency, and core competency, respectively. This is in accordance with the concept of Scott Parry (1998 cited in Sukanya Rassameethammachote, 2006, p. 5), which indicated that competency was the cluster of knowledge, skills, and attitudes of the individuals and was influenced towards the achievement of each individual's performance. It is regarded as the role or responsibility related to the contribution. Moreover, it could be measured as the comparison value with the standard criteria, and could be developed by training courses. In addition, the concept of Dale and Hes (1995, p. 80) identified that the competency was about the findings that created the excellent performance or superior performance. Moreover, they defined the occupational competency that it was the ability to do various activities in the vocational field to be in accordance with the expected standard. The word "standard" here refers to the elements of ability combined with the criteria of performance and explanation of performance scopes. In addition, the Office of the Civil Service Commission (2008) defined the competency that was the behavioural characteristics that resulted from the knowledge, skill, and competency, as well as other characteristics. Some parts of these characteristics were composed of the skills and knowledge, ability, attitude, personality, individual's value, or behaviours of the persons who had the great results on their performance. The competency could be divided into two groups; (1) the attributes of the persons who reflected their knowledge, skills, attitudes, belief, and trait; and (2) the groups of knowledge, skill, and attributes of the persons reflected by their expressed performance behaviours which could be measured and observed.
2. Regarding the findings, both male and female operating staff of the lodging business had different performance competency development of the functional competency by the statistical significance at the .05 level. The male operating staff of the lodging business had the performance competency development of the functional competency higher than the female staff. It could be identified that the male operating staff were more enthusiastic and paid attention to their performance, as well as being responsible their own goals, had the skills, knowledge, and ability to use the information technology to manage the information, and communicating the information more than female staff. This is in accordance with the concept of Arporn Puwittayapan (2004), who which said that the functional competency included knowledge and ability which reflected the knowledge, skills, and specific

characteristics of various jobs, for example, an electrical engineer had to have the knowledge of engineering, and an accountant had to have the knowledge of accounting, etc. The persons who reflected their knowledge, skills, behaviour, and individual's attributes which occurred authentically based upon the duties or responsible work, although each person had the same functions, it was unnecessary that he or she was had to have the same ability. Moreover, the concept of Angkana Tangkrajang (2007) indicated that the management skill depended on the position. If a person held the position of manager, he or she had to sell the room and be able to manage the performance perfectly according to the customers' needs. This was because the hotel work might include the organising of various kinds of work, such as exhibitions, conventions, etc., which had to be organised appropriately based on the customers' status, as well as trade shows, international conferences, such as Medical Conference, etc.

3. Concerning the findings, the operating staff of the lodging business who had the different monthly income had the performance competence development of functional competency differently, at least one pair by the statistical significance at .05 level. The operating staff of the lodging business that had the monthly income more than 45,001 baht had the performance competency development of functional competence lower than 15,001–25,000 baht and 35,001–45,000 baht. This indicated that the operating staff had the knowledge and ability as well as the bravery to share their opinions based on their own knowledge. Moreover, they understood the principles of performance based on their functions. This is in accordance with the concept of Yaemjamuang (2015), which was found that the potential of the three-star hotel staff was at the moderate level, and the general knowledge and ability standard included the communication and co-ordination ability, and they could solve the problems and could use the computer and technology appropriately. This is in accordance with the concept of Jiraprapa Akaraboworn (2006, p. 68), which identified that each competency consisted of three types: 1) core competency – this was good behaviour which everyone in the organisation had to maintain in order to express the cultures and principles of the organisation; 2) professional competency – this was the qualification of management ability which all personnel in the organisation had to maintain for their performance to make the work successful in accordance with the strategic plans and visions of the organisation; and 3) technical competency – this was a vocational skill necessary for achieving the performance. It was a difference based upon the work characteristics. It could be divided into two sub-parts: core technical competency and specific technical competency. Moreover, McClelland (1993) said that the competency was about the personalities hidden within the individual. This could drive that individual to create the good performance or in accordance with the determined criteria as they were responsible for.

RECOMMENDATIONS

The recommendations from using the research results are as follows:

- Integrated strategies of performance competency development objectively and widely should be determined;
- The staff should be supported to realise the significance of the performance competency development; and
- The performance competency development for the operating staff of lodging business: case study of Ranong Province.

Recommendations of further Research

- Comparing the performance competence of the staff towards the realisation of service for the tourists should be studied;

- Synthesis research about the future of orientation/tendency of marketing competition for the hotel and residence business should be carried out.

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INCLUSIVE AND SUSTAINABLE ECONOMIC DEVELOPMENT: A SUCCESSFUL MODEL FOR THE STATE OF HIMACHAL PRADESH IN INDIA

DR. ABHISHEK JAIN¹

ABSTRACT

Himachal Pradesh (HP) is a hill state in India with a population of 6.8 million. Within a short span of time, HP has catapulted itself into a model of inclusive and sustainable development. This paper analyses the development model of HP through an empirical study for the period 1991–2014, and explores the factors behind the state's success. Additionally, the state of governance in HP is assessed based on primary data. The findings show that HP has achieved a high level of inclusive economic development; its Index of Inclusive Economic Development jumped from 0.31 in the year 1991 to 0.82 in 2014. Governance in HP is good. The trinity of HP's development model are human development, development-oriented governance and social inclusion. HP's successful model has wider implications for nations, especially in the developing world, to achieve inclusive development in the shortest possible time.

Keywords: Himachal Pradesh, inclusive development, governance, human development, Index of Inclusive Economic Development

INTRODUCTION

We are often asked: “what does social inclusion and sustainable development look like?” While the question really doesn't have a clear answer, because it is so context-specific, we use Himachal Pradesh as something of a benchmark. This small Himalayan state in India stands apart in advancing sustainable green growth as well as social inclusion.

World Bank (2015, p. vi)

This paper aims to discuss the inclusive and sustainable development model of HP state in India for drawing wider policy lessons. The paper starts with a brief profile of HP in Section 1. A review of literature is done in Section 2. The research methodology for the present study is given in Section 3, followed by the main findings in Section 4. Section 5 highlights the factors behind the success of the development model of HP. The policy lessons derived from HP's model of development are given in Section 6. The paper ends with looking ahead and further points of research. The paper is based on the author's doctoral research on the topic (Jain, 2016a) and encompasses his field-level insights on development and governance as an Indian Administrative Service Officer.

Inclusive development reflects a pattern in which all sections of society, regions and strata of people enjoy the fruits of development and are active partners in it. Inclusive development is expected to reduce poverty faster by giving a higher elasticity of poverty reduction (Jain, 2016b). It includes growth and development, inclusion and inter-generational equity and sustainability (World Economic Forum, 2017, p. 9). Inclusive and sustainable development reflects the aspirations of nation states across the world.

¹ Indian Administrative Service Officer in Government of Himachal Pradesh, India. Presently: Fellow, MIDP, Sanford School of Public Policy, Duke University, Durham, USA. Email: flyingfinger3@gmail.com. The ideas expressed are the personal opinion of the author, and not of the Indian or state government.

A BRIEF PROFILE OF HP

HP is a hill state in northern India. Select socio-economic indicators of HP are given in Table 1. HP occupies 1.7% of the total area of India and has a population of 6.8 million (0.57% of the population of India). It is a predominantly rural state with 90% of its population living in villages. HP became a Union Territory in 1948, and a full-fledged state in 1971. It is a deep-rooted democracy, with democratic institutions from state to village levels. There are three-tier Local Self-Government institutions both in rural and urban areas (numbering around 3,400), which have 50% reservation for women and 33% for Scheduled Castes and Scheduled Tribes. The governments in HP change smoothly by way of elections periodically. There is a balance among the various organs of the state – legislature, executive and judiciary.

Table 1: HP – Select Socio-Economic Indicators

Area	55,673 sq.km.
Population (2011)	6.8 million
Year of formation of state	1971
Density (per sq.km.) (2011)	123
Form of government	Democracy
Total villages	20,690
GDP (2015–16 at constant prices) (Base 2011–12)	Rs.962.89 billion (approx. \$15 billion)
GDP per capita (at current prices in Rs.) (2016)	Rs.135,621
GDP per capita (2009 in PPP terms)	\$3781
Share of primary, secondary and tertiary sectors in GDP	19.7%, 38.3% and 41.9% respectively
Sex ratio per 1000 males (2011)	972 (against 943 for India)
Literacy rate (2011)	82.8% (against 74% for India)
Life expectancy at birth (2006–10)	72.4 (Female), 67.7 (Male)
Forest cover (percentage of total land)	66%
Total villages electrified	100%

Sources: Census of India (2011), GoHP (2017), GoI (2016), The Economist (2016), CSO (2017)

HP has been transformed within one generation (around 40 years) from a poor backward hill state to a socio-economically prosperous one. HP has been acclaimed for its socio-economic development by institutions like World Bank (World Bank, 2007, 2015, 2016) and economists such as Amartya Sen (Sen, 1999, 2015; Sen and Dreze, 2002, 2013). In HP, no local person is a beggar, no one sleeps on the road, every house has electricity (even in the remotest tribal village), and every village has telecom connectivity – no mean achievement seen from the perspective of a developing country.

REVIEW OF LITERATURE

Two World Bank Reports (2015; 2016) state that HP has the reputation of being a stable, inclusive, cohesive and well-governed state. According to the World Bank (2015), the state has achieved rapid economic growth and has some of the best human development indicators in the country. HP stands apart from many states of India with its strong track record of social inclusion and sustainable development. It has made remarkable progress in reducing poverty, delivering services and maintaining low levels of caste, tribe and gender-based disparities. It has taken concrete steps toward “green growth” and is moving towards carbon neutrality by the year 2020 (World Bank, 2016). Nobel-laureate economist Amartya Sen has hailed the growth model of HP. Sen (2015) describes how HP has made rapid and notable progress in different socio-economic dimensions especially education, and how the governance model of HP holds lessons for other states in India. The Indian Human Development Report (2011) ranked HP third among Indian states in human development. The Government of HP (2014) holds that HP achieved most of the Millennium Development Goals by the year 2014, and aims to achieve the Sustainable Development Goals by the year 2022, well before the target of 2030.

Radhakrishna (2015) compares the various states of India in terms of progress in the reduction of multi-dimensional deprivations. In this study, HP is ranked first in India on the index involving reduction in income poverty, decline in malnutrition, and improvements in education during the period 1993–2010. Mundle et al. (2016) find that HP ranks among the top six states of India in economic freedom and policy effectiveness, but ranks poorly on ease of doing business and competitiveness.

RESEARCH METHODOLOGY

Objectives: The present study has been conducted with the following four objectives. First, to analyse the pattern and extent of inclusive economic development in HP, and the variations in it during the post-reform period of 1991–2014. Second, to assess the state of economic governance in different sectors of the economy of HP. Third, to explore the factors behind the HP model of development. Fourth, to determine wider policy lessons.

Scope: The performance of various components of inclusive economic development in HP has been seen over a period of time. The state of governance has been assessed for all the three sectors of economy – primary, secondary and tertiary – of HP based on perception/experience-based responses of the actual “recipients” of governance – farmers and horticulturists in the primary sector, industrialists in the secondary sector and service enterprises in the tertiary sector.

Period of Study and Sources of Data: The period of study is 1991–2014. The assessment of inclusive economic development in HP through the formulation of its Index has been done for the post-1991 period at four points of time, i.e. the years 1991, 2001, 2011 and 2014, based on secondary data. The state of economic governance in HP has been studied for one period, i.e. 2014–15, based on primary data.

Formulation of Index of Inclusive Economic Development and Index of Governance: An Index of inclusive economic development for HP has been formulated based on eight indicators – growth rate, inverse of poverty, inverse of rural poverty, literacy rates, sex ratio, child sex ratio, inverse of infant mortality rate and households with access to safe drinking water. The main reason why the above eight indicators have been taken is the non-availability of data for similar periods for various indicators. All these eight indicators have been given equal weight as it has been assumed that none of them has over-riding importance in increasing the pace and inclusiveness of economic development. The maximum value of the index is 1 and the minimum is 0. To arrive at the Index, the technique of aggregation and normalisation has been used. The normalised values of the eight indicators have been taken as:

$$I_x = \frac{X - X_{\min}}{X_{\max} - X_{\min}}$$

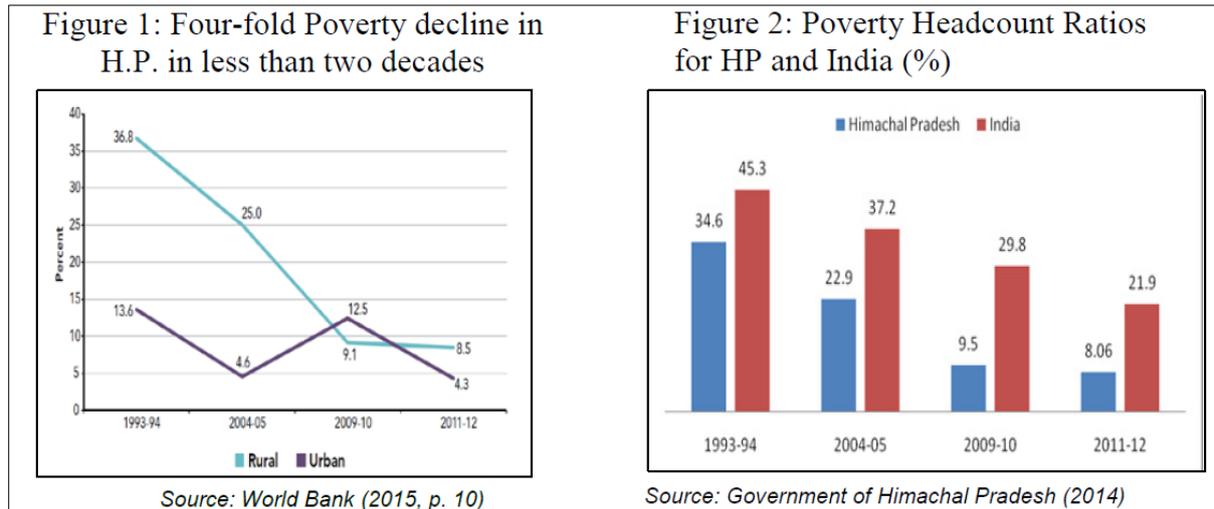
Based on primary data, the governance in HP has been assessed for primary, secondary and tertiary sectors using 22, 21 and 11 indicators, respectively. The overall governance index for HP has been computed by assigning weights to the three sectors (primary, secondary, tertiary) in proportion to their respective contributions to state GDP.

Utility of the Study: This study is inter-disciplinary in nature, involving development economics, institutional economics and development administration. The study is useful for policy-makers, development practitioners, academicians and researchers.

FINDINGS OF THE STUDY – INCLUSIVE DEVELOPMENT IN HP

HP faces various limits on growth such as mountainous terrain, geographical remoteness from other Indian states, and a small size and population – all increasing production and transport costs. Yet HP has achieved inclusive and sustainable development. Starting from economic

growth, during the last ten years, HP has achieved a growth rate of 7.7% (Jain, 2016a) and a compound growth rate of 15.47% during 2006–07 to 2015–16 (CAG, 2016). Beyond growth, the state has removed widespread deprivations. It has achieved a four-fold decline in poverty within two decades (Figure 1) to 8.06%, as compared to India's 21.9% (Figure 2). Poverty decline has benefitted all social groups. Since the purpose of growth is to reduce the deprivation of the people, especially the poverty levels, this achievement of HP is commendable. Moreover, the state has maintained a degree of equality – across income, caste, tribe and gender (World Bank, 2015). HP had a Human Development Index of 0.79 in 2010, which is among the highest in Indian states (Indian Institute of Public Administration, 2012).



In education and health especially, HP has achieved substantial progress. At the time of India's independence, HP's literacy rate was similar to Bihar and Uttar Pradesh – two of India's poorest states. Now it is 82.8%, against 74% in India as a whole (Census 2011). As per the Annual Status of Education Report, HP secured the first rank in achieving learning outcomes in basic reading and mathematics across rural India (Pratham, 2017). The Health Index of HP is 0.72, as compared to 0.56 for India as a whole (Government of India, 2015). Women's labour participation rate in HP (63%) is second highest in India. The state has achieved near universal coverage in sanitation, child immunisation, access to electricity and drinking water (Government of Himachal Pradesh, 2014).

The state has adopted several measures to achieve sustainable development. It has vowed to become "carbon neutral" by 2020; it is the first state in India to have banned the use of plastic bags; it uses plastics for road construction; and the climate and environmental preservation appear to be collective responsibilities of the state and its citizens (World Bank 2015a). In the Environmental Sustainability Index (2011), HP ranks in the top category of "Most Environmentally Sustainable States" (Institute for Financial Management and Research, 2011), and has forest cover of 67% of the total area of the state. The Government of HP has complemented its macro vision with a variety of policies, rules and acts of environmental sustainability, which suggests a culture immersed in environmental awareness and preservation, as well as sensitivity to lingering citizen concerns about the new growth trajectory (World Bank, 2016).

HP ranked as the "Best State of India" during the decade 2003–2012, based on the "State of the States 2013" report from *India Today* magazine (*India Today*, 2014). The state had achieved almost all Millennium Development targets by the year 2014 (Government of Himachal Pradesh, 2014) and aims to achieve the Sustainable Development Goals by 2022 – long before the target of 2030 (Government of Himachal Pradesh, 2016). The performance of

HP in terms of various indicators of inclusive economic development at different points of time is given in Table 2.

Table 2: Performance of HP in sub-components of inclusive development (1991–2014)

Year	Growth rate	Inverse of Poverty	Inverse of Rural Poverty	Literacy	Sex Ratio	Child Sex Ratio	Inverse of Infant Mortality Rate	Rural Households with Access to Drinking Water
1991	0.6	61.3	58.3	63.8	976	951	925	75.5
2001	6.4	76.4	74.3	76.4	968	896	946	87.5
2011	7.7	91.9	91.5	82.8	972	906	962	93.5
2014	6.8	96.1	95.1	90.2	987	891	968	96.5

Source: Jain (2016a, p.150)

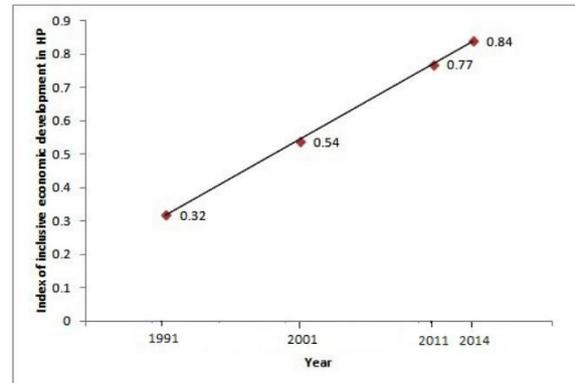
Index of Inclusive Economic Development in HP

The Index of Inclusive Economic Development in HP has risen by more than two and a half times in just over decades, from 0.32 in 1991 to 0.84 in 2014 (Figure 3). The growth in the index has been continuous since 1991. It reflects the outcome of the development model the state has been following.

Governance in HP

The overall economic governance index in HP was found to be 0.634. Sector-wise, the governance was the highest in the secondary sector, followed by the tertiary and primary sectors. One-way ANOVA was found to be statistically significant (F=37.521, p=0.0001). Governance was significantly different in the different sectors of economy (primary, secondary and tertiary). Multiple comparison Post hoc Test (Least Significant Difference test) after one-way ANOVA was statistically significant (Table 3). It shows that governance in the primary sector is significantly associated with the governance in the service sector and in the industry sector.

Figure 3: Index of Inclusive Economic Development in HP (1991-2014)



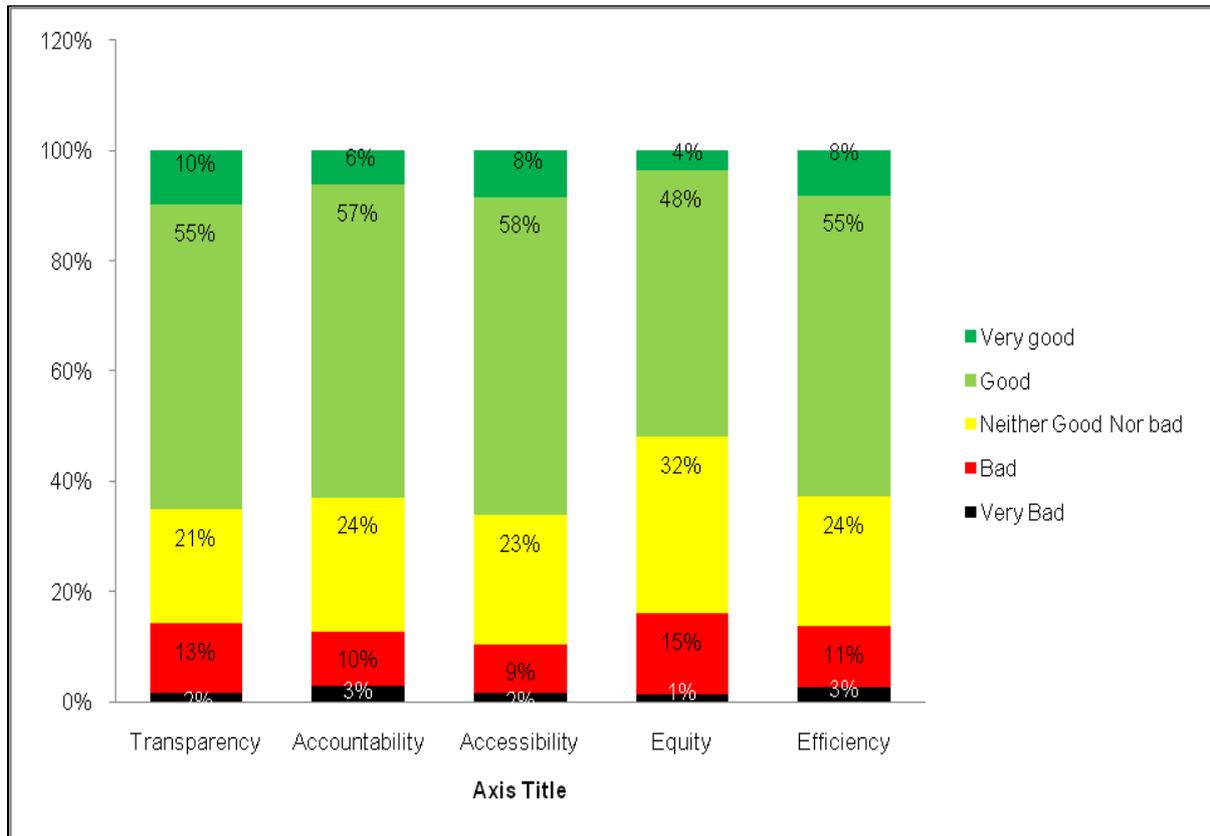
Source: Jain (2016, p. 151)

(I) Sector	(J) Sector	Mean Difference (I-J)	Std. Error	p-value	95% Confidence Interval	
					Lower Bound	Upper Bound
Primary Sector	Services Sector	-0.12239*	.01665	.000**	-.1551	-.0897
	Industrial Sector	-0.13852*	.01665	.000**	-.1712	-.1058
Services Sector	Industrial Sector	-0.01613	.01360	.236ns	-.0428	.0106

Source: Jain (2016a, p. 227)

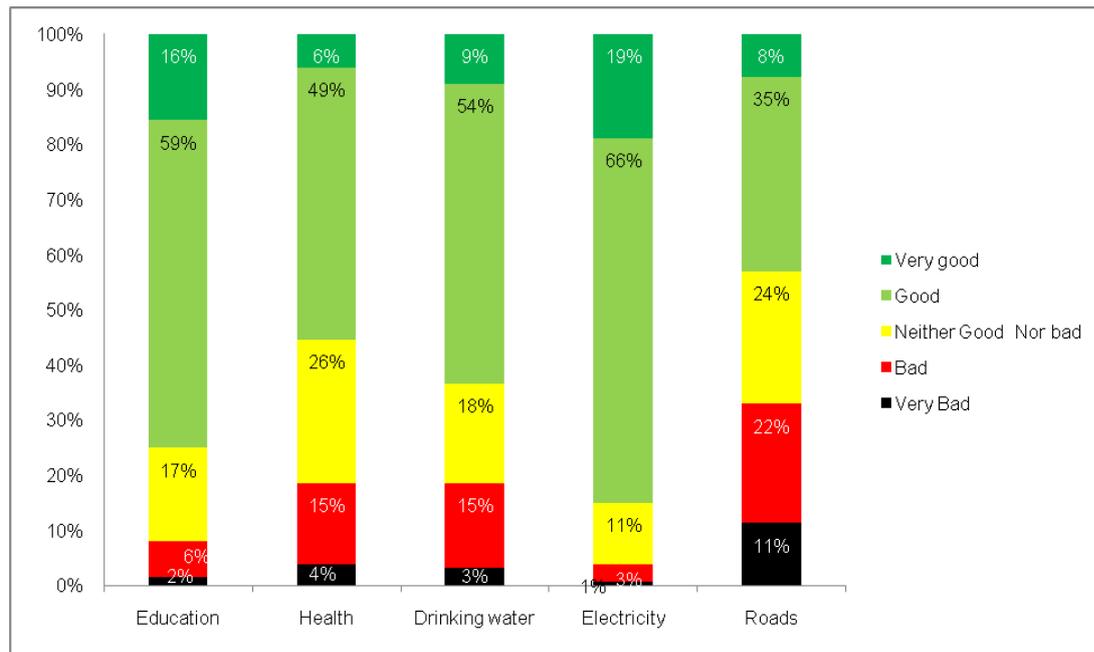
The study shows that the different facets of good governance – transparency, accountability, accessibility, efficiency and equity – have been achieved in HP with few respondents terming them as bad (Figure 4).

Figure 4: Different facets of good governance in HP



Source: Jain (2016a, p. 223)

Figure 5 reflects the rating of public services in HP. It reflects satisfactory levels of public services by and large, though in roads there is scope for improvement (this is due to HP’s hill terrain necessitating the continuous creation and maintenance of roads in view of rains and snow).

Figure 5: Rating of public services in HP

Source: Jain (2016a, p. 224)

The above results of good development and governance outcomes of HP are, by and large, consonant with the literature mentioned in Section 2. The 0.634 index of economic governance in the present study should be seen in the context of typically high expectations of the citizens of HP from the government, even for things which should not be in the government's domain. Additionally, certain other studies observe good governance in HP in many dimensions. HP has a deep-rooted democracy up to village level (GoHP, 2017). The state receives the highest ranking in governance and political stability in the N-SIPI Survey (National Council of Applied Economic Research, 2016). On the Economic Freedom Index, HP stands in fourth position in India (Debroy et al., 2013). In the India Corruption Survey (2005) conducted by Transparency International India and the Center for Media Studies, HP is the second least corrupt state in India (IIPA, 2013). However, in terms of ease of doing business and competitiveness, HP ranks low (Mundle et al., 2016; Tan and Rao, 2015). A reason for this is that HP has never been an industrialised state. In the real sense of the term, industrialisation started in HP just over a decade ago with the granting of an Industrial Package to the state; the state is still learning the nuances of improving the ease of doing business and competitiveness with big states of India such as Gujarat, Maharashtra etc.

Moreover, in the present study, a high, positive and statistically significant relationship between economic governance and economic development has been found in HP ($r=0.89$), indicating that governance and development are mutually and strongly associated.

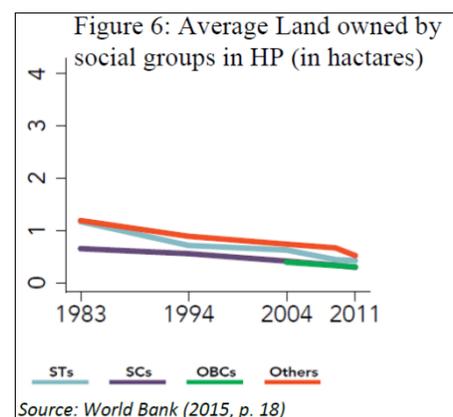
FACTORS BEHIND THE DEVELOPMENT MODEL OF HP

HP has achieved considerable success in inclusive development. The state has used natural resources as the growth engines of the state, specifically hydro-power, tourism and horticulture, supplemented by a recent boost for industries. More than its achievements, it is important to understand what the factors are behind the success of HP in its path towards inclusive and sustainable development. Some of these are listed here:

- **Development-oriented governance:** HP has traditionally followed development-oriented governance. There has been a commitment to this on the part of the state complemented by progressive policies. HP has democratic governance, where hierarchies are intact, but

citizens have both voice and leverage. The political governments have traditionally been benevolent, accountable, transparent and people-friendly. Reasonable credit has to be given to the political class – irrespective of party – in the success of HP; development has been used as a key paradigm of politics. By and large, the politicians do not indulge in caste or religion-based politics in HP. The politicians, even up to the level of Chief Minister, are easily accessible – unlike in many other Indian states. This accessibility makes governance a lot more responsive and transparent. HP fulfils all the three drivers of effectiveness – commitment, coordination, and cooperation – identified by the World Development Report (2017).

- Focus on Human Development:** The state has consistently focused upon human development as a highly valued development objective. In education and health, the state has led from the front. Contrasting HP with many other states in India or elsewhere, the quality of public institutions in education and health is good. In education, for instance, more than Rs.10 million (equivalent to \$160,000) are being spent just for a science lab in a high school. There are government schools with a size bigger than some private universities. The primary health care is good. In many other states in India, private institutions dominate in access and quality – with high costs to users. A focus on human development has created a solid foundation for HP’s development model and further growth.
- Social Inclusion:** HP has ensured the “development with dignity” of various social groups in HP. The state has been conscious of potential caste divisions, and it has wanted to ensure that equality and cohesion, not just poverty reduction, are its priorities. The Government of HP allocates special funds and implements a range of rural programmes for the development of Scheduled Castes, Scheduled Tribes, minorities etc. (Parmar, 1992). The scheduled castes (SC) in HP (25.2%) are higher than the national average (19%) (GoHP, 2017). Unlike other states, SCs in HP have land and have benefitted from the rapid decline in poverty. Their numerical strength, access to land and their inclusion in HP’s social and economic development have lowered the chances of caste-based assertion or social conflict.
- Land Reforms:** Given the importance of land in an agrarian society with natural limits on land use, the policy-makers in HP have implemented land reforms early in the development process (beginning in the 1970s). Land reforms in HP have ensured that 80% of its people possess land. The distribution of land across social groups is more equal in HP (Figure 6) than in many states in India.
- Functioning Institutions:** Acemoglu (2013) and others highlight the importance of inclusive institutions in the development of a nation. The institutions have been functioning well in HP. The “schooling revolution” in HP was based on a policy of universal provision of government schools. HP has a well-functioning Public Distribution System (World Bank, 2015). HP has shown that focusing on outcomes on the ground is more important than the outlay (Bhandari, 2009). Many of the essential services have not only been universal but also free. The rural development schemes have been implemented across the length and breadth of the state. The heroes in these successful efforts have been public institutions – functioning schools, health centres, government offices, Gram Panchayats and cooperatives.
- Gender Mainstreaming:** Much credit for the inclusive development in HP should be given to women, who have traditionally played a strong and supportive role. The role of women has always been strong in the hill states. Women’s labour participation rate in HP (63%) is



second highest in India (27%) (World Bank, 2015). Women in HP are active participants in the development process, leading from the front. A substantial proportion of respondents in the present study (81%) feel that government pays attention towards women in development and governance processes in HP.

POLICY LESSONS FROM HP'S MODEL OF DEVELOPMENT

Figure 7 shows the trinity of HP's development model – human development, development-oriented governance and social inclusion. In debates among economists about development models in India, there is the growth model (represented by Gujarat) and the human development model (represented by Kerala and HP). HP represents a model of rural area-led development similar to the Providing Urban Amenities in Rural Areas Model (Kalam and Pillai, 2004), since 90% of HP is rural. Sen (2013) writes that HP, Kerala and Tamil Nadu are all states that were very poor not so long ago (in the 1950s and 1960s) – unlike Punjab and Haryana, which have been relatively prosperous regions of India for a long time. Within 40 years or so, HP has made the transition from severe social backwardness and deprivation to a relatively advanced state (World Bank, 2015a). Although the HP model is not perfect and has scope for improvement, this does not belittle its achievements.

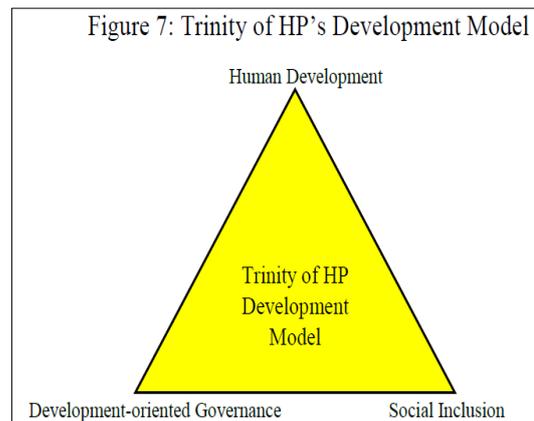
The main lessons emerging from the HP model of development are summarised below:

- Inclusive development can be achieved despite several restrictions. Further, the pace of inclusive development can be increased substantially within a short span of time.
- Poverty can be reduced within one generation.
- A focus on human development yields large-scale and long-term benefits.
- Development-oriented governance is feasible, even politically.
- The state can be the foremost propeller of inclusive and sustainable development.
- Inclusive development can be achieved in a predominantly rural situation.
- Social inclusion is possible despite a large population of traditionally excluded groups.
- Well-functioning institutions propel the whole development process.
- Basic infrastructure can be made available to citizens with equity in access, despite challenging geographical circumstances.

LOOKING AHEAD AND CHALLENGES IN THE MODEL

It is expected that the basic tenets of the HP model – development-oriented governance, human development and social inclusion – are not likely to change in the near future. Successive governments have been following this pattern of development, and there is no major reason why they should stop. Similarly, accessibility, transparency and accountability in governance are likely to remain high in HP. Given HP's track record of inclusive development, there is a strong chance that the future will be a reflection of the past (World Bank, 2015).

The current study finds that despite successes, the HP model of development has grey areas and challenges too. These include sustaining inclusive and sustainable development in a fiscally constrained situation of the state, growing environmental fragilities arising out of the exploitation of natural resources, transitioning from a state-led to market-led growth model, improving GDP, improving the ease of doing business, tackling the low child sex ratio and



creating jobs for rising numbers of educated unemployed youth. Governance and infrastructure need to improve further. New issues of social inclusion and of social exclusion may emerge as a result of HP's previous successes. Because of HP's growth path, with potential externalities on the environment, governance and social relations, some of the state's past gains may be at risk of erosion. The foundations for good outcomes are likely to be tested, since reforms inevitably create winners and losers or introduce new ways of life that may disrupt the previous structures.

The paper suggests that HP should yield to the private sector in driving the economy of the state, and the ease of doing business should be improved. The dependence on the state for non-critical items should decline. Let markets play a more vigorous role. There should be disinvestment/divestment of public sector units of HP involved in manufacturing, running hotels etc.; outsourcing, contracting-out service delivery activities; deregulation; public private partnerships in infrastructure building etc. The growth drivers – hydro-electric power, tourism, horticulture and industries – should be modernised. There is large scope for improvement in the tourism and horticulture sectors in HP. Hydro-power should be pursued in an environmentally sustainable manner. Efforts should be made to retain the industries in the state (which have started to move because of the ending of Industrial Package to HP) by focusing on infrastructure. Sunrise sectors like Information Technology, Bio-technology – which have not taken off much in HP – should be given thrust as the state has suitable conditions for these sectors. HP should learn from other Indian states such as Andhra Pradesh, Karnataka etc. in this regard.

It would be interesting to conduct further research on the sustainability aspects of the growth model of HP, especially in the domain of domestic resource mobilisation, and in how to transition to a situation where markets and private sector perform a greater role in the economy. Research on replicability issues for other states and nations would also be beneficial. In fact, HP has to go a long way and can learn from others as well, while sharing its own secrets of success.

CONCLUSION

This paper discusses the inclusive and sustainable development model of HP state in India. Despite being a small hill state, HP has been a trail-blazer in inclusive economic development, achieving a four-fold decline in poverty in less than two decades. Inclusive economic development has increased by two and a half times in little over two decades in HP. Governance in the state supports economic development. Human development, development-oriented governance and social inclusion are the three pillars of HP's model of development. HP has a few policy lessons for others. Achieving inclusive and sustainable development in any nation involves many challenges, but these challenges can be converted into opportunities to evolve a win-win situation for all. The sooner this is done, the better it will be.

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