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**5th International Conference on Business, Economics, Management and Marketing &
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5th-7th March 2018**

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WHO PREFERS MORE VISUALLY PLEASING PRODUCTS? EXPLORING DETERMINANTS OF CONSUMERS' VISUAL AESTHETIC CONSCIOUSNESSJAEWOO, PARK^{1*}, TOGAWA, TAKU² AND HIROAKI, ISHII³**ABSTRACT**

Visual product aesthetic is a crucial aspect for increasing consumers' evaluation of products, attaining competitive edge, for avoiding commoditization and ensuring profitability. However, little is known about the characteristics which determine consumers' visual aesthetic consciousness. We conducted an online survey and found that consumers' visual aesthetic consciousness is largely determined by psychological characteristics rather than demographic characteristics. In addition, the results of our research suggest that a visual aesthetic strategy is expected to be especially effective on consumers who are more open to new and novel experiences and who prefer to buy unique, high-end, and branded products.

Key Words: Visual product aesthetics, Consumers' visual aesthetic consciousness, Consumer characteristics, Product evaluation

INTRODUCTION

As basic product attributes such as quality and functionality become homogenous in many industries (Greenstein, 2004; Reimann, Schilke and Thomas, 2010), firms have been paying more attention to visual product aesthetics to ensure competitive advantage (Bloch, 1995a; Noble and Kumar, 2008). In addition, with growing need for experiential aspects of consumption, consumers increasingly evaluate products and make purchase decisions based on aesthetic product value (Schmitt and Simonson, 1997; Noble and Kumar, 2008).

Marketing research has shown that aesthetically pleasing design leads to positive consumer responses in perceived quality (Bloch, 1995; Chitturi, 2015), emotional excitement (Chitturi, Raghunathan and Mahajan, 2008; Noble and Kumar, 2008), self-expressive pride (Chitturi, 2015), willingness to pay (Bloch, Brunel and Arnold, 2003), and repurchase intentions (Chitturi, Raghunathan and Mahajan, 2008). Aesthetically pleasing design also contributes significantly to sales success of products (Cooper and Kleinschmidt, 1987), profit margins (Roy, 1994), and establishing brand loyalty (Noble and Kumar, 2008). Although these studies clearly suggest that visual product aesthetics are a crucial factor for increasing consumer evaluation of and satisfaction with products, attaining competitive edge for avoiding commoditization and ensuring profitability, little is known about consumer characteristics that determine consumers' visual aesthetic consciousness (CVAC). Examining the relationship between consumer characteristics and the level of aesthetic consciousness will allow marketers to develop more efficient and appropriate design strategies and marketing communications for target consumers. Therefore, in this study, we explore the influence of consumer characteristics on CVAC.

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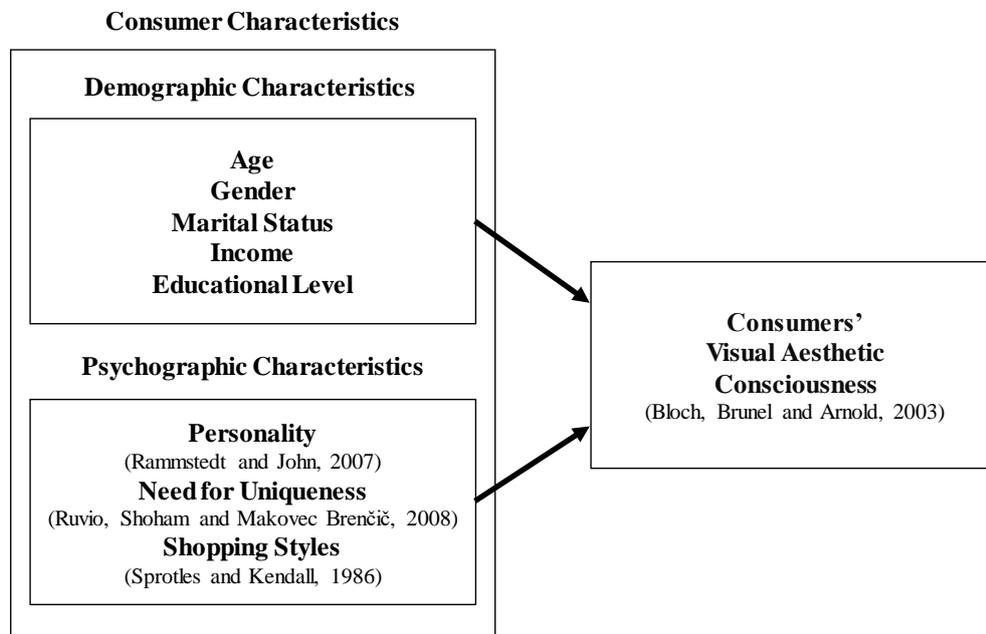
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METHOD

To examine the relationship between consumer characteristics and the level of CVAC, we conducted an online survey of Japanese adults ($n = 166$; 73 female). As shown in Figure 1, we measured consumer characteristics in two aspects: demographic and psychographic.

Figure 1: Overview of Research Measurements



Demographic characteristics consisted of *age*, *gender*, *marital status*, *annual income* (a 17-level scale ranging from 1 = below one million yen, 2= one million yen to two million yen etc. to 16= fifteen million to twenty million yen, 17 = over twenty million yen) and *educational level* (a 6-level scale: 1 = junior high school, 2 = high school, 3 = junior college, 4= college/university, 5 = master, 6 = doctorate).

Psychographic characteristics consisted of *personality*, *consumer's need for uniqueness*, and *shopping styles*. Personality was measured using Rammstedt and John's (2007) 10-item Big Five Inventory. Participants were asked to report each trait with two seven-point items respectively (1 = strongly disagree, 7 = strongly agree; e.g., "I see myself as someone who is reserved (reversed-scored)", "I see myself as someone who is outgoing, sociable" for extraversion). The reliability of each trait was as follows: extraversion, Cronbach's $\alpha = .74$; agreeableness $\alpha = .40$; conscientiousness $\alpha = .63$; neuroticism $\alpha = .65$, and openness $\alpha = .65$.

Consumer need for uniqueness is the trait of pursuing differentness relative to others through acquisition and utilization of consumer goods for the purpose of developing and enhancing one's self-image and social-image (Tian, Bearden and Hunter, 2001). The need for uniqueness was measured with 4 items adopted from a subscale (creative choice) of Ruvio, Shoham and Makovec Brenčič (2008)'s need for uniqueness short-form. (1 = strongly disagree, 7 = strongly agree; "I often combine possessions in such a way that I create a personal image that cannot be duplicated", "I often try to find a more interesting version of run-of-the-mill products because I enjoy being original", "I actively seek to develop my personal uniqueness by buying special products or brands", "Having an eye for products that are interesting and unusual assists me in establishing a distinctive image"; $\alpha = .89$).

We measured consumer's shopping styles with the three-item version of Sprotles and Kendall (1986)'s Consumer Styles Inventory. Specifically, we measured participants' *perfectionist/high quality conscious* (the degree to which a consumer searches carefully and

systematically for the best quality in products; $\alpha = .72$), *brand consciousness/price equal quality* (a consumer's orientation toward buying more expensive, well-known national brands; $\alpha = .62$), *recreational and shopping conscious* (the extent to which a consumer finds shopping a pleasant activity; $\alpha = .78$), and *price conscious/value for the money* (a consumer with a particularly high consciousness of sale prices and lower prices in general; $\alpha = .73$).

Finally, as shown in Figure 1, CVAC was measured by Bloch, Brunel and Arnold (2003)'s centrality of visual product aesthetics scale. We measured consumers' overall level of significance for the visual aesthetics of products using 11 items scored on 7-point scales (1 = strongly disagree, 7 = strongly agree; e.g., "Owning products that have superior design makes me feel good about myself", "When I see a product that has a really great design, I feel a strong urge to buy it"; $\alpha = .92$).

RESULTS

First of all, we conducted a regression analysis for the influence of demographic variables on CVAC (see Table 1). The adjusted R^2 was .041, which means that only 4.1% of the variance of CVAC could be explained by the demographic variables. In addition, the result showed that age ($\beta = .02$, $p = .812$), gender ($\beta = .048$, $p = .535$), marital status ($\beta = .069$, $p = .439$), and educational level ($\beta = .028$, $p = .727$) did not influence the level of CVAC. The only variable which significantly affected CVAC was income ($\beta = .21$, $p = .012$).

Table 1: The result of regression analysis for demographic variables

Variable	β	SE	t	p
Age	.020	.008	.238	.812
Gender (0 = male, 1 = female)	.048	.139	.622	.535
Marital Status (0 = not married, 1= married)	.069	.160	.775	.439
Income	.210	.021	2.529	.012
Educational Level	.028	.071	.350	.727

Note : All coefficients are standardized estimates. Adjusted $R^2 = .041$.

Next, we conducted a regression analysis regarding the influence of personality on CVAC (see Table 2). The adjusted R^2 was .148 and the coefficient estimates indicated that agreeableness ($\beta = .207$, $p = .016$) and openness ($\beta = .271$, $p = .001$) positively affected CVAC. Meanwhile, extraversion ($\beta = .023$, $p = .779$), conscientiousness ($\beta = .06$, $p = .482$), and neuroticism ($\beta = .117$, $p = .152$) did not affect the level of CVAC.

Table 2: The result of regression analysis for personality

Variable	β	SE	t	p
Extraversion	.023	.073	.281	.779
Agreeableness	.207	.100	2.424	.016
Conscientiousness	.060	.084	.705	.482
Neuroticism	.117	.080	1.438	.152
Openness	.271	.076	3.275	.001

Note : All coefficients are standardized estimates. Adjusted $R^2 = .148$.

Finally, we conducted a regression analysis for the influence of consumers' purchase styles (consumers' need for uniqueness and shopping styles as explanatory variables). As shown in Table 3, the adjusted R² of this regression model was .416. The result of coefficient estimates showed that need for uniqueness ($\beta = .417, p < .001$), perfectionist/high quality conscious ($\beta = .331, p < .001$) significantly affected CVAC. The effect of brand consciousness/price equal quality ($\beta = .128, p = .057$) and price conscious/value for money ($\beta = -.111, p = .087$) on CVAC were marginally significant. Recreational and Shopping Conscious ($\beta = .009, p = .883$) was not affect CVAC.

Table 3: The result of regression analysis for consumers' purchase styles

Variable	β	SE	<i>t</i>	<i>p</i>
Need for Uniqueness	.417	.048	6.605	< .001
Perfectionist/High Quality Conscious	.331	.067	4.929	< .001
Brand Consciousness/Price Equal Quality	.128	.035	1.918	.057
Recreational and Shopping Conscious	.009	.088	.147	.883
Price Conscious/Value for the Money	-.111	.066	-1.721	.087

Note : All coefficients are standardized estimates. Adjusted R² = .416.

DISCUSSION

The purpose of our study was to explore determinants of CVAC. To examine these, first, we conducted an online survey to collect data on consumers' demographic characteristics, psychographic characteristics (personality, need for uniqueness, shopping styles) and the level of CVAC. After that, based on these data, we conducted three regression analyses for demographic variables, personality, and purchase styles (need for uniqueness and shopping styles) respectively.

The result of demographic regression showed that, among five variables (i.e., age, gender, marital status, income, education level), income was the only significant predictor of CVAC. This suggests that consumers who have higher income tend to put more importance on visual product aesthetics in their purchasing decisions. However, the adjusted R² of this model was .041, which means that only about 4% of the variance of CVAC could be explained by this regression model. Therefore, it appears that the influence of the demographic characteristics on CVAC is very limited and visual product aesthetics is an important factor for consumers' purchase decision-making regardless of their demographic properties.

Personality regression analysis revealed that, among the Big Five personality traits, openness and agreeableness positively influenced CVAC. Several aesthetic studies reported the relationship between people's personality and aesthetic activities/experiences (e.g., how much people consider arts as important and valuable activities; McManus and Furnham, 2006; McCrae, 2007; Silvia and Nusbaum, 2011). Consistent with our results, these studies reported that openness is positively related to people's aesthetic activities/experiences. However, contrary to our results, McManus and Furnham (2006) reported that agreeableness is negatively related to aesthetic activities. Therefore, further study is needed to examine why this discrepancy exists. Meanwhile, compared to the demographic model, the personality model

had a higher explanatory value. The adjusted R^2 of this model was .148, which means that about 15% of the variance of CVAC could be explained by consumers' personality.

The result of regression for the purchase styles showed that consumers' attitude toward need for uniqueness, high quality, and brand consciousness positively affected CVAC. Meanwhile, consumers' price consciousness negatively affected CVAC. The adjusted R^2 was the highest among the three models and the value was .416. This means that this regression model could explain approximately 42% of the variability of CVAC.

Our study provides valuable implications for marketers to implement more efficient and appropriate design strategies and marketing communication for target consumers. The findings of our study suggest that CVAC is largely determined by psychological characteristics rather than demographical characteristics. This may imply that psychological segmentation is more suitable for profiling consumers high in product aesthetic consciousness and developing an aesthetic-oriented product strategy. In addition, the results of our study suggest that visual aesthetic strategy is expected to be especially effective for consumers who are more open to new and novel experiences and prefer to buy unique products, high-end products, and branded products.

As with any research, our study is not without limitations. One limitation is that we examined the determinants of CVAC in terms of demographic and psychographic consumer characteristics. However, consumers' culture may also affect CVAC. As a result, we hope to examine the effect of culture and cultural differences on CVAC in a future study. The other limitation is that we did not investigate how and whether the level of CVAC has an effect on purchase decision-making. Further studies examining the relationship between the level of CVAC and actual purchase decision-making are needed. We hope this study stimulates more research on antecedents and consequences of CVAC.

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Appendix: Descriptive Statistics of dependent and explanatory variables

Variable	Mean / Percentage	SD
<i>Dependant Variable</i>		
Consumers' Visual Product Aesthetic Consciousness	4.53	.89
<i>Demographical Explanatory Variables</i>		
Age	43.15	9.87
Gender (Male)	56.0%	
Marital Status (Married)	57.8%	
Income*	6.23	3.56
Educational Level**	3.45	.99
<i>Psychological Explanatory Variables</i>		
Personality (5-point scale)		
Extraversion	3.51	1.11
Agreeableness	4.22	.76
Conscientiousness	4.17	.90
Neuroticism	4.20	.90
Openness	3.89	.97
Need For Uniqueness (7-point scale)	3.76	1.18
Shopping Style (7-point scale)		
Perfectionist/High Quality Conscious	4.87	.89
Brand Consciousness/Price Equal Quality	4.02	.91
Recreational and Shopping Conscious	4.40	.64
Price Conscious/Value for the Money	4.87	.87

Note : * 6 = 500 million to 600 million yen , 7 = 600 million to 700 million yen

** 3 = Junior College, 4 = College/ University

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THE POWER OF CUSTOMER OWN EXPERIENCE. AN EMPIRICAL RESEARCH ON INTENTION TO USE ONLINE CHANNELMARCIN LIPOWSKI¹, ILONA BONDOS²**ABSTRACT**

This paper explores the impact of customer own experience, trust in service supplier and perceived risk of buying online on intention to buy service in online channel. The results indicate that the consumer's own experience in using the online channel at the service purchase stage is of key importance. This factor has a greater impact on the intention to use the online channel than the perceived risk and customer trust in the service provider operating in online channel. Perceived risk of using online channel has negative impact on trust in service supplier as well as on the intention to use online channel. The contribution is an attempt to generalize the results to certain service categories (financial services, telecommunications and transport), not just one particular service and service supplier. Our findings have significant theoretical and practical implications also some important issues worthy of further research are presented. Key Words: customer own experience, perceived risk, customer trust, online channel, service distribution

INTRODUCTION

Researchers emphasized that the proliferation of channels through which customers can interact with firms is recognized as the crucial trend in the shopping environment (Verhoef et al. 2010; Neslin and Shankar, 2009). As is noted by Chiu et al. (2011), recognition of multichannel customer behaviors is vital for surviving in a multichannel environment. This diffusion of marketing channels creates unavoidable challenges for service suppliers, one of them is to avoid the problem of consumer cross-channel free riding (Pantano and Viassone, 2015) what can have substantially negative impact on profit margins (Heitz-Spahn, 2013). The Internet is clearly cost effective and as the Internet enters the mix of available retail channels, a number of factors affect consumers' choice of channels (Dholakia et al., 2005).

LITERATURE REVIEW**Prior customer experience in online channel**

Verhoef et al. (2009) argue that prior customer experiences will influence future customer experiences. Also, Klaus (2013) highlights the importance of the online customer experience on the overall customer experience and customer behaviour. In other research (Klaus and Maklan, 2013) this author proves that customer experience has a stronger positive impact on loyalty intentions than customer satisfaction as well as it has a stronger positive impact on word-of-mouth behaviour than customer satisfaction. According to Maity, Hsu and Pelton (2012), customer prior experience refers to the knowledge that consumers have about online channel. With prior transaction experiences on the Internet, consumers become familiar with searching for information and making decisions online. These authors note that due to prior experience with the particular medium the interaction with the medium is easier to consumers. It is extremely important, however, that customer experiences cannot be completely controlled by the company and it has very subjective nature (Stein and Ramaseshan, 2016). For these reasons the identification as well as measurement of each components of a holistic customer

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experience is very challenging for researchers. In a broader sense, customer experience is recognized as the internal and subjective response customers have to any interaction with a company (Lemke et al., 2011). In this article, we focus on prior customer own experience refers to online channel. By the analogy with the definition of Meyer and Schwager (2007, p. 118) regarding service experience, experience in using an online channel is defined by us as customer experience is the internal and subjective response customers have to any direct or indirect contact with an online channel. It has been also claimed that online environment become more important than offline when consumers get familiar with online stores (Melis et al., 2015). Therefore, the more is consumer experienced with the Internet channel, the weaker is the role of the offline channel as a reference point for buying decisions. A growing body of research is dedicated to analyse the changes in customer behavior caused by acquire e-purchasing experience (Hernández et al., 2010; Olsson et al., 2012). As is stated in Kim and Gupta (2009), having online shopping experience (or lack thereof) results in a different amount of possess information and specific criteria for making purchase decisions. Their other research (Gupta and Kim, 2007) has shown that because of customers' transaction experience the effects of perceived convenience and perceived price change has changed unlike the effect of perceived value and pleasure. What is more, some moderating effects of cumulative online purchasing experience have been identifying by researchers (Holloway et al., 2005).

Perceived risk and customer trust

Undoubtedly, Kim and Peterson (2017) are right when claim that the future of e-commerce would be tenuous without online trust. Researchers give several arguments for importance of consumer trust for e-services successful development (e.g. Yoon and Occeña, 2015). One of them is distant and impersonal interactions witch service supplier as well as payment conditions (usually prior to the service delivery) and potential hacker attacks (Flavian and Guinalú, 2006). There is a substantial body of work on trust, this issue has been examining by researchers from diverse fields and it has been defined in many different ways (Kim and Park, 2013). One of vital characteristics of customer trust is its multidimensionality (Park et al., 2012). For the purpose of study, we focus on consumer trust in service supplier operating in online channel. As is stated in Lee and Turban (2001), there are three main elements of online trust: integrity, ability, and benevolence. By the analogy with the definition of Kim (2012) regarding online trust, it is a reliance on a specific service supplier by its customers with respect to the service supplier's business activities in the electronic medium generally, and specifically on its website. In order to explain the relationship between trust in e-service providers, the Theory of Reasoned Action was used by some researchers (Teo and Liu, 2007). As is stated in Toufaily et al. (2013), online trust is defined as the conviction that allows consumers to willingly become exposed to web retailers after having taken the retailers' characteristics into consideration. These researchers argue that e-trust influences word of mouth. Whereas, Kim and Park (2013) in their study, note the positive relations between Korean consumers' trust and purchase intention. Hong and Cha (2013) rightly emphasize that majority of studies focus on empirically investigating the effects of trust on perceived risk with little attention is devoted to the effects of perceived risk on trust. We truly argue with these authors who additionally notice the potential role of perceived customer risk as a inhibitor of trust. In their research trust in an online merchant mediates the relationship between psychological (as well as performance) risk and purchase intention.

The research literature suggests the close interrelationship between risk and trust (Park et al., 2012). Referring to the Theory of planned behaviour, risk perceived by consumers can lower their perception of control, which may affect the level of willingness to depend on an e-retailer (Park et al., 2012). Several authors have noted that e-commerce is more likely to introduce perceived risk than traditional commerce (Chiu et al., 2012; Flanagin et al., 2014),

mainly due to anonymity, lack of face-to-face contact (Hong, 2015) and product intangibility (Aghekyan-Simonian et al., 2012). One of many definition of customer risk refers to the potential for loss in the pursuit of a desired outcome of using an e-service (Featherman and Pavlou, 2003). Risk can be analyzed as a function of the amount of money must be spent on a particular product and the consumer’s subjective feelings refer to the favorableness of purchase consequences (Hong, 2015). Researches on perceived risk prove that this notion can have many specific dimensions (Lopez-Nicolas and Molina-Castillo, 2008; Nepomuceno et al., 2014). In relation to the risk-trust relationship, in Hong’s (2015) study among five dimensions of perceived risk only performance risk was positively related to a consumer’s trust expectation. In our research we focus on the general perceived risk. As is stated by Michell and Prince (1993) this general perceived risk decreases if purchase frequency increases. This is, therefore, a visible reference to the relationship between the perceived risk and the consumer's shopping experience. Whereas Martins et al. (2014) note the importance of perceived risk for consumers’ intention to use online channel in the area of banking services. What seems to be very interesting, Park et al. (2012) underline some vital cross-cultural differences in both trust and perceived risk. According to these authors, the negative effect of perceived risk on the willingness to depend on the retailer was not significant for Korean consumers, but was significant for American consumers. The issue worth emphasizing is the stage of service buying process, depends on each of phase perceived risk has or has not impact on intention to behave. According to Kollmann et al. (2012), while searching for information the consumers’ attitude towards risk seems irrelevant. In our article we do analyze the direct impact of perceived risk on the intention to buy service in online channel, but we also focus on interrelationship between perceived risk and customer trust as well as customer own experience in online channel.

RESEARCH METHODOLOGY AND FINDINGS

Research sample and methodology

The study is based on sample of 1103 consumers in Poland, that research sample included three generations: Baby boomers, X and Y generation. The study was conducted in the period of September-November 2015 on group of 1103 respondents including three consumer generations (see Table 1). The research sample was determined by the quota-random method, quotas according to respondents’ age and gender and the nature of the place of residence (city provincial, city other than provincial, village) – the structure of the sample was contained at regional level (16 voivodships). This means that the number of interviews for each province were set proportionally to the share of the population, then the number of interviews to conduct in the type of locality (city provincial, city other than provincial, village) was set, the number of interviews also reflected the number of inhabitants for the province. CAPI (computer assisted personal interview) method was used with a standardized questionnaire. Questions related to the perception of online channel characteristics have been scaled using a seven-point Likert scale (1-strongly disagree; 7-strongly agree). Structural equation modelling was used in the analysis (SPSS AMOS 24).

Table 1. Characteristics of the research sample (quantitative research, n = 1103

Characteristics		Number of respondents	Percentage of sample
Gender	Female	565	51.2
	Male	538	48.8
Generation	Baby boomers (1946-1964)	357	32.4
	X (1965-1980)	390	35.4
	Y (1981-1996)	356	32.3

Employment status	Full time employed	608	55.1
	Part time employed	82	7.4
	Entrepreneur	74	6.7
	Not employed	123	11.2
	Retired	185	16.8
	Other	51	2.8
Number of people in the household	1	108	9.8
	2	329	29.8
	3	323	29.3
	4	245	22.2
	5	98	8.8
	5 or more		

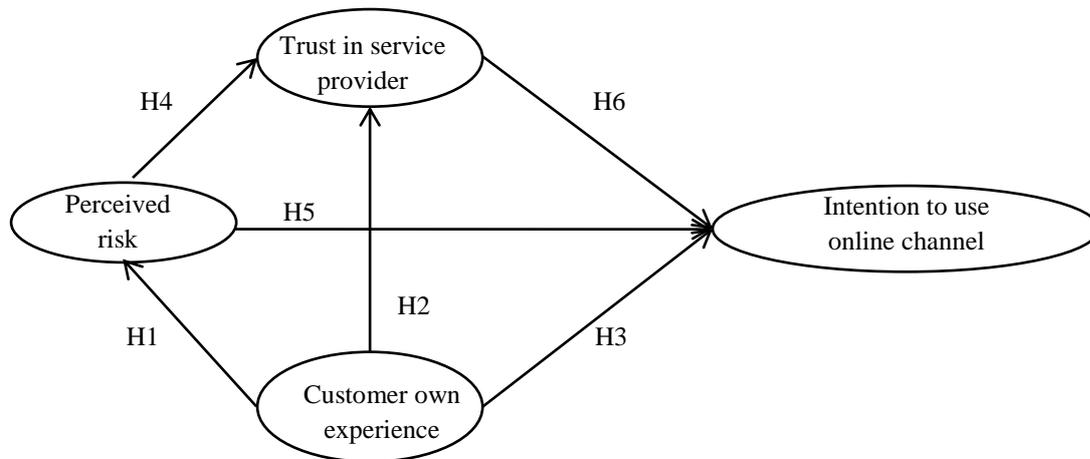
Source: own research.

Conceptual model and hypotheses

We formulate the following hypotheses – they are illustrated in Figure 1, which shows the structure of our conceptual model:

- H1: Customer own experience has a negative effect on the perceived risk.
- H2: Customer own experience has a positive effect on consumers’ trust in service provider.
- H3: Customer own experience has a positive effect on intention to use online channel.
- H4: Perceived risk has a negative effect on consumers’ trust in service provider.
- H5: Perceived risk has a negative effect on intention to use online channel.
- H6: Consumers’ trust in service provider has a positive effect on intention to use online channel.

Figure 1. The research model



Source: own research.

In the course of preliminary studies distinguished 12 statements that describe analyzed constructs (Table 2). Calculated as indicators of total reliability coefficient Composite Reliability (CR) and convergent validity by coefficient Average Variance Extracted (AVE).

Table 2. Selected measures of contracts’ reliability and validity

Construct	Items	Cronbach’s alfa	AVE	CR
Trust (T) Adapted from: (Kim and Park, 2013; Hong and Cha, 2013)	T1: When buying services on the Internet service I can trust to service provider. T2: I can rely on service offer purchased on the Internet. T3: Service provider keeps his promises and commitments concerning services purchased on the Internet.	.91	.64	.88

	T4: When buying services on the Internet I know that the service provider keeps my best interests in mind.			
Perceived risk (R) Adapted from: (Maity, Hsu and Pelton, 2012), (Park, Gunn, Han, 2012)	R1: Buying services on the Internet may lead to adverse consequences. R2: While buying services on the Internet I am afraid to disclosure of personal data. R3: Buying services on the Internet is risky.	.78	.60	.82
Customer own experience (E) Adapted from: (Maity, Hsu and Pelton, 2012)	E1: I have a lot of experience with online shopping. E2: With respect to online shopping, I feel competent.	.88	.56	.72
Intention to use online channel (IU) Adapted from: (Roschk, Muller and Gelbrich, 2013)	IU1: There is a good chance that I will use Internet to buy service. IU2: Most likely I will use Internet to buy service. IU3: I intend to use Internet in the future in order to buy services.	.97	.74	.90

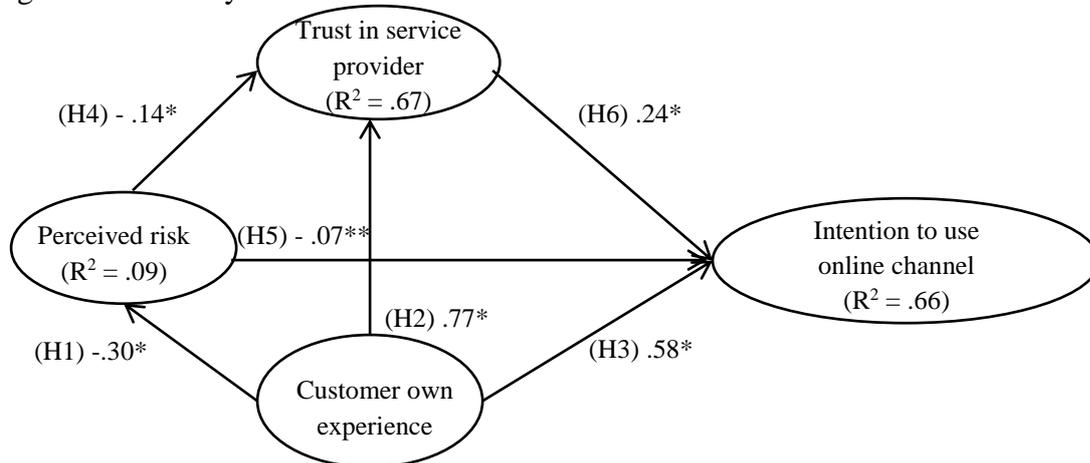
Source: own research.

Research finding

The theoretical model was tested using confirmatory factor analysis (CFA), which took into account all the independent and dependent variables. The estimation was made using Maximum likelihood (ML) estimator.

Statistics value χ^2 was 313.056 for df 147. Most of model fits have reached the expected level – CMIN/DF 3.351, DF = 48, GFI .976, AGFI .961, RMSEA .046 (LO 90 .038 – HI 90 .054), PCLOSE .777 (see Figure 2 and Table 3).

Figure 2. Summary of research results



Note: *p < .001; **p < .01

Model fit – CMIN/DF 3.351, DF = 48, GFI .976, AGFI .961, RMSEA .046 (LO 90 .038 – HI 90 .054), PCLOSE .777

Source: own research.

Table 3. Verification of research hypotheses

Hypothesis	p-value	Estimates	Acceptance or rejection
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H1	Experience \square Risk	.001	-.30	Accepted
H2	Experience \square Trust	.001	.77	Accepted
H3	Experience \square Intention to buy in online channel	.001	.58	Accepted
H4	Risk \square Trust	.001	-.14	Accepted
H5	Risk \square Intention to use online channel	.01	-.07	Accepted
H6	Trust \square Intention to use online channel	.001	.24	Accepted

Source: own research.

DISCUSSION

Conclusions and Implications

The results of this study are somewhat consistent with the findings of previous studies (Park et al., 2012). The negative effect of perceived risk on the intention to buy service online was significant for Polish consumers. Our results underline the importance of the online customer experience on the customer behaviour in online environment. Customer own experience has stronger direct influence on intention to buy in online channel than consumer trust in e-service supplier. Prior experience in operating in online channel has also significant impact on perceived risk as well as consumer's trust. Perceived risk is mitigated by prior online experience whereas trust is reinforced by that experience.

Online channel re-creates relationships between buyers and sellers. Online environment makes it difficult to build these relationships in the sense of traditional trade relations. In addition, the online channel facilitates movement between different service providers (Heitz-Spahn, 2013) and limits the information richness in communication (Kwak, 2012). All this makes the experience of using the online channel more important for the intentions of its future use than trust in a specific supplier in this channel. From the consumers' point of view, the perception of different e-service providers differs only with the functionality of Internet service systems. Making purchases on the Internet, the consumer is faced with only a computer (mobile) screen so the possibilities of distinguishing the supplier are extremely limited. Thus, the online channel creates considerable limitations in building confidence in the service provider. In addition, certain rules of e-commerce functioning (eg. return rules) are regulated top-down and apply to all sellers to the same extent.

Having regard to the above, the goal of building a strong consumer online experience seems obvious. In order to increase the consumers' experience in using the online channel, it is necessary to provide them the appropriate conditions in this particular marketing channel. As it is stated in Stein and Ramaseshan (2016), service provider should design and orchestrate prerequisites stimuli that enable customers to have the desired experiences in online channel rather than creating experiences. We also suggest improving communication in online channel that there would be more human factor. We truly agree with the Vanheems et al's. (2013) notion that the relationship between sales force and the customer must be reinvented in a multichannel environment. The issue of media richness of the online channel also plays an extremely important role in communication between customers and e-service supplier. The more that, the perceived media richness increases with the adaptation to the particular communication channel (Kwak, 2012). However, as is stated by Walia et al. (2016), simply enhancing the richness of the web interface for all products will not provide expected results without incorporating the effect of the price, complexity, and personal characteristics.

Further research and limitations

As for any research, our study has limitations. First is that we did not split perceived risk into several types of this variable. Taking into consideration the general perceived risk may have some impact on our model as well as on our findings. Another limitation refers to definition of

some of variables in our research model. We propose that each of the variables should refer to a specific e-service supplier – perceived risk of buying from a particular service supplier, trust in this service supplier, experience in buying from a particular service supplier and finally the intention to buy from him. We should also note the sample size and its diversity in terms of age (three generations) – the impact of each factors included in our model may be more or less different in each of the generations.

We believe that these limitations also suggest directions for further research.

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IN A SEARCH FOR THE INFLUENTIAL FACTORS OF INVESTORS' BEHAVIOURDR. MOHAMMAD SAMI MOHAMMAD ALI¹**ABSTRACT**

This research aimed at exploring the impact of interest rates, M/BV ratio and the financial crisis in investors' behaviour, as captured by the stock market's performance, over the period Dec/1992-Dec/2016. To accomplish the core aim of this study a set of empirical techniques like the ADF, Johansen Co-integration and VECM tests are employed. Consequently, the findings showed that the used variables are found to be non-stationary at levels, while after converting them into the first difference they became stationary. Results from the Johansen and VECM tests revealed that investors' behaviour as measured by the buffet indicator is significantly impacted by the explanatory variables on the long-run. However, when investors' behaviour was captured by the stock market index; no short or long correlation was detected. Additionally, the outcomes confirmed that investors' behaviour was adversely influenced by the financial crisis. Furthermore, the study concludes that investors of Jordan are risk averse investors.

Keywords: Investors' Behaviour, Buffet Indicator, M/BV, WATDIR and WASDIR.

INTRODUCTION

The economy of Jordan is a financial based economy, which is highly based on the performance of Amman stock exchange (ASE from here onwards). For instance, the recent statistics revealed that the contribution of market's capitalization in the country's GDP constituted 65% in 2016, compared with 83% by the end of 2013 (ASE, 2017). However, due to the impacts of deregulation and the series of global financial crises; the economy of Jordan witnessed structure fluctuations pre and post-financial crisis, and metrics like interest rates and M/BV ratio lie at the heart of these fluctuations. Consequently, the average ratio of ASE's M/BV decreased from 1.12 in 2000 to 2.91 in 2006, before plunging to 1.2 by the end of 2016 (ASE, 2017). On the other hand, the interest rates on time deposit's accounts fell from 6.55% in 2000 to 2.88% in 2002, before climbing to 6.49% in 2006, and ultimately declined to 3% at the end of 2016. By the end of 2002; the weighted average saving deposits' interest rates dropped from 1.8% to 0.99 in 2006, before decreasing to 0.6% by the end of 2016 (CBJ, 2017). However, though considerable researchers like (Ali, 2016; Al-Ali and Kassem 2013; Ojeaga and Odejimi, 2014) have appraised the importance of interest rates, and M/BV ratio in the process of decision making; the previous researches have not answered the impact of the movements in deposit interest rates, M/BV ratio or the market's performance in the perception of Jordanian investors. Beyond that studies including Mora (2010) proved that during the crisis period investors preferred to liquidate their securities to invest them in less risky investments, such as treasury bills and bank deposits. Additionally, measuring the impact of interest rates and M/BV ratio in the performance of stock markets and investors' behaviour is being studied intensively (e.g. Ali, 2014; Thang, 2009; Aurangzeb, 2012, Uddin and Alam, 2007; Al-Majali and Al-Assaf, 2014; El-Seoud, 2014; Al-Dahrawi, 2016). However, though many studies shed the light on exploring the influential factors of investors' behaviour; the empirical framework confirmed that there is no previous research performed to identify the main determinants of investors' behaviour as proxied by the performance of ASE. Additionally, though the movements in variables like interest rates and M/BV ratio have experienced dramatic fluctuations, there is a gap in literature regarding the impact of these financial metrics in the performance of ASE.

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Therefore, the current research is mainly initiated to identify the impacts of the volatility in the time and saving deposit interest rates and the average ratio of Amman stock exchange's M/BV in the behaviour of Jordanian investors, over the period Dec/1992-Dec/2016. The study will also investigate the impact of market performance in the behaviour of Jordanian investors. However, since the economy of Jordan in common with other developing economies in the region; was adversely impacted by the 2008/11 financial crisis; the study also seeks to understand the impacts of this crisis in the performance of Amman stock exchange as a proxy for investors' behaviour.

EMPIRICAL REVIEW

The current research is primarily initiated to explore the potential determinants of investors' behaviour as captured by the performance of ASE. Thus, to cover the theoretical and empirical foundation of this study; the following section presented a critical appraisal for the most recent studies concerning the influential factors of investors' behaviour and the market's performance. These studies are discussed as categorized below:

Stock Market Performance's Related Studies

The review of literature has shown numerous studies concerning the influential factors of stock markets' performance. For example, a study by Zafar (2013) aimed at identifying the influencing factors in the performance of stock markets as measured by the market capitalization/GDP. The results revealed a negative relationship between the real interest rate and the market performance. However, Khrawish, Siam and Jaradat (2010) found a significant-positive relationship between government prevailing interest rate and the market capitalization, while; the factor of government development is found to be negatively affecting the rate of market capitalization. Similarly, Ologunde, Elumilade and Saolu (2006) confirmed a positive correlation between the market capitalization rate and the prevailing interest rate. A study by Thang (2009) confirmed that in the long and short run the stock index of the Malaysian stock market is negatively related to both the interest and the exchange rates. Additionally, the study induced that when the interest rate is high; investors prefer to liquidate their securities to deposit them into the banks and vice versa. Consistently, Richard et al., (2012) discovered a negative relationship between the rates of interest along with the stock index of the Nigerian capital market. However, Al-Mukit (2012) showed a positive association between the exchange rate and the stock index of Dahaka stock market, while; the weighted average saving deposits rates are found to be negatively associated with the stock index. Likewise, Aurangzeb (2012) revealed a negative correlation for the interest rates along with the market's performance. Whereas, a 1% increase in the deposit interest rates decreases the market's performance by 73%, while the decrease in these rates stimulates investors to withdraw their money to invest them in the stock market. Ali (2016) argued that there is no long or short- run causality running from the volatility in the M/BV ratio towards the market liquidity as measured by the value traded and the turnover ratio. The study concluded that financial factors like M/BV ratio doesn't impact the behaviour of Jordanian investors.

Determinants of Investors' Behaviours

Numerous studies are performed to explain the potential determinants of investors' decisions and saving behaviour. For example, a study by Fares and Khamis (2011) found that factors including investor's ages, experience of using the internet, and the level of education are significantly affecting investors' trading behaviour. Mojgan and Ali (2011) revealed that variables like EPS and DPS play a central role in motivating Persian investors to invest in the stock market. However, Nagy and Obenberger (1994) showed that variables like expected earnings and risk minimisation are found to be the most influencing factors on securities'

investors. Azam and Kumar (2011) pointed out that factors like E/P, FDI and the real GDP are significantly impacting the stock index of the Karachi stock market's as a proxy for investors' behaviour. Harsha and Kerav (2012) find that the variable of market capitalization, and past performance are the two most influential factors of investors' decisions in Vadodara and Ahmedabad; while, variables like the fluctuations in markets' indices are the least effective determinants of investors' decisions. Acosta and Loza (2005) indicate that investment decision in Argentina are significantly affected by exchange rate, inflation rate, trade liberalization and the changes in the levels of aggregate demand, while, in the long-run these decisions are highly influenced by variables such as credit to private sector and external debt. A study by Yamin and Ali (2014) concluded that variables including M/BV ratio are significantly impacting the decisions of Amman stock exchange's investors.

Financial crisis Appraisal

A study by Al-Dahrawi (2016) confirmed that the behaviour of Jordanian investors as measured by the liquidity of ASE was adversely impacted by the global financial crisis. In the same vein, Alnajjar, et al. (2010) found that though the economy of Jordan such other developing economies in the region, was adversely affected by this crisis; the lack of modern financial instruments in the ASE successes in mitigating crisis' impact. Further results revealed that the listed financial sectors recorded a considerable decline, due to the decline in the banking sector's index. Continually, Al-Zyadat and Al-Kharabsheh (2013) revealed that the global crisis influences the performance of ASE as monitored by stock prices and the turnover ratio. Additionally, the higher interest rates resulted in decreasing the stock prices and the lending activity of Jordanian commercial banks. Likewise, Neaime (2012) found that since a majority of MENA region countries are highly relied on the FDI and exports to recover budget deficit; the study shows that countries including Egypt, Jordan, Kuwait, Morocco and the United Arab Emirates were adversely impacted by this crisis, due to the dramatic decrease in the levels of FDI.

RESEARCH METHODOLOGY

Quantitatively, the current research employed empirical techniques like the ADF, Johansen Co-integration, VECM and Granger Causality Wald tests to measure the impact of WATDIR, WASDIR, and M/BV ratio in the behaviour of Jordanian investors, as captured by the performance of the Amman stock exchange. According to this study the market performance's indicator was typically gauged by utilizing both the buffet indicator and the general stock index. However, to examine the impacts of the 2008/11 financial crisis in investors' behaviour; the study constructed a dummy variable that takes two values. The zero value assumes that the financial crisis doesn't impact the market performance; while, the one value confirms that the performance ASE was impacted by the financial crisis. Moreover, to achieve the aim of this research; the study used a monthly time series data covers the period Dec/1992-Dec/2016. The study's data were mainly obtained from the statistical bulletins of Amman stock exchange, central bank of Jordan, and the official sites of the global economy and the World Bank (ASE, 2017; CBJ, 2017; Global Economy, 2017; World Bank, 2017). However, before running the tests; the data were converted into the logarithm and standard deviation to measure impact of the volatility in the independent variables in the behaviour of ASE's investors.

RESEARCH HYPOTHESES

To achieve the aim of this study; the following hypotheses are formulated:

First Main Hypothesis

H₁: There is a significant impact to the volatility in the WATDIR, WASDIR, M/BV and the ASEP in the behaviour of ASE’s investors.

Second Main Hypothesis

H₂: The RFC_2008/11 was significantly impacted the behaviour of ASE’s investors.

MODEL SPECIFICATION

To test the above hypotheses, the following model was developed:

$$\begin{aligned} \text{Ln ASEP} = & \beta_0 \pm \beta_1 \sigma\text{WATDIR} \pm \beta_2 \sigma\text{WASDIR} \pm \beta_3 \left(\sigma \frac{\text{M}}{\text{BV}} \% \right) \pm \beta_4 \text{ASEP} \\ & \pm \beta_5 \text{RFC_2008/11} + \varepsilon_t \dots \dots \dots (1) \end{aligned}$$

Where, the ASEP in the left side refers to the logarithm of ASE's performance as measured by the buffet indicator and the general index of the ASE. Similarly, the ASEP on the right side refers to the market's performance. For instance if the buffet indicator is employed on the left side; the general index will be used on the other side, to examine whether it affects investors’ behaviour as measured by the market performance, and vice versa. σWATDIR refers to the volatility in the weighted average time deposit interest rates, WASDIR is the weighted average of saving deposit interest rates, $\left(\sigma \frac{\text{M}}{\text{BV}} \% \right)$ indicates to the market-to-book value ratio, and the RFC_2008/11 refers to the recent financial crisis as a dummy.

ESTIMATION PROCEDURE

The current research employs a time series data to achieve the core aims and objectives. Thus, to avoid the case of getting spurious regression results; the study employed the ADF test to examine the following model:

$$\Delta Y_t = \delta_0 + \delta_1 + \delta_2 Y_{t-1} + \sum_{i=1}^p \alpha \Delta Y_{t-i} + \varepsilon_t \dots \dots \dots (2)$$

Where, δ_0 , δ_1 , δ_2 and α are the parameters to be estimated and the ε_t relates to the disturbance term. Thereafter, the study runs the Johansen co-integration test. Consequently, the results found a statistical integration between the variables I (1). Therefore, since the variables are integrated of the same order; that implies for the existence of adjustment mechanism. This adjustment examined through running the single equation of the restricted vector error correction model “VECM”. The following ECM follows the order of specification of the first model.

$$\begin{aligned} \Delta \text{Ln ASEP}_{it} = & \beta_0 \pm \sum_{i=1}^{k-1} \beta_{1i} \Delta \text{ASEP}_{t-i} \pm \sum_{i=1}^{k-1} \beta_{2i} \Delta \sigma. \text{WATDIR}_{t-i} \pm \\ & \sum_{i=1}^{k-1} \beta_{3i} \Delta \sigma. \text{WASDIR}_{t-i} \pm \sum_{i=1}^{k-1} \beta_{4i} \Delta \left(\sigma. \frac{\text{M}}{\text{BV}} \% \right)_{t-i} \pm \sum_{i=1}^{k-1} \beta_{5i} \Delta \text{ASEP}_{t-1} \pm \\ & \sum_{i=1}^{k-1} \beta_{6i} \Delta \text{RFC_2008/11}_{t-1} \pm \sum_{i=1}^{k-1} \gamma_1 \sigma. \text{WATDIR}_{t-i} \pm \sum_{i=1}^{k-1} \gamma_2 \sigma. \text{WASDIR}_{t-i} \pm \\ & \sum_{i=1}^{k-1} \gamma_3 \left(\sigma. \frac{\text{M}}{\text{BV}} \% \right)_{t-i} \pm \sum_{i=1}^{k-1} \gamma_4 \text{ASEP}_{t-1} \pm \sum_{i=1}^{k-1} \gamma_5 \text{RFC_2008/11}_{t-1} \pm \psi_i \varepsilon_{t-1} \pm \\ & \mu_t \dots \dots \dots (3) \end{aligned}$$

Where, $\Delta \ln ASE P_{it}$ is the first difference operator of the dependent variable. This variable relates to the Amman stock exchange performance. β_i : $i=1, \dots, 6$ are the parameters to be estimated and they are indicating to the coefficients of the short-run dynamics. While the γ_i : $i=1, \dots, 5$, parameters, refer to the long-run multipliers. $\Psi_i \varepsilon_{t-1}$ is the first lagged period of the error correction term and μ_t refers to the white noise error term with the usual properties. To examine whether the set of independent variables cause granger to the performance of ASE on the long-run; the above model assumes that the coefficient of error term equal zero. Thus, this null hypothesis is tested against the alternative one, which assumes that the error term $\neq 0$.

VARIABLES' DESCRIPTION AND MEASUREMENTS

First: Explanatory Variables

ASE's M/BV Ratio

This ratio refers to the average ratio of ASE's market-to-book value. This ratio was calculated by Al-Dahrawi (2016) as shown below:

$$\text{The average ratio of ASE's M/BV} = \frac{\text{ASE's market value}}{\text{ASE's book value}}$$

Deposit Interest Rates

These rates refer to the weighted average of the interest rates, those are paid by Jordanian commercial banks for customers' time and saving deposits.

The Recent Financial Crisis

This research constructs a dummy variable to measure the impact of the 2008/11 financial crisis on investors' behaviour. This dummy takes two values 'zero and one'. The 0 value means that the financial crisis doesn't impact the behaviour of Jordanian investors. However, the one value means that this crisis was significantly impacting investors' behaviour.

Second: Dependent Variables

Stock Markets' performance

To measure the performance of Amman stock exchange; two main measures are employed as described below:

Buffet Indicator

Is a long-run valuation indicator that is used to measure the stock markets' performance, based on the market size. This indicator is calculated as shown below:

$$\text{Buffet Indicator} = \frac{\text{Stock Market Cap}}{\text{GDP}} * 100$$

ASE General Index

It is considered as one of the three important indices in the ASE that uses 1000 points as a base value. This index is supplemented by sub-indices for the main four sectors; those are including the banking and finance sector, insurance, services, and the industrial sector. The index is

calculated by using the market capitalization of the free float shares of companies. The index consists of 100 listed traded companies. These companies are selected based on the number of traded days and market capitalization.

RESULTS AND CONCLUSION

First: Results' Discussion

This research employs a monthly time series data to determine the most influential factors, which are impacting the behaviour of Jordanian investors as captured by the market's performance. Thus, to avoid the issue of getting spurious regression results; the study employed the ADF test to check for stationarity. The results showed that all the variables are found to have unit roots when they are tested at levels. However, after converting them into the first difference the trends were eliminated. Therefore, the study applied the Johansen test, and the results confirmed that there is a statistical integration among the variables of interest. The findings of the error correction model showed that on the long-run, the performance of ASE as measured by the general index is not being granger cause by the movements in M/BV ratio, the rates of interest and the buffet indicator. Similarly, investors' behaviour as measured by the stock index was not impacted by the recent financial crisis. Additionally, findings from the Wald χ^2 granger test confirmed that the set of independent variables don't cause granger to investors' behaviour as measured by the stock market index on the short-run. On the other hand, when the performance of ASE was captured by using the market cap relative to the GDP; results from ECM validated the outcomes of the Johansen test. Therefore, the findings proved that there are long-run causalities running from M/BV ratio, interest rates and the stock index towards investors' behaviour. The results also discovered that the recent financial crisis was adversely affected the performance of ASE as measured by the buffet indicator. However, results from the Wald test showed that there are no short-run correlations between the variables. Furthermore, post-estimation tests including the LM proved that there is no serial correlation in the residual. For the results of the ADF, Johansen, VECM, Wald and the LM tests; see tables 1 to 9, in the appendix.

SECOND: CONCLUSION

This research was designed to determine the most influential factors of investors' behaviour as captured by the performance of ASE, over the period Dec/1992-Dec/2016. Thus, after checking for data stationarity, the results showed that after adding the first difference all the variables became stationary of the same order. Thereafter, the study applied the Johansen co-integration test, before running the VECM test. The findings revealed that there is no long or short-run causality running from the volatility in interest rates, M/BV ratio or the buffet indicator towards investors' behaviour as captured by the stock index. Similarly, the recent financial crisis was not affected the general index of the ASE. The results are seemed to be consistent with Ali (2016) as proved that there is no long or short-run causality running from M/BV ratio towards the liquidity of ASE. However, studies including (Yamin and Ali, 2014; Shaban and Al-Zubi, 2014) revealed that the decisions of ASE are affected by variables like M/BV ratio. Thang (2009) found a negative short and long-run integration between the interest rates and the stock markets' indices. Therefore, the study concludes that may be there are some other factors affecting investors' behaviour as proxied by the stock index. For instance, Azam and Kumar (2011) documented that factors like E/P, FDI and the real GDP are significantly impacting the stock index of the Karachi stock market's as a proxy for investors' behaviour. By contrast, the study shows that on the long-run; the behaviour of ASE's investors as measured by the buffet indicator is statistically impacted by the movements in M/BV ratio, WATDIR, WASDIR and the stock index. These results are consistent with Zafar (2013) as he finds a negative correlation

between interest rates and the market performance as measured by the rate of market capitalisation. The results of the current study also documented that the recent financial crisis was negatively impacted the performance of ASE and that agrees with (Alnajjar et al., 2010; Al-Zyadat and Al-Kharabsheh, 2013). Moreover, the study concludes that variables like M/BV, WATDIR, WASDIR and the stock index are commonly used by Jordanian investors to make their investment decisions. However, since the decrease in the M/BV ratio and the WATDIR is found to stimulate investors to invest in the stock market; the study induced that investors of Jordan can be classified as rational or risk averse investors (see e.g. Thang, 2009). Furthermore, since the recent crisis was negatively impacted investors' behaviour; the study concludes that during the crisis period investors became more risk averse as they liquidated their financial securities to invest them in less risky investment's opportunities such as banks' deposits or bonds. This result is consistent with Mora (2010) as found that during the crisis period investors preferred to liquidate their securities to employ them in less risky investments, such as treasury bills and bank deposits.

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APPENDIX

Table 1: ADF's Results

The following table demonstrates that all the time series variables became stationary, only after adding the first difference.

Variable	Level 5%		P-Value	1 st Diff	Remark	H ₀
Cap/GDP	-3.429	-4.126	0.0058	1	I (I)	Rejected
G.Index	-3.429	-3.697	0.0226	1	I (I)	Rejected
M/BV	-3.429	-3.443	0.0459	1	I (I)	Rejected
WATDIR	-3.429	-3.643	0.0264	1	I (I)	Rejected
WASDIR	-3.429	-4.087	0.0066	1	I (I)	Rejected
RFC_2008/11	-3.429	-6.875	0.000	1	I (I)	Rejected

Note: *** indicates that the time series variables are significant at 5 per cent level of significance.

Table 2: Johansen Co-integration Results

The results revealed a long-run integration between investors' behaviour as measured by the stock index along with the set of independent variables.

VEC-rank G.Index, M/BV ratio, WATDIR. WASDIR. Cap/GDP, RFC_2008/11, trend(Constant) Lags (3) max
Johansen tests for Co-integration

Trend: Constant					No. of Obs. = 285
Sample: 1993m4-2016m12					Lags= 3
Maximum					
Rank	Eigen Value	H ₀	Trace Statistics	1% Critical Value	
0	.	R=0	106.1	103.1	
1	0.1166	R ≤ 1	70.78*	76.07	
2	0.0965	R ≤ 2	41.85	54.46	
3	0.0782	R ≤ 3	18.63	35.65	
4	0.0319	R ≤ 4	9.371	20.04	
5	0.0285	R ≤ 5	1.104	6.65	
6	0.0038	.	.	.	

Table 3: Vector Error Correction Model “VECM”

The results confirmed that there is no long-run integration between the set of independent variables along with the stock market’s index.						
	Coef.	Std. Error	Z	P > /Z/	99% Cnof.	Interval
D_G.Index						
_Ce1						
L1	0.0068	0.0017	3.87	0.000	0.0022	0.0113
G. Index						
LD.	0.9939	0.2328	4.27	0.000	0.3943	1.5936
L2D.	-0.0417	0.2326	-0.18	0.858	-0.6408	0.5574
M/BV						
LD.	-0.0070	0.1843	-0.04	0.970	-0.4819	0.4679
L2D.	-0.0157	0.1846	-0.09	0.932	-0.4914	0.4598
WATDIR						
LD.	-0.0019	0.0042	-0.45	0.654	-0.0129	0.0091
L2D.	-0.0020	0.0038	-0.53	0.594	-0.0119	0.0078
WASDIR						
LD.	0.0011	0.0096	0.12	0.906	-0.0236	0.0259
L2D.	-0.0002	0.0090	-0.02	0.980	-0.0235	0.0231
Cap/GDP						
LD.	-0.0398	0.0594	-0.67	0.503	-0.1930	0.1133
L2D.	0.0125	0.0595	0.21	0.832	-0.1407	0.1659
RFC_2008/11						
LD.	-0.0010	0.0019	-0.52	0.604	-0.0061	0.0041
L2D.	-0.0009	0.0018	-0.51	0.607	-0.0055	0.0037
Cons_	0.0002	0.0003	0.87	0.382	-0.0005	0.0010

Table 4: Wald Results

Results from the Wald test proved that there is no short-run causality running from the independent variables towards investors’ behaviour.

Variable	Chi2	Prob>chi2
M/BV	0.11	0.948
WATDIR	1.43	0.488
WASDIR	0.02	0.991
Cap/GDP	1.50	0.827
RFC_2008/11	0.51	0.774

Table 5: LM Test

The results of Lagrange-Multiplier Test showed that the examined variables did not present any autocorrelation at lag one or two.

Lag	Chi2	Df	Prob>chi2
1	36.461	36	0.4472
2	49.285	36	0.0690

Table 6: Johansen Co-integration Results

The results revealed a long-run integration between investors' behaviour as measured by the buffet indicator along with the set of independent variables.

VEC-rank Buffet indicator, M/BV ratio, WATDIR, WASDIR, G.Index, RFC_2008/11, trend(Constant) Lags (3) max
Johansen tests for Co-integration

Trend: Constant		No. of Obs. = 285		
Sample: 1993m4-2016m12		Lags= 3		
Maximum				
Rank	Eigen Value	H ₀	Trace Statistics	1% Critical Value
0	.	R=0	106.1	103.1
1	0.1166	R ≤ 1	70.78*	76.07
2	0.0965	R ≤ 2	41.85	54.46
3	0.0782	R ≤ 3	18.63	35.65
4	0.0319	R ≤ 4	9.371	20.04
5	0.0285	R ≤ 5	1.104	6.65
6	0.0038	.	.	.

Table 7: Vector Error Correction Model “VECM”

Since the error term is negative and significant, the results validated results from Johansen test. Meaning, that there are long-run causalities running from the independent variables towards investors' behaviour as measured by the buffet indicator.						
	Coef.	Std. Error	Z	P > /Z/	99% Cnof.	Interval
D_Cap/GDP						
_Ce1						
L1	-0.00324	0.00064	-5.00	0.000	-0.049	-0.0157
Cap/GDP						
LD.	0.7725	0.1899	4.07	0.000	0.283	1.261
L2D.	0.0242	0.190	0.13	0.898	-0.465	0.514
M/BV						
LD.	-0.0711	0.5888	-0.12	0.904	-1.587	1.445
L2D.	-0.0980	0.5896	-0.17	0.868	-1.616	1.420
WATDIR						
LD.	-0.0081	0.0136	-0.60	0.551	-0.0434	0.027
L2D.	-0.0071	0.0122	-0.58	0.563	-0.0387	0.024
WASDIR						
LD.	0.0078	0.0307	0.25	0.800	-0.071	0.087
L2D.	0.0072	0.0289	0.25	0.802	-0.067	0.081
G.Index						
LD.	0.2235	0.7434	0.30	0.764	-1.691	2.138
L2D.	-0.0200	0.7428	-0.03	0.978	-1.933	1.893
RFC_2008/11						
LD.	-0.0033	0.0063	-0.52	0.603	-0.0197	0.013

L2D.	-0.0029	0.0057	-0.51	0.613	-0.0177	0.011
Cons_	0.0004	0.0009	0.46	0.643	-0.0020	0.002

Table 8: Wald Results

Results from the Wald test proved that there is no short-run causality running from the independent variables towards investors' behaviour.

Variable	Chi2	Prob>chi2
M/BV	0.57	0.750
WATDIR	2.06	0.357
WASDIR	0.34	0.845
G.Index	1.76	0.881
RFC_2008/11	1.24	0.872

Table 9: LM Results

This table demonstrates results from Lagrange-Multiplier Test, which is applied to examine the status of autocorrelation at lag among the examined variables. Consequently, the results did not present any autocorrelation in the residual, neither at lag one nor at lag number two.

Lag	Chi2	Df	Prob>chi2
1	36.46	36	0.447
2	49.28	36	0.069

15-BG11-5771

RESEARCH ON THE ADVERTISING INDUSTRY IN THAILANDASSOC. PROF. ANNA CHOOMPOLSATHIEN¹**ABSTRACT**

This paper aims to study the development of the advertising industry, its trends and influencing factors in Thailand using qualitative research methods, including in-depth interviews with professionals in the advertising industry, marketing personnel and academics and other related documents. The research found that the advertising industry in Thailand can be divided into seven periods: the early period of advertising; the period of informative based advertising; the period of advertising with art direction appeal; the period of brand idea presentation; the period of advertising with a Thai humour; the period of the restructuring of advertising agencies; and the digital age. The factors influencing such trends are the improvement in the technology of printed media between the first era and the digital era of the present, as well as changes in consumer behaviour, in the economy and in government control. The research found that advertisement is still a significant marketing tool, but it needs to adjust according to social and technological change. The industry needs to keep up with ever-upgrading technology, to keep a close eye on consumer behaviour and to modify the structure of advertising agencies and media agencies accordingly. It has to be aware of a future of personnel, and must prepare the new generation to enter the industry.

INTRODUCTION

Advertising is an essential marketing tool that aims to get or attract attention, and to build up an awareness and interest towards a product or service. It intends to plant a good attitude inside the consumer's mind that will lead to desire and action in purchasing the advertised product or service. Advertising is one of variety of marketing communication tools that companies can use to achieve their defined objectives (Yeshin, 2006, p. 1).

The advertising industry has an important role in the country's social and economic development. Job creation, taxation and economic growth are some of the main results of successful business, which is driven by advertising.

Advertising in Thailand has been greatly influenced by the western countries. The advertising industry in Thailand has grown, and local personnel has picked up the advertising know-how from the western. They set up local advertising agencies, combining the skills learned from western agencies with their own characters and creativity, and their work has been very well received in the region.

The beginning of advertising in Thailand can be traced in newspapers from the reign of King Rama IV, which was also the period when printing technology started to become more available to the public. Advertising was born when product owners needed to make their product better known to the public. They would directly contact the media owner, who would be in charge of designing the advertising piece. Naturally, the advertising of the period was informative advertising by nature. Advertising pieces were not much concerned with aesthetics, since the technology of production was still fairly primitive.

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In 1924, during the reign of King Rama VI, the first Thai advertising agency was established in the country under the name of the Siam Advertising Company, Ltd.

The advertising business expanded after World War One with the establishment of Thailand's first radio broadcasting station in 1930. As a result, radio automatically became a new medium for advertising. The advertising strategy in Thailand began to consider unique selling propositions, with more elaborate art direction and design to enhance the more international feel to the advertising piece.

In 1955, Thailand's first television broadcasting station was established. The advertising industry in the country found a space to grow even further, as television also became an important advertising medium. Free trade at the time led to more imported goods and service. Under the circumstances, major international advertising agencies started to set up business in Thailand. From that time, Thailand's advertising business started to improve considerably in both quality and quantity.

By 1957, Thai advertising media has grown even further, and there were thus more Thai advertising agencies. There were collaborations between local and major international agencies to pass on modern know-how and the more appealing production techniques. The advertising of the period began to consider on-brand imaging to appeal to the consumer more effectively.

The Advertising Association of Thailand (AAT) was established in 1965. The graduates of the period showed a great deal more interest in working in advertising. The academic institutions also provided many more courses in communication. This context definitely had an effect on the development of the industry's personnel.

The year 1997 can be considered the start of the digital media era. The much-improved performance of computers and smartphones helped a great deal in faster communication and the ability to transmit a much greater amount of information. It is considered the time of new media, when the message receiver or the consumer could be the message sender at the same time. This can be considered a two-way communication. The new media has been very effective as it can carry images, sound, animated pictures and messages at the same time. Advertising via new multimedia sources such as websites, e-mail, video games, line, Instagram, Twitter, Facebook, Foursquare and YouTube emphasises the variety of available content, which can be directly sent to its target group by the help of segmentation, targeting and positioning. The content can be aimed at the lifestyle and interests of its target group to effectively create awareness of the product or service.

We can therefore say that advertising, as a marketing communication tool, plays a significant role in the economic and social growth of the country.

RESEARCH METHOD

Objectives

1. To study the development of the advertising industry in Thailand;
2. To study the factors that affect and influence the development and change of the advertising industry in Thailand; and
3. To analyse the trend of the advertising industry in Thailand.

Data resources

There are two main resources:

1. Primary data: in-depth interviews with advertising industry personnel in Thailand (staff members from advertising agencies, staff members from the marketing department of the studied business, and advertising academics); and
2. Secondary data: written materials like textbooks, articles and research that engages with Thailand's advertising industry.

The qualitative research by performing an in-depth interview was done by interviewing 15 advertising, marketing and advertising academic personnel. They are chosen by non-probability sampling. Purposive sampling was used to choose advertising executives, creatives, digital advertising experts, marketing experts and advertising academics who have at least seven years of experience in the field.

Data analysis is done by gathering the materials gained from the in-depth interviews and the classified referenced written materials. The data will be edited according to the major and minor issues in the research's objectives to analyse and draw the conclusion.

Research conclusion

The development of the advertising industry in Thailand

From the study, it was found that the development of advertising industry in Thailand can be categorised into seven periods: the early period of advertising; the period of text-based product-related advertising; the period of advertising with an art-directed aesthetic appeal; the period of idea presentation; the period of advertising with a Thai comic flavour; the period of the restructuring of advertising agencies; and the digital age.

1. The early period of advertising started when printed media became available in Thailand in 1844. The advertisements of the period came in the form of announcements straightforwardly conveying the message.
2. The period of text-based product-related advertising (informative product advertising) was when many imported goods became more widely available in Thailand. There were some foreign agencies to handle advertising for the locals. The advertisements of this period often showed the distinctive physical characters of the products without much creative strategy.
3. The period of advertising with an art-directed aesthetic appeal (image advertising/art direction) was when creativity mainly followed western art direction, emphasising the image of the product. Advertising creatives were the essential mechanism in advertisements during the time.
4. The period of idea presentation involved new, exciting ideas for presenting the featured characters of the products to raise understanding and awareness of the goods.
5. The period of advertising with a Thai comic flavour was when there was an overflow in beautiful and desirable image styles in advertisement pieces. They emphasised storytelling with specifically Thai-style comic gags, without mimicking the western sense of humour. The advertisements reflected the tastes, aspirations and sensibilities of its intended audiences (Drewniana and Jewler, 2014, p. 12).
6. The period of the restructuring advertising agencies was when there were many foreign shareholders in the local advertising agencies, resulting in the merging of agencies and the separation of media agencies. Both kinds of agency operated under the five global level agency group: the Omnicom Group, WPP Group, the Interpublic Group, the Publicis Group and Dentsu.

7. The digital age: during this period, the advertising agencies adapted themselves to changes in computer technology, which greatly affected consumer behaviour in the use of media. They now have to consider social media, the devices used in consuming information and the birth of digital television to make digital advertising reach audiences effectively.

The factors influencing the development of the advertising industry in Thailand

1. We found that the factors influencing the development of the advertising industry in Thailand are:
2. The development of media and technology. The transition from the analogue era to the digital era has helped communication become much easier and effective. The new technology is considered to be new media with a great influence on consumers' daily life.
3. The change in consumer behaviour, as the new technology helps consumers find information conveniently. Consumers' perceptions, attitudes, values and lifestyle start to take a new shape, and this results in a change in their decision-making pattern.
4. The change in economic situation. The collaboration among the South East Asian countries means a much larger market exists. While there are more goods and service providers, this also means higher competition.
5. The state's rules and controls mean stricter supervision over advertising.

The trend of the advertising industry in Thailand

From the study, we can conclude that the trend of the advertising industry in Thailand is:

1. Advertising is still an essential tool in marketing communication. However, it has to adapt to the changing social context.
2. Advertising agencies have to keep up with the progression of technology to be able to plan advertising strategies effectively.
3. Emphasis on research on consumer behaviour will help direct advertising strategies effectively.
4. Reconstructing the advertising agencies and media agencies is necessary for the business to survive and function effectively.
5. There is a tendency towards a lack of personnel to perform in medium-sized and large advertising agencies.
6. Educational institutions should be concentrating on developing and preparing personnel to enter the advertising industry.

ANALYSIS OF THE RESEARCH RESULTS

The development of the advertising industry in Thailand

From the study of the advertising industry in Thailand, we can say that change and development is the consequence of the development of media technology: the printed matters by Dr. Bradley, the birth of radio and television broadcasting and the new digital media in the present. This corresponds with the idea of Fons Van Dyck that the format and content of advertisements will change rapidly due to the progression of technology.

The development of advertising in history can be divided into seven ages. In the early age of printed matter (newspapers and magazines), advertisements would feature large images of

the products, with extra-long copy to convince consumers of all the surrounding reasons to buy them (1890–1910).

The birth of radio and movies gave the advertising of the age a more progressive technology in photography and colour image printing. Advertisements started to move towards a more designed, more seductive model (1950–1960).

After that, advertisements were stimulated by the market segmentation approach, which leans towards the classification of social division and the technology that is able to build up a foundation information. CNN and MTV (1970-1990) give us a clearer picture of such social division to set up target groups. The birth of personal computers and the internet caused a digital media revolution. The consumer now has more power in their hands than ever before. The advanced technology gives the advertising industry and advertisers a new challenge to confront, not only in the form of the advertisements but also in the content, the participation of consumers and the need for greater clarity. We can say this is the age of cooperation and connection (Van Dyck, 2014, p. 8).

However, digital media, especially social media, is very popular among consumers. Nowadays, smartphones and other devices help us to receive quickly information in all formats: images, voice messages and animated pictures. It also is a two-way communication, however, so traditional media have not ended its role. This in fact does follow the concept of advertising transformed, which says that the arrival of new technology does not mean the death of existing technology. Television did not end the role of radio; likewise, the new model of businesses such as Google and Facebook might just mean a decrease in old-style advertisements. Zenith Optimedia predicted that the internet would become the second biggest medium in 2013, following television, which has been the biggest medium for a long time. However, the internet will keep growing (Van Dyck, 2014, p. 9). Many marketing personnel agree with the idea that online media and the internet will increase in significance, but traditional media like television will still be highly practical in spreading messages about a product to the wider public. Both the internet and television will be able to connect more effectively with the target group. The new media allows the consumers to participate and comment more easily; those consumers will have a higher level of engagement with any organisations they choose to participate with.

Advertising in the age of segmentation, the advertisers choose specified target market and send their messages directly to the target consumers. Tracking technology will help them reach their target groups more accurately and effectively. This accords with the concept of the adjustment of advertising: while advertising stimulates sales rate among the “light buyers”, the “loyal customers” play an important role in persuading other consumers by word of mouth. And this leads to the growth of social media, increasing the possibility of hitting “like” or “share” to express their opinions online. Word-of-mouth have a more significant role in persuasion as consumers no longer trust solely in advertisements. Consumers tend to be more attracted to other consumers, especially friends, in commenting on the brands and entrepreneurs. Advertising can create positive word of mouth effectively. Non-online advertising can stimulate consumers to go online to find out more about goods and services, and to share that information as online word-of-mouth. This might drive entrepreneurs to create online marketing strategies and online advertising campaigns (Van Dyck, 2014, p. 12).

Factors affecting the development of the advertising industry in Thailand

From the study, the factors that affect the development of the advertising industry in Thailand are:

Economic factor: the factor that sets the advertising budget of the agency's clients, including the pressure from the merging of holding companies around the world.

The change in consumer behaviour and the media consumption factor: such as the information received and searching on social media like Facebook, Instagram, Line, etc.

The technology progression factor: we can see this from the use of smartphones as the main device in information searching, and the phenomenon of multi-screening.

Rules and state control: the birth of digital TV and the higher marketing competition formulate the greater need for advertisements, etc.

These all are logical to the concept that business can be affected by its environment: Business Environment means the environment of the organisation that affects the management, which will eventually affect the running of the business. This can be categorised into two major groups: internal and external environments. The external environment of the business are the factors the entrepreneur is not able to control, but which influence the market system. It can either create opportunities or become a hindrance to the business. The external environment can be divided into two levels: the macro-environment and the micro-environment. We need to understand the micro-environment levels thoroughly. This understanding will support the entrepreneur to outpace other competitors, which would naturally lead to business success.

The macro-environment is the external factors that can affect the industry or the business widely, unlike the micro-environment, which affects them on a smaller scale (Rungrungpol, 2006, p.57). However, "the Macro-environment, including factors like demography, social value, lifestyle, law, politics; and other involving factors like natural environment, environmental factors, technological factor, general economic factor and other global drive force. Each of these factors can be able to effect the business both positively and negatively. The competing state from direct competitors or other competitors that provides substitute goods would certainly gives more or less effect to the business. The degree of the effect will be varied, some of the factors would be able to create the effect more than another" (Thomson et al., 2012, pp. 49–50).

The concept of business environment says that the organisation has to understand its business environment thoroughly, and find a way to adapt itself to the present and future situation. The concept of change handling also says: "The present environment is ever-changing. In order to manage the business effectively and productively, there has to be the adaptation to the change, which regularly emerges from the interaction between the organization and its environment. When the change has emerged, what kind of outcome would occur to the organization and the shifted role of those involved in the change. The organization that remains in the ever-changing environment cause the shift and change in itself. This altered environment forces the organization to also change its way of management to be able to survive. This might affect the organization either in a positive or negative way. It has to remodel its structure, its role, its executive team and its operating technology" (Akarabaworn *et al.*, 2009, p. 27).

"The organisation that fails to remodel itself to adapt to the changing environment must faces its deterioration. the one that success to adapt itself will be able to survive and grow rapidly. The ability to adapt and remodel is the indicator of the capability of its executives" (Ayuthaya, 2008, pp. 1–2). The lower income from the global recession economy (2007–2013), alongside the rise in the expense in causes of the advertising media department as an

independent media agency to run the business on media planning and purchasing for its clients. This means advertising agencies only earn money from advertisement design and production. Thus, restructuring is compulsory for advertising agencies to survive.

Even though media agencies have become a crucial part of the advertising business, they were previously responsible only for media planning, which consists of media planning and media purchasing. As mentioned by Srinil (2000, p.89), the role of the media agency or media independence is “nowadays ... in the moment of change, as a part of its global shift trend, which is to separate the business of media planning and media purchasing away from Advertising agency. It has become a firm called Media Independence, which provides an expertise service on effective media management, and also handle the media purchasing for its clients. Its role is similar to an agency that would earn from a Fee that is calculated from a percentage of a billing but does not provide any Creative Services and Advertising Materials. If we take a closer look, we can see that Media Independence is actually a Media Department of Agency, only that the separation is the way to create its own Profit Center from the Advertising Agency.”

The client's expectation, apart from media planning and purchasing, looks for content creativity. The agency has also effectively adapted to such demands from its client. The agency would provide a variety of creative departments or personnel to give the creative content service required. There are advertisement productions for a range of media (television, radio, printed matter, etc.), creating direct mail advertisements, advertisements for electronic and online media (websites and social media), etc. This fits the concept of digital media that says “Where the digital tools became the infrastructure that benefits the business to present content-based creative piece which is more interesting and appealing. This era is considered to be the real ‘content is the king’ era. However, we ought to understand that the digital tools is not the origin cause of the change, but a channel that forces the advertising creative to adapt to it and give more thoughts about the content presentation. Nowadays, where the content presentation has to relate to people lifestyle, this means only to merely advertise is simply not enough, but to combine it with a content that involves around consumer’s daily life to persuade them to open to the message more openly. However, the much interlinked infrastructures give a high competition to advertising pieces not only to themselves, but also to compete with music video at the same time. Thus, the content at this present time has to be 1) New News: as the audience constantly look for new exciting contents. 2) Highly entertaining: it has to be entertaining and enticing. 3) Shareability: that audience is able to share what they like. 4) Walkability: it has to be able to talked and discussed about. 5) Engagement: it has to create a bond between the audience and the product”. (Arunpakmongkhon et al., 2012, p.86)

Situation and trend analysis of the advertising industry in Thailand

Advertising agencies are businesses that provide advertisement services to business owners to promote awareness on services or products and to build awareness and demand. Their main role is to come up with an advertising strategy, plan and design for the advertisement pieces, to produce the designed piece and/or perform media planning. The advertising agency will provide advertising and communication experts to help the client’s product (advertiser) become known to the target group. In general, clients come to agencies when they see that the expertise of the agency can help them save money and time and raise brand awareness more effectively than doing it by themselves.

CONCLUSION

From the study, we found that the factors influencing the development of the advertising industry in Thailand are media and technology progression; changes in consumer behaviour; economics; and rules and regulations from government. The strong point of Thai advertisement is the personnel, who are highly creative. This makes the advertising business a meeting point for experts from a variety of communication fields. Therefore, advertisement pieces in Thailand are outstanding and appealing to their audiences. Thailand’s advertisements became the leading ones among South East Asian countries. In contrast, the weakness of the advertising business in Thailand is the separation of the departments into subsidiary. This decreases the income of agencies that specialise in design and produce advertisements. As the advertising business requires a high number of personnel, this leads to much higher expense. Moreover, it is a highly competitive business, which is a factor that affects the agencies’ decreased income. In terms of business opportunities, Thai advertisements can be expanded to both online and offline media.

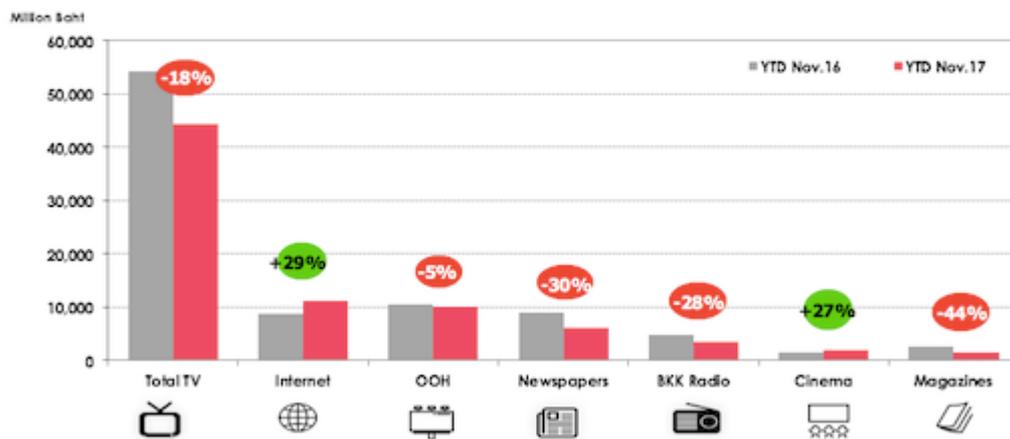
Advertising expenditure in Thailand, 2010–2016

	Spending in billion Thai baht	Spending in billion US dollars*
2010	101.01	2.8
2011	104.75	2.91
2012	113.95	3.16
2013	113.1	3.14
2014	118.36	3.28
2015	122.18	3.39
2016	107.9	3.01

Source: <https://www.statista.com/statistics/586676/thailand-ad-spend/>

In 2016, spending decreased from 2015 levels by 11.7% in response to Thailand’s political problem. When we look at the media point of view, the major media (such as television, billboard, newspapers, radio, cinema and magazines) all decreased their spending. Magazine spending had the most reduction at 44%, followed by newspapers at 30% and radio at 28%. The shrinkage in the use of magazines, newspapers and radio was mainly caused by the coming of the internet. The spending of the biggest media, like television, decreased by 18%, while out-of-home media decreased by 5%. Only the internet gained by 29% due to the effectiveness and popularity of the medium.

MEDIA SPENDING GROWTH (In-depth forecast from MI)



Remark : Spending was deducted to real buying packages ; Old TV by 10%, Digital TV by 55% , Cab/Sat by 30% , Radio by 15%, Newspapers by 12%, Magazines by 15%, Cinema by 70%, Outdoor by 20%, Transit by 15%, In-store by 10%, Internet from DAAT.

Remark : MI Estimate Spending have been deducted to real buying packages , Internet from DAAT.



The Digital Advertising Association (Thailand) in collaboration with Guntar TNS (Thailand) conducted a survey on digital media advertisement billing among 25 Digital Agencies. It is estimated that billing will increase by 24%, which will make the value of advertising on digital media reach 11,774 million Baht within six years of the recording period. Since it is this media that is highly effecting in reaching audiences, budgets were poured into this channel in 2016 and 2017. Facebook and Google were the media most used to advertise.

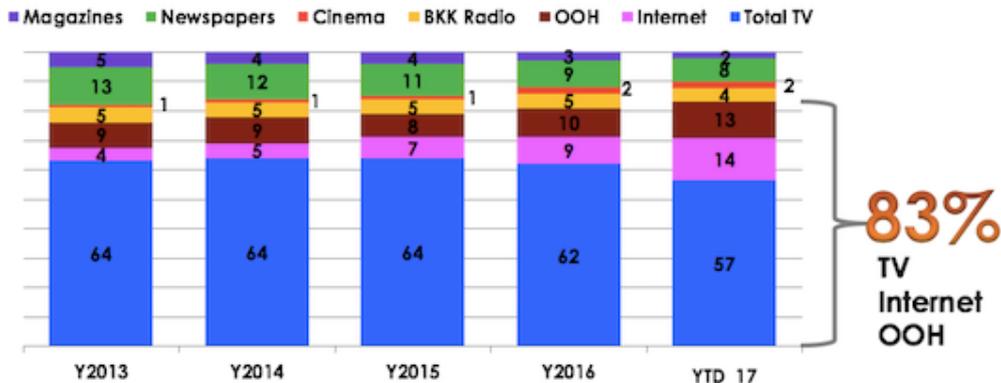
ADVERTISEMENTS ON DIGITAL MEDIA



Source: <https://positioningmag.com/1120865>

If we look at the main three media (television, internet and out-of-home media), altogether this totals 83% of all media. Television has a share of 57%. The internet has a share of 14%. Out-of-home media has a share of 13%. The total cost is 10,012 million Baht.

MEDIA MIX TREND *(In-depth forecast from MI)*



Remark: Spending have been deducted to real buying packages since 2017; parallel TV -10%, Digital TV -55%, Cab/Sat -30%, Radio -15%, Newspapers -12%, Magazines -15%, Cinema -70%, Outdoor -20%, Transit -15%, In-store -10%, Internet from DAA7.

Remark: MI Estimate Spending have been deducted to real buying packages. Internet from DAA7.



As a result of the establishment of the ASEAN Economic Community (AEC), the population of the group has reached 630–634 million (2015) with a GDP of 4.5 in 2016 and 4.8 in 2017. The advertising agencies in Thailand have to increase their collaboration with ASEAN countries to benefit from the bigger market.

Better technology helps advertisement pieces be more interesting and exciting, for example digital manipulation in Photoshop. Special effects are much easier to produce, while the cost of production is lower. Digital camera costs are also lower, and cameras are smaller. However, while production is more accessible, it generates another obstacle in that there is a bigger number of competitors. Many advertising agencies have to compete in a price war, and this means a lot of agencies lose profit or even go out of business.

SUGGESTIONS FROM RESEARCH RESULTS

From the analysis of the general picture of advertising business, the mandatory improvements that business ought to consider are as follows;

1. Downsizing: to reduce the size of the firm will help the business to lower its expenses.
2. Specialisation: to serve certain needs, such as direct marketing or event marketing, or to provide expertise in some kind of media, such as TV, radio, newspaper, cinema, billboard or digital media.
3. Use consumer research to help plan advertisement more effectively.
4. Use technology to plan and produce advertising, and to lower the cost of operation.
5. Build a connection with a production house, printer, modeller, and freelancer to create effective and impressive advertisements.
6. Invest or co-invest in other ASEAN communities to expand the market.
7. Build a good relationship with clients (CRM). As new clients are harder to find, to build relationships with business partners and to grow alongside each other is crucial.

SUGGESTIONS FOR FUTURE RESEARCH

1. This research concentrates on investigations conducted by advertising academics who work for large and medium-sized organisations, mostly international agencies. Therefore, in future research, there should be some investigation from the perspective of local advertising professionals to make the comprehension of the business more well-rounded.
2. This research concentrated on investigating the advertisement operator or the message sender. Therefore, in future research, there should be some investigation from the point of view of the audience or the message receiver, so that we can analyse the influence advertisements have on the audiences, which should be beneficial in planning and assessing the influence of advertisements on their audiences.
3. This research concentrated on general changes and trends in the advertising industry. Therefore, in future research, there should be some investigation of perspective and operation to improve the organisation, to keep up with the technology that exerts a remarkable influence on modern local and global advertising businesses.

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AN EXAMINATION OF THE RELATIONSHIP BETWEEN PERCEIVED BODY IMAGE AND PURCHASE BEHAVIOUR OF DIETRY SUPPLEMENTS AMONG ADOLESCENT SAUDI GIRLS

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ABSTRACT

The main objective of this study is to investigate the relationship between perceived body image and purchase behaviour of dietary supplements among adolescent Saudi girls. Drawing on Theory of Planned Behaviour (TPB) and Silhouette's nine figure scale, this study seeks to further contribute our understanding of how perceived body image affect customers' behaviour toward dietary supplements consumption. Cluster analysis is employed to classify the consumers into two groups according to their body image perception. The first cluster is determined as negative body-image, and the second cluster is called positive body-image. Independent Samples t-test showed that there is a significant difference between the two clusters in term of their actual purchase behaviour, and behaviour intention of dietary supplements. The findings reveal that negative body-image is significantly associated with both; behaviour intention and actual purchase behaviour of dietary supplements. Unlike negative body-image group, the findings show that there is a weak relationship between positive body-image group and behaviour intention/actual purchase behaviour of dietary supplements. The study offers theoretical and managerial implications and suggests further consideration to be given to the link between body-image and purchase behaviour and behavioural intention.

Key Words: perceived body image; purchase behaviour; dietary supplements; adolescent

INTRODUCTION

Adolescence represents a period of rapid physiological development and psychosocial maturation which associated with changes in body perception (Rambaran et al., 2006). It is considered as a crucial stage of life that brings many biological, neurocognitive, social, and behavioural changes (Gottlieb et al 1998). Adolescence describes the transitional stage from childhood to adulthood. It was defined by the Committee on the Rights of the Child (CRC) as "a life stage characterised by growing opportunities, capacities, aspirations, energy and creativity, but also significant vulnerability". More precisely, the World Health Organization (WHO) defines adolescents as those people between 10 and 19 years of age. Adolescence-related issues became of great interest for many researchers over the past view years, with more focus on issues related to obesity and dietary supplements usage (e.g. Alfawaz et al., 2017; Ebbeling et al., 2018; Karayiannis et al., 2018; Musaiger, 2004; Torbahn, 2017). This rapid growing field of research gain its importance from the unique nature of such critical period of formative growth and development that profoundly affects health and well-being across the life course.

Saudi Arabia, like any other developing country, went through many rapid socio-economic changes during the past decades. Such changes have greatly affected the lifestyle of the entire population. For instance, the traditional Saudi diet was replaced by the energy-dense Western diets that caused an increased prevalence of some diseases such as obesity, type 2 diabetes and hypertension (Al-Hazzaa, 2002; Musaiger, 2002). Moreover, fast food consumption and increased caloric intake, in combination with a sedentary lifestyle, is

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associated with rising rates of obesity in Saudi society (Musaiger, 2004). According to the Annual Statistic of Food Consumed in the Gulf Cooperation Council (GCC) in 2014, Saudi Arabia was on the top list of GCC countries in term of the amount of annual consumed food. In 2012, the amount of consumed food in the country totaled some 25.8 million metric tons, compared to 29.6 million metric tons in 2014 (961.6 kilograms per capita). This is even more relevant to the current study as adolescents became especially vulnerable to intense marketing efforts by manufacturing companies to promote unhealthy snacks, since they represent the future adult consumers (Story and French, 2004).

The latest annual report of the Saudi General Authority for Statistics shows that 68% of the total population are below the age of 35, in which 27% of them are adolescence (SGAS, 2018). Therefore, Saudi adolescents' girls are the main groups exposed to and affected by high fast food consumption behaviours in the region (Alfaris et al., 2015). According to WenNg et al (2011), 71% of Saudi females are either overweight or obese. This, of course, explains the high prevalence of dietary supplement use among females in Saudi Arabia. Alfawaz et al (2017) found that prevalence of dietary supplement use was high among Saudi female adolescence and it was significantly associated with sociodemographic and lifestyle factors. This prevalence of dietary supplement was supported by a tremendous expansion of pharmaceutical market in Saudi Arabia. According to the Saudi Pharmaceutical Sales Forecast for the current year (2018), industry products are expected to surpass \$7 billion by 2018 as compare to \$4 billion 2012 from which the supplement market accounts for 4% of the total pharmaceutical market sales.

From a social-psychological perspective, the Theory of Reasoned Action- TRA (Fishbein and Ajzen, 1980) provides a useful conceptual framework in predicting and exploring a wide variety of different dietary behaviours (e.g. Backman, 2002; Blanchard et al., 2009; Pawlak and Malinauskas, 2008). This research will adapt TPB in order to enhance our understanding on the relationship between perceived body image and purchase behaviour of dietary supplements among adolescent Saudi girls. Although the pharmaceutical industry in Saudi Arabia is expected to surpass \$7 billion by 2018, it still lacks in-depth market research, especially for dietary supplements consumption. Previous researches did not adequately address the issue of Saudi adolescents' consumption of dietary supplements from marketing perspective. Therefore, this study utilizes from TPB to fill this gap and to; (1) predict adolescents' consumption behaviour, and (2) segment adolescent consumers based on their consumption behaviour of dietary supplements. Furthermore, the study provides a contribution for both marketing knowledge and practice for dietary supplement marketing.

LITERATURE REVIEW

Body Image

Body image is a subjective multidimensional and dynamic construct that includes cognitive, behavioural and emotional components (Thompson, 2004). It reflects individual's perceptions, thoughts and feelings about their body (Grogan, 2008) including body size estimation, evaluation of body attractiveness, and emotions associated with body shape and size (Grogan, 2007). From a social-psychological perspective, body image was defined as; "the mental picture one has of his or her body at any given moment in time" (Kaiser, 1997, p. 98). Previous researches show that body image incorporates two main aspects; body perception (an individual's assessment of the physical aspects of their body) and body satisfaction (the extent to which an individual is dis/satisfy with their body size and shape). Individual's perception of the physical aspects of their body will result in either body image satisfaction or dissatisfaction. Therefore, body image dissatisfaction is defined as the negative perceptions and feelings an individual has about their body (Peat et al., 2008; Slevic and Tiggemann, 2001).

Body image is not a fixed or static, but rather a dynamic aspect of one's self that changes over time and developed in social comparison (Andrew and Tiggemann, 2016; Zach et al., 2016). Burns (1979) argues that body image is a significant component of self-concept which influenced by self-esteem and self-evaluation. Positive body image occurs when individual has positive thoughts and feelings about him/herself, while negative body image is associated with negative thoughts and feelings. Most of the body image researches focus on a discrepancy between how one sees one's self (actual/own) and how one would ideally like to be (ideal/own), while acknowledging that such discrepancies are related to body dissatisfaction along with other negative psychological outcomes (Thompson and Gray, 2015). Therefore, self-discrepancies play an important role in the context of body image and appearance-related behaviours (Szymanski and Cash, 1995; Vartanian, 2012). One's positive feelings about appearance are dependent on how close the actual physical self to his/her ideal one (Burns, 197; Solomon, 2009). Thus, the greater the discrepancy between actual and ideal body image, the greater will be the negative feelings about one's physical appearance and, on the other hand, the smaller the discrepancy between the ideal and the actual body image, the more positive one will feel about his/her own appearance (Solomon, 2009). Henderson-King and Henderson-King (2001) reported that women who viewed ideal images of models expressed negative feelings about their own bodies and rated their own body image lower than did women who viewed neutral images.

Most of the research on body image dissatisfaction has focused on adolescence girls as they represent a pivotal stage in the development of positive or negative body image (Ata et al., 2007; Dohnt and Tiggemann, 2006; Ferraro et al., 2008). For example, Pesa et al. (2000) studied the psychosocial differences associated with body weight among female adolescents. The purpose of their research was to determine whether overweight female adolescents differ from normal and underweight female adolescents with respect to a set of psychosocial factors, while controlling for body image. The findings revealed significant differences between groups on the combined set of psychosocial factors. Self-esteem defined the difference in a positive direction while grades defined the difference inversely. However, when controlling for body image, multidimensional group differences were still evident; while self-esteem was no longer a significant contributing variable. In their pilot study, Jansen et al. (2008) tested if body exposure and describing one's body in a neutral way is an effective approach for increasing body satisfaction in obese adolescents. The results of their study indicate that adding body exposure and neutral description of one's body to a weight reduction programme might be an effective way to increase body satisfaction in obese adolescents. Moreover, the exposure was shown to be a powerful strategy to decrease anxiety and to increase body satisfaction. Also, body weight at post-treatment was a significant predictor of positive feelings.

Douthitt (1994) investigated the psychological determinants of adolescent exercise adherence. The findings of Douthitt's research indicated that Perceived Romantic Appeal was predictive of male exercise adherence while Perceived Athletic Competency, Perceived Global Self-Worth, and Perceived Physical Appearance were predictive of female exercise adherence, while Perceived Romantic Appeal and Personality/Sport Congruence were predictive of non-competitive subjects' exercise adherence. Most recent, Musaiger et al. (2012), examined body weight perception among adolescents in Dubai. The result show that overweight and obese adolescents were more likely to face pressure from their parents and teased by friends than non-overweight/obese adolescents. Compared to their current body image, overweight and obese adolescents chose a significantly lighter figure as their ideal compare to their actual body image.

The relationship between body image and adolescents' consumption behaviour is well established in existing literature. For example, Yoo and Yurchisin (2017) conducted a research to examine the associations among sociocultural attitude towards appearance, gender, body

mass index, and adolescents' appearance-related behaviours and appearance-enhancing product use. The results revealed that sociocultural attitude towards appearance, gender, and body mass index positively influence adolescents' appearance-related behaviours and product use. Adolescents who highly valued sociocultural attitude towards appearance were likely to engage in behaviours and use products that were designed to increase their attractiveness. In line with Yoo and Yurchisin's research, Dickman (2010) examined the relationship between body image and cosmetics consumption among female adolescents. The findings show that cosmetics consumption behaviour like compensation and concealing were used when subjects felt dissatisfied with their body. It was also found that the time they used for fixing the appearance has positive relationship with their body image dissatisfaction.

Purchase Behaviour

Consumer's purchase behaviour has long been of interest to researchers. It has been much discussed at a conceptual level, starting with the seminal work of Howard and Sheth (1969). Consumer behaviour has been defined as; "the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs" (Schiffman and Kanuk., 2007, p.3). According to Engel et al. (1990), consumer behaviour refers to "the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service". These definitions implies that consumer behaviour is not merely an economic theory, but rather it is an interdisciplinary science that involves theories from all social and psychological sciences concerned with human behaviour, such as psychology, sociology, ethnography, marketing and economics theories (Levy, 1983). Therefore, behavioural scientists employed several socio-psychosocial theories in order to understand and explain adolescents' consumption behaviour.

The Theory of Buyer Behaviour (TBB; Howard and Sheth, 1969) provides an integrated model that explains consumer behaviour through various social, psychological and marketing influences on consumer choice into a coherent sequence. The model delineates four main components of information flow: 1) inputs, 2) perceptual constructs, 3) learning constructs, and 4) outputs. These four components cover all buying behaviour elements including; marketing, social stimuli, attention, information search, motives, choice criteria, brand comprehension, leading to an attitude, confidence, intention, satisfaction, purchase, intention, attitude, brand comprehension and attention (Howard and Sheth, 1969).

One of the most widely applied theories in studying adolescents' consumption behaviour is the Theory of Planned Behaviour – TPB, (Ajzen, 1988; 1991). The TPB is the extended version of the Theory of Reasoned Action - TRA (Fishbein and Ajzen, 1980) which provides a useful conceptual framework in predicting and exploring a wide variety of different dietary behaviours (e.g. Backman, 2002; Blanchard et al., 2009; Pawlak and Malinauskas, 2008). The rationale behind the TPB is that one's behaviour is governed by his/her intentions to commit a specific act at a specific time and place. In other words, individual's behavioural intentions are subject to three antecedents; (1) their attitude toward the behaviour, (2) subjective norms, and (3) perceived behavioural control (Ajzen, 1991; Fishbein and Ajzen, 1980). The first antecedent of behavioural intention (attitude) is determined by the individual's beliefs about the consequences of performing the behaviour (behavioural beliefs). Thus, an individual's intention to perform a certain behaviour will depend on his positive/negative evaluation of that behaviour. The TPB suggests that attitudes have a direct impact on behavioural intention and are linked with subjective norm and perceived behavioral control. Subjective norms, on the other hand, is the second antecedent of behavioural intention that is a function of beliefs as well. It is argued that individual will intend to perform a certain behaviour when he/she

perceives that important others think he/she should (Fishbein and Ajzen, 1980). Finally, perceived behavioural control (the third antecedent) refers to individual's perception of the ease or difficulty of performing the particular behaviour (Ajzen, 1987).

The findings from previous studies provided strong support for the use of the TPB in adolescent's consumption behaviour context. For instant, Marcoux and Shope (1997) applied the TPB to predict and explain alcohol use and misuse among young adolescents. The findings suggest that the theory is useful in predicting and explaining alcohol use, frequency of use and misuse among adolescents. The relationship between intention and behaviour explained by 26% of the variance in alcohol use, 37% of the variance in frequency of alcohol use and approximately 30% of the variance in alcohol misuse. Blanchard et al. (2009) found that behavioural intentions were significant predictor of students' consumption of fruit and vegetable. Similarly, Pawlak and Malinauskas (2008) employed TPB model to examined adolescents' prevalent beliefs regarding eating fruits. Their findings revealed that subjective norm had positively significant impact on intention to eat fruit. The TPB, however, was utilized in various study contexts including; online purchase (Hansen et al., 2004), smoking behaviour (Guo et al., 2007), appearance-related behaviour (Yoo and Yurchisin, 2017), and dietary behaviour (Backman, 2002; Blanchard et al., 2009; Pawlak and Malinauskas, 2008). All these studies provided strong support for the use of the TPB in various behavioural context.

From a marketing perspective, marketing researchers become more interested in market segmentation and identifying potential market to small homogenous groups or segments especially with the prevalence of dietary supplement use among adolescents (Alfawaz et al., 2017; Alves and Lima, 2009). Adolescents' market segmentation research show that that adolescents have different decision-making styles than the adult consumers (Singh and Singh, 2017). Therefore, this study will utilize from TPB to segment adolescent consumers based on their consumption behaviour of dietary supplements.

METHODOLOGY

The study aims to investigate the relationship between perceived body image and purchase behaviour of dietary supplements among adolescent Saudi girls. The study questionnaire was generated based on the intensive literature review. It has three parts. Part one measures consumer perception of body image (actual *vs* ideal), part two deals with consumption behaviour, and part three measures consumer's intention to buy dietary supplements. For part one, respondents were presented with nine figures of different body images thinner to fatter (Stunkard et al., 1983). Then, they were asked to select the figure that most closely matches their current body-image, as well as the figure that most represents what they would ideally like to look like, in addition to rating their dissatisfaction of actual body image. Part two consists of three items that measure respondents' consumption behaviour, while the last part includes four items to measure consumer's intention to buy dietary supplements. For both scales (purchase behaviour's scale and behavioural intention's scale) a five-point Likert-type scale was used, where 1= strongly disagree and 5=strongly agree.

The target population for the study are Saudi female adolescents who are between 11 to 19 years old. For survey validation, a pilot study was conducted and errors were amended based on comments and feedback received from participants. The final questionnaire was distributed in five major cities in Saudi Arabia (representing the main five regions) over three months (between May to July 2017). These cities are, Riyadh (the capital city), Jeddah, Makkah, Medina, and Hofuf. A cross-sectional survey was conducted amongst 735 adolescent's Saudi girls selected from government schools using stratified random sampling technique. After accounting for non-response and incompleteness, 550 was retained for further analysis.

DATA ANALYSIS AND FINDINGS

The findings show that most of the respondents’ age range between 14-17 years old. 65% of them are not satisfied with their current looks, while 83% chose an ideal/attractive body shape different from their won actual/ current body. Reliability analysis was run to assess the scales internal consistency, followed by cluster segments validity and independent samples t-test.

Reliability

Reliability analyses were carried out on the Purchase Behaviour and Behavioural Intention scales. The results of these analysis indicated that the scales were internally consistent with substantial alpha coefficients. Then a k-mean cluster analysis was employed to segment the customers into two groups according to their perceived body image. Finally, independent samples t-tests were used to examine the impact of body image on customer’s purchase behaviour.

Reliability of the Purchase Behaviour Scale

The internal consistency of the Purchase Behaviour scale was estimated using the Cronbach’s Alpha statistics. Table 1 shows the reliability of the scale as well as the mean and standard deviation of each item:

Table 1: Reliability, Mean, and SD of Purchase Behaviour Scale (N=550)

The Scale	Mean	SD	Cronbach Alpha	Item-to-total Correlation
Purchase Behaviour	3.20	1.30	0.84	
I buy dietary supplements regularly.				0.85
Buying dietary supplements is important to me.				0.79
I will be using dietary supplements in future too.				0.83

From table 1; all three sub-scales exceeded the minimum recommended internal consistency threshold of 0.70 and were therefore deemed reliable (Churchill, 1979). The overall Cronbach’s Alpha coefficient is 0.84. Item-to-total correlation coefficients were high for the three sub-scales and ranged from 0.79 to 0.85. Therefore, the scales showed good internal consistency.

Reliability of the Behaviour Intention Scale

The internal consistency of the Behavioural Intention scales was estimated using the Cronbach’s alpha statistics. Table 2 shows the reliability of the scale as well as the mean and standard deviation of each item:

Table 2: Reliability, Mean, and SD of Behavioural Intention Scale (N=550)

The Scale	Mean	SD	Cronbach Alpha	Item-to-total Correlation
Behavioural Intention	3.65	1.20	0.94	
I definitely do intend to take dietary supplements.				0.90
I definitely do plan to take dietary supplements				0.88
I definitely do want to take dietary supplements.				0.76
I would like to take dietary supplements				0.85

From table 2, the Cronbach's Alpha coefficient for the behavioural intention scale is 0.94, exceeding the minimum recommended internal consistency threshold of 0.70 and is therefore deemed reliable (Churchill, 1979). Item-to-total correlation coefficients ranged from 0.76 to 0.90 and therefore the scale items displayed good internal consistency.

Segmenting Respondents According to Perceived Body Image: K-Means Cluster Analysis

The objective of cluster analysis is to cluster or group observations into subsets based on the similarity of responses (Arabie and Hubert, 1994). According to Sarstedt and Mooi (2014), a k-mean cluster analysis is preferred if; (1) there are many observations (> 500) in the dataset and (2) the researcher have a priori knowledge regarding the number of clusters. The current study has observations > 500 and two clusters are expected to come up based on respondents' perception of their body image (satisfaction versus dissatisfaction). Therefore, a k-means clustering procedure was utilized on the perceived body image items to identify the number of consumer segments (Hair et al, 1998). The result show two clusters of respondents. The first cluster was called Negative Body-Image and the second cluster was called Positive Body-Image. The Negative Body-Image contained 54% of the total segments whereas the Positive Body-Image contained 46%. Table 3 summarizes validation of the cluster groups:

Table 3: Validating the Cluster Segments

	Cluster1:	Cluster2:
Negative Body-Image	296	0
Positive Body-Image	0	254
*Total	550	

* $X^2=127$, $df=2$, $p<.00$

By looking at table 3, it can be seen that most of the respondents fall in cluster 1 (296 out of 550), while cluster 2 consists of 254 respondents.

Differences between Cluster Groups: Independent Samples t-test

Analysis was carried out to test whether there is a significant difference between the two clusters in term of their behaviour toward dietary supplements consumption. To this end, independent samples t-tests were undertaken with the two clusters (Negative Body-Image and Positive Body-Image) as grouping variable. Table 4 presents the t-tests results.

Table 4: Independent Samples t-test results

Variable	Cluster Groups	N	Mean	S.D.	t-Value	p-Value
Purchase Behaviour	Negative Body-Image	296	3.45	1.77	4.06	0.00
	Positive Body-Image	254	2.15	.85		
Behavioural Intention	Negative Body-Image	296	3.56	.65	3.96	0.00
	Positive Body-Image	254	2.32	1.32		

As can be seen on Table 4, the *p* -value of the t-tests indicate that there are significant differences between the two groups with regard to their actual purchase behaviour of dietary supplements (*p* = 0.00, *t* = 4.06), and behavioural intention (*p* = 0.00, *t* = 3.96). On one hand, Positive Body-Image cluster recorded a small mean score of purchase behaviour (2.15), and intention to buy dietary supplements (2.32). On the other hand, Negative Body-Image cluster scored higher on purchase behaviour (3.45), and behavioural intention (3.56). Overall, it is clear that the Negative Body-Image cluster had higher tendency toward buying dietary supplement compare to Positive Body-Image.

DISCUSSION

This study aimed to examine the relationship between perceived body image and purchase behaviour of dietary supplements among adolescent Saudi girls. In fact, there are two motives for this study; (1) previous researches did not adequately address the issue of Saudi adolescents’ consumption of dietary supplements from marketing perspective, and (2) relative young population in Saudi Arabia, where 68% of the total population are below the age of 35, in which 27% of them are adolescence (SGAS, 2018) that associates with high prevalence rates of overweight and obesity (DeNicola et al., 2015). According to the Saudi Pharmaceutical Sales Forecast for the current year (2018), industry products are expected to surpass \$7 billion by 2018 as compare to \$4 billion 2012 from which the supplement market accounts for 4% of the total pharmaceutical market sales. This booming in Saudi pharmaceutical industry, still lack of in-depth market research, especially for dietary supplements consumption. Therefore, the findings of this research will fill this gap.

By adapting Theory of Planned Behavior (TPB) this research examined the prediction of dietary consumption intention and behaviour in a sample of Saudi female adolescents who are between 11 to 19 years old. The K-Means Cluster Analysis show two clusters of respondents. The first cluster was called Negative Body-Image and the second cluster was called Positive Body-Image (see Table 3). The Negative Body-Image contained 54% of the total segments whereas the Positive Body-Image contained 46%.

The findings of the independent samples t-test indicated that there are significant differences between the two groups with regard to their actual purchase behaviour of dietary supplements, and behavioural intention. It was argued that the greater the discrepancy between actual and ideal body image, the greater will be the negative feelings about one’s physical appearance (Burns, 197; Solomon, 2009). In this study, the Negative Body-Image group are those respondents who recorded high discrepancy between their current body-image and ideal body image, while Positive Body-Image consists of those adolescents whose actual body image is close to her ideal one.

In line with previous research (e.g. Yoo and Yurchisin, 2017; Dickman, 2010) the findings of the current study confirm the positive relationship between body image dissatisfaction and adolescent purchase behaviour. More precisely, consumption of dietary

supplements is significantly related to body image dissatisfaction. Moreover, respondents who reported higher score on body image dissatisfaction have the tendency to buy dietary supplement compare to those who were satisfied with their body image. The findings also suggest that adolescents who are satisfied with their current image showed low tendency to buy dietary supplements. Overall, the findings stress the importance of TPB in predicting adolescents' behaviours. Attitude was a significant predictor of adolescents' intentions to buy dietary supplements.

IMPLICATIONS AND FURTHER RESEARCH

The results of the current study derive several theoretical and practical implications. To the best of the authors' knowledge, it is the first study that discusses adolescents' dietary supplements from marketing perspective in Saudi Arabia. Therefore, it provides compelling ground for further research on this area. The findings also draw researchers' attention to the fact that not all adolescents' girls behave similarly in term of their consumption behaviours. The final clusters provide a new insight into marketing research. Therefore, researchers should handle adolescents' studies with more careful, taking into account the various factors that may affect the outcomes. It is obvious that applying TPB into adolescents' marketing research is helpful and can provide a holistic understanding of their consumption behaviour.

From managerial perspective, the findings suggest that marketers need to segment their market based on customer needs. Understanding customer needs will help managers to tailor products/services to suite their targeted segment group (negative vs positive body image). Marketing campaigns and advertisements should revolve around the notion of "ideal body image" which has a strong relationship with products' consumption behaviour (Dickman, 2010). Moreover, consumption behaviour is highly affected by personal (e.g. demographic, gender, age etc), psychological (e.g. self-image, personality traits, lifestyle, motives etc), and social factors (e.g. culture, social class, society/family influences etc). In order to create an appropriate, Marketing Mix (MM) for their target market, marketer must pay more attention for these factors.

Future research could further test the difference between female and male adolescents in order to determine the proper market segmentation. Another interesting venue of research could be to examine the relationship between self-image congruence and dietary supplements consumptions. The findings of the previous research emphasize the role of self-concept on consumer behaviour (Guttman, 1973), implicit behaviour patterns (Greeno et al., 1973), and perception of product (Hamm and Cundiff, 1969). The notion behind these researches is that consumers always attempt to preserve, enhance, or extend their self-image (perception of self) by purchasing products that enhance their ideal image (Sirgy, 1982; 1985). Therefore, future research can apply self-image theory into adolescent behavior studies. It is suggested that consumer behaviour is not merely an economic theory, but rather it is an interdisciplinary science that involves theories from all social and psychological sciences concerned with human behaviour. Thus, future research should benefit from the different social-psychology theories in order to develop new methods for body image and consumption behaviour researches.

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ACHIEVING BUSINESS AND IT ALIGNMENT IN THE DIGITAL SERVICE REDESIGN: A STUDY OF THE UK E-GOVERNMENT

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ABSTRACT

Prior research has shown that there are a variety of ways in which business-IT alignment (BIA) can help an organisation. BIA can increase the UK's e-government maturity level and can improve the quality of e-government and service redesign process, and ensure the establishment of an integrated, coherent, user-centred, and agile digital culture. However, business-IT alignment is challenging when there are many organisations (central and local government organisations) involved in the process. This research aims to increase our understanding of the 'process of aligning' - vertically (between central and local government), and horizontally (across government agencies). Analysis of the data suggests that *decentralisation* is a barrier, whereas *communication* is a significant enabling factor. This study not only provides 'theory for explanation', making it scientifically useful, but also offers 'theory for design', for practical uses. It links alignment and e-government together, a connection which is not fully explored in the literature.

Key Words: Business-IT alignment, e-government, UK service redesign, communication, grounded theory

INTRODUCTION

Over time, government agencies are becoming more reliant on IT for their e-government initiatives and services redesign. The literature has recognized that alignment facilitates a strategic and more effective use of IT (Karpovsky et al., 2015). The UK is continuously increasing its IT investments and re-shaping how it uses and buys technology (Bracken, 2015). Alignment can help maximise the return on those IT investments and in ensuring that those IT arrangements fit with their business strategy, goals, and needs of the services redesign.

This study aims to understand how alignment between business and IT strategies is being managed in the digital redesign of UK public services. The rationale behind this research lies in the belief that increasing business-IT alignment will enable the UK to reach the highest e-government maturity level which, according to the European Digital Capability EDC Framework, is to have a strong, agile, user-centred, innovative and responsive digital culture (Cabinet office, 2013). This study argues that by illustrating and drawing on the importance of the factors influencing business-IT alignment, the UK government will be in a better position to increase their level of business-IT alignment.

Aim

To understand how business-IT alignment is being managed to facilitate the digital redesign of UK public services.

Objectives

1. To achieve a critical understanding of the literature on e-government and business-IT alignment, particularly e-government development and service redesign in the UK.
2. To gain insights into the practice of alignment in the UK departmental and local government to support service redesign of public services.

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3. To contribute to the academic literature on e-government services redesign and business-IT alignment in the public sector.

LITERATURE REVIEW

The history of e-government in the UK

During the 1990s, the U.S., Britain, Canada and Australia, were amongst the first to adopt a basic informational Web presence and to lead the development of e-government phenomena (Lee et al., 2005). The UK e-government agenda was introduced in the *Modernising Government* White Paper in 1999. The central objective of this programme was “modernisation for a purpose, to make life better for people and businesses” (Modernising Government, 1999, p. 7). Essentially, the programme focused on five commitments. These were policy-making for long-term change, citizen centric responsive public services, high quality and efficient services, utilising new technologies to create an ‘information age government’, and valuing rather than denigrating public services (ibid).

In March 2000, the prime minister set the target of delivering all public services online by December 2005 (Modernising Government, 1999). However, this target was not achieved entirely (Shareef et al., 2012), and a new target was set for all government dealings to be deliverable electronically by 2008. According to Margetts (2006, p. 1), “by 2005 almost all government departments and agencies and local governments have a website”. From the early stages, they considered the fact that some citizens and small firms may not have the advantage of accessing the web. Their solution was to enable them to communicate with public agencies through other means, and by providing cheap access to PCs, and connecting public facilities, such as, libraries to the web.

According to *Government on the Web II* (2001-2002) report, the main force for the adoption of e-government was the rising demand from citizens and enterprises to be able to access government information, communicate and transact with the government electronically (NAO, 2002). Matching the success of the private sector was another motivating factor force and placed pressure on the UK government to modernise processes, cut spending, and increase efficiency (ibid).

In March 2004, the UK e-government successfully launched their official portal Directgov (a replacement of the previous portal “UK online”) (Shareef et al., 2012). Directgov was the responsibility of the ‘Cabinet Office’ Electronic Government Unit (eGU), which was a unit dedicated to supporting administrative changes of government and allowing electronic access to government services and information (Galindo, 2005). In addition, a ‘transformational government’ strategy was created in 2006, which focused on certain themes: customer-centric shared services and professionalism (HM Government, 2006).

In April 2006, a request was made by the Cabinet Office to move content to either the Directgov website developed for citizens, or to the Business link website developed for businesses. The considerable benefits of Directgov were obvious. It facilitated access to, and delivery of, services and information in a faster and more effective way (Norton, 2008). Irani et al. (2006) argued that more transactions needed to be carried out online to gain the benefits of cost saving.

In October 2012, with the arrival of a new government in Westminster, the UK replaced Directgov and business link portals with GOV.UK, which was designed and built by the new Government Digital Service (GDS) (GOV.UK, n.d.). GDS is not concerned with website design only, but also works with other government agencies in order to design public services that are: “digital by default, simpler, clearer and faster to use” (ibid). It was stated in the Digital Strategy of October 2012 that the aim was to move all government departments and public agencies content to GOV.UK website by March 2014 (GOV.UK, 2015). However, resourcing

difficulties resulted in a delay, and it was not achieved until December. “The result is that almost all government information is now available in a single trusted place, making it clearer, simpler and faster for people to deal with government” (ibid).

Business-IT alignment

The concept of business-IT alignment BIA has been a well-known notion since the late 1970’s (Luftman, 2000). Luftman (2000, p. 3) defined BIA as “applying information technology (IT) in an appropriate and timely way, in harmony with business strategies, goals and needs”. Another definition is “the degree of fit and integration between business strategy, IS strategy, business infrastructure, and IT infrastructure” (Henderson and Venkatraman, 1989, cited in Gotze and Jensen-Waud, 2013). Campbell et al. (2005, p. 662) defined alignment based on answers from focus group participants: “alignment is the business and IT working together to reach a common goal”. Other terms or synonyms of business-IT alignment found in the literature include: harmony, linkage, fusion, and integration. It should be noted that business-IT alignment and IT-business alignment are considered to be the same, because the objective is to ensure that there is a harmony or linkage between the two (Luftman, 2000).

Henderson and Venkatraman (1993) identified a lack of frameworks to help with understanding the potential of IT in supporting business strategies or creating new business strategies. The authors therefore developed a model, named the Strategic Alignment Model (SAM), consisting of four domains. Those domains are:

- Business strategy
- Information Technology strategy
- Organisational infrastructure and processes, and
- Information Technology infrastructure and processes.

The model also includes two strategic management characteristics: *strategic fit* (representing the interrelationship between the internal and external components), and *functional integration* (representing the integration between the business and functional domains) (ibid).

There are a number of researchers who have extended this concept and built new frameworks. However, Luftman (2000) stated that it is still not clear how to achieve and assess alignment. Therefore, the author has proposed a framework for assessing the maturity of business-IT alignment. It includes six criteria, which are: communication, competency/value measurement, governance, partnership, scope and architecture, and skills. He has also used the alignment enablers as elements for the evaluation or assessment of each criterion (ibid). For example, communication consists of six scaling criteria; the understanding of business by IT, understanding of IT by business, organisational learning, style and ease of access, leveraging intellectual assets, and IT-business liaison staff (Luftman, 2003).

Alignment enablers and inhibitors

Once an organisation’s alignment level has been identified, it is possible for there to be a focus on increasing the enablers and decreasing the inhibitors, and maintaining harmony between business and IT (Charoensuk et al., 2014). Luftman (2000) listed the alignment enablers, starting from the most important. These included senior executive support for IT, IT involved in strategy development, IT understanding of the business, business-IT partnership, well-prioritized IT projects, and IT demonstrating leadership. Charoensuk et al. (2014) found that one of the most significant enablers is shared domain knowledge (SDK), which occurs when the business and IT units are able to understand and learn from each other. The authors added that communication facilitates SDK. Reich and Benbasa (2000) supported this view concluding that SDK is the only factor that produces long-term alignment. Weiss and Anderson (2004) identified the antecedents and found that there are four common themes when investigating

organisations with a good level of business-IT alignment; “clear direction, commitment, communication, and cross-functional integration” (p. 7).

RESEARCH METHODOLOGY

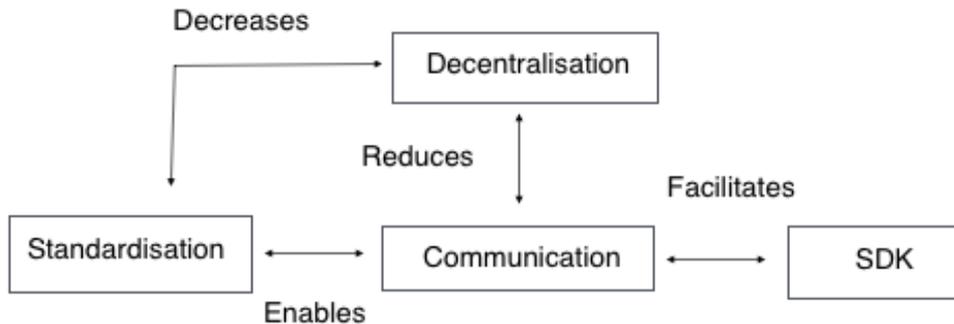
This study provides a holistic view of ‘alignment as a process’ rather than ‘alignment as a state’. It also provides ‘theory for explanation’, as it aims to increase our understanding of the ‘process of aligning’ - vertically (between central and local government), and horizontally (across government agencies) - challenges and difficulties faced in aligning, and how it affects alignment in public services redesign. More specifically - and to expand on the literature - it moves beyond ‘alignment in theory’ and explores and explains ‘alignment in practice’. The findings of this research reflect the practical reality and experiences of practitioners involved in the day to day activities of the UK public services redesign. It also offers ‘theory for design’, as it prescribes how e-government practitioners can enhance the level of business-IT alignment and overcome issues of misalignment.

A qualitative research approach and grounded theory method were used in the research. Semi-structured interviews were carried out with service managers, policy makers, digital leaders, and business and IT senior managers from government departments, such as the Cabinet Office, Government Digital Service (GDS), and local councils, including Oxfordshire County and its districts. Local authorities are part of the service redesign process of public services and deliver most of the UK’s public services. It is therefore important to understand how alignment is being managed vertically from local to central government, and horizontally across local authorities. It is also important to gain an understanding of bodies supporting digital redesign (such as The Society of Information Technology Management (SOCITM), Nesta - The innovation foundation, LocalGov Digital, and Local Digital Coalition (LDC)).

Strauss’s and Corbin’s (1990) grounded theory method was used to produce theory grounded in the data, and, most importantly, to ensure that the data was systematically collected and analysed. The main aim of Strauss’s and Corbin’s (1990) coding stages is to distinguish a core or central category. Communication was therefore identified and treated as a core factor because it was found that all the major factors of the research are connected to it. This paper provides a theoretical model presenting the interrelation of key factors of alignment in UK services redesign. These are: standardisation, Shared Domain Knowledge (SDK) and decentralization – in addition to the core factor, communication (Figure 1).

FINDINGS AND DISCUSSIONS

The data collected identified a number of factors which have been referenced in previous studies, as well as new findings. These factors influence alignment and are discussed in this study as ‘enablers’ or ‘inhibitors’ of alignment (Figure 1, *Interrelation of key factors of alignment in UK services redesign*). As mentioned previously, communication was identified as a core factor, and therefore this section will focus on the level of vertical and horizontal communication, and the interrelation of communication with other key factors.

Figure1: Interrelation between key factors of alignment in UK services redesign

Level of vertical and horizontal communication between business and IT

The empirical findings have continuously shown communication to be an alignment enabler (Luftman, 2000), which specifically facilitates social alignment, as shown by Reich and Benbasat (2000). Additionally, as expressed by one of the interviewees “I admit that one of the reasons why we’re not very well aligned is because we don’t communicate”. It was found from the data collected that there is less communication between central and local government than between local authorities or between central government departments. According to one of the interviewees, “there should be a clearer steer from central government by sharing what’s best practice out there”. On the contrary, there are local authorities that prefer to operate autonomously without communicating with central government or receiving any central government steering. This paper therefore argues that decentralisation is one of the main reasons for the lack of communication between local and central government.

There are local authorities which recognise the important of communicating with central government and keeping abreast of the direction of travel in central government more than others. Such local authorities maintain some external networking forums. Unlike some other authorities, when developing a programme or a strategy, they will communicate with people in central government. It was found that those communications and discussions takes place via bi-lateral contacts in GDS, and through conference circuits.

Additionally, they explained that organisation’s forums were used to share interesting information which may have been heard from another local or central organisation and is relevant to their organisation. In most cases, these involve aspects and consequences that affects more than one person, division or team within the organisation. They illustrated that in those situations the process can often begin with informal communications, rather than formal communications such as meetings or project management boards.

Data collected has shown that local government’s communication with central government usually happens through the Local Government Association (LGA), who is generally considered to be the chief spokesperson for local government. As also stated by the LGA (2018), “we are the national voice of local government, working with councils to support, promote and improve local government”. However, the value of this was questioned by one of the interviewees from a local council, who stated that their influence should not be overestimated.

Additionally, local government’s communication with central government can be established through communication forums. However, these are not always effective. As explained by one interviewee, often when a new piece of legislation comes in (e.g., The

Homeless Reduction Act), and in other situations where central government passes significant extra responsibilities and services onto local authorities, a sufficient communication is rarely established beforehand. A major disadvantage stemming from this is that there is not usually adequate funding for the additional responsibilities. In this respect, the lack of communication between central and local government only serves to create further problems in an already challenging environment, and therefore makes alignment more difficult.

Nonetheless, the data collected has shown that central government deals with an array of issues. As a result, communication with local authorities may not be one of their priorities. There are around 418 local councils in the UK, meaning that communication with all of them is a difficult task. Another explanation for the lack of communication is that local government often operates differently from central government. This means that there is a lack of understanding and shared domain knowledge (SDK) between central and local government. According to an interviewee, “it’s been very difficult to gain an understanding I suppose, perhaps from the cabinet or whatever group it is that needs to approve a project”. The interviewee explained that often business cases are complicated, and therefore cannot be straightforwardly communicated with higher level organisations. In this respect, it can be said that IT and ‘the businesses from central and local government find it difficult to attain an understanding and SDK, which is empirically proven to be crucial for long-term social alignment (Reich and Benbasat, 2000). Moreover, this study also finds that communication between business and IT from central and local government will, overtime, enhance understanding and SDK, which is also proven empirically by Charoensuk et al. (2014).

Lack of communication between the business and IT in local government

The data collected has shown a lack of communication between people involved in local government from business and IT departments. As mentioned by one of respondents from the local government business department, “communication is key and that’s partly where we’re weak”. This weakness mainly stems from the failure to communicate messages to the right people or individual team members. Moreover, the right people may also not be involved in conversations or meetings. As pointed out by an interviewee from the local government IT department; “either the cascade doesn’t work, or the actual forums are not working in keeping each other up to date”.

Relationships between key alignment concepts or factors

Communication and Standardisation

This section will seek to explain the relationships between different concepts, as shown in (Figure 1). Standardisation is considered in this study as one of the enablers of vertical and horizontal alignment in service redesign. The aspects of standardisation which are believed to enable alignment include: adopting a common approach to services redesign, services redesign standards, and common open data standards.

An example of standardisation is the Digital by Default standard set by the Government Digital Service (GDS). It consists of 18 criteria to assess services before going live on GOV.UK website (gov.uk/service-manual/digital-by-default-26-points) (GOV.UK, 2018). However, as stated by an interviewee from GDS, these are standards that “can be applied by an authority but there is no political power that says it must be”. There are also standards developed for local government by LocalGov Digital. Those standards are based on the principle that local agencies should be ‘open by default and digital by design’ (LocalGov Digital, 2016). A draft of the standards is available on their website (<http://localgovdigital.info>). Nonetheless, it is also found that many local councils are providing local services without adopting those standards, or any other clear common service redesign standards.

The data collected has shown that participants from IT are aware of the importance of standardisation more than participants from business. It also shows that there is more motivation and interest in standardisation in local government than in central government. This paper therefore suggests that communication between government agencies (centrally and locally) will increase awareness of the importance of standardisation, and the exchange of knowledge of standardisation (e.g., service redesign standards, and common platform or solutions). The level of standardisation will be higher when IT communicates their ideas for standardisation (e.g., by the use of story-telling and real-life examples) and demonstrates its benefits to the business over the use and adoption of a niche product or a siloed solution. Therefore, communication will enable a higher level of standardisation vertically and horizontally. Nevertheless, standardisation will also facilitate rapid and easier communication, flow and exchange of information and ideas across local authorities, and between central and local government.

Communication and Shared domain knowledge (SDK) between business and IT

SDK has also been found to be a significant factor influencing alignment in UK service redesign. Communication is widely recognised in the literature as a facilitator of SDK, identified by authors such as Reich and Benbasat (2000) and Campbell et al. (2005) as the only factor that produces long-term alignment. This study follows Reich and Benbasat's (2000) definition of SDK as "the ability of IT and business executives, at a deep level, to understand and be able to participate in the others' key processes and to respect each other's unique contribution and challenges" (p. 86).

The findings of this study have revealed that the failure to communicate could result from the lack of deep understanding between business and IT, which this study considers to be an element of SDK, and results in a lower level of alignment between the business and IT. This suggests that a deep understanding is required first, in order to communicate. This can be contrasted to the literature which argues that communication is a prerequisite or enabler of SDK and not also the other way around (Reich and Benbasat, 2000). This paper believes that a low level of SDK will make communication (between the business and IT horizontally and vertically) difficult: it is perceived that if there is no shared knowledge, then there is little or nothing to communicate about.

Nevertheless, according to one of the interviewees from the business, the business can establish a better understanding of IT when having an operational-based communication rather than a technical based communication. A shared deep understanding with IT will not be established if the communication does not use a common language with the right people in the organization. This is therefore in line with the literature that shows that communication comes before SDK (Reich and Benbasat, 2000). This paper suggests that communication between business and IT from central and local government will, over time, enhance understanding, and therefore increase SDK between the business and IT in service redesign. In addition, communication using an operational rather than a technical based language will help to maintain the interest of the business (or communication by translating and using a language that the business can understand), and will therefore create more SDK.

Communication / Standardisation and Decentralisation

There are many benefits to horizontal and vertical standardisation and communication, and it can certainly result in a higher level of business-IT alignment. However, decentralisation, or the 'localism' agenda in the UK, has been found to be a barrier to both. The UK Localism Act was created in 2011 and is concerned with decentralisation by devolving power from central government to individuals, communities and local authorities (Legislation.gov.uk, 2018).

The localism agenda seeks to move power and responsibility to a local level. Local councillors tend to believe that their responsibility is to serve the needs of the local community who elected them and may find that the way to do this is by having increased control and ownership. As mentioned by a participant from IT, in regard to standardisation and communication, “the issue is the desire of individual local government to keep control of their own service”. There will be a lower level of horizontal and vertical communication and standardisation if government agencies operate autonomously and focus on serving local needs without any outside influence. Therefore, decentralisation is seen to decrease both standardisation and communication, as illustrated in (Figure 1).

Nonetheless, this paper believes that when a government agency is experiencing a low level of communication with other government agencies (e.g., the type that allows for more standardisation), the potential disadvantages associated with decentralisation will increase (e.g., performing service redesign with minimum alignment). As a result, it is seen that communication can reduce many of the barriers linked to decentralisation (Figure 1).

One of the IT respondents pointed out that localism is a significant barrier to standardization. It was stated that “you can see at least in theory, that the idea of having all councils using a common IT platform for delivery of things like council tax administration, you can see the attraction of it, but that is at odds with the localism agenda”. In order to successfully achieve standardisation, local authorities must understand that it will not necessarily reduce their ability to serve local needs. Additionally, standardisation (e.g., common services redesign standards) can create more alignment, consistency and cohesion, by setting a common approach to services redesign across LAs, and between central and local government, and therefore can reduce barriers associated with decentralisation (e.g., siloed approach to service redesign). Therefore, standardisation can reduce the disadvantages associated with decentralisation, as shown in (Figure 1).

There should be a shift in thinking from the perception that decentralisation means operating in a silo, or that communication and standardisation preclude autonomy. Rather, there should be an emphasis on the ways communication and standardisation can best serve local needs, by creating more alignment between business and IT, across local authorities and between central and local government.

The paper argues that the creation of a platform by central government from which it is possible to communicate with local authorities will allow the barriers which come alongside decentralisation or localism agenda to be addressed. This will enable greater standardisation and SDK in the UK public services redesign.

Based on these findings, and as part of the ‘theory for design’ that this paper offers (for practical usefulness), it can be argued that alignment issues might be best addressed by adopting a *network* arrangement across government. Ideally, this would be a goal-directed arrangement aimed at alignment in services redesign, and mandated or contracted by the UK government, rather than adopting a siloed approach to services redesign. The network would be comprised of a cross-functional team or a multi-disciplinary group from across the UK public sector, with a common purpose and goal of creating more alignment in public services redesign. Having a collective approach towards services redesign will enable them to align and achieve outcomes they wouldn't be able to achieve while operating in silos, and to minimise the inherent complexities of alignment. As posited by Provan and Kenis (2008, p. 2), network effectiveness compromises “the attainment of positive network-level outcomes that could not normally be achieved by individual organizational participants acting independently”.

Nevertheless, there are many benefits of networks for alignment and coordination, including reciprocity, efficiency and stability (Oliver, 1990, cited in Ebers, 1997). Reciprocity means the existence of a shared goal of increasing the level of business-IT alignment in UK services redesign. Secondly, an efficient and smarter decision making will help bring about a more productive use of resources (e.g., to reduce duplications and cost), and more efficient development of services (e.g., by increasing standardisation, and the development and use of shared services). A goal-directed network will also enable any concerns or uncertainty relating to stability and the ability to maintain alignment between the business and IT faced by organisations to be shared and communicated with other participating public sector organisations, and therefore addressed in a cooperative manner.

CONCLUSIONS

This paper focuses on the key factor and enabler of alignment - i.e. communication. It explains the level of horizontal and vertical communication in the UK public services redesign. This research provides a theoretical model to deepen our understanding of this phenomenon, and demonstrate the interrelation between communication and other key factors identified from data collected which are also found to produce more alignment (i.e. standardisation and SDK). It discusses the fact that decentralization is an alignment inhibitor and explains how it negatively affects horizontal and vertical communication and standardisation in the UK services redesign.

Based on the findings, a network arrangement is proposed to increase the level of alignment, and to establish a collective approach and actions towards services redesign. It also provides government agencies with recommendations to improve their BIA, in order to support service redesign. It provides original concepts, ideas and insight by progressing and building on existing knowledge and understanding of business-IT alignment in the context of UK government digital service redesign.

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ORGANIZATIONAL BEHAVIOR IN COMMUNICATION – DOES GENDER MAKES SIGNIFICANT DIFFERENCE? – RESEARCH OUTCOMESMAGDALENA ZALEWSKA-TURZYŃSKA¹**ABSTRACT**

Communication is an important part of associating with other people. The primary purpose of this paper is to discuss the results of a study that was designed to determine whether gender affects the use of more modern communicative behaviour patterns within an organization. The communication patterns of employees were categorized as A (traditional), B (mixed), or C (modern), as measured by four dimensions: the initiator of the communication process, message content, feedback engagement, and the type of communication channel. This study shows that women more frequently say that their company communicates in a modern way than men do. However, this study should be replicated by means of a more sophisticated method.

Key Words: communication, organization, gender, organization behavior.

INTRODUCTION

Communication is an important part of associating with other people. Lon Luvois Fuller said, “human communication between people determines the maintenance of life”. Communication is “the nucleus and the main element of all human aspirations”. Relationships are mutual and bilateral; it is a way in which people make an “exchange of values, quality and meanings” [Fuller 1969, p. 186]. It is also a process of mutual enrichment of personalities and the process of achieving human goals. According to Fuller, communication and purposefulness are interrelated. Purpose assumes communication, because the possibility of purposeful action takes place only when there is full communication between people, and because communication, enriches the possibility of purposeful action by providing the means of transferring human achievements. Without intentionally accomplishing an intended activity, there is nothing to communicate, and communication always aims at a specific goal. Communicating, then, is not just a goal in itself, but a means of reaching the goal. The interrelation between goal and communication is even stronger when it comes to the environment of an organization.

The view of a conversation’s purpose is probably the mostly recognized difference between men and women in their communication styles – for women it is usually a tool to enhance social connections and create relationships, whereas men tend to use language to exert dominance and achieve tangible outcomes (Leaper, 1991; Mason, 1994; Wood, 1996; Mulac, Bradac and Gibbons, 2001). Language researchers on gendered communication say that, on average, women use more expressive, tentative, and polite language than men do, especially in situations of conflict. Men, on the other hand, are viewed as more likely than women to offer solutions to problems in order to avoid further seemingly unnecessary discussions of interpersonal problems (Baslow and Rubenfield, 2003). These outcomes mostly concern everyday life situations. The question arises in communication behaviour patterns within an organization.

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In this article, the author analyses and compares the communication behaviour of women and men within an organization. The main aim of the article is to investigate whether the communication patterns (explained in details in this text below) of women and men differ within the environment of an organization. The main area of investigation of potential differences in communication patterns due to gender is manner and organizational content, not the language itself. Behaviour within an organization in the communications field is a very important element concerning the management of people within organizations.

The primary purpose of this paper is to discuss the results of a study designed to determine whether gender affects the use of more modern communication behaviour patterns within an organization.

This paper is divided into four parts. The first section reviews the literature and the two research questions. The second section describes the method used to address the research questions. The third section summarizes the results associated with the research questions. The fourth section discusses the findings of this study and their implications.

REVIEW OF THE LITERATURE AND STATEMENT OF RESEARCH QUESTIONS

In the literature on biology, men and women are said communicate differently (Moir and Jessel, 1989). In the literature on professional management, men and women are argued to communicate differently while performing similar tasks. Women are said to prefer a more indirect, people-oriented and supportive communication style, whereas men are said to use direct forms, a task-oriented approach and a competitive style (Knights and Kerfoot, 2004; Linstead and Brewis, 2004; Katila and Eriksson, 2013).

Gender differences influence both management and communication styles (Miles, 1997). Women created more than twice as many new companies as men, because women are natural entrepreneurs – starting and building a new business is like raising a child (Miles, 1997).

In organizational research, there are approaches that see gender as something dynamic, fuzzy and developing (e.g., Leidner, 1991; Hall, 1993; Gherardi, 1994; Korvajärvi, 1998; Kirtley and Weaver, 1999; Martin, 2003; Bruni et al., 2004; Linstead and Pullen, 2006; Poggio, 2006).

Ladegaard (2011) researched male and female leaders' management styles within a large Danish corporation (pp. 4-19). The analysis showed that they do not differ much – both male and female leaders tend to prefer an indirect, normatively feminine management style. (However, the most significant difference was the perception of the leader. While the authority of male leaders was never questioned, there were several examples in the data of female leaders being challenged, or having their authority be questioned by their male colleagues.)

Some researchers (e.g., Thacker, 1995; Lewis, 1998; Leithwood and Jantzi, 1997; Eagly, Johannesen-Schmidt and Van Engen, 2003) have called for more complex research designs to test the effect of gender on leadership behaviour. Eagly and Johnson (1990) conducted a meta-analysis of gender and leadership on the basis of 162 reports that included data on the leadership styles of women and men. This finding contrasts with the gender-stereotyped expectations that women embrace more interpersonal leadership styles, whereas men are more task-oriented – female and male leaders did not differ in these two styles in these organizational studies. They found significant gender differences in the reported use of democratic or participatory styles of leadership in three types of organizational settings: experimental (i.e., laboratory studies), assessment (i.e., settings in which researchers assessed the leadership styles of people not selected for leadership roles), and formal (i.e., settings in which researchers assessed the leadership styles of people in formal leadership roles). Men were more likely to use autocratic, or direct and controlling styles. Although women were found to use more interpersonal styles in experimental and assessment studies, they did not differ from men in formal organizational settings (Eagly and Johnson, 1990).

The discursive relationship between gender and management is usually based on leadership. The interest in communication differences between the genders in the aforementioned research stressed leadership roles. The employees' communication patterns were not under investigation. There is significant lack of research on this topic in this field.

The "Global Gender Gap" is an indicator used to measure the equality between men and women. The highest possible score, which stands for equality, is 1, and the lowest is 0. The measurement of indicators started in 2006. The report examines four overall areas of inequality between men and women in 130 economies around the globe, which includes over 93% of the world's population (Report, 2014, p. 5):

- Economic participation and opportunity – outcomes on salaries, participation levels and access to high-skilled employment
- Educational attainment – outcomes on access to basic and higher level education
- Political empowerment – outcomes on representation in decision-making structures
- Health and survival – outcomes on life expectancy and sex ratio. In this case parity is not assumed, as there are assumed to be less female births than male (944 females for every 1,000 males), and men are assumed to die younger. Provided that women live at least 6% longer than men, parity is assumed; if it is less than 6%, it counts as a gender gap.

The indicator for Poland rose from 2006 to 2017: in 2006, the indicator was 0.6802, 2007 – 0.6756, 2008 – 0.6951, 2009 – 0.6998, 2010 – 0.7037, 2011 – 0.7038, 2012 – 0.7015, 2013 – 0.7031, 2014 – 0.7051, 2015 – 0.7150, 2016 – 0.727 and 2017 – 0.728 (Reports). The equality index in Poland has risen over time, but it is still unsatisfactory.

The aim of this article is to contribute towards an understanding of employees' communication behaviours (and not leaders') in the context of gender differences.

To investigate employees' communication patterns, three categories of communication patterns were introduced – labelled A (traditional), B (mixed), and C (modern), as measured by four dimensions: the initiator of the communication process, message content, feedback engagement, and the communication channel.

Pattern A indicates a high degree of formalization of communication within the organization. The process mainly takes place vertically, according to extending the organization links missions – usually downward from superior to subordinate. In the opposite case – from subordinate to superior, it is necessary to keep track officially and there is therefore a particular procedure for that process. The supervisor or manager usually initiates the communication process by giving an order to the employee. This message is usually standardised and used to fulfil a task and to do the job. The possibility for feedback is low – any feedback often only contains confirmation of receiving an order (i.e., confirmation of the manager's command). Communication is mainly via personal contact – this helps to control the process of communication within the organization.

Pattern B is a mixture of patterns A and C. It represents a type of less formalized communication than in type A, but more formalized than in type C. In addition to the message being forwarded along the path of business (in both directions), there are diagonal relationships. The initiator of the communication process is mainly the manager, who sets a goal, but the initiator can also be an employee, for important issues. The message content is more or less standardised, but it is often incomplete. In case of doubts or non-standardised cases, the employee can ask his/her supervisor for advice. As a consequence, the feedback is at a medium level – the possibility is not freely open, but it is more frequent than in pattern A. The manager

will answer questions – the exchange of messages occurs on medium level. Personal contact is supported by technological methods.

Pattern C uses low formalization of communication and displays high elasticity within the communication process. It happens *ad hoc*, when and where it is needed. The initiator of communication process can be anyone in the organization. The content of the message is ‘unpredictable’ – it can concern anything. The content may be over-complete, i.e., overloaded with information, and it is not necessarily helpful for the employee. S/he needs to selectively communicate to perform his/her job. Feedback engagement is high, since tasks in the organization are negotiated via messages exchanged among managers and employees (i.e., tasks are not commanded). This means that the amount of exchanged messages is high. The fastest channel is used for communication in each case, adjusted to the situation.

Identification of the communication pattern of type C led to four hypotheses:

H1: female employees initiate the communication process more frequently than male employees

H2: female employees tend to gain needed information in organizational communication on their own in comparison to male employees.

H3: female employees tend to be more engaged in feedback than male employees

H4: female employees more frequently use modern technology to communicate within the organization than male employees do

RESEARCH METHOD

This study used primary sources. A questionnaire was conducted in Polish and created in consultation with representatives from different academic disciplines; six competent judges – professors who are considered to be the best in their relevant discipline within the country – revised it to enhance clarity. The questions were of cloze type, with three cafeteria answers. It was pilot-tested on different employees and then used during the final study. The survey was conducted from April 2015 to January 2016 via phone, using workers who were trained to facilitate data collection. A group of employees was drawn from Polish companies, which were themselves randomly drawn proportionally to the amount of certain business branches in the country (Statistic Polish Yearbook).

The questionnaire was divided into two parts. In the first part, employees were requested to respond to general and demographic questions about their gender, age, seniority and position within their company. Only mid-sized (50-249 people) and large (more than 250 people) companies were investigated.

The second part asked specific questions about the types of communication that the employees used. These questions investigated the sender of the message, the initiator of the communication process, the content of the message, and the most frequently used method of communication within the company.

After collecting the data, a statistician was engaged to ensure proper data processing. The data were coded and processed in SPSS, a statistical package system. Results were analysed and summarised, in order to draw conclusions and make recommendations.

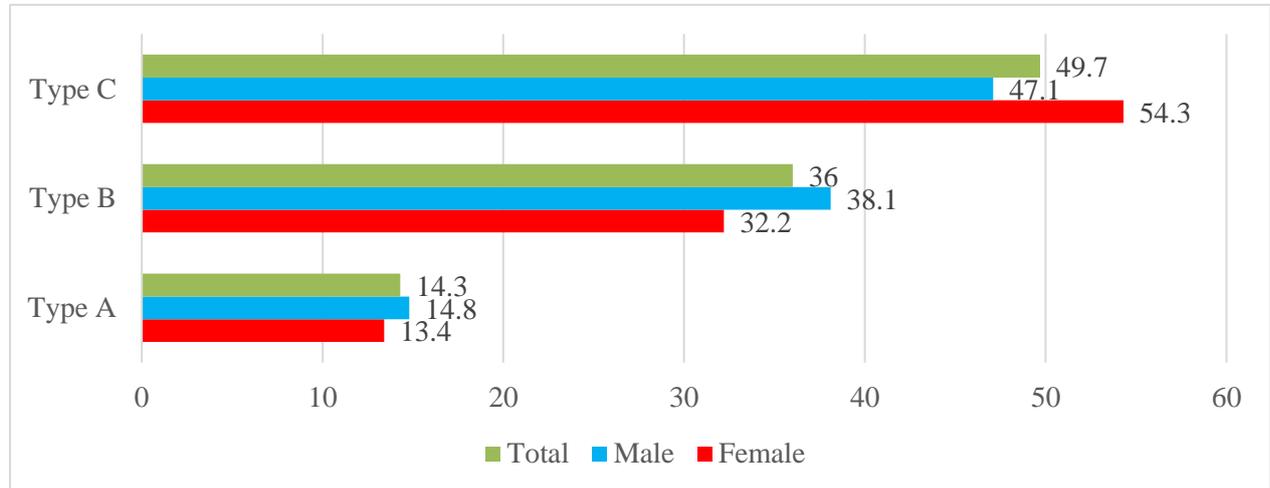
RESULTS AND DISCUSSION

A total of 2274 people participated in the survey on communication patterns as organizational behaviour out of 297 companies (production, service, and trade). 2135 employees provided his/her gender, 139 did not. The sample for this study included 1370 men (64.17%) and 765 women (35.83%). 76.04% of employees did not manage people at all (directly or indirectly). The age of respondents differed significantly – there were six age groups: below 25 (5.68%), 25-34 (36.43%), 35-44 (32.19%), 45-54 (15.20%), 55-64 (9.98%), and 65 and older (0.52%). The seniority at work (seniority in the company in which currently employee works) was as

follows: 11.24% had worked less than one year, 31.67% had worked between 1 and 5 years, 25.62% had worked between 5 and 10 years, and 31.48% had worked longer than 10 years.

In investigating significance, the Pearson chi-square test of independence was used. If chi-square results are significant, post-hoc analysis is then conducted for identifying significant differences at the 0.05 level. The outcomes of the research are presented on the pictures below:

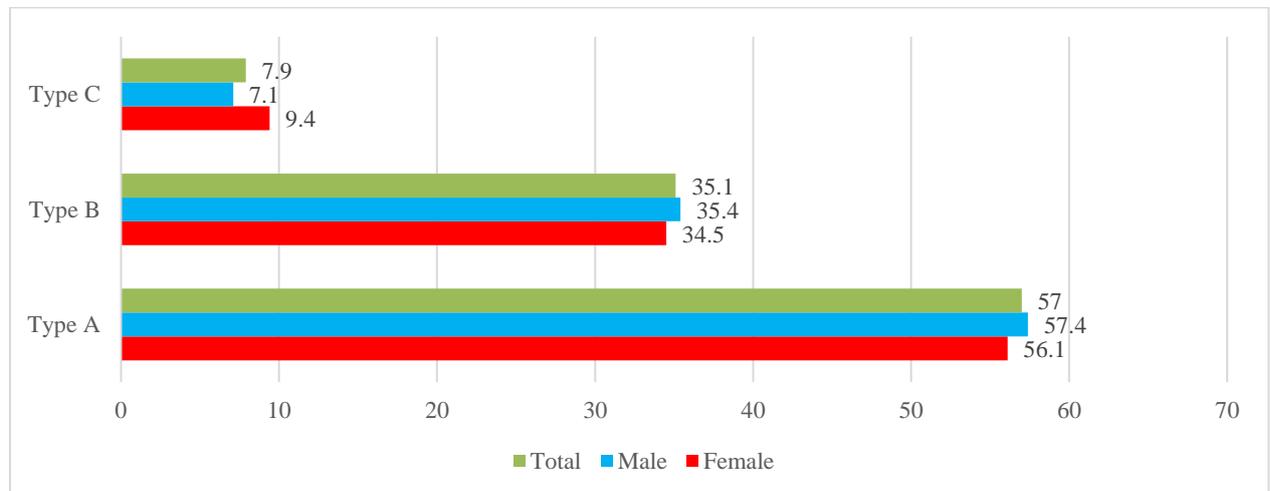
Figure 3. The initiation of the communication process [in %]



$p = 0.006$; Pearson's chi-square = 0.006; Cramér's $V = 0.006$

There is significant statistical influence of gender on the initiation of the communication process, but the strength of this relation is close to zero. The H1 may be confirmed.

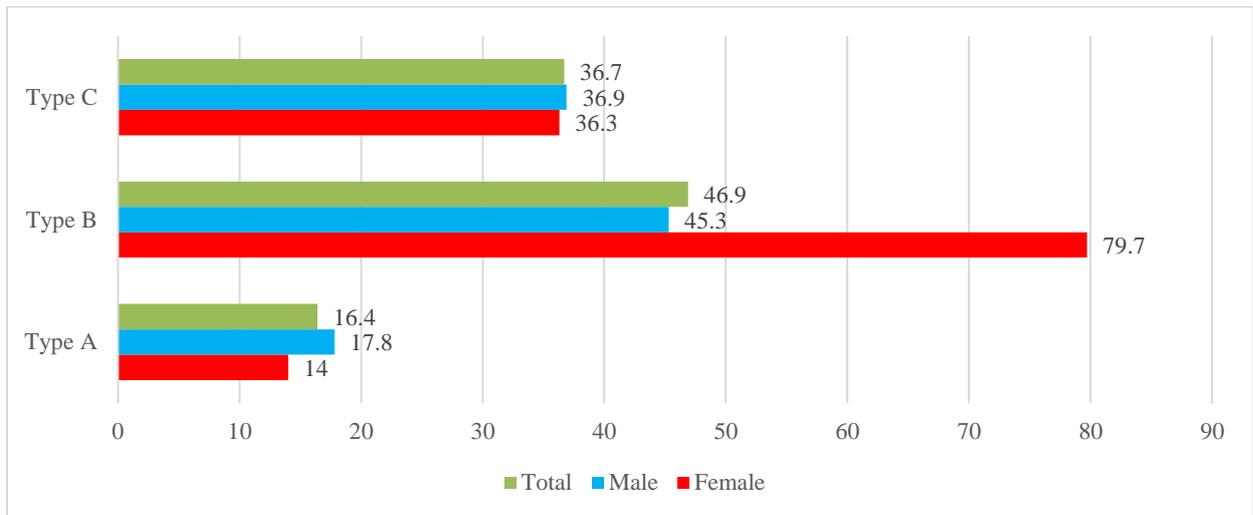
Figure 4. The message content



$p = 0.191$; Pearson's chi-square = 0.198; Cramér's $V = 0.191$

The relationship between gender and message content is statistically insignificant. H2 cannot be confirmed.

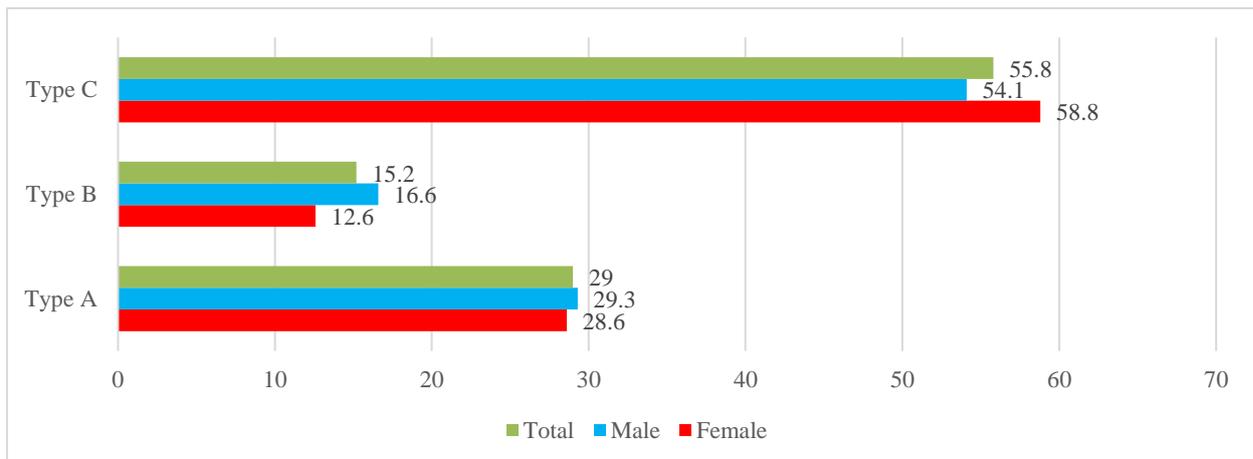
Figure 5. Feedback engagement



$p = 0.047$; Pearson’s chi-square = 0.047; Cramér’s V = 0.047

There is a weak, but significant, statistical relationship between gender and feedback engagement. H3 cannot be confirmed.

Figure 6. The communication channel used



$p = 0.029$; Pearson’s chi-square = 0.029; Cramér’s V = 0.029

There is weak statistical significance on the relation between gender and communication channel. H4 may be confirmed.

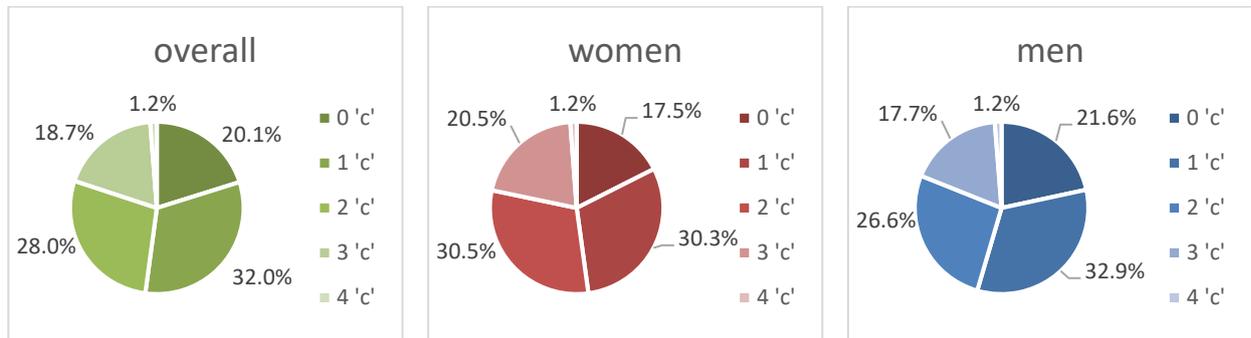
Since the above analysis involved limited information (a lack of significance, and weak or even zero strength of influence), a further statistical analysis was implemented for the second research question.

The answers for every question were coded as follows: A is considered to be a traditional communication pattern, B – mixed, and C – modern. The more frequently C was given as an answer, the more modern the type of communication was assumed.

Although the study was conducted on 2135 participants, only 2112 people responded to “the most modern communication pattern” questions (23 persons did not answer all questions – leaving a gap in the data). The levels were set on the basis of the four aforementioned questions. The number is a count of ‘C’ answers in the four questions (so for example: 0 stands for no ‘C’ answers for any of the 4 questions, 2 means two ‘C’ answers, no matter which questions, and 4 stands for answering ‘C’ in case of all questions). There is a statistically

significant dependence between gender and the number of selected answers of ‘C’ ($p < 0.05$). The results were surprising, however, as shown below.

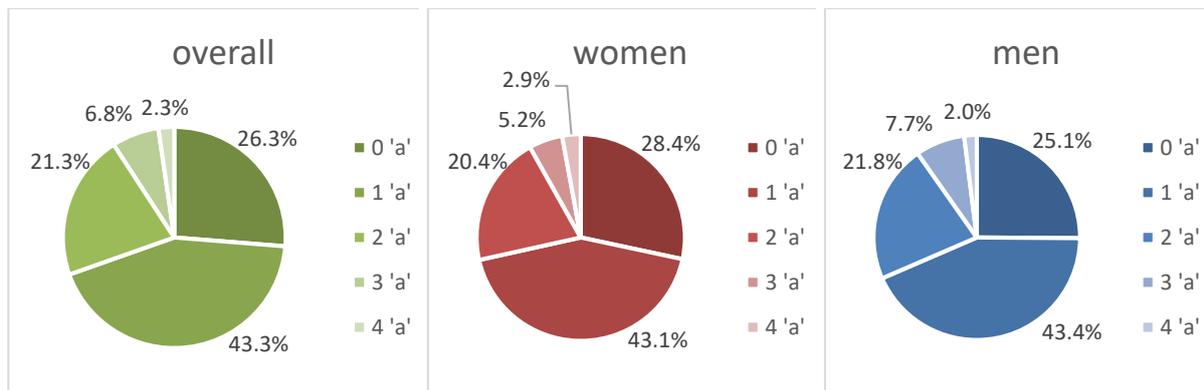
Figure 5. The ‘modernity’ of communication pattern – overall, women, and men



A very small percentage (1.2%) of employees – regardless of gender – represent fully traditional communication behaviour within an organization – 4 ‘C’s marked. If two (out of four) ‘C’ answers is considered to be the middle level of the scale, not many employees consider their companies to be taking advantage of modern ways of communication.

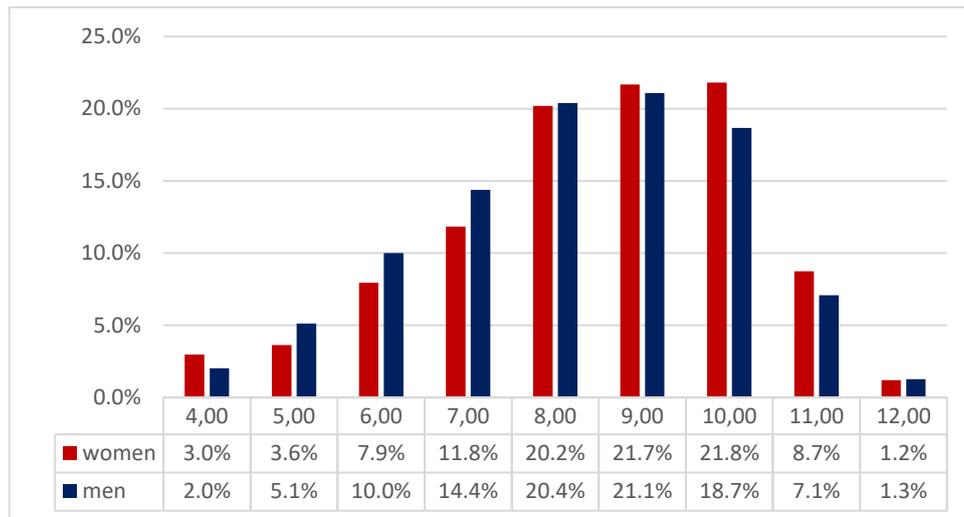
As a cross-examination of the outcomes shown above, the traditional communication pattern was checked, to verify if one trend confirms the second one. The ‘A’ answers were statistically examined. The data confirmed the trend – details are given below.

Figure 6. The ‘traditionality’ of communication pattern – overall, women, and men



There were four analysed dimensions, and in each of them one of three possible answers had to be chosen. The chosen answers indicated the initiation of communication within the organization, and the modernity of solution used. Each answer of type A gets 1 point, B – 2, and C – 3. If the employee indicated traditional communication in each case (four answers of ‘A’) the answers are worth 4 points, and if the communication is considered to be the most modern – given 4 ‘C’s – it receives 12 points. The higher the score, the more modern the communication is within the organization. This scale produces the results presented below:

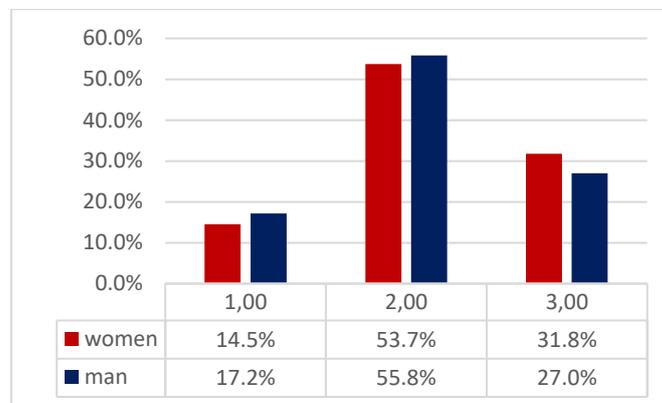
Figure 7. The levels of modernity engagement of employees



As shown in Figure 7, the differences between women and men are small – it varies between 0.1%, in case of 12 points on the scale, up to 3.1%, in case of 10 points.

The diversity of results was then gathered into 3 categories, where answers that obtained 4 to 6 points fall into category 1, 7-9 into category 2, and 10-12 into category 3. Category 2 has the largest number of respondents, including a slight advantage of 2.1% of male respondents. Category 3 has a slight advantage 4.8% of female respondents. The results are shown below.

Figure 8. The levels of modernity engagement of employees – three categories perspective



CONCLUSION

The communication behaviour patterns in this paper were determined by means of four features: the initiator of the communication process, message content, feedback completion and the type of communication channels used. Differences between the genders was found, but they were not as large as the author was expecting prior to conducting the research – and varied by up to 5%.

It may be concluded that women more frequently give an answer that their company communicates in more modern ways than men do.

None of the hypotheses can be strongly confirmed. Although this research concludes that neither H2 nor H3 can be confirmed, H1 and H4 may still be confirmed, and the research should be replicated to test them more carefully.

Moreover, the results show the need for repetition of the survey, but using different, more detailed questions that are designed to elicit more sophisticated differences between the genders in terms of communication behaviour patterns within organizations.

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21-BG02-5743

TYPES OF ORGANIZATIONAL BEHAVIOR IN BUSINESS ORGANIZATIONS FROM THE PERSPECTIVE OF PERSON-ORGANIZATION RELATIONSHIPS. RESULTS OF EMPIRICAL STUDIES IN POLAND

ILONA ŚWIĄTEK-BARYLSKA¹

ABSTRACT

The paper presents empirical evidence of research on organizational behavior in business organizations from the perspective of the relationship between employee and organization. The purpose of this study is to explore the relationship between different types of organizational behavior exhibited by employees and different types of business organizations.

Methodology: The study was conducted in two stages: Stage 1 - quantitative research method on a representative sample of 297 Polish companies employing at least 50 employees. Stage 2 - the population in the second stage were employees of the companies covered by the study in Stage 1. The sample consists of 2,274 employees from 40 businesses operating on the Polish market.

Findings: the research allowed the author to identify: 1) the dominant type of individual organizational behavior as contemporary, 2) the dominant type of organization as traditional, and 3) a lack of statistically significant relationship between individual organizational behavior and type of organization.

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Key Words: organizational behavior, person-organization relationship,

INTRODUCTION

Individual behavior in an organization and its determinants have been the subject of theoretical and empirical analysis for years (Nicklin and Spector, 2016). As organizations and their environment are changing rapidly and, in consequence, the number of variables which can be, and are, the subject of academic inquiries is enormous, there are still many gaps and research questions which have not been answered. There are two variables considered in this paper: the situational determinants of individual organizational behavior, described as different types of organization, and individual organizational behavior in the context of the person-organization relationship.

According to Lewin (1938), all employee behavior has both personal and situational causes. The focus of this study is on the situational ones. The organization is perceived as a space to which employees are invited. The way in which this space is organized and managed creates specific employee behaviors and can be described by the level of person-organization fit. Person-organization fit is the relationship between the two partners. It can have a win-win or a win-lose character. It is not an element of a formal job contract but can be treated as an element of a psychological contract (Wellin, 2007). The purpose of this study is to determine: 1) the dominant type of individual organizational behavior, 2) the dominant type of organization operating on the Polish market and 3) the relationship between individual

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organizational behavior in the context of the employee-organization relationship and the type of business organization.

Determinants of individual organizational behavior

The contrast between the Doctrine of Traits (behavior as a function of personal attributes: traits, emotions, attitudes, motives, and values) (Allport, 1937) and the Doctrine of Situationism (behavior as a function of the environment) (Zimbardo, 2008) had an impact on the trait-situation debate over which factors were more powerful predictors of behavior. They were treated as two independent factors until the 1930s, when both approaches were integrated by Kurt Lewin (Kihlstrom, 2013). The next step in the person-situation research was the Doctrine of Interactionism formulated by Bowers. According to this doctrine, one cannot talk about the primacy of either the traits or the situation as determinants of individual behavior in an organization. *Interactionism argues that situations are as much a function of the person as the person's behavior is a function of the situation* (Bowers, 1973). It can be described in the following equation: $B = f(P \times E)$, where personal and environmental factors are multiplicative, i.e., the person (P) and the environment (E) both affect the behavior (B), but the effect of each variable depends on the level of the other. The effect of the personality depends on the environment (the situation the person is in) and the effect of the environment (situation) depends on the person who is in it. The person and the situation enter into various interactions, shaping behavior (Kenrick, Neuberg and Cialdini, 1999).

Person-Organization relationship

Person-organization fit is a phenomenon analyzed from different perspectives. Muchinsky and Monahan underline the duality of understanding person-organization fit: *supplementary* and *complementary* fit. Supplementary fit has been conceptualized as the similarity of characteristics between an employee and the work environment (organization). Personal characteristics may include individual values, goals, abilities or personality. Environmental characteristics may refer to values, goals, the cultural climate or norms (Cable and Edwards, 2004, p. 822). Supplementary fit is usually perceived as the congruence of goals and values. Complementary fit exists when one entity possesses characteristics that the other wants or needs, when an employee has a skill set that an organization requires, or it can mean that the organization offers rewards that an individual want (Guan et al., 2011). “This refers to occasions when the weaknesses or needs of the environment are offset by the strength of the individual, and vice-versa” (Muchinsky and Monahan, 1987, p. 271). Edwards (1996) makes a distinction between the demands-abilities fit and the needs-supplies fit. The former occurs when an individual has the abilities required to meet the demands of the organization. It is described from the organizational perspective. Abilities, in this case, mean any competencies the employee possesses to meet organizational demand/expectations. The needs-supplies fit attitude concentrates on the employee's needs and the capability of the organization to fulfill those needs, e.g., the employee needs a safe work environment (certainty-oriented person) and the organization provides the employee with a long-term contract (Arbour et al., 2014). The person-organization relationships which are analyzed in this paper are a type of complimentary fit understood as the need-supply relationship.

METHOD

Research background

For the purpose of the study, the author created a typology of organizations operating on the market and a typology of individual organizational behavior in the context of person-organization relationships (see Tables 1 & 2).

Table 1: Types of organizations operating on the market

Criterion	Type of organization		
	Traditional (T)	Contemporary (C)	Future (F)
Type of organizational structure	Hierarchical	Process organization	Organic and matrix
Locus of control and power	Centralized	Decentralized	Dispersed
Level of formalization and specialization	High	Middle	Low
Management style	Autocratic	Democratic	Mixed
Management method	Management by Instructions	Management by Objectives	Management by Values
Communication	Formal	Formal and non-normal	Non- formal Hi-tech
Type of environment	Stable	Dynamic	Turbulent
Scale of the company's operations	Local	National	Global

Source: Author's own elaboration on the basis of Kołodziejczak, M. (2016) Organizacje w Polsce [in:] Januszkiewicz, K. (2016) Wielowymiarowa Analiza Zachowań Organizacyjnych (WAZO) w polskich przedsiębiorstwach. Łódź: Wydawnictwo UŁ, 25-46.

Three model types of organizations were identified (Kołodziejczak, 2016): *Traditional organizations* operate in a stable environment. They are based on hierarchical structures and the job is characterized by a high level of specialization and standardization. Due to the relatively low level of variability in the environment, organizations create numerous and detailed written procedures and regulations. In organizations of this type, a group of top managers deals with the formulation of organizational objectives; lower level employees are not actively involved in this process. After the completion of a task, a supervisor checks, controls and evaluates the employee and the results. A high degree of centralization and formalization facilitates the creation of formalized communication, gradually leading to the depersonalization of interpersonal relationships. In consequence, employees focus on matters relating only to a part of their work, distancing themselves from the matters of other employees regarding the entire organization, and problems which occur in the environment are regarded as completely irrelevant from their point of view. *Contemporary organizations* operate in the turbulent conditions of the organizational environment. This requires the flexibility of organizational solutions. Tasks are therefore loosely defined and result from the circumstances and expectations of both supervisors and colleagues. This requires definitely higher and more universal qualifications from people than in traditional organizations. Informal relations and communication between people is set up. The speed of responding to changes in the organizational environment also requires the decentralization of rights and responsibilities. Increasing the degree of the organization's flexibility depends to a large extent on the speed of decision-making, and therefore the need to increase the degree of autonomy of individual employees and the concentration of fragmented tasks into more complex ones emerges, which means that multi-entity and interdisciplinary work are based on processes. Managers play a special role – they are mentors and advisors. The measure of their effectiveness is the ability to involve people in the process of making decisions and solving problems and creating

conditions for mutual learning. *Future organizations* are characterized by diversity management, striving for leadership based on one side of the discipline, and flexibility on the other. Managers, as the ones who implement traditional management functions, no longer play a special role here; it is the leaders who are the guardians of the organizational values. It is difficult to clearly define boundaries of organization. It is a digital business community based on the logic of the network, which requires the existence of dynamic, reconfigurable organizational structures, management tools and advanced communication technologies, that allows the free flow of information in all directions. Employees participate in projects, sometimes in several simultaneously, in a cross-cultural environment.

Table 2: Types of individual organizational behavior in the context of the person-organization relationship

Criterion	Type of individual organizational behavior		
	Traditional (T)	Contemporary (C)	Future (F)
Reasons for starting and maintaining relationships with the employer	Employees work in the company because they must do it and do not have any choice.	Employees work in a company out of habit. There is no point in changing to something unknown.	Employees work in a company because they like the job and want to do it.
Ways of perceiving and shaping relationships with the company	Employees feel like a mercenary/slave. The company is a place that provides a job and receives something in return. The company's goals come first. It is a win-lose or lose-lose relationship.	Sometimes at work, employees feel like an important part of the company and sometimes like a mercenary/slave. They try to combine their own goals and the company's goals at work so that neither of the parties lose. It is a mixed relationship, i.e., sometimes the company wins – sometimes the employee.	Employees feel as if they are responsible for the company. In everyday activities, they are guided by their own goals. It is a win-win relationship.
The nature of the relationship with the company (exclusiveness)	Exclusive participation (employment in one company).	Employees sometimes provide additional work for another company.	Employees work with many companies at the same time, providing them with a job.
Employees' career plans and job expectations. Willingness for long-term employment	Employees do not plan to change jobs within three years, even if someone offered better employment conditions. Exchange: loyalty for many years of employment.	Employees are ready to change the job if someone offers better terms of employment. Exchange: work for pay, a relationship that both sides try to strengthen and develop.	Employees are ready to change job and look for a place where they can achieve their goals. Exchange: work for the possibility of development, which will end when either of the parties (or both) is interested.
Employees' level of uncertainty avoidance	High	Moderate	Low

Source: own elaboration based on (Świątek-Barylska, 2016 b)

Three model types of individual organizational behavior in the context of person-organization relationships were identified (Świątek-Barylska, 2015; Świątek-Barylska, 2016). *Traditional behaviors* have their roots in scientific management. They are characterized by a strong intensity of the relationship between the employee and the organization. People feel they not only work in the organization, but they belong to it (they are part of it). They are employed only in one company and are not interested in multi-employment. The identity of the employees is determined by the organization and by belonging to it. The power of both sides of the relationship is unequal and it has a win-lose character. Employees realize they are the weaker part, but they accept it. Because employees are certainty-oriented, they have a strong need for security and long-term employment. *Contemporary behaviors* result from changes which occur both in the companies' environment and within the employees. On the market one can observe both win-win and win-lose relationships. Employees are aware that they can work for another company and do not have to work in this company. It makes people more uncertainty-oriented and feel more independent and demanding. Employees identify with the profession, not with the organization, and they build their identity on the basis of the occupation. Long-term employment is no longer an employee's goal. *Future behaviors* do not refer to the future in time meaning. They can be observed nowadays. The name refers to the fact that this type of relationship will become popular in the future, when economic and social changes become common. This is a win-win type of behavior. Employees become a temporary member of the company. Additionally, multi-employment is also connected with the relationship being too transitional (temporary) in nature. The identity of employees is defined by themselves. They look for challenges and opportunities and often change their roles in the company. They are highly tolerant to uncertainty. In addition to the three model types of behaviors, there is also a fourth type in the research, called *mixed type of behaviors*. This category consists of behaviors that include elements belonging to different categories, but none of these categories is dominant enough to categorize it as traditional, contemporary or future.

Three types of organizations and individual organizational behavior are the subject of the research.

Procedure and sample

The study was conducted in 2015 in two stages:

Stage 1 - the starting point of the research was the identification of three model types of organizations defined as: traditional (T), modern (W) and future (P) (see Table 1). The research was conducted in 2015 using the quantitative research method. The survey was conducted on a representative sample of enterprises employing at least 50 employees. The sample was selected randomly within the layers distinguished based on the criterion of employment (medium/large) and industry (trade, industry and services). The study involved 297 medium-sized and large enterprises (employing from 50 to 250 and more than 250 employees). Stage 2 - the population in the second stage was employees of the companies covered by the study in Stage 1. The sample consisted of 2,274 employees from 40 businesses operating on the Polish market. Sampling at the enterprise level was sufficient. The selection procedure involved reaching and inviting each employee to take part in the survey. To qualify a company for the sample, completed questionnaires from a minimum of 20% of the company's employees had to be received. The questionnaires were completed using one of two methods: an online survey or a paper-and-pencil survey. Prior to this process, the questionnaire was validated by an expert in the field of organizational behavior and a pilot testing stage took place. Final correlation analysis was conducted via SPSS to validate the results.

The results presented in the article come from both stages of the research. Data were collected using the WAZO Questionnaire developed by the project members (Januszkiewicz et al., 2016).

Findings

Types of business organizations

Table 3 presents the percentage of defined types of organizations operating on the Polish market. As the research results show, the most common type of organization is the traditional one (45.6%), followed by contemporary organizations (41.1%) and future ones (7.2%). Companies with mixed characteristics, that is, features of all three types, make up 6.1%, with no obvious dominance of any of them.

Table 3: Frequency of occurrence of particular types of business organizations

Traditional organizations	Contemporary organizations	Future organizations	Mixed organizations
45.6%	41.1%	7.2%	6.1%

Source: author's own elaboration on the basis of research results

Types of individual organizational behavior in the context of person-organization relationships

As presented in Table 4, the dominant type of individual organizational behavior in the context of the person-organization relationship is the contemporary type of behavior (36.8%), followed by traditional behaviors (25.2%), with future behaviors (9%) the least common. The share of mixed behaviors (29%) is also significant. The high share of the "mixed" categories can be interpreted as an image of transformations taking place in behaviors and relations, their ambiguity, and their continuous formation and adaptation to the ongoing economic and social processes.

Table 4: Frequency of occurrence of particular types of individual organizational behavior

Traditional behavior	Contemporary behavior	Future behavior	Mixed behavior
25.2%	36.8%	9%	29%

Source: author's own elaboration on the basis of research results

Types of individual organizational behavior in different types of organizations

The research shows (see Table 5) that there is no statistically significant relationship between individual organizational behavior in the context of the person-organization relationship and the type of organization. Additionally, it should be noted that there are no significant differences among the results in particular types of behaviors. It is also worth noting that regardless of the type of organization, the most commonly identified behavior was contemporary. The percentage of contemporary behavior varies from 35.0% in contemporary organizations to 41.4% in future ones. The results referring to traditional behaviors are also very similar for different types of organizations, and vary from 21.6% for future organizations to 27.1% in traditional organizations. The least popular type of behavior in the analyzed perspective is future behavior. One can observe it in future organizations – 10.8%, contemporary – 10.3%, and seldom in traditional ones – 7.7%. There is a high share of mixed

type behavior. This category consists of behaviors that include elements belonging to other categories, but none of these categories is dominant enough to categorize it as traditional, contemporary or future.

Table 5: Organizational behavior in different types organizations

Type of behavior	Type of company		
	Traditional	Contemporary	Future
Traditional	27.1%	24.2%	21.6%
Contemporary	38.0%	35.0%	41.4%
Future	7.7%	10.3%	10.8%
Mixed	27.2%	30.5%	26.1%
p = 0.085; p - probability in chi-square test			

Source: author's own elaboration on the basis of research results

DISCUSSION AND CONCLUSIONS

In the paper, three different issues were combined and analyzed: different types of organizations as a situational factor influencing employee behavior, different types of individual organizational behavior, and the person-organization relationship as the context of the research.

The dominance of traditional organizations on the market, followed by contemporary ones and the small share of future organization, is a reflection of the implementation of conservative organizational methods and management tools in Polish business organizations. The obtained results also confirmed the dominance of hierarchical structural solutions (which occur in the traditional type of organization and partly in the mixed one), the high level of centralization and formalization, and the popularity of autocratic management styles (Kołodziejczak, 2016). One should remember that the sample consisted of medium-size (50-249 employees) and large companies (250 employees and more) operating in a dynamic or even turbulent environment. Thus, one might expect the dominance of contemporary and future type organizations. A high level of formalization works well in a stable environment and in routine situations – in organizations in which tasks are explicit and certain. Individual organizational behavior in formalized organizations is characterized by a strong intensity of the relationship between the person and the company. People not only have the feeling that they are working in the organization, but that they actually belong to it (Świątek-Barylska, 2017). Thus, the question arises: are Polish companies prepared for changes in their environment? Why is the percentage of future-type organizations in the whole population relatively small? It is worth underlining that the results describing the reality regarding the types of organizations are representative of Poland, which is a strength of the research. It not only makes it possible to achieve the purpose of the research (the determination of the dominant type of organization operating on the Polish market) presented in this paper but it could be an important starting point for further research. The type of organization in this research was perceived as a situational factor determining organizational behavior. Although there is no statistically significant relationship between individual organizational behavior and type of organization, it worth noticing the difference between the dominant type of organization and the dominant type of employee behavior. Both in traditional and contemporary organizations, as well as in the future ones, organizational behavior regarding the employee-organization

relationship can be described as contemporary. This type of behavior is connected with the growing level of education and need for independence among employees. Such a result may suggest greater flexibility and activity in response to the socio-economic changes among employees than in the organizations. This may lead to a situation in which the employees are the initiators of modernizing the applied organizational solutions and the instigators of pressure to reorient the relationship towards a partnership in which both sides win. As it is the company who shapes the organizational space in which the employee may (but does not have to) remain, the discrepancy between the applied organizational solutions (type of organizational) and employee behavior will result in either the employee leaving the company or changes taking place in the solutions themselves. Taking into account the ongoing changes on the labor market, towards the employee market, one can expect changes in the organizational solutions used by companies, moving away from traditional ones, i.e., the relationship in which the employer is clearly a stronger side, imposing on employees their goals and solutions. It points to the fact that the relationship between the situation and individual organizational behavior is two-way. The situation determinates the behavior of the individual, but at the same time, the individual shapes the situation.

The article has several limitations that should be considered. First, in order to identify individual organizational behavior, a focus on individuals' subjective perception of the situation and emotions was made. It was based on the assumption that people are aware of the situation they are in, or want to be in, and their emotions in the person-organization relationship (Endler & Magnuson, 1976). Next, only the situational factor was the subject of the analysis. According to Lewin (1938), all employee behavior has both personal and situational causes. The focus of this study was on the situational ones. It was a consequence of the purpose of the research, defined as determining the relationship between individual organizational behavior and the type of business organization. The limitations of the study are countered by some important strengths. First, the presented results are based on an original theoretical construct (traditional, contemporary and future organizations and behaviors) based on specified criteria and a broad literature review. Next, the paper examines a large, representative sample of companies and employees. It allows for a generalization of conclusions. Finally, the research can be treated as a starting point for a comparison between different countries.

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THE POTENTIAL OF EDUCATIONAL TOURISM PRODUCTS FOR FOREIGN STUDENTS IN THAILAND

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ABSTRACT

This paper is about the potential of educational tourism products for international students as a method of applied research. It provides the necessary information on the tourist needs of international students in the top 10 provinces to travel in the future. This is linked to the research programme (first year) in the motivation to travel and travel behaviour to achieve intermediate results in evaluating the potential attractiveness of tourism, the value of the tourist attraction and the potential for tourist development and management, including Chiang Mai, Phuket, Krabi, Bangkok, Chiang Rai, Ayutthaya, Surat Thani, Sukhothai, Chonburi and Mae Hong Son. According to studies, natural tourism resources, historical tourism resources and cultural tourism resources are appropriate to be used for educational tourism by museums, historic sites, festivals/traditional, the way of life of the community and arts and cultural centres, which are likely to be the most educational attractions. Assessment of educational tourism potential shows that Chiang Mai, Surat Thani, Mae Hong Son and Phuket have a high potential for educational tourism due to their natural tourism resources, historical tourism resources and cultural resources.

Keywords: Educational tourism, Foreign student, Tourism product, Potential of tourism product

INTRODUCTION

In the 2016 academic year (July 2016–July 2017), 17,759 international students studied at universities in Thailand. Of every continent, Asia has the highest number of students and this number is increasing continuously. These are especially students from China and ASEAN countries, as seen from the academic year 2016, when there were 7,204 Chinese students, 2,148 Burmese students, 1,222 Cambodian students, 858 Vietnamese students, and 787 Laos students studying in Thailand. Since the establishment of the ASEAN Community in 2015, the number of international students in ASEAN countries has increased steadily and dramatically. Many higher education institutions have developed educational programmes to accommodate more international students. In the academic year 2011, the Thai Higher Education Institution ran 844 international programmes. These courses are available for international students and are ready to provide technical cooperation with ASEAN countries and parties (National Statistical Office, 2013, p. 3).

The number of foreign students is an essential target for Thailand to increase, as well as the number of international tourists. In 2016, 27,076,308 foreign tourists visited Thailand (Ministry of Tourism and Sports, 2016). The market share of foreign students to foreign tourists was 0.0007% (17,759: 27,076,308) (when compared to its market share of BRIC tourist quality. This cannot, however, be compared with tourists from China) 12.51%, (Russia) 5.91% (and India) 4.55% (or more).

The significant difference between foreign students and foreign tourists is that international students stay in Thailand longer than foreign tourists, because most undergraduate degrees take at least four years to complete. There are plenty of openings to make a trip or a repeat trip, and there are many travel opportunities. This will help increase the revenue from tourism to the area. Foreign students will be the promoters of sustainable tourism and creative

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tourism, as they are motivated by learning, practical experiences and relationships with other people to develop the environment and assist others. Educational tourists are also interested in traveling to remote rural villages)SNV Netherland Development Organization, 2009, pp. 77–78(. Educational tourism of foreign students may also benefit Thailand in terms of academic and cultural exchange. If they become attached to Thailand, external students will persuade their families, friends and acquaintances to come and visit them when they are studying in Thailand and after graduating. The city is also a factor that attracts foreign students)Naffziger, 2008, p. 49(, so quality educational tourism is a factor in the decision of foreign students to study in Thailand.

However, educational tourism does not focus on making money from tourists, compared with other types of travel. Educational tourism activities are also more attractive for educational institutions than tour operators. Educational tourism suffers from a lack of business study in the marketing, consumer demand, and tourism resources needed)Williams, 2010(. This study is an applied research project linked to the research programme number one (2016) regarding motivation in tourism and travel behaviour)Chaijan, 2016) based on the needs of foreign students in the top 10 provinces to travel to in the future. The study assesses potential tourism products in Thailand on the basis of attractiveness for tourism, the value of the tourist attraction and the potential for tourism development and management. The research study related to educational tourism in these provinces defines a way to manage and administer educational tourism to be more efficient.

OBJECTIVES

1. To assess the potential of tourism in Thailand and its capacity to attract tourism/tourism value, the potential for tourism development and the potential for management, focusing on the top ten destinations where international students in higher education in Thailand need to travel (Chaijan, 2016).
2. To draw conclusions and make suggestions regarding the development of educational tourism products to meet the needs of foreign students.

METHODOLOGY

Quantitative research by survey based on data from the research plan of the first year of (Chaijan, 2016) shows the provinces where foreign students study. At the level of education in Thailand to travel in the top 10, which includes Chiang Mai, Phuket province Krabi Bangkok Chiang Rai province Phra Nakhon Si Ayutthaya Province Surat Thani Sukhothai Province Chonburi and Mae Hong Son in terms of tourist motivation and the behaviour of foreign students.

The study population is based on tourist statistics in 2017 in the area mentioned above published by the Department of Tourism. The total number of 31,312,793 persons was calculated using the Taro Yamane formula)Taro Yamane, 1973) at the confidence level of 95%. The sample size of 400 samples was used to collect the data from the sample of tourists. In addition, the researcher increased the number of questionnaires collected from the sample in the same proportion, a total of 500 samples. The sample method was based on Mixed Method using Stratified Cluster Sampling with all zoning. Location of the area. Cluster sampling is used for each of the 25% of the selected clusters from the landscape. The clusters were based on the Non-Probability Sampling. Typical sampling is only for those who are aged 20 or over, who are traveling in the study area.

Variables in studying the potential of educational tourism in Thailand include natural tourism resources)i.e., national parks, wildlife sanctuary, marine national park, bay and beach and botanical garden(historical tourism resources)i.e., museums, other religious sites, the landmark temple and the monument(, cultural and tourist resources)i.e., various festivals,

lifestyle, community living, markets, arts and culture centers, art galleries and amusement parks(are varied in potential tourism goods affecting tourism. Educational attainment includes the potential for attraction in tourism / the value of tourism. The potential for tourism development and the potential for management.

RESULTS AND DISCUSSIONS

The survey sample, which was traveling at least 20 years of age who are traveling to Chiang Mai, Phuket. Krabi Bangkok Chiang Rai, Phra Nakhon Si Ayutthaya, Surat Thani, Sukhothai, Chonburi, and Mae Hong Son. By the opinion on tourism resources to tourism as a source of educational tourism in Thailand. Regarding the suitability of natural tourism resources, historical resources, cultural tourism resources, the form of educational tourism, and the target of educational tourism. This is an affection measurement based on the characteristics of educational tourism, with definitions for educational tourism, refers to the form of tourism that produces. "Learning" is the more fun and enjoyment, by "learning" process due to the activities of tourism, which can create new experiences, and contributes to the process of learning by practice, to promote lifelong learning, to explain to tourists that visited tourist site in the know. The questionnaire is a rating scale. The results of the study are shown in the table below:

Table 1: Suitability of the Tourism Resources

Suitability of the Tourism Resources	Mean	Std. Deviation	Tourism Resources	Mean	Std. Deviation
The natural resources	4.0792	0.8149	National Park	4.1020	0.77252
			National Forest Park	4.0320	0.87665
			Bays and beaches	4.1020	0.77252
			Botanical garden	4.0800	0.82642
			Wildlife sanctuary	4.0800	0.82642
The historical resources	4.1020	0.8295	Museum	4.3480	0.81007
			Historic sites	3.9660	0.88000
			Temple	4.1400	0.82082
			Place on religion	3.8780	0.85121
			Landmarks and Monuments	4.3080	0.77092
			ancient houses	3.9720	0.84418
The cultural resources	3.8603	0.8149	Various festivals	4.3240	0.71277
			The way of life of the community	4.2120	0.79519
			Arts and Culture Center	3.8000	0.92613
			Market	4.2060	0.77767
			Art Gallery	3.3100	1.02762
			Amusement park	3.3100	1.02762

Assessing the Potential of Provinces Affecting Educational Tourism

Assessing the potential of tourism products that affect tourism education from tourists who are traveling in Chiang Mai, Mae Hong Son, Chiang Rai, Sukhothai, Phra Nakhon Si Ayutthaya, Chonburi, Bangkok, Phuket, Surat Thani, and Krabi. The assessment of the potential for tourism attraction /the value of the tourist attraction, consist of the physical beauty and the landscape of the tourist attraction, a unique characteristic of the physical space, number and

type of tourist attraction for educational tourism, value for the way of life of people in the community, the value of the history, traditions and culture.

The potential for tourism development, consisting of provinces with tourist attractions, have the potential to organize educational tourism activities, the convenience of transport to reach each tourist attraction, signposted routes to reach destinations, entrance to tourist attractions and parking spots, the ticketing and information service for tourists, Communication /telecommunication systems cover each tourist attraction, various types of accommodation are available to meet the needs and standards, tourist attractions are safe and effective enough for life and property, coordination Center to provide assistance to tourists, each tourist attraction centers, the tourist services, shops, restaurants and restrooms in tourist attractions are sufficient.

The potential for management, consist of number of personnel, travel enough to serve, local communities are involved in tourism management, the provincial government to support the development/build activities and attractions, private agencies at the provincial level to support the development / build attractions and mission organizations, conservation projects are initiated through the cooperation of local government and community organizations, shown in the table below:

Table 2: Evaluation of potential tourism products affecting educational tourism.

Tourism provinces affecting educational tourism.	Mean	Std. Deviation	Evaluation Criteria 5-level gauge Likert scale
Chiang Mai	4.5229	0.5288	4.21 - 5.00 = The highest score. 3.41 - 4.20 = Very high score 2.61 - 3.40 = Moderate rating 1.81 - 2.60 = Low score 1.00 - 1.80 = lowest rating level.
Surat Thani	4.4352	0.6587	
Mae Hong Son	4.3067	0.5914	
Phuket	4.3029	0.7251	
Phra Nakhon Si Ayutthaya	4.5229	0.4495	
Chonburi	4.1333	0.7699	
Krabi	4.1095	0.8257	
Sukhothai	4.0950	0.7955	
Chiang Rai	4.0847	0.7200	

Table 3: Evaluation of potential tourism products affecting educational tourism.

Tourism provinces	Tourism products for educational tourism.					
	tourism attraction /the value of the tourist attraction		The potential for tourism development		The potential for management	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
Chiang Mai	4.19	0.61	4.61	0.50	4.66	0.52
Chiang Rai	4.21	0.69	4.05	0.73	4.04	0.72
Mae Hong Son	4.06	0.63	4.47	0.54	4.20	0.66
Sukhothai	4.36	0.66	4.02	0.85	3.99	0.81
Phra Nakhon Si Ayutthaya	4.81	0.43	4.16	0.42	4.11	0.53
Bangkok	4.09	0.82	4.06	0.85	4.04	0.79

Tourism provinces	Tourism products for educational tourism.					
	tourism attraction /the value of the tourist attraction		The potential for tourism development		The potential for management	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
Chonburi	4.49	0.68	4.26	0.72	4.20	0.78
Krabi	4.19	0.74	4.09	0.86	4.07	0.82
Surat Thani	4.49	0.64	4.47	0.65	4.31	0.70
Phuket	4.49	0.68	4.26	0.72	4.20	0.78

CONCLUSIONS

Assessing the potential of tourism products affecting educational tourism, In terms of tourism attractiveness / tourism value, potential for tourism development, and the potential for management. The overall average was the highest level (Mean 4.22). The results clearly showed that tourism resources in Thailand in Chiang Mai, Phuket, Krabi, Bangkok, Chiang Rai, Phra Nakhon Si Ayutthaya, Surat Thani, Sukhothai, Chonburi and Mae Hong Son were suitable for educational tourism development. While Chiang Mai, Phuket, Krabi, Bangkok, Chiang Rai, Phra Nakhon Si Ayutthaya, Surat Thani, Sukhothai, Chonburi, and Mae Hong Son were the main destination needed to travel by international student who study in higher education in Thailand. Each province consists of tourism products that are outstanding as natural resources, historical resources, and cultural resources which well suited to be an educational destination for international students. The results also showed that Chiang Mai, Surat Thani, Mae Hong Son, and Phuket have the potential to be a high-end educational tourism destination due to its variety in natural resources, historical resources, cultural and artistic resources, as well as consistent with the government policy, especially Chiang Mai. The tourism model in educational tourism. This is a tourist-oriented service to students, international students studying in Chiang Mai (Chiang Mai Governor Office, Chiang Mai Province, 2017)

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SERVICE DEVELOPMENT MODELS: A LITERATURE REVIEWMUHAMMAD AHMAD TAUQEER¹; AND KNUT ERIK BANG²**ABSTRACT**

The service sector is increasingly recognized as having come to dominate the business market globally. The aim of this study is to investigate and synthesize published literature related to service development models and frameworks, and to identify areas for improvement. The study evaluates the state of the art in service development models and frameworks between 2000 and 2017. The literature review reveals that, despite services being the major economic driver, limited research related to service development has been carried out. The research methodology used in the existing studies can be categorized as (i) conceptual, (ii) evidence-based and (iii) anecdotal. These models and frameworks present four generic service development steps, i.e., idea generation, business model, testing and launch. Among these, idea generation displays significant room for improvement.

Key Words: new service development; service innovation; service design; service engineering, literature review

INTRODUCTION

Industry has witnessed a paradigm shift from product-centric business models to service-centric models (Spohrer et al., 2007; Spohrer and Maglio, 2010; Lusch and Vargo, 2011). The service sector plays a predominant role in developed economies, comprising 70% of the gross domestic product (GDP) and employability (Porter, 1985). Service market has increased globally and the major sources of revenue in the developed economies derive from the service sector, while developing economies are also swiftly growing towards services, and often characterize half of their GDP as services. Globally, nearly 64% of GDP comes from the service sector, according to the World Factbook (2009).

Due to globalization and rapid technology development, modern markets have become extremely volatile. This has increased the demand for innovation and reduced products' shelf life. Through past experience, it has been observed that the service market is more sustainable than the product market (Chesbrough, 2011). Although the service market has already outperformed the product market, this difference is projected to increase at a level where services will absolutely dominate the market. Harvard Professor, Theodore Levitt, explicated to his students that the customer is not interested in the product itself but the effect of the product (Christensen et al., 2005; Chesbrough, 2011). Similarly, Peter Drucker also stated: 'What the customer buys and considers value is never a product. It is always utility — that is, what a product does for him' (Drucker, 1974). These scholars set forward the conclusion that it is not the product that the customers are willing to pay for but the service that the product delivers to them.

Recently, many high-tech companies have shifted their business models from offering products to offering services. Aerospace engine producers like General Electric and Rolls-Royce have transformed their business models from selling jet-engine units to jet-engine

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operational hours, i.e., the utility aircraft operators are looking for. Nowadays, even in technology companies, the prime revenue stream is from the services offered by the company. For instance, in the oil and gas business, the majority of companies are oil service companies and a greater portion of the business in these companies is to deliver services. The services provided by companies and personnel are specialized, based on technology, and range from the largest drilling rigs to the smallest measurement tools. Traditional manufacturing companies are also turning to providing mainly services and using their previous manufacturing capability as the means to gain competitive advantage in delivering technology-based services.

The paradox in the present scenario is that, despite the service sector being the major economic driver, only nominal research has been carried out in order to learn how to develop and innovate services. Saco and Goncalves (2008) have acknowledged that service design is still in a stage of evolution and the existing research work does not provide firm ground to understand the service development phenomenon. Service design lacks cohesive and explicit models and frameworks (Clatworthy, 2011; Ostrom et al., 2015). Therefore, there is a need to investigate the published knowledge and propose areas for improvement and expansion.

A few literature reviews have been carried out on service development. They do not fulfill the need because either (i) they are outdated or (ii) they present different statistics on service development literature and not the content insights.

The outdated literature reviews include those by Johnes and Storey (1998), in which the authors evaluated articles related to service development published up until 1996. Similarly, Menor et al. (2002) and Goldstein et al. (2002) performed literature reviews relevant to service design. De Jongh and Vermeulen (2003)'s literature review was related to organizing for service development. These reviews had limited literature relevant to service development available at that time and are nearly 15 years old.

In a newer era, statistical literature reviews, like that of Papastathopoulou and Hultink (2012), have been performed, with the main focus on publication statistics. The key features of the study comprise a compilation of academic journals that have published the highest number of articles, the distribution of articles in different periods, and the key research topics. Similarly, Biemans et al. (2016) also carried out a literature review, in which top journals of service development literature were identified and their citations discussed. Different statistical analyses were performed to discover new service development topics per journal, number of articles on different service development topics, key researchers in this field, distribution of researchers in different parts of the world and high-impact articles. These literature reviews provide a deep statistical insight into how the research work has evolved over time, journals that are suitable for publishing service development articles, and leading researchers in this field. However, these studies lack evaluations of the content of the articles, characterization of the content, summaries of the key findings and useful areas that remain unexplored, specifically in service development. These studies provide useful information to the researchers working in the field of service development, but inadequate knowledge is presented to entrepreneurs, startup leaders or service developers that want to learn methods and useful guidelines from the published literature.

The objective of the present study is to provide an insight into the existing models on developing services, to characterize research methods, orchestrate research findings and to suggest research questions (RQ) for further improvement.

The remainder of this paper is structured as follows; a brief historical perspective of product and service characterization and the terminology used in the published literature to refer to the service development process are discussed in the following section. The subsequent section discusses the search methodology used in the present study, followed by results and discussion. Finally, limitations and future research perspectives are discussed, and conclusions are drawn. RQ are developed throughout the following sections.

Characterization of product and service

There has been discussion in the published literature, regarding characterizing and distinguishing the product and service. Services cover a wide range of complex activities that are difficult to describe with a single definition. The definitions of service can be as simple as the action of benefiting or the conduct of providing an advantage to another and as complex as including the aspects of perishability, inseparability and intangibility to distinguish service from a product (Grönroos, 1978). From a historical viewpoint, the product was defined as anything that has tangible possession, ownership rights and reserves the ability to transfer ownership rights against a particular value. Similarly, services were classified as offerings that are intangible, perishable and, simultaneously, produced and consumed (Smith, 1776). A slightly different approach is to define a product as anything that can be offered to a market that might satisfy a want or need, whereas services are economic activities that bring about desired results to recipients (Kotler et al., 2006).

There are features which overlap products and services in these definitions resulting in a few items unable to be precisely categorized as a product or service. The only distinguishing feature between products and services in the present time of complex products and services is tangibility. Products can be perishable and separable, for instance food products. Correspondingly, services can also be non-perishable and inseparable like long-term remote maintenance services. However, distinguishing products and services based on tangibility is also ambiguous. Modern products have elements of intangibility, for example, stock exchange shares. Similarly, services such as drilling services in the oil and gas industry and hotel services involve physical assets, for example, drilling rigs and hotel beds, respectively.

An idea, first suggested by Rathmell (1966) and further elaborated by Shostack (1977), is to distinguish product and service on a continuum, ranging from tangible-dominant to intangible-dominant. Here, tangibility includes physical elements and ownership. There would potentially be items towards the center of the scale that are difficult to classify as a product or service. Nevertheless, this approach sets the basis for defining products and services. In the modern perspective, products and services can essentially be distinguished on the scale of degree of intangibility associated with an item, and this definition serves as the source for understanding products and services. Therefore, services are defined as items falling towards the intangible-dominant side on a scale of tangible-dominant to intangible-dominant, where tangibility represents both physicality and ownership of the item.

RQ1: *How can items (products or services) falling in the center of the intangibility scale be distinguished? How can the degree of intangibility be measured for products and services?*

Terms related to service development

Analogous to different perceptions on product and service definitions in the literature, different terms are also in evidence regarding service development and service innovation processes. The term 'service design' is present in abundance in publications referring to the process of service development from idea to specifications (for example, Zeithaml et al., 1990). Service design is essential in order to keep up the innovation process (Sangiorgi and Junginger, 2015). Pinherio (2014) has discovered the opportunities for startup leaders and entrepreneurs to integrate a service design framework in their initial stages of development. The theoretical relevance and the practical applications of service design are discussed by Sangiorgi (2009) and Kimbell (2011). Service design is a holistic approach for creating new services (Blomkvist et al., 2010), involving assessment, ideation, deliberation, and implementation (Bitner and Brown, 2008). Service design has been developed by management fields such as marketing and operations management (Bitner and Brown, 2008; Cook et al., 2002).

‘New service development’ is also a commonly used term, analogous to ‘service design’ (Cooper et al., 1994; Edvardsson et al., 2000; Johnson et al., 2000). Similarly, Gummesson (1991) has defined new service development as the characterization of service development in terms of drawings and flowcharts. This incorporates service research fields such as service marketing, service management and available technology (Patricio et al., 2003).

Service innovation also appears in the literature in different ways. For example, Edvardsson et al. (2000) referred to idea generation in the new service development process as ‘service innovation’, contrary to Sundbo (1998), who refers to service innovation as the entire process of new service development. Goldstein et al. (2002) reviewed the literature on the service concept and highlighted different nomenclature used in the published literature to refer to similar principles. Service innovation is dependent on technology and service design where both technology and service design are interlinked (Ostrom *et al.*, 2015).

Service engineering is also adequately used to express service development in the published literature; see Bullinger et al. (2003). Tomiyama (2001) studied how to establish service engineering that is intended to include the service content of product life cycles.

It is observed that the terms ‘service design’, ‘new service development’, ‘service innovation’ and ‘service engineering’ are used interchangeably in the published literature.

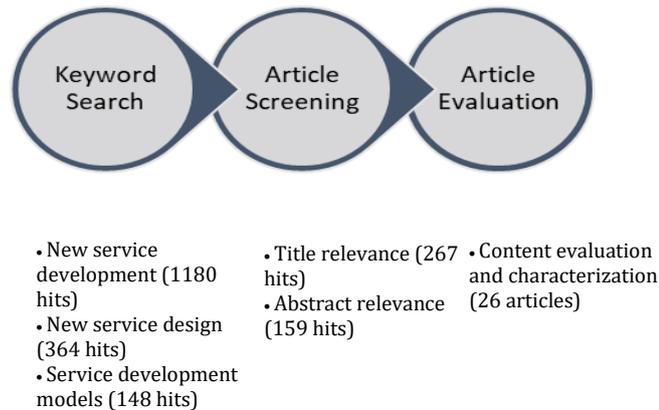
RQ2: *How can service development terminology be standardized?*

SEARCH METHOD

As previously discussed, services are sustainable in comparison to the products, and there is a need to study how to develop and bring innovation into services. In the published literature, several different service development models and frameworks are found. A systematic literature review is performed in the present study to evaluate articles published in the period, 2000–2017, with the key focus being to identify models and frameworks for the development of new services. The literature review is limited to academic journals, books and conference proceedings.

A three-step search methodology is used to identify relevant articles and publications; see Figure 1. This methodology is identical to that of De Jong and Vermeulen (2003). In the first step, Google Scholar, Science Direct and relevant academic journal databases were searched, using the keywords (‘new service development’, ‘new service design’ and ‘service development models’). Further, the search results were screened on the basis of title and abstract relevance. Those titles and abstracts that were ambiguous and those that had passed the screening test were further evaluated in the third step, where the content of the article was analyzed. The articles that reflected service development steps or a service innovation methodology were considered of primary importance. Through the screening mechanism shown in Figure 1, 26 articles were found to have significant information regarding service development and innovation. They are listed in Table 1 and are further discussed. Although there have been significant valuable studies, reflecting useful perspectives of service development, they are not included in the present study, since the knowledge regarding the development of new services was limited.

Figure 1 Three-step search methodology



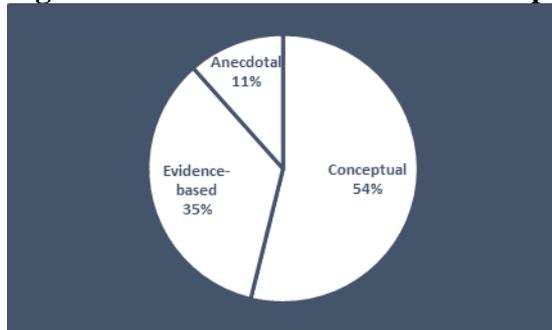
RESULTS AND DISCUSSION

The published literature that passed the screening mechanism (see Figure 1) is compiled in Table 1. Firstly, the screened literature is characterized, based on the methodology of research work used in each of these studies. The types include conceptual, anecdotal and evidence-based studies. In the present case, a conceptual study is regarded as one in which the service development model is developed based on existing concepts, theories and inferences but testing of this model is not performed. An anecdotal study is one, which is based on anecdotes or data collected through quantitative, qualitative or mixed sources that are not directly relevant. An evidence-based study is one in which the model or framework is developed either conceptually or anecdotally and tested and corrected based on the test results. The distribution percentage of the screened articles in each of these categories is shown in Figure 2. It can be seen that the majority of the service development models available in the published literature are of a conceptual nature. Anecdotal studies are fewer in number, since most of them are filtered out in the screening mechanism described in the previous section. This is because a large number of anecdotal studies emphasized only a few phases of the service development process and not the entire process, as well as being less relevant to the subject matter under study. Table 1 provides the researchers working in the field of service development with an overview of the research methodologies used in different studies.

***RQ3:** What are the methods and ways for validating conceptual and anecdotal studies in service development?*

Table 1 Different types of studies carried out for service development models

Conceptual study	Anecdotal study	Evidence-based study
Johnson et al. (2000)	Neu and Brown (2005)	Alam and Perry (2002)
Manzini and Vezzoli (2003)	Jaw et al. (2010)	Blazevic et al. (2003)
Aurich et al. (2004)	Parasuraman (2010)	Olivia and Kallenberg (2003)
Perks and Riihela (2004)		Matthing et al. (2004)
Stevens and Dimitriadis (2004)		Hipp and Grupp (2005)
Verganti and Buganza (2005)		Aurich et al. (2006)
Lindahl et al. (2006)		Yang (2007)
Gottfridsson (2009)		Lee and Chen (2009)
Kindström and Kowalkowski (2009)		Zomerdijk and Voss (2010)
Den Hertog et al. (2010)		
Holopainen (2010)		
Clatworthy (2011)		
Jin et al. (2013)		
Teixeira et al. (2017)		

Figure 2 Distribution of service development models listed in Table 1

The service development models include conceptual models that present a process cycle, comprising of a sequence of steps that assist in the service development process, such as in the work of Johnson et al. (2000). They developed a new service development process cycle, which offers a concise model, presenting design, analysis, development and launch as the milestones of new service development and further credits people, system and technology as the drivers to achieve successful development of new services. Conceptual models emphasizing the product service system are also considered relevant. For example, Manzini and Vezzoli (2003) developed a framework, which involves new stakeholders for a collective economic interest. The framework suggests a strategic design that implies that the business focus shall be shifted from selling only physical products to jointly offering a system of products and services, together with other stakeholders, to fulfill clients' demands. Certain examples of product service integration are presented. In addition to the service development steps identified by Johnson et al. (2000), Manzini and Vezzoli (2003) also show the importance of including a sustainability plan in the service development process. Likewise, Aurich et al. (2004) present a generalized framework for service design and a concept evolving in the direction of product service systems. The framework suggests that the product and service design processes shall be modularized into sub-steps and the overlapping features identified. The integration of overlapping features will result in new services and product service systems. The authors further suggest that quantifying the performance of the newly developed systems with the traditional product systems would serve as the assessment criteria for the newly developed system. The model presented by Aurich et al. (2004) sets the basis for product service systems. However, limited assistance is available in terms of developing new service ideas. These models are amongst the earliest chronological models and present service development steps, implications and aspects that can influence the process. However, these models are of a generalized nature and reflect no precise strategy for implementing them in different organizational settings. The process of service development would essentially differ between a manufacturing company and a software company. Therefore, there is a requirement to discover methods and techniques that can transform generic service development models for particular organizational settings.

RQ4: *How can generic service development models be transformed for a particular organizational setting?*

Conceptual models that also include customer engagement, other than conventional service development steps, are also present in the literature, such as Lindahl et al. (2006) have highlighted the importance of customer involvement while designing service and have combined the customer dimension with the service development model. These authors have discovered an important service development benefit: customer engagement. However, these studies fail to provide customer engagement tools, for different types of customers and

organizational environments, that can help collect fruitful information at various stages of the service development process.

RQ5: *What are the methods for engaging and learning from customers at various stages of the service development process in different organizational environments? For example, Alam and Perry (2002) have given two suggestions: customer interviews and periodic meetings. How useful are these methods?*

Perks and Riihela (2004) and Stevens and Dimitriadis (2004) have conceptually developed models that reveal several parameters, which influence the nature of inter-functional activities and the outcomes of service design and combine organizational learning with new service development. Den Hertog et al. (2010) have developed a comprehensive model for new service development and solutions. The model highlights dynamic capabilities, i.e., new service concepts, new customer interaction, new business partners, new revenue models and new delivery systems that can benefit organizations in their innovations and the development of new services. The authors believe that the successful service providers outperform their competitors within these capabilities and gain a competitive advantage. Holopainen (2010) has established service design architecture and applied it to a pragmatic study that explores how professional designers develop services. He discovered that service design has no optimized solution, and one layout from several possible solutions needs to be selected in order to proceed in the development process. Jin et al. (2013) have found new service development success factors: strategy management, process formalization, knowledge management, and customer involvement. It is theorized that a higher competence in grasping these processes positively influences the service development process. Correspondingly, Teixeira et al. (2017) have integrated management and interaction design used in organizations to develop a framework for service design. According to the authors, this interdisciplinary method enables the creation of innovative services and advances interdisciplinary service research. These models and frameworks have included organizational learning, dynamic capabilities, service architecture and interdisciplinary methods to advance service development. These parameters need to be studied simultaneously to select those that are vital, since it is impractical to focus on all these parameters in an organization.

RQ6: *What are the criteria for selecting the vital parameters for service development models available in the published literature?*

Studies also include evidence-based conceptual models that have been successfully implemented in organizations. Alam and Perry (2002) determined new service development process stages and suggested that customer engagement can be achieved through interviews and meetings. Blazevic et al. (2003) discovered that a medium level of project learning is the ideal condition for service innovation. The authors highlighted the importance of the co-location of project knowledge and the decision makers and discovered that the pressure of time-to-market has negative repercussions for innovation process. Olivia and Kallenberg (2003) studied how services could be integrated into products, the process for carrying out this integration and the challenges integral in the transition to services. Qualitative data from eleven different capital equipment manufacturers developing new services for their original products were investigated, and the findings reveal that a deliberate service development process is required in order to shift the customer market from products to services. The study further revealed that the shift from products to a service development process involved no technological difference but a different business model. Matthing et al. (2004) experimentally proved that the information from a customer is much more valuable than that from a professional service designer; therefore, the service development model shall collect feedback from the customers. Hipp and Grupp (2005) introduced a new topology to innovate in services, and their study revealed that the perspective regarding innovation differs between the

manufacturing sector and the service sector. Aurich et al. (2006) developed a phase model that can assist develop technical services and integrate products and services. The model has been successfully implemented in an investment goods company. The model includes five phases: project study, concept development, service modelling, service testing and service adaptation. The phase model provides a brief overview of the major phases of the technical service development, along with the product. Yang (2007) developed a framework for an organization's approach to service development in a parallel engineering environment. The framework comprises of several design stages that include process design, quality design, production-management design, capacity design, management design and technical design. These designs can be systematically implemented in a project to advance the performance of the new service. Lee and Chen (2009) revised a model to analyze the customer gap which reveals to managers the direction of service development. Zomerdijk and Voss (2010) presented six service design principles, which are derived from case studies of different organizations. Although these principles are not of a generalized nature, they can serve as a guideline for a number of organizations.

RQ7: *What are the different methods used to validate the service development models and how can they be improved?*

There are also service development models present in the published literature that are based on anecdotes. They include that of Neu and Brown (2005), in which the authors studied Fortune 500 companies and suggested a framework to successfully develop business-to-business services. According to the authors, external environment, strategy-environment fit, human resources, structure, measurement and rewards, and strategy formation are key for service development. Jaw et al. (2010) developed a conceptual framework to understand the effect on new service development of four service characteristics, i.e., inseparability, heterogeneity, perishability and market orientation. The model is further used to examine different service firms in Taiwan. The results depict that heterogeneity, perishability and market orientation positively influence the advantage of service firms in comparison to physical goods. Parasuraman (2010) developed a service innovation framework by synthesizing and extending the concepts from the existing literature relating to productivity, quality and innovation. The proposed framework concludes that service productivity, quality and innovation shall be considered together while designing services. An isolated focus on these parameters results in suboptimal services. The framework suggested by the author addresses the importance of productivity, and quality and innovation assessed together in general. These studies show that the existing models have an emphasis on considerations that may influence service development. They highlight parameters that must be taken into consideration while developing service and which throw light on service design. However, there has been an under-focus on service idea generation in these studies.

RQ8: *How can innovative service ideas be established by organizations, startup companies and entrepreneurs?*

Through the literature review, it can be summarized that the larger number of service development models are of a conceptual nature, while a few are derived from anecdotes about successful organizations or qualitative data. The majority of the available models are for organizational settings and suggest recommendations to the managers and leaders to adapt strategies that may result in new service creation.

Orchestrating

From the literature review, six major steps are identified in the service development process. These are planning, idea generation, business analysis, testing, launch and sustainability plan; see Table 2. The existing literature is unanimous regards these steps; however, different terminology is used in different articles to refer to these steps. It is also found that the existing

literature readily provides guidelines for the planning, business analysis, testing and launch stages; see the corresponding articles listed in Table 2. However, idea generation and sustainability plan need further exploration. Discussions of these in the articles are significant, but practical guidelines that can be implemented in an organizational setting are lacking. For instance, Matthing et al. (2004) experimentally proved that the ideas generated by customers are better than those of professional service developers, but a precise methodology to collect these ideas is not presented. Similarly, a sustainability plan is also highlighted as a necessity for service development in several studies, but, in the service development models, practical approaches to implementing a sustainability plan show room for improvement.

RQ9: *How can innovative service ideas be established by organizations, startup companies and entrepreneurs?*

Analogous to the orchestrating of service development steps, seven service development actors are also identified. They are iterations in the service development process, technology, customer engagement and satisfaction, learning, information, communication, and stakeholders. These are identified as they are the most recursive actors that influence the service development process and there is substantial discussion of them in different publications; see Table 3. These actors play the key role while developing services; see the reference articles in Table 3. Generally, these actors influence managerial viewpoints, which give substantial assistance in service development. Technology is also considered an important actor, but few methods of developing technology-based services have been investigated. Teixeira et al. (2017) have recently attempted to combine management and technological aspects (interaction design) in service design, but further research into developing services from the newly developed technologies is vital.

RQ10: *How can technology-based services that integrate present and future technology trends be developed?*

From the published literature, it is evident that the service development literature lacks a generally accepted school of thought. The terminology, knowledgebase and research methods are still in an embryonic stage. The orchestration of research established in the present study is of a generalized nature because of these challenges. A standardization of terminology may assist in advancing the research work in a more thoughtful and organized way. Secondly, different researchers have developed this knowledgebase based on the findings from their own locale. This has created a diverse knowledgebase but one lacking coherence.

Table 2 Service development steps in a nutshell

<p>(i) Planning</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Manzini and Vezzoli (2003) • Aurich et al. (2004) • Aurich et al. (2006) • Lindahl et al. (2006) • Yang (2007) • Kindström and Kowalkowski (2009) • Teixeira et al. (2017) 	<p>(iii) Business analysis</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Aurich et al. (2004) • Perks and Riihela (2004) • Lindahl et al. (2006) • Yang (2007) 	<p>(v) Launch</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Aurich et al. (2004) • Lindahl et al. (2006) • Kindström and Kowalkowski (2009) • Holopainen (2010)
<p>(ii) Idea generation</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Manzini and Vezzoli (2003) • Aurich et al. (2004) • Perks and Riihela (2004) • Aurich et al. (2006) • Lindahl et al. (2006) • Yang (2007) • Kindström and Kowalkowski (2009) 	<p>(iv) Testing</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Aurich et al. (2004) • Perks and Riihela (2004) • Aurich et al. (2006) • Lindahl et al. (2006) • Holopainen (2010) • Teixeira et al. (2017) 	<p>(vi) Sustainability plan</p> <ul style="list-style-type: none"> • Manzini and Vezzoli (2003) • Verganti and Buganza (2005)

Table 3 Service development actors identified in the literature

Actors	Relevant literature
<p>Iterations in service development process</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Perks and Riihela (2004) • Stevens and Dimitriadis (2004) <p>Technology</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Neu and Brown (2005) • Verganti and Buganza (2005) • Aurich et al. (2006) • Den Hertog et al. (2010) • Jin et al. (2013) <p>Customer engagement and satisfaction</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Alam and Perry (2002) • Olivia and Kallenberg (2003) • Aurich et al. (2004) • Matthing et al. (2004) • Hipp and Grupp (2005) • Verganti and Buganza (2005) • Lindahl et al. (2006) • Gottfridsson (2009) • Lee and Chen (2009) • Den Hertog et al. (2010) • Parasuraman (2010) • Zomerdijk and Voss (2010) • Clatworthy (2011) • Jin et al. (2013) • Teixeira et al. (2017) 	<p>Learning</p> <ul style="list-style-type: none"> • Blazevic et al. (2003) • Matthing et al. (2004) • Stevens and Dimitriadis (2004) • Den Hertog et al. (2010) • Holopainen (2010) • Jin et al. (2013) <p>Information</p> <ul style="list-style-type: none"> • Blazevic et al. (2003) • Aurich et al. (2004) • Perks and Riihela (2004) • Stevens and Dimitriadis (2004) • Neu and Brown (2005) • Jin et al. (2013) • Teixeira et al. (2017) <p>Communication</p> <ul style="list-style-type: none"> • Blazevic et al. (2003) • Neu and Brown (2005) • Parasuraman (2010) • Jin et al. (2013) <p>Stakeholders</p> <ul style="list-style-type: none"> • Johnson et al. (2000) • Manzini and Vezzoli (2003) • Perks and Riihela (2004) • Stevens and Dimitriadis (2004) • Hipp and Grupp (2005) • Neu and Brown (2005)

CONCLUSION

It is concluded that conceptual, anecdotal and evidence-based methods are used in the published literature to develop service development models and frameworks. Conceptual models are greater in number, as compared to their evidence-based and anecdotal counterparts. The mainstream published models address organizational issues and suggest recommendations for the managers and leaders to adapt strategies that may result in new service creation. It is also inferred that the service development stages agreed by most of the scholars comprise planning, idea generation, business analysis, testing, launch and sustainability plan, amongst which idea generation and sustainability planning have the potential to be improved. The study further reveals that there is scope for studying methods and techniques to develop technology-based services based on the newly developed technologies. The literature on service development is not systematic and lacks coherence. Studies standardizing terminology and defining the research agenda are required so that a thoughtful knowledgebase can be established. Also identified in the present study are ten research questions that have the potential for valuable future research.

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A CRITICAL ANALYSIS OF DUTY BETWEEN STRANGERS IN DUTY TO RESCUEMARDHIYYAH BINTI SAHRI¹**ABSTRACT**

Traditionally, the courts have not imposed a duty to rescue those in grave peril. According to common law, there is no duty imposed upon a bystander to rescue a stranger who is in need of assistance in an emergency even if the rescue could be done easily and without any risk to the rescuer. Proponents for duty to rescue have illustrated the horrific result of the 'no duty to rescue' rule that a baby can be left drowning, or a blind man may be hit by an oncoming train without warning given by the public as no one can be legally obligated to provide any level of help to another in need. This paper explores the basis for the absence of the duty to rescue in tort law. It also analyses the arguments for and against duty to rescue and how this implicates the duty between strangers.

Keywords: Duty, Rescue, Socio-legal, Tort

INTRODUCTION

Tort law traditionally focuses on the aspect of liability itself. Common questions include how and when a person would be held liable for his actions. In negligence law, the focus would always be on whether the elements of duty, breach, causation and damages are fulfilled. This paper however, seeks to present a different perspective of tort law. It submits that rather than simply viewing tort law as determination of liability, tort law also signifies the duty that we owe to one another. Tort law sets up individual responsibilities and rights as well as the boundaries of how we should or are expected to behave. It outlines the duties between strangers.

John C.P Goldberg and Benjamin C. Zipursky (1998, p.1743) argues that negligence law embodies 'moral principles that contemplate a set of civil obligations we owe one another' and that one central task of the courts is to 'elaborate those obligations in a manner that meshes with modern understandings and modern problems; to articulate the set of obligations that matches, roughly, what citizens believe about the care they owe one another'.

If a person is exposed to harm, and a bystander knows this and would be able to avert the harm, what would his obligations be? How far would a person be responsible for another's safety? How one ought to behave in such circumstances? This paper explores the principle of duty to rescue in common law by looking at case laws for illustrations. It then provides an explanation for the absence of duty to rescue in common law by using landmark cases. Following this, the implications of the no duty to rescue rule is discussed to which it is asserted that the effects of this rule is not hypothetical but in reality, it affects the society at large. This paper then offers a different insight of tort law and urges for legal subjects to be viewed in their true form, vulnerable subjects which are dependant and interconnected with one another.

THE ABSENCE OF DUTY TO RESCUE IN COMMON LAW**The Principle of No Duty to Rescue**

There is no general duty to rescue in common law. The law has persistently refused to impose on a stranger the moral obligation to render assistance or go to the aid of another. The principle that there is no duty in law to aid a stranger is strongly established in case law. A clear

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illustration of this was given by Lord Atkin (*Donoghue v Stevenson* [1932] A.C. 562, 580 where he stated:

The priest and the Levite, when they saw the wounded man by the road, passed by on the other side. He obviously was a person whom they had in contemplation and who was closely and directly affected by their action. Yet the common law does not require a man to act as the Samaritan did.

The illustration evoked by Lord Atkin was reiterated in the case of Lord Diplock in *Dorset Yacht Co. Ltd. v. Home Office* [1970] A.C. 1004 of which he explains further that an omission to aid others incurs no liability in the English law:

...in the conduct of the priest and of the Levite who passed by on the other side, (is) an omission which was likely to have as its reasonable and probable consequence damage to the health of the victim of the thieves, but for which the priest and Levite would have incurred no civil liability in English law.

It is clear that the position in the law is that there is no duty to aid others even if the harm is foreseeable and may be averted by the bystander. Lord Diplock highlighted that there is an abundance of instances of omissions which 'give rise to no legal liability in the doer or ommitter for loss or damage sustained by others as a consequence of the act or omission, however reasonably or probably that loss or damage might have been anticipated' (*Dorset Yacht Co. Ltd. v. Home Office* [1970] A.C. 1004, p.1060).

He provided several examples of which there would be no liability for omission should there be no special relationship between the parties including in matters of trade and land. This position stands regardless of the harm that might befall the other party due to the omission. A powerful example of this was given by him in which:

...you need not warn him of a risk of physical danger to which he is about to expose himself unless there is some special relationship between the two of you such as that of occupier of land and visitor; you may watch your neighbour's goods being ruined by a thunderstorm though the slightest effort on your part could protect them from the rain and you may do so with impunity unless there is some special relationship between you such as that of bailor and bailee (*Dorset Yacht Co. Ltd. v. Home Office* [1970] A.C. 1004, p.1060).

Lord Nicholls in the case of *Stovin v Wise* [1996] AC 923 had further illustrated how there is no duty to rescue owed by a bystander even if the rescue is an easy one. The circumstances may be such, that there is an opportunity to rescue easily and without any inconvenience or exposure to harm for the rescuer, yet he is not obligated to help. He provided two examples of the absence of a legal duty to take position action of which the first situation is where grown person stands by while a young child drowns in a shallow pool. Another example is where a person watches a nearby pedestrian stroll into the path of an oncoming vehicle.

Following this, he further stated that:

In both instances the callous bystander can foresee serious injury if he does nothing. He does not control the source of the danger, but he has control of the means to avert a dreadful accident. The child or pedestrian is dependent on the bystander: the child is unable to save himself, and the pedestrian is unaware of his danger. The prospective injury is out of all proportion to the burden imposed by having to take preventive steps. All that would be called for is the simplest exertion or a warning shout. Despite this, the recognised legal position is that the bystander does not owe the drowning child or the heedless pedestrian a duty to take steps to save him. Something more is required than being a bystander. There must be some additional reason why it is fair and reasonable that one person should be regarded as his brother's keeper and have legal obligations in that regard (*Stovin v Wise* [1996] AC 923, p. 931)

Nonfeasance: Basis for No Duty to Rescue

Courts reluctance to recognize duty to aid is based on the common belief that legal liability could only be enforced in cases involving misfeasance, where there existed the doing of causing of harm. Duties of care that arise in negligence are duties not to cause harm to others through positive actions. Radcliffe (1986) attributes this to the historical origins of the common law rule which embodies distinction between misfeasance (the causing of harm) and nonfeasance (merely allowing harm to take place through inaction).

The distinction embedded in common law is emphasized by Francis H. Bolen (1908) as follow:

There is no distinction more deeply rooted in the common law and more fundamental than that between misfeasance and nonfeasance, between active misconduct working positive injury to others and passive in action, a failure to take positive steps to benefit others, or to protect them from harm not created by any wrongful act of the defendant.

This distinction is founded on that attitude of extreme individualism so typical of anglo-saxon legal thought (Bohlen, 1908, p.219-220).

Nonfeasance will not give rise to liability as liability was found to exist only when an individual in some way caused harm to another. Hence, imposing a legal duty to rescue was not considered enforceable because it involved an omission to act. The courts did not consider nonfeasance to amount to causation. According to Radcliffe (1986), this notion is based on the theory that nonfeasance left the plaintiff in no worse position than he was in previously. It is also centred based on the idea that individual liberty is violated when someone is forced to prevent harm that he has not caused.

The common law does not impose liability on pure omissions of those who have no special relationship between them. Hence, should harm befalls to a stranger, omission to help would incur no liability to the bystander as an active or positive duty to help others is not required in tort law for lack of special relationship. As put forward by Lord Hoffman in the case of *Stovin v Wise* [1996] AC 923, 943:

There are sound reasons why omissions require different treatment from positive conduct. It is one thing for the law to say that a person who undertakes some activity shall take reasonable care not to cause damage to others. It is another thing for the law to require that a person who is doing nothing in particular shall take steps to prevent another from suffering harm from the acts of third parties (like Mrs. Wise) or natural causes.

In this case, Lord Hoffman provided political, moral and economic reasons as to why there is no duty owed in such circumstances, specifically on the rule against liability in the context of pure omission. According to him, the political reason is that ‘it is less an invasion of an individual’s freedom for the law to require him to consider the safety of others in his actions than to impose upon him a duty to rescue or protect’ (*Stovin v Wise* [1996] AC 923, 943)

He further elaborated on the moral reason of which it is unfair to held one liable over the other if the situation is such that there was a large and indeterminate class of people who happen to be able to do something to prevent harm to others or render assistance to a person in danger or distress. This is posed as the ‘Why pick on me?’ argument.

It was also argued on economic terms that there is no similar justification to expect a person who is not doing anything to spend money on behalf of someone else. Lord Hoffman stated:

...the efficient allocation of resources usually requires an activity should bear its own costs...liability to pay compensation for loss caused by negligent conduct acts as a deterrent against increasing the cost of the activity to the community and reduces externalities...there must be some special reason why he should have to put his hand in his pocket (*Stovin v Wise* [1996] AC 923, 944).

Based on Radcliffe’s observation and Lord Hoffman’s justifications, it could be seen that the reluctance to impose a duty on individual for an omission, reflects, the liberal philosophical

perspective that embodies tort law which prioritizes individual responsibility over social or collective responsibility. The idea that a person should be responsible for the safety of another is looked upon as a violation of individual liberty.

Exceptions to No Duty to Rescue Rule: Special Relationship

The principle in law that there is no duty to rescue however, contains exceptions of which duty to aid is imposed. The rule of no duty to act was premised upon the traditional misfeasance-nonfeasance distinction, and the recognition of a special relationship exception created a duty in the absence of misfeasance, or lack of causation.

Generally, only if there is a special relationship between the parties that a person has a positive obligation to act upon another. Thus, outside specific pre-tort relationship, there is no positive duties generally present in tort law and this may be attributed to the reason that negligence law developed against a social and political landscape that favoured individualism over any kind of collective responsibility.

The importance of the existence of a special relationship in order to constitute an omission to act was laid down in the case of *Sutradhar v Natural Environment Research Council* [2006] UKHL 33. In this case, the claimant alleged that the British Geological Survey (BGS) under the Natural Environment Research Council has been negligent by failing to issue a geological report on the safety of which resulted in him suffering arsenical poisoning from the drinking water. It was claimed that the non-issuance of the report had lulled the Bangladesh public health authorities into a false sense of security and inhibited them from testing the water themselves and discovering its toxic properties.

In this case, Lord Hoffman ruled that where there is no prior relationship between parties, there is no actionable negligence for an omission to act. He stated that:

But the fact that one has expert knowledge does not in itself create a duty to the whole world to apply that knowledge in solving its problems...BGS therefore owed no positive duties to the government or people of Bangladesh to do anything. They can be liable only for the things they did and the statements they made, not for what they did not do.

If having knowledge does not necessarily create a special relationship between you and the public, what are the criteria which creates a special relationship? A special relationship may exist if there is an undertaking or the creation of reliance upon the other. Lord Hoffman elaborated on this by stating that, 'there may be a duty to act if one has undertaken to do so or induced a person to rely upon one doing so. Or the ownership or occupation of land may give rise to a duty to take positive steps for the benefit of those who come upon the land and sometimes for the benefit of neighbours'. He cited the case of *Hargrave v Goldman the High Court of Australia* 110 C.L.R. 40 where Windeyer J said: 'The trend of judicial development in the law of negligence has been...to find a duty to take care either in some task undertaken, or in the ownership, occupation, or use of land or chattels'.

Historically, courts have developed certain exceptions which justify the imposition of duty to aid and at early common law, 'the only special relationship falling into the exception to the rule were common carrier to passenger, innkeeper to guest, and shipmaster to seaman'. Later, the list of special relationships was expanded to include: 'employer to employee, shopkeeper to customer, host to guest, jailer to prisoner, school to student, and 'companion to companion' (Radcliffe, 1986, p.396). It also covers 'taverns and patrons', 'residential rental property owners and tenants', 'landowners and invitees' and 'merchants and customers' (Brady, 1980, p. 553).

Although the rationale in these cases is not explicitly stated in terms of dependency, according to Brady (1980, p.533), dependency is a common denominator of these relationship.

She submits that this is manifested on ‘how defendant holds some power or control over the plaintiff, in that the defendant has the opportunity to take certain precautions to decrease the probability that harm will come to the plaintiff’.

However, it is unclear if this is indeed the rationale as a person who walks pass a drowning baby certainly creates a dependency upon that person to rescue the infant, yet court does not regard them as having ‘special relationship’. It has been criticised how the courts have devised various ‘special relationship’ exceptions to the duty to rescue rule that the ‘proliferation of these exceptions has not only threatened to swallow the rule itself but has created a situation where it is no longer possible to determine which relationships are ‘special’ and which is not’ (Radcliffe, 1986).

The dependency on the definition of special relationship is weak as the law sends a message condoning uncaring behaviour, that there need to be circumstances giving rise to a special relationship first, in order to help others. As reiterated by Bender (1988, p.32): ‘The law should not permit us casually to cast aside another's safety, health, or interests because we do not personally know the random person who might be injured’. Strangers are no less human because we do not know them.

IMPLICATIONS OF THE NO DUTY TO RESCUE RULE

The discussion on no duty to rescue rule in tort law is not completely novel and has long been debated by scholars, both for and against it. The stance of the courts in disregarding the harm that befalls the stranger in void of assistance had been regarded as disturbing and scholars have provide several hypothetical illustrations of this situation. For example a person walking along the shore and see a victim drowning, yet he has no legal duty to throw a rope, or reach a stick out to help that person (Kelley, 2000). This is the position of the law even if the rescue could be easily done with no inconvenience to the rescuer. Other examples given include failure to warn a blind man of an open manhole, letting a child play in the path of a train, or a baby drowning while others watch (Brady, 1980).

The consequence of the no duty to rescue rule, however, no longer becomes hypothetical as the harm can be seen manifesting in real life situations. In particular, the case of Kitty Genovese in the early sixties whereby she was repeatedly attacked over a period of thirty-five minutes but none of her neighbours summoned for help (Kelley, 2000). According to Radcliffe (1986), the assailant stabbed her, then fled when she screamed for help. But when her screams went unanswered, he returned and strike again, then drove away. He came back the third time and repeated his attack, successfully killing her. Although thirty eight of her neighbours either heard or saw from their apartment windows the assault and her screaming for help, no one called the police until she died (Crettez & Deloche, 2011). The one who finally made the call stated that he waited because ‘he didn’t want to get involved (Radcliffe, 1986, p.387). This is now known as the Kitty Genovese effect, *where many people observe a person in peril but do not act in anticipation of some other bystander stepping in and taking action.*

A more recent incident which happened in 2011 was a two year old girl, Yue Yue who was hit by a van and at least eighteen people passed by indifferently, leaving her lying on the ground seriously injured (Tang, 2014). Later, a second van struck her and she died the next morning. The indifference of the bystanders shocked the public and based on a study made, it was discovered that several sensational lawsuits had actually ‘embittered the public toward performing heroic deeds for strangers’(Tang, 2014).

These incidents, despite happening in New York and Guongdong respectively, have certain similarities which are firstly, they use a common law tort system and secondly, they exhibit the reality of failure to rescue and why it is important to discuss on duty to rescue considering the implications to the individual and the society at large. The no duty to rescue rule is ‘a dilemma which not only involves the particular bystander but affects all of the society.

It focus on the very essence of society in both the formation and reflection of mankind's true nature and general quality of life'(Radcliffe, 1986, p.404) .

CONCLUSION

Tort law sets the expectation upon individuals to live as an autonomous, self-reliant and independent adult akin to the liberal legal subject. The asocial view of individual responsibility can be seen expressed by Lord Denning in *Spartan Steel v Martin* [1972] 3 All ER 557:

Most people are content to take the risk on themselves... They do not go running round to their solicitors. They do not try to find out whether it was anyone's fault. They just put up with it. They try to make up the ... loss by doing more work next day. This is a healthy attitude which the law should encourage.

Individuals are expected not to interfere with each other affairs and be self-sufficient without such assistance even in the face of danger. But the reality is, as suggested by vulnerability theory, we are always exposed to constant and inherent risks of harm. We are far from self-reliant, we are interconnected and dependant to one another. As Fineman (2015, p.2091) posits:

A vulnerability approach disrupts the mantra of "personal responsibility, autonomy, and self-sufficiency" so prevalent in current neoliberal discourse and so often directed at certain designated and stigmatized "vulnerable populations." As embodied and embedded beings, we are all constantly and universally vulnerable to forces beyond individual control.

The individualistic notion embedded in the no duty to rescue rule becomes problematic once viewed in terms of duty between strangers. Duty to rescue, as put forward by Viola C. Brady (1980), 'presents in dramatic form the fundamental question of duty to others that underlies all of tort law'. A central question that the paper seeks to raise is: Has tort law through the mechanics of no duty to rescue rule failed to consider the aspects of social dimension that governs individuals, i.e. interconnectedness, caring and dependency?

Furthermore, it also raises the question of whether protection of individual autonomy is more pertinent than the protection of life. As Bender (1988, p.34) stated: 'If we think about the stranger as a human being for a moment, we may realize that much more is involved than balancing one person's interest in having his life saved and another's interest in not having affirmative duties imposed upon him in the absence of a special relationship'.

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33-BE14-5787 Cristina Cojocaru

CONSIDERATIONS ABOUT ROMANIAN COMPANIES AND THE HARMONISATION WITH THE EUROPEAN REGULATIONS

CRISTINA COJOCARU¹

ABSTRACT

In Romanian law, the general regulation of companies is included under Companies Law no. 31/1990, a law which constitutes the common law in the matter and contains rules applicable to any company, irrespective of its legal form or object of activity. This law also applies to companies with foreign participation, in which case the provisions concerning foreign investment are added.

This paper aims to provide an overview (not necessarily an exhaustive one) of the most common types of companies covered by the Romanian law, especially following the entry into force of the new Civil Code in 2011, which introduces unitary regulation into the field of commercial law, better aligning it with the European legal system.

Key Words: Romanian law, Romanian company, company formation

INTRODUCTION

The current Romanian Civil Code was adopted in 2009 and entered into force on 1 October 2011. It repealed the Commercial Code, which, under the Romanian legal system, had regulated commercial legal relations since 1887 and had been inspired by the Italian Commercial Code of 1882.

The new Romanian Civil Code embodies a new vision regarding its field of application. The current regulation stipulates that its provisions also apply to the relations between professionals, as well as to the relations between professionals and other subjects of law (art. 3 of the Civil Code). In this view, professionals are those which operate a business or, more precisely, those who systematically perform an organised activity consisting of producing, managing or providing services, whether for profit or not (art. 3 para. (3) of the Civil Code). In other words, the autonomous system of commercial law was abandoned by the Romanian legal system by adopting the system of the unity of private law (Carpenaru, 2010). Therefore, the Civil Code represents the common law in this field, while particular topics on companies are regulated by other special regulations.

THE NOTION OF THE COMPANY

Romanian legislation does not define the notion of the company. The Civil Code is used for this purpose, as it regulates the company contract and constitutes the common law in the sphere of companies.

As stated in the literature (Carpenaru, 2012, p. 118), the company can be defined as a group of persons formed on the basis of a memorandum of association (company contract), having legal personality, in which the associates agree to share certain goods to carry out certain activities together to achieve and share the resulting benefits. Compared to another type of contract, the company contract is distinguished by the fact that the associates share a patrimonial value, carry out a certain activity together and participate in the realisation and distribution of the benefits. Consequently, this contract is bi- or multilateral, onerous and consensual.

As specific elements underlying any trading company, there are the contributions of the associates, the intention to carry out a joint activity (*affectio societatis*) and the distribution of

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the profit gained from the activity performed. Without any of these elements, the contract will be null as a company contract, but it may meet the conditions for another type of civil contract: as a lease or a loan etc.

According to Romanian legislation, more specifically Companies Law no. 31/1990 (hereafter referred to as the “Companies Law”), the legal forms that a company may take are the General Partnership, the Limited Partnership, the Joint Stock Company, the Limited Partnership by Shares or the Limited Liability Company.²

We note these types of companies are different from a civil company. While a civil company operates a civil enterprise, the (commercial) company carries out economic operations such as production, trade or services and is always invested with legal personality.

In Romanian law, as in other legal systems, the distinction between the different legal forms of companies governed by the Companies Law is made by the way in which the shareholders are liable towards third parties for the debts of the company. In accordance with this liability, there are companies in which the liability of the shareholders is unlimited and joint – a General Partnership – or it is limited to the extent of the contribution to the share capital – the Limited Liability Company and the Joint Stock Company. The Limited Partnership and the Limited Partnership by Shares must be incorporated by both limited and unlimited partners.

By their nature, Romanian companies are personal companies and capital companies. Personal companies are formed *intuitu personae* and are thus based on mutual trust between the associates. These companies are the General Partnership and the Limited Partnership Company. Capital companies have a large number of shareholders, whose personal qualities are of no interest; only the share of the capital invested by each of them is of interest. The Joint Stock Company and the Limited Partnership by Shares belong to this category.

The most popular types of company are those based on stocks and limited liability companies.³

The Joint Stock Company is the most complex form of commercial entity. It is also known as the anonymous company because the quality of the associates is not relevant; only the contributions they bring to the company are. It stands out in large investments with significant capital, and may even call for public subscriptions.

In defining this type of company, it is a company created by the association of several persons who contribute to the formation of the share capital through certificates called stocks for a commercial activity and who are liable for the company’s debts within the limit of their own investment.

On the other hand, the Limited Liability Company appeared quite late. Thus, in Romania, it was established through legislation only in 1990 by the Companies Law and aimed at the capitalisation of medium-sized capital by borrowing characteristics from both personal and capital companies (Lefter, 1993). As expected, it is popular in commercial activities because of its many advantages. The company is based on the trust of the partners, so their number is limited and the shares cannot be transferred; in addition, the shareholders are liable for the company’s debts within the limit of their contribution.

COMPANY FORMATION

The formation of Joint Stock Companies (Romanian abbreviation “S.A.”) and Limited Liability Companies (Romanian abbreviation “S.R.L.”), is based on the will of the associates expressed in the articles of association, the elements of which are provided by the Companies Law.

² These forms are limited by law. Limitation refers to companies with legal personality, but the possibility of establishing companies in forms provided in other legal forms is not excluded (Art. 1.888 of the Civil Code)

³ <https://www.onrc.ro/index.php/ro/statistici> [accessed 13 March 2018]

In the case of the Joint Stock Companies, two ways of incorporation are regulated: by the contributions of the shareholders, or by public subscription (Bratis, 2008). In this company the minimum number of shareholders is two (natural or legal persons, Romanian or foreign), and there is no maximum number. As far as the Limited Liability Company is concerned, the maximum number of associates is 50. In accordance with Directive 2009/102/EC of the European Parliament and of the Council of 16 September 2009 in the area of Companies Law on single-member private limited liability companies (repealing the Twelfth Council Companies Law Directive), Romanian law permits only one associate in this type of company.

Considering the same characteristics of the two types of companies and the European regulations, the value of the share capital, respectively of the subscribed capital, is relevant. In accordance with the European regulations, i.e. Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law, the minimum share capital is the equivalent in lei of the amount of EUR 25.000 in the Joint Stock Company. A much lower value has the share capital in the case of the Limited Liability Company (at least 200 lei).

It should be noted that, while the contribution in cash is mandatory and in goods (in kind) is permitted, work performance or services are not allowed in these companies, while claims (contributions in receivables) cannot form contributions to the Limited Liability Company.

Regardless of its type, the company becomes a legal entity from the date of its registration with the Trade Registry.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of the Shareholders is the body of deliberation and decision-making for any type of company. It comprises all the associates and is held at the registered office of the company mentioned in the convening document or in another place permitted by the articles of association.

The Companies Law regulates in detail how to convene, make decisions and states the limits of the general meetings' competences for both types of companies, but the legal provisions in the case of the Joint Stock Company are particularly complex. Therefore, in the case of a Joint Stock Company, an ordinary and an extraordinary General Meeting are foreseen.

The Ordinary General Meeting shall be held at least once a year within a period of five months after the end of the financial year. It approves the annual financial report, elects and revokes the members of the Board of Directors, the Supervisory Board and the censors, and decides on the activity of the Management Board and of the directors, etc.

The Extraordinary General Meeting convenes exceptionally, usually when the articles of association of the company are amended. It can decide to change the legal form of the company, relocate the company's headquarters, merge with other companies, dissolve early, convert bearer shares into registered ones, convert obligations from one category to another and decide on any modification of the articles of association, etc.

In a Joint Stock Company, convening special meetings is possible if attended by a certain category of shareholders, for example the shareholders holding preferential shares with priority dividend without the right to vote (when the company has issued such shares).

The legal provisions in the case of the Limited Liability Company provide for the possibility of convening the General Meeting at the company's registered office at least once a year, or whenever considered necessary by the company's directors or by an associate or a number of associates representing at least a quarter of the share capital.

Any share gives the right, as a rule, to one vote.⁴ The vote shall be open unless it concerns decisions regarding the election and revocation of the members of the Board of Directors, the censors and the liability of the members of the management bodies, such decisions being made by secret vote.

In the case of a Limited Liability Company, the Companies Law stipulates that decisions are taken by the absolute majority of the shareholders and the shares (unless the articles of association provide otherwise). A double majority is therefore required: that of the shareholders and of the shares (Ciobanu, 1994, p. 28). However, considering the *intuitu personae* nature of this type of company, in the case of the amendment of the articles of association, the vote of all the associates is required unless the law or the articles of association provide otherwise.

All decisions adopted under the law are mandatory for all shareholders, regardless of their vote. These decisions will be published in the Official Gazette and submitted to the Trade Register.

THE NOTION OF SHARE AND ITS TRANSFER

Another important aspect the associates must decide on at the company's incorporation is the shares. The articles of association must provide the number of shares (*pro rata* to the contribution to the share capital) and their nominal value, specifying whether they are registered or bearer, as well as the existence of any restriction on the transfer of shares and the conditions under which they are transferred. In a Joint Stock Company, the value of one share cannot be less than 0.10 lei.

The shares are therefore certificates representing the contribution of the shareholder as fractions of the share capital, and they confer ownership to the shareholder (Carpenaru, 2012, p. 315).

Any share is an equal fraction of the share capital that has a certain nominal value, and is indivisible (Patulea, 2006, p. 88) and non-negotiable.

A share must include elements pertaining to the issuing company as well as the rights of its owner; in addition, it will include the date of the articles of association, the trade registry number, the unique registration code and the issue of the Official Gazette where it was published, the share capital, the number of shares, their order number, the nominal value and the payments made.

The shareholders have rights and corresponding obligations. Shareholders' rights include the right to participate in the General Meeting of the Shareholders, the right to vote, the right to information, the right to dividends and the right to a corresponding share in the liquidation. However, shareholders also have an obligation to pay the debts.

In a Joint Stock Company, the transmission of shares depends on their type. Thus, in the case of registered shares issued in physical form, the ownership right shall be transmitted by a declaration to the Share register and by a mention on the certificate, signed by the assignor and the assignee. In the case of registered shares issued in dematerialised form, the transfer of the ownership right is carried out by a declaration in the Share Register, signed by the assignor and the assignee. The transmission of bearer shares takes place by their simply being handed over. Other forms of transmission of shares may be provided by the company's articles of association.

There are some legal restrictions governing the transmission of shares, but also some conventional provisions. For the protection of the interests of shareholders, special conditions for transmission can be included in the articles of association; for example, shares may only be transmitted with the approval of the Board of Directors or of the General Meeting, or with a pre-emption right for the company or the shareholders.

⁴ The shareholder's status is proved by submitting the bearer shares at the place indicated in the convening document or the articles of association, and in the case of registered shares the proof is made by the company's registers.

In a Limited Liability Company, the divisions of the share capital are referred to by the law as social parts – they have a value of at least 10 lei and their transmission is restrictive and conditioned by the unanimity of the shareholders' will. Due to the personal nature of the company (*intuitu personae*), the transfer of the social parts between the associates and persons outside the company by assignment needs the consent of the associates. In the case of succession, the consent is given as regards the continuation of the company with the heirs of the deceased, because the transmission is performed under the law. Between associates, the transfer of the social parts can take place without the consent of the associates, but the transmission must be notified to the company.

In the case of a Joint Stock Company, the transmission takes effect against third parties, in principle, by the declaration in the Share register; in the case of the Limited Liability Company, in contrast, the transmission takes effect only from the moment of its registration in the Trade Register.⁵

THE MANAGEMENT OF THE COMPANY

The management of a Joint Stock Company differs depending on the system (unitary or dualist).

Under the unitary system, the company is run by a director/Board of Directors that can delegate the managerial duties to the managers of the company. The number of the directors is always odd, established by the articles of association, and the duties of the Board of Directors are related to all the necessary endeavours for the achievement of the object of activity of the company (except those provided by law as the responsibility of the General Meeting of the company). Some duties related to the establishment of the general guidelines for the activity and development of the company may not be delegated to the managers. The company is represented by the Chair of the Board of Directors, but also by one or more directors empowered for this purpose.

If the Board of Directors will delegate the management responsibilities to one or more managers, the latter will represent the company. Only a natural person can be manager, subject to conditions concerning capacity, as for the founders. The management of the company is effectively performed within the scope of the activity of the company and in compliance with the law, the articles of association and the decisions of the Board of Directors, for a period of time determined by the articles of association, and for remuneration according to the decision of the Board of Directors.

Under the dualist system, a Joint Stock Company is managed by two levels of competences: the Directorate, and the Supervisory Board, which means a complete separation of the control and the executive powers.

In the case of the dualist system, the Directorate carries out the management duties of the company, and the Supervisory Board performs the tasks of controlling and supervising the activity of the directors.

The Directorate ensures the management of the company, concluding necessary and useful acts for the accomplishment of the object of the company's activity (except for those related to the duties of the Supervisory Board). The director must be a natural person and meet the conditions also required for the founders. The Director may not be a member of the Supervisory Board at the same time.

The members of the Supervisory Board shall be appointed by the General Meeting of the Shareholders, except for the first members, who are appointed by the articles of association. The duration of the first mandate established by the articles of association is no longer than four years. They are remunerated according to the articles of association or the decision of the

⁵ To record the transmission in the Trade Register, a document under private signature is enough.

General Meeting. This body consists of three to eleven members, the concrete number being established by the articles of association. Members may be natural or legal persons; in the latter case, it is necessary for the legal person to designate a natural person as a permanent representative.

The Limited Liability Company is managed by one or more directors, and the legal provisions regarding the management of the Joint Stock Company do not apply.

Directors may or may not be associates. They are designated by the articles of association or the General Meeting.⁶ The law forbids the director to perform (without the approval of the General Meeting) in the capacity as director in other competing companies or in companies with the same object of activity, or to engage in the same kind of trade or a competing one independently or on behalf of another natural or legal person.

In case there are more directors, they can work together or separately. When the provisions require that they work together, decisions are taken unanimously. In the event of divergence, the decision lies with the shareholders representing the absolute majority of the share capital.⁷ If the articles of association do not provide for the performance of the directors' mandate, each will work individually. Regarding their tasks, the directors (as in any trading company) perform all the necessary activities to fulfil the object of the company.

The company is represented by the director appointed by the articles of association or by the General Meeting of the Shareholders. If there is no such provision, the law assumes that all the directors can represent it.

ISSUING BONDS

Sometimes the Joint Stock Company needs increased capital for development. The most widely used way to do this is a long-term loan in the form of bond issuance – debt securities that cover the required amount. Increasing the share capital may also be used, but in this case the previous shares must have been fully released, and the disadvantage is that this will lead to an increase in the number of shareholders. Another solution is the bank loan, but this is a short-term and therefore disadvantageous expedient.

Bonds, as debt securities, are fractions of a loan contracted by the company. However, they are not to be confused with the shares. The owner of a bond is not a shareholder, but only the creditor of the company, with the right to redeem the amount due and the related interest, regardless of whether the company is in profit or not.

The bonds are either registered or bearer, depending on whether the name of the holder is included or not. Their issue is decided by the Extraordinary General Meeting of the company, and their value cannot be less than 2.5 lei, according to the Companies Law. This offer must be authorised by the National Securities Commission, after which it is published in the press.

MANAGEMENT CONTROL OF THE COMPANY

According to the law, Joint Stock Companies opting for the dualist system of management will be audited by the financial audit – natural or legal persons⁸ under the law. The Joint Stock Company, according to the law, is not subject to the financial audit; the Ordinary General Meeting of the Shareholders decides to conduct the financial audit or the appointment of auditors.

According to the law, the Joint Stock Company will have three censors and one alternate, but the articles of association may provide for a larger number. The censors are appointed by the articles of association. In contrast, for the company set up by public subscription, they are elected by the Constituent Meeting and later by the Ordinary General Meeting.

⁶ They are revoked with a vote representing the absolute majority of shareholders or share capital.

⁷ Art. 76 and 197 para (3) of the Companies Law.

⁸ The financial audit is organised according to Law no. 162/2017, published in Romanian Official Gazette no. 548/2017.

The censors are elected for three years. They may be shareholders but may also be third-party accountants and are properly remunerated in accordance with the decision of the body that appointed them.

Censors have rights related to the exercise of control over the management of the company. They also have obligations to oversee the management of the company and the legal preparation of the financial statements. They issue an annual report on those findings to the General Meeting, which approves the current financial statement only if it is accompanied by the auditors' report.

Censors work together or separately. They draw up a report on the annual financial statement, and if there are divergences between them each of them they will draw up a separate report. However, they are liable according to the rules of the mandate; they may also be held accountable for their deeds in accordance with the Companies Law.

In the case of Limited Liability Companies with more than 15 shareholders, the appointment of censors is mandatory. If the number of shareholders is under 15, their appointment is optional.

CONCLUSION

Following the entry into force of the new Romanian Civil Code in 2011, Romanian legislation in the field of commercial law has been improved and put in line with European law to facilitate (also from a legal perspective) commercial relations between Romania and the European states and between Romania and other states. It remains to be seen to what extent the future application of these provisions will be a positive factor, or whether adjustments will be still needed. This issue will be determined only by judicial practice, while Romanian legislators will have to consider with the utmost attention the permanent harmonisation of this legislation with European law in this area.

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WELFARISM IN THE MODERN LAW OF CONTRACTDR. LATIFAH ALABDULQADER¹**ABSTRACT**

In modern days, there has been an alleged transformation of the law to introduce values of fairness and cooperation. Nevertheless, these notions of fairness are best described as supplementary rather than limiting notions. This indicates that the sanctity freedom of contract is softened but still dominant. The liberal notions of contract seem to be still dominant, and the notion of freedom of contract particularly stands as a serious obstacle to the development of any general doctrine of substantive fairness. However, this paper argues that the modern law of English contract rejects a general doctrine of substantive fairness but not the idea that fairness is a relevant consideration for contract validity. As a result, fairness is dealt with by indirectly and covertly through doctrinal manipulation. This causes issues of inconsistency and stands against the development of the law. In other words, it addresses the extent to which fairness is preserved by the law of contract.

Key words: Contract, Fairness, Welfarism

INTRODUCTION

The most fundamental rules of the marketplace are stated by contract law. It serves the enforceability of transactions and imposes restraints on the conduct of obligations created by parties and limits its enforceability by means of self-help or coercion from legal institutions. Furthermore, the law of contract has the potential to enhance community welfare. The marketplace forms a key mechanism for the production and distribution of wealth in most societies. The modern role of contract law requires the balancing of the contractual relationship rather than mere protection of individually acquired positions. Good morals require contractors to act fairly, honestly and to respect the legitimate rights of others. Exploiting vulnerability or weakness of position of the counter-party to yield self interest runs counter to accepted moral standards. This research is concerned with determining when this changes from being a mere moral obligation to become one that is enforced by the English law.

ENGLISH LAW AND PROCEDURAL FAIRNESS

Under the English law of contract obligations are voluntary based on mutual consent. Duress is an essential equity doctrine by which the law ensures that the consent is voluntary and real. Duress is generally regarded as a defect affecting consent in contract and therefore the validity of the consent. Common law duress in its historical form involves actual or threatened violence to the person. It was closely associated with the legal control of criminal and tortuous conduct. The essential elements of duress were established as early as the mid-thirteenth century (Ogilvie, 1980). Early analysis of duress focused on the act of coercion itself and its effect on the victim in inducing fear. The concept of duress in common law used to be a very narrow one that was restricted to actual or threatened physical violence to the person (Peel, 2011). The practice of common law duress in England has developed a wider scope with regard to contractual freedom. Duress is no longer restricted to actual or threatened physical violence to the person but includes the threat to seize another's property or to damage it (Poole, 2012), in addition to mere economic duress. Economic duress consists of using superior power in an 'illegitimate' way in order to coerce the other contracting party to agree to a particular set of terms (Mckendrick, 2010). Furthermore, the focus of the doctrine has turned to the

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wrongfulness of the threatened conduct rather than the consequences to the coerced party (Halson, 1991). It includes unlawful threats and lawful threats which are used to support unlawful demands (Mckendrick, 2010). However, the ‘rough and tumble of the pressures of normal commercial bargaining’ does not amount to illegitimate pressure (Poole, 2012).

A second doctrine of procedural justice is undue influence. Under the English law the equitable doctrine of undue influence operates to release parties from contracts that they have entered into as a result of being influenced by the other party. Undue influence is presumed where there is a trust relationship between the parties. Generally, it seems that the court would allow release based on undue influence if the claimant’s decision was made by excessive reliance or dependence on the defendant (Peel, 2011). The modern approach to undue influence in English law requires wrongful conduct on the part of the defendant. Generally, it is observed that most cases of undue influence contain such an element of ‘wrongful’ conduct, in the form of an act of exploitation or taking advantage of the claimant’s vulnerability (Mckendrick, 2010). Transactions that amount to undue influence are the kind of transaction that claimants would not have entered into under normal circumstances. In other words, it is when the victim receives no benefit from entering into such a transaction (*Bank of Credit and Commerce International SA v Aboody* [1990] 1 QB 923).

The two procedural doctrines of fairness have been developed in modern times to create more limitations within the law of contract. The development of the two doctrines represents the main modern changes in the acknowledgment of contractual fairness in English law. Contractual freedom is restricted by the relatively new development of the doctrine of economic duress and the stress on ‘wrong doing’ as the basis for the two doctrines. This involves restriction of the substance of the contract since the two doctrines are invoked when there is imbalance between the counter-values of contract (Stone and Devenney, 2015). Nevertheless, the basis of the two doctrines remains procedural since it cannot be invoked unless there is something wrong with the process by which the contract was concluded. As a result, it intervenes into the substantive fairness of the contract in a very limited sense.

ENGLISH LAW AND SUBSTANTIVE FAIRNESS

The way the English law regulates substantive fairness is not as certain or direct as procedural fairness is regulated due to the ongoing ideological battle. Classical law of contract is based on the assumption that free dealing is fair dealing. Justice is enforced in a contract by ensuring that the process by which the contract was concluded has been freely agreed upon (Devlin, 1965). A transformation is said to have taken place in the late nineteenth century with the doctrine of *laissez-faire* falling out of favour (Epstein, 1975). The alleged transformation of the law is understood to have been reflected in the adoption of values of fairness and cooperation. Notions of inequality of bargaining power, unconscionability, reasonableness and good faith were thus introduced to the law of contract (Brownsword, 2006).

The inequality of bargaining powers is invoked as a starting point for the differentiation between consumer and commercial transactions (Brownsword, 2006). Furthermore, the idea of relative bargaining powers is employed in the statutory regimes which regulate exclusion clauses under the test of reasonableness of the Unfair Contract Terms Act 1977.

The notion of reasonableness seems to stand at the core of modern law of contract (Brownsword, 2006). Reasonableness is widely employed in the contemporary law of contract. It is imposed by legislation on several occasions and has a great effect in the rules and doctrinal formation of the modern law. The most obvious example is the test of reasonableness imposed by legislation in the Unfair Contract Terms Act 1977 (Coote, 1978).

In recent years, good faith has been frequently invoked and wide range of literature is devoted to discussion of the principle of good faith. The English court has shown some willingness to acknowledge the principle of good faith by the law of contract (Paterson, 2015;

Summers, 1968; Zhou, 2014). Furthermore, the notion of good faith is employed in the statutory regimes.² A contract can be ruled out based on unconscionability if there is evidence of ‘taking advantage’ of a disadvantaged party. Yet, the courts’ requirement of unconscionability is difficult to satisfy and there is hardly ever a successful claim on unconscionability grounds alone (Poole, 2012).

Nevertheless, these notions of substantive fairness are best described as supplementary rather than limiting notions, which soften the rigidity of the law. Despite the alleged transformation of the law, intervention into the substance of contract to fix the balance of the contractual relation remains minimal. Intervention is mainly limited to procedural doctrines of undue influence and duress, and the intervention by the reasonableness test is limited to exclusion clauses. This indicates that the sanctity freedom of contract is softened but still dominant. Although there is a movement towards the creation of a general doctrine of fairness by English common law, such movement has been hampered. At one point, the idea that fairness should be a condition of the validity of the contract prevailed in the courts. This was later on dismissed by liberal ideas and more precisely by the notion of freedom of contract.

The current state of the English law of contract in relation to substantive fairness brings about the next question: does the rejection of a general doctrine of substantive fairness (outside consumer transactions) by the English courts negate the idea that fairness is relevant to contract validity? This question is addressed next.

THE EFFECT OF THE REJECTION OF A GENERAL DOCTRINE OF SUBSTANTIVE FAIRNESS IN ENGLISH LAW

We have seen that the English law of contract has rejected the development of a general doctrine of substantive fairness. By contrast, substantive fairness is promoted and protected under the consumer theory. One might question why the English law would accept that contract fairness is relevant in one case (consumer transactions) but not relevant in the other case (commercial transactions). Obviously, the law is based on the assumption that commercial contractors are always contracting at arm’s length and of equal bargaining positions. But what if this proves not to be the case? For example, when a small and newly established company is contracting with a large powerful company, it would be hard to imagine that they are contracting from equal positions. Why would make the law ignore such inequality whilst acknowledging it in relation to consumers? In other words, how does the law ensure that contracting commercial parties are equal?

It is observed that English courts in fact only reject the name of doctrine but not contractual fairness itself (McKendrick, 1999). Even though courts avoid the admission that fairness is a relevant consideration within contract validation, fairness is still evaluated under the guise of other doctrines (Thal, 1988).³ McKendrick (1999) indicates that as easy as it seems for an English judge to rule against common principles of fairness, a judge will ‘think hard and long before ruling against principles of good faith and fair dealing’ (p. 46). Waddams observes that even though courts try to show commitment to the freedom of contract, relief is everyday given against agreements that are unfair, inequitable, unreasonable or oppressive (1976).⁴ Atiyah (1985) has rejected the idea that contract regulation is still concerned only with procedural unfairness or the bargaining process and not with the substance of the contract. He

² For example the duty to act in good faith under the Commercial Agents (Council Directive) Regulations 1993 (SI 1993/3053) and Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083).

³ Thal observes that considerations of fairness have often been determined by the court under the doctrines of duress and undue influence. He cites the courts’ decisions in the *North Ocean Shipping v Hyundai Construction*, *The Atlantic Baron* [1979] QB 705 (duress) and *Allcard v Skinner* (1887) 36 Ch D 145 (undue influence) in support for his argument.

⁴ Waddams observes that consideration of substantive fairness is viewed by the court in relation to: penalties, deposits, exemption clauses, incorporation of documents, documents and consents, interpretation, duress, protection of weaker parties, withholding discretionary remedies, consideration, and restraint of trade.

says that fairness is protected by courts even without the assistance of statute. It is also widely acknowledged that judges tend to give effect to their sense of justice through constructing contracts or implying terms.⁵ Paterson explains that the fairness notions without doubt will continue to be implied into the law of contract regardless of whether the court is prepared or not to recognise a general duty of fairness. This includes the promotion of duties of loyalty to the contract by precluding parties from engaging in dishonest, uncooperative, opportunistic or irrational behaviour that would undermine their commitment to the contract relationship (Paterson, 2015).⁶

At this point one may be confused as to the approach of the modern law of contract towards fairness of exchange. On one hand, fairness and cooperation are important values that are indicative of the modern transformation of the law of contract. On the other hand, the law seems reluctant to adopt a general doctrine that protects the fairness of deals. The tendency of the English law of contract to shy away from commitments to explicit principles of fairness raises questions about its commitment to protecting the fairness of contract. How do the English courts respond to the adversarial values of the law of contract? Or more precisely how do they respond to inequality of bargaining power and unfairness in contracts?

ENGLISH LAW APPROACH TO PROTECTING CONTRACTUAL FAIRNESS

The modern law of contract acknowledges the fact that contractors hardly negotiate from even bargaining positions. To respond to this fact without causing the contract institution to collapse, a corrective approach has been followed. For example, situational monopoly is regulated by the doctrine of economic duress to protect commercial contractors who are being put under pressure to renegotiate a contract (Brownsword, 2006).

As long as the measures employed are taken to be corrective, the institution of contract will remain based on free and informed consent. Modern corrective intervention is taken to be a restatement of classical contract law and the freedom of contract. Brownsword (2006) explains this point in relation to the doctrine of inequality of bargaining power, which could read either as plaintiff-sided or defendant-sided. It could be defendant-sided in the sense that the stronger party has taken unfair advantage of the weaker party and plaintiff-sided in the sense that the weaker party has not given a free and informed consent to the transaction. As long as the measures taken are understood to be plaintiff-sided, the doctrine could be viewed as a restatement of the ideal of freedom of contract. By contrast, if it were to be defendant-sided, it would mean that it is concerned with fairness and militating against unconscionable advantage-taking. The modern law then, according to him, 'is taking on a major reconstruction of institution of contract' (p.88-92).

In order to respond to these demonstrated problems of unfairness, Sir Thomas Bingham explains that the English law of contract has 'developed piecemeal solutions' (*Interfoto Picture Library Ltd v Stiletto Visual Programmes Ltd* [1989] QB 433, p.439) Honest behaviour in contract is achieved without adopting a general doctrine but rather through 'the adaptation of specific rules that, in particular context, make honesty the best policy' Waddams 1999, p.237-56). To some, the English approach serves well enough the way it is. McKendrick (1999)

⁵ Atiyah suggests that 'it is no longer possible to accept without serious qualification the idea that law is today solely concerned with the bargaining process and not with the result' (procedural fairness but not substantive fairness). He argues that the English court has over the years expressed real concern with substantive fairness. He cites in this regard the decisions of the English Court of Appeal in *Staffordshire Area Health Authority v South Staffordshire Waterworks* [1978] 1 WLR 1387 and *Tito v Waddell* [1977] Ch. 106. He adds that even in cases that are based on traditional procedural doctrines such as undue influence and duress, substantive fairness considerations were taken into acknowledgment by the court, in this regard he cites the English court decisions in *Lloyds Bank Ltd v Bundy* [1975] QB 326, *Cresswell v Potter* [1978] 1 WLR 255 and *Backhouse v Backhouse* [1978] 1 WLR 24.

⁶ Paterson made this opinion in relation to the principle of good faith in the light of *Yam Seng Pte Limited v International Trade Corporation Limited* [2013] EWHC 111 (QB).

points out that the refusal to adopt a general doctrine could be taken as evidence of strength in the law. According to him, the English law manages to serve in other ways what different legal systems pursue through a general doctrine of morality. For example, in dealing with the events occurring after the formation of the contract that have the effect of rendering the performance of a contract impossible, illegal or impracticable, English law responds through the distinct doctrine of frustration. By contrast, German law has to resort to the doctrine of good faith to regulate the matter. Thus, it does not make sense to McKendrick to abandon a clearly-focused doctrine such as frustration in favour of the more amorphous doctrine of good faith.⁷

IS IT TIME FOR RECONSTRUCTION?

Atiyah (1990) has argued that the ‘basic conceptual apparatus’ of the English law reflects the situation in the nineteenth century rather than the contemporary moment. These values reflect liberal traditions of belief in the value of the rights of the individual. Nonetheless, he argues that current values of society contradict what used to be admirable in the nineteenth century. Therefore, it is the time to revise the concepts to reflect current societal values.

It is preferable that fairness is dealt with directly by a doctrine that makes an explicit ground for it, rather than covertly through the manipulation of technical rules. Indeed, trying to achieve fairness in the absence of a general doctrine produces incoherent outcomes, leaving judges unable in some situations to achieve justice. The answer could be to adopt a general doctrine of morality which would provide coherent regime that enables judges to deal effectively with unfairness (Powell, 1956).

Dealing with the matter explicitly by adopting a general principle (or principles), according to Trebilcock (1976), would serve the ends of constructive judicial law-making as well as rational independent analysis and the evaluation of the aptness of legal rules. He argues that it would even be cost efficient, because it gives guidance to other parties in their actions, through rules that have some generality of application. He explains that ‘decisions that are ostensibly confined in their application to narrow technical or factual circumstances only relevant to the case under adjudication’ (p.384).

So, what would it take for the English law to adopt a general doctrine of fairness? Perhaps the first obstacle to the creation of a doctrine is the question of defining the idea of fairness of exchange and indeed whether the idea of fairness in exchange itself is a theoretically defensible idea (Atiyah, 1985). Moreover, the issue of how to define the limitation on the freedom of contract doctrine is the most difficult to resolve (Thal, 1988). The problem has been raised both by judges and legal scholars.⁸ The issue was concisely stated by Treitel, who explains that the alleged principle is very wide and not well defined. According to him, English courts, unlike American courts, have no intention of taking the matter far to give clarity to the law. Thus, the matter is better left to Parliament (Peel, 2011).

Different approaches have been suggested in this regard. Trebilcock (1976) takes the position that in order to have an effective instrument that tackles contractual unfairness, the adopted doctrine ‘needs to be sharp in its focus, conceptually sound and explicit in its policy underpinnings, and operational in terms of both the process of judicial inquiry it envisages and the remedial instruments available to a court to abate objectionable phenomena.’ (p. 385). Treitel on the other hand, focuses only on the substantive side of the matter, suggesting that to have a sufficiently formalised doctrine we need to define what amounts to an unfair outcome.

⁷McKendrick failed in making a sensible argument first, because he did not make good bases for his claim that the adaptation of a good faith doctrine requires abounding the doctrine of frustration. Second, he mentioned that German law deals with issues of impossibility, illegality and impracticability in contract formation by referring to the doctrine of good faith whereas in fact these issues are dealt with by legislation through the German Civil Code; illegality is dealt with in section 134, impossibility 275 (1); impracticability 275 (2).

⁸ Some of the best discussions of this problem are found in Tiplady (1983); Beale (1986); National Westminster Bank plc v Morgan [1985] AC 686.

(Peel, 2011). Thal (1988) rejects Treitel's proposal, and instead proposes a procedural approach. His view is that the only way to define unfairness is by focusing on the bargaining process and not the outcome.

Brownsword (2006) emphasises the importance of having a specific moral reference point. According to him there are two principle options for such a reference point: (1) the standards of fair dealing recognised by the community of which contracts are most proximately a part; (2) the standards of fair dealing that would be prescribed by the 'best'. Though, the latter option looks difficult to justify either in terms of the practical legitimacy of judicial decisions or in terms of their theoretical justification. He sees a tendency in the English law of contract towards adopting morality doctrines to reflect the expectations associated with good practice in both the field of consumer and of commercial contracting.

Atiyah (1985) on the other hand, acknowledges the fact that courts are giving effect to their sense of justice in construing contracts or implying terms. He rightly explains that ideas of fairness and customary behaviour interact. When a judge implies a term to give effect to his sense of justice rather than the intention of the parties', his sense of justice derives in part from patterns of customary behaviour.

This research upholds the conclusion that the English law of contract should deal with substantive fairness of contract directly and clearly through the adoption of a general principle. The fear that the institution of contract would collapse and the uncertainty regarding a moral reference point should not be an excuse to remain bound by values that no longer reflect society. Continuing to serve justice disguisedly and indirectly in addition to being costly and lacking clarity restricts proper development of the law. It would be much more efficient, clear and simple to militate against unconscionable advantage-taking rather than correcting the wrongdoing when it occurs. Furthermore, when the issue is dealt with directly and clearly through an accepted doctrine mentoring the judicial practice will become more practicable. A sense of justice is always derived from customary behaviour. Thus, allowing judicial intervention both in relation to the process and substance of the contractual relation is likely to reflect societal values.

CONCLUSION

The modern law of English contract rejects a general doctrine of substantive fairness but not the idea that fairness is a relevant consideration for contract validity. As a result, fairness is dealt with by indirectly and covertly through doctrinal manipulation. This causes issues of inconsistency and stands against the development of the law. It seems to be primarily the fear that the contract institution would collapse without it that makes the law keen to preserve a liberal ideology that does not reflect current values. However, as Lord Devlin states 'the true nature of common law is to override theoretical distinctions when they stand in the way of doing practical justice' (*Ingram v Little* [1961] 1 QB 31, p. 66). Thus, any obstacle in front of the application of practical fairness should be removed. The English law should respond to modern social and economic developments by adopting a general doctrine of substantive fairness. It should be recognised in the law of contract that liberalisation is no longer the best way to achieve justice. The creation of a doctrine of substantive fairness is a necessary development of the law. The introduction of a substantive doctrine would serve the consistency, efficiency and clarity of the law. Achieving practical justice requires intervention into the process as well as the substance of the contract. Being focused on one aspect of fairness rather than the other is likely to produce unjust outcomes. Furthermore, ignoring contemporary economic and social developments and needs is likely to produce injustice. This is because fairness is a relevant phenomenon that changes with time and circumstances. This is the main issue facing the development of the English law of contract. It struggles in dealing with

perceived injustice as a result of the determination to remain bound by liberal theory while ignoring changes in economic and social factors.

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THE MULTIDIMENSIONAL INDEX OF ECONOMIC WELL-BEING FOR CENTRAL AND EASTERN EUROPEAN COUNTRIES

DR AGNE LAUZADYTE-TUTLIENE¹; AND MR IGOR DOROSH²

ABSTRACT

This study estimates the Index of Economic Well-Being (IEWB) for 15 central European countries 1991–2010, comparing this index with GDP at *per capita* level and growth rate. The paper reveals that certain components of the IEWB, which are not included in the measurement of GDP *per capita*, have grown slower and thus hampered the growth of overall economic well-being relative to GDP *per capita* growth. If the economic well-being of citizens is not growing as fast as an increase in GDP *per capita* in a specific country, it could mean there are some problems in social policy and recent changes in it. IEWB could thus be considered as an indicator of social policy based on consumption, sustainability, equity and security, the main idea of which is to reach the stage where there is a minimal difference between GDP *per capita* growth rate and well-being indicators.

Keywords: Index of Economic Well-Being, alternative measures of human well-being, quality of life, sustainable development

INTRODUCTION

The world never stands still; it is always moving forwards and making progress, but the direction in which it moves is not always the correct one. The unwavering pursuit of economic growth – represented by the overwhelming focus on Gross Domestic Product (GDP) – has left over a billion people in dire poverty, and has not notably improved the well-being of those who were already rich, nor even provided us with economic stability (Abdallah et al., 2009). As the Commission on the Measurement of Economic Performance and Social Progress noted in its 2009 report, ‘purely economic indicators say nothing about whether material well-being is bought at the expense of environmental and social impacts or at the risk of putting undue stress on natural resources’ (Stiglitz et al., 2009).

The main goal of the democratic governments is to improve human welfare, promoting the economic growth and development. Evaluating the achievements of policy measures from that perspective requires multidimensional indicators that go beyond the GDP. The analysis of alternative measures of human well-being provides an advanced understanding of the level of social and economic development, as do various policy implications concerning changes in aggregative and hierarchical well-being structures in countries.

Explaining such concepts as economic development and measurement of human well-being has been a key problem raised by scholars for a long time. Such modern economists as Di Tella et al. (2003), Diener and Suh (1997), McGranahan (1995), Helliwell et al. (2010), Osberg and Sharpe (1985, 2002 (a), 2002 (b)), and many others pay close attention to this issue, while Knight and Rosa (2011) focus on the environmental efficiency of well-being.

The research of Osberg and Sharpe (1985, 2002 (a), 2002 (b)) reveals that a wider notion of economic well-being should include dimensions of wealth, inequality and security. In their studies, the Index of Economic Well-Being (IEWB) is proposed as a better measure of well-being than the GDP.

This paper is the first attempt to estimate IEWB for fifteen central European and post-Soviet Union countries for 1991–2010, and to compare this index with GDP *per capita* level

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and growth rate. The main question we aim to answer is whether the usage of IEWB as an alternative indicator shows a difference in the measurement of economic well-being compared to the usage of GDP *per capita* as the most famous measure of a country’s development.

RESEARCH METHODOLOGY

The goal of this study is to determine an alternative to GDP-based metric measurement of economic and human well-being for Central European and post-Soviet Union Countries, based on Osberg and Sharpe’s IEWB.

The IEWB takes a broad view of “economic well-being” as “access to the resources needed for material consumption”. The narrow focus of GDP accounting omits consideration of many issues that are important to the command over resources of individuals. The four components of the IEWB used in this paper are made up of a number of variables, as shown in Table 1. A fuller discussion of the rationale for this framework of consumption, accumulation, distribution and insecurity can be found in Osberg (1985).

It is important to note that the estimates of the IEWB in this study contain fewer variables than IEWB estimates for Canada and OECD because of greater data available for developed countries. This sort of data is not available for the countries included into this study.

The original version of the IEWB for Canada (Osberg and Sharpe, 1998) included unpaid work in the consumption flows component of the index. This was possible because Statistics Canada has produced time series estimates of the value of household production and volunteer work for Canada. Statistic agencies of our selected countries have not produced such an estimate; thus, unpaid work is not discussed or included in this paper.

Two risks in the security domain (single parent poverty and insecurity in old age) and two components of stocks of the wealth domain (real stock of natural resources and real net foreign debt) are also not included because of the lack of data.

Table 1. Components of the IEWB

Basic component	Sub-components
Consumption flows (0.25)	Real actual total household consumption (in 2005 US dollars <i>per capita</i>) Real current government spending on goods and services excluding debt service (in 2005 US dollars <i>per capita</i>) Value of leisure (in 2005 US dollars <i>per capita</i>)
Stocks of wealth (0.25)	Real capital stock, including housing (in 2005 US dollars <i>per capita</i>) Real R&D stock (in 2005 US dollars <i>per capita</i>) Real stock of human capital (in 2005 US dollars <i>per capita</i>) Real social cost of environmental degradation (CO ₂ emissions, paternal emission; in 2005 US dollars <i>per capita</i>)
Equality (0.25)	Poverty intensity (Poverty headcount at US \$2.5 per day * poverty gap at US \$2.5 per day) Income inequality (Gini coefficient)
Security (0.25)	Risk from unemployment Risk to financial security from illness

Source: authors, based on Osberg (2002(a))

The formula for the overall index is:

$$IEWB = 0.25*(C+G+VL) + 0.25*(K+R\&D+HC-ED) + \\ + 0.25*(0.25*LIM+0.75*GINI) + 0.25*(UR+ILL)$$

C = real *per capita* adjusted equivalent personal consumption

G = real *per capita* current government spending excluding debt charges

VL = value of leisure

K = real *per capita* capital stock (including housing)

R&D = real *per capita* stock of research and development

HC = real *per capita* stock of human capital

ED = real *per capita* social costs of environmental degradation (CO2 emissions)

LIM = poverty intensity

GINI = Gini coefficient for post-fisc (after tax and transfers) money income

UR = risk from unemployment

ILL = risk to financial security from illness

In the IEWB estimation, the linear scaling was used to standardize the range of variables to the 0–1 interval. Each of the four components of economic well-being is assigned an indexed value equal to $(\text{Value}-\text{Min})/(\text{Max}-\text{Min})$, which represents the relative position of that country, in that year, on the range from Maximum (feasible value) to Minimum (feasible value), where both maximum and minimum are set at the actual extremes of the values observed in all countries and all years of the present study, plus (or minus) 10% of the actual observed range (Osberg, 2003).

We chose 15 Central European and post-Soviet Union countries – Armenia, Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia Lithuania, Moldova, Poland, Romania, Russian Federation, Slovak Republic and Ukraine – for estimating the IEWB.

FINDINGS

This section examines the level and the dynamics of the IEWB and its components in 2010 and 2000, and 1991 in the selected CIS and Central European countries, and compares the annual growth of the IEWB and the GDP *per capita* over 1995–2010.

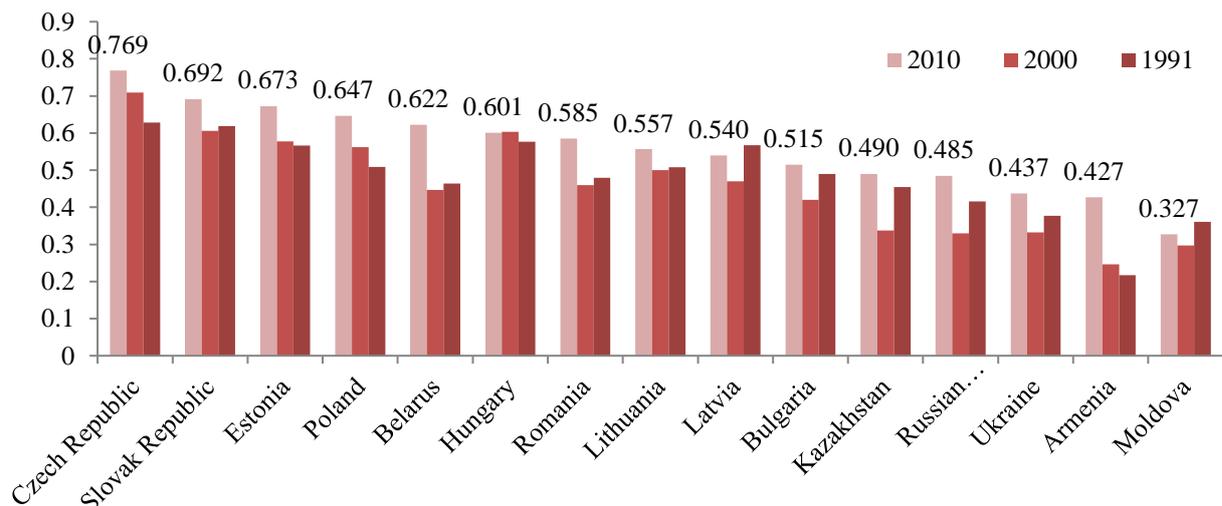


Figure 1. IEWB, selected CIS and Central European Countries, 1991, 2000 and 2010

Source: authors

Based on the ranking in 2010, the Czech Republic had the highest level of economic well-being among the 15 selected countries, with a scaled index value of 0.769 (Figure 1). The Slovak Republic and Estonia were followed by with the values of 0.692 and 0.673 correspondingly, while Moldova (index value 0.327) and Armenia (index value 0.427) were the countries with the lowest level of economic well-being.

It should be noted that most post-Soviet Union countries experienced a lower level of well-being in 2000 compared to 1991, while countries like Moldova and Latvia had not even reached their 1991 level by 2010.

Osberg (2011) proposed two ways of measuring progress using the IEWB: either by examining the absolute change, or by examining the percentage change (either the total change or the compound annual rate of change), in the scaled value of the index. In general, however, we consider the proportional growth to be a better measure of changes in well-being, as it takes into account the initial positions of the countries. If a country improves its index score from 0.1 to 0.2, it has doubled its well-being, and this is a much bigger achievement than another country improving its score from 0.8 to 0.9. The proportional growth captures that difference, whereas absolute changes do not.

In this study, we choose to measure the magnitude of the growth in both absolute and proportional terms, but the measuring approach does not make a huge difference in the ranking of countries in general. Table 2 provides the ranking of the selected countries based on both measurement approaches during the period of our research. The table reveals the changes in the rank of some of the countries between 1995 and 2010. For example, Belarus significantly improved its well-being and was in fifth position in the ranking right after Poland in 2010, while Hungary lost its position over time.

Table 2. Ranking of selected Central European and post-Soviet Union Countries based on values and growth of IEWB

Level (points)		IEWB growth (1991–2010)	
2010	1995	Absolute (points)	Proportional (% per year)
Czech Republic	Czech Republic	Armenia	Armenia
Slovak Republic	Hungary	Belarus	Belarus
Estonia	Slovak Republic	Czech Republic	Poland
Poland	Estonia	Poland	Czech Republic
Belarus	Poland	Estonia	Romania
Hungary	Romania	Romania	Estonia
Romania	Lithuania	Slovak Republic	Russian Federation
Lithuania	Latvia	Russian Federation	Ukraine
Latvia	Bulgaria	Ukraine	Slovak Republic
Bulgaria	Belarus	Lithuania	Lithuania
Kazakhstan	Kazakhstan	Kazakhstan	Kazakhstan
Russian Federation	Russian Federation	Bulgaria	Bulgaria
Ukraine	Ukraine	Hungary	Hungary
Armenia	Moldova	Latvia	Latvia
Moldova	Armenia	Moldova	Moldova

Source: authors

In proportional terms of IEWB growth, Armenia was far ahead 1991–2010 with a 3.63% annual growth rate (Figure 2.). Belarus was in the second place with 1.53% per year growth, followed by Poland and the Czech Republic, with 1.27% and 1.06% annual growth respectively. In

absolute terms, the greatest growth was experienced by Armenia, with a 0.210 point change between 1991 and 2010, while the lowest growth was observed in Moldova (-0.034 points in absolute terms and -0.516% in proportional terms).

The growth rates of IEWB varied across countries and time. From 1991 to 2000, all post-Soviet Union countries except Armenia and Estonia experienced regression in their well-being (Figure 2). The largest annual decline in the index – by 3.26% and 2.55% respectively – between 1991 and 2000 was observed in Kazakhstan and Russian Federation, while Moldova (with a 2.55% annual decline) was in the third place. Remarkable results were demonstrated by Armenia and the Czech Republic, there the IEWB increased by 1.41% and 1.34% a year during the first decade under consideration.

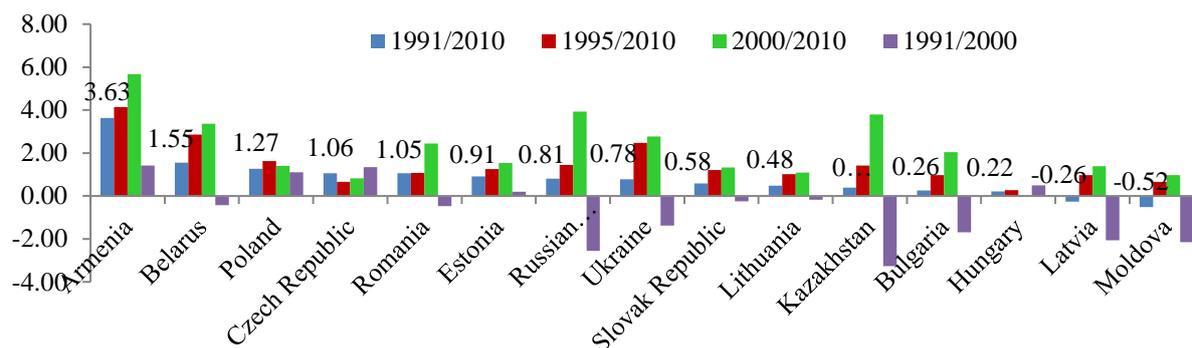


Figure 2. Average annual growth of IEWB in selected CIS and Central European Countries.

Source: authors

Over the next decade (2000–2010), all countries experienced progress; some experienced a notable increase in IEWB. A considerable growth rate of almost 5.7% a year was demonstrated by Armenia, followed by 3.93% annual growth in the Russian Federation and 3.79% in Kazakhstan. The lowest development of well-being at that time was in Hungary, almost equalling zero.

The components of the IEWB

The IEWB is constructed from four domains – the average current consumption flows, the aggregate accumulation for future consumption (presented by *per capita* wealth stock), income distribution and economic security. The four components are equally weighted; all components equally influence the general level of IEWB.

Private consumption expenditure, the government expenditure on goods, and services consumed (either directly or indirectly) by households and the adjusted relative cost (benefits) of leisure are the three components of the consumption domain of IEWB.

Based on Osberg's idea, if a person takes an additional hour of leisure time, he or she values that leisure time at least as much as the next best alternative use of the time. We assume that the next best alternative use of leisure time is paid work in the labour force, the value of which is the total labour compensation, i.e. after-tax wages and benefits that could have been earned during that time (Osberg, 2002 (a)). Trends in the value of leisure are determined by a number of factors: average hours worked per employed person, the employment rate and average hours of unemployment per working-age person.

The total adjusted consumption is computed by summing the family size-adjusted private consumption, the government expenditures and the value of leisure, and then multiplying the total value by the life expectancy index.

The largest consumption flows *per capita* in 2010 were observed in Estonia the Czech Republic. Their consumption *per capita* flows were US \$27,498 and US \$26,820 (in 2005 US

dollars) respectively, while Armenia and Moldova experienced the lowest *per capita* consumption flows (US \$5,050 and US \$4,739 *per capita*). Figure 3 depicts the values of the scaled index of the total consumption flows *per capita*.

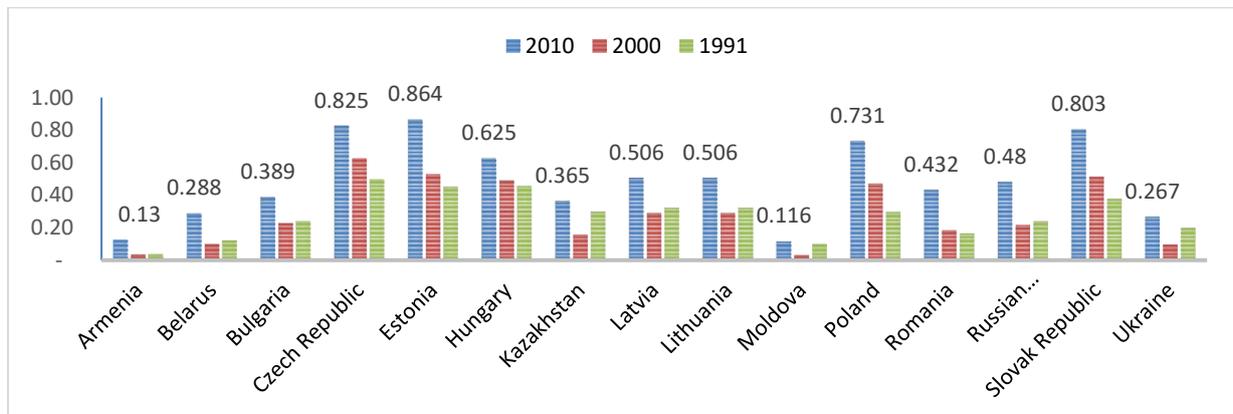


Figure 3. Scaled index of total consumption flows *per capita*, selected CIS and Central European Countries, 1991, 2000 and 2010

Source: authors

Society’s stock of wealth – both man-made and naturally occurring – determines how sustainable its current level of consumption is. The sustainability domain includes environmental and human resources and the physical capital stock left to the next generation, which will determine whether a society is on a long-run sustainable trajectory of aggregate consumption, irrespective of the distribution of those consumption flows at the individual level (Osberg, 2002 (a)).

The physical capital stock includes residential and non-residential structures, machinery and equipment in both the business and government sector. The greater the capital stock, the greater the future productive capacity, future potential consumption flows and economic well-being. The capital stock data was supposed to be based on the perpetual inventory method where investment flows accumulate over time (with depreciation rates applied to the different assets), but the paucity of data for the 1990s and the absence of data for the 1980s forced us to use the nominal values of national wealth.

The measure used in this study contains, as explained earlier, four components: physical capital, R&D capital and human capital, and the social costs of environmental degradation

The physical capital stock presented by Gross fixed capital formation indicator from World Development Indicators includes land improvements (fences, ditches, drains and so on); plant, machinery and equipment purchases; and the construction of roads, railways and the like, including schools, offices, hospitals, private residential dwellings and commercial and industrial buildings.

The total wealth stocks are computed by summing the physical capital, the human capital, R&D stock and net international investment position, and then subtracting the social costs of GHG emissions.

In 2010, the greatest *per capita* stock of wealth was in the Czech Republic (US \$6,903 in 2005 US dollars) and Belarus (US \$6,099 in 2005 US dollars). Third place was maintained by the Slovak Republic – US \$5,398 in wealth. The lowest total wealth stock *per capita* belonged to Moldova, Kazakhstan and Ukraine, with US \$886, US \$908 and US \$1,321 *per capita*, respectively. In 2000, some countries (such as Kazakhstan and the Russian Federation) had negative values of capital domain due to high levels of mineral depletion and a respectively

low level of investment. Figure 4 presents the values of the scaled index of the total stocks of wealth *per capita*.

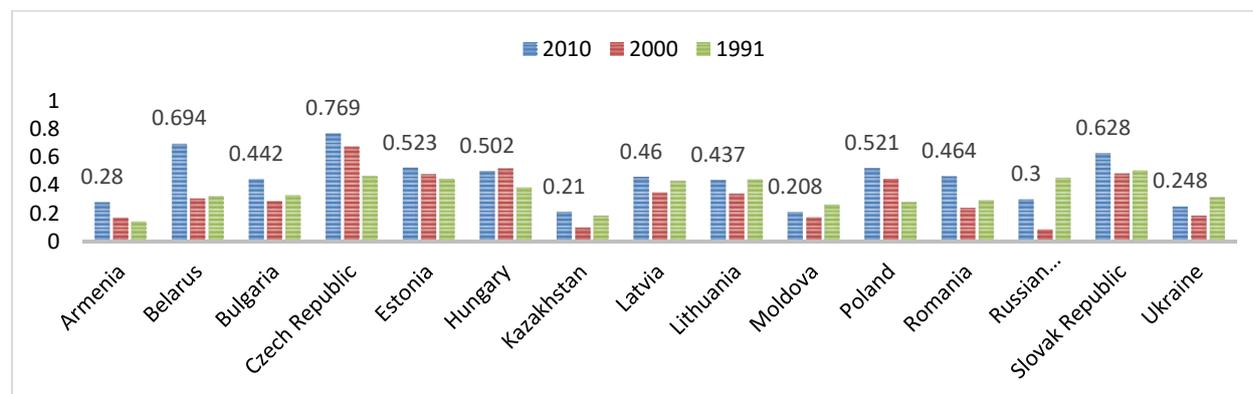


Figure 4. Scaled index of total stocks of wealth *per capita*, selected CIS and Central European Countries, 1991, 2000 and 2010

Source: authors

The third domain of the IEWB is economic equality. At current levels, a fall in equality, or a rise in inequality, is considered to decrease the economic well-being and *vice versa*. The equality domain consists in two components: income inequality and poverty.

We measure income inequality using the Gini index, which measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. Over country data was taken from the World Development Indicators (World Bank, 2012).

To measure poverty, we use poverty intensity, which is the product of the poverty rate and the poverty gap. The poverty rate here is defined as the percentage of the population living on less than US \$2.50 a day at 2005 international prices. The poverty gap is the average percentage difference from the poverty line of US \$2.50 a day at 2005 international prices (counting the non-poor as having zero shortfall); that measure reflects the depth of poverty as well as its incidence.

The index of the economic equality domain is the weighted sum of the scaled Gini coefficient and the scaled poverty intensity, with Gini receiving three quarters of the weight.

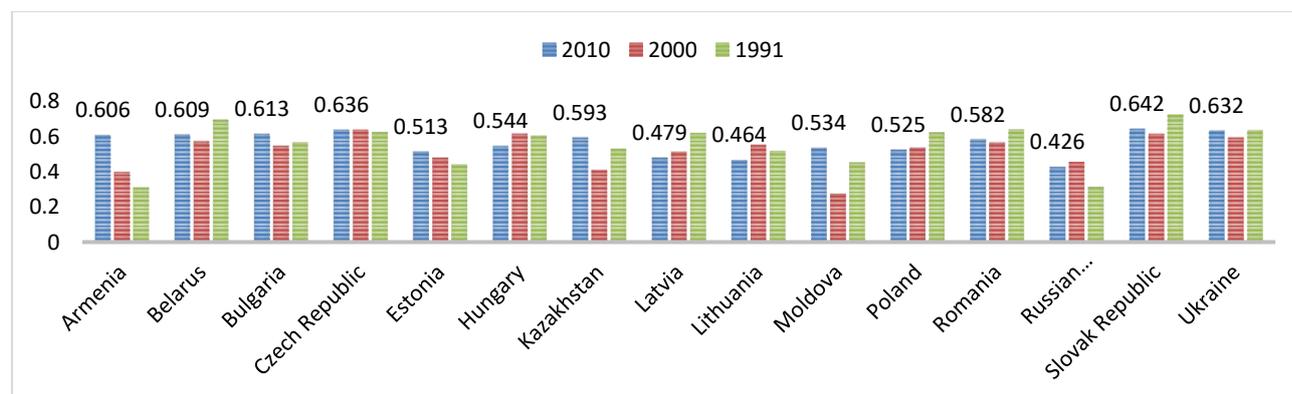


Figure 5. Scaled index of equality measures, selected CIS and Central European Countries, 1991, 2000 and 2010

Source: authors

Figure 5 depicts the values of the scaled index of equality measures. In 2010, the Slovak Republic had the highest economic equality score – 0.642, followed by Ukraine (0.632) and the Czech Republic (0.636). The Russian Federation was the country with the least equality; its index score of 0.426 was not far from the next lowest score in Lithuania – 0.464.

The economic security domain consists of two components – the risk imposed by unemployment and the financial risk from illness.

The scaled values of the two components of the economic security domain are aggregated to obtain an overall scaled index for the domain. The weights used for this aggregation procedure are constructed from the relative sizes of the populations subject to each risk. In terms of the risk of unemployment, it is assumed that the entire population aged 15–64 is subject to this risk. In 2010, this ranged between 34.1% in Moldova, to 58.7% in Kazakhstan.

The total population (i.e. 100%) is assumed to be subject to financial risk associated with illness. The component-specific weights are generated by summing the proportions of the population subject to the risks and then standardizing to unity by dividing each proportion by that sum.

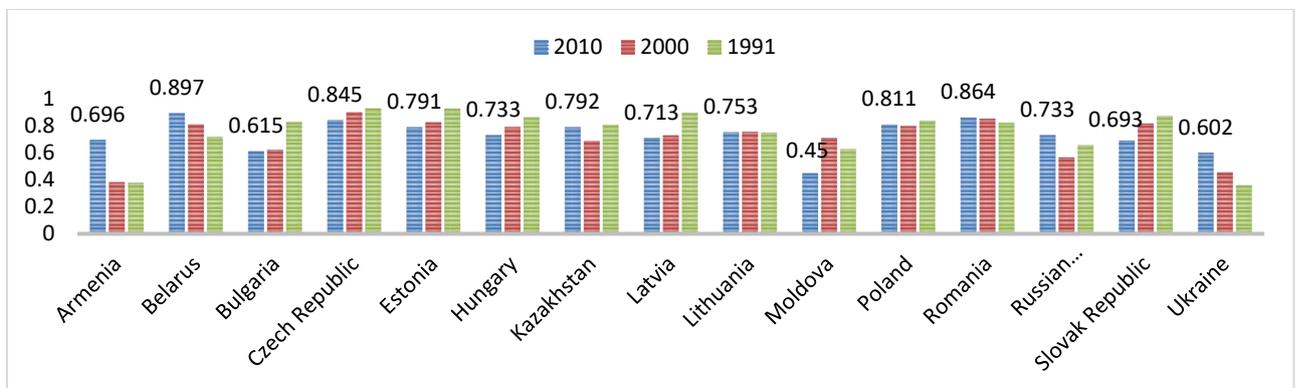


Figure 6. Scaled Index of Economic Security, selected CIS and Central European Countries, 1991, 2000 and 2010

Source: authors

Economic security (Figure 6) varies between the countries. Belarus had the highest economic security index value in 2010, which was 0.897, followed by Romania (0.864) and the Czech Republic (0.845), while Moldova was the country with the least economic security so far; its index score of 0.450 was 26% lower than next lowest score of Bulgaria (0.615).

Comparing the IEWB to GDP *per capita*

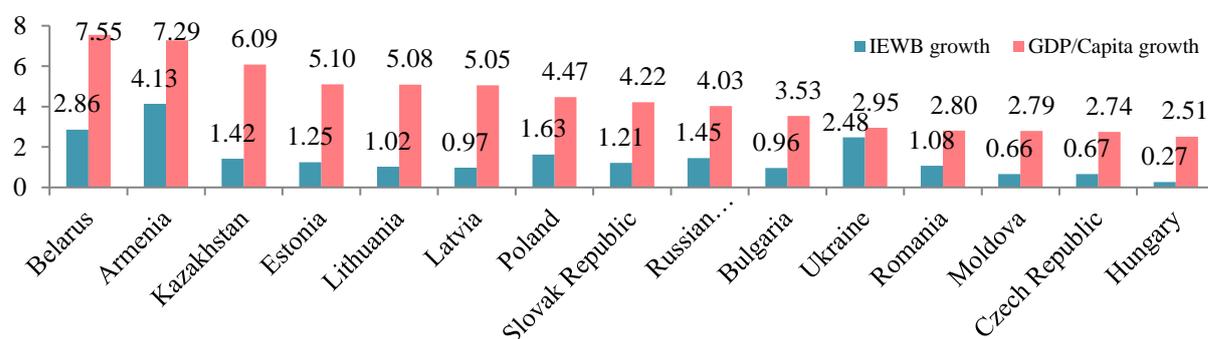
Comparison of the IEWB with the GDP *per capita* in 2010 and 1991 is presented in Table 3. In 1991, country ranking by GDP *per capita* in constant 2005 international US and by the IEWB did not show a big difference for countries as Czech Republic, Armenia and Moldova. Some post-Soviet Union countries, such as the Russian Federation, Ukraine and Lithuania in the first years of independence, still had a better GDP *per capita* position then their well-being position. The opposite was true for Estonia, Kazakhstan and Belarus. The 2010 rankings show that the Czech Republic was first and Moldova last in both rankings.

Table 3. Ranking by level of *per capita* GDP and the IEWB, selected CIS and Central European Countries, 1995 and 2010

2010		1991	
IEWB	GDP	IEWB	GDP
Czech Republic	Czech Republic	Czech Republic	Czech Republic
Slovak Republic	Slovak Republic	Slovak Republic	Russian Federation
Estonia	Poland	Hungary	Lithuania
Poland	Hungary	Latvia	Hungary
Belarus	Estonia	Estonia	Slovak Republic
Hungary	Lithuania	Poland	Latvia
Romania	Russian Federation	Lithuania	Poland
Lithuania	Latvia	Bulgaria	Ukraine
Latvia	Belarus	Romania	Bulgaria
Bulgaria	Bulgaria	Belarus	Romania
Kazakhstan	Romania	Kazakhstan	Estonia
Russian Federation	Kazakhstan	Russian Federation	Belarus
Ukraine	Ukraine	Ukraine	Kazakhstan
Armenia	Armenia	Moldova	Moldova
Moldova	Moldova	Armenia	Armenia

Source: authors

However, with the exceptions of the Czech Republic, Moldova and Armenia, there are differences in the ranking positions for all the countries based on the two indicators. Such countries as the Russian Federation, Lithuania and Latvia had a better GDP *per capita* position than the level of well-being, and Estonia, Belarus and Ukraine had a better well-being ranking than GDP *per capita*. Belarus was ninth in terms of the GDP *per capita* level in 2010, while it was the fifth in terms of the level of IEWB. The biggest difference between the rankings was in the resource-based economies of the Russian Federation, which ranked seventh based on per-capita GDP and fourth-to-last in IEWB based ranking.

**Figure 7. Annual growth of the IEWB and the GDP *per capita*, selected CIS and Central European Countries, 1995–2010**

Source: author

The IEWB growth was much lower than the growth of GDP *per capita* in all countries over 1995–2010 (Figure 7). The period of 1995–2010 was chosen for comparison of the annual

growth rates due to the huge economic stagnation in 1991–1995 and poor economic data, which makes the difference between GDP and IEWB even bigger. Between 1991 and 2010, there was a decline in GDP in Ukraine and Moldova, while Moldova and Latvia experienced a decline in IEWB. The period 1995–2010 is more reliable because of the recovery of post-Soviet Union countries and a positive annual growth for both GDP *per capita* and IEWB.

The fastest annual GDP *per capita* growth was observed in Belarus, which grew by 7.75% a year, but at the same time the country had only 3.1% annual growth in terms of economic well-being. Armenia was second by the growth of GDP *per capita* and first by the growth of IEWB.

It should be noted that most of the countries under consideration experienced huge gaps between the GDP and IEWB growth rates. For example, GDP *per capita* growth of 7.55% and 6.09% was observed in Belarus and Kazakhstan, but the growth of economic well-being in these countries came to only 2.86% and 1.42% correspondingly. While in such countries as Romania, Moldova, the Czech Republic and Hungary, where GDP *per capita* growth reached 2.5%–2.8% a year, the well-being situation did not change over the 15 year period for more than for 1% annually.

The research above reveals that it was not the case over the 1991–2010 period that the countries with fast *per capita* GDP growth also experienced rapid growth in well-being and *vice versa*. It should also be noted that certain components of the IEWB, which are not included in the measurement of GDP *per capita*, have grown slower and thus hampered the growth of the overall economic well-being relative to GDP *per capita* growth.

CONCLUSIONS

This study aimed to determine an alternative for a GDP-based metric measurement of economic and human well-being for Central European and post-Soviet Union Countries, based on Osberg and Sharpe's IEWB. The main question we asked was whether the usage of IEWB as an alternative indicator showed a difference in the measurement of economic well-being compared to the usage of GDP *per capita* as the most famous measure of a country's development.

The results of the study showed that, in 2010, the Czech Republic had the highest level of economic well-being among the 15 selected countries with a scaled index value of 0.769. The Slovak Republic and Estonia followed. The country with the lowest level of economic well-being was Moldova, with an index value of 0.327 points. In all CIS countries, rising economic well-being was based on a rapid growth in consumption and stocks of wealth. The growth of economic security was a determinant almost for all countries investigated.

The study reached its goal, as the IEWB captured more aspects of economic well-being than the real GDP. Despite the fact that trend comparison showed a correlation between GDP *per capita* and IEWB over the 1991–2010 period, it should be noticed that certain components of the IEWB, which are not included in the measurement of GDP *per capita*, have grown slower and thus hampered the growth of overall economic well-being relative to GDP *per capita* growth.

If the economic well-being of citizens is not growing as fast as the increase in GDP *per capita* in a specific country, this could imply some problems in social policy and recent changes in it. Thus, the IEWB could be considered as an indicator of social policy based on consumption, sustainability, equity and security, the main idea of which is to reach a minimal difference between GDP *per capita* growth rate and the well-being indicators.

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A CASE STUDY ON TECHNOLOGICAL CHANGES AND HUMAN BEHAVIOR IN HIGHER EDUCATION SECTORDR. MARIA H. NADEEM¹**ABSTRACT:**

The purpose of this study is to analyse the impact of technological changes on human behavior specifically in the educational sector of Pakistan. It mainly focuses on the implementation of new technological gadgets i.e. ERP software, SAP B-1 etc. in the accounts and finance departments of public sector universities and also on the behavioral change took place while selection and implementation of any technological change occurs in those universities. For this purpose, a structured questionnaire was designed and distributed to the targeted sample directly. The study applied both nominal and ordinal scale to measure a range of factors establishing the effectiveness/ acceptance of change in behavior and an interval scale in determining the relationship between change implementations and people reaction. Descriptive statistics were used to analyze the data. The mean responses, standard deviation and other relevant statistics were to be computed for better understanding and interpretation of the data. The data collected was compiled and edited to check for logical inconsistencies. The data was then coded according to the response. *The results are interesting and beneficial to develop future strategies.*

Key Words: Technological change, Human behavior, Organisational change.

INTRODUCTION

The last 20 years have witnessed the emergence of powerful, unrelenting pressures for change in higher education. Funding levels have been subject to scrutiny; demands for accountability and value for money have increased. A new emphasis on quality assurance and assessment has been established, in both teaching and research. More generally, globalisation and internationalisation have developed, together with the impact of new technology, especially in the field of communications and information management, as the key drivers of change in higher education.

In Pakistan, Higher Education Institutes are lagging behind in the implementation and understanding the future perspectives of upgrading the existing model of the education system which needs to be in line with the latest technologies available in the market. The paper focused towards an ongoing implementation in the Accounts and Finance Department of a newly recognized Public-Sector University. We will be discussing about the behavioral changes that took place during the selection of the technology till the roll out of the project and moving on to the impact on the management of the project and its roll-outs.

While the higher education institute was on its way towards its HEC charter, it was suggested in the annual financial meeting that the Accounts and Finance Department might be automated to avoid any mistake or mishandling. The stake holders suggested that the Institute should go for Oracle Financials, an advice was requested from the Head of Information

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Technology, who suggested that the institute should look for an option which might suit its environment and was within their budgetary constraints.

The technology which was suggested and recommended by the IT head was off-the-shelf ERP world renowned software application SAP B-1. Accordingly, the tender was floated and procedures rolled-out. It took almost 12 months to make this system workable and took almost 3 years to make people comfortable with it. The detailed implantation phase will be discussed afterwards whereas the impact of the behavioral changes would be indicated by the survey. Its responses will be evaluated by SPSS.

LITERATURE REVIEW

Theories of organizational design developed in the 1970s and 1980s as an attempt to understand the link between operating environment and the internal organisation, which was necessary for successful competition. One such theory is the “Contingency Model of Organizational Design” (Lawrence and Lorsch, 1986). This model suggests that when the external operating environment is stable and technological change is limited or within predictable bounds, organizations tend to develop centralized, mechanistic structures, with a clear hierarchy of authority and specified rules and procedures. This resembles the world of higher education in years past. By contrast, the model suggests that at times of rapid environmental change and uncertain or unpredictable (technological) changes, organizations move towards more adaptive, free flowing, organic structures, emphasizing horizontal and vertical communications and typified by increased levels of autonomy.

A good number of scholars found in pursuit of the impact of technology on human behavior, in various settings. Granito and Chernobilsky (2012) maintained that technology increases achievement and self-efficacy which are the two indicators of success. On the other hand, Sutton (2013) analyzed the impact of technology in society and education. He concluded that the traditional approach to learning and teaching cannot be sufficient. It has positive impact on education and society and at the same time it might also pose negative effects. Furthermore, something that must be considered as a pre-requisite of change is ‘the clarity regarding change’ to the learners towards the learning objectives (Schacter, 1999). Higgins and Xiao (2012) consider there to be a strong relationship between technology and learning which ultimately reflects a positive human behavior. Thus, the impact of technology thus act as the stepping stone to next level of development in future. Schacter (1999) scrutinizes the impact of digital technology on human wellbeing according to psychological perspective. The overall impact is positively correlated, meaning that the human resource is creative and innovative as it creates impacts in terms of making work effective and efficient.

The idea of human behavior using meta-review approach is considered positively. There is a strong recommendation in the findings that if the content and the context of the use of technology is properly designed, positive behavior will be observed among the users. There are more studies with varied outcomes for example Safwat et.al (2012) analyzed that technology does not greatly affect youth. Youth in general use technology extensively and they use it in almost everything as studies, games, research etc. but such use of technology has neither a bad nor a good impact on their behavior. Since the study refers to a certain age group, it can be established that the results of the adoption of technology and its impact on human behavior depends on certain demographic variables. Pauline (2012) evaluated the impact of technology on social behavior using empirical analysis and finds that technology will continue to advance and this advance promoting body language and facial comprehension skills. Technology has provided opportunities for aiding in communication. It tends to facilitate masses. Florian (2015) explores the effect of automation on human behavior in industry. He concludes that automation produce both positive and negative effects. Automation facilitates tasks for employees and promotes dependency. An instrument of raising the trust in automation

could be using highly skilled employees who are capable of sustaining such innovative working methods.

Rebora and Turri (2014) maintain that top management, manage processes of strategic and organizational change, exploits the drive of transformation trends present in external environments. Important change processes take place when development of resources, organizational learning and power management are aligned and balanced. Hence, top management nourishes this virtuous circle with the energy coming from multiple links with the external context. It concludes the 20-year change pathway analysed in the case study shows the change processes reveal themselves as a dynamic balance composed of various factors that have to be “tamed” and weighed up rather than planned and directed. External changes open windows of opportunity rather than give definite results, and balance must be constructed rather than rules respected. On the other hand, David Durrne and Roger Martin (2006) emphasize on the design process. Nevertheless, it is a prescription for an evolution rather than a revolution. It concludes that advancing technology in the education sector has a positive as well as a negative effect. The revolution of technology has diverse economic and social impact on modern society as it is a spoon-feeding phenomenon that enhances the dependence of human behaviour which is difficult to modify in future. In this regard Appling (2015) maintains that the impact of technological initiative and change in traditional work-style tends to improve academic achievement through motivation. This provides fruit for thought.

Behavioural Traits (Gonyea, 2014) comprise of 30 personality traits refer to various behaviours; in the current study these traits have been observed among employees during the three stages of implementation of technological changes that took place in the organization under study. Henceforth, a sound study of “the change management process” is significant. Kurt Lewin's Change Management Model argues that change can be managed through three phases; Unfreeze, Change and Refreeze. The model describes that the change is an on-going process and if it is managed accordingly, it can contribute towards the betterment of an organization and ultimately leads to positivity. In the Unfreeze phase, Lewin describes it as the most important and stressful stage because it can create an unbalanced situation if not managed properly. Organizations face reactions, reluctance and false excuses. One must meet the maximum number of concerns by discussion and building confidence among teams. However, in second phase of change is a transaction phase; again addressing the human physiological factors. The realization, that the change benefits, is significant. Lastly Refreeze, when changes are taking shape and people embrace the new way of working, organisation is ready to refreeze. At the last part of refreezing process, there must be a celebration of the success of the change. It leads to motivate, appreciate and sharing of success showing the leadership attributes.

RESEARCH METHODOLOGY

The study is descriptive as it involves gathering data that describes an event and then organizes, tabulates, depicts, and describes (Glass and Hopkins, 1984). Since the study is about evaluating the behavioural aspect of the resources involved in the change process, targeting a change which was in process, the questionnaire was developed on the basis of 12 personality traits out of 30 (Gonyea, 2014) where each trait refers to certain behaviour. The questionnaire had to be filled by all 12 department-incumbents, involved in the different phases of the implementations from top to bottom. Primary data was collected using structured questionnaire distributed to the respondents directly or indirectly. Questionnaires were manually collected after the completion by the respondents on the same day. The questionnaire was designed in a user-friendly format, so that the respondents would express the information in the right way.

Descriptive statistics were used to analyse the data. The mean responses, standard deviation and other relevant statistics were computed for the better understanding and interpretation of the data. The data collected was compiled and edited to check for logical

inconsistencies. The data was then coded as per the three stages of Lewin's change management process.

RESULTS AND DISCUSSIONS

The main purpose of the study was to identify the human behaviour in a change process in three stages of a change management process. What follows are the responses as per the plotting of independent variables with the questionnaire based on Behavioural Traits (Gonyea, 2014).

Table 1: Legend

Phase	Legend
Pre-implementation phase	P1
During implementation phase	P2
Post-implementation phase	P3

Achievement Oriented → P1(1) P3(27,41,36)

The behaviour was identified in the first stage, 'unfreezing change', and the third stage, 'refreezing change'. Hence, employees were focused on achieving targets and implementing the new technological changes.

Adaptable/Flexible → P1(6) P2(12) P3(31)

The dimension was verified in all three phases (pre-, during and post-implementation), as officials considered themselves ready for the change with marginal reluctance, whereas (as previously discussed) the authorities shaped the behaviour and deadlines to make employees adopt and contribute.

Ambitious → P1(2) P3(30)

Again, analysing these variables to determine the dedication to a cooperation level shows that authority rules over the success story.

Analytical → P2(17)

The question was designed to check the level of thinking of the respondents according to their roles, and shows a typical public sector environment behaviour where the maximum number of people support the management decision.

Calm → P2(13)

The variable was picked for judging the ability of the respondent to control his/her nerves during the execution phase. The results depict that conflict arises.

Conventional Thinker → P1(6,9)P2(16)

The variables follow traditional, standard methods of behaviour and beliefs. The responses show the majority agreed on the desired skill set, but at the same time were afraid of losing expertise so wanted to stick with the traditional system. This is an indicator for management to address.

Cooperative → P1(3)P2 (14)

Cooperation was there, as a majority of people attended meetings and also incorporated their stakeholders, which helps them to be heard.

Innovative → P2 (20)P3 (35)

The variable covers the behaviour of creating new things and accepting the changes, whereas the graphical representations show a heavy trend of disagreement

Leader → P1 (8)P2 (18)

The respondents do not consider themselves as lead change makers as in public setup organisations; they do not have authority, but in contracts with the software implementation. They feel unsure and indifferent regarding the change.

Moralistic → P1 (9)P2 (16) P3(39)

Moral essence towards the fulfilment of responsibility was found at all three stages.

Proactive → P1 (8, 10) P2 (15) P3 (29)

The variable considers proactivity through contributing at an initial stage. On preparing documents during the execution stage employees feel more upbeat

Team Player → P1 (1) P2 (11) P3 (21)

Team-building is always an important and essential part of any change implementation process. In the case under observation, the research found high levels of coordination, mostly due to the environment of the organisation (i.e., the public sector).

CONCLUSION

It can be optimistically concluded that the technology selection decision was made by the consultancy firm, the executive board members and the technical head without any involvement of the middle or junior work force. Considering the nature of the institute under observation, power and authority shape their culture and play an important role in success, as employees had no choice but to follow the commands.

In the end, it is suggested that the institute may involve their employees in decision making and hold sessions so they all feel ownership of the implementation and feel a sense of achievement along with peace of mind at being important in the institute. This can only produce good results in short term. Public sector institutes may change their culture and introduce a harmonious and cooperative environment among their employees and stakeholders

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THE GDPR FOR US COMPANIES: A COMPARISON OF EU AND US DATA PRIVACY LAWSPROF. KIMBERLY HOUSER¹; AND GREGORY VOSS, ASSOCIATE PROFESSOR,
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Earlier this year Google was fined €100,000 and Facebook was fined €150,000 by the French Commission Nationale de l'Informatique et des Libertés (CNIL) for violating the French Data Protection Act by collecting users' "personal data" and using a cookie to obtain behavioral information, without adequately informing the users. While these fines may not seem like a major concern, the EU's GDPR, which goes into effect on May 25, 2018, will allow European Data Protection Authorities ("DPAs") such as the CNIL to fine companies up to 4 percent of their global turnover (potentially increasing a fine to over \$1 billion). Although U.S. companies have disputed this position, the Contract Group, consisting of the Netherlands, France, Spain, Hamburg and Belgium, asserted in a recent statement that their respective national data protection laws do apply to the processing of personal data by companies based outside of Europe consistent with case law from the European Court of Justice (the cases of Google Spain, Weltimmo and Amazon) and Article 4(1)(a) of the European Data Protection Directive 95/46/EC (1995 Directive).

What this means is that regardless of the viewpoint that many tech companies based in the U.S. maintain (that they are not subject to certain of these laws), the potential fines beginning in 2018 are significant and should be of great concern to all U.S. companies that collect and process information from internet users in the EU. There are a number of reasons why U.S. tech companies like Google, Facebook, Amazon and Apple have recently come into the crosshairs of European regulators. First, the Snowden revelations infuriated the EU to the point that they invalidated the Safe Harbour Framework that companies had been relying on. Second, there is uncertainty surrounding the extent of the newer Privacy Shield negotiated with the EU. Third, the EU's General Data Protection Regulation (GDPR) will go into effect on May 25, 2018. Fourth, and perhaps most importantly, there are different ideologies behind American and European data protection laws, which need to be fully fleshed out. A thorough examination of relevant statutes, court cases, and advisory opinions on both sides of the Atlantic is necessary to bring awareness to this important issue.

The United States and the European Union are each other's largest trade and investment partners with the trade in goods and services amounting to over \$1 trillion dollar per year. Addressing internet privacy is an important social and economic global issue. This research will provide a comprehensive examination of U.S. and EU data protection law and provide suggested courses of actions for U.S. companies attempting to deal with the ever-changing privacy and data protection laws in the EU.

¹ Prof. Kimberly Houser, Clinical Associate Professor, Washington State University.

2-BE23-5740**ANOTHER LOOK AT COMMONWEALTH V. GARABEDIAN THROUGH A MODERN LENS: MOLECULAR BIOLOGY AND INTENT**DR. JANET BREWER²

The first legal pronouncement of insanity in English law dates from the Wild Beast Test of 1723. Just over a century later, this defense was broadened in the case of McNaughton, articulated by the House of Lords, which continues to shape the American Model Penal Code, a work that plays a critical part in the widespread revision and codification of the substantive criminal law of the United States. But the inherent complexities of defining insanity are compounded by new insights into the workings of the human brain.

As the study of neurobiology flourishes, evidence is multiplying that important aspects of behavior can be affected via involuntary exposure to neuro-modulating substances with wide-ranging results--severe psychiatric disturbances to murderous rage. Since the onset of the medical community's "Decade of the Brain" in 1990, a new body of scientific literature has emerged with regard to the workings of the brain at the molecular biological level and the role that specific neurotransmitters play in modulating subtle aspects of our behavior.

We now know that the brain can malfunction, albeit temporarily, because of conditions over which a person has no control, and that this malfunction can impair the person's capacity to know what he or she is doing and to remember afterward what he or she has done. Such knowledge has spawned the defenses of diminished capacity and criminal non-responsibility, offshoots of the insanity defense.

This paper explores in what way recent scientific findings may impact criminal non-responsibility. Part I explains how molecular neurobiology first came to converge with law to become the involuntary neurotoxic damage defense. Part II explores the precise mechanism of action of various neurotransmitters, including acetylcholinesterase, serotonin and others. Part III examines the influence of molecular neurobiological effects of these neurotransmitters on different aspects of the insanity defense.

3-BE19-5902**MONEY MARKET FUNDS REFORMS IN THE EU AND THE US: THE QUEST FOR FINANCIAL STABILITY**DR. MOHAMMED KHAIR ALSHALEEL³

This article considers the impact of money market funds (MMFs) reforms in the EU and the US on the money market fund industry and the global financial stability. The 2008 financial crisis proved that MMFs are a source of considerable instability to the global financial system, and highlighted their susceptibility to runs. The shareholders' incentive to redeem their shares before others do when there is a perception that the MMF might suffer a loss makes MMFs vulnerable to runs. Given this reality, the article argues that the financial regulators aim to achieve the stability of the entire financial system after the financial crisis warrants the strictness of the new reforms.

Divided into six parts, the article outlines the characteristics and classification of MMFs, and the run and systemic risk posed by MMFs during the financial crises, before assessing the MMFs' reforms in the US and the EU and the impacts of these reforms on the MMFs industry and the global financial stability system. The major component of the US reform is the introduction of the floating net asset value, where a MMF's share price will fluctuate to reflect

² Dr. Janet Brewer, Assistant Professor, University of St. Francis.

³ Dr. Mohammed Khair Alshaleel, Lecturer, University of Essex.

the daily market value of the fund assets. In the EU the new regulation provides investors with a high degree of optionality for investing by introducing Low Volatility NAV MMFs. The article concludes that despite the reforms are likely to jeopardize the viability of some categories of MMFs, they enhance the global financial stability, and the complexity of the reforms have made MMFs more appropriate products to financial institutions investors than retail investors.

4-BE24-5703

DOLLAR DIPLOMACY AND THE DEATH OF DEMOCRACY: THE GLOBAL INFLUENCE OF CORPORATE STATES ON ECONOMIC, POLITICAL AND LEGAL REGIMES.

DR. WESLEY KENDALL⁴

This paper posits that the traditional Westphalian concept of sovereign nation-states has been eroded by the rise of corporate statehood. Territorial nations which act in their own best interests regarding their nation's economic and political agendas could be systemically subverted by multinational conglomerates, which are only beholden to shareholders whose needs to maximize profitability may transcend national boundaries and supersede the interests of the nation-state, thereby endangering the countries prosperity and security. In recent years large corporations which possess assets and revenues exceeding many industrialized nations, have themselves assembled a company diplomatic corps that rivals many nations. Simultaneously large companies have strategically lobbied to deconstruct organs of the official diplomatic state. This paper will examine the consequences of ceding diplomatic control of American statecraft to corporations, and consider the conflicts that arise from company intervention into world affairs, and the impact this has had on U.S. democratic institutions. The research indicates that corporations historically have leveraged principles of market liberalization to discredit democratic institutions as inherently inefficient, and to advance the privatization of government responsibilities. The neoliberal trend to privatize government control of military, education, police and prison functions and to delegitimize the government's role in managing many organs of state has found continued expression in the increasing role corporations have in shaping American diplomacy. This paper will consider how international policies were formulated, and whether they served national, corporate or political interests. The paper will employ a qualitative case study approach, using trace process analysis to examine the various factors which contributed to the fashioning of a particular policy, focusing on several different companies within several industries to explore how corporations impact the diplomatic process, and then evaluate the economic, political and legal ramifications of corporate involvement in international diplomacy. This paper will make a unique contribution to a multidisciplinary body of academic research fields, such as international relations, economics, law and diplomatic studies by considering the impact of corporate power on both domestic and international policy considerations, and its concomitant effects on democratic institutions and state security. It takes a multiphase qualitative approach, using a trace-processed case study (e.g. the case of Exxon, helmed by Rex Tillerson, and their involvement in the lobbying against economic sanctions on Russia for its annexation of Crimea) contrasted with a secondary comparative cross case analysis (e.g. the case of Exxon's lobbying to remove sanctions against Iran for its involvement in funding terrorism) and will illustrate by comparative analysis how similar acts of corporate diplomacy are met by official branches of state, and their impact policy choices. This analysis will involve an examination of the resulting

⁴ Dr. Wesley Kendall, Senior Lecturer, James Cook University.

benefits of the diplomatic negotiations and a conclusion on whether the policies ultimately adopted by the state proportionally benefitted company or country, and its overall impact on economic prosperity and national security.

8-BG52-5865

EFFECT OF SERVANT LEADERSHIP ON TEAM PERFORMANCE WITH THE MEDIATING ROLE OF COLLABORATIVE CULTURE

DR. SABEEN BHATTI⁵; AND DR. SHAZIA NAUMAN, ASSOCIATE PROFESSOR, RIPHAH INTERNATIONAL UNIVERSITY PAKISTAN

Project managers face many difficulties due to the temporary nature and tight schedules and deadlines of the projects. Such conditions can impinge on the scope, schedule and cost of the projects. Top management support and strong leadership can be used to counter such adverse situations by encouraging a collaborative environment of knowledge sharing between team members. A servant leader is the one who puts forward the interests of his team before his own interests and thus acts as a leader who serves his team. Recently a lot of attention has been given to servant leadership (SL) and its effect of individuals and organizations. But very little research has been done in order to study its effect on projects at the team level. This study aims to fill this research gap. So, this research focuses on the effect of servant leadership on performance of project teams. We developed and tested a model in order to investigate the relationship between servant leadership and team performance under the mediating effect of collaborative culture. Data was collected from 165 project professionals working in a variety of sectors. Cronbach alpha, correlation, regression and mediation analysis was used to analyze the data. As hypothesized, servant leadership was positively related to both collaborative culture and team performance. Furthermore, the results also confirmed that the collaborative culture mediates the relationship between servant leadership and team performance. It is argued that in order to successfully manage projects, servant leadership traits should be encouraged in project managers. This will enable an environment of collaboration between the team members which will finally improve the performance of the team. The research has implications for theory and practice both. On one side, it adds to the theory of servant leadership and its impact on project teams and on the other hand project managers can use this framework for improving the team performance.

9-BE10-5873

SATISFACTION EVALUATION BY EMPLOYEES TOWARDS THE OPERATION OF THE NATIONAL HEALTH COMMISSION OFFICE FOR THE FISCAL YEAR 2016

DR. SOMBOON SIRISUNHIRUN⁶; DR. SOMSAK AMORNSIRIPHONG; DR. PHUT PLOYWAN; AND DR. ARCHPHURICH NOMNIAN

The objectives of this study were to: 1) evaluate the satisfaction of operation of the National Health Commission; 2) evaluate the organizational commitment of the National Health Commission; and 3) study the opinions of staff for the National Health Commission. The research tool was questionnaires for collecting data from 72 staff. The research found that the level of satisfaction in the aspects of internal staff operation, action plan collaboration and organization development, and work quality and efficiency were evaluated at the high level

⁵ Dr. Sabeen Bhatti, Assistant Professor, Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology.

⁶ Dr. Somboon Sirisunhirun, Associate Professor, Mahidol University.

and in the aspects of compensation, career path progression, welfare and security and facilities information system and work environment were evaluated at the moderate level. Besides, eight of ten aspects of the organization commitment of staff were evaluated at the high level but the rest were moderate. Finally, the opinions towards operation were found in 3 issues including; career path progression, constrains in work and facilities; and work development in the future.

10-BE07-5828

PREVENTING BANKRUPTCY OF EUROPEAN SMES: INVESTIGATION THROUGH PSM

MRS. LOREDANA CULTRERA⁷ AND PROF. GUILLAUME VERMEYLEN⁸

Small and medium-sized enterprises (SMEs) play an important role in most economies worldwide (Ayyagari et al., 2007; Burgstaller and Wagner, 2015). In the European Union, around 99% of the economic activities can be traced back to SMEs, which account for two-third of all jobs in the private sector (Gama and Geraldes, 2012). In 2015, nearly 23 million SMEs generated a value added of €3.9 trillion and employed 90 million workers. SMEs therefore form the backbone of the EU28 economy (European Commission, 2016).

In Europe, in 2012, more than 600 bankruptcies were declared each day (European Commission, 2012). According to the European Union (2016), an average of 200,000 firms go bankrupt each year in Europe.

Regarding the economic, financial and social consequences on the global economy of bankruptcies, positioning itself upstream of the process with preventive procedures may generate beneficial effects.

The aim of this research is to investigate the rescue process of the firm facing difficulties generalized at European level and called "rescue plan". It is a matter of describing, analysing and understanding the process of prevention of difficulties and its evolution in order to understand the effectiveness of this mechanism.

We use a sample of European small and medium-sized firms, that has voluntarily contacted the competent authority in order to activate the "rescue plan". This means that the company remains active; it is not involved in insolvency proceedings, but in a period of protection. One of the condition is that the company hasn't been incurred into default of payment. This proceeding starts on the initiative of the debtor to benefit from a suspension of credit lawsuits. Here the terms of loans are reviewed through a negotiation with creditors. Normally there is an external supervisor. The target is to prevent financial difficulties which endanger survival of the company. A specific case for this status is for instance « Procédure de sauvegarde » in France.

The effectiveness of this approach is evaluated through the propensity score matching method. To our knowledge, this method has never been used for the study of this issue. PSM has a number of comparative advantages in such analysis, including the need to allow for heterogeneous impacts, while optimally weighting observed characteristics when forming a comparison group. The average direct "advantage" to the participants is found to be evaluated at around 5.2%. This means that firms asking for a rescue plan register 5.2% higher chance to survive compared to similar (on some pre-settled characteristics) firms that do not.

⁷ Mrs. Loredana Cultrera, PhD Student, University of Mons - UMONS.

⁸ Prof. Guillaume Vermeylen, Associate Professor, University of Mons.

12-BG31-5797**AID, AIDS AND GOVERNMENT SIZE IN SUB-SAHARAN AFRICA**DR. MUHAMMAD SAEED⁹

The paper examines traditional determinants of government size and region-specific hypotheses using a panel of 42 Sub-Saharan countries over the period of 1996-2009. The techniques adopted take into account heteroskedasticity in the panel and potential endogeneity of government expenditure and its determinants. The well-established theories related to income, size and the degree of economic integration with the rest of the world largely hold. The region-specific factors are also important and show that foreign aid contributes to the expansion of government, while high incidence of AIDS/HIV is associated with smaller governments. Finally, better law and order institutions are related to larger governments. The results are robust across different estimation techniques.

13-BG37-5935**A COMPARISON OF FINANCIAL REGULATION SYSTEM IN CHINA, THE USA, THE UK AND THE EU SINCE 2008 : WITH IMPLICATIONS FOR FUTURE FINANCIAL REGULATION SYSTEMS.**MR. DAVID PARKER¹⁰

At the 5th The National Financial Work Conference, China's President Xi Jinping announced the creation of the State Council Financial Stability and Development Committee, the purpose of which is to ensure the four financial regulators: the People's Bank of China (PBOC), the China Banking Regulatory Committee (CBRC), the China Securities Regulatory Commission (CSRC) and the China Insurance Regulatory Committee (CIRC) work better together to coordinate financial oversight. This is the first major development in China's financial regulatory structure since the formation of the CBRC in 2003. Almost at the same time as President Xi was speaking, President Donald Trump was signing directives to repeal key aspects of the Dodd-Frank Act which according to data from the America Action Forum, had resulted in implementation costs of \$36 billion in the six years to 2016. The costs of implementation and subsequent repealing lead to the question: what if any western financial regulation structure should China implement as it seeks to further its financial regulatory reform?

In the literature, financial regulation structures are widely known and discussed; however, they are frequently discussed individually or in pairs with comparisons usually between the USA's and Europe's structures or the UK's and the USA's structures. In addition the majority of research precedes 2009, and with the exception of Donald Kohn who in his 2014 speech at The Global Financial Forum gave suggestions for China's financial regulation based on UK and US experiences, there is a scarcity of literature offering advice to China on its financial regulation structure. Through: case studies of the USA's, the UK's, the EU's and China's financial regulation structures and their implementation since 2008; a thorough research of the literature; and interviews with key figures in different sectors of the financial industry, this study aims to fill this knowledge gap providing a point of reference for financial regulators and scholars.

Moreover, given the global nature of the financial industry, it is not only imperative to study how financial regulation structures are being adopted by governments as a tool of enhancing

⁹ Dr. Muhammad Saeed, Assistant Professor and HOD, Bahria University.

¹⁰ Mr. David Parker, Lecturer, Coventry University Sun Yat-sen University.

performance of the financial sector in individual countries, but it is also essential to extend this to wider global perspective. With the above factors in mind, this study has four main research objectives:

- I. To compare and contrast the financial regulatory structures in the USA, the UK, Europe and China.
- II. To analyse the implementation of regulations related to the separation of capital market activities from retail activities, identifying differences from the original proposals and the reasons behind these changes.
- III. To draw implications for China's future financial regulatory structure and its One Belt, One Road initiative.
- IV. To propose a future global financial regulatory structure.

Key words: Financial Regulation Structure, Dodd Frank Act, People's Bank of China, Global Financial Regulation

25-BE26-5876 (DEEMED PRESENTATION)

LEGAL THOUGHT IN EARLY MODERN ENGLAND: THE THEORY OF THOMAS HOBBS

PROF. RAFFAELLA SANTI¹¹

Thomas Hobbes of Malmesbury (1588-1679) is one of the most influential British philosophers of the Seventeenth Century. Scholars from all over the world are still debating many issues risen by him (especially in the field of political science) and their ongoing influence and value for us today.

The paper reconstructs Hobbes's legal theory, focusing on his definition of law (civil law, as he calls it) found in "Leviathan", XXVI, 3: "Civil law, is to every subject, those rules, which the commonwealth hath commanded him, by word, writing, or other sufficient sign of the will, to make use of, for the distinction of right, and wrong; that is to say, of that is contrary, and what is not contrary to the rule.

This definition is only apparently simple, since it entails many hermeneutical problems, and it has been interpreted in different ways, especially with regard to the connections with natural law – and the Hobbesian assertion that civil law and natural law are part of each other, thus they "contain each other". Moreover, the definition of civil law changes in the corresponding paragraph of the Latin version of "Leviathan" (1668): "Lex civilis unicuique civi est regula qua, civitas verbo vel scripto, vel alio quocunque voluntatis signo idoneo, ad distinctionem boni et mali, uti imperat".

What is the meaning of this change? What about the divisions of the law / divisio legis, which – as Hobbes emphasizes – appears in different forms in different writers? Finally, what is the relationship between power and obedience? If a good law is "that which is needful, for the good of the people", what is it that dictates the paths to be followed by the sovereign representative, who is also the supreme legislator, when writing a new law? These are the main problems in Hobbes's legal thought that the paper will address.

¹¹ Prof. Raffaella Santi, Lecturer, University of Urbino Carlo Bo.

27-BE09-5712**SOCIAL WELFARE MODEL AND METHODS FOR CHILDREN AND YOUTH SERVING BY LOCAL GOVERNMENT ORGANIZATIONS IN THAILAND**

DR. SOMSAK AMORNSIRIPHONG¹²; DR. PHUT PLOYWAN¹³; DR. SOMSAK AMORNSIRIPHONG; AND DR. ARCHPHURICH NOMNIAN

Local Government Organizations (LGOs) were established by the Act of Thailand Decentralization in 1999. Local Government Organizations would be transferred many missions from the central government and ministries to develop the rural and urban area for examples infrastructure work, public health, education etc. Especially, social welfare and social work mission, “Pluralistic social welfare” is the most appropriate social welfare model for children and youth serving by local government organizations because there are many constrains for developing quality of life and well-being in Thai communities such as budget and government officer constrains and knowledge about social welfare constrain. Therefore, Local Government Organizations have to act as facilitators and coordinators for the mission. In addition, Local Government Organizations should combine local resources, local wisdom, social capital and people from other organizations in each community not only business organizations but also formal and non-formal community organizations to fulfill the need of each social welfare target. Furthermore, Local Government Organizations could sustainably drive the social welfare mission by making a social mechanism such as social network, community welfare center, community learning center etc.

29-BG16-5718**KING BHUMIBOL ADULYADEJ’S PHILOSOPHY OF SUFFICIENCY ECONOMY AND ITS APPLICATION FOR THE BENEFITS OF MANKIND**

DR. ARCHPHURICH NOMNIAN¹⁴ DR. SOMSAK AMORNSIRIPHONG

This paper addresses King Bhumibol Adulyadej’s philosophy of sufficiency economy and highlights its application for the benefits of mankind in Thailand and beyond. Sufficiency Economy is the late King’s philosophy that values the balanced ways of life and day-to-day living practices at the levels of individual, community, society, and nation. It is a means to conducting and leading mankind to sustainability and long-term happiness within one’s reasonable comfort without overly luxurious and excessive, yet enough. Against the inevitable forces of globalization, sufficiency is the key developmental strategy that tackles excessive and unlimited human’s needs and wants. Based on three main components: moderation, reasonableness, and self-immunity, with two accompanying conditions: appropriate knowledge and ethics and virtues, the philosophy is underpinned all Royal Developmental Projects. They have been initiated and implemented to set examples for a balanced and sustainable development for Thai people to overcome critical challenges arising from severe and sudden global turmoil, materialism, environmental issues and socio-economic downturns. Sufficiency concept requires a transformation of human values, and a revolution in their mindset, both of which are essential for mankind’s sustainable living and development. The philosophy emphasizes basic economic development to be carried out step by step that gradually allows people to learn from the process that can potentially lay down firm foundations for Thailand

¹² Dr. Somsak Amornsiriphong, Associate Professor, Mahidol University.

¹³ Dr. Phut Ploywan, Associate Professor, Mahidol University.

¹⁴ Dr. Archphurich Nomnian, Associate Professor, Mahidol University.

and other nations that promote sustainable growth and development for their citizens in the midst of global crises.

30-BG33-5916

WORTHY BEHAVIOR IN SOCIAL MEDIA – A REASONABLE GOAL OR MISSION IMPOSSIBLE?

DR. HARRI JALONEN¹⁵

Social media has punctured holes into companies' internal and external walls. The holes allow two-way visibility into and out of company. The perceived distance between the company and the customer, on the one hand, and the distance between the boss and the subordinate, on the other, has dramatically shortened. Social media has enabled individuals to be the editors of their own lives. People are free to enact their moments of joy and frustration in public. As a consequence, customers are not merely consumers, but also content producers and sometimes even the "brand managers", who share their opinions about products and services in a way that the real brand managers can no longer afford to ignore

Social media has transformed companies' operational landscapes and influences on the expectations on how companies create value. The development calls for new approach to management of employees, customers and other stakeholders. Leaning on the conviction that, the manageability of emerging issues within and outside companies has become ever more complex, this paper explores and discusses the challenges and opportunities for value creation exposed by social media. Using the lenses of the "economies of worth", the paper provides examples and interpretations of social media behaviour from the six different social spaces, i.e. worlds which are i) the inspired world, ii) the domestic world, iii) the world of fame, iv) the civic world, v) the market world, and vi) the industrial world. The paper contributes to management studies by introducing a fresh insight on management and value creation in the age of social media.

31-BG34-5921

SOUTH-SOUTH ECONOMIC RELATIONS: MOROCCAN BANK'S EXPANSION IN AFRICA

EL BEKRI HAFSA¹⁶

The strategic choice of Moroccan banks to conquer the African market has accelerated since the mid-2000s. According to the Banking Commission of the West African Economic and Monetary Union (WAEMU), Moroccan banks concentrate 29.6% of the market share in the WAEMU region in 2015, and more than 30% of the share of global net income in the region. The study covers the period 2006-2015 and focuses on three Moroccan banking groups (Attijariwafabank, BMCE and BCP) set up in seven countries: Benin, Burkina Faso, Côte d'Ivoire, Mali, Senegal, Togo and Niger. Can Moroccan banks affect real economic activity and act as catalysts for financial and economic development in African countries? To answer this question, we study Moroccan banks' impact on their host countries. Therefor we study the co-movements between loans offered by Moroccan banks in African countries and real activity in those countries.

¹⁵ Dr. Harri Jalonon, Adjunct professor, Turku University of Applied Sciences.

¹⁶ EL BEKRI Hafsa University Sidi Mohamed Ben Abdellah- Centre d'études doctorales- Laboratoire de recherché en Management International, Techniques de Décision et Logistique Morocco Hafsa.elbekri@gmail.com

Key Words: South-South economic relations, Moroccan Banks, African countries, Concordance, Cycles.

32-BE12-5825

INTEGRATING INDIAN SMES INTO GLOBAL VALUE CHAINS BY ENSURING ACCESS TO FINANCE- ANALYSING LEGAL & POLICY CHALLENGES

MR. RAVI SHANKAR JHA¹⁷

Integration of Indian SMEs into global value chains is essential to create jobs for large population. However, Indian SMEs are marred by various issues and access to finance is the most critical one. In this paper I analyse causes for this problem including the effect of stressed balance sheets of banks and Basel III norms as also the possible impact of international anti-bribery laws including FCPA and UK Anti-Bribery Act. I then proceed to evaluate Peer-to-Peer (P2P) lending as an emerging and innovative means of finance for SMEs. P2P lending is a form of dis-intermediated form of lending which is being increasingly promoted as a means of finance for SMEs across the globe including in United Kingdom . I analyse the problems associated with P2P finance in general and in particular in India. Briefly stated, following issues arise with respect to P2P finance in India:

Conflict with Usury Laws: Almost all states in India have anti-usury laws. Two major requirements under these laws are: (a) registration in the state (in some cases even in the municipality) where money is being lent; and (b) a cap on the maximum interest which can be charged. These requirements can render the entire business model of P2P financing which uses technology to connect borrowers and lenders from remote locations. For instance, a person in a northern state of India can register with a P2P lending entity as a lender and can lend money to a borrower from south. However, since this is an act of lending money which can be said to be covered under these laws, it can require registration of lenders in the state of the borrower which can be logistically impossible for any lender as borrowers are likely to be dispersed across states and no lender can possibly get itself registered in every region from which the borrower seeks to borrow. Also, even after registration the rate of interest will be capped, which can make lending unattractive.

Credit information: The P2P platform assists the lenders registered on their platform by assessing the creditworthiness of a given borrower. To do this exercise adequately such companies need access to credit ratings. However, under Credit Information Companies (Regulation) Act, 2005 (“Credit Act”) credit rating agencies are permitted to share credit rating of borrowers only with a) limited set of financial institutions; or b) a company registered under the Credit Act. P2P lending companies in India are not regulated as financial institutions and hence are not eligible under the Credit Act. Registering under the Credit Act is also infeasible for such companies because of high cost of compliance associated with registration especially given that the companies operating in the space of P2P lending are start-ups and do not normally have enough resources to implement such costly governance systems in place.

Having analysed these issues, I will then present my policy recommendations on how these constraints may be eased to secure better funding of Indian SMEs.

¹⁷ Mr. Ravi Shankar Jha, Master Student, National University of Singapore.

34-BE15-5843**THE COMPARATIVE ANALYSIS ON CRIMINAL PROVISIONS IN CARTELS BETWEEN INDONESIA AND UNITED KINGDOM**MR. MUHAMMAD FATAHILLAH AKBAR¹⁸

Cartels, including Price fixing, Market Sharing, and Bid Rigging, in anti-competition law have always been associated in business law field. However, the criminal law field has important role to prevent and eradicate price fixing in some legal systems. In Indonesia, criminal provisions on price fixing are employed as the last resort. The primary resort for price fixing in Indonesia is using the Committee of Anti-Competition as the quasi-judicial body to decide the matter of price fixing case. If only the decision of the committee is not obeyed, so that the criminal proceeding may be conducted. In UK, the Enterprise Act, the participation of individuals in cartels is a criminal law offence. It is the arrangement between at least two person that undertakings will engage in price fixing, market sharing, or bid rigging. In this particular provision, it is shown that the criminal offence is a primary resort in cartels by individuals. There is a significant difference between UK and Indonesia in employing criminal provision. Therefore, this paper aims to explore the comparison between Indonesia and UK regarding the criminal offence on cartels. The questions in the paper will be answered by normative, historical, and comparative approaches. This study is a normative-legal research using literature review to dissect secondary data. Among the secondary data that this study has dissected are statutory regulations, various legal documents, past studies, and other references which are relevant with criminal law and anti-competition law. Firstly, the paper will discuss the criminal law provisions on cartels in each country. It will explain why and how those criminal laws are employed in coping with cartels. Secondly, the paper will elaborate the most viable legislation on the criminal provisions which are enacted to prevent cartels. The prismatic concept of both countries will be taken to develop an exceptional rules on cartels.

35-BE28-5914**UNILATERALISM AS A MEANS TO SUSTAINABLE DEVELOPMENT: LESSONS FORM THE VEDANTA JUDGEMENT**MS. DIANA KAWENDA¹⁹

The purpose of this paper is to argue that unilateralism, by way of extraterritorial extension is a more effective way of implementing laws related to Sustainable Development (SD), by holding Multinational Corporations (MNCs) to account, for breaches of international law, as opposed to multilateralism. (Vandenhole 2011, Scott 2014)

Implementing laws related to SD is largely limited to international courts whose jurisdiction relates to interstate relations and is not open to MNCs or affected claimants. Nonetheless, the multilateral framework offers guidelines (e.g. UN Guiding Principles on Business and Human Rights-Ruggie Principles and OECD guidelines) which the MNCs are encouraged to adhere to, but are not legally bound to apply. (De Feyter et al 2008)

Within the developing state, where unsustainable exploitation of natural resources occurs, it is not the absence of laws per se that fail the host communities, but the political will to enact these laws is lacking due to political and corporate collusion and conflation. Furthermore, access to justice, has been a challenge for these local communities which have

¹⁸ Mr. Muhammad Fatahillah Akbar, Lecturer, Gadjah Mada University.

¹⁹ Ms. Diana Kawenda, Legal Researcher, Tendai Biti Law.

not been able to source competent legal representation to advance these matters. (Smit and Holly <http://www.ethicalcorp.com> -Nov 2017)

To support the paper's central argument, reference will be made to England's Civil Court of Appeal's recent landmark ruling in *Lungowe and Others v Vedanta Resources Plc and Konkola Copper Mines Plc* (13/10/2017). This case raises issues which include:

1. Foreign litigants' access to the English courts.
2. Widening the scope of duty of care owed by MNC's.
3. Adopting extraterritorial jurisdiction in matters of transnational justice.

The case stems from, Konkola Copper Mines (KCM) which is Africa's largest copper mine based in Zambia. KCM is a subsidiary company of Vedanta Resources Plc, a MNC registered in the UK and listed on the London Stock Exchange. - KCM's mining activities have over the years impacted negatively on the environmental, socio and economic concerns of local Zambian communities, leading to unsustainable mining procedures.

One such consideration is the pollution of the Kafue River which provides 40% of Zambian population with their water supply. This pollution has increased the river's acidity levels and other contaminants posing a great health risk to the community and the environment. Furthermore, KCM has also been found to be involved in massive tax evasion and mis-declaring of profits along with violating labour rights. (Kangaungazi 2009) (Human Rights Watch 2011).

This makes KCM and its parent company Vedanta in flagrant breach of Zambian municipal law and international law. England's civil Court of Appeal in this matter, has found KCM and Vedanta directly liable for negatively impacting on Zambia's environment since it was directly involved in the administrative and financial concerns of Konkola. It is evident that KCM's mining procedures defy the precepts of SDG envisaged in Agenda 2030 (A/RES/70/1).

The paper demonstrates that the Court of Appeal through the Vedanta judgement has managed to put its own MNC to task for violating laws in transnational jurisdictions, offering expedient access to justice and also at the same time deterring MNC's from blatantly abusing laws related to SD in municipal and international law.

The first part of the paper will discuss unilateralism and multilateralism in the context of sustainable development and MNC liability. The second part of this paper will discuss extraterritoriality in the Lungowe Judgement offering a comparative analysis with the USA supreme court judgement *Kiebel, Et al v Royal Dutch Petroleum Co* (2013). The fourth part of the paper will look at the implications of both decisions on existing laws, academic debates and legal issues followed by the conclusion.

Key words: Unilateralism, sustainable development, multilateralism, extraterritoriality

36-BE17-5884

TRANSACTION COST OF JUSTICE DELIVERY, CLOSER LOOK AT THE INFORMALITY IN LEGAL INSTITUTIONS IN SOUTH ASIA

MR. SAHIB SINGH CHADHA²⁰

Legal institutions in south Asia possess a shared history rooted in colonial project that centralized state's subjugation of its people. Various layers of the system have been fossilized in time. Few progressive judgments by higher judiciaries aside, local courts (which affect more than 90% of the stakeholders of legal institutions on a day-to-day basis) expose the

²⁰ Mr. Sahib Singh Chadha, Graduate Student, National University of Singapore.

dysfunctional picture of justice dispensation system, characterized by an unapologetic lack of access-to-justice for the have-nots.

As a response, several privately ordered responses have emerged from the stakeholders (lawyers, judges and affected citizens). These responses either exacerbate the power dynamics created in these legal institutions or address the shortcomings of the system. While institutional fractures in judicial institutions have attracted some scholarly attention in south Asian context, questions of customary departure from written laws has not been dealt with adequately. This paper is an attempt in this direction. It aims to excavate the informality embedded around the formal courts of law, and in doing so, observing the nature of transaction costs imposed by these legal institutions.

I study a case concerning laws related to divorce and the informality that appears in the performance of law. British codification of laws relating to marriages, inheritance and other Hindu customs introduced concepts like restitution of conjugal rights and made it difficult to divorce officially, even under mutual consent. Today, the courts' resistance to grant divorces delays and frustrates the processes terribly. Communities in India, as a response, have cultivated alternative systems. Divorces are settled by local/village informal bodies like indigenous Panchayats, offering their social recognition to a matter. Courts are bypassed entirely and yet, the divorce is recognized in practice. I study such cases in Haryana, and show how informality negotiates its space through formal laws.

The case here shows the relieving informal system that germinates in the presence of hegemonic structures of formal law. This case like many other inform a great deal about the role of legal pluralism in south Asian context (given the parallels of these cases prevailing in the entire region). It hypothesizes that one way to estimate the extent of people's lack of public trust in justice delivery system in South Asia is to hear the continuous voices of informal institutions in the cacophony of formal legal institutions.

38-BE22-5770

DOMESTIC POLITICAL ARRANGEMENTS AND THE SPREAD OF INTERNATIONAL CONFLICT: GLOBAL POLITICS AND INTERNATIONAL SECURITY

MR. JOHN MEGSON²¹

In 1940, Germany requested that it be allowed to transport armed troops across Sweden to help the German army battling Allied forces in and around the Norwegian town of Narvik. The Swedish government refused this request, citing its neutrality and affinity with fellow Scandinavians. The following spring, in the run up to Operation Barbarossa, Germany, again, requested some military concessions from neutral Sweden. This time, the Swedish government granted these requests which included the transportation of the combat-ready 163rd infantry division from, now occupied, Norway to the Eastern Front.

Realist theory suggests that decisions made by States in the anarchic international system should be based strictly on a State's assessment of a rival states capabilities relative to its own. The domestic political arrangements of a state should, according to realists, have no bearing on how a state behaves.

This paper, citing the aforementioned example and others, puts forth a theory to explain whether and under what circumstances a state not directly involved in a dispute will allow its territory, airspace, or infrastructure to be used in an attack by one state upon another. The theory

²¹ Mr. John Megson, Doctoral Student, Purdue University.

argues that the decision to grant access is based not solely on estimates of the relative capabilities of the Attacking State, but also upon the domestic political arrangements in each of the three states. Specifically, the Middle State is most likely to allow the use of its territory when the Attacking State is a democracy and the Target State is an autocracy. Lastly, this probability is heightened when the Middle State is also an autocracy.

This paper opens a new area of potential research. Future studies should examine factors such as alliance memberships among the three states, and whether the Attacking State has more than one option to reach the Target State. The reaction of the Target State to a rejection from the Middle State is potentially a fruitful area of future research, with game theory being used to model theorized interactions between Attacking, Middle and Target states.

39-BG28-5888

MOTIVATORS OF SOCIAL SUSTAINABILITY – ANALYTICAL HIERARCHICAL APPROACH

DR. MATLOUB HUSSAIN²²

The purpose of this paper is to develop a framework for identification, categorization, and prioritization of social sustainability motivators adopted in a healthcare supply chain. A survey tool is used for the identification of motivating practices that are relevant to a hospital supply chain. The identified motivators are grouped into five main categories and experts' opinion was used for their content validation. Finally, AHP is utilized to prioritize the main categories and sub-categories of motivators to facilitate their implementation. The study has identified 34 motivators that are relevant to a healthcare supply chain. These motivators were grouped into the following categories; Organizational Practice, Media & Reputation, Excellence & Awards, Technology & Innovation, and Attitude. AHP results assigned the highest priority to Media & Reputation and Organizational Practice. AHP priorities were also set for the specific motivators within each category. Overall, patient-centered vision and goals, patient satisfaction, and gaining close attention to services were found to be the top relevant motivators to a hospital supply chain.

40-BE20-5931

RETHINKING CENTRAL BANK DIGITAL CURRENCY: CHALLENGES AND OPPORTUNITIES

MS. KARINA PUTRI²³

The idea to separate regulatory and supervisory roles of Indonesia Central Bank (Bank Indonesia/BI) has realized through the establishment of Indonesia Financial Service Authority (Otoritas Jasa Keuangan/OJK). As the result, since 2011 Bank Indonesia has conducted only macro prudential function of banking industry and more focus on the monetary policy for Indonesia, while the OJK is conducting the supervisory roles. Compared to the previous supervisory roles had by the Bank Indonesia, OJK is not only supervising banking industry, but also managing the supervisory duties towards capital market, insurance, financing companies, and other financial service companies.

In monetary function, the Indonesian regulation grants Bank Indonesia authority to regulate payment system and to decide Indonesia's position toward the legitimate currency.

²² Dr. Matloub Hussain, Associate Professor, Abu Dhabi University.

²³ Ms. Karina Putri, Lecturer, Universitas Gadjah Mada.

Based on this, Bank Indonesia prohibits digital currency as payment and has been formulating the most proper system in Central Bank Digital Currency (CBDC) issuance. CBDC is assumed as more secured type of digital currency compared to private digital currency, which already exist worldwide, including Indonesia.

However, there is no universal definition of CBDC. Yet, some scholars have defined characteristics of CBDC as something that can be accessed peer to peer, issued by central bank, liability held by central bank, implemented via electronic (more specific via distributed ledgers technology), and competes with bank deposits as medium of exchange. Subsequently, these characteristics of CBDC may overlap with electronic money (e-money), which has launched by several companies and commercial banks in Indonesia. Therefore, the discourse to launch CBDC by the Bank Indonesia may potentially link to competition law issue. On the other hand, prohibiting private digital currency without offering an option to the potential users, is threatening the Indonesian banking and financial system in the future.

Based on those dilemmatic situations, the Bank Indonesia needs to decide the best practice toward the issuance of CBDC. Since the Bank Indonesia has not launched the CBDC, this paper is giving a hypothetical perspective if the CBDC is launched in Indonesia. This paper aims to analyze the consequence of the issuance of CBDC in Indonesia. It also aims to analyze the strategies that can be used by Bank Indonesia to minimize the potential contradiction between the issuance of CBDC with the existing regulations, in terms of currency and competition law.

Key words: Central Bank Digital Currency, Supervisory Roles, Bank Indonesia, Competition Law

41-BG35-5946

UNITED NATIONS CONVENTIONS ON INTERNATIONAL HUMAN RIGHTS: BARRIERS TO ENFORCEMENT

MR. AHMAD AL-AWAMLEH

INTRODUCTION

The gap between declarations of principles of human rights grounded in universal principles and the enforcement of the same is a major puzzle for international relations scholars and the emerging structure of international law and agencies. The anarchical nature of international systems looms large over the nature of international human rights enforcement mechanisms. In the absence of ‘world government’ or an overarching structure to enforcement agreed upon among nation-states is the crux of the problem. Since the United Nations conventions are agreed upon and discussed by the nation-states and therefore it is the nation-state which is responsible for the enforcement of human rights conventions and treaties at the national level. Therefore, the nature of relations of power and alliances among the nation-states is one of the determining factors in the enforcement of international law. Given a hierarchical nature and skewed distribution of power among states with very few being dominant and able to enforce, the level and efficacy of the enforcement of international law are dictated by the whims and fancies of such powers (Hannum, 2006). In this context, this paper discusses the barriers to the enforcement of the United Nations conventions on human rights and factors determining the same.

42-BG51-5950**DEVELOPMENT OF ETHICAL DECISION MAKING IN PROFESSIONAL PRACTICE AMONG CHARTERED QUANTITY SURVEYOR IN MALAYSIA**

MS. NOR ATIKAH HASHIM²⁴; DR ZOHARAH OMAR, SENIOR LECTURER; ASC, PROF DR KHAIRUDDIN IDRIS; PROFESSOR ZUHAIRUSE MD DARUS; AND ASC PROF DR ISMI ARIF ISMAIL

An ethical decision defined as a decision that is both legal and morally acceptable to the larger community. Professionals must possess an Ethical Decision Making (EDM) but in the real practices, many do not. EDM may be shaped by few factors such as individual, organisational, and moral intensity. There is increasing demand for the existing literature for good ethical practices and professional conduct in the construction industry. Common problems emphasised are corrupt tendering practice, deficient quality of construction work, bad safety culture, payment woes, corruption and most prominently, lack of public accountability for money spent on public buildings and infrastructure. Malaysia has no exception on this issue. The roles of Quantity Surveyor includes cost consultants and project procurement specialists, life cycle costing, cost planning, procurement and tendering, contract administration and commercial management. They are highly trained professionals offering expert advice on construction costs and contract.

The Malaysian construction industry, reports indicate that 17.3% of 417 government projects were considered 'sick' (Malaysia Ministry of Works, 2005) and of these sick projects, some of them were caused by unethical behaviours among the project participants and numbers are growing since then. Malaysian culture known as the 'revolving door' that allow for active government participation in the economy and public-private relations to become elusive, provides the context of the unethical behaviour in practice.

Research was done on ethical decision making of Quantity Surveyor in other countries like Hong Kong, Nigeria, etc. However, lack of study being done to explore the factors that contribute to these issues in Malaysia. Empirical results of the most widely known theories in the field of business ethics contain numerous inconsistencies and contradictions and we continue to lack understanding of how individuals make ethical decisions at work. As such, this research provide the translation of decision making model and theories while exploring the role of HRD in developing EDM through Quantity Surveying practices.

Phenomenological method focus on understanding the essence of the experience faces by Chartered Quantity Surveyor in EDM through their practice. The data was collected using primary interviews and documents analysis. Data was analysed for significant statements, meaning units, textural and structural description and description of the Essence.

From the findings, themes are established based on the research questioned. Good Moral Values acquired through Upbringing by parents and society, Formal education and Practical experiences. While making EDM in practice, they based on experience and intuition rather than Code of Ethics. The most important factors that shapes of EDM through their journey is Religious. It plays a very important roles as an inner shield and guidance for them in making EDM. This research contribute to the information that promote understanding on EDM through practice whilst help the profession to develop and sustain. By examining Quantity Surveying profession through HRD, this study contributed to the research of situated learning as experts intuitively and holistically identify problems, goals, plans and actions. Through experience, these becoming integrated and embedded in the nature of the practice.

²⁴ Ms. Nor Atikah Hashim, PhD Student, Universiti Putra Malaysia.

43-BE13-5783**MATERIAL CULTURE AS A MEANS OF OPPRESSION IN MULK RAJ ANAND'S UNTOUCHABLE**MRS. NUSRAT RIKZA²⁵

The novel *Untouchable* explores a victimized group of people in Pre-Independence India who are considered as untouchable or out-caste, according to casteism in Hindu religion. This invisible inborn identity is evident with the help of some cultural objects (dress-code, tools, residence) which can easily be identified outwardly. The novel progresses with the single day experience of the protagonist Bakha who is a young Hindu Indian lad bearing the stigma as an untouchable, and has been treated inhumanly by the superior caste as he can easily be recognized with the material he uses and wears traditionally, and also announces the social status where he suits. This study lights on the imposed material identity, in *Untouchable*, that makes stereotyped communities and creates an apparent artificial barrier at the different levels in a single society for which a group is oppressed and isolated from the main stream of the society. The exposition of hierarchy of status, professions, recognitions, etc. is allocated and the area of human mobility is also confined according to the demand of the cultivated culture of the contemporary. The material culture that is portrayed in the novel has its multiple appearances from one stratum to another in a social structure and makes an out-caste like Bakha and his community, more fragmented and discriminated with minimum privileges and allows zero access in social participation. The novel exhibits material object becomes a means of oppression when the things are evident and when the objects (that they have to use in doing odd jobs) are not traced, they cannot be identified as an untouchable and can mix with the rest of the society. The prevailing social structure in the novel shows material culture is the ultimate expression of the existing idea or belief (non-material culture) under the then India where material culture becomes an influential identity that meets drastic consequences for some groups of people.

44-BG12-5761**CONSUMER'S PERCEPTION ABOUT BRAND PLACEMENT IN MOVIES AND TELEVISION PROGRAMME IN INDIA**MS. PRIYANKA DARYANI²⁶

The globalization of world economy has changed market structures and business dynamics. The e-revolution and wireless gadgets have changed the modalities of market operations. In contemporary world, the consumers are moving towards online markets from offline physical markets in almost all products and service categories. The corporate have also realized importance of unconventional methods of marketing and communication. To identify right channel of communication for positioning of brand is also very difficult task for companies as all the media channels are now the swarming places. The effectiveness of traditional media vehicles is also rapidly declining due to multiple advertisements and switching effect of the viewers. Out of many unconventional options for communication, brand placement in movies and television programme has received favourable response from audience in India in recent past as communicated in multiple articles. This paper aims to understand perception of Indian consumers about effectiveness of brand placement in movies and television programme & also

²⁵ Mrs. Nusrat Rikza, Assistant Professor, North East University.

²⁶ Ms. Priyanka Daryani, Student, Pandit Deendayal Petroleum university.

attempts to identify communication strategies of brand placement for different industries of FMCG and consumer durable sector in India. The finding highlights the effect of brand placement on different channel members of industry value chain & also identifies innovative communication strategies to improve effectiveness of brand placement in movies and television programme in Indian markets.

Key Word: IMC (Integrated Marketing Communication), FMCG (Fast Moving Consumer Goods), Brand Placement, Cluttering Effect

45-BE31-5993

THE IMPACT OF THE CHINESE CYBERSECURITY LEGISLATION ON THE EUROPEAN MARKET

MS. ZENDAGI FEDAIIE²⁷

The increasing development of technology seems to be clashing with the human rights once created by European decision makers in the form of legislative instruments. Initially, it has been the Western markets focusing and developing their businesses from technology and data. However, China's novel interest in cybersecurity legislation is appearing to put China on the list of become one of the uprising competitors despite its' recent interest in creating rights underlying the principles on which the European Commission has established their legislation. Based on China's increasing interest in the cybersecurity sector, it has been established that China's position will be amongst the leaders of the technological era in the near future. Studies and reports predicting the coming era have placed their emphasis on the replacement of top-notch leaders with robots. Baring, China's progressive presence in the field of security and individual rights, in mind, the Chinese government seems to have captured the essence of individuality and does not seem to be willing to compromise the national data of their citizens to the Western markets without putting a price up against it, that makes competitors shiver by the sight of it. These factors have been perceived by the European Commission as a phenomena that would develop into a threat if the European Commission governing privacy rights legislation decides to lessen their focus on cybersecurity. Now more than ever, it is of utmost importance for the European Commission legislation to refine and continue updating their legislative instruments in relation to cybersecurity in order to protect the right of the individual and stay ahead of uprising competitors such as China and the like. Taking the commercially developed European Union market as an example, China has decided to form a legislation that allows and recognises for the first time in legislative history to recognise the right of the individual, despite going in against their political norms and values, based on Communism, in an attempt to develop their national economy. This paper will look at the development of the legislation that has been implemented by the Chinese state in 2017, and the economic, humanitarian and political challenges it brings to the surface to the attention of the European capitalist market. It provides a detailed insight in to the different sections that are dealt with in this novel legislative piece and acknowledges and interlinks it with European values, and legislation.

²⁷ Ms. Zendagi Fedaie, LL.M LPC Student, University of West London.

46-BG15-5762

PSYCHOLOGICAL AND FINANCIAL IMPLICATIONS OF SOCIAL MEDIA ON INDIAN RESTAURANT INDUSTRYMS. RAKSHITA TOTLA²⁸

The Internet revolution has changed global economy in last three decades. Today, the consumers are more connected with the markets and are well-versed about products and services. The internet service network in India is considerable expanded in last two decades specifically after entry of the private companies in telecommunication sector. The market of smartphone is also expanded in almost all parts of the India. The internet and social media penetration have also brought visibility and transparency of markets. The business dynamics of restaurant industry are drastically changed specifically after quick diffusion of internet and social media in India. Today, the restaurant industry is more customer centric and cautiously monitoring views and feedback of the customer about their services. The social media platform has placed entire service sector in high risk – high return kind of zone where the small recommendation or condemnation makes sizable impact on business. This paper attempts to understand impact of social media on Indian restaurant business and also attempt to identify strategies for better usage of social media to develop competitive position in the market. The finding highlights the IMC related strategies and also the communication strategies for downstream channel members in supply chain of Indian restaurant industry.

Key Word: IMC (Integrated Marketing Communication), SCM (Supply Chain management), Social Media Marketing

47-BG42-5851

ANALYSIS OF ORGANIZATIONAL CULTURE AND EMPLOYEE ENGAGEMENT: CASE ON INDIAN TELECOM SECTORMR. CHINTAN TANNA²⁹; AND DR. SUPRIYA PAL

India have second largest telecommunication network in the world. According to record in 2017 the subscribers were approx.1.206 billion. So mainly India has the lowest tariff rates according to another region. And India is the only country who has increasing the usage of internet day by day. So in the India, there were 324.29 million internet subscriber in country by 2017.

Indian telecom industry is growing day by day and growth since the 1990s and now has become the world's most competitive and one of the fastest growing telecom markets. The Indian Telecommunication industry has grown over twenty times in just ten years, in 2001 there were 37 million subscribers and the it increased 809 million subscribers. India has the world's second largest mobile phone user base with over 1183.04 million users according to record of September 2017. It has the world's second largest Internet user-base with over 324 million as of September 2017.

Telecommunication has supported India to develop socially and Economical, it has played a significant role to narrow down the rural-urban digital divide to some extent. It also has helped to increase the transparency of governance with the introduction of e-governance in India.

²⁸ Ms. Rakshita Totla, Student, Pandit Deendayal Petroleum University.

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In September 2016, the Telecom Regulatory Authority of India (TRAI) summoned Jio and the country's existing telecom operators like Bharti Airtel, Vodafone, and Idea Cellular to meet and discuss an issue regarding interconnection between the operators. Aggressive entry of Reliance Jio has launched a big price war. With its free services, Jio has upset the bigger players. The Vodafone-Idea merged entity will only add fuel to the fire. Since the merged entity will have more resources, the telecom price war is going to get messier. Idea-Vodafone merger may lead to more consolidation. Reliance Communications, Tata Teleservices and Aircel are already in talks for merger. Airtel has bought India operations of Telenor. As we all know the first Customer of company in the market is its own Employees, And Employees are the dominant capital of every company. The intention of Employee Engagement is to deliver the employees with proper and judicious recommendation with respect to their employment.

In order to settle the repercussion, the organization is trying multiple intervention for their employees. Employee engagement is a fundamental concept in the effort to understand and describe, both qualitatively and quantitatively, the nature of the relationship between an organization and its employees. An "engaged employee" is defined as one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests. An engaged employee has a positive attitude towards the organization and its values.

We have used standard instrument OCTAPACE and open ended interview structure to analysis the employee engagement Intervention of Reliance Jio and Vodafone. A Random sample of 100 was collected from the both the organization to have an in-depth analysis.

Key Words: Organizational culture, Employee Engagement, Vodafone and Reliance Jio, Telecom Sector.

49-BG05-5791

INFLUENCE OF DIGITAL MARKET CHANGE ON NEWSPAPER INDUSTRY AND ITS MARKET

MS. AMI TAMBOLI³⁰

India is the 2nd largest user of the internet and digital market in the world. This means that there is a wide reach of digital market in a very short time. About less than 25 years ago no newspaper professional or reader would have ever imagined about the growth of print news where it is today. But the advent of internet smartphones and other mobile devices and their growing popularity to become an almost crucial part of everyday life have dramatically changed the way companies do business. Online content has become the source of news for many readers, especially the younger ones. In the past few years people would have their morning paper delivered to the home but today many of them get their fix of news staring at a tablet or smartphone. With the invention of the telegraph, radio and television, print newspapers have faced challenges over the decades, yet publishers have always adapted and persevered. As has been widely reported, newspapers have suffered dramatically from the rise of the Internet. Online, rapidly updated content—often for free—has trapped many readers away from print, causing in falling newspaper movement. Likewise, advertising revenue—the lifeblood of newspapers—has declined, as advertisers take advantage of the more widespread demand for digital ads and spend considerably less on print advertisement. At the same time, local classified ads have been replaced by a many of digital settings and services supplying to local markets. This trend of ad dollars moving away from print is expected to not only continue but also speed up. However, previous research shows that the Internet is proving to be a far

³⁰ Ms. Ami Tamboli, Student, Pandit Deendayal Petroleum University.

more dangerous foe to the traditional newspaper model. Faced with such an adversary, small and large newspapers alike may have no choice but to license their traditional methods for a more innovative approach. Over and above, research indicating the growth of newspaper and revenue has fallen down by 60% and this drop is a significant hit at newspaper's bottom line. Newspapers will need to axis and even employ a near fresh approach to the way they operate. Thus, according to the present study future business may be a significant departure from today's models and except for the very few who genuinely provide the premium content, every newspaper will need to go to a digital only model.

Key words: Newspaper industry, Digital marketing, Online readers.

50-BG32-5852

A STUDY OF THE SURGE OF INFLUENCER MARKETING WITH REFERENCE TO INSTAGRAM AMONG INDIAN FEMALE YOUTH

MS. ADITI PUJARA³¹

Marketing is a dynamic field and brands have to keep pace with this characteristic to stay relevant. With extensive digitization, social media has become a very effective way for marketers to reach the target audience. This research intends to look into the latest dynamics of social media, particularly the platform of Instagram and its increased use as a marketing tool through the methods of product placement sponsorship and influencer marketing. Instagram is an Internet-based photo-sharing application that allows users to share pictures and videos either publicly, or privately to pre-approved followers. 'Social Media Influencers' are individuals or groups of people that have a substantial 'following' on their Instagram handle. A large follower-ship gives them the ability to 'influence' the buying behaviour of their followers. Influencer marketing is hence paid promotion of products or services in the form of Instagram posts by these influencers. The influencers include fashion icons, bloggers, Youtubers and celebrities amongst many other popular personalities present in the Internet sphere. This paper will attempt to understand the growing use of influencer marketing by evaluating how people respond to sponsored posts by influencers when compared to explicit ads. The research will focus on college-going female Indian youth within the age group of 18-22 years. For the primary research, survey method has been adopted. A questionnaire has been constructed with the help of a mentor especially for the purpose of this research. To get more precise results of why this surge is seen, the study shall look into reasons of why these subjects follow such influencers, the trust factor, the level of interaction and response to these posts along with other factors that may emerge during the course of the study.

Keywords : Influencer marketing, Social media influencers, Fashion

51-BG21-5870

IMPACT OF CELEBRITY ENDORSEMENT ON INDIAN SMARTPHONE MARKET

MR. KARANSINH ZALA³²

The present study argues that there are many smartphone brands exist in this era of technology. India is the second largest smartphone market in the world in relations to number of users and

³¹ Ms. Aditi Pujara, Student, Pandit Deendayal Petroleum University.

³² Mr. Karansinh Zala, Student, Pandit Deendayal Petroleum University.

also it includes internet users. With advancements of smartphone technology, many daily tasks can be accomplished easier and faster with smartphone devices, which require additional people from numerous backgrounds to use a variety of interface layouts. Thus, the big market for the mobile industry in India and the advertisement campaigns are likely to have a wide reach within a very short time. In order to enter the mobile phones market and have a strong presence, manufacturers has created advertising campaigns that make use of the most influential activities and people of the country. With the help of different marketing strategy the endorsement of the most popular celebrities is sought, majority from the film industry and cricket as a sport. Celebrity impact on lifestyle choices of a laymen and that's where big brands chose celebrities to endorse there mobile products. Cinema is considered to be the most widespread platform of mass media in country and cricket in terms of sport, the celebrities coming from these industries are admired and followed by many Indians. The present study includes comparison of two Indian based mobile companies i.e. Vivo and Oppo, which includes survey of 100 mobile users, with the help of random sampling method. It also explain how the digital gap is more than just access to technology, but about access to the knowledge and services that technology can provide. Lack of knowledge and amenities extremely affects the socioeconomically disadvantaged. According to previous research marketing company make their endorsement a highly valuable asset that has a cost of 1 to 7.5 cores per day according to the industry and celebrity chosen. This research has focused on market demands of these smartphone brands, and also how the marketing strategy implies on the mindset of mobile users.

Key words: Mobile marketing strategy, celebrity impact, smartphone devices, advertising strategy.

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