

2019



## Oxford Conference Series | January 2019

---

8th Academic International Conference on Multi-Disciplinary Studies  
and Education– AICMSE 2019

6th Academic International Conference on Business, Economics and  
Management– AICBEM 2019

---

AICMSE-AICBEM 2019 January (Oxford)  
Conference Proceedings



ISBN: 978-1-911185-89-5 (Online)

FLE Learning



# **Oxford Conference Series| 21<sup>st</sup>-23<sup>rd</sup> January 2019**

8th Academic International Conference on Multi-Disciplinary Studies and Education– AICMSE 2019

6th Academic International Conference on Business, Economics and Management– AICBEM 2019

**AICMSE-AICBEM 2019 January (Oxford) Conference Proceedings**

**21<sup>st</sup>-23<sup>rd</sup> January 2019**

**General Editor: Dr. Ramandeep Kaur Chhina**

**Associate Editor(s):** Prof. Dr. Abdul Ghafur Hamid, Dr Avnita Lakhani, Dr Monika WIECZOREK-KOSMALA, Dr. Indianna Minto-Coy, Dr. Nitin Upadhyay, Dr. Poomintr Sooksripaisarnkit, Dr. Rajesh Sharma, Dr. Zhixiong Liao, Dr. Zinatul Zainol, Ms. Florence Simbiri-Jaoko, Ms. Mercy Khaute, Prof. Tshepo Herbert Mongalo, Dr. Joanna Błach, Miss. Kate Masih

**Copyright © 2019 FLE Learning Ltd** All rights reserved. No part of this publication may be reproduced or transmitted in any form, or by any means, or stored in any retrieval system of any nature without the prior permission of the publishers.

Permitted fair dealing under the Copyright, Designs and Patents Act 1988, or in accordance with the terms of a licence issued by the Copyright Licensing Agency in respect of photocopying and/or reprographic reproduction is excepted.

Any application for permission for other use of copyright material including permission to reproduce extracts in other published works must be made to the publishers and in the event of such permission being granted full acknowledgement of author, publisher and source must be given.

## **Disclaimer**

Whilst every effort has been made to ensure that the information contained in this publication is correct, neither the editors and contributors nor FLE Learning accept any responsibility for any errors or omissions, quality, accuracy and currency of the information, nor any consequences that may result. FLE Learning takes no responsibility for the accuracy of URLs of external websites given in this publication nor for the accuracy or relevance of their content. The opinions, advices and information contained in this publication do not necessarily reflect the views or policies of the FLE Learning.

## **Format for citing papers**

Author surname, initial(s). (2018). Title of paper. In Conference Proceedings of the Oxford Conference Series – January 2019 (pp. xx-xx). Oxford, January 21<sup>st</sup>-23<sup>rd</sup>, 2019.

**AICMSE-AICBEM 2019 © 2019 FLE Learning Ltd**

**ISBN: 978-1-911185-89-5 (Online)**

These proceedings have been published by the FLE Learning Ltd trading as FLE Learning.

**T:** 0044 131 463 7007 **F:** 0044 131 608 0239 **E:** submit@flelearning.co.uk **W:** www.flelearning.co.uk

## TABLE OF CONTENTS

<b>COMPANY VALUATION IN MERGERS AND ACQUISITIONS (M&amp;A): EMPIRICAL EVIDENCE FROM PHARMACEUTICAL COMPANIES LISTED ON THE NEW YORK STOCK EXCHANGE .....</b>	<b>7</b>
<b>IVO HRISTOV AND ANTONIO CHIRICO .....</b>	<b>7</b>
<b>ATTITUDES TO CONTROL(-LING): THE REASONS.....</b>	<b>15</b>
<b>JURAJ MISUN AND IVANA MISUNOVA HUDAKOVA .....</b>	<b>15</b>
<b>EXPLORING LEGAL DEVELOPMENTS IN THE ASEAN SOCIAL ENTERPRISE SECTOR ....</b>	<b>27</b>
<b>PRAPIN NUCHPIAM .....</b>	<b>27</b>
<b>EVOLUTION OF SOCIAL ENTERPRISE LAW IN THAILAND: OPPORTUNITIES AND CHALLENGES .....</b>	<b>37</b>
<b>PRAPIN NUCHPIAM .....</b>	<b>37</b>
<b>THE RELATION BETWEEN HOUSING PRICES AND BUSINESS INNOVATION.....</b>	<b>44</b>
<b>TSOYU CALVIN LIN .....</b>	<b>44</b>
<b>TRANSFORMATION OF THE INSTITUTIONALITY OF INTERNATIONAL COOPERATION IN ECUADOR FROM 2007 TO 2017: A CASE OF STATE IDENTITY AFFIRMATION THROUGH ROLE PERFORMANCE .....</b>	<b>57</b>
<b>NATALIA CAROLINA ENCALADA CASTILLO .....</b>	<b>57</b>
<b>BOYCOTT MOVEMENT IN MOROCCO: CONSUMERS' RESPONSE TO INEQUALITY, HIGH COST OF LIVING AND GOVERNMENT POLICY .....</b>	<b>71</b>
<b>KEMMOU SOUKAINA AND AOMARI AMINA .....</b>	<b>71</b>
<b>NEED FOR PSYCHOLOGICAL TRAINING AS CARDINAL DETERMINANT IN ATTAINING EDUCATIONAL OBJECTIVES (OUTCOMES): A CRITICAL REFLEXIVITY .....</b>	<b>82</b>
<b>SWATI BASU .....</b>	<b>82</b>
<b>EXPLORING THE EFFECTIVE DESIGN OF PROJECT-BASED LEARNING.....</b>	<b>93</b>
<b>Dr. Jie Zhang and Dr. Qing Ye.....</b>	<b>93</b>

<b>QUALITY OF INSTITUTIONS AND PERFORMANCE .....</b>	<b>93</b>
Dr. Chong-Chuo Chang .....	93
<b>IMPACT OF EMOTIONAL INTELLIGENCE (EI) ON THE CUMULATIVE GRADE POINT AVERAGE (CGPA) – A COMPARATIVE ANALYSIS OF STUDENTS’ ACADEMIC PERFORMANCE AT GLOBALLY RANKED AND UNRANKED BUSINESS SCHOOLS .....</b>	<b>93</b>
Ms. Gul e Nayab Anas .....	93
<b>IMPACT OF SMARTPHONE ADDICTION ON CYBERLOAFING - MODERATING ROLE OF JOB CONTROL.....</b>	<b>94</b>
Mr. Chaudhary Muhammad Ehtisham .....	94
<b>PATTERNS OF NON-COMPLIANCES IN THE AGRI-FOOD CHAIN.....</b>	<b>94</b>
Dr. Aleksandra Kowalska .....	94
<b>THE IMBRICATION OF GENDER AND NATIONALITY WHERE PAY GAP IS CONCERNED: THE CASE IN MALTA .....</b>	<b>95</b>
Dr. JosAnn Cutajar .....	95
<b>FEMALE LEADERSHIP IN BUSINESS SCHOOLS.....</b>	<b>96</b>
Ms. Panarat Rohleder .....	96
<b>SUSTAINABILITY IN BUSINESS PRACTICES: PROVIDING AN EDUCATIONAL FRAMEWORK FOR THE LEADERS OF TOMORROW .....</b>	<b>96</b>
Mr. Nicolas Viens and Dr. Denise Fortier.....	96
<b>L2 LEARNERS’ READING SOURCE TEXTS FOR MA ARGUMENTATIVE ASSIGNMENT ESSAYS IN A UK UNIVERSITY .....</b>	<b>97</b>
Mr. Takeshi Kamijo .....	97
<b>HISTORY AND DEVELOPMENT OF YOUTH WORK IN SOUTH KOREA .....</b>	<b>98</b>
Dr. Sun Young Park .....	98
<b>TO WHAT EXTENT DOES THE ORGANISATIONAL CULTURE INFLUENCES CONTINUOUS IMPROVEMENT IN THE SAUDI HEIS? .....</b>	<b>98</b>

Mr. Mohammed Alotaibi .....	98
<b>DRAWING PERSPECTIVE VIEW INDEPENDENT OF ITS GRAPHICAL CONSTRAINTS: A MATHEMATICAL APPROACH .....</b>	<b>99</b>
Mr. Rothi Bhattacharyya.....	99
<b>THE AUTHORITY OF THE CENTRAL GOVERNMENT OF REPUBLIC OF INDONESIA TO NULLIFY LOCAL REGULATIONS’ .....</b>	<b>99</b>
Mr. William Aditya Sarana, Dr. Fitra Arsil and Yunani Abiyoso, S.H., M.H.....	99
<b>COPYRIGHT ISSUES IN CYBERSPACE: THE INDIAN PERSPECTIVE .....</b>	<b>100</b>
Mr. Shoaib Alvi .....	100
<b>PERCEPTION OF THE COMMUNITY REGARDING IMPACT OF UNIVERSITY EDUCATION IN RESOLVING GENDER ISSUES.....</b>	<b>101</b>
Dr. Muhammad Tahir Nadeem .....	101
<b>POST DISASTER HOUSEHOLD RECOVERY THROUGH CASH TRANSFERS: A CASE STUDY OF FLOOD AFFECTED RURAL HOUSEHOLDS IN UTTARAKHAND, INDIA .....</b>	<b>101</b>
Ms. Nalini Yadav .....	101
<b>AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL? EVIDENCE FROM NIMA AND OLD FADAMA.....</b>	<b>102</b>
Ms. Eunice Yorgri .....	102
<b>BEHAVIOURAL OUTCOMES OF GENDER DISCRIMINATION WITH INTERACTING EFFECT OF EMOTIONAL ATTACHMENT: EMPIRICAL EVIDENCE FROM ACADEMIA IN PAKISTAN.....</b>	<b>103</b>
Dr. Fayaz Ali Shah and Ms. Sonia Sethi .....	103
<b>THE DIFFERENT ANTECEDENT FACTORS OF ORGANISATIONAL TRUST OF MANAGERS AND SUBORDINATES IN SCOTTISH SMES.....</b>	<b>103</b>
Ms. Rui Ma .....	103
<b>ARE KOREAN STUDENTS 'STUDY AND LIFE BALANCE' GUARANTEED? .....</b>	<b>104</b>
Prof. Su Jeong Jeong and Prof. Jeong Jin Youn .....	104

<b>LIST OF LISTENER(S).....</b>	<b>105</b>
Prof. Saud AL Anazi.....	105
<b>LIST OF SESSION CHAIRS .....</b>	<b>105</b>
<b>STAFF .....</b>	<b>105</b>
Ms. Samantha Sintes-Barber.....	105
<b>CONFERENCE COMMITTEE MEMBERS .....</b>	<b>106</b>
.....	107

4-DA26-6849

## COMPANY VALUATION IN MERGERS AND ACQUISITIONS (M&A): EMPIRICAL EVIDENCE FROM PHARMACEUTICAL COMPANIES LISTED ON THE NEW YORK STOCK EXCHANGE

IVO HRISTOV<sup>1</sup> AND ANTONIO CHIRICO<sup>2</sup>

### ABSTRACT

The paper aims to investigate the relationship existing between, on the one hand, size, profitability, and research and development (R&D), on the other, the enterprise value (EV) of pharma companies. The objective of the research is to assess whether the classic value determinants exercise an explanatory power on the EV of pharmaceutical firms listed on the New York Stock Exchange (NYSE) and involved in Merger and Acquisition (M&A) transactions. The methodology is developed using a multiple linear regression model. More specifically, EV represents the dependent variable; size, profitability and R&D instead, represent the three independent variables. Results show that both size and R&D are positively related to the dependent variable; in particular, in our model, the relationship between EV and size, given the other variables, is piecewise linear, i.e. it is linear with different regression coefficients, depending on the values of size. The profitability variable, instead, is not statistically significant.

**Keywords:** Enterprise value, M&A, Pharmaceutical industry.

### INTRODUCTION

This paper aims to understand how a firm's size, profitability and R&D value determinants affect the EV of pharmaceutical companies involved in M&A deals. The main motivations for analysing these aspects are explained below.

*First*, the research focus is on the M&A deals because the creation of value through synergies is the main issue in an M&A and there is a strong belief that this can be pursued through these transactions. In particular, an increasing number of companies prefer to expand their businesses using external, instead of internal, growth strategies. Internal growth strategies are realised only through new, gradual endogenous investments commonly associated with lasting favourable capital conditions (Alhenawi, 2015; Chen and Mathies, 2016). They can be successfully implemented exclusively in the presence of reduced competitive pressures, high demand growth rates and undiffused technologies. On the other hand, external growth strategies (e.g. M&A) are realised through acquiring already existing businesses. Velocity of execution, possibility to obtain financing, synergies creation, efficiency improvement, tax deductions and new projects development, represent only some of the main advantages firms may benefit from by opting for external growth strategies. Finally, according to recent data, M&A represents a strong driver of growth acceleration and positive performance.

*Secondly*, the proposed analysis instead tests the impact that value determinants exercise on the EV of acquired pharmaceutical companies within a given time interval. The pharmaceutical industry is one of the most productive and profitable industrial sectors; in

<sup>1</sup> Ivo Hristov is a Researcher at the Department of Management and Law - Tor Vergata University of Rome. Its main research field concerning Performance Management - Management Accounting - Merger and Acquisition. Teaching experience in Accounting and Managerial Accounting at Tor Vergata University of Roma. E-mail: [hristov@economia.uniroma2.it](mailto:hristov@economia.uniroma2.it)

<sup>2</sup> Antonio Chirico is Associate Professor of Accounting at the Department of Management and Law - Tor Vergata University of Rome. He is a PhD in Banking and Finance and Coordinator of the Master of Science Program in Economics and Management. Its main publications concerning the research fields of Accounting, Management Control and performance analysis of business organizations and groups. He teaches Financial Accounting and Managerial Accounting at Tor Vergata University of Roma. He teaches also Auditing at Luiss "Guido Carli" University of Rome. E-mail: [chirico@economia.uniroma2.it](mailto:chirico@economia.uniroma2.it)

particular the US pharmaceutical market is the world's most important national market and is one of the most successful sectors in the world. The US alone holds over 45% of the global pharmaceutical market. In 2016, this share was valued at around 446 billion US dollars. Many of the global top companies are from the US. In 2016, six out of the top 10 companies were from the US, based purely on pharmaceutical revenue.

*Third*, the independent variables are size, profitability and R&D. They represent some of the most important determinants of EV and several authors (e.g. Penman, 1991; Fama and French, 1995; Samy and Goaied, 2002) talk about size, profitability and R&D as the most relevant variables that influence the value of a pharmaceutical firm. This is because, the three regressors included in the model are expressions of operating profitability and they do not assume ideal values, but are influenced by firm-specific and industry-specific factors (Desmet and Cowling, 2004; Lu and Beamish, 2006). Considering the importance of understanding the impact of trade-offs between sales and profitability, we examine how the EV rewards sales and profitability. Moreover, according to valuation theory (discounted cash flow, mainly) sales revenue and profitability represent some critical measures to determine the takeover price of a firm. Moreover, in the specific sector analysed, R&D is one of the most important variables to guarantee the survival and growth of a company in the long-term. Previous studies have argued that the impact of R&D on market value is significant, and some previous researches have discussed the influence of patent indicators upon a company's market value (Chen and Chang, 2010).

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### The importance of EV in the literature

According to Trompenaars and Asser (2010), the global business expansion and development through mergers, acquisitions and strategic alliances should be considered as a good business. In addition, according to Calipha, Tarba and Brock (2010) present day corporate strategy is focused firmly on M&A as a tool for promoting future growth and creating sustainable value. Managers should be ready to flush out and catch the potential opportunities and challenges presented by these significant strategic transactions. Understanding how to increase the probability of success in M&A deals should be the main question to be answered. Moreover, pharmaceutical companies tend to develop new strategies to maximise EV. In the literature, EV has been studied by several authors. In the early 1960s, the capital asset pricing model theory entered the financial literature and immediately captured the attention of academia and professionals. It allows the calculation of the present value of future cash flows by discounting them with an appropriate rate.

Samy and Goaied (2002) researched 30 public firms listed in the Tunisian stock exchange, using a probit model applied over a panel data set referring to FYs 1990-1996. The authors investigated how financial policy, firm profitability and dividend policy influenced the firm's equity market value. Financial policy was measured as total debts to total assets ratio. Firm profitability was calculated as EBIT to total assets. Dividend policy was measured as total dividend to net earnings. The authors obtained the following results: firm profitability and dividend policy measures were positively correlated to equity market value, while the financial policy measure result was not statistically insignificant.

Penman (1991) undertook a research focused on investigating how accounting profitability impacts on stock earnings. He analysed all companies (excluding financial entities) sampled in Compustat during the period 1986-1990. The author used as the measure of accounting profitability, EBITDA to equity book value (i.e. independent variable) and as dependent variable, stock rate of earnings. Penman found the two variables to be positively



correlated, as the higher (lower) EBITDA to equity book value, the higher (lower) stock rate of earnings.

Rappaport (2005) investigated the value determinants of financial services companies in FYs 1994-2000. In particular, he created a panel data set composed of 81 firms and used a multiple regression model. He considered the share price as the dependent variable and size, relative size, return on equity (ROE), and market share as the independent variables. In particular, size was calculated as the natural logarithm of total assets, relative size as the target's total assets to bidder's total assets, ROE as net income to total equity, and market share as the relative weight of company deposits to total deposits.

## **Hypothesis development**

### ***The main effect of the size variable***

In accordance with financial theory, operative revenues, whose largest portion is constituted by sales revenue, represent the main driver of company value. The size variable represents a possible explanatory measure of the dependent variable (i.e. EV) and is worth being statistically tested statistical testing. For example, Varaiya, Kerin and Weeks (1987) reported that sales influenced EV. If the sales revenue of a company is high, it has a leading position in its most competitive field, and it is useful for its EV because of first mover advantage; therefore, the stronger the degree of leading in the competitive field, the better its EV. Consequently, a positive relationship between size and EV is expected. According to the above, this study proposes the first hypothesis as follows:

***Hypothesis 1: A company with a higher size variable presents a higher EV, ceteris paribus.***

### ***The main effect of profitability***

Past results have shown conflicting opinions about the relationship between EV and the profitability index. In particular, Rezaee (2007) found a negative relationship. Moeller and Brady (2007) found a positive relationship. To this end, we decided to analyse the relationship between this variable and EV. In the current research, a negative relationship between profitability and EV is assumed for the following reasons. First, net income is a quantitative measure falling after free cash flows from operations, thus the asset side – DCF method – does not include net income in its calculations. Second, total assets can be considered an (indirect) indicator of cash flows. This is because the higher the investments in fixed (CapEx) and working capitals, the lower the free cash flows from operations, hence the lower the EV (negative effect). In particular if the cash and equivalents, and short-term investments increase, EV decrease. (see calculation below) Therefore, assuming that the negative effect overcomes the positive effect, we can hypothesise ROA to be negatively related to EV.

***Hypothesis 2: A company with a lower profitability variable presents a higher EV, ceteris paribus.***

### ***The main effect of R&D***

Pharmaceutical companies tend to develop new drugs to treat new diseases through R&D investment to create a next-generation profit source or develop relatively cost-effective drugs to maximise EV. R&D in the pharmaceutical industry has the characteristic of continuously requiring high investments. Studies that have empirically analysed R&D investment in the pharmaceutical industry largely clarify factors that have positive relevance for R&D investment. If the R&D of a company is high, it has a leading position in its most important technological field, and it is useful for its EV because of the first mover advantage; therefore, the stronger the degree of leading in the technological field, the better its EV. In the current empirical research, a positive relationship between R&D and EV is assumed.

**Hypothesis 3:** *A company with a higher R&D variable presents a higher EV, ceteris paribus.*

The research framework of this study was shown in Fig. 1. As mentioned above, this study proposed three hypotheses to explore the influence of a firm's size, profitability and R&D determinants upon EV.

## METHODOLOGY AND MEASUREMENT

### Sample and data collection

Our empirical research aims to develop a statistical model able to predict how changes in independent variables affect the response variable. More specifically, the goal is to investigate how size, R&D and profitability affect the EV of pharmaceutical companies involved in M&A deals. In order to obtain reliable results, recognised providers supply the data used in our research. This research was conducted on pharmaceutical industry firms in the US. Mergermarket<sup>3</sup> provides the list of pharmaceutical companies involved in M&A deals and the financial data for this study were obtained from Thomson Reuters Eikon. The software presents specific functionalities allowing users to obtain data sorted by EV, geographic area, company name, sector, industry, advisor type, deal price, deal type, target type, premium, date type and fiscal year. As far as the independent variables are concerned, the sample is composed using the financial statements' data (income statement and balance sheet) of the involved companies. We narrow the data on listed targets with a Cap. > 500 m. The data sample is composed of three sub-samples (2013, 2014, 2015), for 73 observations in total. Therefore, there are 73 US pharmaceutical companies in the sample of this study.

## RESULTS

The statistical model used to perform the empirical research involves a multiple linear regression model (2013, 2014, and 2015). The response variable (i.e. EV) and the three predictors (i.e. size, R&D, profitability) are tested in order to find consistent results. Table 1 e 2 shows the regression output, from the initial model to the selected regression model. Selection has been done by performing a backward selection, i.e. by eliminating the non-significant variables one at a time.

**Table 1: Initial model**

Source	SS	df	MS	Number of obs = 73			
				F( 6, 66) = 49.37			
Model	7.9078e+21	6	1.3180e+21	Prob > F	= 0.0000		
Residual	1.7618e+21	66	2.6693e+19	R-squared	= 0.8178		
				Adj R-squared	= 0.8012		
Total	9.6695e+21	72	1.3430e+20	Root MSE	= 5.2e+09		

y	Coef.	Std. Err.	t	P> t	[95% Conf.Interval]	
d14	8.52e+07	1.56e+09	0.05	0.957	-3.03e+09	3.20e+09
d15	3.53e+09	1.55e+09	2.28	0.026	4.38e+08	6.63e+09
Size	-6.05e+07	4.30e+08	-0.14	0.889	-9.20e+08	7.99e+08
Size x1s	5.40e+08	1.35e+08	4.01	0.000	2.71e+08	8.09e+08
	1.46e+07	2.32e+07	0.63	0.530	-3.16e+07	6.09e+07

<sup>3</sup> Mergermarket represents the largest intelligence platform used by corporate finance professionals, finance academicians and researchers for deals analysis

R&D	20.23335	2.592505	7.80	0.000	15.05724	25.40945
_cons	1.26e+09	7.73e+09	0.16	0.871	-1.42e+10	1.67e+10

**Table 2: Selected regression model**

Source	SS	df	MS	Number of obs =	73
-----+-----				F( 3, 69) =	102.37
Model	7.8956e+21	3	2.6319e+21	Prob > F	= 0.0000
Residual	1.7739e+21	69	2.5709e+19	R-squared	= 0.8165
-----+-----				Adj R-squared =	0.8086
Total	9.6695e+21	72	1.3430e+20	Root MSE	=5.1e+09

y	Coef.	Std. Err.	t	P> t	[95% Conf.Interval]
-----+-----					
d15	3.57e+09	1.24e+09	2.87	0.005	1.09e+09 6.06e+09
Size x1s	5.44e+08	1.16e+08	4.70	0.000	3.13e+08 7.75e+08
R&D	20.26239	2.475752	8.18	0.000	15.3234 25.20138
_cons	-6.16e+07	7.73e+08	-0.08	0.937	-1.60e+09 1.48e+09

The model presents an overall significance, thus we can reject the null hypothesis that all coefficients are equal to zero. The output of the Profitability variable is not statistically significant as its p-value is higher than 5% ( $0.530 > 0.05$ ), thus we exclude it from our analysis. Size and R&D are statistically significant as their P-values are lower than 0.05 (0.000, 0.000, respectively). Moreover, an  $R^2$  of 0.8165 (81.65%) indicates a sufficient goodness of fit of the model. The value assumed by the adjusted  $R^2$  confirms this, as the latter is not considerably lower than  $R^2$ . Furthermore, d15 has a positive effect of 2015 on y. This means that given the R&D and size, a company in 2015 increases its value by \$3.57e+09 dollars with respect to 2013 and 2014. In particular in our model the relation between EV and size, given the other variables, is piecewise linear, i.e. it is linear with different regression coefficients, depending on the values of size. We recall that size x1s is equal to x1 if  $x1 > 21$  and 0 otherwise. It follows that in our model the relation between y and size, given the other variables, is piecewise linear, i.e. it is linear with different regression coefficients depending on the values of size. In particular the regression coefficient is zero when  $\text{size} \leq 20$  and 5.44e+08 when  $\text{size} > 21$ .

Therefore, the size x1s variable is statistically significant ( $0.000 < 0.05$ ) and it presents a positive relationship with EV. This means that if target company's sales revenue increases by 1 unit (i.e. \$1 million), the value of a firm, on average, rises, by \$5.44e+08. Secondly, the R&D variable is statistically significant ( $0.000 < 0.05$ ) and it presents a positive relationship with EV. The coefficient equal to 20.26239 indicates that, if the target's annual percentage change in R&D increases by 1%, its EV rises by \$20.26239 million.

## CONCLUSIONS AND IMPLICATIONS OF THIS STUDY

For many years, academicians and professionals have tried to answer a question that has remained substantially unchanged: 'How can companies increase their value?' The study of the value determinants constitutes a topic largely discussed in literature, where Basu (1997), Fama and French (1995) and Samy and Goaiad (2002) represent three of the most important contributors to the debate. This study proposed three hypotheses to explore the relationship between firms' size, R&D, profitability and their EV in the US pharmaceutical industry to identify an optimal path to company's value. Therefore, the study provides additional insights about the topic, positively contributing to the current literature. More specifically, the research

analyses how size, R&D and profitability influence the EV of publicly listed US pharmaceutical firms involved in M&A deals during the period 2013-2015.

The results of this study indicate that the R&D of a company in its most important variable was positively associated with its EV. Additionally, size was positively associated with its EV beyond a certain amount of revenue. Therefore, hypotheses H1 and H3 were significantly supported in this study, but hypothesis H2 was not. All these elements will contribute to sustainable competitiveness. Based on the positive relationship between R&D of companies and their EV, they should enhance their degrees of leading in their most technological fields, and thereby their EV would improve. The results confirm the assessment of what the valuation theory says about the R&D. Beyond a certain amount of sales, it is reasonable to suppose that relationships with customers are more stable and lasting and this necessarily influences the company's value. For example, a company with a high level of revenues will have access to better financing conditions than its competitors and will be able to take full advantage of the leverage if it is able to produce operating profitability rates higher than those paid on financing received from creditors.

Regarding Profitability, overall the independent variable results are not statistically significant in both of the regression models. The study presents the advantages of focusing on a single sector (i.e. pharmaceutical), increasing the overall conscientiousness of one of the most important markets in existence. In particular, the pharmaceutical sector, over the last decade, has been radically changing, registering a considerable reduction in the number firms. This means that the big pharma are gaining increasing power by acquiring or merging with smaller and innovative competitors, hence raising market concentration. In conclusion, the current study can be considered as a starting point. In addition, the research includes uniquely the three classic determinants of EV as the independent variables and then regresses them on the EV. One limitation of this study is that it focuses uniquely on the classic value determinants. Future studies can focus on other industries or countries to explore the relevant topics, and compare them to this study. It will be interesting to analyse the impact of qualitative indicators on EV in pharmaceutical firms involved in M&A. Future studies can also focus on other variables to explore the relevant topics, and compare them to this study as well. Furthermore, will be interesting to focus on asset tangibility, which represents a determinant commonly tested by expert; however, many results have shown diverging effects on corporate value. Finally, we hope that the results of this study are beneficial to managers, researchers, or governments, and contribute to relevant studies and future researches as a reference.

## REFERENCES

- Alhenawi, Y. (2015) On the interaction between momentum effect and size effect. *Review of Financial Economics*, 26 (C), 36-46.
- Andrade, G., Mitchell, M. and Stafford, E. (2001) New evidence and perspectives on mergers *Journal of Economic Perspectives*, 15 (2), 103-120
- Antonioni, A., Guney, Y. and Paudyal, K. (2006) The determinants of debt maturity structure: evidence from France, Germany and the UK. *European Financial Management*, 12, 161-194.
- Bae, S. C. and Noh, S. (2001) Multinational corporations versus domestic corporations: a comparative study of R&D investment activities. *Journal of Multinational Financial Management*, 11, 89-104.
- Bae, S. C., Park, B. J. and Wang, X. (2008) Multinationality, R&D intensity, and firm performance: evidence from U.S. manufacturing firms. *Multinational Business Review*, 16, 53-77.

- Basu S. (1977) Investment performance of common stocks in relation to their price-earnings ratios: a test of the efficient market hypothesis. *Journal of Finance*, 27 (3), 663-683.
- Berger, A. N., Frame, N. H. and Miller, W. S. (2005) Credit scoring and the availability, price, credit and risk of small business. *Journal of Money*, 37 (2), 191-222.
- Blundell, R., Griffith, R. and Van Reenen, J. (1999) Market share, market value and innovation in a panel of British manufacturing firms. *Review of Economic Studies*, 66 (3), 529-554.
- Caby, J. C., Girard, M. F. and Koch, I. J. (1996) Value creation processes. *Journal of Credit and Banking*, 5, 49-56.
- Calipha, R., Tarba, S. and Brock, D. (2010) Mergers and acquisitions: a review of phases, motives, and success factors. *Advances in Mergers and Acquisitions*, 9, 1-24.
- Chan, S. H., Martin, J. D. and Kensinger, J. W. (1990) Corporate research and development expenditure and share value. *Journal of Financial Economics*, 26, 255-276.
- Chan, K. C., Lakonishok, J. and Sougiannis, T. (2001), The stock market valuation of research and development expenditure. *Journal of Finance*, 56, 2431-2456.
- Casiman, B., Colombo, M., Garrone, P. and Veugelers, R. (2005) The impact of MandA on the RandD process: an empirical analysis of the role of technological- and market-relatedness. *Research Policy*, 34 (2), 195-220.
- Chen Y. and Chang K. (2010) The relationship between a firm's patent quality and its market value: the case of US pharmaceutical industry. *Technological Forecasting and Social Change*, 77, 20-33
- Chen, P. and Mathies, C. (2016) Assessment, evaluation, and research. *New Directions for Higher Education*, 175, 85-92.
- Desmet, P. and Cowling, R. (2004) Using the Species–Area Relationship to Set Baseline Targets for Conservation, *Ecology and Society*, 9(2), 11.
- Ehie, I. and Kingsley O. (2017), The effect of R&D investment on firm value: an examination of US manufacturing and service industries. *International Journal of Production Economics*, 128(1), 127-135.
- Fama E. F. and French K. R. (1995). Size and book-to-market factors in earnings and returns. *The Journal of Finance*, 10, 1911-2142.
- Fisher, A. et al. (2016) Advancing pharmaceutical quality: an overview of science and research in the U.S. FDA's Office of Pharmaceutical Quality. *International Journal of Pharmaceutics*, 515(1), 390-402.
- Kumar, B. R. (2015) Determinants of value creation: an empirical examination from UAE market. *International Journal of Economics and Financial Issues*, 5(1), 75-85.
- Lu, J. and Beamish, B. (2006) SME internationalization and performance: Growth vs. profitability, *Journal of International Entrepreneurship*, 4(1), pp 27–48.
- Martin, K. and McConnell, J. (1991) Corporate performance, corporate takeovers, and management turnover. *Journal of Finance*, 27(2), 671-688.
- Minefield, S., Moeller, C. and Brady, A. (2007) *Intelligent M&A: Navigating Mergers and Acquisitions*. New York: Wiley.
- Noor, W. and Kleinrock, M. (2013) Pharma 50. *Pharmaceutical Executive*, 33 (5), 19-29.
- Penman, S.H. (1991) An Evaluation of Accounting Rate of Return, *Journal of Accounting, Auditing and Finance*, 6 (2), 233-255.
- Rappaport, A. (2005) Cash Tender Offer Pricing: an Empirical Analysis. *Mergers and Acquisitions Review*, December.
- Rezaee Z. (2007) *Financial Institutions, Valuations, Mergers and Acquisitions: The fair value approach*. 2nd ed., London: Wiley.
- Samy, B. N. and Goaid, M. (2002) The value creation process in the Tunisian stock exchange. *Journal of Business Studies*, 12(12), 843-849.

- Sarantopoulos, P., Altiok, T. and Elsayed, A. (1995) Manufacturing in the pharmaceutical industry. *Journal of Manufacturing Systems*, 14 (6), 452-467.
- Song, M. and Walkling, R. (2000) Abnormal returns to rivals of acquisition targets: a test of the 'acquisition probability hypothesis'. *Journal of Financial Economics*, 55 (2), 143-172.
- Stegemann, S., (2016) The future of pharmaceutical manufacturing in the context of the scientific, social, technological and economic evolution. *European Journal of Pharmaceutical Sciences*, 90 (30), 8-13.
- Szewczyk, S., Tsetsekos, P. and Zantout, Z. (1996) The valuation of corporate R&D expenditures: evidence from investment opportunities and free cash flow. *Financial Management*, 25, 105-110.
- Trompenaars, F. and Asser, M.N. (2010), *The Global M&A Tango: How to Reconcile Cultural Differences in Mergers, Acquisitions and Strategic Partnerships*, Vol. December 29, 1st ed., US: McGraw-Hill Education.
- Thorell, H. B. (1997) Musings on business performance evaluations game. *Developments in Business Simulation and Experiential Learning*, 24, 12-18.
- Varaiya, N., Kerin, A., and Weeks, D. (1987) The relationship between growth, profitability, and firm value, *Strategic Management Journal*, 8, 487-497.

5-DA11-6844

## ATTITUDES TO CONTROL(-LING): THE REASONS

JURAJ MISUN<sup>1</sup> AND IVANA MISUNOVA HUDAKOVA<sup>2</sup>

### ABSTRACT

The term controlling describes the last function in management cycle, but also the management system subsystem (German meaning). Due to the confusing use, we gradually introduce the concept of control(-ling) to draw attention to this problem. In management, controlling registered relatively different developments in the market economy countries and those with a planned economy or dictatorial regimes. In countries with a rigid political regime, formal control had a very fertile ground for development. As part of a long-term research, we examined attitudes of managers to controlling through the questionnaire method. A statistically unrepresentative sample consisted of 376 respondents from different 331 companies. Respondents had to evaluate their attitude to controlling in a situation where they are exposed to it. Besides an answer on the scale of positive, neutral, and negative attitude, the respondents were also asked for a short justification. Based on these justifications, we can categorise the reasons for different attitudes to controlling.

**Keywords:** Controlling, Organisational control, Attitude, Management accounting and control.

### INTRODUCTION

Controlling is a term, which is used in two meanings: the last function in the management cycle, and the management system subsystem, which often obtains the same English translation from the German naming. As many of the Central and Eastern European authors confuse both terms, we gradually introduce the concept of control(-ling) to draw attention to this problem. While the term appeared in management in the mid-1950s, it began to be used in the German business economy around fifteen years later. Because of multiple reasons, coexistence lasts for half a century and problems have only begun to emerge until the last decades, since the German term (originating from English language) needs to be properly translated into English. The different use of management control in the world causes a different perception of this management function. There is a big difference between situations when someone controls somebody else and when he or she is subjected to control from someone other. The reason is an imbalance of power.

As part of a long-term research on controlling, which began in 2014, we have examined attitudes of managers to this management function at the turn of 2016 and 2017 for the second time. We received 395 completed questionnaires, of which 376 from 331 different companies were further processed. While the sample does not represent statistical representativeness for the Slovak Republic, it is compatible with its parameters.

Our respondents had to evaluate their attitude to controlling with the scale of positive, neutral, and negative and we asked them for a short justification.

The quantitative results of this question were already presented at another conference (Misun, 2017). Although we know how different managers feel about controlling, we have not yet presented the results why they feel that way. Respondents' qualitative answers will help answer this question, as we have 356 justifications (respondent is being controlled) that we will categorise in this paper.

<sup>1</sup> University of Economics in Bratislava, Faculty of Business Management, Department of Management, Slovak Republic. E-mail: [juraj.misun@euba.sk](mailto:juraj.misun@euba.sk)

<sup>2</sup> University of Economics in Bratislava, Faculty of Business Management, Department of Management, Slovak Republic. E-mail: [ivana.misunova@euba.sk](mailto:ivana.misunova@euba.sk)

## THEORY OF CONTROL(-LING)

Management is closely associated with the exercise of control (Kärreman and Alvesson, 2004); control is a dominant part of the manager's job (Mintzberg, 1989). Besides other activities, every manager must exercise control over subordinates, whether through direct supervision or indirectly through various reports.

Fayol (1949) brought one of the first definitions of managerial function of control: 'control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down' (p. 108).

We define controlling as a constantly ongoing process of designing standards, measuring performance, comparing the performance with standards, and implementing corrective actions to ensure effective and efficient running of the organisation's activities. Through controlling, every manager aims to increase the predictability of future developments and results.

Controlling has numerous reciprocal relationships with other managerial functions (Rudani, 2013), yet it has an important and special position among them. Without it, a business would not work efficiently, would not improve or move forward. (Kracmar et al., 2013) Controlling depends on the other functions, which precede it and need to work well, so controlling can work properly. (Hitt, Black and Porter, 2012) 'Control is part of a feedback loop into planning and organising that can help adapt to changing circumstances and conditions.' (Bagad, 2009, p. 5-8) The place of controlling among other management functions is still under discussion. Is it a terminal (e.g., Dubrin, 2012; Herath, 2007) or a dynamic function (e.g. Agarwal, 1982).

McKenna, Garcia-Lorenzo and Bridgman (2010) ask a central question, whether management without control is really possible. The authors accept that the post-bureaucratic organisational world is built on trust and empowerment, yet they admit, this creates new fears about the loss of managerial control.

Controlling can be a critical determinant of organisational success (Merchant, 1982) and failures in this function can lead to financial losses, damage to reputation, even to failure of the entire organisation. (Merchant, Van der Stede and Zheng, 2007) 'Even though control is merely one element in a management system, [...] it is the one that most significantly contributes to improving organisational performance.' (Carenys, 2010, pp. 41-42)

Controlling is purposeful and its purpose is to influence people to take action and make decisions that are in line with the organisation's goals. (Flamholtz, Das and Tsui, 1985) Control is an incentive for management to ensure dynamic balance by new decisions. (Konecny, 1998) The whole control system must have the ability to motivate managers making choices favourable to the organisation, while the control process has to channel the behaviour and performance of subordinates. (Lebas and Weigenstein, 1986) A powerful social group carries out management control to orchestrate and exercise definitional and executive authority over other social groups. (Kärreman and Alvesson, 2004) The ability to act should be considered as the essence of control. (Coates, Rickwood and Stacey, 1993) However, in addition to the corrective action, the second definition of control – information feedback is often mentioned. (Otley, Broadbent and Berry, 1995) Too many definitions of control may lead to a certain ambiguity in the control concept itself. (Fisher, 1995) As Otley (2003) points out, organisations are not static systems, but dynamic, self-controlling systems, what makes the designing of control systems difficult.

Over the last decades, great attention has been paid to research whether formal control limits creativity and innovation in particular. While one group of authors considers control to be detrimental to innovative efforts (Burns and Stalker, 1961; Quinn, 1980; Amabile, 1988; Damanpour, 1991; Mintzberg, 1994; Bonner, Ruekert and Walker, 2002) another group argues



that formal controls can increase capacity of an organisation to derive benefits from innovation (Chenhall and Morris, 1995; Simons, 1995; Bisbe and Otley, 2004; Henri, 2006; Widener 2007; Jørgensen and Messner, 2009). However, formal controls need to be ‘activated in an enabling, facilitative and interactive fashion’ (Bedford, 2015, p. 12).

In 2003, Chenhall pointed out that ‘the terms management accounting, management accounting systems, management control systems, and organisational controls are sometimes used interchangeably’ (p. 129) and defined each of them separately. Also in 2003, Otley states, he would like to use the term performance management and not management control anymore.

Management control systems is a key term in the controlling area. Its emergence as academic term can be traced back to just few people and universities, among which the Harvard Business School has an outstanding position. (Strauß and Zecher, 2013)

The area of management control is still a very fertile field of research development; however, more attention should be paid to information and communication technologies and their impact upon control system design, as well as to the relationships between control and risk or control and culture. (Berry et al., 2009) Even though the context may have changed significantly, the central problem of management control remains. How can an organisation motivate people to act in its best interests? (Otley, 2003)

In the context of this paper, two terms are of key importance. Based on our division of theory of controlling to the Eastern and Western approach (Table 1), the term subject of controlling refers to the person who performs the control and object of controlling to the person who is exposed to it. ‘Controlling’ also must be distinguished from ‘control’. In the former case, it is a continuous function of management, in the second case a one-off act.

**Table 1: Different aspects of the Western and Eastern approach to controlling**

Aspect	Western approach	Eastern approach
Types of control	mainly feedforward, concurrent, and feedback controls	sophisticated typology with the accent on formal control
Forms of control	bureaucratic/administrative, clan, and market control	verification, control survey, supervision, inspection, review, audit, operational research
Steps in control process	mainly three to four	five to eight
Meaning of external control	e.g. a manager controls an employee	an entity outside the organisation controls its operations, results or state
Meaning of internal control	e.g. an employee or a manager controls himself or herself	a manager controls an employee
Level of control	strategic, management, operational	deficiently covered in literature
Object of control	results, actions or personnel	systems that may be target-influenced (social systems and man, technical systems, biological and inanimate systems)
Subject of control	what is being controlled (similarly to object of control in the Eastern approach)	an entity who has organisational or legal power to exercise control over an object of control

*Source: own work based on a large number of Western and Eastern literature*

## The word ‘control’

One of the largest problems in the concept of controlling is the very word ‘control’. It ‘has numerous meanings and different connotations, many of which are not applicable to the field of management’ (Carenys, 2010, p. 38). In a multicultural context, it is also very ambiguous and confusing (Lebas, 1980), it is very challenging to translate ‘control’ in other languages. (Otley, Berry and Broadbent, 1996; Brivot, Gendron and Guenin, 2017) and there is also the problem with the plural form of ‘control’ (Hopwood, 1974).

Some authors consider Latin (‘contra rotulus’) as the origin of the word control (Majtán et al., 2003). However, the German word ‘Kontrolle’ was borrowed from the French ‘contrôle’ or ‘contrerolle’ (middle French) in the 18<sup>th</sup> century (Pfeifer, 1993). Based on the study of works of Hoskin and Macve (1986) and Lipari (1984), Quattrone and Hopper (2005, p. 739) conclude: ‘the etymology of the word control draws upon an opposition between two poles: a rôle (role-player) who acts to a script, and a contre-rôle (counter-role) who monitors the role players compliance’.

Brivot, Gendron and Guenin (2017) draw attention to the significant variance of connotations, emotions, and interests attached to ‘control’, since it can be used both, positively, but also negatively (Morales and Sponem, 2009).

The very negative police state connotation of the German and French word stems from the reign of Napoleon and Metternich. (Pfeifer, 1993) In Central and Eastern Europe (CEE) and other countries with the Communist regime, this can be attributed to the Communist Party. Strict control, on the one hand, minimised freedom, but it created a fertile ground for researching formal controlling.

## Control(-ling) and controlling

The term controlling is used since 1955 (Koontz and O’Donnell) for the managerial function in many editions of English written textbooks by dozens of authors. The problem arises in continental Europe, from Germany eastwards. Since the early 1970s, the German term of controlling has been expanding from its original author Albrecht Deyhle (Binder, 2006) to German-speaking countries and in the early nineties expanded into emerging economies in CEE.

The reason for the long coexistence of two terms of controlling was that internationalisation, globalisation and Americanisation were not at today’s level. The problem became more visible only in recent years, since English became a standard language in the scientific sphere. The German term began to appear sporadically in English-written publications in an incorrect translation. Among German-speaking authors, we can find rare examples like Weber and Schäffer (2008), Becker, Baltzer and Ulrich (2011), or Britzelmaier, Thiel and Kraus (2008). On the other hand, we have authors from CEE who mostly consider the English and German terms to be equivalent. There are several reasons for this situation:

- older authors in CEE have good knowledge of German language, English is not as common;
- publications in CEE often do not need to be written in English, only title and abstract have to be translated;
- Internet translators translate the German word controlling into English as ‘controlling’, since the algorithm assumes that this is an English word;
- while in English written textbooks the term controlling is widely represented it does not appear in scientific papers almost at all.

## METHODOLOGY

The aim of this paper is to present the reasons for the different attitudes of managers to the management function of controlling, in situations where they are controlled by a superior or an external organisation.

The results come from a questionnaire that focuses on internal controlling trends and is a continuation of wider research on controlling, which started in 2014. We have already started the third phase of the questionnaire and the issue of managers' attitudes to controlling is being re-examined once again. In the long run, we would like find out if there is a correlation between the attitudes and the economic cycles.

The questionnaire survey collected data at the turn of 2016 and 2017. We received 395 completed questionnaires; 19 were excluded, mainly because inadequately competent respondents (n=376). Our research sample (Table 2) is not statistically representative for the Slovak Republic but is compatible with their parameters.

To evaluate attitudes to controlling we used a scale of positive, neutral, negative, in both situation, when performing controlling (respondent is the subject of controlling/control), or when being controlled (respondent is the object of controlling/control). We also asked respondents for a short justification to obtain a deeper insight.

We used standard scientific methods in evaluating and interpreting the results of our questionnaire surveys. In particular, the method of categorisation was used in this paper.

**Table 2: Description of the research sample<sup>3</sup>**

n=376	Characteristics
	Number of employees (previous year)
microenterprises	115
small	96
medium	62
large	103
	Management level of the respondent
higher	120
middle	62
lower	147
informed employees	47

*Source: own work.*

In the following table (3), we show examples of our respondents' justifications when answering the question 'What is your personal attitude towards controlling/control where you are subjected to it?'

**Table 3: Examples of justifications of different attitudes in the situation when the respondent is an object of controlling/control**

	Attitude	Justification	Respondent description
1.	positive	Since we are a small business and we all know each other, every employee has the right to draw attention to the deficiencies, the opportunities for improvement, and thus to control my work, thus maintaining the quality of	owner, small wholesale company

<sup>3</sup> Other characteristics of the sample included: name of the company, sales of the previous year, economic result in the previous year, object of activity, legal form and seat of the company.

		the business and eliminating errors. In our firm, control is not a one-man show.	
2.	positive	I am a type of person who can perform self-control, but I am more confident when a third person does it.	project manager, large consulting company
3.	positive	Being an object of control, I consider to be a benefit in terms of preventing future deficiencies (control discovers errors that have been overlooked).	logistics manager, large electronics manufacturer
4.	positive	With controlling I can prevent errors, which might be fundamentals for future knowledge.	back office manager, electronics selling micro company
5.	positive	Everyone has to be controlled in its own way. Even the one who usually controls.	quality manager, medium large cooling equipment company
6.	neutral	The control I am the object of is less fruitful, being impersonal and without knowledge of details of my work. Control is more or less focused on the outcome and not on the process, how I have reached the result.	Area Facility Manager, small real estate agency
7.	neutral	My attitude to control in this case is neutral. The director, to whom I present the results of the company on a monthly basis, also controls my work somehow.	controller, medium large wholesale company
8.	neutral	I do not mind that, but it gives me a feeling of distrust from the person who controls me.	founder, telecom micro company
9.	neutral	It is necessary to control that certain details are not overlooked, but it is also associated with some degree of stress.	entrepreneur, retail micro company
10.	negative	Controls are looking for shortcomings that I do not consider being essential, we have always been able to remedy or eliminate them in a short time; I see it unnecessary and exaggerated to entrepreneurs who try to find employment on the labour market with self-help and employ people in their field.	executive manager, small roofing work company

Source: own work.

## FINDINGS AND DISCUSSION

In this part of the paper, we will present our findings. As we mentioned before, we have already done the quantitative analysis in a different paper. The quantitative results of our survey, according to the different characteristics of our sample, are in Table 4.

**Table 4: Quantitative results of the questionnaire survey**

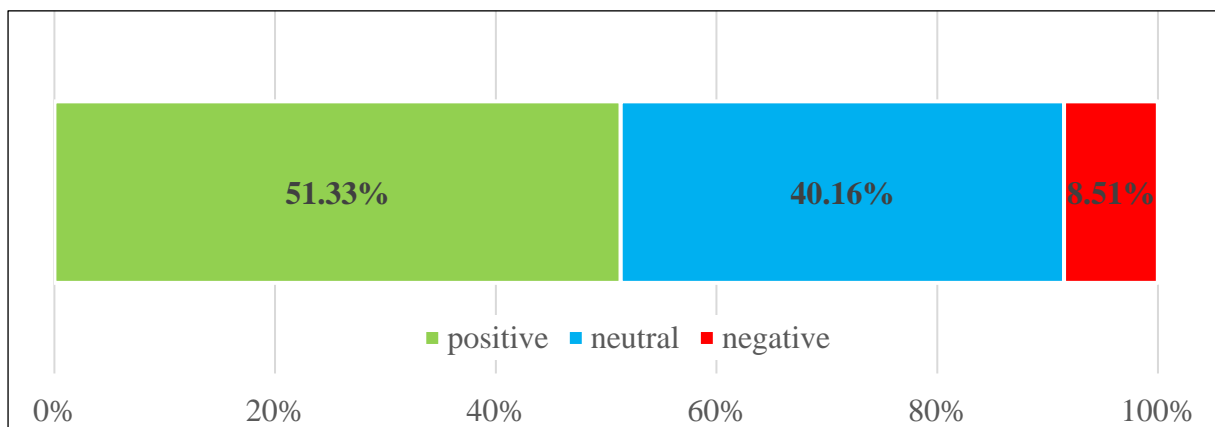
Business size	Positive	neutral	negative	
microenterprises	51	42	22	
Small	50	42	4	
Medium	34	24	4	
Large	58	43	2	SUM
SUM	193	151	32	376
Respondent's management level	Positive	neutral	negative	

top management	52	48	20	
middle management	36	24	2	
lower management	79	59	9	
informed employees <sup>4</sup>	26	20	1	SUM
SUM	193	151	32	376
Economic result	Positive	neutral	negative	
profit	156	119	18	
loss	23	25	8	
balanced	12	6	4	
n/a	2	1	2	SUM
SUM	193	151	32	376
Higher territorial unit of Slovak Republic	Positive	neutral	negative	
Bratislava	111	86	13	
Trnava	20	13	3	
Nitra	14	9	2	
Trencin	11	11	4	
Banska Bystrica	9	7	1	
Zilina	15	14	2	
Presov	9	7	6	
Kosice	4	4	1	SUM
SUM	193	151	32	376
Revenues	Positive	neutral	negative	
≤ 2 000 000 €	79	64	25	
≤ 10 000 000	26	20	0	
≤ 50 000 000	36	36	2	
> 50 000 000	44	27	3	
n/a	8	4	2	SUM
	193	151	32	376

Source: own work

In our questionnaire survey 193 respondents expressed a positive attitude to control when they are in the role of an object of control, 151 a neutral attitude and only 32 respondents a negative attitude. The share of the answers in percent is shown in Figure 1.

**Figure 1: Attitudes to controlling in the situation of being the object of controlling**



<sup>4</sup> includes accountants, economists, control staff, etc. with access to the valuable information for our research.

*Source: own work*

Some key findings from the quantitative analysis of the particular question on attitudes to controlling include:

- the larger the company, the more positive attitudes are recorded;
- the high proportion of negative attitudes in the top-management category is due to the representation of entrepreneurs who perceive the external control of the organisation negatively (17 responses);
- the attitude towards the management function of control changes slowly from negative to neutral, to positive between the first two rounds of the questionnaire survey.

### **Reasons for positive attitudes to controlling**

Among the 193 positive answers, 191 respondents provided at least a short justification for their attitude to controlling in the situation, when a superior or an external organisation is controlling them. Based on content proximity, we have created eight categories from these justifications:

- an effort of a general definition of control/controlling (11 responses, 5,76% share on 191 answers),
- specific matter of control (14; 7,33%),
- benefits of controlling for the organisation (29; 15,18%)
- benefits of controlling for respondents in person (52; 27,23%),
- abstract reason why the control has been done (20; 10,47%),
- the course of control reflecting the control process (11; 5,76%),
- subjective perception of control (29; 15,18%),
- naming the subject, which specifically controlled the respondent (25; 13,09%),

### **Reasons for neutral attitudes to controlling**

In the case of responses where the respondent perceives neutral attitude of being controlled, the willingness to justify the attitude has declined. Out of 151 neutral responses, 18 respondents (11.92%) did not provide a justification. Nonetheless, we consider the remaining responses (133) obtained as relevant, and we have created nine categories of justifications based on content relatedness:

- the respondent is not subject to any internal controlling, but the organisation itself is controlled by external organisations, which may cause unpleasantness to the manager or owner (17 responses; 12,78% of 133 justifications);
- appointment of organisations and superiors that perform controlling in the organisation (17; 12,78%);
- the right way how controlling should be performed (15; 11,28%);
- expressive confirmation of neutral attitude to controlling (18, 13,53%);
- benefits, but also drawbacks of controlling (11; 8,27%);
- benefits of controlling (10; 7,52%);
- reasons why controlling should be performed (16; 12,03%);
- drawbacks of controlling (6; 4,51%)
- the behaviour of the subject of control during the control process (22; 16,54%).

### **Reasons for negative attitudes to controlling**

In our questionnaire survey, respondents have indicated their attitude to controlling as negative in 32 cases. Every single respondent of this group provided a justification, why he/she feels

this way, when he/she is exposed to controlling. Although the justifications were heterogeneous, the common features of the content helped us to create four categories:

- explicitly mentioned control subject as the reason for the negative attitude to controlling (12; 37.50%);
- fear of consequences of control (6; 18.75%);
- time requirement associated with being exposed to control and for subsequent control activities (7; 21.88%)
- generally poor attitude to controlling (7; 21.88%).

## CONCLUSION

Controlling, one of the basic function of management since its division in smaller parts, only hard to replace for keeping order in the organisation, yet it seems that the interest in its research is minimal. The term, which is used almost in every English written textbook on management, is hardly found in scientific papers. Relevance lost? Well, let us see. At least until the time of the next economic crisis.

In a flood of different terms, controlling has been lost and maybe the time has come to leave this term for shorter description of management accounting and control.

Our research shows that in one of the post-communist countries of CEE the managers are aware of the importance of this management function. In positive attitudes, respondents were aware of the benefits that controlling may provide. It does not really matter if for the respondents themselves or for their organisation. However, neutral and negative justifications point out that the holistic competency in performing this management function (control is performed by a superior) or social act (control is performed by an external organisation) is extremely important. Incorrect use or lengthy procedures can shift perceptions of controlling in the wrong direction and cause great damage in the long run.

However, the future does not look bad. The third round of the questionnaire survey is currently underway, but the interim results are very encouraging, as another reversal of the negative response rate is evident. One question remains: how much will the attitudes to controlling change when the economic cycle gets into recession?

## ACKNOWLEDGEMENT

This paper is an output of the research project 'Trends of internal control in business entities in the light of new challenges' (VEGA 1/0135/17) funded by the scientific grant agency VEGA.

## REFERENCES

- Agarwal, R. D. (1982) *Organization and Management*. New Delhi: Tata McGraw-Hill Education.
- Amabile, T. M. (1988) A model of creativity and innovation in organizations. *Research in Organizational Behavior*, 10 (1), 123-167.
- Bagad, V. S. (2009) *Principles of Management*. 3rd ed., Pune: Technical Publications.
- Becker, W., Baltzer, B. and Ulrich, P. (2011) Controlling as a science in Germany. *The European Journal of Applied Economics*, 8 (2), 40-54.
- Bedford, D. S. (2015) Management control systems across different modes of innovation: implications for firm performance. *Management Accounting Research*, 28, 12-30.
- Berry, A. J., Coad, A. F., Harris, E. P., Otley, D. T. and Stringer, C. (2009) Emerging themes in management control: a review of recent literature. *The British Accounting Review*, 41 (1), 2-20.
- Binder, C. (2006) *Die Entwicklung des Controllings als Teildisziplin der Betriebswirtschaftslehre. Eine explorativ-deskriptive Untersuchung*. ('The Development

- of Controlling as a Sub-Discipline of Business Administration Teach. An Explorative-Descriptive Investigation'). Wiesbaden: Deutscher Universitäts-Verlag.
- Bisbe, J. and Otley, D. (2004) The effects of the interactive use of management control systems on product innovation. *Accounting, Organizations and Society*, 29 (8), 709-737.
- Bonner, J. M., Ruekert, R. W. and Walker Jr, O. C. (2002) Upper management control of new product development projects and project performance. *Journal of Product Innovation Management*, 19 (3), 233-245.
- Britzelmaier, B., Thiel, C. and Kraus, P. (2008) Controlling in practice: an empirical study among small and medium-sized enterprises in Germany. In: D. Vrontis, Y. Weber, R. Kaufmann, and Tarba, S. (eds), *Managerial and Entrepreneurial Developments in the Mediterranean Area*. Salerno: EuroMed Press, 335-348.
- Brivot, M., Gendron, Y. and Guenin, H. (2017) Reinventing organizational control: meaning contest surrounding reputational risk controllability in the social media arena. *Accounting, Auditing and Accountability Journal*, 30 (4), 795-820.
- Burns, T. and Stalker, G. M. (1961) *The Management of Innovation*. London: Tavistock Publications.
- Carenys, J. (2010) Management control systems: a historical perspective. *International Bulletin of Business Administration*, 7 (1), 37-54.
- Chenhall, R. H. (2003) Management control systems design within its organizational context: findings from contingency-based research and directions for the future. *Accounting, Organizations and Society*, 28 (2-3), 127-168.
- Chenhall, R. H. and Morris, D. (1995) Organic decision and communication processes and management accounting systems in entrepreneurial and conservative business organizations. *Omega*, 23 (5), 485-497.
- Chenhall, R. H., Kallunki, J. P. and Silvola, H. (2011) Exploring the relationships between strategy, innovation, and management control systems: the roles of social networking, organic innovative culture, and formal controls. *Journal of Management Accounting Research*, 23 (1), 99-128.
- Coates, J., Rickwood, C. and Stacey, R. (1993) *Control and Audit in Management Accounting (CIMA, Stage 4)*. Oxford: Butterworth-Heinemann (2<sup>nd</sup> ed.).
- Damanpour, F. (1991) Organizational innovation: a meta-analysis of effects of determinants and moderators. *Academy of Management Journal*, 34 (3), 555-590.
- Dubrin, A. J. (2012) *Essentials of Management*. Mason: South-Western (9<sup>th</sup> ed.).
- Fayol, H. (1949) *General and Industrial Management*. New York: Pitman Publishing.
- Fisher, J. (1995) Contingency-based research on management control systems: categorisation by level of complexity. *Journal of Accounting Literature*, 14, 24-53.
- Flamholtz, E. G., Das, T. K. and Tsui, A. S. (1985) Toward an integrative framework of organizational control. *Accounting, Organizations and Society*, 10 (1), 35-50.
- Henri, J.-F. (2006) Management control systems and strategy: a resource-based perspective. *Accounting, Organization and Society*, 31 (6), 529-558.
- Herath, S. (2007) A framework for management control research. *Journal of Management Development*, 26 (9), 895-915.
- Hitt, M. A., Black, J. S. and Porter, L. W. (2012) *Management*. Upper Saddle River: Prentice Hall (3<sup>rd</sup> ed.).
- Hopwood, A. (1974) *Accounting and Human Behavior*. London: Haymarket Publishing.
- Hoskin, K. W. and Macve, R. H. (1986) Accounting and the examination: a genealogy of disciplinary power. *Accounting, Organizations and Society*, 11 (2), 105-136.



- Jørgensen, B. and Messner, M. (2009) Management control in new product development: the dynamics of managing flexibility and efficiency. *Journal of Management Accounting Research*, 21 (1), 99-124.
- Kärreman, D. and Alvesson, M. (2004) Cages in tandem: management control, social identity, and identification in a knowledge-intensive firm. *Organization*, 11 (1), 149-175.
- Konecny, M. (1998) *Management od prvotnich ridicich dokumentu po soucasne systémy řízení* ('Management from Initial Directional Documents to Current Management Systems'). Karvina: KarTis.
- Koontz, H. and O'Donnell, C. (1955) *Principles of Management: An Analysis of Managerial Functions*. New York: McGraw-Hill.
- Kracmar, J. et al. (2013) *Kontrolovanie* ('Controlling'). Bratislava: KARTPRINT.
- Lebas, M. (1980) *Toward a Theory Of Management Control: Organizational Process, Information Economics and Behavioral Approaches*. Cahiers de Recherche 158. Jouy-en-Josas: C.E.S.A.
- Lebas, M. and Weigenstein, J. (1986) Management control: the roles of rules, markets and culture. *Journal of management studies*, 23 (3), 259-272.
- Lipari, C. (1984) Sulla funzione generale di controllo aziendale ('On the general function of corporate control'). *Annali della Facolta di Economia e Commercio dell Universita di Palermo*, 38 (1-2).
- Majtan, M., Grznar, M., Matulcikova, M., Papulova, E., Slavik, S., Szabo, L., Szarkova, M. and Thomasova, E. (2003) *Manažment* ('Management'). Bratislava: Sprint vfra.
- McKenna, S., Garcia-Lorenzo, L. and Bridgman, T. (2010) Managing, managerial control and managerial identity in the post-bureaucratic world. *Journal of Management Development*, 29 (2), 128-136.
- Merchant, K. A. (1982) The control function of management. *Sloan Management Review*. 23 (4), 43-55.
- Merchant, K. A., Van der Stede, W. and Zheng, L. (2003) Disciplinary constraints on the advancement of knowledge: the case of organizational incentive systems. *Accounting, Organizations and Society*, 28 (2), 251-286.
- Mintzberg, H. (1989) *Mintzberg on Management*. New York: The Free Press.
- Mintzberg, H. (1994) *The Rise and Fall of Strategic Planning*. New York: The Free Press.
- Misun, J. (2017) Changing views on organizational control in the countries of the Eastern bloc. *Knowledge – Economy – Eociety: Selected Problems of Dynamically Developing Areas of Economy*, 49-63.
- Morales, J. and Sponem, S. (2009) Rationaliser, dominier, discipliner. Une revue des recherches critiques en contrôle de gestion. *Economie et Société*, 21, 2001-2043.
- Otley, D. (2003) Management control and performance management: whence and whither? *The British Accounting Review*, 35 (4), 309-326.
- Otley, D., Berry, A. and Broadbent, J. (1996) Research in management control: An overview of its development. In: K. Vagnuer, C. Wilkinson and A. Berry (eds.), *Beyond Constraint: Exploring the Management Control Paradox*. London: The Management Control Association, 5-19.
- Otley, D., Broadbent, J. and Berry, A. (1995) Research in management control: an overview of its development. *British Journal of management*, 6, 31-44.
- Pfeifer, W. (1993) *Etymologisches Wörterbuch des Deutschen*, 2. Auflage. Berlin: Akademie-Verlag.
- Quattrone, P. and Hopper, T. (2005) A 'time-space odyssey': management control systems in two multinational organisations. *Accounting, Organizations and Society*, 30 (7-8), 735-764.
- Quinn, J. B. (1980) *Strategies for Change: Logical Incrementalism*. Homewood: Irwin.

- Rudani, R. B. (2013) *Principles of Management*. New Delhi: Tata McGraw-Hill Education.
- Simons, R. (1995) *Levers of Control*. Boston: Harvard Business School Press.
- Weber, J. and Schäffer, U. (2008) *Introduction to Controlling*. Stuttgart: Schäffer-Poeschel.
- Widener, S. K. (2007) An empirical analysis of the levers of control framework. *Accounting, Organizations and Society*, 32 (7/8), 757-788.

16-DA22-6929

## EXPLORING LEGAL DEVELOPMENTS IN THE ASEAN SOCIAL ENTERPRISE SECTOR<sup>1</sup>

PRAPIN NUCHPIAM<sup>2</sup>

### ABSTRACT

Today social enterprise is being promoted virtually all over the world. Given its hybrid nature, a fundamental problem in setting up a social enterprise involves the choice of a legal form for it. There has been debate on whether a law on social enterprise would limit the operation of social enterprise, or whether it would contribute to the development of the social enterprise sector. This research paper thus engages in a survey of the legal frameworks available for social enterprises in ASEAN. The purpose is to explore how social enterprises operate in these countries, and whether the development of social enterprise requires an appropriate legal environment.

The paper mainly relies on documentary research, although data on practical experiences of social entrepreneurs in a number of selected countries in ASEAN have also been drawn upon. The research results show that no ASEAN countries currently have a specific legal infrastructure for social enterprise, and that traditional legal forms of either a for-profit or non-profit type are not particularly well suited to its orientation. Even though a focus on the ASEAN region is not sufficient to settle the debate in one way or another, this research can be expected to yield useful insights into how different legal structures have affected the operation and the development of social enterprise in the region.

**Keywords:** Social enterprise, Legal structures for social enterprise, ASEAN

### INTRODUCTION

Today social enterprise is being promoted virtually all over the world. It is particularly valued for its role in solving social problems and enhancing prospects of a sustainable economy. Social enterprise has been widely accepted as a type of business, whose ultimate aim is to create social benefits especially for those most in need, rather than to maximise profits for shareholders and investors. Social enterprise is thus known as “social business” (Yunus, 2010), “triple bottom line business” (Elkington, 1998), or “hybrid business” (Doherty, Haugh and Lyon, 2014).

Given its vast and varied nature, a fundamental problem in setting up a social enterprise involves the choice of legal structures for it. Many countries particularly in Europe and the US have developed specific legal forms for social enterprise, for instance, the Community Interest Company (CIC) in the UK and the Low-Profit Limited Liability Company (L3C) in the US. At present there seems to be no significant progress in the development of legal frameworks for social enterprise in the ASEAN countries, partly because there has been debate on whether a law on social enterprise would limit the operation of social enterprise, or whether it would contribute to the development of the social enterprise sector. Social enterprise in ASEAN thus still operates in its respective traditional legal environment, but this does not mean that there exists no support infrastructure whatsoever.

For example, even though Singapore does not have any specific law for social enterprise, it provides a very robust ecosystem supporting social enterprises through seven support mechanisms, namely, policy makers, network providers, capacity builders, fund providers,

<sup>1</sup> This research article is part of the research project entitled “Comparative Analysis of Legal Infrastructure for Social Enterprise in ASEAN”, funded by the Graduate School of Law of the National Institute of Development Administration (NIDA), Thailand.

<sup>2</sup> Lecturer at the Graduate School of Law of the National Institute of Development Administration, Thailand. E-mail: priapin.nuc@nida.ac.th.

research institutes, professional and support services providers, and competition organisers (Singapore Centre for Social Enterprise, 2017, p. 6). The social enterprise sector in Singapore is therefore growing significantly and steadily. On the other hand, some other countries in ASEAN, particularly Thailand and Vietnam, believe that having an appropriate legal environment for social enterprise will help strengthen the sector. Thailand is currently considering a draft Social Enterprise Promotion Bill, which is expected to be enacted in the near future. Vietnam has given the legal characteristics of social enterprise in the Law on Enterprises of Vietnam (LOE), effective since July 1, 2015. However, the Thai and Vietnamese social enterprise sectors are not as healthy as that of Singapore.

This article does not attempt to find the best legal structure for social enterprise, because this type of business cannot simply rely on any one specific legal vehicle. It simply proposes to explore the legal infrastructures available for social enterprises in the ASEAN countries. The purpose is to see how social enterprise operates in these countries, and whether the development of social enterprise requires an appropriate legal environment instead of relying on traditional legal forms of either a for-profit or non-profit type, which are not particularly well suited to its orientation.

## RESEARCH METHODOLOGY AND SCOPE

This research paper draws upon a survey relying on documentary research methodology. Evidence on the social enterprise sector in ASEAN comes from available documents on social enterprise in the member countries. Documents on certain countries are hard to come by; hence, attention is given to the individual ASEAN countries is somewhat “uneven”: some countries are given greater attention than others.

Evidence for this research has been collected from both primary and secondary sources. Primary sources include government publications, particularly those in the form of legal and public-policy documents; print media (for example, brochures) of a number of social enterprises operating in the ASEAN countries, as well as data from their websites (if any). Secondary materials comprise books, articles in scholarly journals, theses, research reports and other types of writing, both those which have been published and those available on the Internet. Evidence from this documentary survey consists partly of basic data on the origins and development of social enterprise in the ASEAN countries. However, a more substantial part of the evidence involves the legal environments for social enterprise in these countries – how different, or similar, these are in these various countries.

This study uses the method of the description, analysis, and comparison of collected data. The purpose is, first, to present, in a descriptive form, the overall picture of social enterprise in the ASEAN region, with, as has been suggested, greater attention being given to some countries than others. This picture also incorporates the legal environments for social enterprise in these countries. Secondly, an analysis is presented of how social enterprises operate in the various ASEAN countries, given their respective legal environments. An important issue here is how the existing legal environments, with or without specific legal vehicles for social enterprise, facilitate, or otherwise, its operation. Finally, the study engages in a comparative analysis of the social enterprise landscapes in Thailand and the ASEAN region: the focus is, of course, on the comparison of the legal environment for social enterprise in Thailand and the other ASEAN countries. The purpose is to see whether, and/or in what respects, Thailand can learn from its fellow ASEAN countries.

Given the time and financial limitations, a field survey could not be conducted for this research. The researcher had opportunities to visit a few ASEAN countries and gain first-hand impression with some social enterprises there. However, it must be emphasised that any comparative insights gained from these visits are simply supplementary to the main body of

data from documentary research: these study-visits cannot be a substitute for a systematic fieldwork, which the researcher has not undertaken.

In terms of its territorial scope, this survey research expects to cover all 10 ASEAN countries. However, relevant data in Brunei Darussalam and Lao PDR, in particular, are hardly available. The substantive content of the research involves the development of social enterprise in these countries, but the main focus is on their respective legal environments. The main issue being investigated is whether and/or how the operation of social enterprise faces any problems and obstacles within the existing legal environments – and whether and/or how specific legal vehicles for social enterprise can presumably be expected to facilitate its operation and contribute to its growth. The time period covered by this investigation is roughly that of 2010-2018, the year 2010 being taken to demarcate the formalisation of social enterprise in Thailand with the introduction of the Office of the Prime Minister's Regulations on National Social Enterprise Promotion B.E. 2554 (2011).

## OVERVIEW OF THE SOCIAL ENTERPRISE DEVELOPMENT IN ASEAN

Even though the literature on social enterprise in ASEAN is still limited compared to that in Europe and North America, the social economies in ASEAN are showing significant engagement, innovation and impact in the last 5-8 years (Mohan, Harsh and Modi, 2017, p. 10). The number of social enterprises and other third-sector organisations such as NGOs is increasing; for example, there are now around 116,000 social enterprises in Thailand and around 30,000 NGOs and 60,000 social enterprises in the Philippines (Mohan, Marsh and Modi, 2017, p. 14). However, most of them are still in the early to mid-stages of growth.

Social enterprise has become a hopeful solution to social problems in ASEAN, particularly, to fight the severe poverty problem in Myanmar and Cambodia, where large numbers of people are still living below the poverty line (Mohan, Harsh and Modi, 2017, p. 12). Social enterprise is also hoped to promote economic integration in the region by providing a community-based alternative to a state-based social sector (Bonnell, 2015). This will help civil society to independently pursue social innovation and address problems in new ways. However, in order to achieve those goals, the social enterprise sector requires comprehensive and dynamic ecosystems, which involve various factors including an enabling policy framework, legal and regulatory infrastructures, access to finance, access to markets, business support structures, and training and research, among others (OECD, 2015).

External actors like the British Council, Ashoka and USAID, as well as national governments are important players in building social enterprise ecosystems in ASEAN. External actors particularly serve as incubators and accelerators for social enterprise startups, providing both counselling and financial support, whereas the main role of governments is to enable an overall desirable environment for social enterprise sustainability. As a result, many blueprints and master plans for social enterprise promotion have been introduced in ASEAN. The following are some examples of these attempts.

In 2013, Malaysia launched the *Malaysian Social Enterprise Blueprint 2015-2018* by the Malaysian Global Innovation and Creativity Centre (MaGIC) Entrepreneurship Unit (2013) to create a strong foundation and environment for social enterprises in the country. This three-year roadmap aimed for the Malaysian social enterprise sector to be self-sustaining, equitable, and people-centric in order to empower impact-driven entrepreneurs by the end of 2018. Like Malaysia, the Thai government has recognised the importance of social enterprise since 2010 when it first launched the *Master Plan for the Promotion of Social Enterprise 2010-2014* (Thailand Social Enterprise Office, 2010). This pioneering work not only gave a definition of social enterprise, but also set forth the general orientation of this type of business activity in Thailand. Then the government published the *Special Agenda 1: Social Enterprise* by the National Reform Council in 2015. The most significant feature of this special agenda is the

draft legislation on social enterprise promotion, which is the very first attempt to legitimise social enterprise in Thailand, and even in ASEAN.

Unlike Malaysia and Thailand, the government support for social enterprises in Indonesia and Vietnam is less noticeable. Instead the social enterprise sectors in these two countries have been greatly shaped and directed by international organisations. However, government involvement does not always mean good things. Founder and CEO of Social Enterprise Europe Cliff Southcombe said that the movement of social enterprise would carry on regardless of any government support, while government policy would always have hidden agenda (Ward, 2015). According to a very recent survey on social enterprise in Indonesia by Platform Usaha Sosial (PLUS) (2018), with the support of the British Council and The United Nations Economic and Social Commission for Asia and The Pacific (UNESCAP), there are more than 342,000 social enterprises in the country and the sector is growing greatly (PLUS, 2018, p. 29). However, one of the challenges for Indonesian social enterprises is to be officially recognised by policymakers, in other words, the government (ibid: p. 80). Some moves could be expected from the government when Indonesia's minister at the national development planning agency acknowledged the role of social enterprise in solving social problems and hoped to become an active partner of social entrepreneurs, particularly in building and nurturing the social enterprise ecosystem in the country (Mannion, 2018).

Although Vietnam does not have a specific policy for social enterprise, promoting the social economy has always been part of the government's core aims. Social enterprise in Vietnam started to take shape when external actors like the British Council, the Center for Support of Social Initiatives Promotion (CSIP) and the Central Institute for Economic Management (CIEM) brought new opportunities into the country from around 2010 (Cung et al., 2012). In Vietnam, a significant progress in social enterprise development is a revision to the Law on Enterprises of Vietnam (LOE), effective in July 2015, so that social enterprises are legally recognised throughout the country. Though seemingly different from Thailand's Social Enterprise Promotion Bill, which is specially designed for social enterprise, LOE requires the government to issue policies in support of the social enterprise ecosystem in the country (British Council et al., 2018, p. 227).

The Philippines is another ASEAN country with a forward-looking social enterprise ecosystem. Even though there is no specific social enterprise legislation, a number of relevant laws and government programmes in collaboration with international organisations influence the social enterprise sector in the country (British Council, 2015, p.10). The Philippines has a strong and well-established network of social enterprise actors called the Poverty Reduction Through Social Entrepreneurship (PRESENT) Coalition, whose dedication has led to the draft legislation entitled 'Institutionalising the Poverty Reduction through Social Entrepreneurship Program and Promoting Social Enterprises with the Poor as Primary Stakeholders ('PRESENT' Bill). This PRESENT Bill will result in an official recognition of social enterprises throughout the country (British Council et al., 2018, p. 159).

Social enterprise advancement in terms of policy support and legislation in Myanmar and Cambodia is rather slow compared to other countries in ASEAN. This is partly because of political conflicts and critical social problems in the countries. They heavily rely on international assistance and funding. For example, from around 1992-2007 international NGOs spent around 7 billion USD in Cambodia alone, resulting in the country having the highest density of NGOs in the world in proportion to its population today (Lyne, Khieng and Ngin, 2015, p. 6). Even though NGOs generally aim for social interests just like social enterprises do, NGO dependency is not good in the long term. Kyi Kyi Win Oo, founder and director of BusinessKind and GoodSleep social enterprise in Myanmar, insisted that people need to stand on their own feet. Social enterprise is a way to teach them how to fish whereas NGOs keep

giving away fish (Han, 2012, p. 25). Social enterprises in Myanmar are therefore very NGO-focused and dependent on funding from big organisations. This shows that these countries still lack a proper ecosystem for social enterprise.

According to Sattva-AVPN survey on government support for social enterprises (Mohan, Harsh and Modi, 2017, p. 16), Singapore provides strong support for social enterprise in the form of policies, incentives, incubation and acceleration, whereas the Malaysian government has recognised the importance of social enterprises and offered various incentives. Indonesia, the Philippines, Thailand and Vietnam show basic recognition of social enterprises, while Cambodia and Myanmar provide no or low recognition or support.

## **SURVEY OF LEGAL FRAMEWORKS FOR SOCIAL ENTERPRISE IN ASEAN**

One of the important issues concerning the legal aspects of social enterprise is the choice of legal forms for it. This is because social enterprise has a vast and varied nature, resulting in its need for various types of organisational forms. These organisational forms can be briefly categorised into three main groups: non-profit organisations such as charities, associations, NGOs and foundations; for-profit enterprises such as companies and partnerships; and not-for-profit organisations such as cooperatives and community enterprises. These organisations come with different types of rules and regulations. Therefore, it is not possible to find one single legal form which is best suited to all types of social enterprises.

Social enterprises in ASEAN also come with different types of organisational and legal forms. For example, around 342,000 social enterprises in Indonesia mainly comprise four types of organisations, namely, MSMEs, national NGOs, local NGOs and cooperatives (PLUS, 2018, p. 29). Even though Indonesian social enterprises could be roughly divided into four groups, the number of laws relating to these groups is much larger. These include the Law No. 40 of 2007 on Limited Liability Companies (Perseroan Terbatas - PT), the Law No. 28 year 2004 on Foundations, the Indonesian Commercial Code (Kitab Undang-Undang Hukum Dagang - KUHD), the Law No. 25 of 1992 on Co-operatives, and the Law No. 36 of 2008 on Income Tax for Corporations, among others (PLUS, 2018, p. 39-40). Singapore mainly divides its social enterprises according to their legal entities, namely, private limited, limited liability partnership, sole proprietorship, limited partnership, partnership (association), company limited by guarantee, and society. Each legal entity has both strong and weak points. Social entrepreneurs are free to adopt any legal form that they find most suitable for their social enterprises (raiSE, 2015, p. 59-60).

According to the book entitled *Thailand Social Enterprise 50* (Achavanunthakul, 2010), Thai social enterprises have been classified into four main groups: private enterprises, non-governmental organisations, community-based enterprises and triple-bottom line business. On the other hand, the *Special Agenda 1: Social Enterprise* (Thailand, National Reform Council, 2015, p. 22) provides many more categories including associations, foundations, companies, cooperatives, NGOs, joint ventures, etc. Not only are there various ways of identifying types of social enterprises, laws relating to them are also varied. Social enterprises in Thailand now operate within six main legal forms: 1) partnership, 2) limited company, 3) co-operative, 4) foundation, 5) association, and 6) private school. Governed by specific laws which define them as particular legal entities, these six main types may be subsumed under three categories: (1) for-profit organisations under the Civil and Commercial Code of 1992, (2) non-profit organisations under the same Code, and (3) organisations governed by other laws such as the Cooperatives Act of 1999 (Nuchpiam, 2016, p. 173-174).

These are only a few examples showing how complex social enterprise is. As a result, it is not easy to design policy and legal frameworks for them. Of course, law is only one of the necessary components in the social enterprise ecosystem but building an appropriate legal environment for social enterprises is not easy. If it is too strict, it could make the sector



unattractive, affecting the overall growth; if it is too lenient, the sector could be abused and those most in need could be taken advantage of. According to the Sattva-AVPN survey on legislative environments for social enterprises (Mohan, Harsh and Modi, 2017, p. 15), there are four levels: enabling, friendly, neutral and restrictive. None of the ASEAN countries has reached the enabling level of the legislative environment for social enterprise. Singapore and the Philippines have their respective ‘friendly’ environment with multiple structures and some tax benefits, whereas Thailand, Malaysia and Cambodia have a ‘neutral’ environment, with no or basic tax benefits. Indonesia, Myanmar and Vietnam have a ‘restrictive’ legal environment for setting up and investing in social enterprises.

Before exploring the legal frameworks for social enterprises in ASEAN in more details, it should be noted that literature on social enterprise law in ASEAN is very limited. The most recent and significant work is *ASEAN Social Enterprise Structuring Guide* (2018), which has resulted from a collaborative effort of the British Council, Thomson Reuters Foundation, Tilleke and Gibbins and the United Nations ESCAP. This work serves as a guideline aimed at helping social entrepreneurs better understand the complexities of setting up a social enterprise in eight ASEAN countries, namely Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam. This work shows great originality, particularly in the section on Lao social enterprises. However, it excludes legal frameworks for social enterprises in Singapore and Brunei. In fact, the social enterprise ecosystem in Singapore is very comprehensive. Several studies on Singaporean social enterprises can be found in the literature, including *LEGALESE: A legal handbook for community organisations* by the Law Society of Singapore (2016). This handbook contains general information on the law and legal matters for different types of organisations, including social enterprises. No literature on legal structures for social enterprises in Brunei is found.

It should also be noted that social enterprises come in different types of organisations, mainly for-profit and non-profit organisations. They can adopt any legal forms or no legal form at all. Generally, social entrepreneurs can choose from existing legal forms such as company, partnership, foundation and cooperative; or specific legal forms for social enterprises such as the UK’s community interest company (CIC) or the low-profit limited liability company (L3C) in the US. However, no specific legal forms for social enterprises are available in any ASEAN countries. What exists in ASEAN, such as Thailand’s Social Enterprise Promotion Bill, is a different type of legislation. It is not a legal form, but a law that gives legal status or recognition to social enterprises. This type of law normally provides a legal definition or characteristics of social enterprise, as criteria for obtaining special benefits such as tax incentives. This article will focus on this special type of law for social enterprises, rather than traditional legal forms.

### **Thailand: Social Enterprise Promotion Bill**

As mentioned earlier, Thailand offers a variety of legal forms for social enterprises (Nuchpam, 2016, p. 173-208; Kanjanapaibul, 2011). However, they are traditional non-profit or for-profit legal forms, which are not specially designed for social enterprises. Despite the lack of a special legal form, the most significant legal development in the Thai social enterprise sector is the introduction of a Social Enterprise Promotion Bill in 2015. Its main purpose is to give a legal definition of social enterprise and set forth requirements for social entrepreneurs who wish to apply for special support such as startup funds and tax incentives. The Bill has reached the final stage for approval and should be effective in early 2019.

The definition of social enterprise under the Bill had been amended many times because it was not an easy task to find one single definition that could portray the complex nature of social enterprise (Nuchpam, 2018). The latest definition proposed in October 2018 under Section 3 of the Bill is as follows:



*'Social enterprise' refers to a company, a registered partnership, or any other legal person, set up under Thai law. It engages in the production, or sale of goods, or provision of services, with social objectives as the core mission. Social enterprise must be registered under this Act. (Lawamendment, 2018)*

This definition is quite broad, compared to the previous definitions, which specified certain types of social enterprise activities and target groups such as low-income people, the elderly, the disabled, the sick, the ex-convicts, or the other underprivileged, or for other common benefits. The latest definition seems to focus on the legal entity of social enterprise, business orientation and social objectives. However, Section 5 sets forth specific criteria for those who wish to register as social enterprise under the Act. The following are the examples:

Social enterprise has main objectives of promoting employment of those who deserve special promotion for employment, finding solutions to the problems of the community, or developing the community, society, or the environment, or serving other common benefits, or returning benefits to society.

Not less than 50 percent of its revenue must come from selling goods or providing services.

Not less than 70 percent of its profit must be used for social benefits and not more than 30 percent of the total profit can be shared among shareholders.

Its operation must be founded on a corporate good governance.

These are only a few requirements that must be satisfied before being registered as a social enterprise under the Act. On the one hand, they seem to be very restrictive, which could be unattractive to social investors. But on the other hand, it is necessary that the support be spent on those most in need.

### **Vietnam: Law on Enterprises (LOE)**

Like Thailand, Vietnam provides social entrepreneurs with a variety of legal forms, but none of them has been specially designed for social enterprise. Instead, the government amended the Law on Enterprises (LOE), which became effective on 1 July 2015. The LOE is significant because it offers a legal framework for the establishment and operation of social enterprises in Vietnam. Like the Thai Social Enterprise Promotion Bill, those who wish to set up a social enterprise need to register under this law. Article 10 of the LOE gives two defining characteristics of social enterprises, distinguishing them from non-social enterprise entities. These characteristics are (1) having the objective of resolving social or environmental issues in the interest of the community; and (2) having at least 51 percent of its profit reinvested to accomplish its registered social or environmental objective (British Council et al., 2018, p. 227)

The above characteristics are quite similar to the ones in the Thai law mentioned earlier. They make sure that the business and social/environmental orientations of social enterprise are clearly shown. However, the LOE is less restrictive. This may be because the LOE does not offer special treatment to social enterprises; rather it provides them with a legal recognition and status. The number of social enterprises registered under the LOE is still low and they are mainly located in big cities like Ho Chi Minh City or Hanoi.

### **The Philippines: PRESENT Bill**

There is no specific legal form for social enterprises in the Philippines. However, the government is preparing two proposed legislations which aim to introduce a legal structure and several incentives for social enterprises in the country. These two bills are the Poverty Reduction Through Social Enterprise (PRESENT) Bill and the Social Value Bill (Mohan, Harsh and Modi, 2017, p.16). However, the focus will be on the PRESENT Bill which proposed the definition of social enterprise in 2014 as follows:

*a social mission-driven organisation that conducts economic activities providing goods and services directly related to their mission of improving the well-being of the poor, basic and marginalized sectors and their living environment. A social enterprise explicitly declares and pursues poverty reduction as its principal objective by purposefully rendering both transactional and transformational services. An SE engages and invests in the poor to become effective workers, suppliers, clients and/or owners and ensures that a substantive part of the wealth created by the enterprise is distributed to or benefits them. In addition to reinvesting its surplus or profits back to the enterprise to sustain the fulfillment of its social mission, a SE also uses its surplus or profits and mobilizes other resources to assist the poor to become partners in SE or value chain management and governance and to become partners in community, sectoral and societal transformation. (British Council, 2015, p. 12)*

The PRESENT Bill gives a very detailed definition of social enterprise. This might be because the Bill is likely to offer a huge funding of Nine Hundred Million Pesos to social enterprises (British Council et al., 2018, p. 160). However, partly owing to the spending of national budget, the PRESENT Bill has been pending since 2012. There has been debate over the need for this type of social enterprise law. Those who oppose the PRESENT Bill said the definition of social enterprise was still unclear and the source of financial support from the government was not confirmed (British Council, 2015, p. 13).

## CONCLUSION

This research paper testifies to the different legal environments in which social enterprise in the ASEAN countries is currently operating. Although it is still not possible to conclude that the operation of social enterprise requires a special legal vehicle such as the UK CIC, a proper legal infrastructure, especially one which is ‘enabling’ in nature, is particularly helpful to its development. Singapore, as we have seen, is a most notable case in point. Despite the absence of a specific legal form for social enterprise, its enabling legal infrastructure has made the social enterprise sector in this country quite healthy in comparison with those in the other ASEAN countries. Also notable from the findings of this research is the fact that though most ASEAN countries have not contemplated the development of a legal form for social enterprise, many of them have grasped the importance of this type of business and some have already taken some measures to promote it. This definitely augurs well for the future of the social enterprise sector in this region.

What can Thailand learn from legal developments in the ASEAN social enterprise sector? Even though Thailand is among the first countries in ASEAN that have developed legal infrastructures for social enterprise, the study of such developments in the region has given Thailand some useful insights into the issue of law and social enterprise development. It is clear from the study that law is only one factor or component of social enterprise development. The achievement of this goal depends on other things as well. A good case in point is Singapore, which, despite a lack of specific law for social enterprise, has been quite successful in promoting the growth of the social enterprise sector. Other ASEAN countries, such as Vietnam, have adapted their existing laws to cover social enterprise; they have not developed new legal frameworks for this type of venture. This confirms that legal infrastructures for social enterprise are quite varied. The specific social, economic and political conditions of the different countries need to be taken into account to see what type of law is most suitable for a specific country. Finally, it is notable that, regardless of the level of social enterprise development in the various ASEAN countries, most of them attach much importance to this type of business as a social innovation providing a solution to social problems they are facing.

Hence, no matter what the shape of a legal framework for social enterprise in a country is, or no matter whether such a framework really exists, its goal definitely is the benefit to society and the community that could be derived from this venture.

## REFERENCES

- Achavanunthakul, S. (ed.) (2010) *Thailand Social Enterprise 50*. Bangkok: KruntepTurakij.
- British Council (2015) *A Review of Social Enterprise Activity in the Philippines*. Ortigas Centre Pasig City: British Council Philippines.
- British Council, Thomson Reuters Foundation, Tilleke and Gibbins and United Nations ESCAP. (2018) *ASEAN Social Enterprise Structuring Guide*. London: Thomson Reuters Foundation.
- Bonnell, H. (2015) Social entrepreneurship: a tool for ASEAN integration?. [Online] *The Asia Foundation*. Available from: <https://asiafoundation.org/2015/10/28/social-entrepreneurship-a-tool-for-asean-integration/> [Accessed 20 December 2018].
- Cung, N. D. et al. (2012) *Social Enterprise in Vietnam: Concept, Context and Policies*. Hanoi: The British Council, CIEM and CSIP.
- Doherty, B., Haugh, H. and Lyon, F. (2014) Social enterprises as hybrid organizations: a review and research agenda. *International Journal of Management Review*, 16 (4), 417-436.
- Elkington, J. (1998) *Cannibals with Forks: Triple Bottom Line of 21st Century Business*. Gabriola Island, BC: New Society Publishers.
- Han, M. O. (2012) Workshop helps social entrepreneurs: a look at social enterprise in Myanmar and the region. *Mzineplus*, 28 (1), 21-29.
- Kajanapaibul, P. (2011) Legal entity for social enterprise. *Thammasat Business Law Journal*, 1 (October), 131-143.
- Lawamendment (2018) *Third Public Hearing on the Social Enterprise Promotion Bill*. [Online] Available from: <http://www.lawamendment.go.th/index.php/laws-independent-entity/item/1328-3> [Accessed 20 December 2018].
- Lyne, I., Khieng, S. and Ngin, C. (2015) *Social Enterprise in Cambodia: An Overview*. ICSEM Working Paper 5. Liege: ICSEM.
- Malaysian Global Innovation and Creativity Centre (MaGIC) Social Entrepreneurship Unit (2013) *Unleashing the Power of Social Entrepreneurship: Malaysian Social Enterprise Blueprint 2015-2018*. Cyberjaya: MaGIC Social Entrepreneurship.
- Mannion, L. (2018) Millennials lead social enterprise surge in Indonesia. [Online] *Pioneers Post*. 17 December 2018. Available from: <https://www.pioneerspost.com/news-views/20181217/millennials-lead-social-enterprise-surge-indonesia> [Accessed 20 December 2018].
- Mohan, A., Harsh, S. and Modi, A. (2017) *Social Investment Landscape in Asia: Insights from Southeast Asia*. Singapore: The Asian Venture Philanthropy Network and Sattva.
- Nuchpam, P. (2016) A Comparative Study of Legal Forms for Social Enterprises in the UK and Thailand. PhD. University of Durham, UK.
- Nuchpam, P. (2018) Regulating the third sector in Thailand: the problem of defining social enterprises in the draft legislation on social enterprise promotion. *Thammasat Law Journal*, 47 (3), 731-757.
- OECD (2015) Building enabling ecosystems for social enterprises. *Capacity Building Seminar* 22-23 April, Brussels, 2-17.
- Platform Usaha Sosial (PLUS) (2018) Building an Inclusive and Creative Economy: The State of Social Enterprise in Indonesia. Bangkok: The British Council and UNESCAP.
- Singapore Centre for Social Enterprise (raiSE Ltd) (2017) *The State of Social Enterprise in Singapore*. Singapore: raiSE Ltd.

- Thailand, National Reform Council (2015) *Special Agenda 1: Social Enterprise*. Bangkok: Secretariat of the House of Representatives.
- Thailand Social Enterprise Office (TSEO) (2010) *Social Enterprise Promotion Master Plan 2010-2014*. Bangkok: TSEO.
- Ward, E. (2015) Global focus: Southeast Asia. [Online] *Pioneer Post*. 4 November 2018. Available from: <[www.pioneerspost.com/news-views/20151104/global-focus-southeast-asia](http://www.pioneerspost.com/news-views/20151104/global-focus-southeast-asia)> [Accessed 20 December 2018].
- Yunus, M. (2010) *The New Kind of Capitalism that Serves Humanity's Most Pressing Needs*. New York: Public Affairs.

17-DA22A-6929

## EVOLUTION OF SOCIAL ENTERPRISE LAW IN THAILAND: OPPORTUNITIES AND CHALLENGES

PRAPIN NUCHPIAM<sup>1</sup>

### ABSTRACT

The emergence of social enterprises in Thailand could be traced back to at least the late 19th century. Their activities were in a charitable or philanthropic and non-governmental manner with the ultimate aim of public benefits. It could be said that social enterprises in the early days were born from the civil society in Thailand, which was a crucial social foundation for the present-day social enterprises in the country. In order to adjust themselves to global challenges and opportunities, social enterprises become more entrepreneurial in their orientation and less dependent on grants and donations.

With the significant growth of social enterprise worldwide both in size and importance, the Thai government has attempted to regulate and promote the sector with different measures. One of the most recent and significant attempts involves the drafting of the Social Enterprise Promotion Act whose aims, among others, are to give a legal definition of social enterprise and to provide social entrepreneurs with certain benefits, including tax incentives. The draft Act has been given three public hearings so far, which have generated debates over whether such a law would really promote this complex sector as a whole, or rather restrict it.

This paper explains and analyses the Social Enterprise Promotion Bill in the light of the burgeoning social enterprise sector. The initiation of the Bill clearly represents progress in the development of social enterprise in Thailand. However, the current debates have already raised some concern about possible practical effects. The primary sources include the draft legislation on Social Enterprise Promotion and other relevant regulations while secondary sources come from books, articles and research papers.

**Keywords:** Social enterprise, Social enterprise law in Thailand, Opportunities and challenges.

### INTRODUCTION

As in most other countries, social enterprise in Thailand can be understood as having developed from within the third sector. In this country, the origin of the third sector can be traced back to at least the late nineteenth century, when philanthropic organisations and activities began to emerge and assume a growing role, especially in the Chinese community (Nuchpiam, 2018). This is still not to mention the role of religious institutions most notably the Buddhist monasteries in providing public education (particularly for men), which predates the early philanthropic ventures.

How Thai social enterprise has developed from within the third sector is without doubt a crucial issue in the study of the emergence of social enterprise in Thailand. I shall nevertheless not deal with this point here (Nuchpiam, 2018, p. 740-742); my purpose in this paper is to explore the evolution of the legal and public policy infrastructure for social enterprise in this country. However, since social enterprise is in fact part of the third sector, and the early philanthropic organisations and activities may be regarded as the proto-types of social enterprises as we know them today, I shall begin the survey with a brief look at the third sector before the emergence of social enterprise.

---

<sup>1</sup> Lecturer at the Graduate School of Law of the National Institute of Development Administration, Thailand. E-mail: prapin.nuc@nida.ac.th

## THE THIRD SECTOR IN THAILAND BEFORE THE EMERGENCE OF SOCIAL ENTERPRISE

As indicated above, the Thai third sector may be said to date back to the late nineteenth century with the appearance of philanthropic ventures of various kinds to provide occupational, cultural and healthcare support for Chinese migrants in Thailand, which during that was still known as Siam. I would like to characterise this early development as representing the emergence of the country's traditional third sector. One important feature of the sector is that not only did it pursue its philanthropic goals on a voluntary basis, but it also operated under no regulatory regime.

This does not certainly mean that Siam at that time did not have any legal code governing social and economic activities of its population. The country's legal and political rule had been founded on ancient codes dating back to the Ayutthaya period (1350-1767), and in the late nineteenth century it was already preparing its modern penal code – which was promulgated in 1908. Hence, criminal as well as civil cases had always been dealt with under the law. My point here is only that by the time the traditional third sector entities had made their appearance, Siam did not have any legal or regulatory regime governing its formation and operation. These entities were not social enterprises according to the modern concept of this type of venture, but their roles and activities that contributed to the rise of what we call the traditional third sector could be taken as constituting the social capital for the development of social enterprise in our times.

It should be noted that not only did the 'private sector', most notably, as has been suggested, the Chinese community, significantly contribute to the development of Siam's traditional third sector but the state also had an important part in this development. A notable example of this role was the establishment of the Red Cross Society in 1893. This organisation can be regarded as a proto-type of present-day social enterprises, which may be characterised as 'public-sector spin-offs'.

This traditional third sector continued to expand and presumably began to take its modern form, when, from about the 1920s, laws governing organisations, such as foundations, associations and cooperatives, came into being, with the promulgation of the Civil and Commercial Code (CCC) and the Cooperative Act, in particular. Since that time the Thai third sector may be said to have rapidly expanded with the proliferation of organisations of the non-profit type, cooperatives and entities such as savings groups.

## THAI SOCIAL ENTERPRISE IN A TRADITIONAL LEGAL ENVIRONMENT

While non-profit and philanthropic organisations and activities had been present all through the periods mentioned above, social enterprise as we know it today was still non-existent then. It was not until the 1970s that this type of enterprise came into being. An enterprise generally regarded as the oldest social enterprise (or perhaps one of the oldest enterprises of this type) is Ancient Siam, which, started as a project in 1963, was launched in early 1973 (Achavanunthakul, 2010, p. 28-29). By this time enterprises with a 'triple bottom-line' orientation had become recognisable: they pursued a business activity so that they became financially viable, but their main goals were to contribute to social well-being and environmental sustainability. Roughly, these are now generally accepted as the main features of social enterprise.

As already indicated, I shall not delve into how Thai social enterprise has emerged from the third sector. The point I would like to make in this section is that Thai social enterprise emerged into a legal environment that did not formally recognise it *as such*. In this traditional legal environment, social enterprises remained formally unrecognisable, or indeed formally non-existent. Moreover, as will be shown below, they operated under different regulatory

regimes, depending on the type of legal form they had adopted, if they had done so at all. In other words, any relevant regulatory regime under which it operated did not regulate it *as a social enterprise* but rather as the legal entity it had assumed, be this a for-profit or non-profit organisation, or any other entity. This lack of a proper regulatory regime was a crucial legal problem for social enterprise. To put it more simply, Thai social enterprise operated in a legal environment that was not particularly suited to its nature.

This is a rather complicated matter; hence, though the situation has already begun to change, we still need to further explore this issue. Social enterprises are vastly different in their set-ups and the activities they are engaging in. Different legal vehicles are understandably required for their operation, while some social enterprises might not need any legal vehicle whatsoever. However, as the social enterprise sector is growing, it needs to be properly and formally regulated and promoted. A question thus arises: do we need a social enterprise law for this purpose? I shall very briefly consider these issues, beginning with the diverse nature of social enterprise.

Thai social enterprises operate within numerous legal vehicles, or some of them operate without any legal form at all. Some social enterprises operate as for-profit entities, and the main legal forms for such entities are the limited company and partnership, while others have opted for the non-profit legal forms of association and foundation. Still others pursue their goals and activities within legal vehicles such as cooperatives and private schools. Both the for-profit and non-profit organisations are under the same law, the CCC (they are also governed by other laws), but they are regulated by different bodies, namely the Ministry of Commerce and the Interior Ministry, respectively. On the other hand, the cooperatives and private schools are governed by different laws and different regulatory agencies. Another type of ventures should be mentioned, i.e. the community enterprises, which may operate as social enterprises. Community enterprises may or may not adopt any legal form but are eligible for financial support by the government under the Community Enterprise Promotion Act if they meet the requirements set out under the Act by the Interior Ministry.

The need for different types of legal vehicles to suit the diverse nature of social enterprise cannot be questioned. For this reason, the issue of social enterprise law remains debatable. A dominant view seems to be that given the availability of a wide variety of traditional legal forms to cater for the different set-ups and interests of social enterprises, a social enterprise law is unnecessary. However, as suggested above, social enterprise needs to be regulated and promoted *as such*, i.e. not as the specific legal entity it has opted for as a vehicle for its operation. It is in view of this need that the requirement for a social enterprise law should be considered.

However, this is not all about the complicatedness of this issue. The need for a social enterprise law, especially in the form of a specific legal form, does not mean that it would serve as the sole legal vehicle for this type of venture. The initiation of social enterprise law in the UK is a good example of how to deal with this complicated situation – one which involves the requirement for *both* the existing traditional legal entities and a specific legal vehicle for social enterprise. In the UK the community interest company (CIC) was initiated as a useful addition to the existing legal entities. With the growing popularity of the CIC, UK social enterprise has become increasingly identified with this specific entity.

The significance of a legal form like the CIC lies not only in the fact that it more appropriately serves as a legal vehicle for the hybrid nature of social enterprise, i.e. a business that does not aim at profit-sharing but rather returning most, if not all, of the profits to the community it has been set up to serve. A social enterprise law such as the one developed by the UK also provides a regulatory and promotional framework for the development of the social enterprise sector, and, in doing this, it also makes the sector more formally recognisable. Growing recognisability is a crucial condition for its acceptance and popularity, and this, in

turn, contributes to the growth of the social enterprise sector. The CIC has undoubtedly done so in the UK. The next section offers a brief survey of the emergence of what may be called an incipient legal and regulatory regime for social enterprise in Thailand.

## THAI SOCIAL ENTERPRISE IN AN INCIPIENT LEGAL AND REGULATORY REGIME

As suggested above, two legal aspects of social enterprise need to be considered: regulating and promoting social enterprise through legal measures. A social enterprise law may also introduce a specific legal form for social enterprise like the UK CIC. However, in Thailand, it is unfortunate that such a legal form is not to be developed. One thing needs to be made clear: I have made a case for the regulation and promotion of social enterprise through legal measures; however, as the UK CIC has shown, a specific legal form for social enterprise can significantly contribute to the growth of the sector. That is why it is unfortunate that, although a legal and public-policy set-up for social enterprise is already being developed in Thailand, a specific legal form will not be introduced.

Legal and public-policy developments in the past decade seem to have settled the debate on the need for social enterprise law to regulate and develop this type of venture. Thailand is perhaps the first ASEAN country to have taken the initiative in developing a legal and regulatory regime for social enterprise. The remaining question involves proper arrangements for this regime. This question will not be dealt with here (Nuchpiam, 2018, p. 744-757). The paper will simply present a brief examination of the development of a public-policy infrastructure for regulating and promoting social enterprise from about 2010 to the present. This development culminated in the introduction of the Bill on Social Enterprise Promotion in 2015, which is still in the process of consideration by relevant agencies.

A crucial milestone in the evolution of social enterprise law in Thailand was the initiative taken by the Abhisit Vejjajiva government in formally recognising the role of social enterprise as an engine of growth in the early 2010s. The importance of this initiative cannot be over-emphasised. We have seen that Thai social enterprises emerged in a traditional legal environment that did not recognise it as such; its formal recognition, initially by providing it with a definition, represents a vital step towards formal promotion of its development. It should be noted in this connection that the public, private and external sectors were involved in this initial process of social enterprise development.

Two important moves, one private and the other public in nature, should be mentioned. The vital private-sector move, which actually enjoyed full support of various sectors, public and private, was the publication of *Thailand Social Enterprise 50* (Achavanunthakul, 2010). The book provides a definition of social enterprise as well as profiles of '50 good social enterprises' (together with the names and addresses of many other enterprises identified as such) in Thailand. Based on the 'triple bottom-line' concept, the definition provided, perhaps for the first time, formally publicised this idea, which had been accepted worldwide.

Thai society, perhaps also for the first time, had an opportunity to grasp the formal meaning (at least in the sense of its general acceptance) of social enterprise. Although further elaborated, virtually all subsequent formal definitions proposed by the government have followed the triple bottom-line formulation. *Thailand Social Enterprise 50* was published by a private company, but its preparation had been supported by various organisations and individuals in the private as well as public sector (Mr. Abhisit Vejjajiva, Thai prime minister at that time, had written a foreword for the book).

The profiles of the selected 50 social enterprises, together with a long list of names and addresses of others, provide highly valuable information on social enterprises in Thailand. Perhaps even more important in so far as our understanding of social enterprise is concerned,



they make the definition of social enterprise truly meaningful by serving as concrete examples of what we mean by social enterprise as defined in this book. This is a matter of crucial importance: given the vast diversity of legal forms they adopt, if at all, social enterprises are not readily identifiable. Both the definition and the profiles of 50 social enterprises, which describe their respective organisational set-ups, as well as the goals and activities they are pursuing, have the important effect of making Thai social enterprises recognisable – perhaps for the first time!

The publication of *Thailand Social Enterprise 50* indeed represents a crucial first step towards a formal recognition of social enterprise as a type of business venture in this country. At roughly the same time as its publication, there were official moves providing both an official definition of social enterprise and an inchoate infrastructure for its promotion. By this time the government had recognized ‘the importance of business development along with social development and a sustainable environment, for the purpose of reducing inequalities, creating justice, and building up quality society; it therefore pushed through a social enterprise policy’ (Thaipublica, 2018).

An important policy measure was the adoption of a *Master Plan for Social Enterprise Promotion 2010-2014* (Thailand Social Enterprise Office, 2010). The *Master Plan* not only laid down a policy framework for the promotion of social enterprise but also provided a detailed explanation of Thai social enterprise, including its various types. The following year the government issued the Office of the Prime Minister’s Regulations on National Social Enterprise Promotion B.E. 2554 (2011) (Regulations No. 2 were issued in 2017). It was under these Regulations that a Social Enterprise Promotion Committee was set up in the same year, together with a Thailand Social Enterprise Office (TSEO). With these moves we can say that a public-policy infrastructure for the promotion of social enterprise began to be laid down. In taking these measures the Thai government significantly benefited from the support of the British Council, especially in the form of expert advice and study-trips to the UK.

It is unfortunate that the construction of this public-policy infrastructure for promotion of social enterprise encountered a major setback during the following government led by Prime Minister Yingluck Shinawatra, who came to power in August 2011. In particular, the TSEO was phased out. Even though certain forms of promotional activities continued, including the introduction of social enterprise study programmes in some higher educational institutions, without the TSEO, public-policy support for social enterprise was mainly disrupted.

With the coming to power of a military government in May 2014, the situation began to change. It now seems no government can ignore the importance of social enterprise as a major driver of sustainable growth and reduction of poverty and inequalities. A Social Enterprise Promotion Bill was thus introduced in 2015. However, the Bill has suffered a long delay. In mid-2018 it was still being considered by the Cabinet Secretariat. According to Dr. Abhichon Chandrasen, a member of Thailand’s Law Reform Committee:

*one reason for the Bill’s delay involves the need to consider very carefully the provision on the establishment of a social enterprise support fund. The idea is to prevent social enterprise from becoming a fun venture of the rich people. Setting up a social enterprise requires more than just money but rather needs a well-thought out project and a systematic operation for some time. All this, of course, requires financial support.* (cited in Thaipublica, 2018).

Important developments in 2018 include the designation, in April, of the Department of Social Development and Welfare, Ministry of Social Development and Human Security, as the main agency responsible for driving the development of social enterprise. Another important move took place only two months later, when the Ministry of Social Development and Human Security collaborated with the Stock Exchange of Thailand (SET) in organising an event to formally ‘kick off social enterprise: SE’ with a view to creating awareness of the importance

social enterprise and encouraging the participation of the business sector in the development and operation of this type of venture. For this purpose, the Ministry of Social Development and Human Security was taking both policy and legal measures. In particular, it would make every effort to push through the Social Enterprise Promotion Bill as quickly as possible, so that the social enterprise sector could achieve a rapid and sustainable growth. It was expected that as a result of these policy and legal measures, the number of social enterprises would significantly increase (Thaipublica, 2018).

The Draft Social Enterprise Promotion Bill was submitted to the Cabinet in July 2018. Following its approval by the Cabinet in the same month, it was forwarded to the Office of the Council of State for scrutiny and would subsequently be submitted to the National Legislative Assembly (Government Public Relations Department, 2018). It is hoped that it would become law by early 2019.

While the Bill is still in the process of consideration by responsible government agencies before promulgation by the National Legislative Assembly, some practical measures have been taken to promote social enterprise. One such measure is the introduction by the Ministry of Finance of a tax treatment package for social enterprises. Another measure involves the preparation of criteria and procedures for certification of social enterprises. These criteria and procedures have already been announced but have not yet been widely known (Thaipublica, 2018). It was expected that by the end of July 2018 a sub-committee would have completed a scrutiny of the applications for certification; soon after that the Social Enterprise Promotion Committee, which had been formed under the Office of the Prime Minister's Regulations on National Social Enterprise Promotion No. 2 B.E. 2560 (2017), would formally consider the applications. It was expected that a large number of social enterprises would be formally certified as such.

According to Mrs. Napha Sesakorn, director-general of the Department of Social Development and Welfare, many social entrepreneurs expressed their need for public-policy support that would not only drive rapid development of the social enterprise sector but also standardize Thai social enterprises. The director-general assured that though the Social Enterprise Promotion Bill has not yet become law, this is not a matter of particular concern. This is mainly because the Regulations 2011 and 2017 more or less sufficiently contain provisions for the promotion and acceleration of the growth of the sector.

## **OPPORTUNITIES AND CHALLENGES AHEAD**

One can now be at least cautiously optimistic about the future of social enterprise in Thailand. The country is destined to be the first in ASEAN to have developed a social enterprise law. Even though this law, which will hopefully be promulgated sometime next year (barring the technical effect of the National Legislative Assembly being phased out when the new Parliament comes into being following the general elections scheduled for February 2019), does not envisage the introduction of a specific legal form for social enterprise, the overall public-policy infrastructure already in place still serves as a basis for such an optimism. There are, in short, opportunities for the future growth of the social enterprise sector in Thailand.

However, a number of challenges for Thai social enterprise also lie ahead. I have not been able to analyse the Social Enterprise Promotion Bill: this is where some of those challenges lie (Nuchpiam, 2018, p. 746-757). My principal concern is related to the possible practical effects of some provisions of this Bill when it becomes law. I would like to raise here only one issue – that of defining social enterprise. The problem involves the different definitions proposed by different government agencies (the public hearings on this draft legislation also produced their own definition). In particular, the definitions given in the draft legislation and the Royal Decree Issued under the Revenue Code in Relation to Tax Exemption

(No. 621) B.E. 2559 (2016) are not one and the same (Thailand, The Crown, 2016). The practical problems likely to happen are readily understandable: a legal definition requires a strict interpretation, how would we cope with the problem of different, even conflicting, interpretations? Another practical effect of the way social enterprise is defined results from the preference given to ‘a company, a partnership, or any legal person, set up under Thai law’. This means that individuals who wish to operate as ‘sole traders’ would be left out: they would not qualify as ‘social enterprises’ under this legislation (if it eventually becomes law without any change in this provision). Hence, even though I remain cautiously optimistic about the future development of Thai social enterprise, I cannot but anticipate such practical difficulties.

## REFERENCES

- Achavanunthakul, S. (ed.) (2010) *Thailand Social Enterprise 50*. Bangkok: KruntepTurakij.
- Nuchpam, P. (2018) Regulating the third sector in Thailand: the problem of defining social enterprises in the draft legislation on social enterprise promotion. *Thammasat Law Journal*, 47(3), 731-757.
- Thailand, Government Public Relations Department (2018) *Draft Bill on Social Enterprise Promotion*. [Online] Available from: [http://thailand.prd.go.th/1700/ewt/thailand/ewt\\_w3c/ewt\\_news.php?nid=6970&filename=index](http://thailand.prd.go.th/1700/ewt/thailand/ewt_w3c/ewt_news.php?nid=6970&filename=index) [Accessed 1 December 2018].
- Thailand Social Enterprise Office (TSEO) (2010) *Social Enterprise Promotion Master Plan 2010-2014*. Bangkok: TSEO.
- Thailand, The Crown (2016) Royal Decree issued under the Revenue Code in Relation to Tax Exemption (No. 621) B.E. 2559. *The Royal Gazette*, 133 (76A).
- Thailand, Office of the Prime Minister (2011) Office of the Prime Minister’s Regulations on National Social Enterprise Promotion. *Royal Gazette*, 128 (55D).
- Thaipublica (2018) *Government kicking off ‘social enterprise’ to drive business, society, and the environment towards sustainability*. *Thaipublica*. 17 June 2018 [Online] Available from: <https://thaipublica.org/2018/06/social-enterprise/> [in Thai] [Accessed 1 December 2018].

22-DA16-6666

**THE RELATION BETWEEN HOUSING PRICES AND BUSINESS INNOVATION<sup>1</sup>**TSOYU CALVIN LIN<sup>2</sup>**ABSTRACT**

Business Innovation is the momentum of industry competitiveness as well as the foundation of economic growth in a country. ‘The Global Competitiveness Report’ from the ‘World Economic Forum’ (WEP) states that Taiwan used to have advantage in the ‘Global Competitiveness Index’ (GCI), but have tended to regress in recently years. The economy have also slowed down. After the global financial crisis in 2008, Taiwan’s Central Bank launched the ‘Easy Monetary Policy’ through tools of low interest rate and increased monetary supply to stimulate economic growth. The glut of capital flew to real estate markets and caused housing prices to surge. The process of house price ascension and the lucrative investment rate of return have attracted capital from other sectors, which crowded out the capital expenditures in their own industries, especially for high-technology corporations. Consequently, business innovation has been weakened and industry competitiveness has declined, and therefore deteriorated the long-term economic development.

In light of the dilemma of the escalation of real estate prices and business innovation, this study employs the Vector Autoregression (VAR) model to explore the relation between housing prices and business innovation and the resulting economic growth in Taiwan. Results show that the innovation expenditures in the listed manufacturing companies in Taiwan tend to negatively related to previous housing prices. The ratio of ‘long-term capital investment (for manufacturing) to total assets’ also negatively related to previous housing prices. Results indicated that rising housing prices have attracted other sectors to allocate capital to real estate markets and crowded out their innovation and direct investment on their own industries, which may lead to the slowdown of economic development and less employment. Government should take into account of the findings in this study for policy making in the housing sector and industry development.

**Keywords:** Business innovation, Housing prices, Vector autoregression (VAR)

**BACKGROUND**

The economic world has been changing speedily, no matter in the product design or technology innovation. According to a survey to the global enterprises conducted by the ‘McKinsey & Company’ in 2016, 65% of the enterprises consider innovation as the driving forces for enterprise growth in the future. They also rank innovation as the top priority in the development strategy. The World Economic Forum (WEF) also uses innovation as one of the three indices in the evaluation of nations’ competitiveness. Many countries have employed innovation and research as one strategy to bolster the economic development.

According to the empirical analysis of Oosterbeek (2010), decision makers in the US and Europe believed that more input in the Research and Development (R&D) led to higher economic growth. Van Praag (2007) also proved the positive relation between enterprise R&D and economic growth. Schumpeter (1942) indicated that the implementation of innovation would accelerate the process of business cycle. Reinert and Reinert (2006) adopted Schumpeter’s ‘Creative Destruction Theory’ to explain factors to the success of capitalism. He

<sup>1</sup> The author is grateful for the support from the Ministry of Science and Technology in Taiwan (MOST 106-2410-H-004-162), as well as the research assistance from graduate students Ms Hwai-Hsian Tseng and Mr. Yi-Xian Yu.

<sup>2</sup> Professor, Department of Land Economics, National Chengchi University, Taiwan. Tel: +886-2-29393091x50605. E-mail: tsoyulin@nccu.edu.tw

indicated that innovation continuously destroyed existing order and structure and created new economic structure. Economic development is the process of dynamic competition with ‘creative destruction’. Romer (1994) proposed the ‘Endogenous Growth Theory’ and indicated that economic development is the result from inside rather than outside. Through the input of human capital, business innovation and new knowledge, positive externality can be created to spill over the new technology and lead to long-term economic growth. It is obvious from illustrated theories that economic development has close relation with business innovation.

From the perspective of competitiveness evaluation, ‘The Global Competitiveness Report’ issued by The World Economic Forum (WEF) consists 3 Sub-index, which are ‘Basic Requirements’, ‘Efficiency Enhancers’ and ‘Innovation and Sophistication’. The evaluation composite also shows the importance of business innovation and the unsubstitution of products or technology (i.e., sophistication) for competitiveness.

**Table 1: Global competitiveness rankings and scores (selected countries)**

Country	GCI		Basic Requirements		Efficiency Enhancers		Innovation and Sophistication	
	Ranking	Score	Ranking	Score	Ranking	Score	Ranking	Score
Switzerland	1	5.81	2	6.29	3	5.62	<b>1</b>	<b>5.80</b>
Singapore	2	5.72	1	6.37	2	5.73	<b>12</b>	<b>5.25</b>
United States	3	5.70	27	5.43	1	5.85	<b>2</b>	<b>5.63</b>
Netherlands	4	5.57	4	6.12	9	5.38	<b>6</b>	<b>5.52</b>
Germany	5	5.57	10	5.94	7	5.40	<b>3</b>	<b>5.61</b>
Sweden	6	5.53	7	6.06	12	5.31	<b>5</b>	<b>5.54</b>
United Kingdom	7	5.49	23	5.61	5	5.55	<b>9</b>	<b>5.30</b>
Japan	8	5.48	22	5.62	10	5.37	<b>4</b>	<b>5.57</b>
Hong Kong	9	5.48	3	6.23	4	5.58	<b>23</b>	<b>4.80</b>
Finland	10	5.44	12	5.88	14	5.26	<b>7</b>	<b>5.47</b>
Taiwan	14	5.28	14	5.81	16	5.20	<b>17</b>	<b>5.05</b>
Canada	15	5.27	17	5.72	6	5.42	<b>25</b>	<b>4.74</b>
Australia	22	5.19	15	5.81	13	5.27	<b>27</b>	<b>4.65</b>
Korea	26	5.03	19	5.71	26	4.88	<b>22</b>	<b>4.81</b>
China	28	4.95	30	5.34	30	4.79	<b>29</b>	<b>4.22</b>

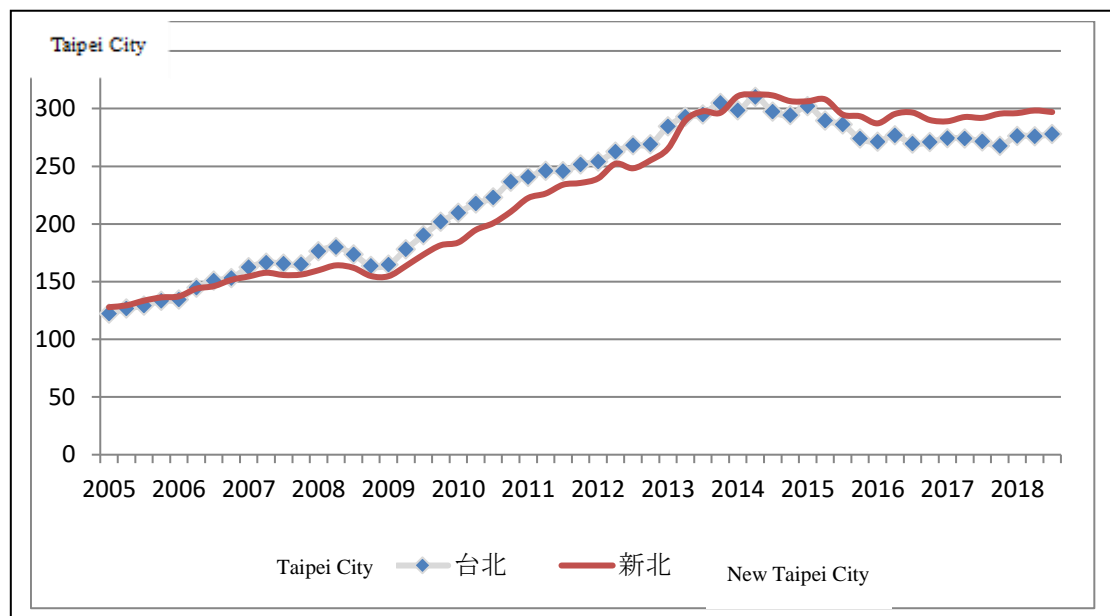
*Source: Global Competitiveness Report, WEF (2017).*

After the 2008 Subprime Mortgage Crisis, the United States launched the ‘Quantitative Easing’ (QE) policy, followed by many other countries in Europe and Asia. The QE Policy intended to stimulate the economic growth through the expansion of monetary supply and low interest rates. According to the ‘Quantity Theory of Money’, the ‘Fisher Transaction Equation’ illustrates:  $MV=PQ$ . M is the money supply, and V is the speed of money flow. P is the price level of inflation index, and Q is the aggregate output or economic growth. After 10 years, the economy did not show the strong rebound but the asset prices (especially real estate markets) already inflated in many countries. According the composition of Gross Domestic Products:  $GDP = C+I+G+(Ex-Im)$ , Lin, Hsu and Lin (2015) explained that the bubble effect in the

housing markets after the QE policy has lifted the mortgage payments in relation to income (i.e., Payment-to-Income, or PTI ratio) of home buyers and crowded out the consumption capability. The consumption element usually accounts for at least 60% of the GDP for most countries, which consequently imposed the negative impact on the economic development or GDP figures.

From investors' perspective, manufacturing and R&D do not gain short-term payoffs easily. Figure 1 shows the trend of housing prices of Taipei City and New Taipei City in Taiwan. Housing prices in both cities doubled after the 2009 QE Policy in 5 years. As compared with real estate's lucrative annual return of 20%,<sup>3</sup> manufacturing (3%-4% gross return) seems to be the 'sweat shop', not to mention the invisible return in the short run for innovation. Some business owners or individuals with free cash or financing channels were attracted to expand the portfolio branch on real estate markets<sup>4</sup>, which nevertheless crowded out the budget on manufacturing and R&D. Figure 2 shows the comparison of investment return on real estate sector and manufacturing sector in Taiwan.

**Figure 1: The trend of housing prices of Taipei City and New Taipei City in Taiwan (2005-2018)**

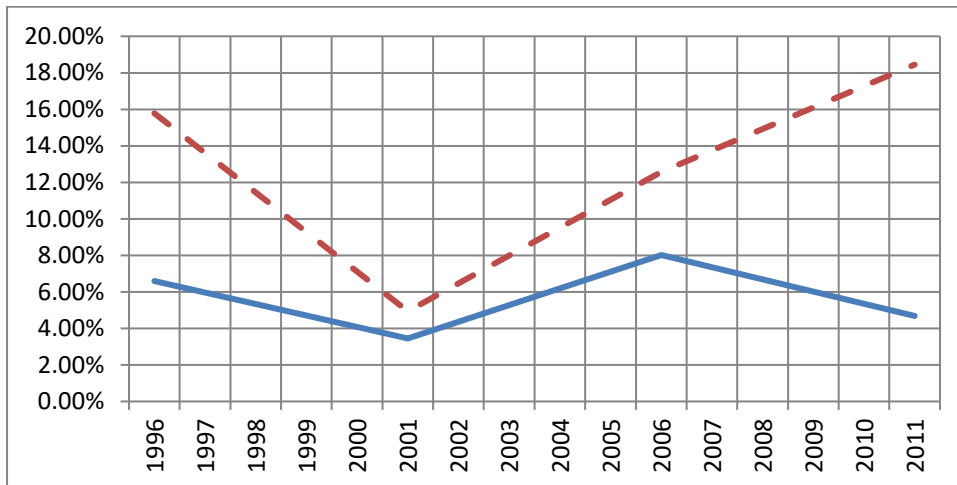


Source: XinYi Housing Price Index, Taiwan (2018).

<sup>3</sup> The average real estate prices doubled from 2009-2014 in most cities in Taiwan after implementation of the QE policy. The average investment annual return on real estate markets is 20% during this period.

<sup>4</sup> For example, some companies in the car industry and computer or electronic industry in Taiwan also started to invest on real estate sectors through capitals from companies or individuals.

**Figure 2: The investment return on real estate sector and manufacturing sector in Taiwan, 1996-2011**



*Note: Avg annual ror, Real Estate Sector (---) vs Manufacturing Sector (—).*

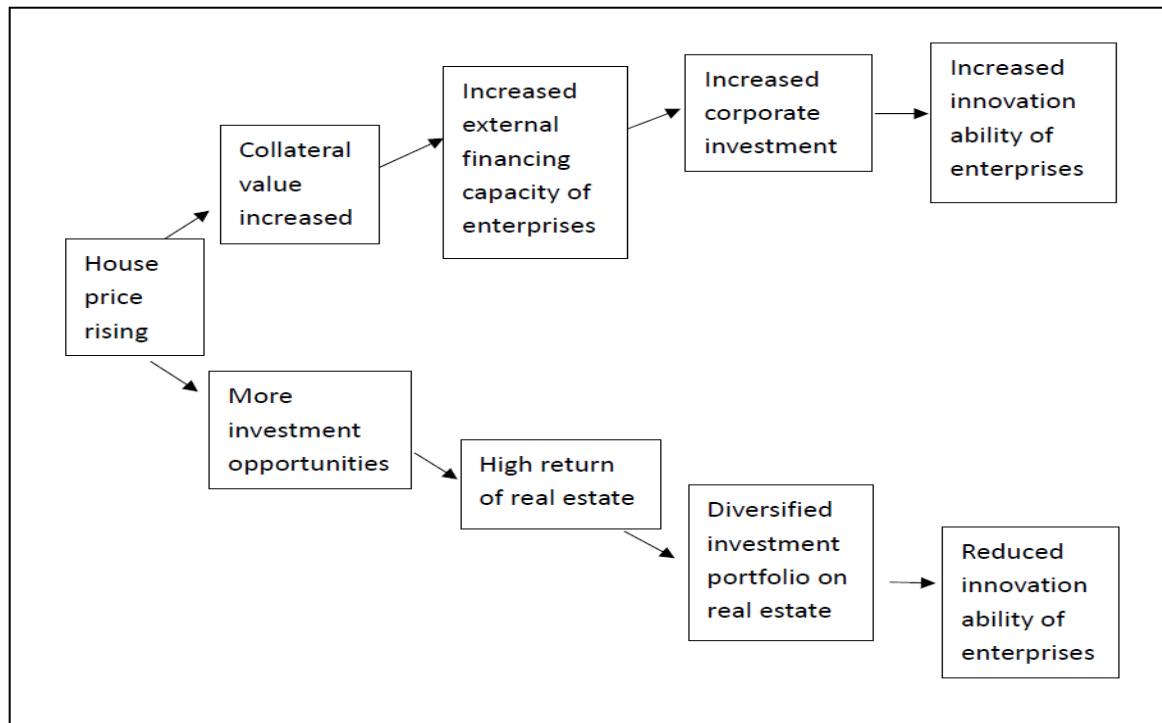
*Source: The Department of Statistics, Taiwan.*

Some studies indicate that as real estate prices increase, collateral value also increase. Corporate may enhance the external financing capability and invest more capital on manufacturing and R&D, which may have positive impact on innovation (Barro, 1976; Stiglitz and Weiss, 1981; Hart and Moore, 1994). As discussed, however, increasing housing prices may also attract corporates or individuals to divert capitals on real estate sector and negatively affect innovation (Miao and Wang, 2012). Wheaton and Wheaton (1972) indicated that investment on housing sector would crowd out the manufacturing activities or infrastructure in the developing stage. They argued that resources should be allocated on manufacturing assets for further economic development. As income increases and unemployment declines after developed, capital can thus be channeled to the housing sector. Strassman (1970) also stressed that investment on housing sector is an inefficient pattern of consumption expenditure since it limited the liquidity of long-term capital.

Rong (2016) examined 35 cities in China and found that the escalation of housing prices manufacturing industries to diversify portfolio on real estate sector, and negatively affect the manufacturing innovation. The higher the housing prices increase, the more the negative effect is on the innovation. Figure 3 shows the possible two paths of the impact of real estate price change on business innovation.

Green (1997) employed the Granger causality model to test the GDP and residential and non-residential investment from 1959 to 1992. Results showed that residential investment led GDP, but GDP led non-residential investment. Coulson and Kim (2000), Wen (2001) and Gauger and Snyder (2003) also had similar conclusions. However, research results in other countries are not consistent. Kim (2002) indicated that GDP led residential investment rather than lagging behind. Hercowitz (1991) found out various results according to different sample periods. He concluded that residential investment led economic development in the 1980s in Korea. In the 1970 and 1990, however, residential investment grow together with economy.

In light of the possible paths that real estate prices may encourage more innovation or crowd out innovation capacity due to portfolio diversification, this study intends to explore the relation between housing prices and business innovation through empirical analysis.

**Figure 3: Two paths of the impact of real estate price change on business innovation****RESEARCH METHOD****Models**

The time-series analysis method is employed in this study to examine the long-term relation among variables. There are two models to be tested.

The first model intends to test whether high housing prices affect the business innovation expenses (i.e., the Ratio of R&D Expenses to GDP). Independent variables include housing price indices, profit rates on real estate markets, profit rates on manufacturing industries, stock market indices, money supply (M2), inflation rates, market interest rates and GDP growth rates.

The second model is to test whether high housing prices affects manufacturing elements, e.g., the Ratio of Land and Buildings (for manufacturing) to Assets (LBA). The dependent variable is the LBA for manufacturing industries (excluding real estate and construction industry). Independent variables include housing price indices, profit rates on real estate markets, profit rates on manufacturing industries, stock market indices, inflation rates and market interest rates.

Both models will be examined by time-series analysis. Variables will be tested for their stationarity through unit root test. The Augmented Dickey Fuller (ADF) approach proposed by Said and Dickey (1984) will be adopted. The structural change of variables will be tested through the 'Cumulative Sum of the Recursive Residuals' (CUSUM) approach.

If variables are tested as non-stationary, cointegration tests will be conducted by Johansen (1988) test. The hypotheses are:



$H_0$ :  $X_t$  and  $Y_t$  do not have cointegration relation

$H_1$ :  $X_t$  and  $Y_t$  have cointegration relation

Suppose that time series variable  $X_t$  is the  $I(1)$  vector of  $n \times 1$ , the relation can be shown as the following equation after taking difference:

$$Y_t = A_0 + A_1 Y_{t-1} + A_2 Y_{t-2} + \dots + A_q Y_{t-q} + \varepsilon_t$$

Where  $i=1, 2, 3, \dots, k-1$ ,  $I$  is the unit matrix, and  $\Delta Y_t$  are the fixed asset investment for manufacturing industries, output of new products, the ratio of R&D expenses to GDP, and output of patents after first difference.

The relation between variables will be tested by the Vector Autoregression (VAR) approach, which was proposed by Sim (1980):

$$Y_{t=\alpha_0} + \sum_{i=1}^p \alpha_i Y_{t-i} + \varepsilon_t$$

$$E(\varepsilon_t) = 0 \cdot E(\varepsilon_t \cdot \Delta Y_{t-1}) = 0 \cdot t \neq s \cdot i = 1 \cdot 2 \cdot 3 \dots n.$$

The appropriate lag period will be selected by AIC and SBC methods.

The first model examines the causality between housing prices (HPI<sub>t</sub>) and the ratio of R&D expenses (R&D<sub>t</sub>). The hypotheses are:

$H_0$ :  $\alpha_{ij} = \beta_{ij} = 0$ , indicating no causality.

$H_1$ :  $\alpha_{ij} \neq 0$ ,  $\beta_{ij} \neq 0$ , indicating that the causality relation exists.

$$\begin{aligned} R\&D_t &= \sum_{i=1}^m \alpha_{1i} HPI_{t-i} + \sum_{j=1}^m \beta_j R\&D_{t-j} + u_t \\ HPI_t &= \sum_{i=1}^m \gamma_i HPI_{t-i} + \sum_{j=1}^m \delta_j R\&D_{t-j} + v_t \end{aligned}$$

The second model explores how housing prices (HPI<sub>t</sub>) affect the Ratio of Land and Buildings (for manufacturing) to Assets (LBA) i.e., whether if more investment on real estate markets crowds out manufacturing elements (e.g., land for manufacturing).

## Sources of Data

Samples collected in this study are 2057 listed manufacturing companies in Taiwan's stock market, including cement, food, plastic, textile, electronics, chemicals, medical techniques, paper, steel, rubber, glass/ceramic, and vehicle industries (not including construction industry). Sample period is 2008 Q1 to 2016Q4 of total 36-quarter data. Variables and sources are specified in Table 2.

**Table 2: Variables and data sources**

	Variables	Data Source	Period
Dependent Variable (1)	Ratio of R&D Expenses to GDP	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4
Dependent Variable (2)	Ratio of Land and Buildings (for manufacturing) to Asset (LBA)	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4

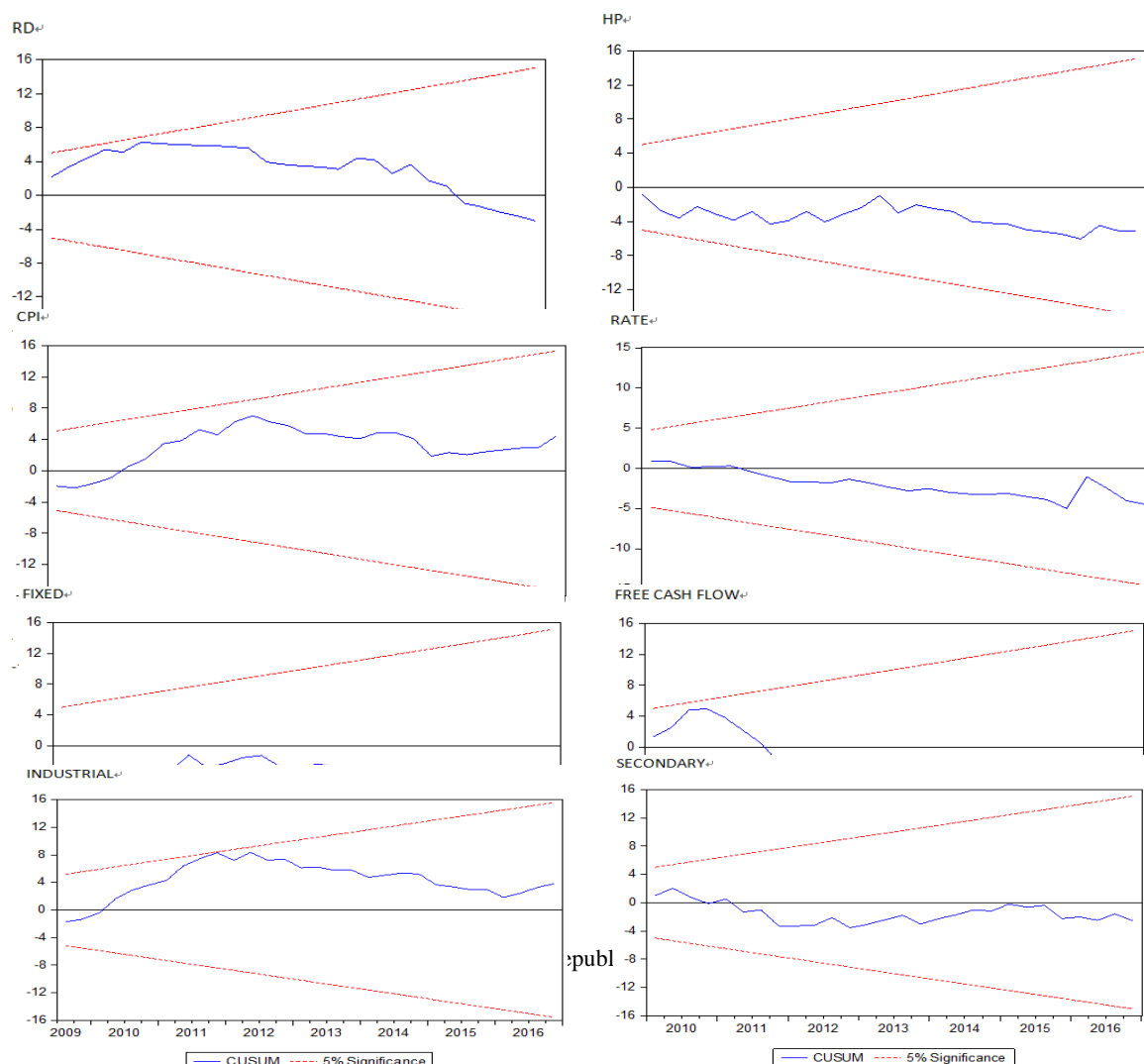
Independent Variables	House Price Index	XinYi House Price Index	2008Q1-2016Q4
	Profit Rates on Real Estate Markets	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4
	Stock Market Index	Central Bank, Taiwan	2008Q1-2016Q4
	Money Supply (M2)	Central Bank, Taiwan	2008Q1-2016Q4
	Inflation Rates	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4
	Market interest rates	Central Bank, Taiwan	2008Q1-2016Q4
	Profit Rates on Manufacturing Industries	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4
	GDP Growth Rate	Directorate-General of Budget, Accounting and Statistics, Taiwan	2008Q1-2016Q4

## EMPIRICAL RESULTS

### CUSUM test

The sample period ranges from 2008Q1 to 2016Q4. The CUSUM is adopted to examine whether there are structural changes for these variables. Figure 4 shows that all variables fell within the 5% significance threshold, indicating that there is no problem of structural changes for variables in the sample period.

**Figure 4: Results of CUSUM tests on research variables**



## Model 1: the ratio of R&D expenses

### Unit-root tests

The unit-root tests are conducted to examine the stationarity of research variables. Results are shown on Table 3. Results show that RD (the Ratio of R&D Expenses), GDP, FREE (Free cash flow), and Secondary (ratio of secondary industry) reject the hypothesis of unit root. Other variables (M2, CPI, Rate, Fixed, Industrial) need to take the first difference for stationarity.

**Table 3: Unit-root tests for research variables (model 1)**

Variables	Level		1st difference		lag
	ADF test	PP test	ADF test	PP test	
RD	-4.714548***	-4.212547**			2
HP	-3.724040**	-3.459657*			1
GDP	-3.404633*	-3.880367**			7
M2	-1.392957	-2.382571	-12.54586***	-10.11137***	15
CPI	-2.680177	-3.118622	-8.220623***	-7.344009***	1
RATE	-4.462182***	-2.572327	-3.943416**	-4.994195***	6
FIXED	-4.186244**	-2.817507	-4.624207***	-4.894091***	5
FREE	-7.423611***	-7.299673***			1
INDUSTRIAL	-0.838420	-0.744573	-3.329985*	-5.342713***	4
SECONDARY	-3.301077*	-4.384863***			15

*Note: \*, \*\* and \*\*\* denote that results reject the hypotheses of unit root under significance level of 10%, 5% and 1%, respectively.*

### Vector Autoregression (VAR)

The Vector Autoregression (VAR) analysis is conducted for the relation between the ‘Ratio of R&D expenses (RD)’ and its previous term (RD(-1)) as well as other variables. Results of the VAR are shown on Table 4. The ratio of R&D expenses of previous term is negatively related with current R&D. This might be attributed to the pattern of periodic capital expenditure of R&D investment, rather than continuous expanding. As for the influence from house prices, it is worth noting that previous term of Housing Prices had negative impact on the ratio of R&D expenses, which confirms the first hypothesis in this study. The rising house prices attract corporates to invest on real estate sector and reduce the subsequent R&D expenses. Interest rates imposed positive impact on R&D since the high cost of capital would deter corporates from investing on real estate, thus leaving more capital expenditures for R&D. Fixed Asset Investment of previous term (i.e., Real Estate Investment) also has negative impact on R&D since the corporates had spent capital on acquiring fixed assets or real properties and crowded out the R&D expenses. The Free Cash Flow and Industrial Loan of previous term both have positive impact on R&D since corporates tend to invest more on R&D as source of capital is abundant.

**Table 4: Results of VAR analysis on the ratio of R&D expenses**

Variables	R&D	t value
RD(-1)	-0.303652**	[-1.98075]
HP(-1)	-0.043423*	[-1.55955]
GDP(-1)	1.13E-07	[0.45817]
RATE_D(-1)	1.514498***	[ 2.65671]
FIXED_D(-1)	-0.083089***	[-1.36987]
FREE CASH FLOW(-1)	0.106173*	[ 1.54019]
INDUSTRIAL_D(-1)	0.330850***	[ 2.52724]
SECONDARY(-1)	0.008340	[ 0.13727]
M2_D(-1)	1.07E-09	[ 0.25838]
CPI_D(-1)	-0.000429	[-0.48855]
C	0.017179	[ 0.85590]

Note: 1. \*, \*\* and \*\*\* indicate 10%, 5% and 1% significance levels, respectively. 2. The term of lags is selected through results of AIC tests.

### Model 2: the ratio of land and buildings (for manufacturing) to assets (LBA)

Model 2 includes the ‘Ratio of Land and Buildings (for manufacturing) to Assets (LBA) to examine how rising housing prices affect the manufacturing land, which is an important element for production.

#### Unit-root tests

Table 5 shows the results of unit-root tests. All variables show stationary after the first difference.

**Table 5: Unit-root tests for research variables (model 2)**

Variables	Level		1st difference		Lag period
	ADF test	PP test	ADF test	PP test	
LBA	-2.288199	-3.382474*	-5.051998***	-10.51733***	2
HP	-3.724040**	-3.459657*			1
GDP	-3.404633*	-3.880367**			7
M2	-1.392957	-2.382571	-12.54586***	-10.11137***	15
CPI	-2.680177	-3.118622	-8.220623***	-7.344009***	1
RATE	-4.462182***	-2.572327	-3.943416**	-4.994195***	6
FREE	-7.423611***	-7.299673***			1

#### Vector Autoregression (VAR)

Model 2 includes the ‘Ratio of Land and Buildings (for manufacturing) to Assets (LBA)’, Increase of House Prices (HP), CPI, Money Supply (M2), Market Interest Rate (Rate), GDP and Free Cash Flow (FREE) for VAR analysis. The lag is 4 terms according to AIC and SC criteria. Results of the VAR analysis is on Table 6.

In Table 6, the LBA ratios of previous terms are positively related to the current term, indicating that manufacturing activities are on-going issues if corporates are concerned with production. Housing prices of previous terms (-1 and -3) both had negative impact on LBA, implying that as house prices rose, corporates inclined to acquire less land or buildings for

manufacturing since investment on long-term assets (e.g., real estate laundry) is more lucrative than direct manufacturing. More money supply (M2) also led to higher house prices, and less LBA.

## CONCLUSION

This study collected data in Taiwan from 2008 to 2016 and employed the VAR model to test the housing prices and innovation indicators for manufacturing industries. The first model showed that rising housing prices had negative impact on the ratio of R&D expenses. As the house prices increased, especially resulted from lax monetary policy rather than economic growth, corporates tend to invest on real estate sector for profits instead of engaging in manufacturing. As discussed in the first section, R&D is crucial to the secondary industry and subsequent economic development. Without continuous input in R&D, techniques required by manufacturing may lose the competitiveness in the market gradually.

**Table 6: Results of VAR analysis on the ratio of land and buildings (for manufacturing) to assets (LBA)**

Variables	LBA	t value
LBA_D(-1)	3.378642**	1.79529
LBA_D (-2)	2.571325*	1.99264
LBA_D (-3)	-0.001062	-0.00235
LBA_D (-4)	0.951936***	2.58573
HP(-1)	-0.517488**	-2.10539
HP(-2)	0.006329	0.07034
HP(-3)	-0.238870***	-2.61775
HP(-4)	0.154170	1.40652
CPI_D(-1)	- 0.011558***	-3.56207
CPI_D(-2)	0.013502***	3.37629
CPI_D(-3)	- 0.016269**	-2.37512
CPI_D(-4)	- 0.001765	-0.66193
M2_D(-1)	-3.37E-08**	-2.00432
M2_D(-2)	1.09E-08	1.00300
M2_D(-3)	-4.20E-08***	-2.98981
M2_D(-4)	9.54E-09	1.07548
RATE_D(-1)	0.053773***	3.06314
RATE_D (-2)	-0.093668***	-2.71404
RATE_D (-3)	-0.004669	-0.26157
RATE_D (-4)	0.006823	0.55756
AVERAGEGDP(-1)	2.09E-06	1.10914
AVERAGEGDP(-2)	1.09E-06	1.00371
AVERAGEGDP(-3)	-2.14E-06*	-1.33507

AVERAGEGDP(-4)	-1.14E-06	-1.29544
FREE_CASH_FLOW_R(-1)	-0.033088	-0.20808
FREE_CASH_FLOW_R(-2)	0.202226	0.54034
FREE_CASH_FLOW_R(-3)	0.999557**	1.79816
FREE_CASH_FLOW_R(-4)	0.415479*	1.65344
C	-0.027671	-0.68024

The second model found that rising house prices led corporates to acquire less land (and buildings) for manufacturing. It is assumed that corporates allocated capitals on real estate investment rather than on land for manufacturing since indirect real estate investment is more lucrative than direct manufacturing.

Combining the results from both models, we can conclude that rising real estate prices, especially driven by lax monetary policy rather than strong economic performance, tends to attract corporates to allocate capitals on indirect investment (e.g., real estate) for passive and lucrative profits. As corporates' investment on real estate crowds out the budgets on innovation (e.g., R&D and manufacturing elements), the competitiveness of manufacturing sectors may be deteriorated, and consequently impair the economy performance. Several listed companies in different industries (e.g., car industry and electronic industry) in Taiwan are examples of investment on real estate with capitals from corporates or individuals. Although diversification is an alternative strategy for the direction of corporations, the decline of R&D expenses and land for manufacturing in the empirical analysis implies that policy makers should be aware how inflating real estate markets affects direct investment in other industries and subsequent economic development.

## REFERENCES

- Almeida, H. and Campello, M. (2007) Financial constraints, asset tangibility, and corporate investment. *Review of Financial Studies*, 20 (5), 1429-1460.
- Ansoff, I. (1965) *Corporate Strategy*. New York: McGraw-Hill.
- Barro, R. (1976) The loan market, collateral, and rates of interest. *Journal of Money, Credit and Banking*, 8 (4), 439-456.
- Baysinger, B. and Hoskisson, R. (1989) Diversification strategy and R&D intensity in multiproduct firms. *The Academy of Management Journal*, 32 (2), 310-332
- Bharath, S., Pasquariello, P. and Wu, G. (2009) Does asymmetric information drive capital structure decisions? *Review of Financial Studies*, 22 (8), 3211-3243.
- Bol  at, M. and Coles, A. (1987) *The Mortgage Market: Theory and Practice of Housing Finance*. London: Allen and Unwin.
- Coulson, N. and Kim, M. (2000) Residential investment, non-residential investment and GDP. *Real Estate Economics*, 28 (2), 233-247.
- Chaney, T., Sraer, D. and Thesmar, D. (2012) The collateral channel: how real estate shocks affect corporate investment. *American Economic Review*, 102 (6), 2381-2409.
- Gan, J. (2007) Collateral, debt capacity, and corporate investment: evidence from a natural experiment. *Journal of Financial Economics*, 85 (3), 709-734.
- Ganger, J. and Snyder, T. (2003) Residential fixed investment and the macroeconomy: has deregulation altered key relationships? *Journal of Real Estate Finance and Economics*, 27 (3), 335-354.
- Giambona, E. and Campello, M. (2010) *Capital Structure and the Redeployability of Tangible Assets*. Working Paper. Amsterdam: Universite van Amsterdam.

- Green, R. (1997) Follow the leader: how changes in residential and non-residential investment predict changes in GDP. *Real Estate Economics*, 25 (2), 253-270.
- Greenwood, J. and Hercowitz, Z. (1991) The allocation of capital and time over the business cycle. *Journal of Political Economy*, 99 (6), 1188-1214.
- Grossman, G. and Yanagawa, N. (1993) Asset bubbles and endogenous growth. *Journal of Monetary Economics*, 31 (1), 3-19
- Harris, R. and Arku, G. (2005) Housing and economic development: the evolution of an idea since 1945. *Habitat International*, 30, 1007-1017.
- Hart, O. and Moore, J. (1995) Debt and seniority: an analysis of the role of hard claims in constraining management. *The American Economic Review*, 85 (3) 567-585.
- Hirano, T. and Yanagawa, N. (2010) *Asset bubbles, endogenous growth, and financial frictions*. Working Paper 36. Tokyo: Hitotsubashi University.
- Hitt, M. et al. (1991) Effect of acquisitions on R&D inputs and outputs. *Academy of Management Journal*, 34 (3), 693-706.
- Hoskisson, R. and Johnson, R. (1992) Corporate restructuring and strategic change: the effect on diversification strategy and R&D intensity. *Strategic Management Journal*, 13 (8), 625-634.
- Kim, K. (2004) Housing and the Korean economy. *Journal of Housing Economics*, 13 (4), 321-341.
- Kim, M. (2002) A comparative study on residential investment and non-residential investment in GDP fluctuation. *7<sup>th</sup> AsRES Conference*, 4-6 July 2002, Seoul.
- Kotler, P., and Andreasen, R. (1987) *Strategic Marketing for Nonprofit Organizations*, Englewood Cliffs, NJ: Prentice-Hall.
- Leamer, E. (2007) *Housing is the business cycle*. NBER Working Paper 13428. Cambridge, MA: NBER.
- Lin, T., Hsu, H. and Lin, Y. (2015) The influence of house prices on economic growth and consumption. 2015 Joint Conference of American Real Estate Society (ARES), Asia Real Estate Society (AsRES) and Global Chinese Real Estate Congress (GCREC), Washington, DC.
- Liu, H., Park, Y. and Zheng, S. (2002) The interaction between housing investment and economic growth in China. *International Real Estate Review*, 5 (1), 40-60.
- MacKay, P. and Phillips, G. (2005) How does industry affect firm financial structure. *Review of Financial Studies*, 18 (4), 1433-1466.
- Martin, S. (2001) *Advanced Industrial Economics*. 2nd ed., Oxford: Basil Blackwell.
- Miao, J. and Wang, P. (2012) *Sectoral bubbles and endogenous growth*. Society for Economic Dynamics Meeting Paper 227. Minneapolis, MN: SED.
- Porter, M. (1998) *The Competitive Advantage of Nations*. 6th ed., New York: Free Press.
- Nahm, J. (2002) *Three essays on home production and business cycles*. PhD. University of California, LA.
- Olivier, J. (2000) Growth-enhancing bubbles. *International Economic Review*, 41 (1), 133-151
- Oosterbeek, H., Van Praag, C. and Ijsselstein, A. (2010) The impact of entrepreneurship education on entrepreneurship skills and motivation. *European Economic Review*, 54 (3), 442-454.
- Peek, J. and Rosengren, E. (2000) Collateral damage: effects of the Japanese bank crisis on real activity in the United States. *American Economic Review*, 90 (1), 30-45.
- Rampini, A. and Viswanathan, S. (2013) Collateral and capital structure. *Journal of Financial Economics*, 109 (2), 466-492.
- Reinert, H., and Reinert, E. (2006) Creative destruction in economics: Nietzsche, Sombart, Schumpeter. In: J. G. Backhaus and W. Drechsler (eds), *Friedrich Nietzsche 1844-2000*. London: Springer.

- Romer, P. (1994) Endogenous technological change. *Journal of Political Economy*, 98 (5), 71-102.
- Rong, A. (2016) Housing price appreciation, investment opportunity, and firm innovation: Evidence from China. *Journal of Housing Economics*, 33, 34-58
- Samuelson, R. (1958) An exact consumption-loan model of interest with or without the social connivance of money. *Journal of Political Economy*, 66 (6), 467-482.
- Schumpeter, J. (1942) *Capitalism, Socialism and Democracy*. London: Unwin.
- Solow, R. (1956) A contribution to the theory of economic growth. *Quarterly Journal of Economics*, 70 (1), 65-94.
- Stiglitz, J. and Weiss, A. (1981) Credit rationing in markets with imperfect information. *American Economic Review*, 71 (3), 393-410.
- Strassman, W. (1970) Construction productivity and employment in developing countries. *International Labour Review*, 101, 503-518.
- Tirole, J. (1985) Asset bubbles and overlapping generations. *Econometrica*, 53 (5), 1071-1100.
- Van Praag, C. and Versloot, P. (2007) What is the value of entrepreneurship? A review of recent research. *Small Business Economics*, 29 (4), 351-382.
- Wen, Y. (2001) Residential investment and economic growth. *Annals of Economics and Finance*, 2 (2), 437-444.
- Wheaton, W. and Wheaton, M. (1972) Urban housing in economic development. In: D. Dwyer (ed.), *The City as a Centre of Change in Asia*. Hong Kong: Hong Kong University Press.
- Wu, J. and Deng, Y. (2013) Is there evidence of a real estate collateral channel effect on listed firm investment in China? NBER Working Paper 13641. Cambridge, MA: NBER.



27-DA21-6943

## TRANSFORMATION OF THE INSTITUTIONALITY OF INTERNATIONAL COOPERATION IN ECUADOR FROM 2007 TO 2017: A CASE OF STATE IDENTITY AFFIRMATION THROUGH ROLE PERFORMANCE

NATALIA CAROLINA ENCALADA CASTILLO<sup>1</sup>

### ABSTRACT

Within the framework of the state of ‘Good Living’, President Rafael Correa intended a radical policy change regarding the institutionality of international cooperation in Ecuador. This intention led to regulatory changes in the reception of cooperation, as well as to the initiative to become a donor through the ‘South-South Cooperation’ approach. Therefore, two questions are posed: What were the factors that motivated the transformation of the institutionality of international cooperation in Ecuador from 2007 to 2017? and, what were the implications of this transformation in terms of the international role of the country?

This paper seeks to answer these questions through Role Theory from a Constructivist meta-theoretical perspective. It is argued that the state identity which was intended to be build was only possible to affirm through specific roles such as ‘sovereign recipient of cooperation’ and ‘donor of international cooperation’. However, the performance of these roles was problematic as they were not easily accepted by other international actors. It is concluded that although several objective factors motivated this transformation, the essential basis of it was the search for a new state identity to be projected in the international arena.

**Keywords:** International cooperation, Ecuador, Institutionality, Role theory, Constructivism.

### INTRODUCTION

The administration of President Rafael Correa in Ecuador (2007-2017) intended to generate deep changes in the domestic and international politics fields, which needed to be formalised at the level of law but also at the level of institutions. Ecuador had been until then, a passive country in the international arena in terms of its foreign policy, as a recipient of aid for development usually from ‘Northern’ countries, such as the United States or European nations (Chávez, 2008). This has strengthened ties with these countries but also has been seen as a way of dependence and political influence from them regarding the objectives and results of those cooperation flows. Therefore, the Correa administration looked for a new way of managing cooperation, in order to empower Ecuador to negotiate cooperation objectives which effectively benefit the country and the national interests. All these efforts were conducted within an ideological framework: the XXI Century Socialism (Zepeda, 2011).

Regarding the institutional transformations conducted during the analysed period in the field of non-reimbursable international cooperation in Ecuador, we may mention some important benchmarks which are explained in Table 1. All these changes show an intense search of improving the management of international cooperation in the country, but also trigger two main questions: What were the factors that motivated the transformation of the institutionality of international cooperation in Ecuador from 2007 to 2017? and, what were the implications of this transformation in terms of the international role of the country?

---

<sup>1</sup> Natalia Carolina Encalada Castillo, MSc., Lecturer and Researcher, Universidad Internacional del Ecuador, naencaladaca@uide.edu.ec

**Table 1: Benchmarks of the institutional transformation in the field of international cooperation in Ecuador from 2007 to 2017**

Year	Event
2007	The Ecuadorian System of International Cooperation (SECI) and within it, the Ecuadorian Agency for International Cooperation (AGECI) were created – This last institution was attached to the National Secretariat of Planning and Development (SENPLADES).
2010	The AGECI becomes the Technical Secretariat for International Cooperation (SETECI), which continues to be attached to SENPLADES according to national planning objectives.
2011	The SETECI is now attached to the Ministry of Foreign Affairs, Trade and Integration, changing its national planning focus to a foreign policy one.
2016	The SETECI has been eliminated, and the management, planning, regulation and control of cooperation is assumed by the Under-secretariat of International Cooperation within the Ministry of Foreign Affairs and Human Mobility (MREMH).

*Sources:* (AGECI, 2010; SETECI, 2015; MREMH, 2016)

The main argument of this paper is that the process of institutional transformation of international cooperation in Ecuador responded to objective factors such as the need of support for the transformation of Ecuador's productive matrix; approach to new cooperation partners; reinforcement of state control and monitoring of cooperation flows, as well as the aim to achieve a better alignment of cooperation with domestic needs. However, the essential basis of these changes was the search for a new identity for the country at an international level, which in practice needed to be affirmed by the performance of two specific roles: 'sovereign recipient of cooperation' and 'donor of international cooperation'. This identity affirmation was partially fulfilled because the performance of the mentioned roles was difficult mainly due to the limited acceptance and collaboration from other actors in the international field, such as developed countries who traditionally have supported Ecuador through cooperation, developing countries who were offered Ecuadorian South-South Cooperation, multilateral organisations, and some international NGOs.

## THEORY

The case analysis is conducted through the elements of Role Theory which has been present in the subfield of Foreign Policy Analysis from the 1970s and brings the theoretical richness of other disciplines such as Sociology or Social Psychology to International Relations. This approach has been recently further developed within a Constructivist meta-theoretical framework to understand how roles of the state and other actors are socially constructed, and the implications they have for the international system. Thus, Role Theory allows conducting a comprehensive analysis of the units and the system (McCourt, 2011; Thies and Breuning, 2012; Cantir and Kaarbo, 2012).

According to Mc Court (2011, p. 1604), state identity can be defined as the 'Self of the state', comprising all the ideas and images a country has of itself. However, for him this identity must be affirmed through role performance, considering that 'roles' are the expectations the other international actors have regarding a specific actor proper behavior in world politics (McCourt, 2011). Furthermore, the congruence of expectations from ego (the country itself) and alter (the other actors) is necessary to favor the role location process (Cantir and Kaarbo, 2016). Therefore, the image of the self cannot be affirmed if social roles related to that identity are not accepted by the other actors. In the analysed case, the new identity which was intended

to be projected internationally by Ecuador needed to be affirmed by the performance of specific roles, which will be analysed in the following paragraphs.

The idea of a social construction of the different identities and roles performed in the international arena is compatible with the principles argued by Alexander Wendt (1992) who give importance to the social processes of interaction among international actors and how these processes transform identities and interests. In this case, it is observed that the Ecuadorian national interests are built not only on the basis of material factors, but mainly within the framework of a specific state identity. Moreover, the co-constitution of agency and structure opens the possibility that small agents such as Ecuador questioned the structure and tried to change it (Wendt, 1999).

## METHODS

Considering that the Constructivist perspective focuses on the role of ideas and interpretation in international politics, in terms of methodology, the dynamics related to the institutional transformation of international cooperation in Ecuador are analysed in a qualitative way, mainly through the interpretive analysis of the discourse of high-level decision makers. This has been possible through the conduction of personal interviews to key actors as well as document-based research of secondary sources related to the case, including official documents and media material. Additional evidence is also provided including figures and other relevant information.

## FINDINGS

It has been observed that a variety of factors motivated the institutional transformation of international cooperation in Ecuador. These factors have been classified in two categories: Objective factors (motivations related to material and/or objective benefits for the country) and Identity factors (motivations related to the appropriate behavior according to a specific state identity). Wendt (1999, p. 135) argues that Social Constructivism accepts that material factors are important in international politics, however, ideational factors are more important, considering that 'power and interest [...] are constituted more by ideas than material forces'. Indeed, in this case, even if factors have been classified into two categories, it is clear that the ideational factors related to the search for a new identity influenced the material interests too.

### Ordering cooperation motivated by objective factors

The 'transformation of Ecuador's productive matrix' was one of the main national objectives as often observed in Correa's discourse. As part of this change and bearing in mind that since the 1980s Ecuador is considered as a middle-income nation; his administration established that all the international cooperation received by the country should be aligned to the objectives of enhancing human talent, science, and technology, arguing that Ecuador did not need international cooperation for other goals (SETECI, 2013a). These expectations have been partially accomplished for example through the South Korean cooperation for the project of Yachay Technological University, as well as academic scholarships for Ecuadorian students in Korea (ECLAC, 2016). However, other projects such as the intention of getting non-reimbursable funds from the international community in order to avoid the oil extraction of the Yasuni Area, one of the most biodiverse territories in the world, failed because the Correa administration wanted to use this funding without restriction to environmental objectives only, claiming social needs and poverty (Ecuadorian Public Media, 2013). It is important to note that the search for a change in the productive structure which intended to avoid dependence of developed countries was part of a new state identity framework.

*'[Ecuador] is a middle-income country currently [...] we can address our education, our health, if we correctly manage our resources [...] we focus cooperation basically on human*

talent, science, and technology, which is what we need for development [...] (Remarks by Rafael Correa, Former President of Ecuador)] (SETECI, 2013a, p. 1)

In addition, cooperation was considered a foreign policy tool to strengthen relations with new partners. This was the case of China, with which Ecuador even signed a Strategic Alliance Partnership in several areas such as politics, security, economy, trade, finance, investment, education, science, technology, innovation, culture, sports, health, tourism and environmental protection (People's Republic of China; Republic of Ecuador, 2015). In practice, most of the cooperation received from China during the Correa administration was comprised of reimbursable credits which exceeded 7.000 million USD (Ministry of Economy and Finance, 2018). In this case, the approach to China is part of a state identity trait of contestation to the hegemony of countries such as the United States. Considering that this latter has for decades been the first trade partner of Ecuador, the distancing of it and the approach to other partners represented a material risk for the country. However, in discourse and decisions, the appropriate behavior according to the new identity was more important than material consequences.

Moreover, one of the main goals of SETECI was to order the registration of information about international cooperation received by the country, considering that until that moment there was no centralised national information database. According to several former officials who worked at SETECI; this information was needed to have a clear map of all the projects implemented with international cooperation funding, their objectives, and impact; which would make possible to increase the capacity of monitoring and control as well as the capacity of negotiation of objectives which align to the national interests. SETECI had the mandate of gathering and processing that information as a centralised institution which could inform policy decision makers (Rosero, 2018; Lozada, 2018; Farinango, 2018). As it would be explained later, the highlight on the sovereign management of cooperation responds to a specific identity and role in the international arena.

Likewise, the institutional transformation related to international cooperation responded to the need to include this field as a strategic aspect of national planning, considering that traditionally international cooperation was considered as a foreign policy tool only and was in a certain way disconnected of the whole domestic state needs. Indeed, AGECI which later became SETECI was in an initial stage attached to the public body in charge of national planning (SENPLADES), and during four years it strengthened the coordination with domestic state agencies in order to direct cooperation flows to the real needs of each central state body and even under-state institutions such as municipalities (Hidalgo, 2018). Some interviewees affirm to have identified that SETECI specialised in the technical management of international cooperation, while the Ministry of Foreign Affairs and Human Mobility continued to centralise the political capabilities (Yerovi, 2018; Farinango, 2018; Hidalgo, 2018). Apparently, this was one of the reasons why SETECI returned to this ministry in 2011. However, all the technical capabilities gained could be combined with the foreign policy objectives when being part of the ministry. Certainly, foreign policy aims were also established within the framework of the new state identity.

Therefore, it is evident that Ecuador needed international cooperation to accomplish its human talent, science and technology goals, but was not limited to those objectives, as the Correa Administration intended to change the whole economic and social situation of the country, which made it necessary to assure non-reimbursable and reimbursable funds, as well as an efficient approach to manage, monitor and control those flows in order to direct them to the actual needs at the domestic level. All these factors which aimed to obtain objective benefits for the country undoubtedly motivated the creation of the SECI and within it the SETECI. However, it has been observed that the search for a specific state identity was the

mainstreaming factor of all the actions conducted in the field of international cooperation, including the objective motivations analysed. This corresponds to the logic of appropriateness argued by March and Olsen (1989), according to which policy decisions are not only assessed in terms of material benefits but according to what behavior is appropriate for a specific identity. This will be explained in detail in the following section.

### **State identity factors and the performance of specific roles**

Wendt (1992) argues that the national interest is defined according to identity. Indeed, in this case, the search for a new state identity has been the main factor behind all the transformations related to the management of international cooperation. Thus, as mentioned before, until the Correa administration, Ecuador was a passive actor in the international community. On the contrary, since 2007 all foreign policy decisions were aimed to assure more active participation of the country at a regional and global level, mainly within the ideological principles of the 'XXI Century Socialism' and the notion of 'Good Living', meaning comprehensive welfare and not only an economic one. This also happened in the field of international cooperation, mainly arguing that Ecuador needed it exclusively for objectives related to the transformation of Ecuador's productive matrix. Moreover, the country wanted to change the traditional dependence relationship with some 'Northern' countries, especially the United States, claiming that the 'North-South cooperation' had imposed its objectives and priorities resulting in limited benefits for Ecuador. Then, this distancing meant the approach to new donors including China, Iran, Russia, and South Korea. Moreover, Ecuador launched the initiative to become a donor of 'South-South cooperation'.

Therefore, this new identity of Ecuador in the international arena needed to be affirmed by the performance of specific roles. Certainly, as argued by McCourt (2011) the other actors' expectations give meaning to the identity of each one of them. This paper argues that two main roles were performed by Ecuador regarding international cooperation: 'sovereign recipient of cooperation' and 'donor of international cooperation'. Both roles represented a new state identity considering that this state behavior has not been seen before in the Ecuadorian history, meaning a clear change in the foreign policy of the country. The institutional transformation was necessary in order to perform these roles in an effective way.

During the Correa administration, Ecuador directed all the institutional efforts in order to sovereignly manage the international cooperation flows. This meant to have agency in terms of negotiating with donors that all the cooperation programs responded to the national objectives. The establishment of a stricter information system for donors and other cooperation partners such as international NGOs allowed the Ecuadorian Government to know exactly how much it received, where and for what purpose, in order to assure that future programs had the expected impact for the country's benefit. The support provided by the SETECI to perform the role of 'sovereign recipient of cooperation' is highlighted by Gabriela Rosero:

Cooperation is a way of life [...] that invites generosity, that motivates us to contribute, participate and commit ourselves [...] The Technical Secretariat for International Cooperation (SETECI) is a public body that for six years [has] worked to make transparent and sovereignly manage the resources of international cooperation for Ecuador[...] (Words of Gabriela Rosero, Former Technical Secretary of International Cooperation)] (SETECI, 2013b, p. 1)

Similarly, within the framework of the 'South-south cooperation' approach, Ecuador started offering support to other developing countries. One of the main principles of this kind of cooperation is 'horizontality', meaning that all the partners are considered as equal (Rosero, 2018). Thus, even if these countries do not have large economic amounts to contribute with projects in other countries, they offer cooperation related to technical assistance, sharing of state management good practices, sharing of successful projects, etc. In 2013, Ecuador launched its Brochure of Technical Assistance in a variety of areas such as security, social

development, public health, education, telecommunications, amongst others (SETECI, 2013c). For instance, some of the most successful programs of cooperation provided by Ecuador include the technical assistance by the ‘Manuela Espejo Brigade’ which aimed to improve the life quality of people with disabilities; this support was demanded by several countries in the region (Lozada, 2018). Likewise, Ecuador cooperated with Haiti to recover from the earthquake in 2010, and some projects of infrastructure and security continued to be conducted with Ecuadorian technical support several years after (Villegas, 2018).

## DISCUSSION

The search for a new identity of Ecuador in the international arena, linked to the performance of the roles of ‘sovereign recipient of cooperation’ and ‘donor of international cooperation’ found several difficulties regarding the acceptance by the other international actors. As analysed before, state identity affirmation needs the acceptance from the other international actors (McCourt, 2011). Moreover, the contestation of roles affects its performance and legitimacy (Cantir and Kaarbo, 2012).

First, when Ecuador started to implement policies to sovereignly manage the cooperation flows received by the country, the process was difficult since the Ecuadorian objectives were different from the ones already being implemented by other countries and multilateral organisations. For example, it took time to align the UN objectives to the human talent, science and technology priorities of Ecuador. However, the UN agencies accepted the changes and understood the new policies. This was not the case with other actors, such as the US Government, which did not want to renegotiate the terms of the cooperation provided to Ecuador according to the new policies, this resulted in the exit of USAID in 2013. Similarly, some international NGOs contributed efficiently with the required information and coordination while others refused to accept the changes (Farinango, 2018; Rosero, 2018; Yerovi, 2018).

This process of interaction with the different actors of the international cooperation according to new and stricter rules, although being difficult at the beginning, positioned a new approach of cooperating with Ecuador. Certainly, nowadays even if the SETECI does not exist anymore, the International Cooperation Under-secretariat at the Ministry of Foreign Affairs and Human Mobility, which assumed this coordination function, is always asked by cooperation donors to negotiate and coordinate actions (Farinango, 2018; Hidalgo, 2018; Yerovi, 2018).

Second, the role of ‘donor of international cooperation’, within the framework of ‘South-south cooperation’, undoubtedly depended on the demand of this kind of aid by other states. On one hand, Ecuadorian technical cooperation was requested and provided to countries such as Haiti, Peru, Uruguay, El Salvador, amongst others. On the other hand, the demand was far short compared to the offer Ecuador launched, which could be explained by different issues. Some developing countries expressed not to need the Ecuadorian technical cooperation as they already received support from developed countries, while some others did not understand why Ecuador, being a developing country, was offering cooperation. In addition, considering that even if actual economic resources were not offered by Ecuador, the technical assistance also implied economic costs for the country, which were not always available (Villegas, 2018; Hidalgo, 2018). Indeed, budget shortage not only affected the implementation of some programs but also has been cited as one of the factors for the elimination of SETECI itself (Rosero, 2018; Farinango, 2018; Hidalgo, 2018).

The performance of both roles was part of a regional trend linked to the search for independence and sovereignty, as well as the strengthening of regional integration and cooperation. Thus, as observed in the region, this corresponded to state identities closely related

to nationalist and socialist principles, which were shared by Presidents of several countries such as Evo Morales in Bolivia, Hugo Chávez in Venezuela, Lula da Silva in Brazil, Nestor Kirchner in Argentina and Rafael Correa in Ecuador. However, when some countries changed the government ideology to more right-wing principles, efforts such as the ‘South-south cooperation’ lost political relevance at the regional level. Nevertheless, for instance in Ecuador, this type of cooperation continues to be developed and offered, and the role of donor has certainly changed how Ecuador sees itself in terms of its capabilities and how the other countries consider it (Hidalgo, 2018).

## CONCLUSIONS AND IMPLICATIONS

Two types of factors were identified as motivations for the institutional transformation of the international cooperation in Ecuador. Objective factors include the ones related to the transformation of the productive matrix, namely economic resources to enhance human talent, science and technology; funds to overcome social needs and poverty; need to strengthen relations with other countries, specially new donors; improvement of the information system related to the cooperation, and planning and coordination of cooperation flows which are directed to the actual domestic needs. Identity factors include the search of being a more active international actor within the framework of ‘XXI Century Socialism’; distancing of traditional donors and approach to new donors in order to become independent and sovereign; and the performance of two specific roles: ‘sovereign recipient of cooperation’ and ‘donor of international cooperation’. Although classified separately, the identity factors clearly influenced the material factors, considering that all the material interests were assessed through the logic of what behavior was appropriate for the new state identity.

The analysed roles were not completely accepted by other actors and implied a difficult process to be understood and socialised. Moreover, considering the political changes at the national and regional level, the proposed identity would probably suffer modifications in the future. Therefore, the Ecuadorian state identity started to be built in the Correa administration but continues to be unstable. It is important to continue with the search for a defined state identity considering that Ecuador achieved more active participation in the regional and international stage. However, identity needs to be rooted not only in a temporary ideology but in a detailed assessment of the current national and international reality, and from deep national principles which transcend political positions.

Several achievements of the new international cooperation policies could be observed including more transparency, coordination, alignment of cooperation to national objectives, empowerment of agency by Ecuador in order to contest the structure and try to modify it. However, several weaknesses need to be reviewed and overcome, such as institutional instability, lack of clear and long-lasting foreign policy lines due to high presidential influence in foreign and national policy decisions (in Ecuador and in some other countries), budget deficit regarding ‘South-south cooperation’ initiatives, low demand and understanding of Ecuadorian technical assistance. Reinforcing good practices and creating innovative solutions for challenges will allow Ecuador to achieve that non-reimbursable cooperation funds received as well as ‘South-south cooperation’ actions, contribute effectively to national objectives.

## REFERENCES

- Abdullah, A., Boyle, S. and Joham, C. (2011, March). Cultural Factors in Workforce Management: The Case of Multinational Companies Operating in Bangladesh. *International Review of Business Research Papers*, 7(2), 196-211.
- AGECI. (2010). *Informe de Cooperación Internacional No Reembolsable en el Ecuador 2007-2009*. Quito: AGECI.



- Ahmed, M. D. and Sundaram, D. (2012) Sustainability modelling and reporting: From roadmap to implementation. *Decision Support Systems*, 611-624.
- Alege, P. and Ogundipe, A. (2013) Environmental quality and economic growth in Nigeria. *International Journal of Development and Sustainability*, 2168-8662.
- Al-Sarayrah, S. et al. (2016) The Effect of Culture on Strategic Human Resource Management Practices: A Theoretical Perspective. *International Journal of Business Management and Economic Research(IJBMER)*, 7(4), 704-716.
- Ane , P. (2012) An Assessment of the Quality of Environmental Information Disclosure of Corporation in China. *Systems Engineering Procedia*, 420-426.
- Ane, P. (2012) An Assessment of the Quality of Environmental Information Disclosure of Corporation in China. *Systems Engineering Procedia*, 420-426.
- Babatunde, Y. and Low, S. (2015) Review of Literature on TQM and National Culture. *Cross-Cultural Management and Quality Performance* , 11-29.
- Bagliani, M., Bravo, G. and Dalmazzone, S. (2008) A Consumption-based approach to environmental kuznets curve using the ecological footprint indicator. *Elsevier*, 650-651.
- Bartoszczuk, P., Ma, T. and Nakamori, Y. (2002) *Kuznets Curve for some countires - Regression and agent-based approach*. Japan.
- Bebbington, J. (2009). Measuring sustainable development performance: Possibilities and issues. *Accounting Forum*, 189-193.
- Bebbington, J. (2009) Measuring sustainable development performance: Possibilities and issues. *Accounting Forum*, 189-193.
- Begun, J. and Eicher, T. (2007) In Search of a Sulfur Dioxide Environmental Kuznets Curve: A Bayesian Model Averaging Approach. *Working Paper no.70*.
- Belinda Williams, T. W. (2011) Sustainability reporting by local government in Australia: Current and future prospects. *Accounting Forum*, 176-186.
- Belshek, J. A. (2010) The Influence of Culture on the Negotiation Styles of British Students. *Newcastle University*, 1-24.
- Bhattarai, M. and Hammig, M. (2001) Institutions and the Environmental Kuznets Curve for Deforestation: A Crosscountry Analysis for Latin America, Africa and Asia. *ElsevierScience*, 995-1010.
- Bouvier, R. (2004) Air pollution and per capita income: A Disaggregation of Effects of Scale, Sectoral Composition and Technological Change. *Political economy research institute*.
- Bravo, G., & Marelli, B. (2007). Micro-foundations of the Environmental Kuznets Curve Hypothesis: an empirical analysis. *International Journal for Innovation and Sustainable Development*, 36-62.
- Breeda Comyns, F. F. (2013). Sustainability reporting: The role of "Search", "Experience" and "Credence" information. *Accounting Forum*, 13.
- Brogden, M. (2004). Commentary: community policing: a panacea from the West . *African Affairs*, 103(413), 635-649.
- Brown, S., & Hillegeist, S. A. (2007). How disclosure quality affects the level of information asymmetry. *Review of Accounting Studies*, 443-477.
- Cantir, C. and Kaarbo, J. (2012) Contested Roles and Domestic Politics: Reflections on Role Theory in Foreign Policy Analysis and IR Theory. *Foreign Policy Analysis*(8), 5-24.
- Cantir, C. and Kaarbo, J. (2016) Unpacking Ego in Role Theory: Vertical and Horizontal Role Contestation and Foreign Policy. In *Domestica Role Constestation, Foreign Policy and International Relations*. New York and London: Routledge.
- Cecily, A. and Raiborn, J. B. (2011) Environmental reporting: Toward enhanced information quality. *Business Horizons*, 425-433.



- Chalmers, K., Godfrey, J. M. and Lynch, B. (2012) Regulatory theory insights into the past, present and future of general purpose water accounting. *Accounting, Auditing & Accountability Journal*, 25 (6), 1001-1024.
- Charles, T. and Horngren, S. M. (2006) *Cost Accounting A Managerial Emphasis*. Pearson Prentice Hall.
- Chávez, N. (2008) La Política Internacional Ecuatoriana: lo interno, lo exógeno y el 'otro'. In N. Chávez, *Cuando los mundos convergen: terrorismo, narcotráfico y migración post 9/11* (pp. 111-142) Quito: Ediciones Abya-Yala - FLACSO Sede Ecuador.
- Chen, W. (2007) *Economic Growth and Environment in China: An empirical test of the environmental kuznets curve using provincial panel data*. China.
- Choi, E., Heshmati, A. and Cho, Y. (2010) An Empirical Study of the Relationships between CO2 Emissions, Economic Growth and Openness. *IZA Discussion Paper No.5304*.
- Comyns, B. et al. (2013) Sustainability reporting: The role of "Search", "Experience" and "Credence" information. *Accounting Forum*, 13.
- Constantini, V. and Martini, C. (2006) A Modified Environmental Kuznets Curve for Sustainable Development Assessment Using Panel Data. *Social Science Research Network Electronic Paper Collection*.
- Daub, C.-H. (2007) Assessing the quality of sustainability reporting: an alternative methodological approach. *Journal of Cleaner Production*, 75-85.
- Dinda, S. (2004) Environmental Kuznets Curve Hypothesis: A Survey. *Ecological Economics*, 431-455.
- Don R. Hansen, M. M. (2007) *Managerial Accounting*. Thomson South-Western.
- Don R. Hansen, M. M. (2013) *Cornerstones of Cost Management*. South-Western, Cengage Learning.
- Duab, C.-H. (2007) Assessing the quality of sustainability reporting: an alternative methodological approach. *Journal of Cleaner Production*, 75-85.
- ECLAC. (2016, October) *Exploring cooperation between the Republic of Korea and the Community of Latin American and Caribbean States (CELAC) in the areas of innovation and SME internationalization strategies*. Available from: [https://repositorio.cepal.org/bitstream/handle/11362/40720/S1600894\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/40720/S1600894_en.pdf) [Accessed 2 November 2018].
- Ecuadorian Public Media. (2013, August 15) Rafael Correa declara el fin de la iniciativa Yasuní ITT. Parte1. Quito. Available from <https://www.youtube.com/watch?v=3qzW2TdiYtc> [Accessed 2 November 2018].
- Egli, H. (2005) *The Environmental Kuznets Curve: Theory and Evidence*. Switzerland.
- Enkh-Amgalan, R. (2016) The Indulgence and Restraint Cultural Dimension: A Cross-Cultural Study of Mongolia and the United States. *Undergraduate Honors Theses*, 1-37.
- Farinango, M. (2018, December 17) Former Director of Bi-multilateral Cooperation at SETECI.
- Farneti, F. and Guthrie, J. (2009) Sustainability reporting by Australian public sector organizations: Why they report. *Accounting Forum*, 89-98.
- Federica Farneti, J. G. (2009) Sustainability reporting by Australian public sector organizations: Why they report. *Accounting Forum*, 89-98.
- Foucault, M. (1988 (1976)) *História da Sexualidade: a vontade de saber* (13.<sup>a</sup> ed., Vol. I). (M. T. Costa, & J. A. Albuquerque, Trans.) Rio de Janeiro: Edições Graal.
- Garland, D. (2017) Punishment and welfare: social problems and social structures. In A. Liebling, S. Maruna and L. McAra (eds.) *Oxford Handbook of Criminology*. Oxford: Oxford University Press, 77-97.
- Gómez García, J., Zavala Córtez, A., & Marín, A. (2015, Agosto 21). [http://www.researchgate.net/publication/281107439\\_Microinnovacin\\_como\\_estrategi](http://www.researchgate.net/publication/281107439_Microinnovacin_como_estrategi)

- a\_para\_la\_generacin\_de\_desarrollo\_sustentable\_en\_las\_Pymes.\_Casos\_de\_xito.*  
Retrieved Noviembre 25, 2015, from [http://www.researchgate.net/publication/281107439\\_Microinnovacin\\_como\\_estrategi\\_a\\_para\\_la\\_generacin\\_de\\_desarrollo\\_sustentable\\_en\\_las\\_Pymes.\\_Casos\\_de\\_xito](http://www.researchgate.net/publication/281107439_Microinnovacin_como_estrategi_a_para_la_generacin_de_desarrollo_sustentable_en_las_Pymes._Casos_de_xito)
- Gond, J.-P., Grubnic, S., Herzig, C., & Moon, J. (2012). Configuring management control systems: Theorizing the integration of strategy and sustainability. *Management Accounting Research*, 205-223.
- Grossman, G., & Krueger, A. (1994). Economic Growth and the Environment. *National Bureau of Economic Research*.
- Guo, Z., & D'Ambra, J. (2003). Understanding the Role of National Culture on Communication Media Choice Behavior: A Cross-Cultural Comparison within a Multinational Organizational Setting. *PACIS 2003 Proceedings*, 1387-1403.
- Hammond, K., & Miles, S. (2004). Assessing quality assessment of corporate social reporting: UK perspectives. *Accounting Forum*, 61-79.
- Hidalgo, S. (2018, December 7). Former Analyst of Strategy, Policy and Normative at SETECI. Current Specialist of the Strategy, Information and Policy at MREMH.
- Hofstede, G. (2010). *Greet Hofstede-Cultural Dimensions*. Retrieved February 25, 2017, from <https://geert-hofstede.com/pakistan.html>
- Hofstede, G. (2011). Dimensionalizing Cultures: The Hofstede Model in Context. *Online Readings in Psychology and Cultures "International Association for Cross-Cultural Psychology"*, 1-26.
- Hooks, J., & Staden, C. J. (2011). Evaluating environmental disclosures: The relationship between quality and extent measures. *The British Accounting Review*, 200-213.
- Hubbard, G. (2011). The Quality of Sustainability Reports of Large International Companies: An Analysis. *International Journal of Management*, 824-848.
- Hubbard, G. (2011). The Quality of Sustainability Reports of Large International Companies: An Analysis. *International Journal of Management*, 824-848.
- Innes, M. (2005). Why 'soft' policing is hard: on the curious development of reassurance policing, how it became neighbourhood policing and what this signifies about the politics of police reform. *Journal of Community & Applied Social Psychology*, 15(3), 156-169.
- Ismail, M., & Lu, H. S. (2014, February 1). Cultural Values and Career Goals of the Millennial Generation: An Integrated Conceptual Framework. *The Journal of International Management Studies*, 9, 38-49.
- Ityavyar, E., & Thomas, T. (2012). Environmental pollution in Nigeria: The need for awareness creation for sustainable development. *Journal of research in forestry, wildlife and environment*.
- Jannetta, J., & Bieler, S. (2015). *Policing 2016: To Deliver Safety, Police Need Legitimacy and Accountability*. Washington, DC.: Urban Institute.
- Jean-Pascal Gond, S. G. (2012). Configuring management control systems: Theorizing the integration of strategy and sustainability. *Management Accounting Research*, 205-223.
- Jeroen Van Wijk, W. P. (2006). A Long-haul Destination: Sustainability Reporting Among Tour Operators. *European Management Journal*, 381-395.
- Jhingan, M. (2010). *Macro-Economic Theory*. Delhi: Vrinda Publications.
- Jie, C., & Jing, L. (2015, November 16). An Empirical Study on Different Tendencies toward Indulgence-Restraint Dimension from the Intercultural Perspective. *Creative Commons Attribution International License (CC BY)*, 4, 116-126.
- Jill Hooks, C. J. (2011). Evaluating environmental disclosures: The relationship between quality and extent measures. *The British Accounting Review*, 200-213.

- Joannides, V., Wickramasinghe, D., & Berland, N. (2012, April 24). CRITIQUES ON GRAY-HOFSTEDE'S MODEL: WHAT IMPACT ON CROSS-CULTURAL ACCOUNTING RESEARCH? *Hal archives-ouvertes.fr*, 1-43.
- Johnston, L. (2006). Diversifying police recruitment? The deployment of police community service officers in London. *Howard Journal of Criminal Justice*, 45(4), 388–402.
- Jones, M. L. (2007, June 24-26). Hofstede - Culturally questionable? *Oxford Business & Economics Conferenc*, 1-9.
- Joseph, G. (2012). Ambiguous but tethered: An accounting basis for sustainability reporting. *Critical Perspectives on Accounting*, 93-106.
- Joseph, G. (2012). Ambiguous but tethered: An accounting basis for sustainability reporting. *Critical Perspectives on Accounting*, 93-106.
- Kathleen Hertz Rupley, D. B. (2012). Governance, media and the quality of environmental disclosure. *J. Account Public Policy*, 610-640.
- Khan, S. N. (2014, November 22). Impact of Hofstede's Cultural Dimensions on Subordinate's Perception of Abusive Supervision. *International Journal of Business and Management*, 9, 239-251.
- Kim Hammond, S. M. (2004). Assessing quality assessment of corporate social reporting: UK perspectives. *Accounting Forum*, 61-79.
- Lamberton, G. (2005). Sustainability accounting-a brief history and conceptual framework. *Accounting Forum*, 7-26.
- Lamberton, G. (2005). Sustainability accounting-a brief history and conceptual framework. *Accounting Forum*, 7-26.
- Latridis, G. E. (2013). Environmental disclosure quality: Evidence on environmental performance, corporate governance and value relevance. *Emerging Markets Review*, 55-75.
- Latridis, G. E. (2013). Environmental disclosure quality: Evidence on environmental performance, corporate governance and value relevance. *Emerging Markets Review*, 55-75.
- Laurence Clement Roca, C. S. (2012). An analysis of indicators disclosed in corporate sustainability reports. *Journal of Cleaner Production*, 103-118.
- Lehane, C. M. (2014). *Culture's Consequences: Examining the Relevance of Hofstede's Cultural Dimensions Theory to Youth Sexual Health*. Lunds Universitet, Department of Psychology .
- Los Angeles 2050. (2013). *Environmental Quality*. Retrieved from LA2050.
- Lozada, P. (2018, September 21). Former Coordinator of Multilateral Programs at SETECI.
- Lozano, R. (2013). Sustainability inter-linkages in reporting vindicated: a study of European companies. *Journal of Cleaner Production*, 1-9.
- Lozano, R. (2013). Sustainability inter-linkages in reporting vindicated: a study of European companies. *Journal of Cleaner Production*, 1-9.
- Lupan, O., Rosca, I., Federenciu, D., & Apetrei, D. (2014, June 11-12). CULTURAL DIMENSIONS IMPACT ON DEVELOPING ACTIVE CUSTOMERS. *CIRE Workshop*, 1-5.
- M. Daud Ahmed, D. S. (2012). Sustainability modelling and reporting: From roadmap to implementation. *Decision Support Systems*, 611-624.
- Machado, H. (2011). Construtores da bio(in)segurança na base de dados de perfis de ADN. *15 (1)*, 153-166.
- Maclachlan, M. (2013, November 1). *INDULGENCE VS. RESTRAINT – THE 6TH DIMENSION*. Retrieved from Comuniciade: <https://www.comunicaid.com/cross-cultural-training/blog/indulgence-vs-restraint-6th-dimension/>

- March, J., & Olsen, J. (1989). *Rediscovering institutions: The organizational basis of politics*. New York : The Free Press.
- Matthes, D. (2010). Culture, Globalization, and International Relations. *International Symposium on Cultural Diplomacy*, 1-4.
- Maznevski, M. L., DiStefano, J. J., Wu, P.-C., Noorderhaven, N. G., & Gomes, C. B. (2002). Cultural Dimensions at the Individual Level of Analysis The Cultural Orientations Framework. *CCM International Journal of Cross Cultural Management* , 275–295.
- McCarthy, D. (2014). *'Soft' Policing: The Collaborative Control of Anti-Social Behaviour*. New York: Palgrave MacMillan.
- McCourt, D. (2011). Role-playing and identity affirmation in international politics: Britain's reinvasion of the Falklands, 1982. *Review of International Studies*, 1599-1621.
- Ministry of Economy and Finance. (2018). *Deuda Pública del Sector Público del Ecuador*. Quito. Retrieved November 3, 2018, from [https://www.finanzas.gob.ec/wp-content/uploads/downloads/2018/02/DEUDA-SECTOR-P%C3%9ABLICO-DEL-ECUADOR\\_enero2018\\_2-2.pdf](https://www.finanzas.gob.ec/wp-content/uploads/downloads/2018/02/DEUDA-SECTOR-P%C3%9ABLICO-DEL-ECUADOR_enero2018_2-2.pdf)
- MREMH. (2016, October). *En 60 días, la Cancillería ejercerá la rectoría del Sistema Ecuatoriano de Cooperación Internacional*. Retrieved September 20, 2018, from <https://www.cancilleria.gob.ec/en-60-dias-la-cancilleria-ejercera-la-rectoria-del-sistema-ecuadoriano-de-cooperacion-internacional/>
- Murray, J. (2005). Policing Terrorism: A Threat to Community Policing or Just a Shift in Priorities? *Police Practice and Research*, 6(4), 347-361.
- N. Rowbottom, A. L. (2009). Exploring the use of online corporate sustainability information. *Accounting Forum*, 176-186.
- Nardon, L., & Steers, R. M. (2006). NAVIGATING THE CULTURE THEORY JUNGLE: DIVERGENCE AND CONVERGENCE IN MODELS OF NATIONAL CULTURE. *Vlerick Leuven Gent Working Paper Series 2006/38* , 1-43.
- O'Connor, M. (2006). The "Four Spheres" framework for sustainability. *Ecological Complexity*, 285-292.
- O'Connor, M. (2006). The "Four Spheres" framework for sustainability. *Ecological Complexity*, 285-292.
- Omojolaibi, J. (2010). Environmental Quality and Economic Growth in Some Selected West African Countries: A Panel Data Assessment of the Environmental Kuznets Curve. *Journal of Sustainable Development in Africa*, 1520-5509.
- Omotor, D., & Orubu, C. (2010). Searching for Environmental Kuznets Curves of Some Basics in Africa.
- Orubu, C., Omotor, D., & Awopegba, P. (2009). Economic growth and environmental quality: Searching for Environmental Kuznets Curves in Africa. *African Economic Research Consortium*.
- People's Republic of China; Republic of Ecuador. (2015, Enero 5-9). Declaración Conjunta entre la República Popular China y la República del Ecuador sobre el establecimiento de la Asociación Estratégica. China. Retrieved August 15, 2018, from <https://www.cancilleria.gob.ec/wp-content/uploads/2015/01/DECLARACI%C3%93N-DE-ASOCIACION-ESTRATEGICA-ECUADOR-CHINA.pdf>
- Punch, K. F. (2014). *Introduction to Social Research Quantitative & Qualitative Approaches*. London: SAGE.
- Raiborn, C. A., Butler, J. B., & Massoud, M. F. (2011). Environmental reporting: Toward enhanced information quality. *Business Horizons*, 425-433.
- Ray H. Garrison, E. W. (2010). *Managerial Accounting*. McGraw-Hill/Irwin.

- Ray H. Garrison, E. W. (2011). *Managerial Accounting*. McGraw-Hill/Irwin.
- Reddy, A. (2011, October). CULTURAL DIMENSIONS & IMPACT ON PERFORMANCE MANAGEMENT. *International Journal of Multidisciplinary Research*, 1(6), 300-311.
- Reiner, R. (2010). *The Politics of the Police*. New York: Oxford University Press.
- Richmond, A., & Zencey, E. (2007, December). *Environmental Kuznets Curve*. Retrieved from The Encyclopedia of Earth.
- Rob Gray, J. B. (1993). *Accounting For The Environment*. Markus Wiener Publishers and Paul Chapman Publishers Ltd.
- Rob Gray, J. B. (1993). *Accounting For The Environment*. Markus Wiener Publishers and Paul Chapman Publishers Ltd.
- Roca, J., Padilla, E., Farre, M., & Galletto, V. (2002). Economic growth and atmospheric pollution in Spain: discussing the environmental kuznets curve hypothesis.
- Roca, L. C., & Searcy, C. (2012). An analysis of indicators disclosed in corporate sustainability reports. *Journal of Cleaner Production*, 103-118.
- Rogers, C. (2017). *Plural Policing: Theory and Practice*. Bristol: Policy Press.
- Ronald W. Hilton, D. E. (2011). *Managerial Accounting*. McGraw-Hill/Irwin.
- Rosero, G. (2018, December 7). Former Technical Secretariat of International Cooperation at SETECI.
- Rowbottom, N., & Lymer, A. (2009). Exploring the use of online corporate sustainability information. *Accounting Forum*, 176-186.
- Rupley, K. H., Brown, D., & Marshall, R. S. (2012). Governance, media and the quality of environmental disclosure. *J. Account Public Policy*, 610-640.
- S. and Marper v. The United Kingdom, 30562/04 and 30566/04 (ECHR December 4, 2008). Retrieved September 8, 2018, from <https://hudoc.echr.coe.int/eng#%7B%22fulltext%22%3A%22Marper%22%2C%22documentcollectionid%22%3A%22GRANDCHAMBER%22%2C%22CHAMBER%22%2C%22itemid%22%3A%22001-90051%22%7D>
- Sarigiannidou, M., & Palivos, T. (2012). A Modern Theory of Kuznets Hypothesis. *Texas Christian University Department of Economics Working Paper Series*.
- Saunders, M., & Tosey, P. (2013). The Layers of Research Design. *Research*.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students*. Pearson education limited.
- Sayed, A., & Sek, S. (2013). Environmental Kuznets Curve: Evidences from Developed and Developing Economies. *Applied Mathematical Sciences*, 1081-1092.
- Sekaran, U. (2000). *Research Methods for Business A Skill Building Approach*. John Wiley & Sons, Inc.
- Sekaran, U. (2003). *Research Methods for Business A Skill Building Approach*. John Wiley & Sons, Inc.
- SETECI. (2013a). Rafael Correa: Cooperación Internacional debe estar orientada a talento humano, ciencia y tecnología. Berlin. Retrieved November 11, 2018, from <https://www.youtube.com/watch?v=uaQlljwruv0>
- SETECI. (2013b). Suplemento institucional. Quito: SETECI. Retrieved November 8, 2018, from <https://cooperacionecuador.files.wordpress.com/2014/01/hacia-una-politica-publica-de-cooperacion-basada-en-el-intercambio-c3a9tico-seteci.pdf>
- SETECI. (2013c). Catálogo de Asistencia Técnica Ecuatoriana. Quito: SETECI. Retrieved November 5, 2018, from [https://issuu.com/seteci/docs/catalogo\\_de\\_asistencia\\_tecnica](https://issuu.com/seteci/docs/catalogo_de_asistencia_tecnica)
- SETECI. (2015). *Informe de Cooperación Internacional No Reembolsable en el Ecuador*. Quito: SETECI.

- Shah, S. A., & Amjad, D. S. (2011, May). Cultural Diversity in Pakistan: National vs Provincial. *Mediterranean Journal of Social Sciences*, 2(4), 331-344.
- Shaiq, H. M., Khalid, H. M., Akram, A., & Ali, D. (2011). Why not everybody loves Hofstede? What are the alternative approaches to study of culture? *European Journal of Business and Management*, 3(6), 101-111.
- Skogan, W. G. (2008). Why reforms fail. *Policing & Society*, 18(1), 23-34.
- Spencer-Oatey, H. (2012). What is culture? A compilation of quotations. *GlobalPAD Core Concepts*, 1-22.
- Stephen Brown, S. A. (2007). How disclosure quality affects the level of information asymmetry. *Review of Accounting Studies*, 443-477.
- Stern, D. (2003). The Environmental Kuznets Curve. *International Society for Ecological Economics*.
- Steve Jackson, R. S. (2008). *Managerial Accounting A Focus on Ethical Decision Making*. Thomson South-Western.
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20( 3), pp. 571-610.
- Syrquin, M. (2005). Kuznets and Modern Economic Growth Fifty Years Later.
- Tharp, B. M. (2009). Defining "Culture" and "Organizational Culture": From Anthropology to the Office . *Haworth "Anthropology to the Office"*, 1-5.
- Thies, C., & Breuning, M. (2012). Integrating Foreign Policy Analysis and International Relations through Role Theory. *Foreign Policy Analysis*(8), 1-4.
- Tilling, M. V. (2004). Refinements to Legitimacy Theory in Social and Environmental Accounting. *Social and Environmental Accountability Journal*, 24(2), 3-7.
- Torres-Reyna, O. (2010). Panel Data Analysis, Fixed and Random Effects (Using Stata 10.x).
- Villegas, P. (2018, October 2). Former Diplomat at the Ecuadorian Embassy in Dominican Republic .
- Wendt, A. (1992). Anarchy is what States Make of it: The Social Construction of Power Politics. *International Organization* (46: 2), pp. 391-425.
- Wendt, A. (1999). *Social Theory of International Politics*. Cambridge: Cambridge University Press.
- Wijk, J. V., & Persoon, W. (2006). A Long-haul Destination: Sustainability Reporting Among Tour Operators. *European Management Journal*, 381-395.
- Williams, B., Wilmshurst, T., & Clift, R. (2011). Sustainability reporting by local government in Australia: Current and future prospects. *Accounting Forum*, 176-186.
- Wooff, A. (2017). 'Soft' Policing in Rural Scotland. *Policing: A Journal of Policy and Practice*, 11(2), 123-131.
- Yandle, B., Vijayaraghavan, M., & Bhattarai, M. (2002). The Environmental Kuznets Curve: A Primer. *PERC Research Study*, 02-1.
- Yaşar, Y. S. (2014). *Dimensions of Culture: Indulgence and Restraint in Academic Life in Turkey*. THE REPUBLIC OF TURKEY .
- Yerovi, S. (2018, September 28). Former Analyst of Multilateral Cooperation at SETECI. Current Officer at the UN Resident Coordinator in Ecuador.
- Zepeda, B. (2011). La Política Exterior de Ecuador durante el gobierno de Rafael Correa: Un Balance. In H. y. Mathieu, *Anuario 2011 de la Seguridad Regional en América Latina y El Caribe* (pp. 114-124). Bogotá: Friedrich Ebert Stiftung en Colombia .



33-DA23-6762

## BOYCOTT MOVEMENT IN MOROCCO: CONSUMERS' RESPONSE TO INEQUALITY, HIGH COST OF LIVING AND GOVERNMENT POLICY

KEMMOU SOUKAINA<sup>1</sup> AND AOMARI AMINA<sup>2</sup>

### ABSTRACT

In April 2018, Morocco experienced a wave of consumer-led protests in response to the high cost of living and rising prices, a situation that the kingdom has been facing for several years. Consumers in all regions of the country have expressed their dissatisfaction through the boycott of three well-known brands, owned by companies accused of exploiting the country's wealth at the expense of consumers' interests.

This paper provides the following contributions. First, we will conduct a literature review to explore the motivations and causes of consumer boycott behaviour. Secondly, we will analyse the current situation of the boycott in Morocco, a boycott with political and socio-economic flavours that seems to have direct and indirect targets, which can also be called a surrogate boycott (Friedman, 1985). The results of a previous opinion survey conducted by two Moroccan consulting agencies indicate that the boycott has taken a social turn, and that the degree of inequality in the country is the most important determinant of participation in the boycott.

**Keywords:** Boycott, Consumer resistance, Moroccan consumer, surrogate boycott, Socio-economic issues, Politics.

### INTRODUCTION

Almost all big companies have already experienced at least one boycott call, and have gone through unexpected and unpredictable crisis situations (John and Klein, 2003; Malone and Coombs, 2009), which can depreciate the organisation's value and reputation if they are not taken seriously (Pruitt and Friedman, 1986; Davidson, Worrell and El-Jelly, 1995; Chavis and Leslie, 2009; Hoffmann, 2013). Boycotts are an attempt to change or punish the offensive conduct of a company either individually or collectively, by refusing to buy certain products on the market (Friedman, 1985). In recent years, the literature has focused on the reasons why consumers participate in boycotts (Peñaloza and Price, 1993; Harrison, Newholm and Shaw, 2005; Kozinets and Handelman, 1998; Sen, Gurhan-Canli and Morwitz, 2001).

The motivations for calling for a boycott may be economic, social, environmental or political (Friedman, 1999; Koku, 2011; Cruz and Botelho, 2015; Cruz, 2017), but also lead by negative emotions felt by the consumer in response to an oppressive situation (Kozinets and Handelman, 1998; Klein, Smith and John, 2002; John and Klein, 2003; Hoffmann and Müller 2009; Braunsberger and Buckler, 2011; Lindenmeier et al., 2012; Granström, 2014). Country-specific political and economic factors such as market stability, as well as cultural considerations, can determine the possibility of consumer boycotts (Hoffmann, 2014).

Studies have shown a favourable influence of boycotts on the decisions of boycotted companies over the past twenty years (Hoffmann, 2014). In Morocco, consumers opted for this rebellious approach to express their resistance and anger over the economic crisis and the social inequality that the country is experiencing as a consequence of political decisions that are not adequate to their needs. Three brands have been under the spotlight of the resisters since 20th April 2018, namely Centrale Danone, Afriquia Gaz and Sidi Ali. Social networks were an

<sup>1</sup> Mohammed V University of Rabat, Faculty of Law, Economy and Social Sciences, Rabat, Morocco. E-mail: soukaina.kemmou@gmail.com\*

<sup>2</sup> Mohammed V University of Rabat, Faculty of Law, Economy and Social Sciences, Rabat, Morocco. E-mail: aomaria@yahoo.fr

excellent ally for the movement's initiators by offering them better opportunities to influence and reach their audience by inviting them to participate in the boycott (Suzanne and Makarem, 2016).

This article presents the following contributions. First, we will conduct a literature review to explore the forms and motivations of consumer boycott behaviour. Secondly, we will discuss the situation of boycotts in Morocco, as well as the results of an opinion survey previously conducted by a Moroccan consulting firm regarding the boycott call made on 20<sup>th</sup> April.

## LITERATURE REVIEW

Consumer resistance is often characterised by anti-consumer practices in different forms, ranging from a simple abstinence from purchasing, to the use of boycott as an active voice against corporate practices deemed oppressive (Hoffmann 2011; Kozinets and Handelman 2004; Hoffmann and Muller, 2009). In order to better understand these resistance practices, the marketing literature sought to: (a) identify the motivations behind consumer participation in the boycott (Friedman, 1985; Klein, Smith and John, 2002; John and Klein, 2003); (b) explain the individual and collective decision to participate in the boycott (Garrett, 1987; Sen, Gurhan-Canli and Morwitz, 2001; Klein, Smith and John, 2004; Smith, 2005); and (c) to analyse the effects of the boycott on the targets (Pruitt and Friedman, 1986; Belch and Belch, 1987; Putnam and Muck, 1991; Friedman, 1999).

### Consumer Boycott

The resistance against consumption is relatively old. The first boycott movements date back to the 19<sup>th</sup> century, named after Charles Cunningham Boycott, an important Irish landowner who, in 1880, angered farmers by imposing abusive farmland rental rates during the Famine. However, it was only with the emergence of the consumer society that criticism began against the market system, which was accused of being a dominant structure in which consumers are manipulated (Murray and Ozanne, 1991; Rudmin and Richins, 1992; Hetrick and Lozada, 1994; Roux, 2007; Izberk and Bilgin, 2010).

Friedman (1985) defines a boycott as 'an attempt by one or more parties to change or punish improper business conduct by encouraging consumers to refrain from making purchases in the marketplace'. Boycott is therefore a form of 'voice' (Hirschman, 1970) and the expression of consumer protest (Herrmann, 1993), which is part of consumerist resistance movements (Kozinets and Handelman, 2004; Roux, 2007). It is an action driven by both individual characteristics (Penaloza and Price, 1993), described by Kozinets and Handelman (1998) as an emotional expression of individuals' uniqueness and as a vehicle for moral self-realisation, but also linked to a collective perception and as an opportunity for consumers to influence and control companies and public policy (John and Klein, 2003). According to John and Klein (2003, p. 1198) 'boycott occurs when a number of individuals refrain from buying a product at the same time in response to the same serious act or behaviour, but not necessarily for the same reasons'.

An individual's decision to boycott a company is linked to personal characteristics, forming an action initiated by one or more persons who have both collective and personal interests (Baron, 2003). A boycott is therefore called for when the civil society is mobilised around a particular cause, in response to acts or behaviours deemed morally or socially reprehensible from individuals, organisations, companies or countries (Gomez, 2015), and when the objective is to obtain concessions from the targeted entity (Garrett, 1987; Friedman 1999; Shaw 1996; Baron 2003).

The boycott campaign against the three brands in Morocco was seen as a form of animosity and revolt against the rising prices of some products, and against the economic, social and political crisis facing the country. Moroccans complain of social inequality due to



the high cost of living and the rise in the price of basic products of daily consumption, an inequality that is also encouraged by the State's economic policies in favour of lobbies whose businesses clearly harm the interests of the citizens.

### Boycott motivations

It is essential to understand the motivations that trigger the consumer's rejection and punishment behaviour towards a company. Brehm (1999, p. 3) proposed the notion of a motivational state, which is described as a 'state of activation' that 'pushes an individual to act' and 'guides him in the direction in which his action should be directed'. Several characteristics can be identified in the literature and are likely to influence purchase rejection behaviours according to situational perception (Kozinets and Handelman, 1998; Sen, Gurhan-Canli and Morwitz., 2001; Klein, Smith and John, 2004; Cissé-Depardon and N'Goala, 2009). The causes that lead consumers to boycott are generally related to the economic dimension, a country's policy, health and environmental protection, social and labour issues, and the protection of minority groups (Friedman, 1999; Fourest, 2005).

Some authors, however, have listed other socio-psychological factors and consider boycotts as an emotional way of expression (Hoffmann and Müller, 2009), where negative emotions, such as humiliation and indignation, felt by boycotters play a key role in increasing participation in resistance (Klein, Smith and John 2002; Braunsberger and Buckler, 2011; Lindenmeier, Schleier and Price, 2012; Granström, 2014).

Hoffmann (2014) added another factor which is the cultural specificity of each one and its impact on participation in the boycott. Culture is often used in the social sciences to refer to 'a set of criteria that differentiate collectives significantly from each other' (House et al. 2002, p. 5). Hoffmann's (2014) conceptual model suggests that the willingness to boycott is guided by consumer motivation in general, and by pro-social factors that express an obligation to society 'e. g. social concern, environmental concern' (Hoffmann et al., 2018).

The consumer's involvement in the cause and their proximity to the actions of the offending party is the most important motivation for participating in a boycott. Hoffmann (2013, p. 215) considered three conditions to define proximity: 'to be personally affected', 'to be socially affected' and 'to be affected in space'. We therefore conclude that consumers affected by egregious action are most likely to be motivated to find arguments for boycotting, unlike those who are not affected by the consequences of the company's actions.

### Consumer choice: from primary boycott to surrogate boycott

The literature shows multiple forms of boycotts used as means of consumer resistance. The basic typology of boycott is when it takes two forms, individual and collective (Friedman, 1985; Kozinets and Handelman 1998), but boycott is not only that, it can be direct, indirect or substitution (Friedman, 1999) and this depending on the nature of the targeted goal, or can also follow the nature of the cause. As Friedman (1999), Koku (2011) and Cruz and Botelho (2015) point out, there are six types of boycotts: economic, religious, minority, environmental, relational and trade union (Cruz, 2017). The following table summarises the research work on the subject.

**Table 1: Boycott forms according to the literature review.**

Boycott forms	Definition	Authors
Instrumental Boycott	This form aims to force the company to change a specific practice or policy, its goals are specific and measurable, such as lowering the prices of	Friedman, 1985

	a particular product or achieving better living conditions for individuals.	
Expressive boycott	This form is more for consumerist associations to express their dissatisfaction and anger about unacceptable behaviour. This category includes boycotts that involve companies on social and societal responsibility.	Friedman, 1985
Primary boycott (direct targeting)	This type is a reaction to an act deemed oppressive and committed by the boycott target.	Garrett, 1986; Putnam et Muck, 1991; Friedman 1999
Secondary Boycott (indirect targeting)	This boycott refers to actions against intermediate targets selling the producer's products and which are not closely related to the producer.	Friedman, 1985; Garrett, 1986; Putnam et Muck, 1991; Friedman, 1999
Surrogate Boycotts	Indirect political actions allowing a person or group dissatisfied with the policy of a foreign city, state or nation to express their feelings through boycott	Friedman 1991; Klein, Smith and John, 1998
Media-oriented boycotts	The initiators of this boycott decide to attack the image of the targeted company by making press releases that introduce it in a negative context and by broadcasting them on different media.	Friedman, 1991
marketplace-oriented boycotts	In addition to using the media to attack the target company's image, this action involves boycotting the marketplace and attempts to harm the company economically.	Friedman, 1991

Friedman's (1991) definition of surrogate boycott is linked only to consumer resistance action that lead to boycott products from a foreign country, in response to its oppressive policy. We adapt the construct of surrogate boycotts to our case, and add to Friedman's (1991) definition another consumer-citizen dissatisfaction, expressed against the policy of his own country that directly harms his well-being.

The boycott case studied in the present paper is a well-known case in the literature, where consumers express their concern about the price rises of some products on the marketplace. Although this is a very outdated cause in more developed Western societies, Moroccans are still suffering from the high cost of living and were only waiting for the perfect opportunity to use the boycott as a game changer. At first sight, the boycott seems to have purely economic reasons, but over time, experts have noticed that this demonstration has taken a different turn, and has tended towards protests with a political flavour against social inequality. This led us to think that the boycott promoters want to reach other targets through the targeted brands, since they belong to leaders with political power in the country, and therefore the consumer hopes, through the boycott, to put pressure on these leaders who themselves will feel obliged to put pressure on the country's stakeholders.

## **HISTORY OF BOYCOTT IN MOROCCO**

In Morocco, the boycott is a very recent subject, often dictated not by consumers but initiated by political actors. Indeed, the recent boycott of the country is an exception since the cases of the boycott that the Moroccan citizen has experienced stem from a political decision by the government.

Even though the Moroccan consumer was attempting to participate in the old boycott appeals, but it was never the case. The effectiveness of a boycott call is associated with its achievement and its tangible result, thus, the success of a boycott depends on three essential points: (1) publicity of the boycott call; (2) consumers' support; and (3) a lack of resistance from the target entity (Capelli, Legrand and Sabadie, 2012; Gomez, 2015). That said, the individual is more motivated to participate in the boycott when he believes in the success of the collective action, but also the credibility of the source, consequently, if the accusation are credible, participation in the boycott will be higher (Capelli, Legrand and Sabadie, 2012).

### **McDonald's: An Islamist boycott**

The American fast food chain was under the fire of criticism from the Moroccan consumer, and thus had two different boycotts. The first boycott was a substitution boycott fuelled by political motives, following the call for the boycott of American products that was launched in 2002 in response to Palestinian-Israeli conflicts and the war conducted by the United States of America in Iraq and Afghanistan. Moroccan Islamists had the idea of boycotting McDonald's as a target for indirectly attacking the Israeli-American economy in Morocco, yet the brand only represents a small part of the fast food in Morocco, and this action would affect only Moroccan employees and their families. So the idea of boycott disappeared.

The second boycott against the brand was caused in 2016 resulting from an anger of Internet users on the social networks about the halal issue. The action took place after a wave of interrogative statements by Moroccan consumers about the company ethics related to its meat. McDonald's chose to respond to these rumors by presenting the steps of certification of its products and the process of delivery to restaurants in Morocco via social networks and other communication channels. The boycott was once again without any further action.

### **Ikea: an almost perfect boycott**

'Ikea may have stumbled into one of North Africa's most intractable land disputes' says The Washington Post in an article published on September 28, 2015. The lateness of the store would have been caused by geopolitical reasons. Indeed, the decision to boycott Swedish products stems from a political decision announced through the government spokesman and Minister of Communication Mustapha El-Khalfi at a press conference held in October 2015. According to the government, Sweden is taking action against Morocco and its interests by undermining its territorial integrity, and financially assisting Morocco's opposing parties in claiming the

independence of Western Sahara. Except that the boycott ended, earlier than we had imagined, perhaps the weight of Morocco economically speaking was not strong enough to face Sweden, and ended up renouncing the boycott call.

## THE BOYCOTT STATE IN MOROCCO

In April 2018, Morocco experienced a wave of protests by consumers in response to the expensive life and rising prices, dissatisfied with the situation in the country, the Moroccans decided to boycott. The event was widely expanded in a country where the concept of consumer resistance did not exist. In this section we brought the causes and motives behind the boycott decision, and analyse the main reasons for choosing three major brands as a target.

Nobody would have thought that a national boycott would see the day in Morocco, since just a few months before the advent of the event, the results of an exploratory study on a sample of 130 individuals led by Kemmou and Aomari (2018) was very contradictory. Common behaviors mentioned by responders corresponded mainly to individual practices, and the few behaviors mentioned included collective actions, such as boycotts. Perhaps consumers were implicitly ready to respond to a call for a boycott.

The abstinence from buying these brands by consumers is the result of their dissatisfaction on the economic, social and political aspects, fueled by negative emotions and the desire to punish the targeted companies. According to a Friedman's (1999) study, the decision to participate in a boycott is generally related to the following causes: economic problems, offending behavior of the boycotters, brand reputation, easy identification of the boycotted products and the accessibility of boycotted products substitutes.

As mentioned earlier, the boycott in Morocco was triggered by a multitude of factors generating a general dissatisfaction. This is mainly related to the high prices of some primary consumer products such as milk, water and fuel, while the purchasing power of the Moroccan consumer does not follow this rise, but in the contrary, the economic situation is more and more deplorable. Social networks have helped to spread the call for boycotts, even if it's come from an anonymous group on Facebook.

The choice of targets was not random, the companies involved have several points in common. They are the market leaders in their sector, listed on the stock exchange, and run by people known and connected to the political and governmental sphere. The fact that they have political ties has had a positive impact in the boycott decision, as Moroccans are already disappointed with the country's economic and social political situation, and accuse the three owners of these brands of theft and exploitation of the wealth of the country. The boycott turned into a wave of social protest instead of a single, specific claim for a brand. The motivations behind this resistance action have led us to believe that the initiators of this movement have different objectives to achieve and that the targets is facing two different boycotts, direct and indirect.

## RESULTS

The study was conducted by two Moroccan online magazines Médias24 and Panorapost, The data were collected by VQ (2018) using a telephonic survey, between May 10 and May 17, 2018, from 832 people aged 18 and over, belonging to different socio-professional categories (A, B, C and D), living in the urban localities of the Kingdom (all regions). The survey included the following topics: notoriety of the boycott operation, notoriety of the brands concerned by the boycott, sources of notoriety of the boycott operation, supposed causes of the origin of the boycott, entities at the origin of the boycott, boycott behaviours, the potential impact of the boycott on the market, and the expectations from manufacturers.

From 604 participants who said they knew of the boycott action, 72.5% are aware of a boycott action against the three brands, (94.5% named Danone, 82.5% named Sidi Ali and

70.5% named Afriquia Gaz). In response to the question ‘How did you hear about this action?’ 71% of respondents had the information via the internet and 40% through word of mouth. According to the results collected, the high level of prices will have been the main reason for this boycott action (over 60% of respondents), but also because of different causes, such as the status of leaders, the economic crisis, the monopoly of brands, the lack of product quality and the presence of economic political links. However, 14.5% are unaware of the alleged causes behind the boycott. Still based on 604 respondents, 58% of respondents were unaware of the source behind the boycott, 36% assumed it came from a group of citizens, 3% from political party and 2% accused the brand’s competitors.

In response to the question ‘What is your behavior towards brands in this boycott?’ 30.5% stopped or decreased the consumption of the brands, of which 68% Decided alone to decrease or to stop consuming, 29% were influenced by the entourage, and 3% did it by obligation by people around. On the basis of consumers of the boycott, 59% believe that this action is legitimate, 57% are convinced of the usefulness of this action, and 42.5% believe that this action will continue.

The answers on the question of the objectives of the boycott converge, between those who do not know (21,5), those who think that the boycott has remained faithful to the first objectives set (61,5%), and those who on the contrary are sure that things have taken another turn (17%). 45.5% of these are convinced that the action has taken a political turn. The majority of respondents expect price efforts from the boycotted companies (71.5%), and believe that there will be positive consequences for consumers such as price stability (75%).

### **An economic boycott with political flavors**

While the results assert that the majority of respondents believe that high prices are the main reason of boycott, the Moroccan citizens also complain about social inequality and express an anger towards the economic crisis, so there will be a possible political cause behind it. According to economic expert Najib Akesbi, ‘the boycott movement organised in Morocco is a kind of revolt and a popular cry with civilised means against a rent economy where politics, economy and conflicts of interest are mixed’ (Jouhari, 2018).

The state is accused of promoting cartelisation of markets, granting benefits to its economic allies without taking into account the needs of consumers. The people therefore chose as a target for their resistance movement three big companies accused of practicing high prices: (1) Danone Central with its ‘central’ milk belonging to the Danone Group (Although the company is owned at 95% by the multinational since 2015, his past linked to the state and to ONA group ‘belonging to the royal family’ did not spare it from the boycott); (2) the Mineral Waters of Oulmes with the brand ‘Sidi Ali’ owned by Miriem Bensalah-Chaqroun, President of the General Confederation of Moroccan Enterprises; and (3) finally Afriquia Gaz with its fuel belonging to Aziz Akhannouch, Minister of Agriculture and chairman of a political party. The boycott came only to translate the distress of individuals disarmed in front of: (1) a state that liberalise the market without implementing the necessary support; (2) a lack of competition council; and (3) an inaudible consumer associations, throwing them as easy prey to lobbies whose business clearly interferes with politics.

### **A poor communication crisis**

Social networks played an important role in the success of the boycott. The event was well organised and quickly diffused, so it was more successful than we thought without much difficulty. It is clear that this event gave a good lesson to the Moroccan leaders who perfectly neglected to consider the possibility of a consumer boycott (Haddad, 2018). This situation is all the more unfortunate given that the whole world is seeking to develop the know-how to protect the company from the risk of crises since the 1980s (Pearson et al., 1997).

Centrale Danone was the first to pronounce itself after the crisis, which caused a drop in sales of about 40% in the second quarter of 2018, according to the group's CFO, Cécile Cabanis (Mesk, 2018). In response to the boycotts, the company gave to the activists the opportunity to discuss their problems through its consultation campaign called 'communicate to continue'. Finally, the multinational was able to solve part of the problem by creating a new economic packaging that will allow it to lower the selling price of its milk. However, both Afriquia and Sidi Ali chose silence and denial, a situation that didn't please consumers who expected an apology or a drop in selling prices.

## CONCLUSION

The boycott's objective is to get the company to change its policy by choosing not to buy. The literature and the survey showed us that the boycott is a combination of individual actions taken by citizens in their role as consumers, and collective actions by forming a group of activists facing a common problem. Morocco's call for a boycott has thus responded to the need of Moroccans to communicate their frustration and to raise their dissatisfaction with the three targeted companies.

The study conducted by VQ, the survey agency, revealed the truth about the boycott. The high level of prices would have been the main reason for this boycott action, but more because of various causes, such as the status of the leaders, the crisis-related problem, the monopoly of brands, the lack of product quality and the presence of economic political links. Moroccans who are generally not used to the boycotts, had to join them to remedy the economic and social crisis they have suffered in silence for several years. The advent of the Internet has also helped to spread the action and make it successful. Able to communicate and coordinate their actions online, the boycotters made their needs heard by the targeted companies directly, as well as by the government indirectly targeted, which was once a very hard target to reach.

This article proposes some research avenues for researchers in the field of consumer resistance. Further detailed studies need to be done through a quantitative and qualitative exploratory study with a more representative sample of respondents to confirm the results presented here. Morocco is a very interesting area for studying resistance movements and is in need of a lot of research, since it is an emerging phenomenon in this country.

Companies must be aware of the seriousness of this issue, and that more and more consumers are joining boycotts for different reasons. These consumers will want to join any boycott to use their purchasing power to take revenge on companies they consider socially irresponsible. Companies should be aware of the importance of acting properly so that they are not taken as a target for a new boycott.

## REFERENCES

- Baron, D. P. (2003) Private politics. *Journal of Economics and Management Strategy*, 12 (1), 31-66
- Belch, G. E. and Belch, M. E. (1987) The application of an expectancy value operationalization of function theory to examine attitudes of boycotters and non-boycotters of a consumer product. *Advances in Consumer Research*, 14, 232-6.
- Braunsberger, K. and Buckler, B. (2011) What motivates consumers to participate in boycotts: Lessons from the ongoing Canadian seafood boycott. *Journal of Business Research*, 64, 96-102.
- Brehm, J. W. (1999) The intensity of emotion. *Personality and Social Psychology Review*, 3 (1), 2-22.
- Capelli, S., Legrand, P. and Sabadie, W. (2012) Se taire, nier ou s'excuser: comment répondre à un appel de boycott? *Décisions Marketing*, 68, 71-82.

- Chavis. L. and Leslie, P. (2009) Consumer boycotts: the impact of the Iraq war on French wine sales in the U.S. *Quantitative Marketing and Economics*, 7, 37-67.
- Cissé-Depardon, K. and N'Goala, G. (2009) Les effets de la satisfaction, de la confiance et de l'engagement vis-à-vis d'une marque sur la participation des consommateurs à un boycott. *Recherche et Applications En Marketing (French Edition)*, 24 (1), 43-67.
- Cruz, B. P. A. (2017). Social boycott. *São Paulo Review of Business Management*, 19 (63) 5-29.
- Cruz, B. P. A. and Botelho, D. (2015) Proposition of relational boycott. *The Journal of the Iberoamerican Academy of Management*, 13 (3), 315-333.
- Davidson, W. N, Worrell, D. and El-Jelly, A. (1995) Influencing managers to change unpopular corporate behavior through boycotts and divestitures. *Business and Society*, 34, 171-196.
- Fourest C. (2005) *Face au Aoycott: L'Entreprise Face au Défi de la Consommation Citoyenne*. Paris: Dunod.
- Friedman, M. (1999) *Consumer Boycotts: Effecting Change Through the Marketplace and the Media*. New York:Routledge.
- Friedman, M. (1985) Consumer boycotts in the United States, 1970-1980: contemporary events in historical perspective. *Journal of Consumer Affairs*, 19, 96-117.
- Friedman, M. (1991) Consumer boycotts: a conceptual framework and research agenda. *Journal of Social Issues*, 47 (1), 149-168.
- Garrett, D. E. (1987) The effectiveness of marketing policy boycotts: environmental opposition to marketing. *Journal of Marketing*, 51, 46-57.
- Gomez, C. (2015) Le boycott à l'heure du soft power et de la diplomatie d'influence. *Revue Internationale et Stratégiques*, 97 (1), 119-127.
- Granström, J. (2014) *Consumer motivations to boycott: focus on non-green products*. MSc. International Business Economics, Aalborg University, Denmark.
- Haddad, L. (2018) Gestion des crises des entreprises: les leçons du boycott. [Online]. Available from: <http://www.leseco.ma/toutes-les-chroniques/66691-gestion-des-crisis-des-entreprises-les-lecons-du-boycott.html> [Accessed 20 October 2018].
- Harrison, R., Newholm, T. and Shaw, D. (2005) *The Ethical Consumer*. London: Sage.
- Herrmann R. O. (1993) The tactics of consumer resistance: group action and marketplace exit. In: L. McAlister and M. L. Rothschild (eds.) *Advances in Consumer Research*, vol. 20. Provo, UT: Association for Consumer Research, 130-134.
- Hetrick W. P. and Lozada, H. R. (1994) Construing the critical imagination: comments and necessary diversions. *Journal of Consumer Research*, 21 (3), 548-558.
- Hirschman, A. (1970) *Exit, Voice and Loyalty*. Cambridge, MA: Harvard University Press.
- Hoffmann, S. (2014) Does national culture impact consumer boycott prevalence? A multi-country study. *European Journal of International Management*, 8 (2), 141-159.
- Hoffmann, S. (2011) Anti-consumption as a means of saving jobs. *European Journal of Marketing*, 45, 1702-1714.
- Hoffmann, S. and Müller, S. (2009) Consumer boycotts due to factory relocation, *Journal of Business Research*, 62, 239-247.
- Hoffmann, S., Balderjahn, I., Seegebarth, B., Mai, R. and Peyer, M. (2018) under which conditions are consumers ready to boycott or buycott? the roles of hedonism and simplicity. *Ecological Economics*, 147, 167-178.
- Hoffmann, S. (2013) Are boycott motives rationalizations? *Journal of Consumer Behaviour*, 12, 214-22.
- House, R. J. et al. (2002) Understanding cultures and implicit leadership theories across the globe: an introduction to project GLOBE, *Journal of World Business*, 37, 3-10.



- Izberk-Bilgin, E. (2010) An interdisciplinary review of resistance to consumption, some marketing interpretations, and future research suggestions. *Consumption Markets and Culture*, 13 (3), 299-323.
- John, A. and Klein, J. (2003) The boycott puzzle: consumer motivations for purchase sacrifice. *Management Science*, 49 (9), 1196-1209.
- Jouhari, N. (2018) Najib Akesbi: Le gouvernement ne fait rien pour redresser la situation sociale. [Online]. *Maroc Hebdo*. 16 May 2018. Available from: <http://www.maroc-hebdo.press.ma/najib-akesbi-gouvernement-ne-rien-redresser-situation-sociale/> [Accessed 20 October 2018].
- Kemmou, S. and Aomari, A. (2018) Consumer resistance: an exploration of the Moroccan case, *Journal of Marketing Research and Case Studies*, 1-12.
- Klein, J. G., Smith, N. C. and John, A. (2004) Why we boycott: consumer motivations for boycott participation. *Journal of Marketing*, 68, 92-109.
- Klein J. G., Smith, N. C. and John, A. (2002) Exploring the motivation for participation in a consumer boycott. In: S. M. Broniarczyk and K. Nakamoto (eds.) *Advances in Consumer Research*, vol. 29. Provo, UT: Association for Consumer Research, 363-369.
- Koku, P. S. (2011) On boycotts organized through the internet. *Journal of Marketing Development and Competitiveness*, 5 (6), 82-93.
- Kozinets, R. V. and Handelman, J. M. (1998) Ensouling consumption: a netnographic exploration of the meaning of boycotting behavior. In: Alba, J. W. and Hutchinson, J. W. (eds.) *Advances in Consumer Research*, vol. 25. Provo: UT: Association for Consumer Research, 475-480.
- Kozinets, R.V. and Handelman, J.M. (2004) Adversaries of consumption: consumer movements, activism, and ideology. *Journal of Consumer Research*, 31 (3), 691-704.
- Lindenmeier, J., Schleer, C. and Price, D. (2012) Consumer outrage: emotional reactions to unethical corporate behavior. *Journal of Business Research*, 65 (9), 1364-1373.
- Makarem, S. C. and Jae, H. (2016) Consumer boycott behavior: an exploratory analysis of twitter feeds. *Journal of Consumer Affairs*, 50 (1), 193-223.
- Mesk, A. (2018) Centrale Danone lance Ntwaslou w Nwaslou en vue d'une réconciliation. [Online] *LesEco*. 4 August 2018. Available from: <http://www.leseco.ma/economie/68877-centrale-danone-lance-ntwaslou-w-nwaslou-en-vue-d-une-reconciliation.html> [Accessed 20 October 2018].
- Médias24, Panopost. (2018) *Sondage sur le boycott, auprès de la population urbaine de 18 ans et plus*. [Online] 16 May 2018. Available from: <https://www.medias24.com/MAROC/SOCIETE/183295-Boycott-sondage-avis-d-experts-voici-ce-que-l-on-sait.html> [Accessed 20 October 2018].
- Murray, J. B. and Ozanne, J. .L. (1991) The critical imagination: emancipatory interests in consumer research. *Journal of Consumer Research*, 18 (20), 129-144.
- Peñaloza, L. and Price, L. L. (1993) In: L. McAlister and M. L. Rothschild (eds.) *Advances in Consumer Research*, vol. 20. Provo, UT: Association for Consumer Research, 123-128.
- Pruitt, S. W. and Friedman, M. (1986) Determining the effectiveness of consumer boycotts: a stock price analysis of their impact on corporate targets. *Journal of Consumer Policy*, 9, 375-387.
- Putnam, T. and Muck, T. (1991) Wielding the boycott weapon for social change. *Business and Society Review*, 78, 5-8.
- Pearson, C. M. et al. (1997) Managing the unthinkable. *Organizational Dynamics*, 26 (2), 51-64.
- Roux, D. (2007) La résistance du consommateur : proposition d'un cadre d'analyse. *Recherche et Applications en Marketing*, 22 (4), 59-80.



- Rudmin, F. W. and Richins, M. L. (eds.) (1992) *Meaning, Measure and Morality of Materialism*. Provo, UT: Association for Consumer Research.
- Sen, S., Gurhan-Canli, C. B. Z. and Morwitz, V. (2001) Withholding consumption: a social dilemma perspective on consumer boycotts. *Journal of Consumer Resources*, 28 (4), 399-417.
- Shaw, R. (1996) *The Activist's Handbook*. Berkeley, CA: University of California Press.
- Washington Post, The. (2018) *Ikea may have stumbled into one of North Africa's most intractable land disputes*. [Online] Available from: [https://www.washingtonpost.com/gdpr-consent/?destination=%2fnews%2fworldviews%2fwp%2f2015%2f09%2f29%2fikea-may-have-stumbled-into-one-of-north-africas-most-intractable-land-disputes%2f%3f&utm\\_term=.bf02f92a5ca3](https://www.washingtonpost.com/gdpr-consent/?destination=%2fnews%2fworldviews%2fwp%2f2015%2f09%2f29%2fikea-may-have-stumbled-into-one-of-north-africas-most-intractable-land-disputes%2f%3f&utm_term=.bf02f92a5ca3) [Accessed 29 September 2018].

33-BY25-6798

## NEED FOR PSYCHOLOGICAL TRAINING AS CARDINAL DETERMINANT IN ATTAINING EDUCATIONAL OBJECTIVES (OUTCOMES): A CRITICAL REFLEXIVITY

SWATI BASU<sup>1</sup>

### ABSTRACT

Technically, the term stakeholder in education refers to anyone accountable for the welfare and success of educational process in an Institution and education encompasses ‘holistic’ and ‘humanistic vision’ (UNESCO, 2015, p. 7). In recent researches/surveys scholars have described sustained acclivity in stress level and negative/disordered mental pattern thereby, severely affecting teaching-learning environment. My assertion, through the mode of discussion and analysis, in this paper is to identify the stressors that act as stumbling blocks in the trajectories of attaining behavioural objectives (‘humanistic vision’) embedded in educational goals (outcomes) and urge the dire need of psychological training fit for learners and teachers, the key stimulants, to achieve the objectives (outcomes) of education to the fullest. The deterioration of identity crisis (specifically, ‘Identity deficit’), sustained increase in violence level, massive psychological unrest among learners and teachers are at an increase on a never before scale. If education does not fortify learners’/teachers’ psychological wellness then academic performance or technological advancements could hardly assure holistic educational outcomes. The target learners/teachers mentioned are at UG and PG levels of Engineering and Management programmes

**Keywords:** mission and vision, psychological training, education/expected outcomes, blocks

### OBJECTIVES OF THE STUDY

- To identify major regular stress concerns in teaching-learning situation.
- To generate large scale awareness of the existing stressors as detrimental to learning.
- To study good practices in wellness programs conducted by reputed Institutes to strengthen ethical values and responsibilities among teachers and students effectuated in a lesser stress environment.
- To promote wellness programs for teachers, in particular, to maximise educational outcomes and develop interpersonal relationships.
- To induce an impetus to educational measurement specialists, teacher trainers and internal review committees to conceptualise a framework as they design professional development trainings for in-service teachers to cater to the overall aims of teaching.
- To suggest modifications for redesigning curriculum based programs to provide support services and reduce stress morbidity among teachers to strengthen them prepare learners as global citizen.

### LITERATURE SURVEY

The research article on ‘Teacher’s occupational stress: a review study in national and international scenario’ (Pandey and Saxena, 2015) the existing research on occupational stress at National and International level for future directions to others. The researchers have published a chart on last few years’ research works related to occupational stress in teaching

<sup>1</sup> Assistant Professor, Bharatiya Vidya Bhavan Institute of Management Science, Sector-III, Salt Lake, Kolkata-700097, West Bengal, India. E-mail: sb08.kolkata@gmail.com.

profession both at the National and International level. In their comparative analysis of the findings they have compiled working condition, working environment, personal factors, and gender factors as some of the common conditions of occupational stress which impedes teaching. They have also added social characteristics, conditions of taking paid leave, diminishing resources, lack of recognition and reward as other crucial factors leading to occupational stress.

The Guardian in its report ‘Epidemic of stress blamed for 3,750 teachers on long-term sick leave’, as compiled by Lib Dem, states one in 83 teachers spent more than a month off work in 2016-17 (Asthana and Boycott-Owen, 2018). Lib Dem research has come out with a significant finding which states that 1.3 million days were taken as off by the educators in the last four years’ time as a result of stress and mental health reasons which indicates a 5 percent rise of long term leaves availed (Asthana and Boycott-Owen, 2018). Dr Mary Bousted, joint general secretary of the National Education Union, warned of an ‘epidemic of stress’ (ibid). ‘Teachers work more unpaid overtime than any other profession’, she added. It has impacted severely on teacher training applications, as said by Dr. Bousted (ibid). Official meetings, continuous assessment and evaluation in addition to relentless workload work havoc on the mind and thus, invariably forcing teachers to leave. Handling questions from workmates add to the list. ‘It’s a relentless hamster wheel with minute-by-minute stress’ Bousted said (ibid). The diligent observation, ‘You want the best for them, you want them to do well and be safe and happy. And the list scrolls in your head of all the things that have to be done before they come to you at 8.50am in the morning..’ is a wake-up call (ibid). Layla Moran, spokesperson of Liberal Democrats, in her observations has expressed serious concern and ‘simply unacceptable’ plight and burnout state of teachers (ibid). The workplace well-being index as measured by The Charity Mind finds the state of mental health of teachers poorer than their private sector counterparts and the need of work-life balance is alarmingly on a rise (ibid).

Wednesday, October 11, 2017, The Times of India, Kolkata has a report on ‘How Colleges are inspiring the young to live healthy’ (p. 19). The University of Vermont, US conduct a programme on Wellness Environment (WE) for its students<sup>2</sup>. At the start of a class the students practice few minutes of meditation because Dr. Jim Hudziak, the chief psychiatry at UVM’s Larner College of Medicine trains them on ‘Healthy Brains, Healthy Bodies’.<sup>3</sup> Dr. Hudziak, a genetic neuroscientist and child psychiatrist, uses neuroscience and behaviour change science rather than lecturing. Hannah Bryant, a student of WE, her choice to join WE already had paid off and she bases her life around a healthy lifestyle and healthy opportunities like yoga.<sup>4</sup>

The survey report released by the American Federation of Teachers (AFT) and the advocacy group Badass Teachers Association (BTA) mentions that the level of stress has grown recently and the mental health has declined (BTA/AFT, 2015). The 2017 survey, a follow up of 2015 survey, on educator stress is conducted on 5,000 educators. It reports that work is stressful 61 percent of the time (BTA/AFT, 2017). The AFT/BTA survey feedback finds less or no control over school decisions, little or no say in determining professional development and negligible role in establishing curriculum as major factors that lead to stress of the educators (BTA/AFT, 2015; 2017). The survey adds - being bullied, harassed and threatened at work is not only disrespectful but also dispiriting for their passion to develop further, as reported by educators. The report noted that 50 percent of teachers identified a

<sup>2</sup> ‘UVM WE’ was created by UVM Larner College of Medicine Professor & Chief of Child Psychiatry, Dr. Jim Hudziak, in order to create an environment to incentivize college students to build healthy brains & healthy bodies. Available from: <https://www.benningtonbanner.com/stories/uvm-enshrines-healthy-living-in-bricks-and-mortar,521860> [Accessed 2 December 2018].

<sup>3</sup> ibid.

<sup>4</sup> ibid.

student as a bully, 35 percent identified a principal, administrator, or supervisor, 31 percent identified parents and 23 percent identified a co-worker as the source of being bullied (BTA/AFT, 2015; 2017).

State Council of Educational Research and Training (SCERT) have taken an active initiation on developing good practices of man-to-man relation under National Population Education Programme (Ananda Bazar Patrika, 2018, p. 5). The project started in the 80s and NCERT introduced certain courses in all the states of India through its curriculum (Ananda Bazar Patrika, 2018, p. 5). But, it has gained momentum in recent years owing to the dire need of improving humanitarian concerns. It aims at promoting and inculcating humane and compassionate relationship among individuals and also for creating mass awareness on grave effects of smoking, taking drugs and/or alcohol consumption. It encourages street plays and theatrical performances to raise awareness and promote love among mankind. Ananda Bazar Patrika (ABP), the vernacular counterpart of The Times of India reported on 21 October 2018 (p. 5).

G. Hanimi Reddy, a second-year student of MTech at IIT, Kharagpur commits suicide at his hostel room. ABP reported this news on 26 October 2018. The report states, as suspected by investigators of the case, have provided evidences of mental pressure as one of the reasons (Ananda Bazar Patrika, 2018, p. 5). Psychological counselling centre though been established in the Institute because there are other such cases in point also led authorities plan introducing induction programme for the students.

Harish and Prabha (2018) have expressed stress at the workplace as a major concern today leading to depression. A number of factors contribute to centre stress that includes ‘immoderate workload, isolation, tremendous hours laboured, toxic working environments, loss of autonomy, strain relationships among co-workers and management, management bullying, harassment and shortage of opportunities or motivation to development in a single’s skill degree’ the researchers added. The researchers have come up with their remarkable findings on the impact of ‘teacher attrition’ in job performance which, they say, is characterised by unsatisfactory student-teacher relationship, lack of interest in new instructional designs, higher rates of absenteeism and frequent resignation of teaching positions. They have also pointed out that the veteran teachers who are expected to be mentoring new teachers in turn increase the work pressure. The researchers have also undertaken a comparative analysis of occupational stress among male and female teachers of Government and Private schools in which the experiences of stress are varied, implying different working conditions.

## INTRODUCTION

UNESCO together with UNICEF, the World Bank, UNFPA, UNDP, UN Women and UNHCR organised World Education Forum 2015 in Incheon, Republic of Korea, from 19 – 22 May 2015, hosted by the Republic of Korea set out towards Education 2030 ‘a new vision for education (UNESCO, 2015):

*Our vision is to transform lives through education, recognizing the important role of education as a main driver of development [...] with a sense of urgency to a single, renewed education agenda that is holistic, ambitious and aspirational, leaving no one behind.* Incheon Declaration Education 2030 (p. 7)

Furthermore:

*It is inspired by a humanistic vision of education and development based on human rights and dignity; social justice; inclusion; protection; cultural, linguistic and ethnic diversity; and shared responsibility and accountability.* Incheon Declaration Education 2030 (p. 7)

Looking at the historic declaration the word ‘transform’ coupled with ‘humanistic vision’ is very significant.

*In the Indian way of thinking, a human being is a positive asset and a precious national resource, which needs to be cherished, nurtured and developed with tenderness, and care, coupled with dynamism.* National Policy of Education 1986, Introductory-part 1, 1.10 [2]

In any and every vision of educational accountability, teachers are pivotal to bring about the desired changes and/or transformation. ‘The status of the teacher reflects the socio-cultural ethos of a society’ (Republic of India, 1992, Part IX, (9.1) Teacher, p. 31) clearly states while envisaging the role of a teacher. ‘The teacher is the fulcrum around which school education revolves’ (NUEPA Report, 2016, p. 65)

Unquestionably, commitment and quality education imparted by a teacher frames the backbone of any country’s future citizen because it is a teacher who has direct and regular interaction with its ward next to its family. The stimulating factors in this undertaking are mutual bonding of student-teacher and the passion and enthusiasm a teacher carries in class. Focus on quality of teacher education and teacher training is the nucleus of educational reformatory goals (outcomes) at present. Educational goals aim to educate learners by balancing between ‘hands, heart and head’ and teacher is the pivotal medium for this balancing. Learning (and teaching) presupposes changes in external (physical) and internal (psychological) activities and/or behaviour. It has to be cleared here, that learning (and teaching) caters to the impactful role of psychology for the desired holistic outcomes of educational objectives. ‘Knowledge, skills and habits are forms and results of reflective and regulating processes within the human mind only as a result of his own activities’ (Petrovsky, 1986, p. 214). It is only then a concomitant organised learning is expected and teaching would be purposeful. It needs careful observation and understanding of a teacher to stimulate right activity and direction specific to a learner to develop its required skill and habits.

The survey on existing literature reaffirm the dominant presence of occupational stress and/or the mention of teacher grievances in NPE 1986 (Republic of India, 1992) and other related concerns in most of the reports on education. In teaching not only does it pose a serious threat to proper and compassionate hand holding towards a holistic educational outcome but also affects the mental health of teachers. In such an imbalance of ‘equilibration’ (Aggarwal, 2004, p. 146) quality of education would undoubtedly be affected. The present paper attempts to discuss the role of mental wellness to help teachers/learners maximise desired educational objectives (outcomes).

## DISCUSSION AND RECOMMENDATIONS

Commitment is one of the leading core Institutional values aiming ‘transformation’ (IIM Kolkata website<sup>5</sup>), or ‘culture of autonomy, creativity and collaboration’ and an ‘unshakable commitment’ (IIM Ahmedabad website<sup>6</sup>) are some of the vision statements of Tier I educational Institutes. ‘Education aims to provide a nourishing environment (Republic of India, 1992) is a profound statement. Although technology is fast advancing, yet the palpable influence of a teacher could not be outmoded till date. If a teacher is stressed to the level of burn out and/or mentally overdosed due to accumulated grievances being piled up and no solutions offered could it be possible that quality education is assured. Neither can high quality of training that a teacher brings along would work in a (stressed) environment. There is no denying the fact that professional stress reciprocates personal stress. These may be related to

<sup>5</sup> See, IIM Kolkata website. Available from: <https://www.integration.samhsa.gov/health-wellness/wellness-strategies/wellness.pdf> [Accessed 2 December 2018].

<sup>6</sup> See, IIM Ahmedabad website. Available from: <https://www.iima.ac.in/web/about-iima/home/vision-and-strategic-priorities> and <https://www.iima.ac.in/web/iima/chairman-s-message> [Accessed 2 December 2018].

professional development, self-development, maintaining work-life balance. In fact, these are, perhaps, good to be there within a limit as they self-motivate for continuous up gradation and honing one's skills. They put a check on one's idleness and temptation to negative forces.

They are self-regulatory. But, the same environment can be hazardous and detrimental to professional growth and self-development when exhorted to excessive mental pressure. Furthermore, negligence and inability to control the gradually increasing stress concerns not only leads to aversion to work but gives birth to depersonalisation and is thus dehumanising.

Now, the question that arises is it possible to deliver committed and passionate performance in such a state of mind where a teacher's mental health is at stake. Much has been talked about and is being taken up these days about the quality of training and education a teacher carries or the flexible pedagogical methods that would foster better learning outcomes. One cannot afford to lay back and criticise the system being hedonistic and backing down from challenges. New amendments are being made; new policies of education are spearheaded and addressed with utmost importance to keep pace with advancement and progress. This is undoubtedly the need of the hour corresponding to the rapid developments in technology and plethora of options for the newer generation. Undeniably, much is being spoken and noted about teacher grievances, mental harassment, threats and hierarchical indifferences. Yet greatly to work on these issues gravely faced and condescended in real life situation. Teacher being the pivotal stakeholder is at stake.

Let us take a look at some major aspects involving real life quotidian concerns as faced by teachers:

### **Social aspect**

If the work atmosphere be such that one does not find space to breathe or clip and shape oneself even before the next blow comes situation remains stagnated. There are various reasons which affect the social well-being in a work place.

Firstly, a teacher, especially a new recruit (may or may not be experienced), in many cases, hardly receive warm welcome by senior/s (in that organisation) because of their pre-conceived notions blemishing an unimpressive beginning. Alternatively, a warm welcome and a healthy and positive relation among the workmates could stimulate towards attainment of common goal of educational objectives (outcomes); instead, it reflects that human bonding is eroded because empathy is a constraint.

Secondly, creation of multiple groups and sub-groups is a serious threat and if not an active participant of a (dominant) group chances of being bullied are greater and a constant prey to internal politics. Standing up to retain one's self-respect is a constant challenge leading to strain of isolation. Ego clashes are noted at every juncture and a distinct discrimination of 'us' and 'them', ignoring in discussion forums or shouting at each other are all pervasive. This not only harms serenity of educational environment but widens the gap among colleagues. In addition, time for professional development and/or self-up gradation is narrowed because much time is wasted on resolving internal conflicts and disrespectful approaches among colleagues.

Thirdly, uneven distribution of workloads and minimal scope of adjustment is a sadistic pleasure for some derived from super imposition of positional power. This also leads to multifaceted and indistinct message to the employers with a little tinge of embellishment. This can create tensions and stressed sentiments for sincere and efficient employee.

Fourthly, exposure of bulging factions among teachers and exerting influence on students on the basis of superiority destroys student-teacher rapport.

## Work aspect

Teaching is not just a profession nor does it inculcate mere theories and practices; it is a belief, a hope and ethical standard which undertakes the responsibility to shape and transform human mind and prepare future leaders in a globally competitive environment. Thus, trumping such values through professional morbidity could create tensions for passionate and committed teachers. It can be contended that favouritism in appreciation and recognition might encourage the lack of interest for (continuous) professional training and academic excellence by a section of teachers but is highly discouraging for effective outcomes. Moreover, time for proper planning of lessons and academic design, which is of ultimate importance, is marginalised because of an apparently central assumption and self-approval.

Secondly, Pressure of performance and keeping up to the required parameters is in itself very challenging, particularly in the age of rapidly advancing faces of technology. In addition, lack of proper guidance and cooperation, in most cases, to work collaboratively in in-house activities or academic discussions/projects is a greater challenge to organisational excellence and mutual respect and interpersonal relationship.

Thirdly, long hours of work (on an average, 7-8 hours) is not only restricted to classroom teaching alone; it also involves research work, training programmes, administrative work, CSR activities etc. Unquestionably, these are essential to gather experience and also improve life skills in various ways. It also needs attention that a huge time is spent to commute, particularly, in rural areas and with transportation hazards. Additionally, familial responsibilities like child care, ailments in family or other major (unshared and personal) complications, especially applicable for women, too needs to be calibrated both mentally and physically. Even after balancing these it becomes extremely challenging to be allowed to participate in in-service training or academic development programmes (as per norms). In many situations, teachers participate at their own expenses and earned leaves because receiving financial aid or official duty endowments contrasts norms followed by scornful treatment.

Fourthly, salary structure, in spite of tremendous load, is a major issue. It cannot be denied that one's earnings and emoluments act as an intrinsic motivation to work. Even that is also not handed in time or even exceeds couple of months to receive the hard-earned income. It may also happen, that, certain crisis is created to camouflage the financial crisis whereas huge expenditures on other venture could be noticed.

Finally, student-teacher ratio takes a toll owing to larger class size. Every learner is unique in its personality and learning style which could hardly be explored fully (or maximum). Additionally, educational pursuit has become fashionable; there is a continuous clash of identities between learner's own choice for a career programme and parental wish fulfilment for an 'elite' degree through their child; it adds to the challenges to gear up a student towards a career chosen by force.

## Administrative aspect

Management and academic authorities are one of the important stakeholders of education. They are not only involved with institutional progress but also work as the backbone of (any) country's academic growth. Differences of opinion among management authorities to satisfy ego of respective positions lead to division of workforce (lobby). As a result, it becomes difficult to balance because listening to one (maintaining protocol) is offending the other and vice versa; favouritism and biased orientation is an impending doom.

Secondly, cooperation from staff also depends upon the lobby one belongs to as a direct result of front-line workers being not managed well and crisis of co-operation both among themselves and channel of hierarchy. Immodest behaviour, absence of values and dearth of civic responsibilities are direct influences of handholding by (respective) hierarchy which when overtly ignored mutual disrespect is bound to scale up.



Thirdly, lack of periodic monitoring/inspection makes the situation worse; constant negligence or (deliberate) ignorance of the bulging issues steers successively higher spillage.

Next, gender discrimination is another vital concern; derisive comment or sarcasm in the garb of modesty is notably familiar which needs urgent address.

Finally, lack of proper and (minimum) infrastructure is a serious challenge to attain educational objectives and a plight for learners; in many cases, even minimum hygienic conditions are an unfortunate demand not to be paid attention to.

This study included only three aspects, and thus, it may have limited generalisability. It is palpable that teachers are stressed minute-by-minute in addition to constant pressure of proving one's performance. In the words of Tagore, 'Where the mind is without fear and the head is held high' the deliberations are spontaneous and self-motivation infuriates commitment and enthusiasm. A burn out or depressed mind is characterised by non-deliberate teaching/learning, tousled personality and identity deficit. Studies have shown that chronic stress not only effects on the human nervous system but can cause structural changes in different parts of the brain including decrease in its weight. As a result of stress functional changes like reducing of cognition can lead to behavioural, cognitive and mood disorders (Yaribeygi et al., 2017). Temporarily, stress can increase the brain functions but prolonged stress causes psychomotor agitation and reduction of memory. No doubt, stress hormones are released for availability of energy for the immediate use in body when under stress but is diverted to tissues during stress particularly the skeletal muscles and the brain. According to Selye, stress is the effect that threatens 'homeostasis' and might lead to damage of tissues and cause disease.

'Stress affects not only memory and many other brain functions, like mood and anxiety, but also promotes inflammation, which adversely affects heart health', says Jill Goldstein, a Professor of psychiatry and medicine at Harvard Medical School<sup>7</sup>. It can affect men and women differently, she adds. Anxiety disorders are results of stressful life events (Finlay-Jones and Brown, 1981) and anxiety, more commonly, leads to depression (Angst and Vollrath, 1991, Breslau, Schultz and Peterson, 1995). Increase in smoking, substance use, accidents, sleep problems, eating disorders, irritability are prominent anxiety symptoms. In the process, the cells of body immune system too are diverted to the aid of 'battle stations' (Dhabar and McEwen, 1997) when stressed. Activities like digestion, growth and gonad hormones are suspended during times of acute stress which is detrimental to physical condition and/or even survival (Harvard Heath, 2018). Moreover, stress responses to stressors are varied and depend on individual differences.

Learning outcomes talk of holistic development whereas learning output relates to term end result and gradation derived from classroom teaching. It cannot be denied the fact that, up gradation of teaching methodologies in parity to the global scenario is the pedagogical emergence and requirements of the hour but to produce activity on the part of psyche in order to give a form of attentiveness to teaching or to say, meet educational objectives (outcomes), psychological balance plays a decisive role. Hence, concentrating on teachers' mental health with its dire risk contingency is an exigency.

'It [stress] challenges their ability to cope with work.' (WHO, 2015, p. 12). Dale Carnegie's 'How to Stop Worrying and Start Living' or capitalising on the four capacities of PsyCap could be encouraging for readers. Psychological counselling followed by professional trainings would enable to cope up with stress levels. Positive psychological coaching by trained professionals or hands extended for help by the co-workers could help minimise the rate of depression. One-to-one interaction with the authorities trying to understand the stress issues

<sup>7</sup> <https://www.health.harvard.edu/mind-and-mood/protect-your-brain-from-stress> [Accessed 2 December 2018].



and/or grievances followed by credible measures could balance job performances and job satisfaction. That patient hearing and compassionate dealing would stimulate better performance and develop mutual understanding and mutual responsibilities.

It also develops the skills, **values and attitudes** that enable citizens to lead **healthy and fulfilled lives**, make informed decisions, and respond to local and global challenges through education for sustainable development (ESD) and global citizenship education (GCED). (UNESCO, 2015, p. 8)

*A healthy job is likely to be one where the pressures on employees are appropriate in relation to their abilities and resources, to the amount of control they have over their work, and to the support they receive from people who matter to them.* (Leka, Griffiths and Cox, 2015, p. 12)

The recently published book *Cleverlands* by Lucy Crehan is an exceptional research work and a testimony to the importance of values and goals as practiced in ‘top-performing’ countries and how to ‘make education policy an international issue’ (Crehan, 2018, p. 5). In her discussion on feelings and motivation to learning (Chinese students) she says culture inspires ‘autonomous motivation’ (Crehan, 2018, p. 189). ‘You’ll also learn how psychology can help explain what underlies the success of their approaches’ (Crehan, 2018, p. 13). If a learner does not learn to respect culture and value of relationship emotional, social or intellectual bonding and their intricacies cannot be doing well in education terms. It would not be impertinent to mention here, perhaps, the same applies for a teacher too in their context. Involvement of teachers in higher responsibilities by turn would develop self-belief and stimulate for betterment. Changes in operational strategies and lead conversion on rotational basis would not only encourage new learning points from changed roles but would also help measure performance and progress ratio in a better way. Feeling of being cared and respected would lead to ‘autonomous motivation’ and reduce stress to a greater extent. Along with, executive trainings and/or educational programmes on mindfulness would enable to incorporate value systems and calmness of mind, handle stress and work with competence and more effectively. Mindfulness programs could skill a stressed mind to be aware and understand stressors and cultivate patience, tolerance to transform one’s reaction into self-compassion and healthier coping skills. Mindfulness Programmes if could be adjusted in between curriculum flow and job performance would, probably, yield better performances and enthusiasm. Application of Mindfulness programme could be found in Canada as curriculum-based programme. Training the mind and directing it to lead a non-judgmental and compassionate life would stimulate teachers’ enthusiasm to improve in their commitment and intrapersonal skills.

Implementation of any programme needs to be carefully and cohesively followed by monitoring and collecting feedback of the implementation made and to identify key people creating concerns for the organisation and the work environment. Separate counselling and psychological trainings could be of great help to transform these concerns into positive practices. Andy Puddicombe tells us about our take away from Mindfulness Meditation in one of his Ted Talks<sup>8</sup>. Meditation and yoga is yet another age-old regime which has an immense quality to transform an agitated mind into calm and composed one. Whereas in some other cases, worksheets are used as a therapeutic tool that breaks down goals into more likely manageable tasks to help combat stress and anxiety due to long list of work assignments and responsibilities. MBSR (Mindfulness Based Stress Reduction) trainings are also found practiced in India but require urgent attention and implementation at all levels of Government/private sectors.

---

<sup>8</sup> [https://www.ted.com/talks/andy\\_puddicombe\\_all\\_it\\_takes\\_is\\_10\\_mindful\\_minutes?language=en](https://www.ted.com/talks/andy_puddicombe_all_it_takes_is_10_mindful_minutes?language=en) [Accessed 3 December 2018].

Teachers are also faced with an additional concern of meeting and/or interacting students who are disinclined for a particular programme/course yet they pursue under parental pressure. Hence, their effective participation for productive outcome is all the more challenging; peer pressure of performance is an addendum. University of Washington have come up with a concept of Service-Learning courses through their Centre for Teaching and Learning which enables a student to understand curricular/course content merged with community-based services before they register for a programme. ‘Wellness Worksheets’ by Paul M Insel and Insel and Roth (2012) from the house of The McGraw Hill Companies is another case in point that deals with wellness of students to implement ‘behaviour change programs’. By looking at such world practices and ‘world’s most celebrated education systems’ (Crehan, 2018, p. 13) the challenge of pushing students for a disinterested course/programme could be dealt with; it would develop a better understanding of own wellness, much before they become corporate personnel, and manage stress for progressive life style. As we can see ‘Empathy Interviews’ in corporate world are set to measure human-centred designs to map professional and emotional capabilities.

‘To identify and address the social, biological and psychological determinants of mental health problems and to provide appropriate interventions’ is clearly stated in 3.2.10 under Objectives of National Mental Policy of India (Republic of India, 2014). Only then Teacher Skills Audit could, probably, justify assessing skills and competencies of a teacher as well as behavioural and psychomotor aspects to analyse workforce development requirements and address skills for life initiatives.

The issues need strict addressing and regular monitoring to realise the boons of technology and pedagogical advancements. Finally, the respect towards teachers and social scaling is not the same across countries which too need attention and justification. If teachers are to be considered as backbone of a society it is, undoubtedly, a mutual responsibility of teachers to contribute and make commitments whole heartedly and of the society to pay its proper respect and social status equitably to bring in the desired changes.

## CONCLUSION

The study attempts to understand the predominant concerns in attaining teaching-learning objectives and map the role of workplace environment controlling psychological workings and interest. The psychological morale of teachers as determinant in attaining educational objectives is palpable because the prevailing conditions and intricacies have greater roles such that a teacher becomes a facilitator in its strictest sense of the term. If the emphasis is only on digital practices without developing human emotions, interpersonal relationships and civic responsibilities overall educational objectives stands ineffectual. The effect of work/place stress on teaching is, perhaps, relevant in the context of most educational Institute across the boundaries as evident from existing literature surveys.

However, it is possible some significant information might have been missed. Many other factors are associated in relation to the topic of the present study. It needs special mention in this, that, it is not only the role of facilitator alone to bring in the desired changes, cooperation from all the stakeholders’ would enable facilitators to perform their role with self-efficacy, competence and commitment. The study has been carried on a small scale and there is an impending need to conduct more studies in the area of persons to actually let transformation happen.

## ACKNOWLEDGEMENT

I would not have had the confidence to take the leap were it not for the blessings of my tutelary deity, exquisite love and incredible support of my parents Mr. Tushar Kanti Roy and Mrs.

Sefali Roy, spouse Mr. Partha Sarathi Basu and predominantly, our daughter Aaheli Basu. I owe a huge debt to all of them.

I remain thankful to Dr. G V Subramanian, the Director and Dr. R K Patra, the Principal of Bharatiya Vidya Bhavan Institute of Management Science, Kolkata for their continuous encouragement and wonderful support.

I express sincere thanks to all my students and workmates all through who form the base of my study and varied experiences.

I acknowledge the cooperation and guidelines received from Team AICMSE.

I remain thankful to anonymous referees and websites that have helped me to explore information and analyse them for the purpose of my study.

## REFERENCES

- Aggarwal, J. C. (2004) *Essentials of Educational Psychology*. Delhi: Vikas.
- Ananda Bazar Patrika- Kolkata edition (2018), 26 October 2018, p. 5.
- Angst, J. and Vollrath, M. (1991) The natural history of anxiety disorders. *Acta Psychiatrica Scandinavica*, 84, 446-452.
- Asthana, A. and Boycott-Owen, M. (2018) 'Epidemic of stress' blamed for 3,750 teachers on long-term sick leave. [Online] *The Guardian*. 11 January 2018. Available from: <https://www.theguardian.com/education/2018/jan/11/epidemic-of-stress-blamed-for-3750-teachers-on-longterm-sick-leave> [Accessed 3 December 2018].
- Badass Teachers Association and American Federation of Teachers (2017) *2017 Educator Quality of Work Life Survey*. Princeton, NJ: AFT.
- Badass Teachers Association and American Federation of Teachers (2015) *2015 Educator Quality of Work Life Survey*. Princeton, NJ: AFT.
- Breslau, N., Schultz, L. and Peterson, E. (1995) Sex differences in depression: a role for preexisting anxiety. *Psychiatry Research*, 58, 1-12.
- Crehan, L. (2018) *Cleverlands*, London: Penguin.
- Dhabar, F. S. and McEwen, B. S. (1998) Enhancing versus suppressive effects of stress hormones on skin immune function. [Online] *Proceedings of the National Academy of Science, USA*, 96, 1059-1064 Available from: [https://www.researchgate.net/publication/13360922\\_Enhancing\\_versus\\_suppressive\\_effect\\_of\\_stress\\_hormone\\_on\\_skin\\_immune\\_function](https://www.researchgate.net/publication/13360922_Enhancing_versus_suppressive_effect_of_stress_hormone_on_skin_immune_function) [Accessed 9 December 2018].
- Finlay-Jones, R. and Brown, G. (1981) Types of Stressful Event and the Onset of Anxiety and Depressive Disorders. *Psychological Medicine*, 11(4), 803-815.
- Harish, K.A. and Prabha, B.J. (2018) A study on the occupational stress and job satisfaction of teachers of government and private sectors. *International Journal of Pure and Applied Mathematics*, 118 (11), 681-688.
- Harvard Health (2018) *Protect Your Brain from Stress*. [Online] Available from: <https://www.health.harvard.edu/mind-and-mood/protect-your-brain-from-stress> [Accessed 3 December 2018].
- Insel, P.M. and Roth, W. T. (2012) *Wellness Worksheets*. 12th ed., US: The McGraw Hills Co.
- Kotler, P. (2003) *Marketing Management*. 11th ed., Delhi: Pearson Education.
- Leka, S., Griffiths, A. and Cox, T. (2005) *Work, Organization and Stress*. Protecting Workers' Health Series 3, Geneva: World Health Organization.
- Marope, P. T. M., Wells, P. J. and Hazelkorn, E. (2013) *UNESCO Global Forum: 'Rankings and Accountability in Higher Education: Uses and Misuses'*. Paris: UNESCO.
- Mukhopadhyay, M. (2012) *Leadership for Institution Building in Education*. New Delhi: Shipra Publications.
- Petrovsky, A. (ed.) (1986) *Age-Group and Pedagogical Psychology*. Moscow: Progress.

- Pandey, N. and Saxena, A. (2015) Teachers' occupational stress: a review study in national and international scenario. [Online] *International Journal of Organizational Behaviour and Management Perspectives*, 4 (2), 1533-1538. Available from: [https://www.researchgate.net/publication/281834645\\_Teacher's\\_Occupational\\_Stress\\_A\\_Review\\_Study\\_in\\_National\\_International\\_Scenario](https://www.researchgate.net/publication/281834645_Teacher's_Occupational_Stress_A_Review_Study_in_National_International_Scenario) [Accessed 3 December 2018].
- Republic of India, NUEPA (2016) *Report of the Committee for Evolution of the New Education Policy*. New Delhi: Ministry of Human Resource Development, Government of India.
- Republic of India (1992) *National Policy on Education* (1986) (with 1992 modifications undertaken in 1992), (Ch. 11). New Delhi: Ministry of Education.
- The Times of India (2017) *How Colleges are inspiring the young to live healthy*. The Times of India, Kolkata Edition, 11 October 2017, 19
- UNESCO (2015) *Education 2030: Incheon Declaration and Framework for Action for the Implementation of Sustainable Development Goal 4*. Paris: UNESCO.
- Yaribeygi, H. et al. (2017) The impact of stress on body function. *Journal of Experimental and Clinical Sciences*, 16, 1057-1072.

1-BY33-6953

## **EXPLORING THE EFFECTIVE DESIGN OF PROJECT-BASED LEARNING**

DR. JIE ZHANG<sup>1</sup> AND DR. QING YE

We designed and implemented Project-based Learning (PBL) in an undergraduate Corporate Finance module. Each week students had lecture to learn the basic theories (textbook knowledge) and lecturer showed them how to decide which models from textbook to use in different scenario; what data need to be collected, where to find the right data; how to use these data to work in models. Then students sat in groups to work with mini tasks during and after tutorials. All these mini tasks formed a big project, which was the assessment of this module. We carefully designed PBL to address the challenges of using group project such as student participation and free rider issues. Students' performance and feedback indicates that our PBL design effectively enhanced their learning by 1) developing their critical thinking, problem solving, and collaboration skills; 2) applying textbook knowledge to practice; 3) reflecting on learning and the quality of their work.

2-DA03-6662

## **QUALITY OF INSTITUTIONS AND PERFORMANCE**

DR. CHONG-CHUO CHANG<sup>2</sup>

Quality of institutions represents a type of rule, i.e., the rules of the game of a society; as the important determinants of economic performance (North, 1990). The rule may help facilitate productive activities, investments, and growth of new technologies; by contrast, it may also encourage predatory behavior such as corruption or rent-seeking (Hall and Jones, 1999). Thus, the quality of institutions is vital to a country and enterprises. We explore whether an improved quality of institutions can promote corporate technology progress and boost firm value. The empirical findings indicate that good quality of institutions can increase total factor productivity and firm value.

3-DA17-6779

## **IMPACT OF EMOTIONAL INTELLIGENCE (EI) ON THE CUMULATIVE GRADE POINT AVERAGE (CGPA) – A COMPARATIVE ANALYSIS OF STUDENTS' ACADEMIC PERFORMANCE AT GLOBALLY RANKED AND UNRANKED BUSINESS SCHOOLS**

MS. GUL E NAYAB ANAS<sup>3</sup>

Business schools attract large student enrollment and contribute significantly towards financial stability of Higher Education Institutions (HEIs) across the globe. Cumulative Grade Point Average (CGPA) is the globally accepted measure for academic performance of the business graduates, while employers and the entrepreneurial industry needs intelligent and street smart graduates. Emotionally intelligent business graduates outperform their counterparts in practice, raising an important issue of whether EI has an impact of the CGPA of the business graduates. This study has addressed this issue by finding the relation between EI and CGPA of the students enrolled at various business schools ranked according to the Academic Ranking of World

<sup>1</sup> Dr. Jie Zhang, Lecturer, Xi'an Jiaotong-Liverpool University.

<sup>2</sup> Dr. Chong-Chuo Chang, Professor, National Chi Nan University.

<sup>3</sup> Ms. Gul e Nayab Anas, Senior Lecturer, Bahria University.

Universities (ARWU). While drawing the sample developed and underdeveloped economies have been given due representation within the sample. The findings of this study reveal that the EI has a relatively significant impact on the CGPA of the students in the business schools ranked higher on the index. The impact dilutes as we down the ranking list raising an important observation that the low ranked / unranked business schools may work on aligning their CGPA mechanism for being the true representative of students' level of the EI.

6-DA12-6928

### **IMPACT OF SMARTPHONE ADDICTION ON CYBERLOAFING - MODERATING ROLE OF JOB CONTROL**

MR. CHAUDHARY MUHAMMAD EHTISHAM<sup>4</sup>

The influx of smartphones in routine life is increasing day by day, with an overwhelming effect of distraction from major tasks and an increasing use of non-work related internet. The ubiquity of smartphone makes them a useful gadget but with expanding LTE networks connectivity is also getting firm which gives employees an opportunity to loaf or not to loaf at workplace. This study investigates the changing causal relationship between cyberloafing behavior and smartphone addiction. Further the moderating role of job control was examined. Drawing on conservation of resources theory, it is proposed that smartphone addiction has a positive relation with cyberloafing and job control tone down the harmful effects of smartphone addiction. Proposed model is empirically tested using data collected from a sample of 150 participants. Participants are approached on one on one basis for authenticity, however data is collected via google forms. Theoretically, it is demonstrated that to precisely predict deviant behavior, it is vital to consider antecedents of the problem and incorporate better job control. Pragmatically, understanding how this job control or other moderating elements can help affect the relationship between cyberloafing and smartphone addiction suggests managers with strategies to curb cyberloafing.

**Keywords:** Smartphone addiction, cyberloafing, job control, use and gratification theory

7-DA19-6951

### **PATTERNS OF NON-COMPLIANCES IN THE AGRI-FOOD CHAIN**

DR. ALEKSANDRA KOWALSKA<sup>5</sup>

The aim of the study is to explore and compile data on food fraud, food adulteration and other non-compliances to strengthen future capabilities to counter illicit activities in a globalized food environment. Since agri-food chains are becoming increasingly complex, vulnerability to fraud and adulteration in the food chain is not decreasing. Recent scandals have undermined consumers' trust in food and have increased the need to strengthen both private and public sector's ability to combat fraud/ adulteration effectively and in a timely manner.

Most common targets for adulteration are not the same in different parts of the world which is determined by a range of factors, including prices of raw materials and finished products, food consumption patterns, level of competition in sector, legal sanctions, culture and behavior, technical opportunities, and introduced control measures. The main sources of information on the topic were: (1) publicly available articles in scholarly journals; (2) data requested from DG Health and Food Safety of the European Commission; (3) Rapid Alert

<sup>4</sup> Mr. Chaudhary Muhammad Ehtisham, PhD Student, Riphah International University.

<sup>5</sup> Dr. Aleksandra Kowalska, Associate Professor, Maria Curie-Skłodowska University.

System for Food and Feed (RASFF) Portal; (4) administrative decisions regarding adulterated agri-food products of the Agricultural and Food Products Quality Inspection in Poland (AFPQIP).

Both luxury food items and important staple foods eaten in a considerable quantity are likely to be targeted by fraudsters. Meat derived products are relatively more prone to fraud and adulteration across the European countries. Spices are reported frequently in global food fraud databases. 'Dietetic foods, food supplements, fortified foods' is the most often notified product category in the EU Food Fraud Network and the System for Administrative Assistance and Food Fraud (EU FFN & AAC). In Poland most non-compliances occur in meat products, cereals and bakery products and ready to serve products. Data from EU FFN & AAC and from AFPQIP show similar trends where most reported irregularities associated with food products are related to mislabeling and especially list of ingredients.

The study has a potential to provide insights into various food adulteration practices for business managers and state decision-makers who are shifting their focus from traditional controls and risk assessments to prevention and vulnerability reduction.

**Key words:** food adulteration, food fraud, Poland

8-BY23-6909

## **THE IMBRICATION OF GENDER AND NATIONALITY WHERE PAY GAP IS CONCERNED: THE CASE IN MALTA**

DR. JOSANN CUTAJAR<sup>6</sup>

In this paper I will be drawing upon Transnational, Post-colonial and Intersectional feminist theories to explicate how gender, nationality and occupational sector interact when it comes to wage differentials in Malta. These theories will enable me to analyse how materialist and culturalist discourses have a bearing on women's participation rate in the Maltese labour market, and how much they are paid. This paper sets out to trace how neo-colonial forces (globalized neo-liberalism promoted by the European Union) has led to a booming economy, and this has led to a demand for more labour. The state has had to come up with measures to encourage more women to join and remain within the Maltese labour market. These policies are however countermanded by the teachings of the Roman Catholic Church (Montebello, 2009) and to a lesser extent Islam (Mercieca, 2012). The increase in women's labour participation has not been enough to answer the demands of a booming economy. This demand has led to the inward migration of skilled and not so skilled workers from the four corners of the world. The gender pay gap between women and men stood at around 11 percent in 2016 (Magro, 2018). Women working in high value added jobs in Malta are more likely to face a gender pay gap than those in low value added ones (Magro, 2018). Foreign born women and men receive higher wages when compared to Maltese born women and men (EIGE, 2017). What is interesting is the fact that when it comes to low value added jobs, men are more likely to experience a gender pay gap in Malta (Magro, 2018). This paper will trace the multiple discourses at play at this particular location in time, and use the feminist theories mentioned above to explicate which discourses hold sway, why and with what effect.

---

<sup>6</sup> Dr. JosAnn Cutajar, Senior Lecturer, University of Malta.

9-BY26-6983

**FEMALE LEADERSHIP IN BUSINESS SCHOOLS**MS. PANARAT ROHLEDER<sup>7</sup>

As a result of high technology constructs and globalization, the world has changed over time and has become more complex and more diverse. This includes higher education, the place to educate people to become good resources for their communities, the nation and the world. As such, business schools have an important role in building and educating future business leaders and managers who will have significant work experience that impacts society overall. Thus, leaders of business schools are important as they are key persons, who can create and support the best learning environment for students.

Transformational leadership styles are considered as the best suited leadership styles for the 21st century since the world is more complex than before. This leadership style is useful for today's world since leaders serve as role models that inspire their followers to be creative and innovation. In addition, leaders who have this leadership style have been successful regarding leading organizational changes. It is the way leaders make adjustments to the organization for its survival and benefit regarding changes in the business environment. Eventually, this transformational leadership style will help leaders to lead organizations effectively and successfully. It will also enable the application and use of any size and type of organization and industry, such as private sector, public sector, nonprofit organization and higher education.

Research study has found that female leaders have more transformational leadership style behavior than male leaders. This leadership style was also perceived as indicative of female leadership styles. It was also recognized as a leadership style for female leaders in higher education and as being appropriate for higher education. Thus, this quality makes females well suited to leadership roles in a business school: the place that provides education for future business leaders and managers that are involved with updating knowledge and activities to fit with the current business world for the benefit of its students.

**Keywords:** Female leadership, transformational leadership, higher education, business school

10-BY16-6922

**SUSTAINABILITY IN BUSINESS PRACTICES: PROVIDING AN EDUCATIONAL FRAMEWORK FOR THE LEADERS OF TOMORROW**MR. NICOLAS VIENS<sup>8</sup> AND DR. DENISE FORTIER<sup>9</sup>

Growing literature and evidence on the neoclassical business worldview, currently the dominant mentality in business, confirm how inadequate this mindset has become in the 21st century, especially given its failure to effectively manage contemporary socioeconomic and socioecological issues such as climate change, diversity considerations, as well as sociocultural change – notably gender diversity in the workforce. Despite the growing evidence of such inefficiency, the neoclassical business worldview remains the dominant paradigm and continues to guide business academic programs. In order to better prepare the next generation of business leaders for the current and upcoming modern challenges, we must introduce business students to sustainable modes of decision-making and problem-solving while increasing interdisciplinarity in academic courses. Given that academic programs often face

---

<sup>7</sup> Ms. Panarat Rohleder, PhD Student, The Chicago School of Professional Psychology.

<sup>8</sup> Mr. Nicolas Viens, Student, Bishop's University.

<sup>9</sup> Dr. Denise Fortier, Professor, Bishop's University.



resistance to change with regards to curriculum content, we designed an educational framework for an introductory business course that would provide a pool of relevant tools for training junior students. Accordingly, we determined that our framework must respect three key objectives. First, educators must properly raise awareness of sustainability issues within business practices. Learning, grounded in a relatively permanent change in knowledge that extends beyond the classroom, involves an unfreezing of previous mindsets. Given that university students have the cognitive ability to learn, we must therefore increase their awareness for the need for change. Moreover, business students must be taught the importance of sustainability, how it relates to their field of study, along with the need for a holistic management approach for sustainable economic and financial growth. Second, relevant tools and concepts must be presented so students have the confidence and the means to act. Finally, the material provided must be taught in a way that boosts the students' expectancies and motivates them to actively use the material in subsequent academic projects in order to master and internalize the theory in their personal business practices. Indeed, educators need to create a learning culture that will result in high levels of self-efficacy and involvement so that students feel empowered to make necessary sustainable choices where the goal is to foster actual changes in the workplace and in the way business operate. Regarding the material presented, literature on sustainable development strongly suggest the need for creating new, sustainable business models by directly applying sustainability considerations to its components, such as the sustainable value proposition concept, as well as full stakeholder valuation. Additionally, students should be introduced to the difference between growth and prosperity, of which the distinct characteristics can strongly impact business objectives and managerial decisions. Such tools would not only provide alternative mindsets for business students, but can also result in a new generation of growingly-conscious leaders who better understand the role of business organizations in society, and the impact of their decisions and policies on governments, industries, populations, as well as future generations. Finally, in order to maximize internalization of the proposed material, we suggest a framework that emphasizes student participation and encourages them to take personal initiatives to apply these concepts in academic projects and in their careers.

**12-BY20-6965**

## **L2 LEARNERS' READING SOURCE TEXTS FOR MA ARGUMENTATIVE ASSIGNMENT ESSAYS IN A UK UNIVERSITY**

MR. TAKESHI KAMIJO<sup>10</sup>

In university education contexts, reading source texts for writing argumentative essays is essential. Argumentative essays require students to critically review theoretical developments in the relevant disciplinary fields and construct arguments for their positions, providing recommendations from theory to practice. The present exploratory study examines how seven L2 learners assessed their source texts and developed their positions for writing MA module argumentative essays related to TESOL/Education in UK universities. In the study, two in-depth 40-minute interviews were conducted. The first interview was conducted in the earlier stage of the module, while the second interview was held four weeks after the assignment was submitted. For data analysis, the study applied Communities of Practice (Wenger, 1998) and the framework of three components for composing argumentative assignments suggested by Wingate (2012): (1) analysing and evaluating content knowledge, (2) establishment of a position and (3) developing an argument in a coherent manner.

---

<sup>10</sup> Mr. Takeshi Kamijo, Associate Professor, Ritsumeikan University.

The findings indicated that two successful learners' developed their understanding about critical reading on many research articles throughout the module. For their selected key source texts, they both selected research review articles as essential content knowledge resources. They grasped researchers' debates and assessed evidence of many research studies, which led to a well-focused critical evaluation of the content knowledge and development of their own positions in the argumentative essays. On the other hand, the four less successful learners did not effectively use their source texts, giving limited attention to content knowledge from researchers' discussions and ended up producing claims without sufficient supporting evidence. To summarize the study, the successful learners had appropriate task representation and developed their arguments in the argumentative essays well, as they used content knowledge gained through a thorough understanding of the research review articles. Based on the results, implications for university content-based course tutors and EAP professionals will be presented regarding the reading strategies for MA level argumentative essay writing.

13-BY24-6600

## **HISTORY AND DEVELOPMENT OF YOUTH WORK IN SOUTH KOREA**

DR. SUN YOUNG PARK<sup>11</sup>

This research has begun to analyse the influence of youth work in relation to non-formal education and the quality of youth welfare in South Korea. In particular, young people are facing rapidly changing society and need to be prepared for unexpected future like the 4th industrial revolution. This study preassumed that youth work has been played an important role in supporting the quality of young people's life and their welfare. The aims of the research are firstly to evaluate the background and history of youth work in South Korea, secondly to investigate what youth work has contributed to the development of non-formal education, lastly to recommend how to promote youth work in South Korean contexts. As a conclusion, this research found that firstly, the youth work has appeared in order to support the quality of young people's life and it was originated by the national government. Secondly, youth work has promoted youth rights and welfare through youth workers as well as national youth policy and the system. This kind of nation-oriented youth work is a very unique model in comparison to youth work in other countries. Finally this study argues that youth work has to be recognised as an important partner to develop young people's potential competences. Therefore, this study suggest that youth work can be a method of developing youth's key competences for preparing their future and young people should be prepared for the future with various educational approaches including youth work.

14-BY31-7005

## **TO WHAT EXTENT DOES THE ORGANISATIONAL CULTURE INFLUENCES CONTINUOUS IMPROVEMENT IN THE SAUDI HEIS?**

MR. MOHAMMED ALOTAIBI<sup>12</sup>

Over the past 40 years or so, extensive, wide-ranging research on the culture of organisations has been undertaken. The importance of culture in these researches has been identified as a vital element in the motivation and productivity of the human resource. Organisational culture is deemed central to organizational success, reflecting the level of continuing interest in the subject. It also plays an important part in the continuous improvement of organisations and

<sup>11</sup> Dr. Sun Young Park, Associate Professor, Korea National Sport Univeristy.

<sup>12</sup> Mr. Mohammed Alotaibi, Phd Candidate, Cranfield University.

consequently its sustainable success. What makes a firm competitive is not so much the equipment, location, buildings, capital base or the number of employees which it possesses because anybody, organization or government with deep enough pockets can duplicate this resource position but what makes a firm or business competitive is its dominance organisational culture. This is particular applicable to HEIs which needs to be based on a positive organisational culture in order to sustain its improvement. In this regard, the HEIs in Saudi Arabia have been suffering in the past decades from a lack of continuous improvement despite the huge amount of money invested in their development. This is mainly attributed to the lack of positive organisational culture that would enhance and encourage continuous improvement in such institutions. As well as the lack of extensive studies in this field of organisational culture and continuous improvement in the Saudi HEIs. Therefore, the researcher in this paper studies the currently dominant organisation culture in the Saudi HEIs in order to suggest the best way of enhancing continuous improvement in such institutions. This study will rely on both primary and secondary data to help enrich this research's analysis and findings. The primary data will be based on interviews conducted with various university stakeholders such as lecturers, administrators, college deans and vice chancellors. The secondary data were based on articles, books, periodicals, reports and other unpublished documents obtained from the ministry of education.

15-BY12-6942

# **DRAWING PERSPECTIVE VIEW INDEPENDENT OF ITS GRAPHICAL CONSTRAINTS: A MATHEMATICAL APPROACH**

MR. ROTH BHATTACHARYYA<sup>13</sup>

This paper explores the possibility of providing a suitable alternative to drawing perspective views that is independent of drawing reference lines and projections. It presents a mathematical model as a viable alternative, which can similarly be adopted in computerized processing of three-dimensional perspective views. The limitations of the graphical method, i.e., the error due to drafting of projection lines and measuring of distances graphically in the same process, are completely bypassed when presented with a mathematical formula to draw perspective views. This research also analyses the various anomalies and visual aberrations regarding views that is observed that cannot be otherwise explained without a mathematical equation and relevant mathematical graphs to support it. The scope of the present research solely deals with a two-point perspective and all calculations are done in this regard. The viability to present a three-point perspective is also self-evident but more research is required.

18-BY27-6900

# **THE AUTHORITY OF THE CENTRAL GOVERNMENT OF REPUBLIC OF INDONESIA TO NULLIFY LOCAL REGULATIONS'.**

MR. WILLIAM ADITYA SARANA<sup>14</sup>, DR. FITRA ARSIL AND YUNANI ABIYOSO, S.H., M.H.

Regarding the authority of the Central Government in canceling the regional law products as a matter of issue in this paper, in principle there are two opinions that differ from each other in view of whether the Central Government has the authority to revoke the Regional Regulation or not. The first opinion argues that the Central Government cannot revoke regional law

<sup>13</sup> Mr. Rothi Bhattacharyya, Student, National Institute of Technology Patna.

<sup>14</sup> Mr. William Aditya Sarana, Student, University of Indonesia.

products. While the second opinion argues otherwise, that the Central Government can revoke regional law products. Both opinions are reflected in Decision Number 137 / PUU-XIII / 2015 in which nine (9) Constitutional Justices are divided into two groups, namely five judges included in the first opinion and four judges included in the second opinion. The basis of the argument from the first opinion which argues that the Central Government cannot revoke regional legal instruments refers to the principle of separation of powers, namely that the supervision of regional legal instruments can only be done through a judicial review mechanism by the Supreme Court. This is because the supervision of regional law products through a judicial review mechanism is a constitutional authority of the Supreme Court as stipulated in Article 24A paragraph 1 of the 1945 Constitution. Whereas the second opinion which states that the Central Government can revoke regional law products based its argument on the principle of a unitary state, namely that it is natural that the Central Government in a unitary state form is responsible to oversee regional law products so that regions (through legal instruments issued) do not act deviate from the principle of a unitary state that requires a unified national law. This is in stark contrast to federal state principles which usually allow for legal differences or diversity between one state and another, such as the United States. It can be concluded that the executive review authority should still be owned by the central government against the regional government because regional autonomy must be seen in the perspective of the form of a unitary state where the President is the holder of government power so the obligation to control or supervise the regional government, one of which is by has the authority to cancel Regional Regulations. On the other side, The Supreme Court is not yet ready to handle judicial review for four reasons, namely (1) the non-disclosure of judicial review process in the Supreme Court, (2) the Supreme Court's ruling which is not directly applicable, (3) the cost of the expensive judicial review process: Rp. 1,000,000 even want to be increased to Rp. 5,000,000, and (4) there is no time limit for the process of judicial review.

19-BY06-6852

## **COPYRIGHT ISSUES IN CYBERSPACE: THE INDIAN PERSPECTIVE**

MR. SHOAB ALVI<sup>15</sup>

Information Technology is growing faster than any other communication vehicle in the history mankind. Invention of digital technology was the most important revolution in the last century. The influence of digital technology on information technology is phenomenal. The present millennium is witnessing a new culture that is internet culture. Copyright, Patent, Trademark, Design are some of the types of Intellectual Properties. These things are creations of the human mind and hence called Intellectual Property. The term Cyberspace relates to the transactions carried through e-commerce. Web-based technology through the internet has increased our capacity to access it easily with rapid speed which is very useful for e-commerce and having quick electronic business transactions. The challenge that the law has faced in the recent years is how to tackle the development of Intellectual property on the Internet while preventing its unauthorised exploitation. Copyright law grants the owner exclusive right to authorize reproduction of the copy righted works preparation of derivative works, distribution etc. However application of this concept on the internet cannot be strictly applied to copyright. Duplication of the information is an essential step in the transmission of information on the internet and even plain browsing information at a computer terminal and the most important of the many legal issues raised by the internet is the protection of the copyright. Computer software is also subject matter of copyright protection under the Copyright Act. Computer

---

<sup>15</sup> Mr. Shoaib Alvi, Student, Hidayatullah National Law University.

programmes are included in the definition of literary work under the Copyright Act. Taking content from one site, modifying it or just reproducing it on another site has been made possible by digital technology and this has posed new challenges for the traditional interpretation of individual rights and protection and thus amounts to infringement of Copyright on Cyberspace. Information Technology Act 2000 does not mention a single word about copyright while the copy right is one of the most complicated areas of cyber law. Though Copyright infringement on internet has become a global issue, Author has tried to analyse here the applicability of Indian Copyright Act in order to deal with Copyright infringement in cyberspace and also studied the judicial trend towards infringement of these rights. **Keywords:** Copyright, Computer software, Linking-framing, Cyberspace issues & Remedies

20-BY32-6711

### **PERCEPTION OF THE COMMUNITY REGARDING IMPACT OF UNIVERSITY EDUCATION IN RESOLVING GENDER ISSUES**

DR. MUHAMMAD TAHIR NADEEM<sup>16</sup>

Educated women are fundamental to ending sex discrimination by reducing poverty, which increases discrimination in developing countries. Gender equality is no longer seen simply as a problem of social justice. In order to ensure that women have equal rights, resources and opportunities within a community, making their voices heard is widely recognized as essential to the growth and development of a community. Women's education is the most effective tool for changing their position in society. Educating women in Pakistan was a necessity as education is a milestone in women's empowerment. Education also leads to reduction in inequalities and functions as a way to improve their status within the family and develops the concept of participation. The major objective of the present study was to explore the role of the universities of Southern Punjab to foster social justice and women empowerment in the community. The study was carried out in three districts namely Multan, Dera Ghazi Khan, and Bahawalpur of South Punjab region. A sample of 30 alumni of the universities of Southern Punjab from various organizations was selected through purposive sampling technique. A semi-structured interview was used to collect information from respondents. It was concluded that university education is improving gender equality, helping the community to adopt liberal attitudes towards women, moderately improving women empowerment and mobility.

**Key words:** University education, gender equality, women empowerment, social justice

21-BY15-6898

### **POST DISASTER HOUSEHOLD RECOVERY THROUGH CASH TRANSFERS: A CASE STUDY OF FLOOD AFFECTED RURAL HOUSEHOLDS IN UTTARAKHAND, INDIA**

MS. NALINI YADAV<sup>17</sup>

Social cash transfer programs have become increasingly relevant in developing countries to support people's survival and recovery from conflicts and disasters. A growing body of literature empathizes that cash transfers are effective in reducing vulnerabilities, chronic poverty, and have wider positive impacts within recipient households.

This paper presents a case study of flood affected households post the devastating 2013 floods in the Uttarakhand region of Northern India. Using the purposive sampling method, a

<sup>16</sup> Dr. Muhammad Tahir Nadeem, Assistant Professor, The Islamia University of Bahawalpur.

<sup>17</sup> Ms. Nalini Yadav, PhD Candidate, Tata Institute of Social Sciences.

sample size of 40 households residing in the 'Chaka' village has been analysed as a case study. The participants are selected based on the compensation received after the flooding disaster. The region is highly ecologically sensitive and households largely depended on agricultural yields before the floods. The disaster devastated their livelihood pattern by damaging agricultural land. Lack of formal employment and fewer livelihood diversification strategies further increased dependency on cash transfer mechanism. In view of this, the paper brings out role of social cash transfers in recovering household assets and income resources. The evidences are visible through reduced food insecurity, prevention of erosion of productive assets, and lesser withdrawals from school after the crisis.

The paper recognizes that households in ecologically fragile regions have multiple vulnerabilities depending on income levels, dependency ratio, and other forms of social differentiation. Therefore, the paper suggests integration of tailored cash transfers programs especially when responding to disasters for households with low level of capacities.

**Keywords:** social cash transfers, household recovery, natural disasters.

23-BY08-6891

## **AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL? EVIDENCE FROM NIMA AND OLD FADAMA**

MS. EUNICE YORGRI<sup>18</sup>

Sustainable Development Goals were initiated to complete the unfinished business of the Millennium Development Goals which was kick started in 2000 for a fifteen-year stretch period, therefore, bringing its curtain to a close in 2015. Despite the successes that were chalked in diverse areas under the MDGs, inadequate supply of public infrastructure and services has inherently characterized the slums of Nima and Old Fadama. Notwithstanding the existence of these infrastructures in Accra, accessing clean and affordable water and improved sanitation has become a privilege among residents of Nima and Old Fadama. This study based on empirical evidence elucidates the state of the SDGs on water and sanitation based on a field survey conducted in 2017 by focusing on the present state in accessing portable water and improved sanitation in the slums of Nima and Old Fadama at the dawn of the SDG goal and also advance some recommendations for policy makers as well as contribute to the body of knowledge and discourses regarding the current challenges confronted by slum dwellers and the way forward. The study utilized primary data collection methods and also desktop information. In all, 304 respondents were sampled from Nima and Old Fadama through a random sampling method. Survey data was collected in a triangulated fashion and was analyzed using SPSS V.23. Also, Originlab and Microsoft excel were used for further computation and analysis. The results of the study revealed that residents suffered from intermittent closures of pipes, open defecation, leaking pipes and inadequate toilet facilities. However, 70% of respondents in Nima and 51% of respondents in Old Fadama respectively have access to Pipe Borne water. Also from the findings of the research, 56% of respondents have access to toilet facilities in their homes and within their neighbourhood. Notwithstanding the availability of toilets, the waiting time is long hence forcing them to resort to open defecation. Therefore, we recommend that slum dwellers be educated on the SDGs and the role they can play as the affected to ameliorate and achieve the targets of the SDGs with tremendous impact on their condition of living. Also, community water supply centers and banks can be provided at vantage points through negotiations with government and private investors where community members can reserve water and buy water when they need it, to avoid wastage and improve

<sup>18</sup> Ms. Eunice Yorgri, Doctoral Candidate, Harbin Institute of Technology.

management and sustainability. Future research on a baseline survey on how slum dwellers can be used as architects in improving their state and also ensure that government and urban planners prioritize the development of their slums to avoid future growth is vital.

**Keywords:** Slums, Accessibility, Sanitation, Water, Nima, Old Fadama, Accra

24-DA05-6266

## **BEHAVIOURAL OUTCOMES OF GENDER DISCRIMINATION WITH INTERACTING EFFECT OF EMOTIONAL ATTACHMENT: EMPIRICAL EVIDENCE FROM ACADEMIA IN PAKISTAN**

DR. FAYAZ ALI SHAH<sup>19</sup> AND MS. SONIA SETHI<sup>20</sup>

Socially responsible employers are expected to provide a fair and discrimination-free work environment for their employees. Previous literature on gender discrimination has mainly focussed on sexual harassment while other dimensions of gender discrimination have been less explored. Similarly, majority of the previous researches on gender discrimination have been conducted in developed countries within industrial organizational settings while less attention has been given to developing countries within academic settings. The current study is an attempt to fill this gap by utilizing a multidimensional model within the cultural perspective of Pakistan. This study examined several behavioural outcomes of gender discrimination among the faculty in public sector universities of Pakistan. The study also examined the interacting effect of emotional attachment (affective commitment) on the relationships of gender discrimination and its behavioural outcomes. Data were collected from 313 faculty members working in public universities of Pakistan. The model of the study was evaluated using Structural Equation Modelling (SEM) by using Analysis of Movement Structure (AMOS) version 21. Results of the study revealed that gender discrimination had strong negative association with job satisfaction and turnover intention while positive association with job stress. The results of the study also uncovered unique results regarding the interacting effect of emotional attachment (affective commitment) on the relationships of gender discrimination and its behavioural outcomes. The results of the study provide guidelines and significant implications to help policy makers to look into possible ways to promote positive work environment. Furthermore, the study helps in enriching the current body of knowledge regarding employee work attitudes and behaviours by incorporating the constructs of gender discrimination, job satisfaction, turnover intention and job stress into a single research framework.

29-DA20-6974

## **THE DIFFERENT ANTECEDENT FACTORS OF ORGANISATIONAL TRUST OF MANAGERS AND SUBORDINATES IN SCOTTISH SMES**

MS. RUI MA<sup>21</sup>

Trust is of high value to organisations (Dirks and Ferrin, 2001), and many researchers suggest trust can lead to positive outcomes for both employees and organisations (Mayer, Davis & Schoorman, 1995; McAllister, 1995). Trust can effectively reduce management costs and future uncertainty, and promote rational allocation and utilization of resources in companies (Kramer, 1999; Kath, Magley & Marmet, 2010). Additionally, trust can promote teamwork and

<sup>19</sup> Dr. Fayaz Ali Shah, Assistant Professor, Islamia College University Peshawar.

<sup>20</sup> Ms. Sonia Sethi, Research Scholar, Islamia College University Peshawar.

<sup>21</sup> Ms. Rui Ma, PhD Student, University of Strathclyde.



enable employees to identify organizational values (Rivelino and Vianna, 1995; Kramer, 1999). Therefore, research of what factors would influence organisational trust, and how to establish trust in organisations, will be important for the future development of companies.

Most studies about organisational trust focus on two aspects. One aspect is the relationship between managers and employees, which aims to investigate the antecedents and consequences of trust (Wong, Ngo & Wong, 2003). The other aspect is the study of leadership behaviour, which explores the relationship between supervisors' behaviour and trust (Dong and Avolio, 2000; Sheu, Kogan, Hauer, 2017).

Organisational trust between managers and employees has been investigated empirically by analysing the antecedents and effects of employees' trust in their managers (Mayer, Davis and Schoorman, 1995; Dirks and Ferrin, 2002). Studies on the influential factors of managers' trust in their subordinates, however, are rare (Dirks and Ferrin, 2001). Furthermore, trust is not mutual, which means people can trust others without being trusted in return, and individual differences can affect the levels of trust between people (Gill et al., 2005). Therefore, as trust levels of managers and employees may not be the same (Brower et al., 2009; Mehdi and Rezghi, 2015), investigation of antecedents of organisational trust of both managers and subordinates should be discussed separately.

As small and medium-sized enterprises (SMEs) are pivotal for Scotland's economy, and the number of SMEs are growing (Hamilton, Richmond & Kane, 2017; Scottish Government, 2018), the study of organisational trust in SMEs is more practical and valuable for future development of Scottish companies. Therefore, this research will choose SMEs from Scotland, and will apply simple random sampling to select participants.

**Keywords:** Organisational trust, Scottish SMEs, superior-subordinates relations

30-BY28-6982

## ARE KOREAN STUDENTS 'STUDY AND LIFE BALANCE' GUARANTEED?

PROF. SU JEONG JEONG<sup>22</sup> AND PROF. JEONG JIN YOUN<sup>23</sup>

As the interest in the quality of life grows, more and more people are pursuing a better life. Therefore, in recent years, new terms of WLB have emerged in Korea as well as 'work and life balance' which means career choice and life balance. (Herald Korea, 2018).

However, if you look into the lives of children these days, there seems to be no 'SLB'. Some parents say they have to study hard for their future 'WLB'. In order to ensure the happiness of the future, we wonder if children who can't enjoy the present life can enjoy life when they become adults.

As adults talk about the importance of work and rest, it is time to talk about the importance of studying and resting children through the SLB. Therefore, in this study, we try to analyze Big Data to see what kind of discussion about SLB in Korea.

The Big Data to be used in this study will look at both the characteristics of the popular social media, YouTube and Facebook. In addition, we will conduct an exploratory study to find out what characteristics are exhibited in each social media. This study suggests alternatives and implications to improve the SLB of children.

Research problems are as follows:

- 1) What about the characteristics of SLB on YouTube?
- 2) What are the characteristics of SLB on Facebook?
- 3) What is the difference in SLB characteristics between YouTube and Facebook?

<sup>22</sup> Prof. Su Jeong Jeong, Visiting Professor, Tongmyong University.

<sup>23</sup> Prof. Jeong Jin Youn, Professor, Tongmyong University.



We will collect data on YouTube and Facebook. The analysis and visualization of the data will use NodeXL. NodeXL is a social network analysis tool developed to collect, analyze and visualize various kinds of network data (Q-NodeXL Korea, 2015).

#### **Acknowledgments-**

This work was supported by the Ministry of Education of the Republic of Korea and National Research Foundation of Korea (NRF-2017S1A5B6067046)

#### **LIST OF LISTENER(S)**

PROF. SAUD AL ANAZI<sup>24</sup>

#### **LIST OF SESSION CHAIRS**

Dr. Jie Zhang<sup>25</sup>

Ms. Gul e Nayab Anas<sup>26</sup>

Dr. Aleksandra Kowalska<sup>27</sup>

Dr. JosAnn Cutajar<sup>28</sup>

Dr. Sun Young Park<sup>29</sup>

Prof. Tsoyu Lin<sup>30</sup>

Dr. Fayaz Ali Shah<sup>31</sup>

#### **STAFF**

MS. SAMANTHA SINTES-BARBER<sup>32</sup>

---

<sup>24</sup> Prof. Saud AL Anazi, Professor, Tabuk University.

<sup>25</sup> Dr. Jie Zhang, Lecturer, Xi'an Jiaotong-Liverpool University.

<sup>26</sup> Ms. Gul e Nayab Anas, Senior Lecturer, Bahria University.

<sup>27</sup> Dr. Aleksandra Kowalska, Associate Professor, Maria Curie-Skłodowska Univeristy.

<sup>28</sup> Dr. JosAnn Cutajar, Senior Lecturer, University of Malta.

<sup>29</sup> Dr. Sun Young Park, Associate Professor, Korea National Sport Univeristy.

<sup>30</sup> Prof. Tsoyu Lin, Professor, National Chengchi University.

<sup>31</sup> Dr. Fayaz Ali Shah, Assistant Professor, Islamia College University Peshawar.

<sup>32</sup> Ms. Samantha Sintes-Barber, Conference Coordinator, FLE Learning.

## CONFERENCE COMMITTEE MEMBERS

**Dr Poomintr  
Sooksripaisarnkit**  
Assistant Professor  
City University of Hong  
Kong  
Hong Kong SAR

**Dr Ramandeep Chhina**  
Associate Professor and  
Head of Law, Edinburgh  
Napier University

**Dr Rajesh Sharma**  
Assistant Professor  
City University of Hong  
Kong  
Hong Kong

**Prof. Tshepo Herbert  
Mongalo**  
Associate Professor  
University of the  
Witwatersrand  
South Africa

**Dr Zhixiong Liao**  
Lecturer  
University of Waikato  
New Zealand

**Ms. Florence Simbiri-Jaoko**  
Lecturer  
University of Nairobi  
Kenya

**Dr Avnita Lakhani**  
Assistant Professor  
City University of Hong  
Kong  
Hong Kong

**Dr Monika WIECZOREK-  
KOSMALA**  
Assistant Professor  
University of Economics in  
Katowice  
Poland

**Dr Indianna Minto-Coy**  
Deputy Director of Mona  
ICT,  
School of Business &  
Management  
Jamaica

**Dr Joanna Blach**  
Assistant Professor  
University of Economics in  
Katowice  
Poland

**Miss Kate Masih**  
Lecturer  
London South Bank  
University  
United Kingdom

**Dr Bashar Malkawi**  
Associate Professor  
University of Sharjah  
UAE

**Ms. Mercy Khaute**  
Assistant Professor  
University of Delhi  
India

**Dr Jamil Ammar**  
Research Fellow  
Rutgers Law School  
USA

**Dr Zinatul Zainol**  
Associate Professor  
Universiti Kebangsaan  
Malaysia  
Malaysia

**Dr Nitin Upadhyay**  
Associate Professor  
Goa Institute of Management  
India

**FLE Learning Ltd**  
**Conference Division**

**T: 0044 131 463 7007 F: 0044 131 608 0239**  
**E: [submit@flelearning.co.uk](mailto:submit@flelearning.co.uk) W: [www.flelearning.co.uk](http://www.flelearning.co.uk)**