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The Impact of Europe's Individualism/Collectivism on the International Trade

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Abstract

If we are to choose between two distinct statements, that the interest of the group prevails over the interest of the individual for the majority of people and that a minority of people in our world live in societies in which the interests of the individual prevail over the interests of the group, we can conclude, as Hofstede did, that there are two categories in which nations can fit: individualists and collectivists. The purpose of our study is to investigate the impact of this cultural dimension on the international trade of the European countries. Panel regression model with country fixed effects has been applied to the 21 years' data (1997-2017). Based on prior studies conducted by Inglehart, the analysis of the World Values Survey, the cross-national values databases of Schwartz, Hofstede, Triandis, GLOBE, and Trompenaars, we proxied the individualism with three variables, i.e. labor productivity index, higher education rate, and urban population growth rate. The findings of previous studies suggest that individualism has significant positive relationship with the imports and exports of Eastern European Countries, notably, Poland, Lithuania and Romania. Concurring with previous studies, our results show there is a significant positive relationship between individualism and international trade (both imports and exports).

Keywords: European Culture, International trade, Hofstede's cultural dimensions, Individualism vs. Collectivism, Cultural complexity

Introduction

Nations all around the world are defined by culture, there can be no doubt about this, and we can all agree that the beauty of a nation lies in its culture. History tells us that for the most of the human existence people did their best to accumulate culture by every means, and of course, by any type they believed it suited their interests or the interests of their nation and the best example of this is Nazi Germany who mopped up millions of artefacts from all over the Europe during the Second World War.

It is a very difficult task to talk about culture in simple terms because culture is a very extensive concept with an exhaustive literature behind. As Hofstede et al. (1991) defined it in *Cultures and organizations. Software of the mind*, culture is a combination of rituals, values, symbols and heroes, of religion and philosophy, and of course, practices. In defining culture and subsequently, individualism/collectivism dimension we considered a broad sphere of studies, conducted by Inglehart (1990), Huntington (1993), Schwartz (1986; 1990; 1994) and Triandis (1980; 1988; 1993; 1995).

If we are to be more specific, we would have to admit that there are always the people that can hold values, practice in the everyday life, make business, conduct trade and so on; not nations. Assuming so, we need to dig into their characteristics and see how individualists/collectivists behave in different situations.

From the literature it is evident that cultures which score high on individualism have better education systems, better life conditions, stable institutions, in short, there are developed nations. We can say that there are developed because they preserve every aspect of their culture in order to assure a sustainable development, one that future generations can benefit of. These nations are individualistic but in a collectivistic long term way. They think of the future and at the implications of being part of the social game to their own benefits. In conducting business it can't be otherwise.

„Culture is to a society what memory is to individuals” which means that it is based on the things that „worked” in the past (Triandis, 1995). As part of the culture are words, norms, roles, attitudes, shared beliefs and values, also called elements of the subjective culture. Both collectivism and individualism are based on the assumptions that we are either bound together into groups formed by independent individuals, specific to collectivism, or we perceive ourselves as independent entities both distinct and distant from groups as it is the case for individualists (Hofstede et al., 1991; Triandis, 1995). In the first case, the individuals are the unit of analysis, and in the second case we have the idea of a group as the unit of analysis, a group formed by individuals that are tightly bonded in these specific groups.

The purpose of our study is to see the impact of the individualism dimension using proxies as labor productivity index, higher education rate and urban population growth, on the international trade of 30 European countries. In order to do so we first summarized the different definitions developed around the concepts of individualism and collectivism. It is worth mentioning that we found little support in the literature in connecting the cultural dimensions developed by Hofstede to international trade. Among the few authors that developed a clear interest on the subject are Kristjánsdóttir et al. (2017) and Zahid and Ilieş (2018).

Our findings suggest there is a significant positive relationship between individualism measured by labor productivity index, higher education rate and urban population growth, on the international trade of the European countries analysed. By using a unique set of proxies to measure individualism we constructed four models in order to test our hypothesis.

The main contribution of our paper consists of linking individualism to international trade of most of the European countries for which data was available, as well as defining individualism by new, unique variables according to a broad sphere of studies, notably philosophy, economics, history and psychology.

Rest of the paper adopts the following structure: Section 2 presents the literature review and hypothesis development, Section 3 explains the data sources and methodology used and Section 4 is devoted to the presentation of empirical findings and discussion of the results. Final section concludes the study with some limitations and future research motivation.

Literature review

Both collectivism and individualism are defined in various ways. Gould and Kolb (1964) defined individualism as a belief that the individual is an end in itself and ought to realize the self and cultivate judgment, notwithstanding the weight of pervasive social pressure towards conformity. The same author proposed that collectivism includes (1) emphasis on the views, needs and goals of the ingroup rather than on the self; (2) emphasis on behavior determined by social norms and duties rather than by pleasure or personal advantage; (3) common beliefs that are shared with the ingroup; and (4) willingness to cooperate with ingroup members (Triandis, 1990).

In the vast literature on individualism and collectivism we can find numerous other terms with the same meaning. To name just a few, we can find distinctions between *communal* and *associative* social relations (Weber, 1930, 1947, 1957, 1958), *collectivity* and *self-emphasis* (Parsons, 1949), community and society (Toennies, 1957), community and agency (Bakan, 1966), *collaterality* and *individualism* (Kluckhohn and Strodtbeck, 1961), *traditionalism* and *modernity* (Inkeles and Smith, 1974), or *dependence on the frame* vs. *independence from the frame* (Witkin and Berry, 1975). Although the constructs of these authors do not match perfectly, they do cover the basis.

Even though the terms were first applied to political systems, there is much emphasis in the literature, especially in that of psychology and sociology, more recently, even economics, about the implications of being more or less individualistic as a society. Most of the discussions are based on the fact that neither extreme collectivism, nor extreme individualism is desirable for a society and a balance between these two has to be found. A healthy society has to use both cultural patterns as close as in equal amounts. We will see in the next lines that we won't find extreme constructs applied in the 21st century and that is hardly believable that we will ever have such applications in the future. What has to be retained is that countries are more or less individualistic or collectivistic and this impacts the overall economy including international trade, taking into account that as cultures transform, becoming more complex and dynamic, they also become more individualist. This is also why this difference is often perceived as a contrast between „the West” and „the rest” (Triandis, 1995), assuming that individualism is found mostly in Europe and North America, mostly in the developed countries, while collectivism is found in the rest of the world.

During the eighteenth century, English political philosophers used for the first time the terms of individualism and collectivism. Synonymous with the term liberalism and opposed to authoritarianism, individualism was seen in terms of freedom and equality, while collectivism was defined by the obedience to authority. The American Revolution, as well as the French Revolution made room for the collectivistic movements. Views about the relationship of the citizen to the state are found in the work of one of the biggest advocates of individualism, John Locke with a sound adversary in Jean-Jacques Rousseau who found great support for his statements, arguing that the individual is free only by submitting to the general will; the general will being always right which tends to the public advantage (Encyclopedia Britannica, 1953). The work of Adam Smith with an emphasis on laissez-faire individualism was also contrasted by the Marxist collectivist ideas that found much support and application, focusing on the property rights of the means of production. The French intellectual de Tocqueville (1840, 1985) also emphasized on the concept, being the first to present individualism as more than just egoism in the context of American democracy. Also, in exploring the connection between individualism and democracy, Kateb (1992) saw a strong link accusing Rousseau as theorizing based on a small community which no longer describes modern societies.

Nevertheless, the concepts, or the idea, even though not clearly stated, of individualism and collectivism first appeared in the Greek philosophy, whereas the Greek Sophists of the 5th century proclaimed: „In Crete do as the Cretans“, the individuals having the option to decide on how to behave. Socrates and Plato opposed to their ideas because they lacked standards of what is good and what is not. In the same period, Confucius conceptualizes on virtue as proper behavior in a society. Most of the Eastern religions today are based on these considerations. One of the clearest differences between the West and the East comes from religion: the West is more concerned with belief, logic, analysis, and theory, while the East is concerned with ethical behavior, self-improvement, ritual, meditation and the correct way of living (Hofstede, 1991). Dumont (1986) argued that individualism is a consequence of Protestantism but also of political developments and economic developments. Some other scholars, including Elias (1991) say individualism started with Descartes, with the famously known „Cogito, ergo sum“. At the same time, Confucius emphasized the importance of individualism, perhaps with no clear intention. He advocates that „the superior man can find himself in no position in which he is not himself. In a high situation he does not treat with contempt his inferiors; in a low situation he does not court the favor of his superiors“ (Confucius, 1915, pp. 105-106). It is clear that religion play an important role in defining cultural patterns, but maybe it has a bigger role in defining individualism and collectivism as long as much of our behavior is shaped by our in-groups.

Dewey (1930) explored the concepts of old and new individualism. He argued that the old individualism was based on the liberation from legal and religious restrictions, while the new individualism has its main focus on self-cultivation.

According to Hsu (1983), the correlation between individualism and competition results in creativity but also large military expenditures while increases the propensity toward racial and religious groups. Among the findings, omitted in the study, it is also the fact that in collectivist cultures people are more likely to mistreat outgroups, Triandis (1995) stating that many of the massacres in our history occurred in the collectivistic societies such as Germany (the Nazi Holocaust in 1940-1945), China (the rape of Nanjing by the Japanese in 1937) or Bosnia (ethnic cleansing in 1991-1994). The determinants of individualism as well as of other cultural patterns are of great complexity including aspects from different domains (Erchak, 1992). In shaping cultural patterns one should not look for obvious and simple explanations in defining such constructs for they don't exist.

As we have mentioned, many typologies were developed in order to better define individualism and collectivism. Among these, are those proposed by Riesman, Glazer, and Denney (1961): the tradition-directed type formed by people conforming to norms and accepting rigid discipline while having a sense of belonging to groups; and the inner-directed type formed of people capable of making choices, defined by mobility, colonization and production. As a continuation to this discussion, Lukes (1973) included dignity, privacy, autonomy and self-development on the concept of individualism stating that we can find political, economic, religious, ethical, epistemological and methodological individualism among individuals worldwide. Several kinds of individualism are identified by Bellah (1988): religious, utilitarian and expressive, the same author concluding that individualism is maximal in the middle class, individualists being mostly concerned with being unique, are quite utilitarian which ultimately result in ceaseless productivity.

The largest study first conducted based on value preferences is that of Hofstede (1980). Using a factor analysis based on the correlations among the answers of 117.000 employees of IBM, four factors were initially found to be relevant: power distance, uncertainty avoidance, individualism and masculinity. This opened the door for new exciting work among many students of culture including Hofstede and his own son, the results of the studies using similar instruments of measuring

culture being consistent with Hofstede's work. Bontempo and Rivero (1992) correlated the individualism score of the country in Hofstede's study, with the relative importance of norms and attitudes as defined in studies that used the Fishbein and Ajzen (1975) theory of reasoned action in that specific country. The findings revealed that the more individualistic the country, the more attitudes rather than norms foretell the behavioral intentions of subjects.

Among the cultural syndromes identified in the literature we can find tightness and looseness, as well as cultural complexity and simplicity for which individualism and collectivism are seen as consequences. Tightness refers to the extent members of a culture agree about what constitutes the correct actions, act according to the norms of the culture and are criticized when they are deviating from the norms (Pelto, 1968). On the other hand, looseness is characterized by multiple norms, sometimes contradicting norms, and people who deviate from these norms are not punished; independent actions are even rewarded. Tightness can be seen in homogeneous cultures that are isolated from other cultures, while looseness is specific to heterogeneous cultures where it is little population density. Looseness is also specific to very hot climates while tightness to colder climates (Robbins, de Walt, and Pelto, 1972). Both looseness and tightness in the studies mentioned are situation-specific characteristics of cultures which means we cannot generalize.

At the individual level, individualism and collectivism received much emphasis from various researchers in order to develop scales of measurement. Among the researchers to develop such scales at the individual level we can name Hui (1984, 1988), Triandis et al. (1985) as well as cross-culturally (Triandis, Bontempo, et al., 1988; Triandis, McCusker, and Hui, 1990). Also, the broad literature reviewed by Triandis (1988, 1990) showed that individualism included ideas such as „independence“ and „self-reliance“, „distance from ingroups“, „competition“ and „hedonism“; and collectivism, „interdependence“, „sociability“ and „family integrity“.

In the broad literature of individualism there were both critiques and defenders of the concept of individualism. Among the researchers that criticized it are Hogan (1975), Smith (1978), Lasech (1978) and Sampson (1977). Other researchers argued on another version, consisting both of individualisms and collectivism's strongest points, defined as *communitarianism* (Rotenburg, 1977; Rakoff, 1978; Kanfer, 1979). From an ethical point of view, we will find strongly embodied in the literature, the concept of *objectivism* with great emphasis on values and virtues with remarkable contribution from Ayn Rand, Leonard Peikoff and Nathaniel Branden. The concept of objectivism in Ayn's Rand vision consists of a basic social principle defined as follows: „...that just as life is an end in itself, so every living human being is an end in himself, not the means to the ends or the welfare of others, that man must live for his own sake, neither sacrificing himself to others nor sacrificing others to himself“ (Rand, 1961).

We conclude with the fact that most of the studies reviewed on individualism and collectivism are indicating that never in the history of human being an extreme form had ever worked well for the society, that people are both individualists and collectivists in different phases of their lives and that more or less individualism/collectivism can only be learnt.

Hypothesis development

H1: There is a significant positive relationship between individualism measured by GDP growth rate, urbanization population growth rate, higher education rate, labor productivity index and international trade (both imports and exports).

In measuring cultural complexity authors usually use GDP per capita. Affluent cultures are more complex than less affluent ones in the sense that there is more differentiation in the various domains of life (Triandis, 1995; Hofstede, 1980). Cultural complexity tends to be related to looseness in this case (Stewart, 1971; Ember and Levinson, 1991).

There are different studies suggesting that rate of change, in the case of people, migration, has significant impact on the degree of individualism of a society (Ziller, 1965; Triandis, 1990; Lalone and Silverman, 1994). Usually people migrate in order to establish in big cities where they can find better opportunities. If members of a society come and go and new members keep coming in, there is more heterogeneity and more complexity which means a more individualistic culture. At the same time, living abroad increases the probability of being able to take one's own decisions; one is exposed to different views, opinions and experiences which most of the time leads to individualism.

Education leads to greater exposure to cultural diversity (Triandis, 1995) which if continued will lead to individualism. The more we know about the world, history in particular, the more individualistic people we become. We can find various examples to support this idea in people that come from a village to study in a big town university. Most of the time, these people lose touch of their groups in order to fit the new environment and the opportunities that are available make it hard

to go back. One important aspect for this characteristic is self-perception: collectivists have realistic self-perception about their abilities while individualists have rather flattering self-perceptions (Markus and Kitayama, 1991b; Triandis, 1995). A study conducted by Cohen (1991) concluded that collectivists have fewer skills than individualists in dealing with new groups as is the case of establishing new partnerships or finding new clients. The explanation is simple: they are used to deal with the members of their ingroups.

Economic development is according to Pareek (1968), a function of high need for achievement which is often linked to individualism and competition. We can conclude that economic development is a result of high productivity too, as well as high education among people in a society.

Data and Methodology:

The objective to current study is to investigate the relationship of individualism/collectivism of European society on their international trade. The sample includes all the European countries for which data is available for the analysis period. In total, following 30 countries are included for analysis, Austria, Belgium Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and United Kingdom. The time period for the study is 21 years starting from 1997 until 2017. Data has been gathered from the World Bank and Eurostat websites.

Renowned study of Geert Hofstede provides 5 dimensions of cultural values including individualism. Based on Hofstede’s score, 10 countries in our sample have the score of 70 or above, and are categorised as highly individualistic societies, while 7 countries have scores of 35 to 20, being categorized as collectivistic. Rest of the countries have the value scores between 51 and 59 which makes them more individualistic than collectivistic. Further details are given in the Table 1.

Table 1: Hofstede Score for Individualistic/ Collectivist for European Countries

Collectivist		Individualistic		Highly Individualistic	
Country	Hofstede Score	Country	Hofstede Score	Country	Hofstede Score
Albania	20	Austria	55	Belgium	75
Bulgaria	30	Czech Republic	58	Denmark	74
Croatia	33	Estonia	60	France	71
Greece	35	Finland	63	Hungary	80
Portugal	27	Germany	67	Ireland	70
Romania	30	Iceland	60	Italy	76
Slovenia	27	Lithuania	60	Latvia	70
		Luxembourg	60	Netherlands	80
		Malta	59	Sweden	71
		Norway	69	United Kingdom	89
		Poland	60		
		Slovakia	52		
		Spain	51		
		Switzerland	68		

Source: Hofstede website

The main challenge for study was to develop the construct to measure the individualism/collectivism of the European region. Based on the detailed literature review about the individualism, theoretical reasoning and data availability a set of four proxies are used to measure the individualism dimension. These are labour productivity index, urbanization rate, population growth rate and higher education rate.

GDP growth rate: The GDP growth rate measures the degree to which the economy is growing. It does this by comparing one quarter of the country’s gross domestic product to the previous quarter. Hofstede’s study (1980) concluded that a country’s individualism score can be accurately predicted from the country’s wealth (richer countries were associated with higher individualism score). If individualism leads to wealth, the scores in the original study should be positively correlated with economic growth, which was not the case, the relationship being negative: the more individualist countries showed less economic growth than the less individualist ones. This is the reason we have to agree that it is national wealth that is causing individualism, and not otherwise. The strong relationship between national wealth and individualism is there for

undeniable, with the arrow of causality directed from wealth to individualism, which is why countries having achieved fast economic development have experienced a shift toward individualism. It is there more than obvious that as far as the poor countries of the Europe, and of the world are concerned, will not become more individualist as long as they remain underdeveloped. Also, if the gap in wealth between rich and poor countries continues to increase, this will also increase the gap on the individualism-collectivism dimension which doesn't seem quite of a brilliant future.

Labor Productivity: Labour productivity is defined as the output per unit of a labour input while the output index shows the rate of change in production as compared to a chosen base period, in our case, 2010. People that are employed in an individualist culture are expected to act according to their own interests which means work ought to be organized in a way that the self-interest and the employer's interest would coincide. In individualist societies, the relationship between the employee and employer is primarily based on a business transaction, a kind of relationship between buyers and sellers in a labor market. Poor performance of the employee and better offers from another employer are both socially accepted reasons for terminating a work contract. It is largely accepted that, for example, *the American individualist participants performed best when operating individually and with their names marked but abysmally low when operating as a group and anonymously* (Hofstede, 1980).

Urbanization rate: The rate of urbanization is described as the projected average rate of change of the size of the urban population over the given period of time. It is well documented that urban living is a quite recent development because for most of our history people lived in low-density, rural settings. It was not until the 20th century that urbanization across the world began to increase rapidly. The Population Reference Bureau released data on global urbanization by continent in 2018. According to the source, Europe ranked third at a global level in terms of degree of urbanization. As a result of increasing urbanization is the increase in population density which is subject to the individualism dimension, many authors arguing that societies with high population density tend to be more collectivistic (Hofstede, 1990; Triandis, 1990, 1995).

Higher education rate: Higher education is composed of education and training on 5 to 8 levels, meaning college, university and post-university studies. The more educated people are, the higher are the chances that they will become more individualistic because exposure to new information makes people less dependent of in-groups. This can be seen as thinking of the purpose of education that is clearly different between the individualist and the collectivist societies. In the former it aims at preparing the individual for a place in the society, by teaching them to act according when new, unknown, unforeseen situations appear and there is a positive attitude toward what is new. In the collectivist society, there is high pressure on adaptation to the skills. Learning is more about *how to do* things in order to perform well in the society.

Similarly, as in prior studies, international trade is measured by the Imports and Exports of goods and services, alternatively. Imports are foreign goods and services bought by residents of a country from outside their country, while exports are the goods and services produced in one country and purchased by residents of another country.

To investigate the empirical impact of Individualism on international trade of European countries, we regress imports and exports of goods and services (**Int. Trade**) on individualism proxies (**Indi**). GDP growth (per capita) is used as control variables. Specifically, Following econometric model with cross section fixed effects (country fixed effects) has been used:

$$\text{Int. trade}_{i,t} = \alpha + \beta_j \text{Indi}_{i,t} + \gamma_k \text{Control}_{i,t} + u_i + e_{i,t}$$

where:

Int. Trade represents international trade, alternatively measured as imports of goods and services (% of GDP) and exports of goods and services (% of GDP);

Indi represents individualism, measured as Labor Productivity index, Higher Education rate and Urban population growth (annual %), Alternatively;

Controls represent country-level control variable i.e GDP growth (per capita);

i represents country *i*, and *t* fiscal year *t*;

u_i represent individual country effects;

e is the error term.

Empirical findings:

Table 2 presents the results of descriptive statistic of overall as well as country wise descriptive statistic. Mean, Median and Standard deviation of all the six variables are given for the 30 European countries. Mean values show that the overall imports and exports of the European countries are higher than 50% of GDP. Luxemburg mean imports and exports are around 150% of GDP, highest in the European countries. Luxemburg also have highest labour productivity followed by Italy. Norway have the highest Higher education level i.e. 30.8%. Urban population growth is highest in Netherlands and Norway among the European Countries. In the group, Poland has the highest GDP growth, followed by UK. Variables of the study for all other countries are close to the overall average. A similar trend can be seen in the graphs presented in the Appendix A.

Table: 2 Descriptive statistics

Country	Imports of goods and services (% of GDP)			Exports of goods and services (% of GDP)			Lab Productivity index			Higher Education			Urban population growth (annual %)			GDP per capita growth (annual %)		
	Mean	Median	S. D.	Mean	Median	S. D.	Mean	Median	S. D.	Mean	Median	S. D.	Mean	Median	S. D.	Mean	Median	S. D.
AUT	45.66	47.25	4.50	48.34	50.84	5.58	98.06	100.00	4.43	17.54	16.00	6.96	0.23	0.02	0.60	1.33	1.55	1.75
BEL	72.31	71.98	8.21	74.89	75.71	6.91	97.53	99.30	4.45	28.21	28.10	3.87	0.59	0.54	0.28	1.23	1.33	1.56
BGR	55.07	57.63	11.17	49.98	50.11	11.29	91.75	93.40	17.17	19.87	19.00	2.79	-0.35	-0.24	0.43	3.85	4.67	4.12
CHE	49.02	49.70	5.71	57.62	57.23	7.89	96.27	98.40	4.04	26.70	26.50	5.58	0.87	0.93	0.35	1.04	0.86	1.63
CZE	59.63	61.06	11.18	61.94	63.23	14.28	91.74	96.80	13.06	13.65	12.00	4.29	0.07	0.16	0.34	2.37	2.40	2.83
DEU	33.85	35.89	5.30	38.56	41.19	7.41	99.06	100.00	4.06	22.00	21.40	2.02	0.24	0.30	0.48	1.42	1.51	2.18
DNK	42.93	43.58	5.76	48.67	50.52	5.99	98.31	99.10	5.40	26.91	27.50	3.27	0.59	0.60	0.17	0.99	1.11	1.89
ESP	29.07	29.23	2.05	27.87	26.40	3.39	98.29	95.40	4.62	26.88	26.80	4.76	0.99	0.65	0.77	1.42	1.87	2.44
EST	73.04	73.55	7.38	70.80	70.23	9.64	89.59	96.00	17.63	28.75	28.00	3.60	-0.44	-0.46	0.48	4.49	5.12	6.11
FIN	35.42	36.77	4.19	39.18	38.68	2.50	96.81	98.90	5.67	29.82	30.00	4.51	0.58	0.52	0.22	1.75	2.34	3.25
FR A	27.72	28.08	2.86	27.88	27.94	1.70	97.87	99.20	4.69	24.55	24.40	4.33	0.87	0.83	0.15	1.02	1.22	1.46
GBR	28.40	28.32	2.48	26.41	26.13	2.43	97.80	100.00	5.94	30.18	28.70	5.27	0.88	1.02	0.29	1.47	1.71	1.82
GR C	31.26	31.67	3.20	23.78	22.52	5.32	97.40	96.50	6.48	19.36	19.10	4.52	0.48	0.66	0.39	0.66	1.50	4.15

HRV	43.10	44.23	3.70	39.47	38.98	5.64	98.06	100.90	9.40	15.67	14.95	2.69	-0.04	0.18	1.10	2.45	3.47	3.38
HUN	70.75	75.07	10.41	72.75	74.41	14.14	92.48	99.40	11.04	15.67	15.40	3.65	0.17	0.15	0.37	2.72	3.61	2.69
IRL	79.39	79.70	10.10	95.48	93.24	15.28	98.93	93.70	18.61	29.72	31.00	7.54	1.71	1.55	0.73	4.43	3.96	6.14
ISL	41.95	42.48	4.71	42.02	37.37	9.81	10.22	101.65	2.14	25.85	25.50	4.86	1.24	1.15	0.67	2.30	2.58	3.29
ITA	25.29	26.45	2.49	26.31	25.73	2.53	10.77	101.40	2.31	11.57	12.00	3.05	0.52	0.47	0.39	0.25	0.96	2.13
LTU	63.36	63.48	12.89	58.46	53.84	16.56	87.41	93.20	22.90	27.49	27.40	5.75	-1.13	-0.95	0.44	5.48	5.32	5.40
LUX	14.84	141.64	27.79	17.078	174.52	32.59	10.110	101.20	2.99	25.61	23.35	8.45	2.19	2.23	0.50	1.81	1.61	3.31
LVA	54.87	55.13	7.01	46.63	39.97	39.49	89.47	97.20	21.69	20.99	19.60	5.52	-1.16	-1.07	0.33	5.41	6.43	5.87
MLT	12.834	126.61	18.78	13.016	129.54	20.63	99.23	98.35	5.52	13.52	12.45	4.91	1.14	0.95	0.62	2.83	3.04	2.35
NLD	62.29	60.55	7.62	70.67	69.28	9.31	97.82	99.50	4.94	25.87	26.70	4.12	1.48	1.49	0.38	1.47	1.67	2.06
NOR	29.57	28.46	2.37	40.53	40.39	3.23	99.68	100.10	3.88	30.26	30.20	3.58	1.37	1.38	0.28	1.04	1.00	1.59
POL	39.18	39.93	6.73	37.50	37.86	9.32	95.40	92.85	14.10	16.38	15.70	6.00	-0.19	-0.21	0.23	4.02	3.91	1.63
PRT	37.65	38.16	2.22	31.83	29.87	5.78	95.30	96.70	5.69	13.10	12.00	4.90	1.17	1.24	0.52	1.05	1.44	2.16
ROU	39.93	41.60	4.05	33.68	32.96	5.58	91.99	98.50	26.92	10.82	10.70	2.87	-0.66	-0.47	0.48	3.83	4.36	4.47
SVK	76.15	77.79	13.06	74.09	76.34	16.66	87.89	93.80	17.51	13.88	12.10	4.30	0.18	0.19	0.14	3.76	3.75	3.30
SVN	60.77	62.85	8.43	62.35	64.29	11.75	94.04	98.80	10.65	18.58	18.50	5.69	0.51	0.52	0.34	2.45	3.14	3.37
SWE	38.73	39.29	2.87	44.60	44.45	2.58	94.37	98.00	8.21	27.85	26.80	4.00	0.80	0.93	0.52	1.95	2.01	2.52
Overall	53.88	45.34	28.33	55.77	45.93	33.10	95.76	98.90	12.17	21.97	22.15	7.92	0.48	0.50	0.91	2.34	2.21	3.55

Where AUT represents Austria, BEL= Belgium, BGR= Bulgaria, CHE = Croatia, CZE = Czech Republic, DNK = Denmark, EST = Estonia, FIN= Finland, FRA = France, GRC = Germany, HRV = Greece, HUN = Hungary, ISL = Iceland, IRL = Ireland, ITA = Italy, LVA = Latvia, LTU = Lithuania, LUX = Luxembourg, MLT = Malta, NLD = Netherlands, NOR = Norway,

POL = Poland, PRT = Portugal, ROU = Romania, SVK = Slovakia, SVN = Slovenia, ESP = Spain, SVN Sweden, SWE = Switzerland and GBR = United Kingdom. Table 3 reports the results of correlations between variables used in the study. The results reveal that correlation between Imports and Exports is very high significant at 1% significance level. Imports and Exports also have significantly positively correlation with labor productivity, Higher education, urbanization and GDP growth. These significant correlations provide an initial evidence regarding the proposed hypothesis. However, further powerful test are conducted to infer the deeper relationship.

Table: 3 Pearson Correlations

	Imports (% of GDP)	Exports (% of GDP)	Labor Productivity Index	Higher Education rate	Urbanization rate	GDP Growth (per capita)
Imports (% of GDP)	1					
Exports (% of GDP)	0.974***	1				
Labor Productivity Index	0.140***	0.208***	1			
Higher Education rate	0.067	0.169***	0.392***	1		
Urbanization rate	0.205***	0.319***	0.237***	0.295***	1	
GDP Growth (per capita)	0.126**	0.067	-0.122**	-0.152***	-0.273***	1

***, **, * denotes the level of significance as 1%, 5%, and 10

Before applying the statistical model defined above, some pre regression tests are estimated. First of all Variance Inflation test for multicollinearity reports VIF vales less than 1. So there is no multicollinearity issues. Similarly, Wald test and Wooldridge Test suggests no issue of heteroscedasticity and autocorrelation.

Table 4 shows the results of panel regression estimates with the country fixed effects. Countries fixed effect model is selected for the final analysis because both Husman test for random effects and Likelihood ratio test suggests that fixed effect model is better fit for the study. Moreover, fixed effect model accounts for most of the endogeneity issues. The comparative results of country fixed effect, country random effect and simple OLS regression are reported in the Appendix B for reference.

First row of table 4 reports that in total four models (i.e. M1, M2, M3 and M4) are used. The dependent variables in all the four models are imports and exports. While in M1 independent variable is labor productivity index (proxy for individualism), higher education in M2, Urban population growth rate in M3 and all the three (i.e. labor productivity index, higher education, and Urban population growth rate) are in M4. GDP growth rate is used as control variable in all the four models.

M1 shows that labor productivity index have significant positive relationship with both imports and exports. For each unit increase in labor productivity there is 0.4% increase in imports and 0.56% increase in the exports of the country alternatively. Similarly, M2, and M3 reveal significant positive relationship between higher education, growth in urban population and imports and exports alternatively. M4 also affirms the above relationship. R squared values at the bottom of the tables shows that all the models explains more than 90% of variations in the variables. Chi-square and F-statistic values of the Likelihood ratio test at the bottom of the table shows that country fixed effect model is a best fit model for our study.

Overall, above empirical findings confirm our hypothesis that individualism is positively linked to the international trade of the European countries. These findings are consistent with previous studies of Kristjánsdóttir et al. (2017) and Zahid and Iliş (2018) who also found significant relationship between cultural values and trade of countries.

Table 4: Panel regression estimates with country fixed effects

Dependent Variable	M1		M2		M3		M4	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	Fixed effects	Fixed effects	Fixed effects	Fixed effects	Fixed effects	Fixed effects	Fixed effects	Fixed effects
Constant	15.39*** (2.68)	2.97 (3.09)	26.66*** (1.47)	19.30*** (1.69)	52.59*** (0.60)	55.59*** (0.75)	15.49*** (2.53)	2.06 (2.82)
Labor productivity Index	0.40*** (0.03)	0.56*** (0.03)					0.18*** (0.03)	0.28*** (0.04)
Higher Education Rate			1.19*** (0.06)	1.63*** (0.07)			0.93*** (0.08)	1.22*** (0.09)
Urban population growth (annual %)					2.44*** (0.78)	1.38 (0.97)	0.54 (0.66)	-0.89 (0.74)
GDP per capita growth (annual %)	0.13 (0.10)	-0.04 (0.11)	0.41*** (0.09)	0.34*** (0.11)	0.05 (0.11)	-0.21 (0.14)	0.36*** (0.09)	0.27** (0.10)
R-squared	0.93	0.93	0.94	0.94	0.90	0.89	0.94	0.95
Likelihood ratio test								
Chi-Square	1578.8***	1588.8***	1700.8***	1715.6***	1417.7***	1314.9**	1656.4**	1672.6**
F-statistic	243.2***	247.5***	309.8***	318.02***	175.08***	145.62**	296.5***	305.32**

***, **, * denotes the level of significance as 1%, 5%, and 10%. And (---) shows standards errors.

Conclusions:

Effective intercultural businesses are an effect of a good understanding of the values and practices of a specific culture and Europe has a multitude of cultures that learnt to coexist in order to flourish. The international relationship across the continent is of specific importance when new values and practices are encountered especially in situations that imply negotiation. The purpose of our study resumes at analyzing the impact of the individualism dimension on the international trade of 30 European countries using an unique set of proxies revealed from the exhaustive literature on the different types of individualism and collectivism concepts that preoccupied authors even thousands of years ago. Consistent with previous studies (Kristjansdóttir et al., 2017; Zahid and Ilieş, 2018) the individualism dimension is found to have a significant relationship with both imports and exports of the European countries analyzed.

All four models used in our study confirm the hypothesis that there is a significant positive relationship between individualism and the international trade of the countries analyzed. First model (M1) shows that labor productivity index have significant positive relationship with both imports and exports and that for a unit increase in labor productivity there is a 0.4% increase in imports and 0.56% increase in the exports of the country alternatively. Similarly, the remaining models reveal significant positive relationship between higher education rate, urban population growth rate and imports and exports alternatively.

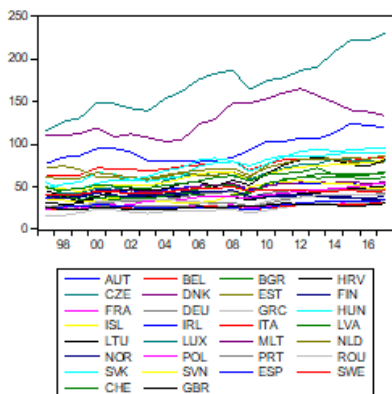
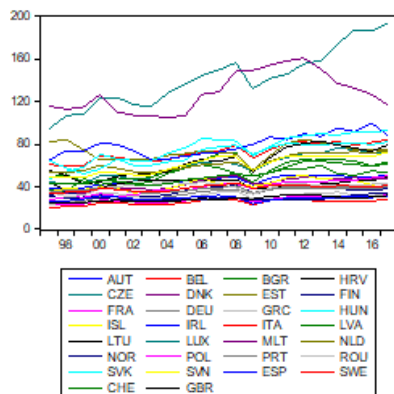
The main limitation of the current study is the lack of theoretical background in linking the individualism dimension with international trade. More appropriate proxies, as well as different statistical analyses can be used in order to see the impact of individualism/collectivism dimension on the international trade. Further research is much needed on the subject since the differences between societies are best seen across the continent, the values, as well as the practices are much more heterogeneous in big countries like the US, Russia, India, China, Japan, Brazil, Canada, and so on. Another issue that is worth analyzing is the type of industry that perform best in international trade according to the degree of individualist a society is, as well as the international trade between countries that have similar scores on this dimension.

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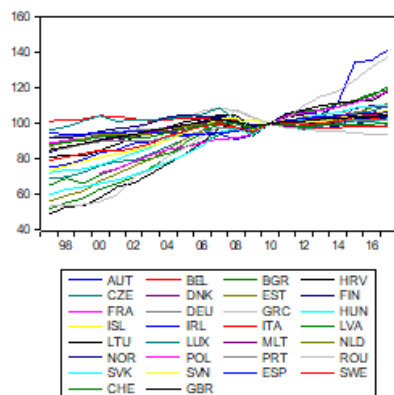
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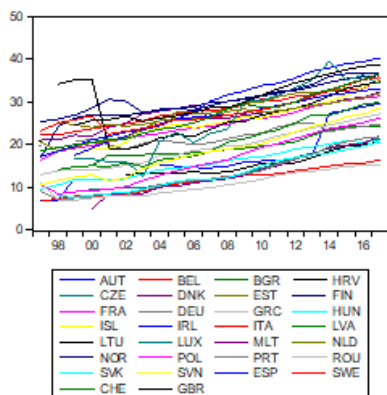
Appendix A



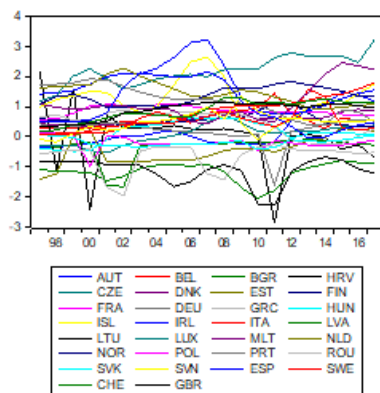
Labor Productivity index



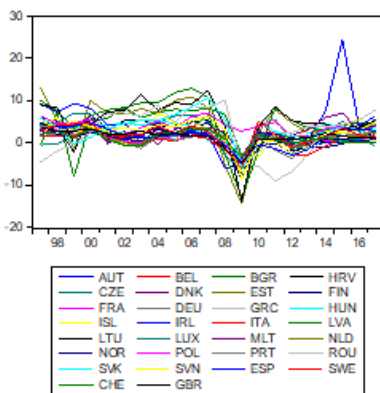
Higher Education rate



Urban population growth (annual %)



GDP per capita growth (annual %)



Appendix B: Panel regression estimates

Dependent Variable	Imports			Exports		
	OLS	Fixed effects	Random effects	OLS	Fixed effects	Random effects
Constant	20.94* (9.70)	15.49*** (2.53)	15.68*** (4.71)	4.83 (10.96)	2.06 (2.82)	2.19 (5.30)
Labor productivity Index	0.28** (0.11)	0.18*** (0.03)	0.18*** (0.03)	0.39*** (0.12)	0.28*** (0.04)	0.29*** (0.04)
Higher Education Rate	-0.06 (0.16)	0.93*** (0.08)	0.91*** (0.08)	0.21 (0.18)	1.22*** (0.09)	1.20*** (0.09)
Urban population growth (Annual %)	7.56*** (1.36)	0.54 (0.66)	0.64 (0.66)	11.96*** (1.54)	-0.89 (0.74)	-0.67 (0.73)
GDP per capita growth (Annual %)	1.64*** (0.33)	0.36*** (0.09)	0.37*** (0.09)	1.69*** (0.38)	0.27** (0.10)	0.27** (0.10)
R-squared	0.09	0.94	0.39	0.15	0.95	0.49
Log likelihood						
Chi-Square		1656.4***			1672.6***	
F-statistic		296.5***			305.32***	
Hausman Test						
Chi-Square			24.80***			26.71***

***, **, * denotes the level of significance as 1%, 5%, and 10%.

Opportunities for Future Research

As Colombia contemplates and navigates through the growing pains associated with any transition from a war-torn nation to a peaceful and prosperous one, certain areas appear ripe for further study and consideration. Educational training programs, and education more broadly, can help produce a populace with enhanced skills and abilities to support local, regional and national development strategies as well as to promote democratic values, attitudes and behaviors. It is compelling to argue that both phenomena, increasing education and promotion of democratic ideals, are desirable outcomes for a Colombian society struggling to transform itself and to emerge successfully from its post-conflict era transition.

In a post-conflict Colombian society, the reestablishment and consolidation of democratic values, attitudes and behavior—indeed democratic institutions themselves—are paramount. However, democratic institutions alone are not sufficient to guarantee majority rule with respect for minority rights and democratic stability. It is the values and norms to which the citizens adhere that provide the ultimate guarantee. This means a willingness to tolerate the rights of those who disagree with the majority and hold opposing views. In the absence of such tolerance, democratic stability will be weak at best. Therefore, in addition to support for democratic institutions, there must be ample public support for political tolerance, and elite and powerful groups must demonstrate tolerance towards the opposition and other minorities for a stable democracy to flourish.

Another key component to any notion of democracy and a fundamental building block of democratic theory is the centrality of participation to the democratic process. Education and training programs can foster, encourage and support community and political organizations. Participation in these programs and organizations often stimulates innovation and promotion in defense of democratic processes and institutions built upon the notions of trust and reciprocity. It is important to support

democratic regimes as both an end in itself and because it is a critical element in promoting sustainable development. This objective is facilitated through the establishment of democratic institutions, free and open markets and an informed and educated populace.

In Ecuador and Colombia, political participation is restricted by a multitude of factors. Not all citizens have equal access to the political process. Factors affecting access include distance from voting stations, fear of government retaliation, fraud, limitations placed on women who are faced with competing obligations, restrictions placed on peasants who cannot afford to leave the source of their livelihood, etc. Education has proven to be a powerful predictor of political participation. Specifically, those who have a higher level of education tend to participate more.

Greater education apparently equips citizens with the intellectual tools to be able to link their interests with their behavior, but, perhaps more importantly, it gives them community respect so that when they participate they will be taken seriously by their peers. Education is directly related to income and those with higher incomes have more free time to participate and find it easier to obtain the resources to participate.

Therefore, future studies that examine the role of rural women in local, regional and national economic development strategies in a post-conflict Colombian society may do well to include a more extensive analysis of the critical roles that increased educational and training programs can have on the institutionalization and consolidation of democratic stability and processes.

The Salesperson with a Speech Impediment: An Objective Research and Analysis on the Importance of Clarity, Structure and Logic of Arguments

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Abstract

There is no sales document as crucial to winning business deals as the business proposal document. We noticed that business proposals try their best to be persuasive, and yet, they do not have the impact they hope to create. In order to understand why we conducted detailed research and found out that customers simply refuse to read some proposals. There are three reasons for this: Logic, Clarity, and Aesthetics. Our research showed that the lack of logic or the presence of logical fallacies account was the reason most often quoted by customers (63% of the times) for not wanting to read the business proposal, followed by clarity, at 29% and aesthetics at 9%. To write this research paper, we've focused primarily on understanding logical fallacies, categorizing them and identifying which of them are the most identifiable and which of them are most frequent. We also recommend a systematic way to avoid logical fallacies in proposals.

Keywords: Logic, Logical Fallacy, Clarity, Aesthetics, Business Proposals

Introduction

By definition, a speech impediment is a hindrance to clear communication. It acts as an encumbrance upon the speaker and a restraint upon the listener. As a result, one will almost never find a salesperson with a speech impediment.

A business proposal does the same things that a salesperson must do. However, business proposals have challenges that salespersons do not. A salesperson can have a conversation with a customer. In the process, they can answer questions, provide clarifications and understand when the customer is bored, disinterested or has a deep aversion towards what they are listening to. Almost instantly, the salesperson can change the topic or make subtle changes in the way they converse, crack a joke or say something to regain the customer's trust or reduce the customer's aversion.

Usually, salespersons are among the most sharply dressed employees of an organization. By the way they appear, they hope to make a good first impression. They aim to win business for their respective organizations. They try their best to make a sound value proposition to the customer and become the most favored salesperson among the salespersons who are competing for the attention of the customer. They aim to sound empathetic, logical and clear.

The lack of these attributes create an unnecessary speech impediment and cause customers to show aversion towards the information they receive.

A business proposal is much like a salesperson. Yet, it does not see the customer face to face in real time. It fails to understand their mood and then communicate. As a result, it sounds robotic to the reader.

To understand why proposal evaluators get turned off while reading a proposal, we asked them what emotions they go through and what reasons they cite for rejecting a business proposal. Our assessments led us to understand that business proposals are like salespersons with speech impediments.

But often, a business proposal has at least one significant speech impediment. It fails to be logical and clear. As a result, it invites the dislike of the evaluator who is reading it.

In our research in the past, we assumed that the lack of clarity was the reason that deterred most customers from reading a business proposal. While there is significant evidence to substantiate the negative impact of complex jargon and convoluted sentences on readers, our recent studies showed us a greater, more significant reason for customers disposing business proposals without reading them. Logic, or the lack of it was the greatest contributor to customer's instant aversion towards a business proposal. The lack of logic combined with the lack of clarity often was the perfect recipe for instant proposal aversion.

Proposal Aversion

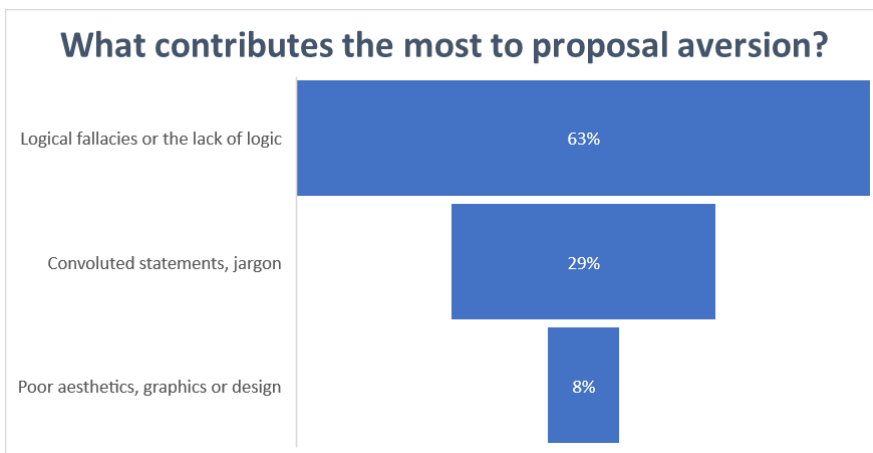
Proposal evaluators consider their job to be extremely tedious, time-consuming, boring and hectic. They do not possess the time nor the patience to read business proposals. Unfortunately for them, business proposals tend to be lengthy. While some proposals are just about 20 pages long, most business proposals are about 100 pages long. In some cases, as often seen in the case of federal bids in the United States, proposals can be over 1000 pages long, and may require the pooling of multiple evaluators to read through proposals and award a bid. This was the primary cause of the reduced motivation to read the proposal; A simple lack of desire because of the tediousness of the work involved. However, we understood from proposal evaluators that there were other factors that in fact caused what we termed, "proposal aversion."

We define proposal aversion as *"the state of mind a proposal evaluator attains when they dislike a proposal and make a conscious or subconscious decision to not award the bid to the organization that authored the proposal- after reading the proposal (in part, or in whole)."*

We asked forty-two (42) senior managers from across the globe who have had experience in evaluating business proposals on what caused proposal aversion, and at what stage they arrived at the aversion.

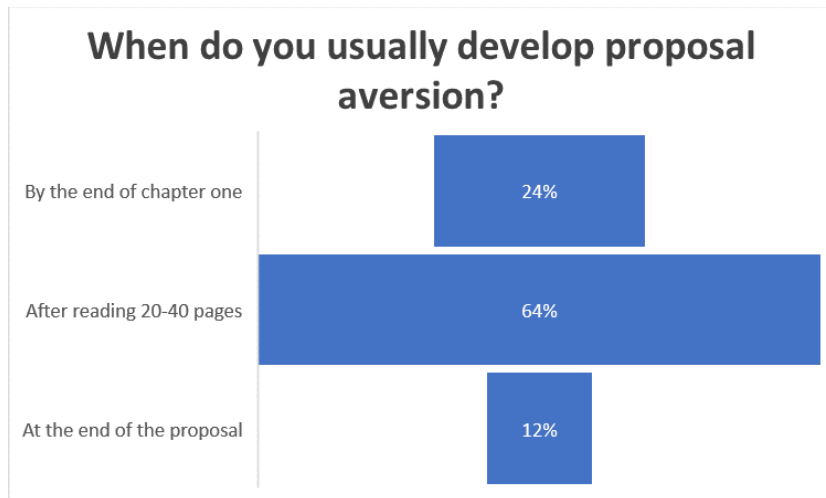
Based on their input, we found that they developed an aversion towards a business proposal if it had a fallacious claim or was backed up by poor logic. This was recorded 63% of the times. The lack of clarity was another culprit, which we recorded 29% of the times. Interestingly, although we assumed this would be a significantly important factor, the aesthetics, cover-pages, graphics and graphical descriptions of a proposal seemed to matter to only 8% of proposal evaluators.

Figure 1: Contributors to proposal aversion



Proposal aversion was most often noticed after the evaluator read a significant portion of the proposal. 24% of all proposal evaluators claimed that a poorly written executive summary (chapter one) of the proposal was a contributor to proposal aversion. Most of the evaluators (64%) claimed that they faced aversion after reading about 20-40 pages. The rest claimed that they reached aversion after they finished reading the proposal.

Figure 2: Proposal Aversion and its Development



Logical Fallacies in the Salesman's Argument

A logical fallacy is the use of the wrong reason to construct an argument. The word "argument" has its origins in the word "arguere" from Latin, which means, "to make clear, prove or accuse." One of the most respected definitions of the word "argument" was given by Van Eemeren.

"Argumentation is a verbal and social activity of reason aimed at increasing (or decreasing) the acceptability of a controversial standpoint for the listener or the reader, by putting forward a constellation of propositions intended to justify (or refute) the standpoint before a rational judge" (Eemeren, 1999)

As suggested by Van Eemeren, at the heart of an argument lies the salesperson's opinion, inference or assertion that causes them to gain a "reason." This reason is put into words and stated to the listener or reader. Then, the reason is backed up by more propositions to solidify the argument.

What causes a logical fallacy?

Any logical fallacy begins with the salesperson desiring to make a point through reasoning. The reasoning comes from inferences. (Walton, Fundamentals of Critical Argumentation, 2006) Sometimes, the reasoning does not adequately consider the various external factors that affect the argument. And hence, the argument finds itself to be fallacious. Sometimes fallacious logic is rooted in cognitive biases or partially viewed data (Schwarz & Asterhan, 2008). Some other times, it is rooted in a completely unplanned interpretation of social information (Kahneman, 2011). Sometimes, it could just be because of an emotional appeal on the salesperson's mindset or the customer's mindset.

And yet at other times, it is just because the salesperson "thinks" so. 'Thinking' and 'reasoning' are completely different, with 'thinking' being sometimes, an involuntary process, but 'reasoning' being a voluntary, conscious effort. (Schwarz & Asterhan, 2008)

As suggested above, there are many ways to arrive at a logically fallacious argument. One interesting point we may note here is that the correct inferences do not necessarily point to correct reasoning or correct arguments. Correct inferences point to correct reasoning and correct arguments only when they are channeled through a deliberate, conscious and verified process of unbiased thinking and reflection. (Moshman, 1995)

During our research, based on our conversations with customers, we identified many logical fallacies. While the subject of rhetoric and debate teach over 300 logical fallacies, (Bennett, 2013) we will restrict this study to the 10 most commonly found logical fallacies.

Ten Common Logical Fallacies and Their Examples

Slippery Slope: If A happens, then B will happen.

The Slippery Slope Fallacy is a common occurrence in proposals, where proposal writers and contributors assume from prior experience with customers. Statements such as “If your servers are slow, your business will slow down too.” While the statement is accurate, it is still an assumption. Hence, a better alternative would be “If your servers are slow, it may slow down your business too.” Using the word “may” has a considerable impact on reducing the frequency of occurrence of the Slippery Slope logical fallacy (Lode, 1999)

Hasty Generalization: A & B have an attribute “X,” and hence, C will have it too.

Hasty Generalization is much akin to Slippery Slope. There are two kinds of logical fallacies under the umbrella term “Hasty Generalization.” The first, ‘Universal Generalization’, is a fallacy where the argument applies a particular instance to a universal condition. The second, namely ‘Secundum Quid’ does the same thing as Universal Generalization, and also overlooks the qualifications of the premise. (Walton, Rethinking the Fallacy of Hasty Generalization, 1999)

Both these are common sightings in business proposals. The writer usually relies on previous experience and makes a predictive assertion without careful reasoning. The Hasty Generalization fallacy finds its place very often in business proposals where proposal writers make assertions such as “Your competitors, A & B rely on our solution to meet their market needs. Our solution will certainly help you meet your market needs as well.”

Post Hoc Ergo Propter Hoc: B happened after A. Therefore, B happened because of A

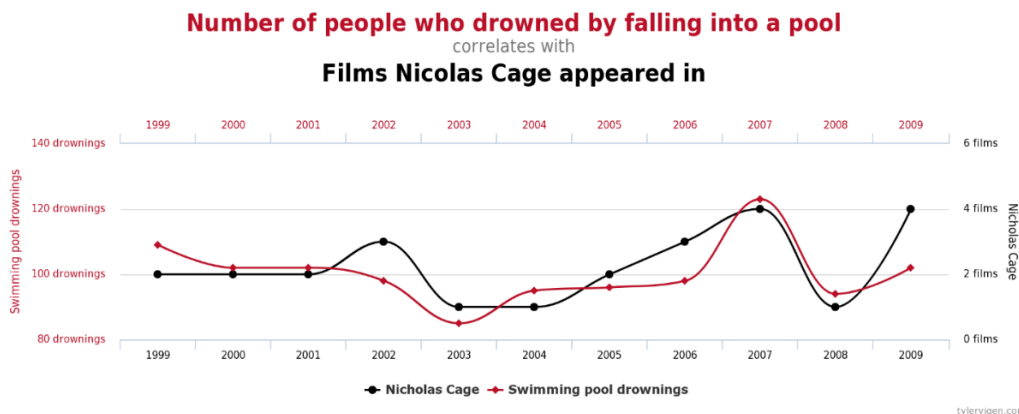
The Greeks realized this fallacy millennia ago. Because one event follows another event, it does not mean that the first event caused the second event. (Grouse, 2016) This is one of the most noticeable forms of logical fallacies. Customers understand consequential occurrences in their environments better than we do. Hence, business proposal writers must be aware that just because a customer’s data shows consequential occurrences, there is no guarantee that it is because one event led to another. A statement such as “The data shows that the customer footfall is low on Monday because the day prior was Sunday” may seem like an adequate analysis. However, customers may have identified other reasons for this that the proposal writer is not aware of. In scenarios where an assumption as this is made, it is best to check before making an assertion.

Cum Hoc Ergo Propter Hoc: Correlation is not equal to causation.

This fallacy is very similar to the previously stated logical fallacy, Post Hoc Ergo Propter Hoc. However, it is slightly different. The latter suggests causation because of the chronology of events. The former does not. (Eabrasu, 2015)

Cum Hoc Ergo Propter Hoc is the easiest logical fallacy to identify for customers who have spent sufficient time pondering over their own data.

Figure 3: Spurious Correlation between drowning and Nicolas Cage films: Why Correlation is not Causation (Vigen, 2015)



Eager business proposal writers make the mistake that data points put together suggest a certain pattern, and therefore, correlate to support an argument. While correlation can imply causation, in some scenarios, it simply does not.

False Dilemma/ Either Or Fallacy: If not A, then B. If not B, then A

The False Dilemma Fallacy is a type of fallacy where an argument is based on two extremes; where there is in fact, an alternate option. This is a fallacy not just common in business proposals but also a common fallacy in making a conclusion from corporate data analyses. The False Dilemma/ Either-Or Fallacy does not leave space for a middle ground. (Hanks, 2019)

In business proposals, they are commonplace through statements like “We understand your problem. It is likely caused by one of two factors, A or B.” Although the statement may at first glance seem to be true, there is a likelihood that in the environment of the customer, it is caused by neither A nor B, or both. If an assertion such as this must be made, it is best to check with the customer or state the assumption in the next line.

Ad Populum: Everyone is doing it

Ad Populum or the “Bandwagon” argument is a common logical fallacy. It is common in rhetoric, business circles and in proposals. Statements such as “80% of our customers want to use our product again. We are sure you will use our product more than once too” are common occurrences. While the first statement is a good argument in itself to persuade someone to purchase the product, the second statement is a logical fallacy. In the European Union especially, business proposals and statements of work (SOWs) are taken very seriously. If a claim is made and it does not eventually pan out, the customer has the right to sue the vendor for the claim that had been made.

Strawman Fallacy

The strawman fallacy misrepresents the competitors’ argument and tries to gain leverage from the same.

A common business proposal strategy is what is termed as “ghosting.” The ghosting strategy aims to take down a possible competitor strategy. This is done by over-emphasizing competitor weaknesses or underplaying the importance of their strengths. While the tactic in itself is not ethically wrong to use, customers have identified it as a logical fallacy. Overemphasizing competitor weaknesses without enough emphasis on self-strength or vice versa often is viewed as ghosting poorly done. In scenarios as this, it is considered to be a strawman fallacy.

Argument by Gibberish and Ambiguity

While we have found that the lack of clarity is a major contributor to proposal aversion, in some cases, customers also viewed it as a logical fallacy. Argument by gibberish attempts to confuse customers so that they do not thoroughly understand what is being stated. Arguments by gibberish are often found in the Terms and Conditions chapter of a proposal. They are also found in some executive summaries where there is too much emphasis put on the features of the product/ solution rather than on the benefits of the same.

The Texas Sharpshooter Fallacy

The name “Texas Sharpshooter Fallacy” comes from a funny anecdote about a certain Texan who fired gunshots at a barn, and then painted a target where most of his shots clustered, and then made the outlandish claim to be a sharpshooter.

A lot of times, selective data analysis is used by proposal writers to make a claim. The error of judgement is a logical fallacy and is easy to notice when the entire data sample is taken into consideration.

Appeal to Authority

The Appeal to Authority logical fallacy is often found in the executive summary of business proposals that aim to be persuasive. In a bid to make their arguments strong, proposal writers make an effort to find data from popular sources to aid their claims.

In our interviews with proposal evaluators, we’ve understood that the appeal to authority is only understood as a logical fallacy if subsequent points are not effective reasons for the argument.

Data Analyses of Logical Fallacies and Their Impact in Business Proposals

The Most Frequent Logical Fallacies

We studied and manually assessed 50 business proposals carefully over a span of a year. We identified that the most frequent logical fallacies were not the same as the most identified logical fallacies in the data sample that we considered. We assessed business proposals from multiple organizations and arrived at the following analysis.

Table 1

The Most Recurrent Logical Fallacies

Logical Fallacies: Observed Cumulative Frequency in 50 business proposals

Logical Fallacy	Frequency	Percentage
Slippery Slope	104	18%
Appeal to authority	102	17%
Argument by Gibberish and Ambiguity	95	16%
Straw man fallacy	76	13%
Hasty Generalization	64	11%
The Texas Sharpshooter	52	9%
False Dilemma / Either-Or Fallacy	40	7%
Ad Populum	28	5%
Post Hoc Ergo Propter Hoc	16	3%
Cum Hoc Ergo Propter Hoc	12	2%

The Most Noticeable Logical Fallacies

Although the above study gave us tremendous insight, we wanted to see if the most recurrent fallacies were also the most identified ones.

In our interviews with proposal evaluators, we asked: “Of all the logical fallacies, which are the most frequently observed fallacies?” We asked evaluators to pick three logical fallacies out of ten. Based on the data we gathered, we were informed that the following logical fallacies played the most significant role in deterring the interest of the evaluator.

Table 2

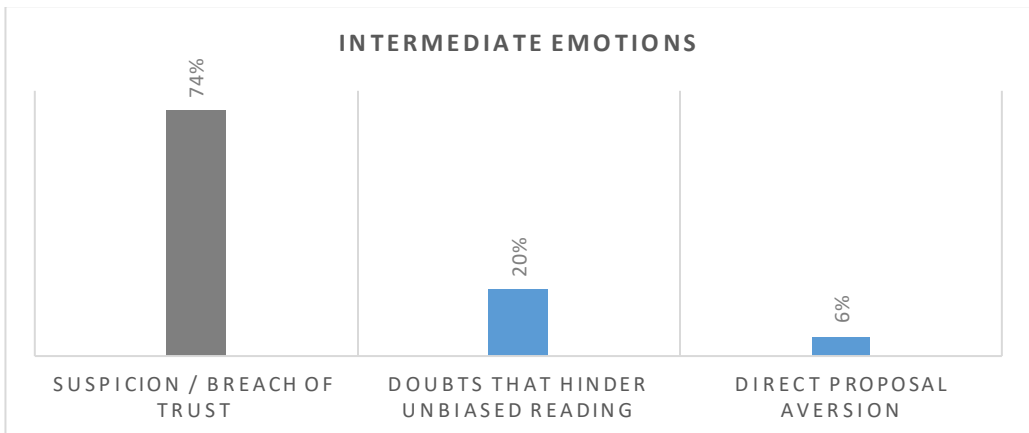
The Logical Fallacies that Proposal Evaluators Identify and are Averse to

Proposal Aversion Creating Logical Fallacies	1stPlace	2nd place	3rd place	Total Score
Hasty generalization	10	7	3	20
The Texas Sharpshooter	9	3	5	17
Argument by Gibberish and Ambiguity	7	4	4	15
Cum Hoc Ergo Propter Hoc	5	3	6	14
False Dilemma/ Either-Or Fallacy	2	7	3	12
Straw man fallacy	1	6	5	12
Appeal to authority	3	2	6	11
Post Hoc Ergo Propter Hoc	1	4	4	9
Ad Populum	2	3	4	9
Slippery Slope	2	3	2	7

The Impact of Logical Fallacies

While interviewing our 42 proposal evaluators, we asked them if proposal aversion is instantly caused by a logical fallacy, or if there is an intermediate emotion. In response to our query, 74% of the evaluators explained that logical fallacies cause a “suspicion” or a “breach of trust.” Another 20% of them said that logical fallacies cause “doubts that hinder an unbiased viewing of the rest of the proposal.” Only 6% of the proposal evaluators said that logical fallacies instantly caused “proposal aversion” without an intermediate emotion.

Figure 4: Intermediate Emotions before Proposal Aversion



Strategies to Make an Airtight Argument

The Structure of An Argument

While there is no singular way to perfectly tackle and avoid all forms of logical fallacies in business proposals, we recommend following the following principles to reduce the frequency of their occurrence.

Precision

The first and most important way to articulate a sound argument is to start with the conclusion. What are you trying to prove in the first place? What do you want your reader to conclude after reading what you wrote? Asking yourself these questions

over and over again helps you stay concise and crisp and not wander into irrelevant topics or make statements that would work against you.

Finally, each reason must be supported by a significant piece of evidence, the lack of which causes the reason cited to be unsubstantiated. Hence, the writer must play with multiple reasons, and remove reasons that are not relevant, and come up with curated, re-written reasons that are specific and relevant to those who are reading what they have been presented.

Pyramids

To reduce logical fallacies in your document, use the Minto Pyramid Principle in articulating your message. Using the pyramid principle will help you craft a crisp document that eliminates unnecessary content and helps you stay focused on your key message. Also look for content that does not add value to the reader, or which does not make sense in the pyramid.

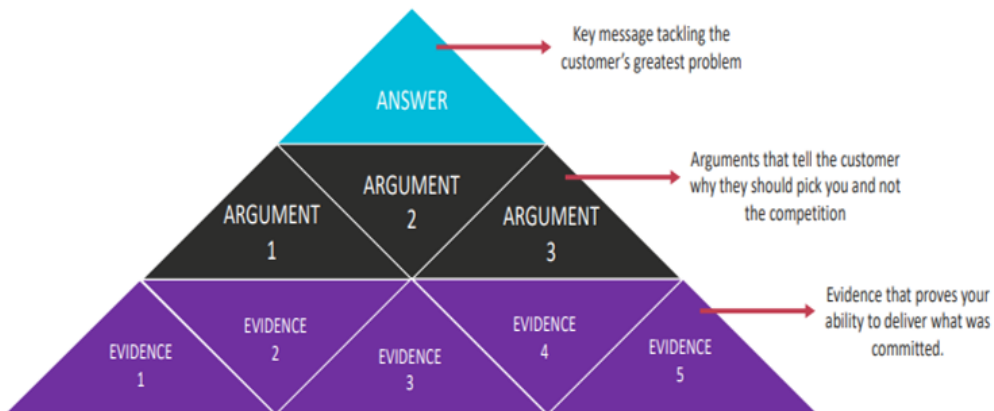


Figure 5: The Minto Pyramid Principle: Using this technique, proposal writers can ensure that proposals are focused on the key message- instead of confusing the reader (and the writer) (Minto, 1978)

Paragraphs

Another systematic way to avoid logical fallacies is by using Scott Lovell's Structure for Arguments by Systematic Outlining (Lovell, 2009) as follows:

- Paragraph 1: Introduction and Thesis
- Paragraph 2: Statement of Fact and Definitions
- Paragraph 3: Proof 1
- Paragraph 4: Proof 2
- Paragraph 5: Proof 3
- Paragraph 6: Counterpoints
- Paragraph 7: Systematic refutation of counterpoints
- Paragraph 8: Conclusion

An alternative, if the above recommendation seems rather long for a proposal; is to combine paragraphs 3,4 and 5 can be combined into a single paragraph. Paragraph 6 and 7 can also be combined into a single paragraph to reduce the amount of content that goes to make a strong, air-tight argument.

The Strength of An Argument

The strength of a man is dependent on his skeleton. And then on the muscle that lies on top of it. And then on the strength of the cells and tissues that have developed his body.

Quite similarly, the strength of an argument is dependent on the things that make it. The reasons it provides and the evidence it lays out.

Step 2 is to find reasons for your reader to agree with you. Hence, the number of reasons you give them is not as important as the weight the reasons have on the mind of the reader. You cannot give an automobile company the reasons which are relevant to a pen factory. Even if the reason is relevant, it must be modified so that the reader finds it relevant to his problem. No two reasons must be similar. If they are similar, it is best to combine them under one heading. Too many reasons are not good too, for people have trouble remembering more than three at a time.

Sincerity

One can often notice that the strength of the argument is largely dependent on the conviction of the writer. If the writer is asked to showcase the strength of a dinosaur when he is asked to write on chickens, it is hardly possible. This causes the writer to start coming up with content that he himself does not agree with. Which in turn becomes an unnecessary set of words that remove the steam out of the argument and make it sound feeble. One must always remember the adage, "Empty vessels make much noise."

Sequence

In a proposal, the sequence of arguments is vital to clarity. A set of arguments that are jumbled cause confusion. Anything that is confusing causes a significant amount of fog in the mind of the reader. Hence, it is important for statements and paragraphs to have a logical sequence to them. The ideal argument unfolds like a handkerchief. It is not like a messy roll of cloth stuffed into the crevice of a messy suitcase. Instead, it is sequentially arranged. The conclusion of your argument is articulated in the beginning, and the message, the reasoning, and the evidence that support the argument unfold systematically.

Specifics

Numbers are impactful when you state evidence to prove a point you are trying to make. To persuade someone that you are good at getting results, you should also subtly make the other person question how many times they've missed getting the said results. This is why numbers are critical to making an argument more persuasive. More so, are infographics that cite numbers. You can read more about the representation of numbers in our next chapter on information design.

The Substantiation of An Argument

Context

Any argument, no matter how precise, well laid out, sincere or specific, will not resonate with the customer if it is not contextually accurate. If the content and the proposal strategy that went into it were designed for a retail company, it would seldom work for an automobile company. Rewrite content keeping the customer's industry in mind. Ensure that evidence quoted is also relevant to the customer and not something that is completely disconnected.

A surprisingly common logical fallacy is the red herring. Red herrings involve bringing up irrelevant information to argue your case or to debunk the evidence of others. It's important to avoid red herrings because they make your argument look elementary. Even if you are arguing a strong point and are right to do so, including red herrings in your document creates glaring holes in your reasoning and turns readers away from your positions.

To avoid using red herrings, make sure that your argument is always framed within the context of the argument and not your personal feelings on the issue.

If you notice a red herring in your document, take the time to re-examine your evidence for the issue so that you can more clearly define it for readers. As red herrings are often quite obvious and distracting, removing them from your document is crucial to having a polished and persuasive final product.

Corroboration

Always have more than one point of evidence. Anything more than three is overkill, anything less is shabby. One piece of evidence seldom convinces a reader to generalize. Multiple pieces of evidence support their logic. Hence, the more, the

better. But don't let that get in the way of making your business document concise. If necessary, add a link where interested readers can click to read more about other businesses you've helped.

Circumventing

The word "circumvent" means, "find a way around." Being prepared for opinions that counter your argument is an excellent practice. This is a better strategy than hoping that the reader does not find a counterpoint. Ensure that your writing at least addresses the obvious counterpoints that come against your arguments. Make it a point to call out the logical fallacies in the counterpoints against your argument.

Conclusion

Once you have ensured that all counterpoints against your argument are addressed, tighten any loose ends, and restate your initial thesis. Usually, writers place a lot of effort to hook their readers at the beginning, but the steam goes off towards the end. Always aim to leave your reader with something to think about at the end. End with a question for the reader to think about or a call to action. Ensure that you have sufficiently edited your content once you are done with the writeup.

Conclusion

Implement the Barbara Minto Principle to develop a proposal that eliminates insignificant content.

Implement Lovell's Structure of Arguments to develop logically airtight content while developing a persuasive document

Keeping your content concise and tight reduces the likelihood of logical fallacies.

Avoid having multiple contributors adding text to the document. Multiple contributors inevitably cause conflicting ideas to creep into the proposal; thereby creating logical fallacies

If multiple contributors must add content, ensure that content is carefully evaluated to assess and find logical fallacies.

Ensure that the person responsible for reviewing the document knows what logical fallacies are and is trained to find them.

You can avoid the logical fallacies created by gibberish and ambiguity by paying attention to readability statistics and using them extensively to evaluate the quality and readability of your content. Our research on the subject of ambiguity in proposals showed that complexities that arise from writing techniques actually cause customers to develop a distaste for the proposal. In one study, thirty people in a local Starbucks were given two documents each. One document was compiled with a lot of jargon and long sentences. The other was simple and easy to understand. Both were in effect- trying to share the same message. After the subjects read the two documents, they were given a list of character traits. The list of character traits had fifteen positive ("good") and fifteen negative ("bad") traits. Readers were asked to associate each document with a list of traits. The study found that 100% of the readers associated the document with jargon and complicated sentences with "obnoxiousness, rudeness, stubbornness, and unreliability." Not a single positive trait was attributed to the complex document. (Fugere, Hardaway, & Warshawsky, 2005)



Figure 6: How Readability Influences Likeability: Fugere's research shows us that the readers despise content that is hard to read. Complicated writing styles were found to be obnoxious and unreliable- while documents that were easy reading was found to be likable and empathetic. (Fugere, Hardaway, & Warshawsky, 2005)

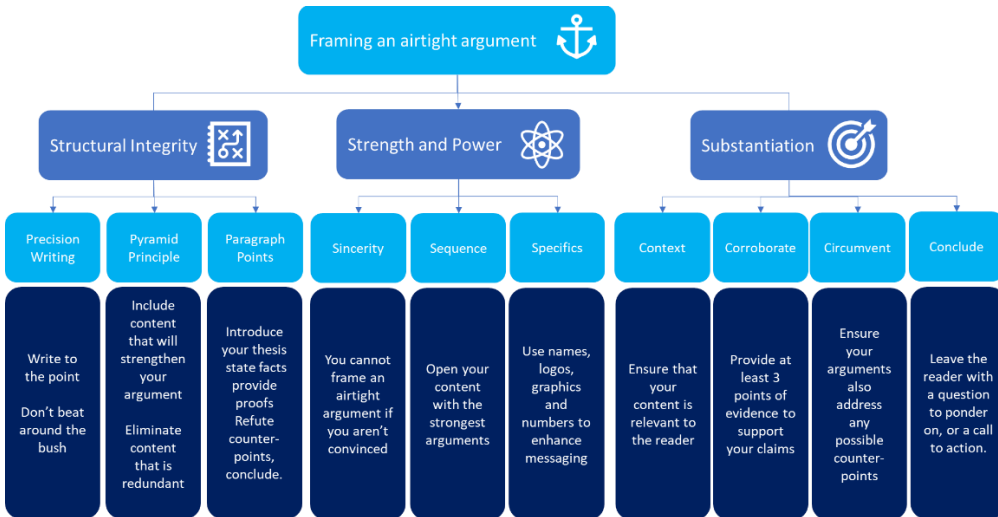
Data and statistics are often wrongly used as an end-all argument. However, data is complicated and can be subjected to all forms of interpretations. While using data and statistics, challenge "cause" and "effect."

Schedule “Editing” while planning your proposal. Ensure that the tasks are clear, and the editor knows what logical fallacies are and how to find them.

Use a systematic strategy to content development to reduce the likelihood of logical fallacies. You may choose to use the strategic plan in the next page to aid your writing plan.

Summary: Strategies to Make

Figure 7: The 3S Model of Developing Airtight Arguments



An Airtight Argument

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Consumer Perception: Animosity, Ethnocentrism and Willingness to Buy Chinese Products

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Abstract

Global developments have seen the rapid growth of international marketing due to trade liberalization and a reduction in barriers to global trade. This has resulted in opening up of new markets and availability of foreign products in domestic markets. China has taken a leading role in global trade due to its low levels of production costs and technological advancements. Chinese electronic products can now be found most parts of the world. This study attempted at determining the attitudes of consumers towards made in China products. It was guided by the concepts of consumer ethnocentrism and consumer animosity and how these influenced the willingness to buy Chinese electronic products. A sample size of 385 was chosen with 319 participating. Data was collected through a questionnaire adopted and modified from a study by Quang, DinhChien and Long (2017) in Vietnam. Factor analysis, confirmatory factor analysis (CFA) and structural equation modelling (SEM) techniques were used in the analysis. From the findings, it was evident that amongst the Kenyans, consumer ethnocentrism influences the level of consumer animosity. In instances where consumer animosity existed, it did not have an impact on product judgments. Though the respondents had expressed some level of animosity towards China, the same did not have a negative impact on product judgments. In terms of consumer ethnocentrism, the respondents indicated that it had a negative impact on product judgments, an indication that a high level of ethnocentrism will lead to unfavourable attitudes towards a product from a foreign country.

Keywords: *Consumer Animosity; Consumer Ethnocentrism; Product Judgment; Made in China; Willingness to Buy; Kenya*

1. Introduction

The role and influence of China in global business has been growing by leaps and bounds especially in the developing countries where other traditional business partners have a reduced presence. Due to China's foreign policy of non-interference with the internal affairs of trading partners, it has been viewed as a "friendly" partner by most developing countries. As a result, China made products have penetrated these markets to a great extent. Beyond the provision of trade in goods, China has been developing major infrastructural projects in Africa through a process of finance, build and in some cases operate. The appetite for growth has seen a lot of African countries take on monumental loans from China for the construction of various infrastructural projects. Sentiments on the ability of the countries to pay back these loans have been voiced with recent press statements that Zambia and Kenya might have the Chinese governments take over key ports and utility projects due to inability to pay the loans.

It is against the above backdrop that this study attempted to measure the perception of Kenyans towards made in China products. Consumers have different perceptions towards their own products and those of other countries. Electronic products were chosen due to the fact that they were the most common place products that any respondent would likely

have come across. They also provide an opportunity to measure the willingness to buy and how that was influenced by the consumer judgment towards the products.

According to Shimp & Sharma (1987), attitude towards foreign products is known as consumer ethnocentrism. Consumer attitudes towards products from their home country has been described as consumer xenocentrism. Attitudes towards products from specific countries based on a negative association has been described as consumer animosity (Klein, Ettenson & Morris (1998). The current study was driven by the concepts of consumer animosity, consumer ethnocentrism, product judgments and the willingness to buy.

2. Consumer Animosity

Consumer animosity is a terminology that has been associated with international marketing based on the perceptions and attitudes that consumers have over certain countries and their products. Propagated by Klein, Ettenson a Morris (1998), it is defined as an individuals' negative feelings and attitudes toward a specific foreign country as a result of past exposure which may be due to traumatic historical events, economic disputes, political disputes, religious disputes, among others. Klein et al (1998) state that animosity is the "remnants of antipathy related to previous or ongoing military, political, or economic events that affect consumers' willingness to purchase foreign products". As such they note that there exists two broad dimensions of animosity: war animosity and economic animosity. However, more researchers have identified other dimensions and sources of consumer animosity (Huang, Phau & Lin, 2010).

In identifying the economic and war animosity, several authors studies past historical events that influenced the attitudes of consumers. Klein et al. (1998) in their seminal research studied war-related animosity by focusing on the Nanjing massacre in 1937 during the Second Sino-Japanese War. Later, Shin (2001), Klein (2002), and Nijssen and Douglas (2004) studies the repercussions of the World War II amongst various protagonists. Other like Podoshen and Hunt (2009) studies the effects the Holocaust on Jewish consumers living in the U.S. and found that many still had animosity towards Germany and thus avoided to buy made in German cars.

In terms of the economic animosity, consumers may perceive the actions of a foreign country as being economically repressive. They thus see the foreign country as being an unfair and unreliable trading partner exerting excessive influence in the home country (Klein et al., 1998; Ang et al., 2004; Funk et al., 2010). According to Rice & Wongtada (2007), economic animosity can be as a result of anger against perceived unfair practices that have direct economic impact on consumers or from fear of being dominated by economic powers. Such may be felt to lead to loss of jobs and closure of domestic firms due to the actions of the foreign country and its products.

Researchers have also found that animosity may be rooted in issues related to politics, religion, or culture other than just economic and war (Kiriri, 2008). Political animosity has been studied amongst different countries who may have had difference in political opinions and approach to global geopolitical issues. Ettenson and Klein (2005) identified political animosity between Australian and France due to the latter's nuclear testing in the South Pacific. Russell and Russell (2006) reported the animosity between France and the US as a result of the French refusal to support the US in the Iraq war. Similarly, Huang, Phau & Lin (2010) study of effects of territorial disputes between Taiwan and Japan.

Within the Middle East countries and those who profess Islam, religious animosity has been witnessed. Various researchers have studied the effects of religious conflict between Denmark and several countries in the Middle East due to the depiction of the prophet Mohammad in a Danish newspaper (Maher & Mady, 2010; Riefler & Diamantopoulos, 2007; Abosag, 2009; Maamoun & Aggarwal, 2008; Khalil, 2012).

There is a paucity of studies in Africa in relations to consumer animosity. Available studies have been majorly in Southern Africa. Several studies have been done to assess the perception of Mozambicans on products made in South Africa (John & Brady, 2011a; John & Brady, 2011b). Makanyeza and du Toit (2016) studied perceptions of Zimbabbeans on poultry products from South Africa. Though the mentioned studies did not identify any animosity towards foreign products, they provided different results in regards to perception. In South Africa, Pentz (2011) found a preference for South Africa products in comparison to Chinese products while Muposhi, Dhurup, & Shanhuyenzva (2018) found some levels of animosity towards Chinese apparel.

The low levels of consumer animosity in Africa has been due to several reasons. These include a desire for foreign made products. Studies in Nigeria (Okechuku & Onyemah, 1999; Agbonifoh & Elimimian 1999; Festervand & Sokoya, 1994; Lysonski & Durvasula, 2013) found that Nigerian preferred imported brands against the local brands as did Ghanians (Opoku & Akorli, 2009) and Kisawike (2015) in Tanzania. Limited choice also affected a deeper evaluation of foreign products. Kiriri (2018) indicated that, due to the level of economic development, most African countries lacked the capacity to manufacture most of the goods they required and thus minimal alternatives but to depend on foreign products, sometimes from a country with an unfavorable past relationship.

3. Consumer Ethnocentrism

Consumer ethnocentrism is about the attitudes and perceptions consumers have towards foreign products and the appropriateness of purchasing such products. Shimp and Sharma (1987) define consumer ethnocentrism as the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign made products. Quang et al. (2017) posit that ethnocentrism is about judging other peoples culture based on of one's own culture. It is therefore about one's cultural superiority leading to negative evaluations on anything that does not align to one's culture. Ethnocentrism is this based on the symbols and values of one's own ethnic or national group which become objects of pride and attachment, whereas symbols of other groups may become objects of contempt (LeVine & Campbell, 1972).

In situations where consumers have a high level of ethnocentrism, possibly driven by nationalistic feelings, purchasing foreign products is seen as being unpatriotic. High ethnocentric tendencies are also influenced by the perception consumers have and relate to the effects of foreign firm and products. Such would be the effects of foreign products on the economic growth, employment/jobs, culture, and general national pride. According to Klein et al. (1998), ethnocentric tendencies may be based on moral beliefs and the perception that domestic products are better compared to foreign products. Customers who have low ethnocentric tendencies evaluate products based on their merits without considering country of origin (Shimp & Sharma, 1987).

Different countries exhibit different levels of consumer ethnocentrism. Some studies have found also in-country differences based on demographic differences. Urban or cosmopolitan dwellers have been found to be less ethnocentric as opposed to non-urban dwellers who are seen to have a very high level of patriotism and therefore highly ethnocentric. According to Shankarmahesh (2006) younger consumers who were more cosmopolitanism tended to be less ethnocentric. Age has also been found to influence the level of ethnocentrism. The older generation who again tend to be conservative and patriotic in nature tend to display more ethnocentric tendencies than younger people (Balabanis et al., 2002). On the other hand, based on gender, some studies have found that female customers were more patriotic and thus more ethnocentric than men (Balabanis et al., 2002; Sharma, Shimp, & Shin, 1995; Han, 1988).

Consumers from the developed countries have been seen to exhibit different ethnocentric tendencies to those from a developing country. Wang and Chen (2004) and Chrysochoidis et al. (2007) found that consumers from a developed country appreciated more favorably domestic products over imported ones with the reverse being observed in developing countries. Consumers in developing countries often seek to emulate the apparently glamorous Western consumption

practices and lifestyles and purchase the brands they are exposed to through different media, movies, western tourists, and when the citizens of a country travel abroad (Kiriri, 2018).

Studies in Africa have recorded different results in terms of consumer ethnocentrism. Kiriri (2019) found low levels of ethnocentrism among Kenyans. His research was focused on goods as opposed to services. However, Maina, Kibera and Munyoki (2015) found that in terms of services, most Kenyans had a high preference for local commercial bank services as opposed to those from foreign owned commercial banks and thus highly ethnocentric. Other studies in Africa that have found low levels of ethnocentrism include Nigeria (Lysonski & Durvasula), Ghana (Saffu & Walker, 2006), Tanzania (Kisawike, 2015), Mozambique (John & Brady, 2011b), among others. However, consumers in Zimbabwe had a moderately high level of ethnocentrism (Makanyeza & du Toit, 2016) as had consumers in South Africa (Pentz, 2011).

4. Foreign Product Judgements

Foreign products judgments are highly influenced by the attitudes of consumers towards the foreign country and its products. Product attitude is a consumers overall evaluative judgment of a products attributes such as a brand and quality (Erdogan & Uz Kurt, 2010). Such an attitude may be related to the attitude towards the source market of the product. According to Klein et al. (1998), animosity towards a specific country would affect consumers' willingness to purchase products from a foreign country rather than their evaluation of these products. Consumers with high levels of animosity and ethnocentrism will negatively judge foreign n based products and thus affect the willingness to buy. According to Quang et al. (2017), most literature indicate a positive relationship between consumer ethnocentrism and judgment of domestic products, and a negative association between consumer ethnocentrism and imported products judgment. Antipathy towards a country is likely to translate into a refusal to buy products originating from such a country, irrespective of judgments on product quality.

Consumer foreign product judgment is also affected by the three components of cognition, affection and conation (Papadopoulos et al., 1998). Cognition refers to the knowledge about the products or services; affection refers to the favorable or unfavorable attitude towards the country of origin; and conation refers to the actual buying behavior (Ahmed, Anang, Othman, & Sambasivan, 2012). The affection component can play a dominant role in the purchase of foreign products or services (Kinra, 2006). Product judgments can help predict how and why consumers choose between different brands, foreign or domestic brands.

5. Willingness to Buy

Consumer willingness to buy a product is influenced by many different factors among them being consumer animosity and consumer ethnocentrism (Nijssen & Douglas, 2004). Phau, Sequeira, & Dix (2009) stated that the construct of willingness to purchase was an indicator of actual purchase behavior. According to Ajzen and Fishbein (1980), willingness to purchase was highly correlated to actual behavior. As a result, a consumer's willingness to purchase a product is a predictor of actual purchase of the product (Liao & Hsieh, 2013). When consumers have negative feelings and attitudes towards a particular country, they may refuse to buy products and services from such a country, regardless of their product quality or judgment (Klein et al., 1998).

During the consumer decision making process, consumers have to evaluate different products to make a choice, a process that results in the willingness to buy a particular product. Consumer ethnocentrism and animosity influences significantly the preferences of consumers, during the product purchase process by affecting the formation of positive or negative purchasing intentions.

Consumer animosity has the can lead to sub optimal evaluation of the quality of foreign products, leading to consumer apathy and as a result the tendency to boycott products from the perceived hostile country (Hoffmann et al., 2010). Animosity towards a specific nation affected foreign product purchasing behavior regardless of its relation to consumer's beliefs about the quality of the products from that country (Klein et al., 1998). In a study by Quang et al. (2017), they found that consumer ethnocentrism had a significant and negative impact on willingness to buy. On the other hand, consumer war and economic animosity had a significant and negative impact on willingness to buy.

In this study, the intention was to identify the relationships between product judgments and the willingness to buy. The study also sought to determine the relationships between willingness to buy and both consumer ethnocentrism as well as consumer animosity.

Hypothesis of the Study

H1: Consumer ethnocentrism positively influences consumer animosity.

H2: Consumer animosity has a negative impact on product judgments

H3: Consumer ethnocentrism has a negative impact on product judgments

H4: Product judgments has a negative impact on willingness to buy.

H5: Consumer animosity has a significant and negative impact on willingness to buy

H6: Consumer ethnocentrism has a significant and negative impact on willingness to buy

Methodology

The research design for this study was both descriptive and explanatory. The target population of this study were shoppers who visited various shopping malls in the City of Nairobi, Kenya from where the sample for this study was drawn. Altogether, 385 questionnaires were randomly distributed to the target respondents. The questionnaire was adopted and modified from a study by Quang, DinhChien and Long (2017) in Vietnam. A scale with about 38 items developed from the literature was subjected to a pretest to check on its suitability. Some item wordings were changed to reflect appropriate meaning and relevancy in the Kenyan situation.

Factor analysis was used to explore the data and its structure. To determine the number of factors to extract, the principal component analysis was used as the extraction method while the rotation method was oblique rotation, specifically Promax (Tabachnick & Fidell, 2007; Thurstone, 1947) with Kaiser Normalization. After the factor analysis, confirmatory factor analysis (CFA) was performed to test the fit of the model used. The scale's internal consistency was tested by using reliability analysis with Cronbach's alpha (a minimum of 0.7 was deemed acceptable) while the construct validity was tested by employing confirmatory factor analysis (CFA) which was performed using the structural equation modeling (SEM).

Sample Demographic Profile

As indicated before 385 questionnaires were distributed with 319 returned representing a response rate of 82.9%. From the responses, 48.3% of the respondents were males while 52.7% were females. In terms of the distribution of the respondent's age, 4.1% were below 20 years; 52% between 20 – 30 years; 30.7% between 31 – 40 years; and, 13.2% over 40 years. In terms of occupation, 17.9% were self-employed, 17.9% employed, and 19.7% were students.

Data Analysis

Reliability Tests

The scale's internal consistency was tested by using reliability analysis achieving a Cronbach alpha of 0.918. The adequacy and suitability of the sample for factor analysis was checked using the Kaiser-Meyer-Olkin (KMO) measure. In this study, KMO test was 0.815 fulfilling the requirements for adequacy of data for factor analysis. The Bartlett's test of sphericity was also used. In this study, data were suitable for performing EFA as indicated by the Bartlett's test of sphericity yielding significance ($p < 0.001$, Approximate Chi-square of 1455.160, with 120 degrees of freedom).

Factor Analysis

In order to examine the dimensionality of the scale construct, exploratory factor analysis was undertaken. To determine the number of factors to extract, the principal component analysis was used as the extraction method while the rotation method was oblique rotation, specifically Promax (Tabachnick & Fidell, 2007) with Kaiser Normalization as recommended.

Five factors emerged after satisfying the two required tests including the Kaiser criterion (eigenvalues greater than 1) and a scree plot. These three factors accounted for 62.8% of the total variance. In identifying the items loading on each component, out of the 23 items in the questionnaire, 16 items were found not to satisfy the requirements for inclusion as their factor loadings were below the recommended 0.5 and thus were omitted. From the analysis, and based on the highest factor loadings of the remaining items, the first and the second factor was composed of four items each, the third and fourth factor had three items each, while the fifth factor had two items. The table below provides the various items and their factor loadings.

Table 1: Factor Analysis Component Loadings

Item	Component				
	CE	EAN	WAN	WB	PJ
Kenya should avoid buying Chinese products	.746				
It is unpatriotic to buy Chinese products	.833				
Chinese products should be banned in Kenya	.817				
Chinese people should be restricted entry to Kenya	.720				
Chinese employers in Kenya are exploitative towards Kenyans		.707			
China wants to colonize us economically		.715			
We should be very careful in doing business with China		.627			
China wants to gain economic power over Kenya		.677			
China is taking advantage of Kenya's economic situation			.879		
China has exercised too much economic influence over Kenya			.892		
Firms from China are doing business unfairly with Kenya			.590		
I buy Chinese electronic products because they are cheap				.595	
One should be careful when buying and using any electronic products from China				.751	
I will not recommend anyone to buy Chinese electronic products				.736	
Chinese electronic products are not safe to use					.765
Chinese electronic products are not innovative					.770

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

CE= Consumer Ethnocentrism; CA= Consumer Animosity; PJ= Product Judgment; EAN and WAN = dimensions of Consumer Animosity; WB= Willingness to Buy

Confirmatory Factor Analysis (CFA) – 1st Order Model

After the factor analysis, confirmatory factor analysis (CFA) was performed to test the fit of the scales. The scales' construct validity was tested by employing CFA. According to Byrne (2001) CFA can be used to determine whether the sample data is compatible with the hypothesized model of the study. Maximum likelihood estimation procedure was selected as the best method to conduct CFA as normality is assured in the data set. Several fit indices were used to test the model fit. The chi-square, degrees of freedom, the root mean square error of approximation (RMSEA), comparative fit index (CFI) were determined as recommended by Hair et al. (2010).

In assessing goodness of fit, the ratio of chi-square to degree of freedom (χ^2/df) is used. According to Hooper et al. (2008), χ^2/df should be less than 3 to indicate acceptable fit. In this study, χ^2/df was 2.212 indicating an acceptable fit for this model as it was less than the 3. For the RMSEA, MacCallum, Browne, and Sugawara (1996) suggest that a RMSEA value of between 0.00 and 0.05 indicates a close model fit, a value of between 0.05 and 0.08 a reasonable fit, and a value of more than 0.08 a poor model fit. In the current study a RMSEA of 0.062 was achieved indicating a reasonable model fit. The Comparative Fit Index (CFI) values should range between 0.0 and 1.0 with values closer to 1.0 indicating a good fit (Hooper et al., 2008). The CFI of this study was 0.916 indicating a good model fit. For SRMR, values that range between 0 to 1.0 are acceptable and considered to be well fitting to the model though if values are lower than 0.05, the model is considered to excellent (Kline, 2000; Hu & Bentler, 1999). The SRMR for this study was .063 indicating an excellent model fit. The various indices are provided in the table below.

Table 4: Goodness of Fit Indices

Measurement	Index	Threshold	Interpretation
Chi- square (χ^2)	207.894	-	-
Degree of freedom	94	-	-
χ^2/df	2.212	Between 1 and 3	Excellent
RMSEA	0.062	<0.06	Acceptable
CFI	0.916	>0.95	Excellent
SRMR	0.063	<0.08	Acceptable

Assessing Validity of Scale Measures

After EFA, it has been recommended that scale validity is undertaken and specifically construct validity. Generally, to assess the construct validity of a test, convergent validity and discriminant validity are adopted (Campbell & Fiske, 1959).

Convergent Validity

According to Fornell and Larcker (1981), the Average Variance Extracted (AVE) and Composite Reliability (CR). AVE values above 0.7 are considered very good even though 0.5 is also acceptable. Based on the test of the scale, convergent validity was achieved as all the constructs posted an AVE greater than 0.5 which is acceptable (See table below). On the other hand, all the factors recorded a CR of above 0.7. These results indicate that the scale had achieved convergent validity.

Table 5: Convergent and Discriminant Validity Measures

<i>Factors</i>	<i>CR</i>	<i>AVE</i>	<i>MSV</i>
<i>Consumer Ethnocentrism (CE)</i>	0.817	0.53	0.359
<i>Economic Animosity (EAN)</i>	0.789	0.536	0.381
<i>Political Animosity (WAN)</i>	0.792	0.563	0.381
<i>Willingness to Buy (WB)</i>	0.757	0.54	0.359
<i>Product Judgment (PJ)</i>	0.714	0.586	0.102

Discriminant Validity

Discriminant validity refers to the extent to which factors are distinct and uncorrelated. According to Fornell and Larcker (1981), discriminant validity can be assessed by comparing the amount of the variance captured by the construct (AVE) and the shared variance with other constructs (maximum shared variance – MSV). According to Hair et al. (2010), discriminant validity is established where MSV is lower than the AVE for all the constructs. In testing the scale, and as indicated in the table above, all the 5 factors' MSV were lower than the AVE and thus achieving the required thresholds for discriminant validity.

Determinants Correlation Matrix

From the analysis (see Table 6 and Figure 1), the correlation between were significant. All the 5 factors were significantly correlated at $p < 0.001$ level. This is indicated in the table below.

Table 6: Correlation Matrix

	CE	EA	PA	WB	PJ
Consumer Ethnocentrism (CE)	0.728				
Economic Animosity (EAN)	0.354***	0.732			
Political Animosity (WAN)	0.376***	0.617***	0.751		
Willingness to Buy (WB)	0.599***	0.440***	0.325***	0.735	
Product Judgment (PJ)	0.178	0.319*	0.279*	0.178	0.766

*** $p < 0.001$

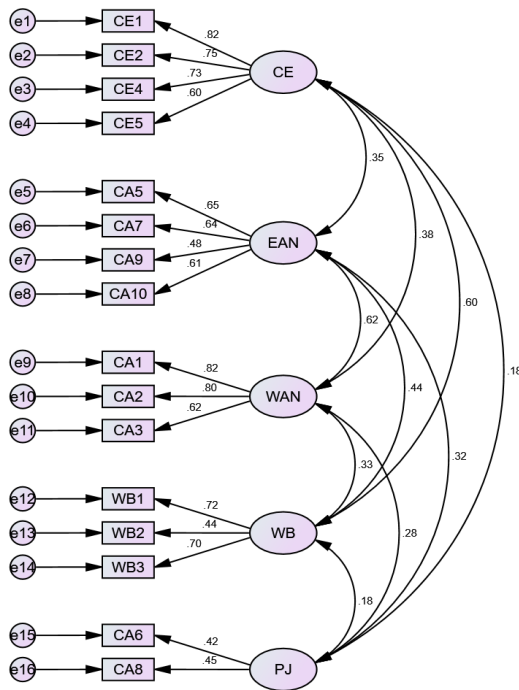


Figure 1: First Order CFA Path Analysis

Second order CFA

A second order CFA model was developed. From the analysis, political and economic animosity converged to form a composite construct of consumer animosity. As such consumer animosity is seen as composed of the two factors. The second order model was also subjected to goodness of fit tests. As can be seen from the table below, the model satisfied all the goodness of fit indices. The figure below provides the CFA model for the second order path analysis.

Table 4: Goodness of Fit Indices

Measurement	Index	Threshold	Interpretation
Chi-square (χ^2)	292.480	-	-
Degree of freedom	98	-	-
χ^2/df	2.984	Between 1 and 3	Excellent
RMSEA	0.079	<0.06	Acceptable
CFI	0.907	>0.95	Acceptable
SRMR	0.071	<0.08	Excellent

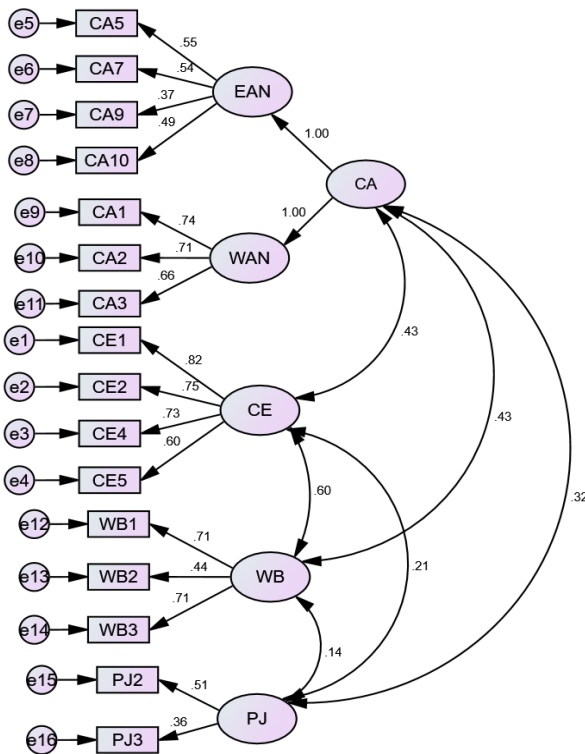


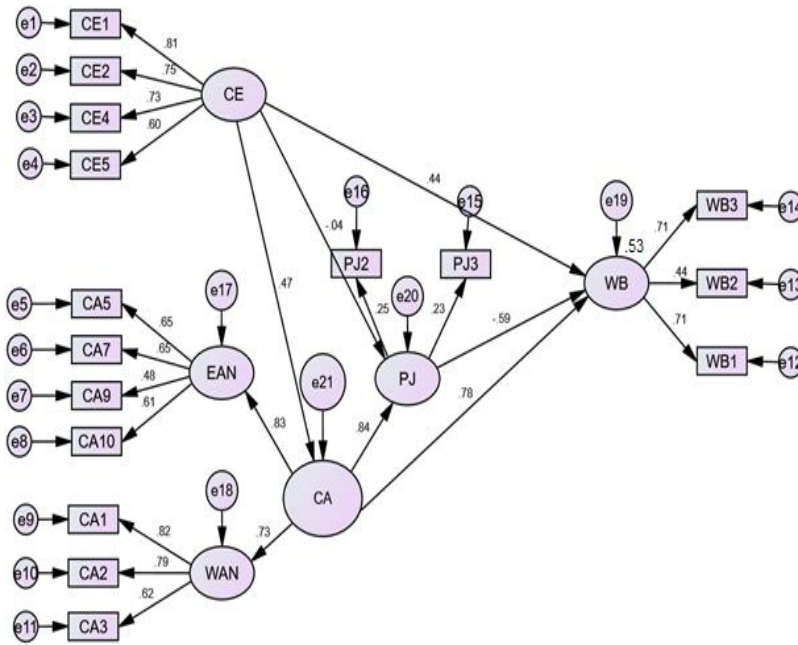
Figure 2: Second Order CFA Path Analysis

Model Fitness Assessment with Structural Equation Modelling

The scale was also subjected to Structural Equation Modelling (SEM). In order to test the fitness of the model, various fit indices were used. The indices were chi-square, degrees of freedom, RMSEA, SRMR and CFI as indicated in the table below. All the fit indices achieved acceptable status and thus indicating model fitness.

Table 7: Goodness of Fit Indices

Measurement	Index	Threshold	Interpretation
Chi-square (χ^2)	217.930	-	-
Degree of freedom	97	-	-
χ^2/df	2.247	Between 1 and 3	Excellent
RMSEA	0.063	<0.06	Acceptable
SRMR	0.066	<0.08	Excellent
CFI	0.911	>0.95	Acceptable



The SEM model estimates item loadings were all significant at $p < 0.001$. The critical ratios (CR) for each path exceeded the threshold values required. The results show that CE has a significant and positive impact on CA and WB but a significant and negative impact on PJ. CA was had a positive impact on PJ, EA and WB. On the other hand, PJ had a significant and negative impact of WB. Based on the regression coefficients, an increase in CE, CA and PJ will have a corresponding change in web based service WB. The results of SEM analysis are presented in the table and figure below.

Table 8: The regression path coefficient and its significance

Hypothesis	Path	Beta	P	Supported
H1: Consumer ethnocentrism positively influences consumer animosity	CA <--- CE	0.468	0.000	Yes
H2: Consumer animosity has a negative impact on product judgments	PJ <--- CA	0.844	0.015	No
H3: Consumer ethnocentrism has a negative impact on product judgment	PJ <--- CE	-0.041	0.856	Yes
H4: Product judgment has a negative impact on willingness to buy	WB <--- PJ	-0.586	0.031	Yes
H5: Consumer animosity has a significant and negative impact on willingness to buy	WB <--- CA	0.784	0.001	No
H6: Consumer ethnocentrism has a significant and negative impact on willingness to buy	WB <--- CE	0.436	0.005	No

Conclusions

From the findings, it is evident that amongst the Kenyans, consumer ethnocentrism influences the level of consumer animosity. As such, the higher the ethnocentric tendencies among Kenyans, the higher the level of animosity towards

foreign products. In instances where consumer animosity exists, from the results, it does not have an impact on product judgments. Though the respondents had expressed some level of animosity towards China, the same did not have a negative impact on product judgments. In terms of consumer ethnocentrism, the respondents indicated that it had a negative impact on product judgments, an indication that a high level of ethnocentrism will lead to unfavourable attitudes towards a product from a foreign country. As a result of negative attitudes towards a product, the findings were that the same would affect the intentions and willingness to buy. It was also found that consumers who had animosity towards China did not have a negativity towards willingness to buy.

Limitations and Further Research

This study was delimited to a specific population, geographic scope and time scope. The respondents were urban dwellers in Nairobi and as indicated in the literature review, there are always differences between rural and urban populations in terms of consumer ethnocentrism. The findings may therefore be only representative of the urban population whereas the rural population might have a totally different perspectives. In terms of time scope, the study used a cross sectional approach. Within the year of study, there were both positive and negative sentiments about China expressed in the local newspapers. This would have biased the study responses. A longitudinal study would address such specific biases. The study used only one product for the element of willingness to buy. It would have been imperative to find out whether the same perspectives applied to other products from China, for example food item, construction products, etc.

Notwithstanding the above limitations, the study contributes invariably to research in an under researched area in Africa. Other researchers could focus on undertaking such a study focusing on different products, comparing the rural and urban respondents, using a longitudinal approach. Research should also be conducted in other Eastern Africa countries to show whether there was any differences in perspectives amongst the regional states, invariably assumed to have same customer characteristics. This would allow a better comparative analysis with those studies undertaken in other parts of the world as well.

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Knowledge Management Process as a Predictor on Organizational Performance in Dubai Government Departments

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Abstract

In recent years, the concept of Knowledge Management has expanded widely in government and private sectors. The last five years have witnessed intensive discussions on Knowledge Management and its importance. The aim of this study is to examine the relationship between Knowledge Management and its aspects and its impact on the performance of the governmental institutions in the Emirate of Dubai from the point of view of the managers of these institutions. This study attempts to use the analytical descriptive method to address the subject of the research. In this light, the analytical framework drawn integrates these approaches and can be applied in empirical studies. The study uses the questionnaire in data collection ,which is valid and reliable according to the Cronbach's Alpha value. A Multiple linear regression analysis has been used to predict the OP based on KG, KSR and KST. The findings showed that KG, KSR and KST were the key predictors of OP as these explained 49.6% of the total variance in Model.

Keywords: knowledge, management, organization, performance

Introduction

Knowledge Management has become a strategy that is adopted by most developed countries and organizations to aid in further development in their societies when information, discoveries and inventions have become the main engines of the economy.

Knowledge management has been perceived as a strong element in building competitive advantage. In fact, it is considered a strategic asset for ensuring desired levels of performance. Governments across the globe are seeking ways of revamping their performance. Similarly the Governments of the UAE have realized that knowledge is one of the most valuable assets in bolstering productivity of employees (Radwan & Milhem, 2015). Knowledge management has become an integral element to the reform paradigms in the region leading to good governance, smart leadership, and positive reputation. The culture of excellence in the UAE federal government has culminated into innovative practices to guarantee the desired change (Nghah, Tai, & Bontis, 2016).

Knowledge management in Dubai has been one of the core pursuits towards achieving economic growth. The government has made deliberate effort in developing its practices in alignment to the UAE Vision 2021. The theme of 'United in Knowledge' has helped the country to find suitable indicators to evaluate the milestones in developing a knowledge economy (Jahmani, Fadiya, Abubakar, & Elrehail, 2018). In fact, the Mohammed bin Rashid Government Excellence Award has been a platform for evaluating performance results for public entities as they adjust their systems towards knowledge management and innovative practices (Rahman, Moonesar, Hossain, & Islam, 2018).

Despite the growing interest in the concept of Knowledge Management, there is a clear controversy over its definition. The concept of Knowledge Management refers to different processes and events by discovering new knowledge. It is a combination of beliefs and information within a framework that ensures the assessment of information and participation in new experiences (Girard & Girard, 2015). Knowledge Management lies in the organization's ability to innovate. It can also be defined as the processes and practices used by enterprises to establish and use knowledge sharing (Dalkir, 2005).

Knowledge Management is an organized plan for the creation, generation, acquisition, exchange, transfer and application of explicit knowledge as organizational assets to encourage innovation and enhance competitive advantage (Barclay & Murray, 1997).

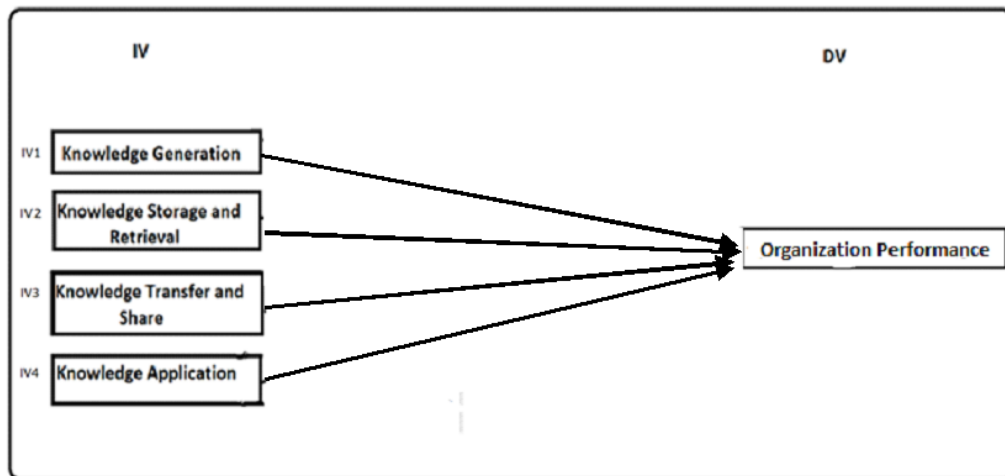


Figure 1: Proposed Conceptual Framework.

Problem Statement

The big transition at knowledge requires effective plans, strategies and management. According to Federal Authority for Competitiveness and statistics, the actual number of the population of the United Arab Emirates until 31 December 2016 was 9,121,167 people consisting of 947.9 thousand citizens and the rest are of different nationalities (United Nations, 2017).

The number of residents in Dubai recorded by Dubai Statistics Center in 2016 was 3,808,600 people. Never the less, there are more than 120 nationalities in the United Arab Emirates concentrated in Dubai, that diversity will bring different knowledge and information to the society. However, the main question would be; how to manage knowledge among them? Diversification of the workforce provides organizations with the privilege of the accessibility to different ideas, skills, and it enhances the organizations' competitive edge (Elmuti, 2001). This research aims to figure out if Knowledge Management process is a good predictor of Organization performance of the government sector institutions in the emirate of Dubai.

What is the relationship between knowledge management process and Organization performance of government department in Dubai?

Is knowledge management process is a good predictor of Organization performance of government department in Dubai?

Methods

The researchers agreed that the descriptive method, which will be used in this study, is the most appropriate for the nature of this type of studies. It is a method that gives a clear picture of the phenomenon of a study by collecting facts, data and their classification.

Quantitative method focuses on gathering numerical or statistical data and generalizing it across a group of people to explain a phenomenon. It is data analyses statistically using computational techniques. The reason of choosing quantitative method is because it is often considered reliable. In addition, a large sample will be taken because in most cases it gives a comprehensive picture of a particular phenomenon. (Muijs, 2011)

Population and sampling methods

The research population for this study includes the government institutions (seven public Departments). This research used a systematic sample that consisted of the managers of the knowledge department, heads of departments or those

responsible for human resources and information technology working in government institutions in the emirate of Dubai, as well as different level of employees in several departments. Data collected from the sample by distributing the questionnaire through e-mails.

The questionnaire was distributed to a sample of 60 participants from a selected population. In which the Cronbach's Alpha score was used to measure their responses. As a result, the Cronbach's Alpha score average calculation was (0.723), which was above the acceptable level (0.7). This proves that the questions are reliable and the questionnaire is valid.

Table 1: summarizes the Cronbach's Alpha scores of the questionnaire (Panayides, 2013).

<i>Variables</i>	<i>Cronbach's Alpha score</i>
<i>Knowledge Generation</i>	<i>0.750</i>
<i>Knowledge Storage and Retrieval</i>	<i>0.728</i>
<i>Knowledge Share and Transfer</i>	<i>0.756</i>
<i>Knowledge Application</i>	<i>0.733</i>

Scholars have used different sample sizes in order to collect data; Table 2 shows the sample sizes for several studies conducted on the subject of Knowledge Management. The ranges used in these studies starting from around 33 as the minimum to 426 as the maximum. The average sample size of all studies found to be around 215 participants.

Table 2: Sample sizes according to the literature review

<i>Authors</i>	<i>Sample size</i>
<i>(Byukusenge, Munene&Orobia, 2016)</i>	<i>234</i>
<i>(Alrubaiee, Alzubi&Hanandeh, 2015)</i>	<i>92</i>
<i>(Al-Qarioti, 2015)</i>	<i>300</i>
<i>(Ahmed, Fiaz&Shoaib, 2015)</i>	<i>256</i>
<i>(Omogeafe& Friday, 2014)</i>	<i>389</i>
<i>(Al-Ghazi, 2014)</i>	<i>101</i>
<i>(Saini, 2013)</i>	<i>250</i>
<i>(Alsalm& Mohamed, 2013)</i>	<i>33</i>
<i>(Gholami, Asli, Shirkouhi&Noruzy, 2013)</i>	<i>282</i>
<i>(Alhawari& Al-Jarrah, 2012)</i>	<i>77</i>
<i>(Rašul a, VesnaBosilj Vu kšić&Štemb erg er, 2012)</i>	<i>329</i>
<i>(Daud& Yusuf, 2008)</i>	<i>100</i>
<i>(Lee & Choi, 2003)</i>	<i>426</i>

Instruments (Questionnaire)

After reviewing the literature of the subject, the questionnaire developed for this study designed to be a closed-ended type. The questionnaire is finalized in two parts as follows: Section I: Includes the demographic data of the study sample using five main categories; (age, gender, education level, position and years of experiences). Section II: includes one sections where the first one consists of the four Knowledge Management processes (knowledge generation (KG), knowledge storage and retrieval (KSR), knowledge share and transfer (KST) and knowledge application (KA) where each variable will be measured using a set of five questions. Dependent variable Organization Performance (OP) where each variable will be measured using a set of five questions. The questionnaire scale that measure each variable was designed after examining a number of previous studies in order to come up with a suitable indicators. These studies helped formulating the final questionnaire (Ahmed, Fiaz and Shoaib, 2015; Downes, 2014; Edwards, Handzic, Carlsson & Nissen, 2003; Lee and Choi, 2003).

Table 3: Number of items in questionnaires

Dimension	No. of Items
Knowledge generation	5
Knowledge storage and retrieval	5
Knowledge transfer and share	5
Knowledge application	5
Government sector performance	5
Total	25

According to the literature review, researchers conducted about the subject of Knowledge Management framework have been using a six-point Likert scale where (six = "Strongly agree".) and (one = "Strongly disagree".).

Research Results

Stepwise regression was employed by using OP as the dependent variable and KOP constructs as independent variables to regress all predictor onto the dependent once. Table 4 displays the correlations between the variables.

Table 4. Correlations between Predictor Variables

	OP	KST	KSR	KG	KA
OP	1	.354**	.626**	.671**	.354**
KST	.354**	1	.331**	.349**	.881**
KSR	.626**	.331**	1	.753**	.331**
KG	.671**	.349**	.753**	1	.351**
KA	.354**	.881**	.331**	.351**	1

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

With respect to correlations between knowledge management process subscales and organization performance, although the values of the coefficients varied from .354 (OP and KST) to .881 (KST and KA) yet all of the coefficients are positively correlated. Such results allows us to appreciate the links existing between the different knowledge management process components.

To get more information about the goodness of fit of a model, the results about R Square is presented in Table 5.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671 ^a	.450	.449	.736
2	.696 ^b	.484	.483	.714
3	.704 ^c	.496	.493	.706

a. Predictors: (Constant), KG

b. Predictors: (Constant), KG, KSR

c. Predictors: (Constant), KG, KSR, KST

Between models 1 and 2, the addition of KSR increased the R² values marginally from 0.45 to 0.484, while between models 2 and 3, the addition of KST increased the R² values marginally from 0.484 to 0.496. Therefore, it can be seen that among the independent variables, organization performance were primarily influenced by KGMEAN, KSRMEAN, and KSTMEAN.

These three variables explained 49.6% of the total model variance. For more information about the model, Table 6 shows the regression ANOVA, which tests for a linear relationship between the variables.

Table 6. The regression ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	259.946	1	259.946	479.375	.000 ^b
	Residual	317.223	585	.542		
	Total	577.169	586			
2	Regression	279.561	2	139.781	274.294	.000 ^c
	Residual	297.607	584	.510		
	Total	577.169	586			
3	Regression	286.259	3	95.420	191.227	.000 ^d
	Residual	290.909	583	.499		
	Total	577.169	586			

a. Dependent Variable: OP

b. Predictors: (Constant), KG

c. Predictors: (Constant), KG, KSR

d. Predictors: (Constant), KG, KSR, KST

Stepwise regression of the models was statistically significant. The results in the ANOVA Table show that F values are significant beyond the 0.01 level for the three models; model 1(F (1, 585) = 479.4, p < .001), model 2(F (2, 584) = 274.3, p < .001) and model 3(F (3, 583) = 191.2, p < .001). The full model R² was significantly greater than zero, R² = 49.6% .

Analysis of regression coefficients (Table 7) indicated that the three constructs KG, KSR and KST have a stronger influence in OP, as indicated by the beta values for Model 3 (KG (Beta = 0.434, p < .01), KSR (Beta = 0.262, p < .01) and KST (Beta = 0.116, p < .01) revealing that they had positive prediction on OP.

Table 7. Regression output (Regression Coefficients)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.545	.155		9.956	.000
	KG	.691	.032	.671		
2	(Constant)	1.248	.158		7.903	.000
	KG	.474	.046	.460		
	KSR	.281	.045	.280		
3	(Constant)	1.149	.159		7.248	.000
	KG	.447	.047	.434		
	KSR	.262	.045	.262		
	KST	.075	.021	.116		

a. Dependent Variable: OPMEAN

Conclusion

The empirical results alongside the literature review shows that there is a significant relationship between each of the four predictors (KG, KSR, and KST & KA) and the Organizational Performance. It has been illustrated that each of the predictors significantly influences OP individually.

With respect to correlations between the predictors themselves and between them & OP, all the coefficients are positively correlated. According to these results, we can conclude that each of the four processes can be considered a good predictor for measuring the organizational performance.

Stepwise regression of the models was statistically significant with an adjusted R^2 of 0.493. Analysis of regression coefficients (Table 7) indicated that the three constructs KG, KSR and KST had a stronger influence in OP. Studies conducted to date employed varied and sophisticated research methods and they have yielded positive results in enhancing OP.

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Project Implementation Factors and Performance of Jua-kali Empowerment Programmes in Nairobi, Kenya

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Abstract

The purpose of the study was to examine how project implementation factors (provision of work-space facility, entrepreneurship training and promotion of products) influence the performance of Jua-kali Empowerment Programmes (JEP) in Nairobi County, Kenya. The study was rooted upon theory of constraints and system theory of organization. Both descriptive and correlational survey designs were used in executing the research inquiry. The targeted population was 327 beneficiaries of the JEP in Nairobi County. Using Krejcie and Morgan formula, a sample of 181 beneficiaries was selected. Both simple random sampling and purposive sampling were used to choose the sample elements. Data was gathered using structured questionnaires and informant interview guide. Descriptive statistics like percentages, arithmetic mean and standard deviation as well as inferential statistics regression analysis was used in data analysis. Pearson correlation analysis was used to test relationship between variables and regression analysis was applied in predicting the research model. The reliability of questionnaires was ascertained by Cronbach Alpha Coefficient of reliability (at 0.6668). Fisher (F) tested the research hypothesis at $\alpha=0.05$ whereby, $R=0.563$, $R^2=0.317$, $F(1,145)=5.192$ at $P=0.000<0.05$. Therefore, the null hypothesis was rejected as there was enough evidence to conclude that project implementation factors have significant influence on the performance of Jua-kali Empowerment Programmes. Hence recommendations were made to the implementors of Jua-kali empowerment programmes to ensure that the programmes are not only need based but also implemented in an integrated and coordinated approaches for effective realization of projected deliverables.

Keywords: workspace facility, entrepreneurship training, promotion of products, performance of Jua-kali Empowerment Programmes (JEP)

1. Introduction

1.1 Background

Across the globe, organizations are fast adopting project and programmes approaches towards satisfying their constantly changing clients' need. One of the emerging strategies being employed by governments and support organizations in empowering micro and small enterprises (MSEs) is by implementation of capacity building programmes (World Bank, 2013; Mbhele, 2012). However, for successful delivery of empowerment programmes, there is need to consider the most effective and responsive implementation approaches that help to overcome implementation challenges, competition, shortened

product development life cycles and shortened delivery times in order to boost the deliverables, performance and institutional transformation (Hobbs, Aubry and Thuillier, 2008). The relationship between project implementation and performance is empirically supported in the context of customer needs, cost, scope, quality, schedules and risks factors (Teller and Kock, 2013). In support, Culligan, Marks, Nelson, Radstone and Verzuh (2013) claim that poor project operations coupled with failure to address existing and emerging project needs may lead to unresponsive intervention and results. In their study on the implementation factors having stronger impact on the project performance in Saudi Arabian, Rehman, Usmani and Al-Ahmari (2014) used a sample of 115 industry players and the results found significant correlation between project implementation and performance of projects. It follows that empowerment projects must be implemented in adaptive mode that continuously seeks to address the dynamic constraints that continue to hinder delivery of desired outcomes (Hallberg, 2000). This study examined the influence of project implementation factors namely: provision of working-space facility, entrepreneurship training and promotion of product on the performance of Jua-kali Empowerment Programmes in Nairobi County and how such relationship interacts with risk management practices.

1.2 Context of the Study

In Kenya, Jua-kali are micro and small enterprises (MSE) working in open spaces and adding value to the local raw materials and producing commercial commodities like metal products, textile products, wood products and other automobile accessories. Jua-kali Empowerment Programmes were government ran programmes aimed at building the capacities of the Jua-kali entrepreneurs into productive means through organized working places, training on entrepreneurship and promotion of their products (Republic of Kenya, 2013). Through this, the Jua-kali contribution to the employment, job creation, Gross Domestic Products, backward and forward linkages to other industries and sustainable wellbeing of the local community was expected to be in abundance. This is in support of The World Bank (2013) that MSE empowerment is not only transformatory but also critical aspect of boosting value chains towards the growth and expansion industry.

1.3 Problem Statement

Whereas over 3,836 Jua-kali entrepreneurs have benefited from the implementation of Jua-kali Empowerment Programme (JEP) in Kenya (Republic of Kenya, 2017), a study by KNBS (2016) dissipate that about 1.5Million MSEs are still not able to grow and graduate into bigger enterprises despite of such high capital interventions. The KNBS report cited low level of innovations and poor market feasibility as the major challenges facing MSEs towards optimum utilization of empowerment interventions which continue to limit their competitiveness (Kithae, Gakure and Munyao, 2012). While literature is limited with empirical rationale to support the case under consideration, this study strived to refill the gaps by examining the influence of project implementation factors on the performance of Jua-kali Empowerment Programmes in Nairobi, Kenya.

Figure 1 Conceptual Framework

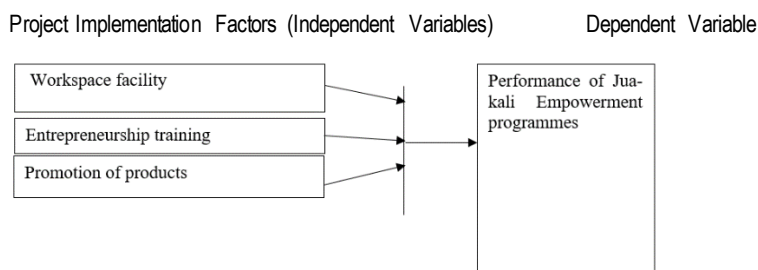


Figure 1: Conceptualization of the relationship between project implementation factors and performance of Jua-kali Empowerment Programmes

The overall objective of the study was to examine the influence of project implementation factors on performance Jua-kali Empowerment Programmes in Nairobi County.

2.0 Research Methods

2.1 Methodology

The study targeted the 327 beneficiaries of Jua-kali Empowerment Programmes in Nairobi County from which a sample of 181 elements was chosen using Krejcie and Morgan and simple random sampling. However, 10 implementors of JEP were selected for interviews using purposive sampling. Both descriptive and correlational survey designs were used to execute the research study. While descriptive survey design approach was helpful in describe and estimate the prevalence of phenomenon while providing a snapshot of the characteristics of interest, correlational design was utilized in correlational analysis between variables of interest (Best and Kahn, 2009). Both structured questionnaires and key informant interview guide were used to garner quantitative and qualitative data respectively. In this study, reliability of the questionnaires was tested using Cronbach's Coefficient Alpha method at acceptable levels of $\alpha=0.80$ (George and Mallery, 2003). The content validity was ascertained through matching and input from experts. Qualitative data from interviews were analyzed using content analysis and quantitative data from structured questionnaires analyzed using both descriptive statistics and inferential statistics (hypothesis tests). In addition, correlational analysis was administered using Pearson's Correlation Coefficient (r). Prediction of the research model was aided by regression analysis and F-Fisher test was used to test hypothesis.

Findings

2.2.1 Descriptive Results

Data from self-administered questionnaires were descriptively analyzed and results integrated with key informant interviews data. Three items (factors) (provision of workspace facility, entrepreneurship training and promotion of products) were developed in the self-administered questionnaire and respondents were then requested to indicate the extent to which they agree with the statements. They were given ten items rated on a five-point Likert scale with the following scoring ranging from; Strongly Disagree (SD) $1 < SD < 1.8$; Disagree (D) $1.8 < D < 2.6$; Neutral (N) $2.6 < N < 3.4$; Agree (A) $3.4 < A < 4.2$; and Strongly Agree (SA) $4.2 < SA < 5.0$. The mentioned scales give an equidistance of 0.8. Table 2.1 shows the mean (M) and standard deviation (STD) of the responses on the influence of the combined project implementation factors on performance of Jua-kali Empowerment Programmes.

Table 2.1. Aspects of Combined Project Implementation Factors

Aspects of Project Implementation Factors	N	Mean	Std. Dev
The provision of workspaces	145	3.9753	0.6648
Entrepreneurship training	145	3.9768	0.5698
Promotion of products	145	3.8720	0.6950
Composite results	145	3.9413	0.6432

N = 145, Composite Mean = 3.6676, Composite Standard deviation = 0.7458, Alpha Coefficient = 0.1914

As shown in Table 2.1, the overall composite mean (M) for promotion of product was 3.9413 and the overall composite standard deviation (STD) was 0.6432. The results imply that at $M = 3.9413$ and $SD = 0.6432$, a majority of the respondents agreed that project implementation factors influence the performance of Jua-kali Empowerment Programmes.

The results in Table 2.1 are complimented by the results from the interviews whereby majority of the programme implementors (interviewees) conceded that the overall implementation the JEP programmes was not only "effective but also beneficial to the organization and the beneficiaries". For example, when asked to comment on the overall implementation of the Jua-kali Empowerment Programmes, majority of the interviewees responded that,

"the SMEs have greatly benefitted from this programme. During the initiation of this programme, we had some startup problems in locating beneficiaries, deciding where to set up the programme (Kisumu, Nakuru or Mombasa) but after everything was agreed, the entire implementation and mobilization of resources and stakeholders has gone smoothly. We had a strong team with able leadership which saw the integration and coordination of the programmes components in a harmonious and effective way. To explain further, Jua-kali industry is full of biased politics. Politicians have invaded the industry. To run this programme for the last six years without a creep is full proof of incredible leadership and diligent workforce that we have. This programme should be replicated across all counties in Kenya"

Another interviewee said that, "the JEP programmes have evolved and based on lessons we learn on daily basis. We have strived to adapt to the changing user needs, changing technologies as well as the general industry needs so that we can

optimize on our deliverables". Programmes are quite evolving in order to strive to deliver an overall organization goal. That's why even the JEP programmes have been evolving in order to adapt and deliver.

2.2.2 Multiple Regression Analysis between the combined project implementation factors (provision of work-space facility, entrepreneurship training, promotion of products) and Performance of Jua-kali Empowerment Programmes

The contribution of the combined project implementation factors on performance of Jua-kali Empowerment Programmes was computed using regression analysis. The following hypothesis was formulated and tested:

Hypothesis Four

Hypothesis H₀: There is no significant influence of combined project implementation factors on the performance of Jua-kali Empowerment Programmes.

Hypothesis H_A: There is a significant influence of combined project implementation factors on the performance of Jua-kali Empowerment Programmes.

The regression model used to test the substantive hypothesis was as follows:

Performance of Jua-kali Programmes = f (combined project implementation factors)

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

Where

Y: Performance of Jua-kali Empowerment Programmes

X₁: Provision of work space

X₂: Entrepreneurship training

X₃: Promotion of products

β₀: Constant term

β₁, β₂, β₃, Beta coefficients

ε Error term

Data was analyzed and the regression results for the influence of the combined project implementation factors on the performance of Jua-kali Empowerment Programmes is presented in Table 2.2

Table 2.2. Multiple regression results for Combined Project Implementation Factors on the Performance of Jua-kali Empowerment Programmes

<i>Model Summary</i>									
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	<i>Change Statistics R Square Change</i>	<i>F Change</i>	<i>df1</i>	<i>df2</i>	<i>Sig. F Change</i>
1	.563 ^a	.317	.298	.24824	.050	17.696	3	142	.000
<i>Coefficients^a</i>									
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>		<i>t</i>	<i>Sig.</i>			
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>						
1	(Constant)	1.780	.427		4.167	.000			
	Provision of work space	.201	.066	.231	3.033	.003			

<i>Entrepreneurship training</i>	.436	.081	.411	5.392	.000
<i>Promotion of product</i>	.123	.076	.119	-1.620	.021

Predictors: (Constant), provision of work space, entrepreneurship training and promotion of product

Dependent Variable: Performance of JEP

F (1,145) = 5.192) at p=0.000<0.05, r = 0.563, R- Squared = 0.317

The results in Table 2.2 indicate that at p=0.000<0.05, r= 0.563 and R square=0.317. With r= 0.563, it implies that there exists a positive slope between the independent variables (provision of work space, entrepreneurship training and promotion of product) and the dependent variable (performance of Jua-kali empowerment programmes). Overall F statistics was (F (1,145) = 5.192) this shows that there exists a positive correlation and the slope of the population regression line is not zero. Beta coefficients are as follows: provision of workspace facility is $\beta_1=0.201$, entrepreneurship training $\beta_2=0.436$, promotion of products $\beta_3=0.123$ and constant $\beta_0=1.78$. Hence based on these findings the alternative hypothesis is accepted that there is significant influence of combined project implementation factors on the performance of Jua-kali Empowerment Programmes (JEP).

Using the statistical findings, the regression model

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

can then be substituted as follows; $Y = 1.780 + 0.201X_1 + 0.436X_2 + 0.123X_3 + \epsilon$

The beta value implies that for a one-unit increase in the provision of work space, the performance of Jua-kali Empowerment Programmes (JEP) increases by 0.201. A one-unit increase in entrepreneurship training, the performance of JEP increases by 0.436 and one-unit increase in promotion of product, the performance of Jua-kali JEP increases by 0.123. This, therefore, confirms that combined project implementation factors have a significant influence on the performance of JEP.

3.0 Discussions, Conclusions and Recommendations

3.1 Discussions

The results demonstrate that the implementation of Jua-kali Empowerment Programmes (JEP) was beneficial to the recipients who were the main respondents in this study. Majority of the beneficiaries (respondents) agreed that the implementation of the JEP was conducted in a manner that met their expectations. This is supported by the responses from the programme implementors who were interviewed on the same aspect and their responses affirmed that the JEP has evolved into a center of excellence in empowering SMEs. Regression analysis depicted that the combined projects implementation factors had a moderate positive relationship with the performance of the JEP. The findings support those of Rehman, Usmani and Al-Ahmari (2014) in their study to assess how operational factors impact on project performance in Saudi Arabia whereby leadership, proper coordination of activities and resources were found to have significance influence of project performance. In a study to examine the influence of government programmes on entrepreneurial development, poverty eradication in Nigeria by Ayoade and Agwu (2016) it was established that most government programmes supporting entrepreneurship failed due to weak management support and poor coordination approaches. Following effective coordination and integration of the JEP leading to beneficial results, the claim by Ayoade and Agwu (2016) is proven that if government steered empowerment programmes managed with diligence, then the end users and the government itself could realize positive impacts for the general good. This is echoed by Muhayimana and Kimemia (2015) in their findings from a study to examine how implementation of women entrepreneurs' support projects contributed

to the welfare of the beneficiaries in Rwanda and the results showed that the empowerment projects contributed up to 55% of the total welfare (increasing their revenue, monthly savings, expenditures, reduction and their working capital) of the beneficiaries. Such positive impacts were attributed to informed strategies and implementation approaches that saw effective coordination the projects.

A study to assess the factors influencing the Kenyan youth entrepreneurs towards the youth enterprise development fund in Gatundu, Kenya by Kanyari and Namusonge (2013), empowerment programmes were found to enable entrepreneurs to be accountable for business processes and success of the entire enterprise. However, poor coordination and inadequate capacity when implementing empowerment programmes and schemes for MSE development is the main hindrance to successful deliverables (Mwobobia, 2012). In this study, the beneficial deliverables were assured through establishment of strong and effective leadership and coordination mechanism that ensured full integration of the programme components and stakeholders while adjusting and adapting to suit the constantly changing environment. This is supported by theory of constraints which emphasizes on logical, flexible and systematic thinking when analysing cause and effects of issues and verifying the basic assumptions and alternatives for process improvement (Goldratt, 1986). The JEP was able to navigate the political environment and constantly changing user needs and technological changes through adoption Theory of Constraints approach by using suitable adaptive mechanism. Also, the implementation of the JEP was informed by system theory of organization which emphasize on coordination and integration of programme components and resources failure to which it may be difficult to deliver on the overall organization goals (Ahme, 1994; PMI, 2013). It was inevitable for the implementors of the JEP to ensure that the major components (provision of workspace facility, entrepreneurship training and promotion of products) of the JEP was in harmony. In an event that this was not accosted, then the entire programmes would not have lost stability and fail to deliver tangible benefits (Ahme, 1994).

3.2 Conclusion

The purpose of this study was to examine how the project implementation factors (provision of work space, entrepreneurship training and promotion of product) contributes to performance of Jua-kali Empowerment Programmes in Nairobi, Kenya. Three items were developed in the self-administered questionnaire and respondents were then requested to indicate the extent to which they agree with the statements. The composite mean (M) and composite standard deviation (STD) for the three items was 3.9413 and 0.6432 respectively. This showed that majority of the respondents agreed that project implementation factors influences the performance of Jua-kali Empowerment Programmes. The alternative hypothesis tested stated that there is a significant influence of project implementation factors on the performance of Jua-kali Empowerment Programmes. Results indicate that at $F(1,145) = 5.192$, the correlation was statistically significance at 95% confidence interval for $p=0.000 < 0.5$. The results from correlation coefficient ($r = 0.563$) implied that project implementation had moderate but positive influence on performance of JEP. The results from coefficient of determination ($R\text{ square} = 0.317$) suggested that project implementation factors explained 31.7% influence on the overall performance of JEP. This shows that the performance of empowerment programmes dependent on the factors upon which the programmes are implemented.

3.3 Recommendations

In order to enhance the responsiveness, implementors of empowerment programmes should dedicate their efforts in identifying and planning for the right needs to their clients. The needs need be updated regularly per the changing environment. Equally, there is essence of ensuring proper coordination and integration of the programme interventions for systematic delivery of the outcomes.

Also, governments should develop long-term entrepreneur development strategies outlining the relevant programmes and project interventions towards the realization of productive industries. The identification of the proposed projects and programmes need be supported by baseline information and reliable evidence to support informed decision making.

Future studies should focus on testing the findings in the broader range of empowerment programmes including women empowerment programmes, youth empowerment programmes etc. so as to derive results which can be generalized across the settings.

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Towards Which Model of Capitalism Are the Countries of Central and Eastern Europe Going to? Comparative Analysis of this Trajectory and Its Post-Transition Issues

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Abstract

The end of the Socialist System marked the apparent victory of his adversary: the Capitalist System. Meanwhile the "Recipes" for building the Capitalism in the Countries of the East were Standard and fully complied with the "Washington Consensus" led by the IMF and the World Bank, the reality itself nowadays is facing these Countries with two different challenges. On the one hand, their individual developments during the transition process were very different and their situations quite specific, on the other hand, today they should answer the question towards which model of Capitalism are they going to or privileging: The Anglo-Saxon Model? The German-Scandinavian Model? The French State Capitalism Model, or the Japanese Co-Operative Model?

Keywords: Socialist System, Capitalist System, Models of Capitalism, Western Capitalism, Post-Socialist Capitalism.

Introduction

Fundamentally, the Post-Socialist transition represents a unique historical experience of organizational, institutional and systemic changes occurring simultaneously in a large group of countries. This very unique experience in modern history poses a great challenge for Economists, Sociologists, Politologists, etc. to elaborate and analyse the "substance" of this extraordinary and unprecedented economic-social change. How did particularly Economists "respond" to this Post-Socialist challenge? Were these countries copying one of the consolidated models of Western Capitalism, or were they contributing to the increase of capitalism variations with a new model of "Post-Socialist Capitalism", which was considered as typical for Central and Eastern Europe? Can we apply the same answer to the whole group of former Socialist countries, or should they be considered as sub-variations of such Post-Socialist emergency capitalism? Are two decades enough to make sure that these countries have managed to consolidate a certain type of capitalism, or do they still need time to acquire their sustainable profile? Though most of them, perhaps the most developed, are currently part of the EU member states, there is still one question to be posed, as the EU itself does not have a standard Capitalism Model, on the contrary, it has at least three different and competitive models in place: Anglo-Saxon Capitalism, Social Democratic Capitalism and State Capitalism. One of the preliminary conclusions is that at least until the beginning of the global financial crisis that significantly hit eastern countries, their "fascination" is observed after liberal Anglo-Saxon Capitalism.

Theoretical considerations on Post-Socialist transition

Does the Doctrine of Transition exist?

The beginning of the transition period, during early great post-socialist transformation, corresponds to a particular context of economic development mindset. The neo-liberal and anti-interventionist spirits or schools dominated in the west, which in the early 1980s with "Thatcherism" and "Reaganism" directly opposed the dominant theory and practices of Keynes widely followed from the end of World War II. Hayek's and Friedman's views and ideas totally shifted the neo-Keynesian, whereas in the meantime the "east" marked the failure of reformist theories of socialism while the structural and systemic crisis of socialism appeared in scary proportions.

Major international organizations, whose role would be essential to the political orientation of "great transformation," represented the essential embodiment of the neoliberalism of the time. This is the "special" case of the "Washington consensus" between the IMF and the World Bank, while the EBRD, the OECD, the EU and the governments of the main Western countries essentially shared the same neoliberal principles. Only the UN and the UN Economic and Social Council – ECOSOC, due to their traditional ties to "Keynesian doctrine", seemed to have a somewhat different position to "the spirit of post-socialist reforms".

Such was the link where the so called the "Doctrine of Transition" was based, which imposed on all central and Eastern Europe countries. This doctrine contained various influences and trends such as: the monetary concept according to which "inflation is the greatest evil"; unemployment is a structural adjustment variable oriented by the structural conditions of the economy; the rational anticipation of economic agents, according to the neoclassical thesis, minimizes to the utmost the desire and effects of state interventions; according to the concepts of the supply economy, "the demand is secondary compared to the supply"; Hayek's concept according to which "the market is self-regulating and there is no need for State intervention," or Adam Smith's "invisible hand" theory; the belief that eastern countries should only favour the "Minimum State"; the philosophy of the "Washington Consensus" based on "sacred trinity - stabilization, liberalization, privatization".

However, the basis of this doctrine were basically based exclusively on the "*Neo-Classical Mainstream*", in individual rationality, in the paradigm of the general equilibrium, in the efficiency and the optimum of a transparent and competitive market, in the efficiency of resource allocation, etc. All this reasoning ultimately relied on a normative view of an ideal theoretical situation of equilibrium and transparency. Thus, applying this scheme to the transition conditions, we conclude that the situation of the final equilibrium, previously known as the "market economy", strictly defines the shortest, most efficient and direct way to point the departure, that is the inefficient socialist economy in complete crisis.

The transition period would inevitably have an unbalanced character, accompanied with many ups and downs or obstacles of different nature. Accordingly, it had to be as short as possible, putting all best efforts to accelerate the reforms. As to the instruments and means by which it would be implemented, the logic to be pursued was as follows: stability would eliminate the negative effects of inflation; privatizations would establish concrete conditions to promote economic agents towards efficiency; liberalization would create a favourable environment for real competition and would pave the way for "creative destruction" of the industries and branches of the economy inherited from the old socialist system.

In this context, the "Transition Economy" began to grow, since its inception it was nothing but the "extension or expansion of the standard neoclassical economic theory in another sphere in the former socialist countries and economies". This was an unknown form of system convergence theory, also considering that international institutions as the most influential and decisive stakeholders in the transition process were prepared to apply a "unique recipe" for all transition countries. The transition strategy and the structural adjustment plans were unique to everyone.

Contribution of the " Institutional Theory "

In the early 1990s, the transition reforms' processes were almost completely dominated by the liberal paradigm, which was widely applied in transition countries, but after a first period lasting several years, many harsh criticisms were introduced, especially regarding the "underestimation of institutional reforms". The main criticism came from the World Bank, which through Joseph Stiglitz, at that time chief economist and vice president of the World Bank, publicly formulated "the emergence of a post-Washington consensus that had to take into account the specifics of Central and Eastern European countries transition "(Stiglitz, 2002).

After the Russian crisis in August 1998 and the deception of the 3-4 billion IMF aid fraud, IMF executives took Stiglitz's criticisms more seriously, estimating that "for countries in transition, it was necessary to progress with the so-called second-generation reforms" that highlighted the institution's development. In November 1999, Michel Camdessus, the IMF General Director, stated that "*building solid social, political and economic institutions is a necessary prerequisite for implementing macroeconomic policies*". This moment is considered as the "*triumph of institutional thinking and theory*" as regards the analysis and interpretation of the transition specifics from planning to free market.

Transition does not only consist in the opening or creation of wide opportunities for private initiative and competition, but it also implies destroying older institutions and creating new ones. . The interest groups' struggle in having a higher influence than others is one of the basic characteristics of such institutions, while the "institution economy" theory also studies this

particular feature. "Olson's paradox"¹ proves that under certain circumstances, collective agreements do not transform into effective action if there is no individual interests. This idea, especially after 1999, is widespread in many analyses and works on transition. However, the simple integration of the institution word and notion is not enough to properly analyse transition. Furthermore, *"the study of institutional change only is not enough to establish an institutional economy of radical change represented by transition"* (Vercueil, 2000). This can be achieved if the basis lies on an explanation of the interactive process between institutions (genesis, development, substitution) and individuals involved in economic activities.

From an institutional point of view, the transition of the former socialist countries introduces a unique perspective as it calls for a strong suspicion of all institutions inherited from the socialist past, accompanied with a redefinition of all economic processes and individual selection that occur during the transition. In this perspective, transition is itself a typical model of institutional change where institutions are conceived as *"a collective production disposition and interpretation of rules"* (Vercueil, 2000). This definition provides the opportunity to integrate the collective dimension of institutions, both for groups and individuals, acting through mediation of rules.

Among all Capitalism Models - which one to choose?

Economic policy debates focused on the fatality of the "black and white" view: if centralized planning was a failure then we would have to immediately shift to the free market. This was the subject of any economic policy in the former socialist countries during the first years of transition. The same existing belief for socialist institutions was then replaced by the market beliefs, making the myth of the hero Marxism-Leninism be replaced by the myth of miraculous liberalism. In this context, the governments of the eastern countries, advised by international experts and institutions, were more than willing to radically change any kind of institution considered to be the "legacy of the past" and to shift to capitalist systems.

Schematically, the principle model of capitalism at "circulation" as an option for Central and Eastern European countries in the early 1990s were:

- **"Anglo-Saxon Capitalism"**, primarily the British and American one, dominated by the role of the market in organizing economic relations, not only in the productive and financial system, but also in the labour market, public services, and "functions of the government" such as health, education, research, fiscal system, social protection, etc. Individual freedom and free competition are the fundamental values behind this model, while its strengths are dynamism, innovation, flexibility, adaptation, law and contract, etc.

- **"State Capitalism"** applied in countries such as France, Spain, Italy, etc., is in favour of the great role of the State in intervening in economy and public affairs to regulate the organization of economic activities, to control the market orientation, to ensure better social justice, etc. Equality and solidarity are considered the most obvious values of this model.

- **"Rhénian capitalism"** or the Social-Democratic model, applied mainly in Germany, Austria, Sweden, Finland, Norway and Denmark, is featured by a high partnership between trade unions, owners/entrepreneurs and the State, direct State intervention to the economy and the behaviour of economic stakeholders, a highly developed system of social protection and social rights and a sustainable monetary policy and the important role of banks, mainly regional ones.

- **"The Asian Corporate Capitalism"** model implemented in countries such as Japan, South Korea, Taiwan, Hong Kong, etc., which relies on a high level of interaction and complementarity between relatively regulated markets, a poor social protection system acknowledging a high degree of social differentiation, a financial system oriented towards long-term relations between banks and enterprises. This model provides an important central role for large companies/enterprises in terms of professional training of managers and manpower, and guarantees a sustainable career system.

Upon their own choice, eastern countries had to make decisions conditioned by 4 four dilemmas or real opportunities: firstly, to follow one of the already known and consolidated models of capitalism by "copying" the respective legislation, institutions, etc., of that model that seemed the most efficient; secondly, to adopt "acquis communitaires" as a necessary condition for the integration into the EU, however without any specific reference to any model; thirdly, try to understand the historical

¹ Mancur Olson observed a paradox in "the logics of collective action". According to him, the mobilization of individuals in favour of a common cause is not the same. Olson found that "even when there are situations where individuals can benefit from various advantages by engaging collectively, a part of them are never engaged again."

trajectory and the fundamental changes that the four models themselves had undergone and suffered under the influence of globalization, European integration, the impact of economic and financial crises, etc.; fourthly, to exclude the possibility the Asian capitalism that proved to be very complicated and closely linked to Confucian traditions and Asian cultural and historical specifics.

Under these conditions, it seemed that the most reasonable and probable option was to choose between the model of state capitalism that somehow complied with the historical eastern tradition of the role and intervention of the State in the economy, its regulatory role, its necessity in the application of redistribution, the resolution of social conflicts, social protection and the Anglo-Saxon disputes, which would eventually remove these countries from the dominance of politics over economy, from the bureaucratic power that would enable them to implement real structural reforms and give the utmost legitimacy to the free market, which would establish a consumption society that these countries had long dreamed of, and which would ultimately best "satisfy" the demands of international institutions such as the IMF or the World Bank. In its 2000 report, the EBRD learned an "important lesson from the experience of transition countries", according to which "during the decade 1990-2000 there was no single transition path from the centralized economy of the communist regime towards the unique and easily identifiable form of free market and capitalism ... it seems that most of these countries were developing their own specific capitalism."

Profile and features of capitalism in Central and Eastern Europe. Comparative Analysis

Different authors divide the transition period into two parts: the first part, 1990-2000, when the various transition trajectories "fluttered" into some sort of post-socialist emergent capitalism composed of various national specifics; and, the second part, 2000-2008, when the consolidation and profiling of the capitalism model begins, compared to the standard models of developed capitalist countries. Driven from the specific analyses of specific countries or similar groups of eastern countries, several specific features and characteristics may be evidenced regarding such capitalism models. A relatively homogeneous group with similar features is the group of countries such as Hungary, Poland, the Czech Republic and Slovakia.

Hungary. It is estimated that the "Hungarian Model" of capitalism is characterized by a high degree of paternalism of the State, which translates into a high level of income distribution, under a significant fiscal pressure, into a universal social protection regime, based on a high financial support for enterprises. J. Kornai (1997) highlights that this situation is somewhat a long-lasting Hungarian tendency that began in the 1960s, consolidated under the objective of "calming down socio-political tensions and protecting the population living standards". Additionally, in the early 1990s, Hungary proved to be one of the most advanced transition countries, and its reformist traditions associated with the will for unrestricted opening to the West provided Hungary with great confidence as regards foreign investment and the confidence of investors in making Hungary one of the most important FDI destinations in Eastern Europe. The very original and highly effective form of privatizations involving companies, banks and public enterprises facilitated industrial companies to benefit from financial support provided by banks, which were guaranteed under a special state guarantee fund. If we compare it with the above standard models, Hungary shows a very close tendency to the model of State Capitalism.

Poland. The "Polish Model" of capitalism is characterized by the existence of an important state sector in the economy that generates about 25% of the GDP of the country, with large public enterprises and a state that through its interventions appears to be one of the main stakeholders of the economy (through the provision of support for enterprises facing difficulties, provision of financial facilities for vulnerable enterprises, prioritisation of certain sectors they consider to be "locomotive sectors of the economy", striving to ensure a transparent compromise between employers and employees to guarantee employment and minimum level of wages), with a significant influence of trade unions being imposed to the market and entrepreneurship in filing their claims, etc. Poland ranks among the most successful eastern countries as regards economic, financial and social development, and in general it is estimated that it is trying to build a "Hybrid Capitalism Model" similar to the French and the social-democrat German-Scandinavian one.

The Czech Republic. The Czech post-socialist capitalism model implies that the state continues to have an important role, regardless the almost constant liberal orientation of most of the Czech governments of these two decades of transition. During the first decade of transition, in which state-owned banks controlling investment funds became owners of state-owned enterprises, the State, directly or indirectly, became the main owner of a part of the capital of banks and companies.

These links and state support facilitated access of large companies to banking loans, significantly mitigated their budget constraints in terms of restructuring, guaranteed employment in central and Eastern Europe, and paved the way to an efficient social protection regime. The Czech model demonstrates a high level of compatibility and institutional harmonization in the context of a genuine combination between economic liberalism and social democracy.

Slovakia. It is considered as a surprising "Original Model", given the analysis of the first years of transition where Slovakia was considered to be the most problematic part of former Czechoslovakia: heavy industry with old technology, specialization and orientation mainly towards the Soviet Union, limited natural resources, etc. However, Slovakia surprised everyone with the special path it followed: transforming the political power of old elites into economic power, using privatizations as a privileged tool for acquiring and ensuring the necessary capital for young businessmen, preferential sale of public enterprises to managers close to political power, encouraging large industrial companies to buy state-owned banks to consolidate powerful industry-financial groups, strong mediatization of the relationships between political power and economic power to identify the stability of the system, etc. Political and economic ties between state-owned enterprises and banks, with the support of the State, guaranteed them, especially in the first phase of the transition, strong access to banking loans. Export dynamics and high public investment were the first strong incentive for the Slovakian economic growth during the first decade of transition. The State presence was also very high as regards income distribution, social protection system, poverty reduction, etc.

Bulgaria. Transition started as a fiery supporter of "Ultra-Liberal Policies and Anglo-Saxon Capitalism," but gradually, especially in the first decade of transition, it was highly confused "between liberal capitalism and the social market economy". Lawrence Nowicki (1994) describes the Bulgarian solution and transition as a "market-friendly" version, where all best efforts to build a "free market" are outlined, however highlighting that "the difficulties to build such kind of market and its failure to operate according to the western free market logic, force the state to play a priority role in the operation and management of the economy." According to him, the most appropriate term for Bulgaria would be "mixed economy".

A typical Bulgarian characteristic lies in the fact that the difficulties in establishing a free and real market were replaced by the creation of economic-financial networks and clientelist relations among the representatives of the old political power, as many authors conclude that "these networks expanded so much that they replaced the market". These networks did not operate according to market rules and laws, but according to their own "rules of the game." Instead of the "market economy", the "networking economy" was established, dominated by the former communist era nomenclature. This also favoured the privatization process where former high officials of the communist period became the first and largest beneficiaries. In Bulgaria, the clientelist networks became the fundamentals over which capitalism was built. Under these circumstances, the State was transformed into the only force that could safeguard the competition rules and balance the emerging interest groups and collective interests, especially vulnerable social groups.

Even two decades following the beginning of the transition, the Bulgarian reality proves that "the redistribution of assets" is generally performed in the interest of a small social group made up of the former communist nomenclature. During the popular protests of 2013, Tsvetozar Tomov underlined that "the Bulgarian government must break the bonds between the power and the grey economy of monopolies. Bulgaria can no longer be ruled by the oligarchs, especially after becoming an EU member state." All this proves that Bulgaria can be profiled as a "state capitalism" that tends to apply a model of "social market economy".

Slovenia. Resistance on behalf of gradualism. After gaining independence from the former Yugoslavia in 1991, Slovenia continued to believe in the values and benefits of the old system "self-administering" especially in the area of social services, health, education, etc., Which had been on many levels higher. In this sense, during the transitional period, Slovenia preferred becomes almost totally governance of "left centre" social-democratic, very sensitive to populist pressures and resistant to the liberal policies of "creative destruction" recommended by the IMF and the World Bank. Slovenian gradualism was profiled as a result of the struggle and populist aspirations that met the building capitalism objectives, always demanding the fragile balance between the "neo-liberal program" and social syndication pressures on behalf of a "social-liberal" capitalist model.

Unlike many other socialist East European countries, Slovenia proved more "resistant" to liberal policies package "consensus of Washington": slow privatization rate in the name of creating a "mass popular force" and elimination of a "aggressive privatization", State storage as the largest shareholder in large enterprises, banks and strategic sectors

stagnated over the pension reform, rejection of the flat tax, no liberalization of wages, openness and slow liberalization of the market, doubts positive effects of FDI, etc.

The situation changed sense in 2004, when Slovenia became an EU member, moving away from the "gradualism" and resistance to liberalism and undertaken a number of reforms required by the European Commission such as pension reform, labour flexibility, taxation, openness to FDI, applying a flat tax, reform of VAT, deepening and acceleration of privatization in the banking sector, insurance, telecommunications and energy, reduce structural imposing force, expanding the policy range in favour of competitiveness, expanding the public-private partnership, etc. For these reasons, Slovenia is classified as a "specific capitalism model" Social-Democratic nuances.

Estonia. It is evidenced in its economic model and very specific social. Member of the EU in 2004 and the euro zone in 2011. The country that experienced two difficult moments during the transition years in 1990-95 when it achieved with rather liberal measures the post-Soviet transition from plan to market, and from 2008 to 2012 when it was severely affected by the global financial crisis, it is developing an original capitalism, which is an intermediate form between social-democratic capitalism and the corporatist one. All Estonian governments since 1990 have respected the policies that guarantee economic success: macroeconomic stability, balanced budget, public debt control, liberal legislation "Business friendly" for foreign investments, liberalized trade, moderate fiscal policy, etc.

Although regarded as one of the countries with the most liberal economy of northern Europe, Estonia is known for successful efficient social policy. What differentiates Estonia from other former socialist countries? Firstly, the existence of a broad consensus of stable political when it comes to key macroeconomic policies and strategies of economic and social development, a consensus has never been in doubt since 1990. Secondly, the lack of political polarization ideological and a special practice of consensus arising particularly from their religious roots of cultural Protestant Lutheran. Thirdly, their consensus is perceived as a synonym for "state corporatist" and transparent. Fourth, Estonians are known to quite a high level of trust and respect for institutions as a place where laws are drafted, are adopted and implemented with extraordinary transparency.

Russia. Despite its specificity, it seems that Russia is consolidating a "State Capitalism" post-Soviet. From this perspective, the Russian transition can be analysed in two specific periods: 1990-1998 period, the stage known as "neo-liberal" of transition, characterized by a large presence of the IMF and US advisers, which culminated in financial crisis of 1998 and a strong decline of 40% of GDP compared with 1990, and 1999 to 2013 periods, or "Putin Era" characterized by the presence of a new model of "state developer and guardian" and a strong discretionary policy.

The strong development sectors mainly rentier Russian economy as petroleum, natural gas, various metals, timber, etc., and complication of the international context, made the option "liberal-pragmatic" in the first decade of transition, to be replaced with state capitalism and "the strong hand of the state" by creating opportunities to be realized basic Russian targets such as industrial restructuring that should increase Russia's competitiveness on international markets, developing strategic sectors such as aeronautics, nuclear energy, telecommunications, the arms industry, etc. After 1999, all the unearned income coming from the sale of raw materials and energy sources, by this time in the hands of large oligarchs who benefited from the chaotic clientelist privatizations, He passed completely under state administration. Return in capitalism model with strong and very present State, was constrained by weaknesses and problems that showed the banking system and financial markets in Russia, prompting the state to take direct responsibility for their management.

Another important element that profiled Russia as a state and capitalism was "coping with the crisis of legitimacy faced by many Russian governments in the years 1993-2000, as a result of very dubious privatizations in key sectors of the economy, which Russian society regarded as an "open stealing" national assets. This lack of legitimacy associated with an impoverishment of and blocking the development in many regions of the country, pointed to the need plan the design and implementation of active development policies should be guaranteed by a strong State presence and a better distribution of economic growth, which was also guaranteed by the State as the only credible actor and strong at the moment.

After 2005, Russia concluded an attempted for compromise between "interventionist" strong state representatives and "liberals" who sought a greater role to the market and private sector development, making Russia go towards capitalism model more or less similar to France or Italy of the 1980s, a kind of system dominated by "development state" that does not exclude a strong private sector (Sapir, 2013).

Albania. Has had never been known in the past experiences with the capitalist system. Consistently regarded as one of the countries at the end of the Second World War, they tried to build socialism without passing the stage of capitalism, and whether partial or short-term period. Considered as the "*Orthodox Socialist Bastion*" that had begun the transition "from plan to free market" later than all the other countries of central and eastern Europe, he managed, however, that within a few years was successful country in reforms its structural macroeconomic in full conformity with the "Washington Consensus" (Williamson, 1994).

During the 1992-1996 period, Albania was able to control its galloping inflation beginning of the post-socialist period, GDP increased steadily, reduced unemployment, improved budget deficit, the exchange regime adopted free currency, a banking system built with two levels to ensure the functioning of an independent central bank, liberalized trade and prices, etc., being described as "excellent student of the IMF's" (McAdams 1997).

Despite huge political pressure when it came to the economy, micro and macroeconomic restructuring, finance and fundamental reforms, everything seemed to be perfect for Albania. But the collapse of financial pyramid schemes in early 1997 "blew up" this positive situation. But while the credit for this successful way of constantly receiving IMF, World Bank, etc., who were present in every decision-making in the country, the birth and the extraordinary spread of financial pyramid schemes and destruction within a few weeks the state and its institutions, including the army and the police, they were seen as "*mistaken sense that the Albanians had to capitalism*" (Wall Street Journal, 1997) "*as an illusion and wrong dream about liberal capitalism*" while Albania began to be regarded as a "*laboratory experience*" for the realization of the transition.

Albanians proved terrible severity of a false and naive illusion about money, capitalism and the light of rapid benefits. The basic argument that attempted to explain the reason for the spread so large "Ponzi scheme" in Albania was "*a combination of the effects of restrictive monetary policies, lack of instruments of market regulation institutions, the massive entry of capital and weaknesses in governance*" (Bezemer, 2000). Even stock exchange could have been an important element in the formal capital movement was formally opened in May 1996, while that proved to be very weak in attracting and movement of capital in the economic development.

Even in the first decade of XXI century, Albania continued to believe and undertake policies in favour of building a liberal Anglo-Saxon capitalism, applied flat and low taxes, reduced the size of state and government, massively privatized all sectors of the economy, liberalized the economy and trade, etc. But the effects of the global economic-financial crisis during 2008-2013, in particular the Greek, as well as a number of "typical Albanian diseases of transition" such as corruption, the high degree of informality, political clientelism, poor quality of institutions and democracy itself, severe political conflict, state capture by certain clans with economic interests, etc., made the image and trust in liberal capitalism reels. Government coalition PS-LSI come to power in June 2013, in the context of a more social and populist orientation, signaled a "correction" of the Albanian capitalism model in favour of an intermediate model between state capitalism and that of social democracy.

Conclusions

Basing on the analysis of "capitalism types" to significant elements of post-socialist economies, such as: production system, the financial system and the banking sector, capital structure between private and public, socio-economic compromises, the State role etc., estimated that in similar models with these countries and stay also other countries. With more specific capitalism, closest to the Anglo-Saxon, but rather political will and desire that its concrete and correct application, presented Albania, Romania and Moldova. In these conditions, it seems that the real transformation is not a matter of months or years as highlighted with rage at the beginning of the transition, but the issue decades of entire generations. Examples of the above countries and challenges of each of them on the long road during the transition to a better capitalist model clearly show such a conclusion.

Moreover, the transition process highlighted another factor without taking into consideration the unique liberal prescriptions: "Start" unequal or different level of preparation that had the former socialist countries "to absorb the transition period." The legacy of their production structures, mechanisms of decision-making, their political culture and its ability consensus mentality to law and contracts, Previous historical relations with capitalist society, etc., showed that "transition does not only depend on factors or market actor, but also from the historical heritage in its broadest sense" making every country, regardless transition universality as a process, face and walk in its specific path to capitalism.

I am concluding this study with the analysis of a well-known economist, Magni, in his report to the capitalism models, it finds that "*Analysis of the transition trajectory of the former communist countries of central and eastern Europe, already an*

EU member, testifies to the emergence of an original capitalism form, highly customized model to history and economic reality, social, political and their psychological " .

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Impact of Strategy and Environmental Predictability on Financial Performance in Non-Governmental Organizations

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Esra Metin

Abstract

This study tries to understand the relationship among financial performance, environmental predictability and having strategy in the third (NGO) sector. The independent variable of the study is financial performance which is conceptualized as achieving the financial objectives which have been previously established. Environmental predictability is a sub-dimension of organizational environment that explains stability of the environment. Having strategy on the other hand is related with having mission and vision statements that are explicitly and clearly defined. The results of regression analysis indicate that, environmental predictability and having a clearly defined strategy have positive effects on financial performance in Non-Governmental Organizations.

Keywords: Financial Performance, Strategy, Environmental Predictability

Introduction

Strategy and environment are closely related in the management literature that organizations have varying strategies in different environmental complexities to be able to increase their performances (Miles, 1980) and to be able to survive. Environmental predictability is a very significant factor for the organizations when determining their strategy to be able to answer the needs of the stakeholders and to achieve previously determined objectives.

Performance

Performance is a very broad concept that every kind of organization either profit seeking or not profit seeking; public or private measures, manages and tries to increase their performances. Performance measurement is a multi-dimensional issue that there are both financial and non-financial aspects of it. Since performance management in general is considered to have a financial emphasis meaning that as long as the organizations are considered to have high performance as long as they achieve the previously determined financial objectives, the non-financial dimension of performance management is not negligible.

Non-governmental or non-profit organizations rely on volunteerism that the financial expectations are less stressed in the third sector, whereas creating an added value for the humanity and civil attempts are taken as more important when conceptualizing the performance of non-profit or non-governmental organizations (Metin, 2017).

Since there are attempts towards conceptualizing performance within a broader perspective through determination of non-financial indicators for the profit seeking institutions, measurement of performance in the third sector has a financial dimension as well. Not profit seeking does not necessarily mean there is no financial dimension in the performance measurement of the NGOs. "Operating expense ratios, productivity measures, fundraising efficiency and the ability to acquire needed resources" (Ritchie & Kolodinsky, 2003) are the indicators of the financial dimension of the performance management of the NGOs. Moreover, non-financial criteria as Kaplan (2001) stated like "quality of service provision, satisfaction of members/volunteers/staff, public image and program / service effectiveness have been acknowledged as playing a pivotal role influencing performance" (Tucker, 2015, p.318).

Environment

Robbins (1983) sees general environment as the "remainder of the universe from the subset that represents the organization" (Robbins, 1983, p. 143). Political factors, legal structure, social environment, and demographics should be

considered under general environment (Koçel, 2011, p. 292; Robbins, 1983, p. 143; Jones, 2010, p. 85). Specific environment on the other can be defined as “the forces that are directly related to organization in its process of achieving goals” (Jones, 2010, p. 82; Robbins, 1983, p.143).

Environment in the management literature is presupposed to be the most crucial factor that determines the strategy and the organizational structure of an organization being profit seeking or non-profit seeking. Environment in the management literature has sub-dimensions such as environmental predictability, environmental complexity and environmental competitiveness. This study focuses specifically on environmental predictability and tries to understand its impact on financial performance along with strategy. Since strategy and environmental predictability are also highly related according to literature, the independent variable of the study has been taken as performance, since the ultimate purpose is increasing the performance for both profit seeking and not-profit seeking organizations.

Strategy

The literature as stated above links strategy (strategic choices and strategic processes) with environmental complexity, environmental uncertainty and environmental predictability. Ansoff (1972), Mintzberg (1979) and Ilinitch D’Aveni, and Lewin (1996) are the scholars that tried to understand the strategy and environment relations to increase the effectiveness of organizations. Chandler, (1962) defined strategy as “The determination of the basic long-term goals of an enterprise, and the adoption of courses of actions and the allocation of resources necessary to carry out these goals”. Mintzberg (1979) defines “strategy is a mediating force between the organization and its environment: consistent patterns of streams of organizational decisions to deal with the environment”.

Mission and vision statement are highly crucial for the organizations that clear and transparent definition of them enables all stakeholders to be explicitly informed about the strategic objectives of the organization. This harmonizes the expectations of all stakeholders about the reason of the existence of the organization and about the probable future position that the organization wishes to achieve.

Methodology

The researcher succeeded in contacting associations, foundations, federations and confederations in Turkey. 16 of the questionnaires were not properly filled out, that is why net properly filled out number of questionnaires is 123. The sample of the research is about 30 percent of the population given the whole population is around 400.

Linear regression has been utilized in order to determine the effect of the independent variables of the study (environmental predictability and having strategy) the dependent variable (financial performance). Moreover, correlations have been used through Statistical Package for the Social Sciences (SPSS). The hypotheses of the study are as follows:

Hypothesis 1: Environmental predictability has a positive effect on financial performance of the NGOs.

Hypothesis 2: Having a strategy has a positive effect on financial performance of the NGOs.

Below are the tables of the results derived from various analysis. Regression Analysis has been implemented in order to determine the equation that explains the relation among dependent variable and independent variables.

Table-1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.439 ^a	.193	.180	.85536	.193	14.240	2	119	.000	2.041

Table-1 indicates that the adjusted R square is 0.18 meaning that the independent variables explain the 18 percent of the total effect on quality. Durbin Watson figure will be mentioned below when analysing the assumptions of regression.

Table-2 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	20.837	2	10.418	14.240	.000 ^b
Residual	87.065	119	.732		
Total	107.902	121			

Table-2 indicates that the significance of the model in general is .000 which is acceptable at the 99 percent confidence level.

Table3-Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Correlations			Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1.001	.451		2.220	.028					
Predictability	.336	.108	.285	3.118	.002	.386	.275	.257	.811	1.233
Strategy	.239	.094	.233	2.547	.012	.357	.227	.210	.811	1.233

Dependent Variable: Financial Performance

Table-3 indicates that both Strategy and Environmental predictability have acceptable significance levels at the 99 percent confidence level.

So the regression function is

$$\text{Quality} = 1.001 + 0.336 \text{ Environmental Predictability} + 0.239 \text{ Strategy}$$

Table-4 Correlations

		FinancialPer	Predictability	Strategy
Pearson Correlation	Financialper	1.000		
	Predictability	.386	1.000	
	Strategy	.357	.434	1.000

Table-4 indicates the correlations among all variables are positive but they are weak.

The assumptions of Regression model should be checked as well. The first assumption is normality assumption of the residuals.

Normality

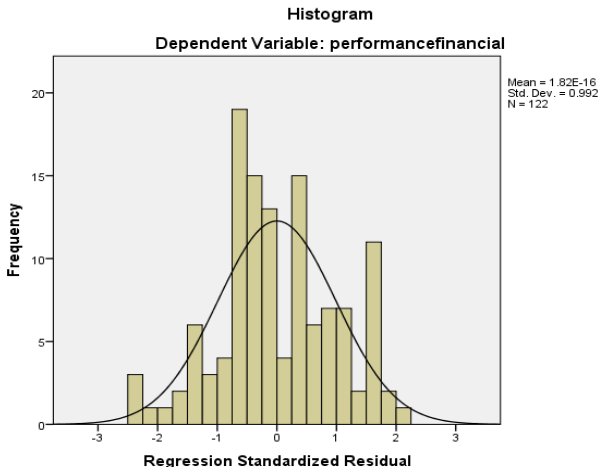


Figure-1a Normality

Normal P-P Plot of Regression Standardized Residual

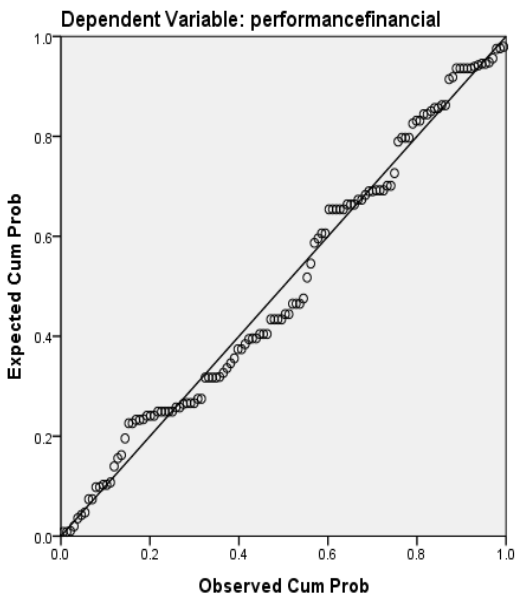


Figure-1b Normality

Given the figures above it can be concluded that the residuals are normally distributed.

Multicollinearity

Multicollinearity does not seem to be a problem because the VIF figures are 1,233 (less than 10)

Heteroscedasticity

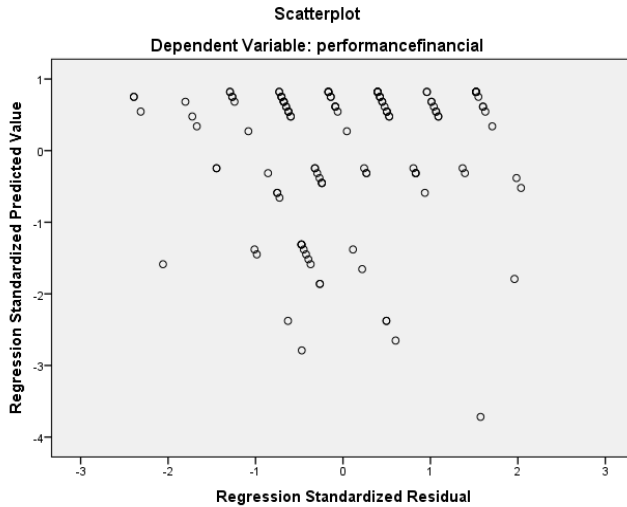


Figure-2 Heteroscedasticity

Checking the assumption with the graphs above, indicates that there is no problem regarding heteroscedasticity.

Autocorrelation

The last assumption to be focused on is autocorrelation assumption. If Durbin Watson test is applied the results below are obtained autocorrelation problem.

0 dl du 2 4-du 4-dl 4 d

dl= 1.59 (from Durbin Watson table)
 du= 1.65 (from Durbin Watson table)
 4-du =2.41
 4-dl= 2.35

Here, our d value of 2.04 is between du (1.59) and 4-dl (2.35) so we don't reject the H_0 which means there is no

Conclusions

Discussion

This study conceptualizes the dependent variable of the study financial performance as achieving the financial objectives which have been previously established. The first independent variable of the study environmental predictability is a sub-dimension of organizational environment that explains stability of the environment. The second independent variable, having strategy on the other hand is related with having mission and vision statements that are explicitly and clearly defined.

The results of regression analysis indicate that, environmental predictability and having a clearly defined strategy have positive effects on financial performance in non-governmental organizations.

The regression equation formulates the linear relationship among the dependent and independent variables. The choices of the participants indicate that one-unit increase in the instability of the environment (1-unit increase refers to 1 level shift of the opinion of the participants with respect to their agreement on the subject matter) will increase achieving the financial objectives which have been previously established in other words performance by 0.336 units. By the same token having

mission and vision statements that are explicitly and clearly defined will increase achieving the financial objectives which have been previously established in other words performance by 0.239 units.

Correlation figures support the results derived from the regression equation that all three variables are positively correlated but the correlations are weak.

Future Research Recommendations

Even if there is a financial dimension of performance in every kind of institution either profit seeking or not, and financial aspect of performance measurement is very crucial, the future researches might focus on the non-financial aspect of the performance in the third sector that the sector in principle relies on the voluntary efforts of the members.

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