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ORGANIZATIONAL BUYING BEHAVIOR IN NON- WESTERN CONTEXTS

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Abstract

This study developed a model to explain organizational buying behavior (OBB) in a non-Western context. The model is based on a partly re-conceptualized taxonomy of organizational actors involved in the process of organizational buying. An exploratory evaluation of the model was conducted in Oman, in the Arabian Gulf. The evaluators came from diverse industries and different organizational levels and functions. The role of evaluators involved one or more of the following: making decisions regarding organizational buying, advising on organizational buying, and being a direct user of a recent organizational purchase. The preliminary empirical findings generally support the model structure and the relationship between its elements. It is argued that collectivist and high power distance cultural value orientations shape a distinctive profile of OBB. The reported study is the first phase of a larger research project whose objective is the development and validation of an overarching cross-cultural model of OBB.

Key Words

Organizational buying behavior; Arabian Gulf; power distance; collectivism.

INTRODUCTION

An understanding of organizational buying behavior is a fundamental prerequisite for success in industrial and institutional markets (Webster & Wind, 1972). However, as emphasized by Johnston and Lewin (1996), achieving such an understanding is challenging due to the nature of the organizational buying process, which tends to be multi-objective, multi-departmental, and multi-person. What is more, success in an increasingly globalized business environment demands competencies which go beyond business-to-business skills acquired solely in the home country (Hewett, Money, & Sharma, 2006). There is a need for a new set of capabilities rooted in a combination of first-hand international practice and evidence-based academic guidance. The purpose of this paper is to contribute to the literature on international OBB by developing and empirically exploring a model of in-house communication during organizational purchase decisions in a non-Western context. The reported study constitutes the first phase of a larger research project whose objective is the development and validation of an overarching cross-cultural model of OBB. This model is predicted to capture OBB in non-Western business contexts broadly characterized by collectivist and high power distance cultural value orientations: Asia, Latin America, Middle East, and Russia. However, it is expected that, as the empirical data from various countries and world regions is collected and processed, several versions of the model will emerge. An anticipated factor that can drive model modification is related to differences in uncertainty avoidance between countries in East and Southeast Asia. This paper is focused on a version of the model resulting from an exploratory study in the Arabian Gulf.

THEORY

Organizational Buying Behavior

Conceptually, the field of OBB finds its origin in the seminal work of Robinson, Faris, and Wind (1967); Webster and Wind (1972); and Sheth (1973), who developed the first models of OBB. A few decades later, Johnston and Lewin (1996) reviewed and systematized earlier empirical findings and theoretical perspectives in the field. The result of their work was an integrated representation of OBB which incorporated variables and constructs of the three original models. The elements of the integrated model (Johnston & Lewin, 1996) include the following:

- purchase characteristics;
- organizational characteristics;
- group characteristics;
- participants characteristics;
- processes or stages of OBB;
- seller characteristics;
- environmental characteristics;

- conflict/negotiation;
- communication networks;
- decision rules;
- role of stress.

Traditionally, empirical attention has been directed to the first four groups of variables; i.e., purchase characteristics, organizational characteristics, group characteristics, and participants' characteristics (Johnston and Lewin, 1996). More recently, researchers turned their focus to exploring the processes of OBB (Makkonen, Olkkonen, & Halinen, 2012; Thompson, Mitchell, & Knox, 1998) and OBB-related decision making (Barclay & Bunn, 2006; Moon & Tikoo, 2002). Curiously, however, and despite the widely acknowledged effects of globalization on international trade, scant research efforts have been made to investigate the effects of national cultures on OBB (Steward, Morgan, Crosby, Kumar, 2010). This presents a significant gap in our understanding, because national cultures – together with political, economic, technological, and legal factors – are an essential component of environmental characteristics, which shape OBB.

Non-Western Cultural Contexts: The Arabian Gulf

It can be argued that, with a few exceptions, non-Western business contexts roughly correspond to the areas of the world commonly known as emerging markets. One such region comprises the countries-members of the Gulf Cooperation Council (GCC) – the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia, and the United Arab Emirates. These countries constitute a lucrative market for a range of industries including oil and gas, civil engineering, and telecommunications. To exemplify, Plan Abu-Dhabi 2030 consists of multiple infrastructure projects of a total worth of more than \$400 billion US (Davidson, 2009). Among the factors determining the business success of international organizational vendors is the ability to comprehend correctly the buying behavior of their customers in the Gulf. Due to significant cultural distance (Shenkar, 2001), attaining such an understanding may be particularly challenging for organizational vendors from outside of the Arabian Gulf. Therefore, there are compelling reasons to investigate OBB in this part of the world.

Hofstede (2001) and Hofstede, Hofstede, and Minkov (2010) proposed that Arabic cultures are collectivistic, high in power distance, high in uncertainty avoidance, and moderate in masculinity/femininity. The organizational consequences of collectivism include preference for in-group cooperation, psychological need for affiliation, and emphasis on the interests and purposes of the in-group, rather than the pursuit of individual goals. High power distance is reflected in more hierarchical and centralized decision making, respect for and unquestionable submission to organizational superiors, and a general attitude of conformity and compliance. In high power distance societies, managers tend to avoid direct guidance from their superiors, yet they seek to anticipate their wishes (Smith, Achoui, & Harb,

2007). High uncertainty avoidance is related to fear of failure, risk aversion and avoidance, belief that the initiative of the subordinates must be kept under control, a strong need for consensus, and evasion of conflict. A moderate score on the masculinity index is associated with values such as concern for the weak, benevolence, and importance placed on interpersonal relationships. Recent empirical work found some support for Hofstede's postulations. For example, Smith et al. (2007) revealed that Arab managers display a pattern of high reliance on formal rules, unwritten rules, and their co-workers. At the same time, these managers rely less strongly on their own experience and training or on their superiors.

A preliminary exploration of the OBB model for the Arabian Gulf was carried out in the Sultanate of Oman. Oman can reasonably be taken to be a typical representative of the Arabian Gulf countries (Moideenkutty and Schmidt, 2011; Neal, 2010). Similar to its neighbors, Oman is an affluent, oil-rich country which strategically pursues the course toward modernization and economic growth and development while carefully guarding its cultural and belief systems (Peterson, 2004).

MODEL DEVELOPMENT

Originally, Webster and Wind (1972) proposed five roles, or organizational actors, involved in the process of organizational buying:

- *Deciders* have the authority to select among alternative purchases (materials, equipment, services, etc.);
- *Influencers* influence purchasing decisions directly and/or indirectly by providing information on alternatives and criteria;
- *Buyers* have formal authority and responsibility for dealing with vendors;
- *Users* are organizational members who are expected to use the purchase;
- *Gatekeepers* control the information flow.

Sheth (1973) noted that all of these organizational actors may have dissimilar expectations, determined by the background of individuals, perceptual distortions, information sources, and satisfaction with past purchases.

It is worthwhile noting that the above taxonomy originated in the Anglo culture. It is reasoned, therefore, that this taxonomy might not be suitable for describing OBB in a different cultural environment and should not be imported into non-Western contexts in its original form. It has been demonstrated (Hofstede, 2001; Hofstede *et al.*, 2010) that the Anglo cultural environment is characterized by individualism and intermediate to low power distance. In contrast, the world regions of interest for the present research are collectivistic and score high in power distance. Therefore, the following partial re-conceptualization of organizational actors is suggested.

- *Deciders* have the final authority to approve a purchase (materials, equipment, services, etc.). They exercise this authority by endorsing,

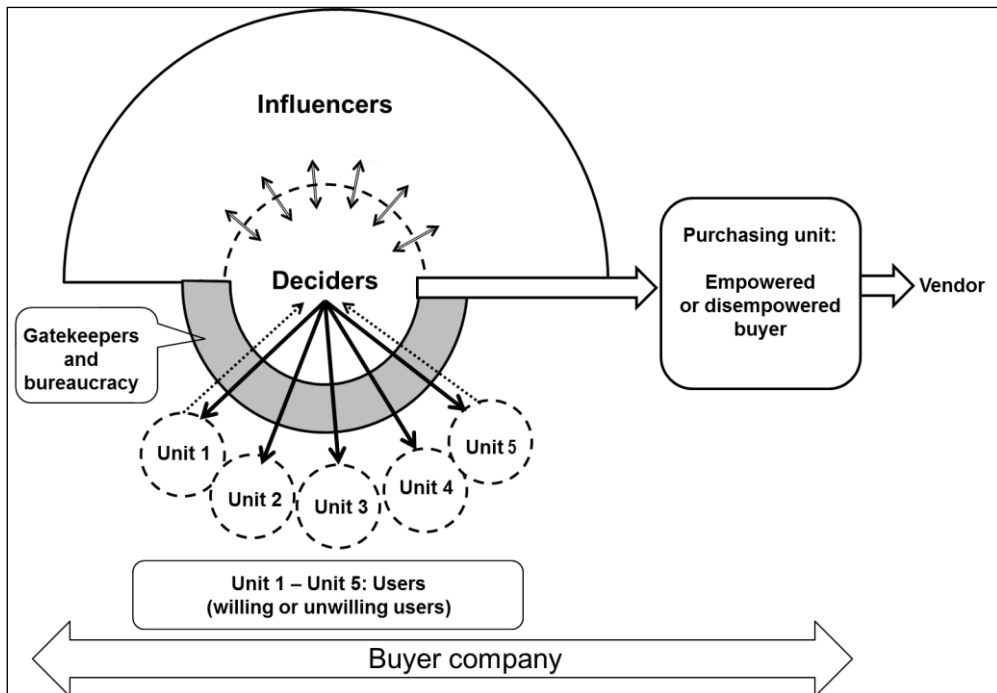
revoking, or changing the decisions made by the buyer. Importantly, the deciders proactively seek input from influencers prior to endorsing a purchase decision.

- *Influencers* are powerful internal and external stakeholders, who are members of professional, personal, and hereditary networks.
- *Empowered buyers* have formal authority and responsibility for a purchasing decision and enjoy the support of deciders and influencers.
- *Disempowered buyers* have formal authority and responsibility for a purchasing decision. However, they lack the support of deciders and influencers and try to avoid accountability for the purchasing decision. To achieve this, the disempowered buyers may exploit the inconsistencies of the organizational policies and regulations and contradictions between unwritten and formal rules.
- *Willing users* are those organizational members who are expected to use the purchase and who know that it will be suitable for their task and skill level.
- *Unwilling users* are those organizational members who are expected to use the purchase but believe that it may not be suitable for their task and/or skill level. Such beliefs can be elicited by a situation in which a purchase is made for any reason except operational requirements; for instance, a purchase contract was a consequence of pressure from a powerful stakeholder or a corollary of a need for personal relationship maintenance.
- *Gatekeepers* control the information stream through preliminary inspection, selection, and presentation of information on options as well as by framing the principles for evaluation of options. Gatekeepers are an integral part of hierarchical structures and bureaucratic barriers in organizations.

The above-defined organizational actors constitute the elements of the proposed model (Figure 1). The elements of the model are organized within a relational structure denoted by arrows and are identifiable through internal communication flow in the buyer firm. In the center of the figure, a circular shape shows *deciders*. An area above *deciders* denotes *influencers*. These are separated from *deciders* by a dashed line, which means there are no barriers to communication; bi-directional arrows symbolize an intensive communication exchange between *deciders* and *influencers*. Below *deciders* is a shaded semicircle – *gatekeepers and bureaucracy* – which separates *deciders* from (future) users of a purchased product. *Users* are represented by five circles (Units 1–5) drawn with dashed lines. The dashed lines signify that there are no communication barriers for interaction and a lot of informal communication takes place between the members of the units. The primary direction of communication, however, is between *deciders* and *users*. This is shown by a thick unidirectional arrow representing downward communication: *deciders* inform *users* of what product the organization intends to purchase. Some users may attempt to give feedback or make suggestions to *deciders* regarding the planned purchase. This is depicted by two dotted arrows (from Unit 1 and Unit 5 to *deciders*). In making these

attempts, *users* have to cross the barriers of *gatekeepers and bureaucracy* (the shaded semicircle). However, the chances for these attempts to succeed are low (dotted arrows). A wide unidirectional arrow links *deciders* with the *purchasing unit* – an *empowered or disempowered buyer*.

Figure 1: The model of organizational buying behavior in non-Western contexts



METHOD

To conduct an exploratory evaluation of the model, 18 participants from various organizations in the Muscat metropolitan area were asked to review the model. A judgmental sampling approach was used to recruit participants who came from a variety of industries including oil and gas pharmaceuticals, education, banking and investment, catering, hospitals, information technology, telecommunication, and utilities. The participants worked in different organizational levels and functions including a chief executive officer, a senior buyer, purchase officers, a procurement specialist for capital projects, a member of the procurement committee, a supply chain analyst, a financial accountant, an accountant officer, a finance officer, heads of departments, a senior geophysicist, a catering director, and an acting catering officer. In terms of OBB, the participants were involved in one or more of the following: making decisions in organizational buying, advising on organizational buying, and being a direct user of a recent organizational

purchase. Table 1 provides a further description of the participants included in this study.

The participants were presented with a graphic depiction of the model and a detailed description of the interrelationship between its elements. They were asked to examine the model and comment on its elements and structure. Within four weeks, the participants presented a short (250-500 words) written report containing their analysis and critical assessment of the model. The reports were scrutinized to detect any important observations about the model structure and the relationship between the elements of the model.

Table 1: Profile of participants

Items	Frequency
Gender	5
- Male	13
- Female	
Years of professional experience	<i>M</i> (8.06)
Company size (number of employees)	<i>M</i> (3344)
Job level	
- Operative	11
- Supervisor	3
- Middle manager	1
- Top manager	3
Role in organizational buying:	
- makes decisions in organizational buying	4
- advises on organizational buying	10
- is a direct user of a recent organizational purchase	9

FINDINGS AND DISCUSSION

The participants' evaluations of the model largely supported its theoretically derived structure and the relationship between its elements. For example, one head of department confirmed that the model

"...shows what exactly is happening in the buying process."

Similarly, a supply chain analyst said that the model's structure

“is closely similar to the communication process applied in our organization when purchasing materials.”

Some participants specifically identified the influencers (the ministry, the owner, the department of finance), the deciders (the CEO), and the gatekeepers (departmental directors) and explicated the dynamics of the buying process. A middle manager from an oil and gas company described:

“The CEO represents the deciders and is influenced by the owner of the company. Below the CEO there are several directors of different departments and they separate the CEO from the end users. Some users have the opportunity to talk to the CEO, but it rarely happens. The directors act as a barrier between the CEO and the end users, and they [the directors] inform the users of different services that the company would like to purchase.”

Bureaucracy was identified as a substantial barrier in the process of organizational buying. A finance officer, who was a direct user of a recent organizational purchase, made the following observation:

“If an employee (the end user) needs a computer he cannot just go straight to the deciders and inform them about his needs. He has to inform his manager who, once he approves, will inform the next person, who has to approve the request, and this is repeated over and over through the layers of bureaucracy. Not to mention that the approval might stop for days, weeks, or even months at one of the bureaucracy levels for no reason. This makes the end user so disappointed about the request, not to mention, if he gets what he requested, he might not get what he is looking for due to lack of communication with the decider”.

One consequence of this is that some end users may be unwilling to use the purchased product. A top manager explained:

“When the items are delivered, they are given to end users and they have to use them. Some end users might resist the change or don’t like what was supplied.”

The model correctly predicted that buyers can be either empowered or disempowered. For example, a supervisor from a utility company noted that

“The empowered buyers have the power to decide on purchasing strategy and can influence the origination of the sale.”

Another example of empowered buyers was given by a top manager from a telecom organization.

“The decider selects the best vendor based on the buyer’s analyses of quotations and reasoning of why these are the best three suppliers on the market. Here, the buyer is empowered to select what is best suiting the need and whom to contact for quotation.”

Two participants described purchasing units in their organizations as disempowered buyers. A supervisor from a large hospital admitted that in their organization

“the purchasing unit plays a role of a disempowered buyer and tries to avoid the responsibilities for the purchasing decisions.”

In the same vein, the CEO of a telecom company acknowledged that

“In the purchasing unit, the buyer is avoidant to take decision other than what is selected by the deciders. Buyers are not willing to take the risk of

selecting other vendors that might not satisfy the deciders after they had already made up their decision.”

In addition, the participants made important clarifications on the structure of the model and the relationship between its elements. For example, in an oil and gas service organization, the influencers do not engage unless the value of a purchase is above a specified limit. Importantly, some organizations try to counteract the undue pressure, if any, by the influencers. A purchase officer from an oil and gas company elaborated by saying:

“All employees should declare their or their first- degree relatives’ ownership of a business when they join the company. This is done to avoid selecting the vendor in the purchasing process based on personal interest – to benefit his own company – rather than company interest.”

Another interesting observation was that, in addition to the influencers engaged with the deciders, there may be a separate set of influencers interacting directly with the buyers in the purchasing unit. It also emerged that, in some organizations, the end users have a high status because their performance is acknowledged to define the company’s success. For example, in a large oil and gas organization, the end users communicate directly with the purchasing unit and, at the same time, enjoy direct interaction with the influencers.

Overall, the findings revealed that the model predicts OBB in a non-Western context. This exploratory study, conducted in the Arabian Gulf, demonstrated that the cultural value orientations of collectivism and high power distance (Hofstede, 2001; Hofstede *et al.*, 2010) can shape distinct behaviors of those involved in the process of organizational buying. Specifically, intensive consultations within the in-groups, formed by influencers and deciders or within the in-groups consisting of influencers and buyers, are viewed as determined by collectivist values. Importantly, the adoption of progressive management practices of disclosing conflict of interests is aimed at counteracting some potentially negative effects of in-group collectivism.

The fact that purchasing units can act as empowered or disempowered buyers is interpreted as a consequence of high power distance. The latter can also explain situations when a product is procured without consultations with those for whom it is purchased, thus causing an unwilling-user attitude. Bureaucracy in organizational buying decision processes (Baker and Abou-Ismael, 1993) may be partly responsible for this.

CONCLUSIONS AND IMPLICATIONS

This paper presented an initial version of a model describing OBB in a non-Western business setting. The reported study is a part of the first phase of a larger project aiming to develop and validate an overarching cross-cultural model of OBB. The underlying assumption of this work is that theorizations of OBB developed in the Anglo cultural environments may fail to capture OBB processes occurring in the contexts characterized by collectivist and

high power distance value orientations. The current version of the model, based on the partial re-conceptualization of organizational actors, underwent an exploratory evaluation in Oman. The findings suggest that OBB outside of the Anglo world demonstrates distinctive characteristics which demand close consideration by those desirous of developing profitable business with local companies in the Arabian Gulf.

An important implication of this study is that the knowledge and expertise in business-to-business selling developed solely in the home country may be insufficient to attain the expected results in a culturally distant context. A critical precondition for making a successful sale is the organizational vendors' ability to identify the decision maker(s) in the counterpart's team. This may be a challenging task to complete in cultural environments characterized by collectivism and high power distance. An intricate structure of relationship between deciders, influencers, users, buyers, and bureaucracy can obscure the ultimate source of the decision to purchase. Therefore, gaining first-hand, in-depth knowledge of how the local culture shapes OBB emerges as an essential prerequisite for effective international sales force. The current study contributes to our understanding of this process.

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THE ECONOMICS OF TRUST

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Abstract

This is a philosophic discussion regarding the economic benefits of truth-telling and its associated variable, trust. Religion and certain ethical philosophies present a rules-based, deontological view of truth-telling. The economic argument, we shall discover, is utilitarian in nature and compelling. Recent literature in the social sciences falls short of defining an adequate theoretical basis, or philosophic framework, upon which this subject may be studied. A distinction between basic and professional trust is made. The implications for Business Management are profound. We begin the discussion with the nuances of “the truth.”

Key Words

Trust; ethics; economic efficiency; profession.

INTRODUCTION

The question concerning the benefits of ethical behavior, if any, is common. Leo Durocher, legendary manager of the New York (baseball) Giants famously implied that “nice guys finish last.”¹ It is reasonable to assume that he may have had in mind, *inter alia*, telling the truth as a common, “nice-guy” trait; it is safe to assume that nice guys are truth-tellers. This statement is often, and perhaps erroneously, interpreted as meaning that tough, unethical men, that is, men who are deceitful and not trustworthy, have the tactical advantage and will “win.” Is this correct?

Why should one be honest? At a fundamental level, we must first examine the very nature of “truth” itself. In fact, truth-telling is not necessarily a matter of the simple truth versus a simple lie. The following joke is illustrative:

A mathematician, an accountant, and an economist all apply for the same job. The interviewer asks the mathematician, “How much is one and one?” “Two.” “Exactly two?” asks the interviewer?” “Exactly two,” the somewhat befuddled mathematician retorts. In walks the accountant. “Well, usually it’s two, but there’s some wiggle room here. It all depends on the accounting assumptions we employ.” Last, comes in the economist. Upon hearing the question, he gets up, locks the door, shuts the windows, leans over to the interviewer and whispers, “How much do you want it to equal?”

The nature of the truth itself and any benefits that accrue to the truth-teller shall form the key preliminary issues to be addressed in this paper. The nature of truth interacts with the level of trust with which one endows another. Once we have developed an idea of what truth is, we shall proceed to discuss the interpersonal benefits of its sharing, individually and in the aggregate; we will find that there are profound personal and macroeconomic benefits pursuant to truth-telling and trust. The implications for Business Management personnel are profound.

THEORY: THE NATURE OF “THE TRUTH”

Can it be said that any of the three parties has lied? To be sure, the mathematician could not lie; to her the truth is absolute and incontestable. Thus, the mathematician is prone by her very nature to always tell the truth - even when her listener does not understand what is being related due to the complexity of the subject. The very inclination to lie may be absent.

Has the accountant lied when she chooses, for example, to present LIFO-based profits rather than FIFO-based? The accountant is trained in providing different versions of the truth, any of which version is still “true.” She uses different accounting “methods” in order to offer different presentations of the truth, or different “perspectives,” and will choose that perspective which best represents what she wishes to show. “[A]ccounting may be untrue, but it is

¹ Durocher, in fact, stated with regard to a certain team: “...they are all nice guys. They will finish last.”

not lies; it does not deceive because we know that it does not tell the truth..." (Baxter and Davidson, 1962, pp. 44-55). In this instance, there is no "objective" truth, and so the potential for, and proclivity to, deceive are endemic.

Is it wrong for the economist to offer to position the truth in a manner that satisfies her constituents? Viewed negatively, as the joke would lead us to see the matter, there certainly are parties for whom the truth is a pecuniary or personal matter. Most moral people would find this behavior distasteful at best, but a deontological question remains: why tell the – absolute – truth, especially in the case where multiple perspectives may be equally valid? And what is wrong with lying? Apart from religion, natural law, or justice reasoning, all of which call upon either the metaphysical or pure rationality, there must be an empirical foundation for mandatory truth-telling. Hence, our argument in favor of truth-telling shall essentially be economic and utilitarian in nature.

The telling of the truth – or not – is intertwined intimately with the matter of "trust." How does the listener assimilate the information she hears from each of the three interviewees? To what extent are such statements accepted as "true"? How are the statements internalized and acted upon? What damages may result from misinterpretation or the conveyance of outright falsehood?

Truth itself, except perhaps for mathematical truth, is subjective. It is trust which makes a statement or view truthful or not. We believe in the truth, by and large, because we accept certain individuals who hold to those positions as authoritative and truthful. We ourselves, as recipients of "information," are responsible for the truth, in a profound sense. This sentiment was expressed by Alfred North Whitehead (1925), himself both a scientist and a philosopher.

Nature gets credit which should in turn be reserved for ourselves; the rose for its scent; the nightingale for his song; and the sun for its radiance. The poets are entirely mistaken. They should address their lyrics to themselves, and should turn them into odes of self-congratulation on the excellency (sic) of the human mind. Nature is a dull affair, soundless, colourless; merely the hurrying of material, endlessly, meaninglessly (p. 125).

Our scientific observations may mislead, yet we still trust both them and our teachers who espouse the theories - until such time as they are proved incorrect. It was once believed that the earth was the center of the universe - until Copernicus proved otherwise. Who can say what the future shall bring? The list of similar stories is endless and need not be summarized here. In short, the truth is that which we accept as such.

Nevertheless, there is some validity to scientific truths as they clearly pass tests of reliability. I can be said with certainty the apples will fall from trees and that fire burns paper. Specifically then, how do scientific observations and experiences interact with trust? There must be a connection between observation and social science.

Accordingly, the author will present a deontological argument, grounded in religion and favorable to trust; it will be found that the deontological argument contains inherently social elements. Then, the author will distinguish between basic and professional trust. Last, the author will argue why professional trust is imperative, and why “basic” trust is advised.

A DEONTOLOGICAL POSITION

Successful social systems must operate largely on “trust” because not all negative behaviors can be policed because they are not observed. Trust is not a novel concept; it is as old as the Bible. Leviticus (19:18) famously states: “...You shall love your neighbor as yourself...” Rabbi Akiva, the monumental Talmudic sage, comments that “this principle is of the greatest importance in the Torah, God’s law” (Rashi).² Indeed, the notion of reciprocal trust and respect may be found in many religions.

Why is this so important? The entire verse, only a portion of which was just quoted reads as follows: “You shall not take revenge nor bear a grudge, and you shall love your neighbor as yourself; I am God.”³ Biblical scholars ask what is the difference between revenge and a grudge? Isn’t it all just a feud? We all recall the notorious 19th century feud between the Hatfields and McCoys. Their long-standing feud manifested in terrible violence.

The famous 11th century French biblical commentator known as “Rashi” averred that taking revenge is as saying “I won’t do for you because you didn’t do for me.”⁴ In contrast, bearing a grudge is as saying “although you did not do for me, I will, in fact, help you.” There is obviously an implicit and substantive moral superiority intended in this latter view of bearing a grudge, but there is much more.

The provision of assistance to another person automatically elicits reciprocal trust – even from those with whom you were earlier at odds. Whether it be taking revenge or bearing a grudge, such actions are simply not virtuous. At the individual level, trust invites positive mutual exchange; it must first, however, be demonstrated behaviorally. Trust, however, may not be expected from everyone. One must therefore distinguish between basic and “professional” trust. For this, one may examine Aristotle’s ethics.

BASIC TRUST

Aristotle espoused an ethical philosophy referred to today as “Virtue Ethics.” Think of Aristotle today, not as a philosopher in the modern sense, but as a scientist. True, he was concerned with “philosophic” issues, such as metaphysics and more, but he was most interested in studying plant and animal life. It was as a scientist that Aristotle developed his system of ethics.

² Translated by the author.

³ Translated by the author.

⁴ Translated by the author.

As a scientist, Aristotle carefully studied and categorized many species of animal and plant life. Aristotle was concerned with finding the “Arete,” or “excellence” in Greek, in the numerous species that he studied. He sought to discover their special qualities or excellences, as it were. Perhaps he found that birds were excellent due to their ability to fly; perhaps fish were excellent for their swimming. Arete, is translated commonly today as “virtue,” or “manliness” in Latin, to be sure a mistranslation of the original Greek intention.

In humans, he identified numerous virtues, to use the modern phrase, which made our species excellent.⁵ These virtues could be developed and nurtured by education and habituation. When a person’s virtues are most highly developed, he would achieve “eudaimonia,” a phrase usually translated as happiness, but more accurately referring to a state in which one may be “flourishing.” Unlike the Bible, the wisdom of Confucius or Buddha, and many others who wrote about, or otherwise listed, various virtues, Aristotle’s virtue ethics was systematic.

What is remarkable here about Aristotle’s ethics is that it is directed inwardly, that is, for the benefit of the individual rather than for other people, or toward the fulfillment of some objective ethical principle. One usually thinks of ethical people or ethical behavior as selfless; by way of contrast, Aristotle’s ethics is, oddly, but compellingly, selfish. For Aristotle, ethical behavior provides for no greater good, nor does it satisfy some universal principle, as the moderns would have it over two millennia later. Is such behavior a social phenomenon, one, which may be learned or copied? What does this say about generalized ethics and basic trust?

MORAL DEVELOPMENT

Aristotle advocated moral education and habituation. He believed that ethics may be taught, and that by practicing virtuous behavior one can eventually assimilate such qualities into his character. Indeed Maimonides, a medieval Jewish theologian and neo-Aristotelian philosopher, advocated the practice of virtue even when one did not “feel” virtuous; for example, he wrote that if one gave small amounts of charity on a regular basis, he would not feel that he is giving away much and would not experience any financial burden, but would develop over time a regular charitable habit (Mishneh Torah).

Regarding moral education, there has been some controversy as to whether ethics can be taught after a certain age. One researcher (Bigel, 2002) found that moral education can indeed be conveyed in the business school setting effectively; this study was effected experimentally by means of administering a well-know psychometric measure of moral development known as the Defining Issues Test (or “DIT”).

⁵ Aristotle identified many virtues and among them four principal virtues, which he regarded as “cardinal”: prudence, temperance, courage, and justice.

All measures of moral development, and certainly the DIT, rely on moral principles, such as the social contract, utilitarianism, and deontology, and the subject's ability to reason accordingly. No known measure of moral development tests, or measures, one's level of "virtuosity." Moral principles, as distinct from virtue, lend themselves more readily to professional ethics than to street (i.e., generalized) ethics. For example, it is difficult to assess fiduciary standards on the basis of Aristotelian virtues, but it readily translates into utilitarian or deontological language. However, in contrast, Aristotelian virtues may be applied both to the street and to the professional. The basis for a professional relationship is trust; this quality is absent in street ethics, which tends to be impersonal, although not exclusively.

DISCUSSION: PROFESSIONAL TRUST

It has been shown in the cases of the interviewees that trust is largely contextual. A famous judicial case is illustrative of the dichotomy between basic and professional trusts. In this case, a legal dispute between two erstwhile business partners, *Meinhard v. Salmon*, rose all the way to the Supreme Court of the United States (1928).

Salmon obtained a lease from a third party and Meinhard provided the financing. After twenty years, at the term of the lease, the property owner, who had dealt all along with Salmon exclusively, offered Salmon alone, and not Meinhard, the opportunity to lease a much larger property, which subsumed the earlier one. Salmon agreed, and Meinhard, upon learning of this, sued his former partner on the premise that the very opportunity to renew and expand the lease belonged to their expired joint venture. Salmon, as managing partner, owed a fiduciary duty of loyalty to Meinhard, the financial partner, in relation to the new opportunity – or so it was claimed.

Of this Justice Benjamin Cardozo famously wrote:

A trustee is held to something stricter than the morals of the marketplace. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior.

Interestingly and importantly, there were dissenting opinions, which held, as it may be understood, that events subsequent to the dissolution of the partnership are of no import. Alternatively, as a practical matter, it may be argued that the offer belonged to the expired partnership because it emanated from that previous relationship. The question, again, is whether the partners' relationship is professional or merely competitive, albeit occasionally cooperative.

Ethically, it may be argued, Salmon did not treat his partner as he himself would have wished to be treated. They had a long-standing and intimate business relationship, yet did not nurture among themselves the trust that marks a professional relationship.

Trust is something one merits because one earned it through demonstrated reliability. There was once a highly successful television commercial for a

brokerage firm, starring the venerable British actor John Houseman. The ad's famous refrain was: "We make money the old fashioned way; we earn it!" What they were really saying is that you can trust us – in spite of our being greedy capitalists, in the most pejorative sense. Implicit in this statement was their brokers' candid sharing of information – consistently and reliably. To be sure, many viewers did not buy into that line, but the ad campaign was hugely successful. People demand integrity and respond positively to those who exude and demonstrate trust and honesty. From here it is but a small step to the larger economic context.

THE ECONOMIC ARGUMENT

Kenneth Arrow discussed trust in a professional venue (1973). He implicitly distinguished between the professional's and the commoner's ethics. Most experienced adults understand "street ethics," and are wary of the used car salesman's propositions. However, we typically imbue our teachers, physicians, and personal advisors with a great deal of trust; therefore, professionals must earn our trust. In the short-run, there are clearly many economic benefits associated with telling lies or not being entirely candid, as illustrated by the Meinhard v. Salmon case. In the longer-term, other considerations come into play.

Arrow (1972, 1973) promoted good ethics on the basis of "economic efficiency" (1973, p. 345). To him, in a world, which is naturally suffused with information asymmetry, i.e., wherein knowledge is not evenly dispersed, economic efficiency is enhanced when people transact business with one another on the basis of "trust"; in the end, all society is better off. His base example is similar to that of the physician who betrays his patient's trust - and the Hippocratic Oath. We trust the physician; we trust that the physician accurately diagnoses us, and that her treatment is effective and efficient. Doctors, we believe, do not provide medical solutions that do not serve the best interests of their patients. To be sure, this is not always the case, unfortunately. Abuse of trust may, in certain instances, result in the deprivation of the license to practice certain professions.

Accordingly, betrayal on the part of a mere few physicians would have a ripple effect, resulting in reduced public confidence in the profession, higher costs, and lower net revenues. Public health would decline and all of society would suffer.

If a patient did not trust his doctor, he would go to another physician for his medical needs. If many physicians acted in a less than trustworthy manner, people - en masse - would turn away from physicians in general, turning perhaps instead to barbers, in the medieval sense. In the end, the medical profession itself would suffer, and so too would medical care. (Today, of course, there are both medical malpractice and professional censure processes.) We would all be worse off. Similar, albeit less stark, arguments may be said of other professions and socio-economic relationships. This reasoning may be extended to all economic activities.

[A] great deal of economic life depends for its viability on a certain limited degree of ethical commitment...There is almost invariably some element of trust and confidence. Much business is done on the basis of verbal assurance. (Arrow, 1973, p. 1).

Certain professions carry explicit standards, such as medicine, while others may have implicit standards of practice. In any event, Dr. Arrow's argument is of course, economic – and utilitarian. Most believe that greater and greater wealth is desirable, despite scientific evidence that greater wealth does not, in fact, increase happiness. In any case, market efficiency is usually assumed to be a good thing as it increases wealth. In spite of the evidence concerning happiness, most people desire greater wealth.

Arrow isn't the only one who held this view. Sen (1999) argued that trust is critical to the working of markets. The former Fed chief, Alan Greenspan, expands the point stating that we are, in this country, by and large, a trusting people, illustrating his point by reference to, of all things, the financial markets, to wit:

Despite each person's right in the West to file a lawsuit to address a perceived grievance, if more than a small fraction of contracts were adjudicated, our courts would be swamped to the point of paralysis. In a free society, the vast majority of transactions are thus, of necessity, voluntary.⁶ Voluntary, in turn, presupposes trust. I have always been impressed that in the Western financial markets, transactions involving hundreds of millions of dollars often are simply oral agreements that get confirmed in writing only at a later date, and at times after much price movement. But trust has to be earned; reputation is often the most valuable asset a business has (pp. 140-141).

Trust⁷ makes it easier, simpler to engage in economic exchange, and thus increases economic activity, and, ergo, wealth. What effect does trust have on the national and international economies?

TRUST AND THE MACROECONOMY

Some thinkers expanded these notions to the aggregate, national level. Donaldson (2001), borrowing from Ricardo's (1817) theory of "Comparative Advantage," argues that certain societies have competitive ethical advantages over others. He continues by citing Fukuyama (1995) who

⁶ I believe that Dr. Greenspan's use of the word, "voluntary," harkens back to a famous essay written by Dr. Milton Friedman (1970) in which he compares the capitalist system to socialism. Friedman states that capitalist markets are characterized by voluntary, non-coercive participation, whereas socialist markets are "unanimous," which I take as meaning that the socialist system requires participation in the economic markets as part and parcel of citizenship.

⁷ Roth (2009) adduces three distinct kinds of trust: (1) thick trust, or the kind of trust between family members, (2) interpersonal or generalized trust, and (3) systemic or institutionalized trust. It is generalized trust that is the focus of this paper.

posited that some societies have innate cultural advantages, i.e., a kind of “social capital,” which provides them with structural, ethical, and hence, competitive national economic advantages. This logic parallels Porter’s (1990) claim that some countries have certain intrinsic, structural advantages over others.

Positive ethical advantages, as it were, include the protestant work ethic, respect for intellectual property, protecting the environment, equitable distribution of “primary” (as opposed to “luxury”) goods so that no one lives in economic misery, and a lack of negative values and behaviors such as bribery. Whiteley (2000) indicated that trust reduces transaction costs, reduces abuses of public goods, and mitigates agency costs. He further asserted that “values play a key role in explaining cross-national variations in economic performance” (p. 460).

All told, these factors add to the “wealth of nations” in a manner beyond the famous considerations that Adam Smith (1776) posited. Societies exhibiting such positive traits benefit - in the aggregate. Is there any scientific evidence that countries with higher levels of trust benefit economically as manifested by higher growth rates?

Roth (2009) cites numerous studies correlating trust and economic growth. Interestingly, he also adduces some evidence that the relationship is possibly dynamic.

In countries with low initial levels of trust, an increase in trust leads to an increase in economic growth... In countries with high initial levels of trust, an increase in interpersonal trust leads to a decrease in economic growth... Once a threshold is surpassed, an increase in trust harms economic growth. (123-124).

The author provides no explanation as to why this phenomenon may be manifest. Roth’s focus was on increases rather than on absolute levels. He did not distinguish between generalized trust and subcomponents thereof, namely between street ethics and professional confidence. Finally, he used an instrument, i.e., the “World Value Survey” (WVS), which he confides “presents only limited data on trust” (p. 109). Roth cites Olson (1982) who asserts that advanced societies may develop and accumulate special interest groups, which harm aggregate economic growth (Roth, p. 106). In the end, Roth confesses that “it is possible that the findings are partly due to the omission of some variable not considered, or that measurement error affected the results, or that the model is misspecified in other ways” (p. 124). No doubt, an adequate philosophic framework has yet to be developed.

THE EFFICACY OF THE LAW

Why talk about trust and philosophy when society has mandated The Law to govern our activities? Can we not fall back on the law to ensure that trust and operating economic efficiencies are optimized?

New York State Governor Eliot Spitzer (2005) summarized his views about commercial and corporate ethics. Paraphrasing Robert F. Kennedy, Mr. Spitzer said that “if you don’t play by the rules because it is the right thing to do, do it because it is good for business and the economy.” This sounds much like Dr. Arrow; his statement is notably utilitarian. He added that there is a mistaken belief that law enforcement is bad for the economy based on the outdated notion of intrusive government regulation in the distant past. “Any of the targets of enforcement are now stronger companies.”

Let us examine three notable quotes:

1. The evidence is clear that the companies involved in these scandals were well aware of their wrongdoing. In fact, they had consciously decided to descend to the lowest common denominator based on the belief that competitors would violate the rules even if they didn’t. It was only when government stepped in to enforce legal and ethical boundaries that this downward spiral was stopped and true competition was restored.
2. Second, enforcement of the rules has helped prevent continued misallocation of capital. Honest companies could not attract capital in competition from hyped dot coms – they couldn’t grow and create jobs.
3. Third, enforcement of the rules has helped maintain investor confidence. They are now comfortable to invest.

Finally, Spitzer summarizes by stating that recent scandals have shown us that honor codes among CEOs failed, that board oversight hasn’t worked, that self-regulation failed, and that law enforcement worked. The scandals he, no doubt, had in mind then were Enron, Tyco, Worldcom, and numerous others that are rapidly fading from memory, given the pressing and prolonged effects of the recent sub-prime mess, and looming international economic and financial risks.

The law, however, is both a moving target and, by its very nature, incomplete. It is well-known that government prosecutors relish bringing cases against famous and well-heeled individuals and corporations in order to deter others from emulating their illicit behavior. Case law and precedents are established in this manner. Moreover, laws are not written for every possible action that one may do. What was once legal (i.e., not explicitly illegal) becomes illegal. In this manner, the law evolves.

CONCLUSIONS AND IMPLICATIONS: WHAT IS BETTER – PHILOSOPHY OR CORPORATE COMPLIANCE?

Since the passage into federal law of the Corporate Sentencing Guidelines in 1991, there has been an increasing focus on internal compliance and policy. How do rules-based compliance systems stack up against a more ethics-based compliance system? There are numerous faults with the corporate rule-based enforcement systems (Berenbeim and Kaplan, 2007):

1. A pure compliance, rules-based focus undermines the conditions and habits of mind necessary for ethics, such as principled, philosophic inquiry and autonomy;
2. Compliance rules often will squeeze out ethics; rules trump ethics;
3. Companies and individuals often avoid dealing with harder issues that a more values-based approach may require.

Ethical behavior first demands awareness (Rest et al. 1999) that ethical issues are present; secondly, some cognitive ability is required in order to engage in reasoning about the ethical matter, and, to ultimately, arrive at a decision (Bigel, 2002, 2005). Were recent financial miscreants aware of what they were doing – ethically? If so, did they pause to consider and think through its economic effects? Should they have? Enforcement, at times, is necessary, after all, especially insofar as it fosters deterrence.

The typical business relationship is characterized by the presence of a contract rather than by trust (Adkins). A trusting, or “covenantal” relationship, is better than the ex-post facto strong arm enforcement of the law. A professional relationship must deontologically reflect trust; professional oaths are often involved. While it is preferred that individuals cooperate with one another at the street level with absolute trust, the utilitarian benefits are not apparent and are usually of no concern to the individual. If we view business as a profession, it is morally imperative the business people comport themselves with the greatest degree of trust.

This discussion begs the real question. It has been a matter of great debate whether business management is a profession, as are the law and medicine, or merely a “street activity” (Khurana, 2007). Academic, as opposed to vocational, schools of business, have been promoting the professionalization of management for over one hundred years. Academic and the business community together must decide what they wish business and management practitioners to be.

SUMMARY

At the professional level, acting in a trustworthy manner is both a utilitarian good and a deontological imperative. Nevertheless, one cannot ever rule out the necessity of law and compliance. The age-old question of whether business is a profession precedes the level at which we must view the moral responsibilities of the business-person.

There is no doubt that, at the basic street level, trust provides a clear utilitarian advantage, however quixotic. Is there an ethical imperative at the level of street ethics? Various arguments may be made in favor of this position: egoistic,⁸ Aristotelian, or deontological, but not utilitarian as its adherents may feel disadvantaged. One may wish to earn a good reputation so that economic benefits come his way. A person may wish to develop

⁸ Many will argue that egoism, or the moral justification of an action based solely on selfishness, is not a moral principle.

personal virtues that exemplify excellence of character. Perhaps one believes that God is watching.

Why then do people leave good tips when eating at restaurants in faraway places to which they will never once again visit? A more integrative approach is required than those which have already been employed; this is especially necessary in the absence of professional ethics and regulation. Social science studies using surveys must be combined with philosophic and psychological frameworks in order to advance our knowledge of how economic markets and trust interact.

DISCUSSION

Most moral arguments concerning business decisions today rely on rule-based, deontological or religious foundations, rather than objectifying the morality of the means by which business is conducted. Even Adam Smith depended on aggregate economic outcomes that were clearly separate from the offensive intervening means of business themselves. He decried the means, but lauded the outcomes.

So far, no one has examined the nature of Utilitarianism, which is the principal basis upon which businesses operate in terms of its decision-making, as possibly being, at times, a viable and inherently moral rationale and decision tool. While Utilitarianism cannot be implemented in all cases, there are clear instances in which the means are intrinsically and immediately satisfying. This paper opens up the discussion of Utilitarianism as a viable mode of reasoning within a limited professional business context, i.e., that of Trust.

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INDIVIDUALIZED VERSUS INSTITUTIONALIZED SOCIALISATION TACTICS

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Abstract

The demographic shifts, the increased workforce mobility, and the shortage of skilled workers have led to a new thinking within the human resource management. To address this issue, organizations adapt their methods towards a higher focus on their employees. The purpose of this paper is therefore the identification of organizational socialization tactics which are classified into the individualized socialization strategy and the institutionalized socialization strategy. The institutionalized socialization strategy causes better results in terms of newcomer adjustment than the individualized socialization strategy. The results of this paper support this argument line and revealed that students in the DACH region differ in their organizational socialization preferences. A well-structured organizational socialization process, which considers newcomers' personality and demographic characteristics, can lead to a competitive advantage for organizations.

Key Words

Organizational socialization; socialization tactics; institutionalized socialization; socialization preferences.

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INTRODUCTION

For new employees the first days and weeks of their employment are often related to high levels of stress and anxiety (Van Maanen, 1978), as they are entering an unfamiliar environment (Louis, 1980). Literature often refers to this initial time as organisational socialisation. Organisational socialisation is characterised by newcomers' learning about the organisation, their work group, and the necessary skills and knowledge for their work tasks (Fisher, 1986).

This initial period of time is very crucial, both for the organisation and new employees, as newcomers are very receptive for new information during the organisational socialisation (Berthel and Becker, 2013). Moreover, newcomers realize during their starting time, if they fit to the organisation. This fact strongly influences their decision to stay within the company in the long run (Kammeyer-Mueller and Wanberg, 2003). Many new employees decide against their company, which leads to a high fluctuation especially in the first year of employment (Allen, 2006). A high fluctuation in the first year results in further consequence to a negative outcome for organisations, as the expenses for the recruiting and selection process will be higher than the actual value, which the new employee contributed to the organisation (Bauer et al., 1998).

Organisations have to be aware that the way how they treat their new employees has wide-ranging consequences. In fact, organisations have the possibility to influence newcomers' learning processes by the use of different organisational socialisation tactics (Van Maanen, 1978). Various organisational socialisation tactics not only have an influence on the organisational socialisation process itself, but also on newcomer's adjustment to the organisation (Gruman et al., 2006; Jones, 1986; Saks et al., 2007). Organisations can improve these organisational socialisation processes by the choice of appropriate organisational socialisation tactics and also by considering new employees' personality (Gruman and Saks, 2011). If organisations make investments in organisational socialisation practices that focus on newcomers' personality traits, there might be valuable changes in new employees' work quality and retention in the longer term (Cable et al., 2013).

Beside newcomers' personality traits, also newcomers' demographic backgrounds are important factors for the organisational socialisation process. Inexperienced respectively younger newcomers have to be treated in a different way, as they might require more information, structure, and guidance than older newcomers with more experience (Saks et al., 2007). Other differences might be seen between males and females, as it is likely that their reactions on different socialisation tactics vary (Lefkowitz, 1994). Bauer et al. (1998, p. 164) stated that "newcomers' preferences for different types of socialisation tactics is an issue that deserves future research attention". On the basis of this statement and the important personality traits of new employees, Gruman and Saks (2011) conducted a study, which shows socialisation preferences of Canadian students according to their

personality traits. However, it is not advisable to generalize the outcomes to other newcomers (Gruman and Saks, 2011), as cultural diversity might have an influence on socialisation preferences (Bauer et al., 1998). As there is no actual data about the DACH region in terms of students' socialisation preferences, our study analyses the organisational socialisation preferences of students in the DACH region and reveals preference differences according to their diverse personality traits and additionally their demographic characteristics.

ORGANISATIONAL SOCIALISATION TACTICS

New employees are in a so called anxiety-producing situation when they start in a new company. Newcomers are motivated to reduce the grade of anxiety and want to learn their new tasks quickly and carefully. In this context, organisational socialisation tactics are a crucial part for organisations and the whole socialisation process (Van Maanen, 1978). According to figure 1, Jones (1986) classifies the organisational socialisation tactics into the context, content, and social area, and differs between the institutionalised and the individualised strategy, which are considered as organisational socialisation strategies. The difference between the two strategies is that for the new employee the individualised socialisation strategy leads to a more innovative role interpretation, while the institutionalised socialisation strategy leads to a more custodial role interpretation (Ashforth et al., 2007; Jones, 1986; Saks et al. 2007).

The context area of the socialisation describes the way in which organisations provide the necessary information to new employees (Jones, 1986). The second area is about the actual content, which the given information to newcomers has, and provides newcomers' with specific information concerning their future organisational process like the timeframe of organisational socialisation. The third and last area is called social area and is focusing on social and interpersonal relationships between the new employee and responsible persons for the organisational socialisation process. Related tasks to the social area include the dealing with feedback, the identity recognition of the new employee and the new employee's support by a trusted organisational insider (Bauer et al., 2007).

Figure 1: Classification of Socialisation Tactics (illustration based on Jones, 1986, p. 263)

	Institutionalised	Individualised
Context Area	Institutionalised Context Tactics	Individualized Context Tactics
Content Area	Institutionalised Content Tactics	Individualized Content Tactics
Social Area	Institutionalised Social Tactics	Individualized Social Tactics

The institutionalised socialisation strategy provides new employees with information in a structured way and reduces thereby their grade of anxiety (Saks et al., 2007). By the use of the institutionalised socialisation strategy the values and norms of the organisation can be passed to the new employee more sophisticatedly (Cable et al., 2013). The institutionalised socialisation strategy has a positive influence on custodial role orientation, job satisfaction, organisational commitment, and the proactive socialisation behaviour of new employees. Furthermore, the institutionalised socialisation strategy has a negative influence to newcomers' role ambiguity, role conflict, and intentions to quit (Ashforth and Saks, 1996; Ashforth et al., 2007; Changhong Lu and Tjosvold, 2013; Gruman et al., 2006; Jones, 1986; Saks et al., 2007).

By using the individualised socialisation strategy, the organisational socialisation process is characterised by a certain absence of structure (Saks et al., 2007) and an approach towards sink-or-swim (Berthel and Becker, 2013). In a company, which applies the individualised socialisation strategy, new employees are often starting to work immediately at their workplace. Employees are expected to figure out the necessary skills and working procedures, as well as information about the organisation, on their own, without much help of a structured socialisation program. As the environment is defined by a very informal approach, new employees have to have a more proactive behaviour to understand the company's expectations and circumstances (Bauer and Erdogan, 2010). However, the individualised socialisation strategy provides the new employee with the possibility to develop his or her own point of view, which can lead to an innovative interpretation of his or her role within the organisation (Jones, 1986).

PERSONALITY AND DEMOGRAPHY IN THE ORGANISATIONAL SOCIALIZATION

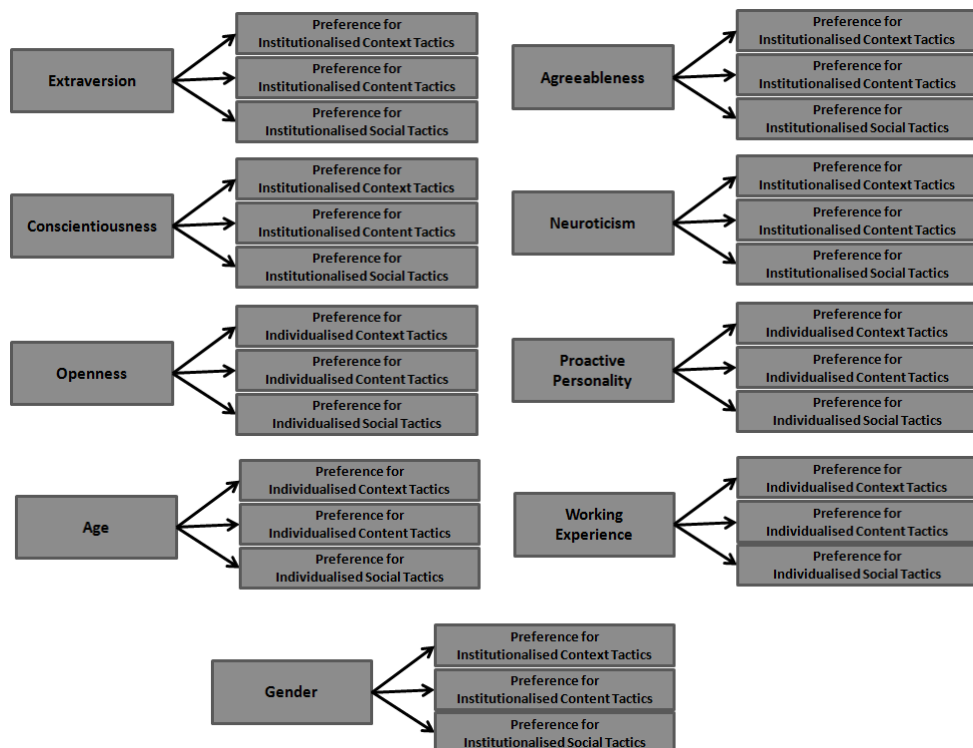
In the socialisation process, not only the choice of a socialisation tactic or strategy is important, but also the personality of new employees has to be considered. In fact, newcomer adjustment can be improved by socialisation practices, which focus on newcomers' personal identities (Cable et al., 2013). During the socialisation process newcomers not only seek to reduce their uncertainty and anxiety (Van Maanen, 1978), but also desire for certain grades of authenticity and self-expression. Socialisation tactics, which pay attention to new employees' personality traits, are more likely to be effective in terms of employment relationship between newcomers and organisations (Cable et al., 2013). Paying attention to the importance of personality for organisational socialisation, the socialisation should be adapted to newcomers' personality traits to a certain extent (Cable et al., 2013). This raises the question, which personality traits do have an actual influence on the preferences for the different organisational socialisation tactics. Some studies discussed this question (Bauer et al., 1998; Feldman, 1990; Gruman and Saks, 2011), and by using the approach of Gruman and Saks (2011), the following empirical study will examine the influence of six defined

personality traits to preferences for the different socialisation tactics. Also newcomers' demographic characteristics might have an influence on their preferences for socialisation tactics (Bauer et al., 1998). Therefore, the three defined demographic characteristics age, working experience, and gender will be examined regarding their influence to preferences for the different socialisation tactics.

Hypotheses

As stated by Gruman and Saks (2011), newcomers' personality traits do have an influence on socialisation preferences. Additionally, Bauer et al. (1998) outlined that newcomers' demographic characteristics might have an influence on their preferences for socialisation tactics. Based on these two statements, figure 2 shows the expected influence according to six personality traits and three demographic characteristics for newcomers' socialisation preferences, by the use of the illustrated hypotheses.

Figure 2: Influence of Personality and Demography to Socialisation Preferences



The first hypothesis questions the influence of students' extraversion to their preference for the institutionalised socialisation tactics. Extraverted persons are in this context described as persons, who are sociable, gregarious, assertive, talkative, and active (Barrick and Mount, 1991).

Therefore, we assume that students high on extraversion prefer the institutionalised socialisation tactics, as they like being around with other people and socialize with them (Gruman and Saks, 2011).

H1: The grade of students' extraversion has a positive influence to their preference for the institutionalised a) context, b) content, and c) social socialisation tactics.

The second hypothesis is about the influence of students' agreeableness to their preference for the institutionalised socialisation tactics. Persons, who have a high degree of agreeableness, are courteous, flexible, trusting, good-natured, cooperative, forgiving, soft-hearted, and tolerant (Barrick and Mount, 1991). Furthermore, agreeable individuals try to avoid controversies and are more likely to interact with other persons (Wanberg and Kammeyer-Mueller, 2000). Additionally to these facts, agreeable persons are accepting existing procedures in the organisation to a higher extent, whereby it is more likely that students high on agreeableness prefer the institutionalised socialisation tactics (Gruman and Saks, 2011).

H2: The grade of students' agreeableness has a positive influence to their preference for the institutionalised a) context, b) content, and c) social socialisation tactics.

The third hypothesis describes the influence of students' conscientiousness to their preference for the institutionalised socialisation tactics. A conscientious person is more likely to be careful, thorough, responsible, organized, hardworking, achievement-orientated, and persevering (Barrick and Mount, 1991). Based on the mentioned attributes, students high on conscientiousness prefer probably a socialisation that facilitates organisation and careful planning, which characterises the institutionalised socialisation tactics (Gruman and Saks, 2011).

H3: The grade of students' conscientiousness has a positive influence to their preference for the institutionalised a) context, b) content, and c) social socialisation tactics.

The fourth hypothesis illustrates the influence of students' neuroticism to their preference for the institutionalised socialisation tactics. Some attributes, which are describing a neurotic personality, are anxiousness, depression, angeriness, embarrassment, emotionality, and insecurity (Barrick and Mount, 1991). As neurotic persons tend to interpret new situations often very negatively (Wanberg and Kammeyer-Mueller, 2000), they are more likely to prefer socialisation, which gives them structure and social support (Gruman and Saks, 2011). Therefore, we assume that students high on neuroticism prefer more likely the institutionalised socialisation tactics (Gruman and Saks, 2011).

H4: The grade of students' neuroticism has a positive influence to their preference for the institutionalised a) context, b) content, and c) social socialisation tactics.

The fifth hypothesis deals with the influence of students' openness to their preference for the individualised socialisation tactics. Persons with a high grade of openness are characterised as imaginative, cultured, curious, original, broad-minded, and intelligent (Barrick and Mount, 1991). Considering the mentioned attributes, open individuals are acting basically more actively regarding the information and feedback seeking (Wanberg and Kammeyer-Mueller, 2000). In contrast to neurotic individuals, open individuals are more curious and tolerant about new situations, whereby it is more likely that students high on openness prefer the individualised socialisation tactics, as these tactics are less structured and offer a higher chance for creativity and innovation (Gruman and Saks, 2011).

H5: The grade of students' openness has a positive influence to their preference for the individualised a) context, b) content, and c) social socialisation tactics.

The sixth hypothesis describes the influence of the proactive personality of students to their preference for the individualised socialisation tactics. People with a proactive personality have a desire to influence their environment by their own actions (Kammeyer-Mueller et al., 2011). Therefore, it is more likely that students with a high grade of proactive personality prefer the individualised socialisation tactics, as these tactics give them a better opportunity to follow an innovative approach and change the status-quo (Gruman and Saks, 2011).

H6: The grade of students' proactive personality has a positive influence to their preference for the individualised a) context, b) content, and c) social socialisation tactics.

The seventh hypothesis in this paper is about the influence of students' age to their preference for the institutionalised socialisation tactics. A person's age influences his or her values and attitudes about work, ability for physical and mental functioning, and thoughts about everyday topics and concerns (Jackson et al., 1993). It is likely that older students react differently on socialisation tactics, as they have another kind of thinking than younger students (Saks et al., 2007). As older students are often more experienced than younger students and have a different self-evaluation, it is more likely that older students prefer the individualised socialisation tactics (Gruman and Saks, 2011).

H7: Students' age has a positive influence to their preference for the individualised a) context, b) content, and c) social socialisation tactics.

The eighth hypothesis is about the influence of students' working experience to their preferences for the institutionalised socialisation tactics. There might be a difference between inexperienced students and students with already some work experience, as inexperienced students have a greater need for information, structure, and guidance during the socialisation process (Saks, et al., 2007). Moreover, it is possible that more experienced students have different preferences, as they have already gone through some kind of socialisation before (Gruman and Saks, 2011). Therefore, it is assumed that students with a higher grade of working experience prefer the individualised socialisation tactics.

H8: The grade of students' working experience has a positive influence to their preference for the individualised a) context, b) content, and c) social socialisation tactics.

The ninth hypothesis is about the differences in preferences for the institutionalised socialisation tactics between male and female students. Men's and women's reactions on socialisation tactics are indeed different (Lefkowitz, 1994). Men are describing themselves as more mature, while important characteristics for women are their expressiveness and their concern for others (Lefkowitz, 1994). Generally said, it can be stated that men and women have a different social background (Alvesson and Biling, 1992), which leads to the assumption that there are gender differences in the preferences for the institutionalised socialisation tactics.

H9: There is a significant difference in preferences for the institutionalised a) context, b) content, and c) social socialisation tactics between male and female students.

METHODS

The target group for this study is defined with current students, who have their present main residence in Germany, Austria, or Switzerland. These three countries are defined in this paper as DACH region. During the survey period 322 participants have started the online-questionnaire. However, 60 participants did not finish the whole questionnaire, which implies a dropout rate of 18.63 percent. In consequence 262 fully completed and therefore valid questionnaires were received in total.

Subtracting eight questionnaires from non-student participants, in total 254 questionnaires were used for the data analysis process. The average age of the participants was 23.88 years with a range from 19 to 47 years and forty one percent indicated their gender as male. The average working experience was 29.88 months with a range from zero to 350 months. Regarding the current residence of the students 67 percent stated Austria, 23 percent Germany and 10 percent Switzerland.

To collect the necessary data, a questionnaire-link was distributed via available e-mail addresses of students and personal messages to other students via social media platforms. The link was valid and online from May 1st, 2014 until May 14th, 2014, which implies a survey period of exactly two weeks. As Malhotra (2012) stated, the distribution via e-mail and social media is a well-working way to generate a large number of responses. This data collection method has also the advantage that it keeps the costs on a very low level, as there are for instance no printing costs emerging for the surveys. As the data collection via e-mail and social media allows the researcher to customize the addressed persons (Malhotra, 2012), a random sampling was applied.

The random sampling is defined by the characteristic that every person in the target group has basically the same possibility to be part of the sample size (Oberzauchner, 2012). To fulfil this criterion of the random sampling, the so called snowball principle was approached. By the use of the snowball principle, the researcher can be supported by the help of other persons and institutions, which are distributing the questionnaire among their network. This way of collecting data is especially beneficial, if in a random sampling not all persons of a target group are specifically reachable, but reachable through the connection to other persons of the target group (Häder, 2010). As this situation is given for the target group of students in the DACH region, the snowball principle was applied in the data collection procedure.

After the completion of the data collection period, following statistics can be stated:

- 3,426 students were contacted via e-mail and 123 students were contacted via a personal message via social media platforms, which implies a total of 3,549 directly contacted students.
- 322 participants could be generated during the survey period, which results in a response rate of 9.07 percent.

By reviewing this statistic, it has to be mentioned that the used snowball principle is not included. As the 123 students, who were contacted via social media platforms, were asked to distribute and share the questionnaire-link to students in their own network, the actual response rate is probably lower than the presented 9.07 percent.

Five-Factor Model of Personality

For the first section, where data about students' personality characteristics were collected, five personality factors were used. The five-factor model with the factors extraversion, agreeableness, conscientiousness, neuroticism, and openness, is very robust and provides an adequate framework for the defining and testing of hypotheses in terms of individual differences in personality (Barrick and Mount, 1991). As scales, which are short in length, reduce some forms of bias caused by participants' overtiredness and carelessness (Podsakoff et al., 2003), the 10-item short version of the five-factor model by Rammstedt and John (2007) was used. Although there are some slight reliability and validity losses in comparison to the original 44-item

version of the five-factor model (John et al., 1991), it is argued that for research, where time is limited, the 10-item short version is an adequate assessment of personality (Rammstedt and John, 2007). For the five-factor model, the participants provided responses on a 5-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree"). The higher the scores on each scale, the higher was the participant's personality characteristic for the queried personality trait. The negatively polarized items were recoded before the analysis tests started. The coefficient alphas for the five factors were: Extraversion ($\alpha = 0.815$), agreeableness ($\alpha = 0.687$), conscientiousness ($\alpha = 0.739$), neuroticism ($\alpha = 0.756$), and openness ($\alpha = 0.743$).

To collect data about the proactive personality of the participants, a modified 10-item scale by Seibert et al. (1999) was used. In comparison to the original 17-item scale by Bateman and Crant (1993), the losses in terms of reliability and validity are minimal, whereby the shortened version "appears to be comparable to the full 17-item version" (Seibert et al., 1999, p. 419). As already mentioned, a short questionnaire length prevents some bias (Podsakoff et al., 2003), which supports the use of the modified 10-item scale. For the modified 10-item proactive personality scale, the participants provided responses on a 7-point Likert scale ranging from 1 ("strongly disagree") to 7 ("strongly agree"). The higher the scores on each scale, the higher was the participant's grade of proactive personality. For the proactive personality factor the coefficient alpha was ($\alpha = 0.812$).

The third section of the questionnaire asked participants about demographical characteristics. This section includes questions about participant's current student status and current main residence, which are both criteria for exclusion, if participants stated no respectively if they stated other countries than Germany, Austria, or Switzerland. The next demographic variable is the question about the participants' work experience in months, which was collected to examine the eighth hypothesis. The final two questions about participants' age and gender were used to examine hypotheses seven and nine.

Students' preferences for the organisational socialisation were ascertained by using the 30-item measure developed by Jones (1986). As our study is about students' preferences for the different tactics, the original items were slightly transformed to give students the possibility to express their preferences. In this context, students were asked to imagine a situation, where they start to work in a new organisation and could decide how they would like to run through the first 90 days of employment. The participants provided responses on a 7-point Likert scale ranging from 1 ("strongly disagree") to 7 ("strongly agree"). The higher the scores on each scale, the higher was the participant's preference for the institutionalised socialisation tactics. To ensure that this statement is also valid for the negatively polarized items, these negative items were recoded before the execution of the analytic tests. The adjusted coefficient alpha for the three scales was: context ($\alpha = 0.732$), content ($\alpha = 0.748$), and social ($\alpha = 0.618$).

RESULTS

Table 1 shows the means and standard deviations of the three socialisation preference scales. In the first place it is important to mention that the results of all three areas indicate a general preference for the institutionalised socialisation, as they were all above the midpoint. Secondly, it can be seen that for the institutionalised context tactics the preference is higher than the preference for the institutionalised content and social tactics.

Table 1: Means of Socialisation Areas

Descriptive Statistics for the Socialisation Preferences			
	Context Tactics	Content Tactics	Social Tactics
Mean	5.122	4.865	4.995
Standard Deviation	1.435	1.515	1.414

To test the first six hypotheses of our study, three multiple linear regressions were conducted. For each of these regressions one area of socialisation tactics was regressed on the six personality variables. Table 2 summarizes the outcomes of these analyses.

Table 2: Multiple Linear Regressions for Personality Variables and Socialisation Tactics Preferences

Multiple Linear Regressions			
	Context Tactics	Content Tactics	Social Tactics
Extraversion	-0.144*	-0.091	0.010
Agreeableness	0.123	-0.020	0.028
Conscientiousness	0.147*	0.190**	0.108
Neuroticism	0.062	0.132*	0.147*
Openness	0.047	0.048	-0.009
Proactive Personality	0.072	0.201**	0.124
R²	0.051*	0.090**	0.041
Adjusted R²	0.028*	0.068**	0.018

N = 254 / * $p < 0.05$ / ** $p < 0.01$ / The values in the table are standardized beta weights (β)
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As indicated in Table 2, the personality variables show a significant amount of variance in the context socialisation tactics ($R^2 = 0.051$, $p < 0.05$) and the content socialisation tactics ($R^2 = 0.090$, $p < 0.01$), but no significance in the social socialisation tactics ($R^2 = 0.041$, $p > 0.05$). Among the six personality variables, extraversion was negatively and significantly related to the institutionalised context socialisation tactics ($\beta = -0.144$, $p < 0.05$). Conscientiousness was positively and significantly related to both the institutionalised context ($\beta = 0.147$, $p < 0.05$) and institutionalised content ($\beta = 0.190$, $p < 0.01$) socialisation tactics. These results support the hypotheses 3a and 3b. Neuroticism was positively and significantly related to both the institutionalised content ($\beta = 0.132$, $p < 0.05$) and institutionalised social ($\beta = 0.147$, $p < 0.05$) socialisation tactics. These results support the hypotheses 4b and 4c. The proactivity personality of students was positively and significantly related to the institutionalised content socialisation tactics ($\beta = 0.201$, $p < 0.01$). For the personality variables agreeableness and openness no significant relation to at least one of the three socialisation tactics could be identified.

Table 3: Simple Linear Regressions for Age and Socialisation Tactics Preferences

Simple Linear Regressions			
	Context Tactics	Content Tactics	Social Tactics
Age	-0.130*	0.037	-0.047
R ²	0.017*	0.001	0.002
Adjusted R ²	0.013*	-0.003	-0.002
N = 254 / * $p < 0.05$ / ** $p < 0.01$ / The values in the table are standardized beta weights (β)			

To test hypotheses seven and eight, simple linear regressions were conducted. For each regression one area of socialisation tactic was regressed on the single independent variable, which results in three simple linear regressions for both hypotheses seven and eight. In Table 3 the outcomes of the age-related regression can be seen.

The outcomes of the simple linear regression conducted to test hypothesis seven show clearly that students' age is negatively and significantly related to the institutionalised context socialisation tactics ($\beta = -0.130$, $p < 0.05$), while there can no significant relation be seen between the age and the content or social tactics. These results support hypothesis 7a. Table 4 shows the outcomes of the simple linear regression to test hypothesis eight.

Table 4: Simple Linear Regression for Working Experience and Socialisation Tactics Preferences

Simple Linear Regression			
	Context Tactics	Content Tactics	Social Tactics
Working Experience	-0.188**	0.053	-0.049
R²	0.035**	0.003	0.002
Adjusted R²	0.032**	-0.001	-0.002
N = 254 / * p < 0.05 / ** p < 0.01 / The values in the table are standardized beta weights (β)			

The results given in Table 4 are revealing very similar results to the previous age-related investigation. It can be seen that students' working experience is negatively and significantly related to the institutionalised context socialisation tactics ($\beta = -0.188$, $p < 0.01$), while there is no significant relation between working experience and content or social socialisation tactics. These results support hypothesis 8a. To test the ninth hypothesis of our study, Student's t-test was conducted. However, before conducting the actual t-test, the one-sample Kolmogorov-Smirnov test was done to identify, if the requirement in terms of normal distribution was fulfilled. As both groups (males and females) are normally distributed in the context of each of the three socialisation tactics, the requirement is fulfilled and Student's t-test can be applied. For Student's T-test both Table 5 and Table 6 are important to interpret the results. Table 5 shows a descriptive statistic about the two comparable groups including differences in terms of mean, standard deviation and standard error mean. Table 6 shows the actual significance of the illustrated differences from the Table 5 and provides information about the applicability for the basic population.

Table 6: Gender-Related Descriptive Statistics**Descriptives**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Context Tactics	Male	104	6.603	1.145	.112
	Female	150	6.958	0.909	.074
Content Tactics	Male	104	6.274	1.257	.123
	Female	150	6.410	1.007	.082
Social Tactics	Male	104	6.305	0.987	.097

	Female	150	6.413	0.845	.069
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According to Table 5 the two groups of the independent variable (male and female) differ especially among the mean of context socialisation tactics (male = 6.603 / female = 6.958). Table 6 shows the investigation about the significance of the differences from Table 5. Firstly, Levene's test for the equality of variances was conducted. While the context and the social tactics have no equal variances ($p > 0.05$), the content tactics have equal variances ($p < 0.05$). This indicates a significance level for the context tactics $p = 0.009$, for the content tactics $p = 0.341$, and for the social tactics $p = 0.364$. These results support hypothesis 7a, as for the context socialisation tactics it can be stated $p < 0.05$.

Table 6: Student's T-Test for Two Independent Samples (Males and Females)

Independent Samples Test						
		Levene's Test for Equality of Variances		T-Test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Context Tactics	Equal variances assumed	1.574	.211	-2.75	252	.006
	Equal variances not assumed			-2.64	187.99	.009
Content Tactics	Equal variances assumed	5.361	.021	-.95	252	.341
	Equal variances not assumed			-.92	189.07	.361
Social Tactics	Equal variances assumed	.877	.350	-.94	252	.350
	Equal variances not assumed			-.91	199.61	.364

DISCUSSION

Similar to the results of Gruman and Saks (2011), our findings confirm that personality traits have an influence on the socialisation preferences. Gruman and Saks (2011) detected that especially students' agreeableness significantly influences students' preferences for all three areas of institutionalised socialisation tactics. Moreover, they stated that students'

personality traits influence above all students' preferences for the institutionalised social socialisation tactics. In fact, students' grade of agreeableness did not significantly influence students' preferences for any of the three areas of socialisation in this study. The results indicated rather that students' grades of conscientiousness and neuroticism are the most important personality traits in predicting students' preferences for the institutionalised socialisation tactics. Also the second main statement by Gruman and Saks (2011) could not be approved, as our study indicated that students' personality traits influence above all students' preferences for the institutionalised content socialisation tactics. However, Gruman and Saks (2011) stated that students' personality traits significantly influence students' preferences for the institutionalised content tactics, which underpins our results.

Beside the two mentioned comparisons, the investigations in terms of proactive personality revealed a quite unexpected result. Although it was assumed that students with a high grade of proactive personality prefer more likely the individualised socialisation tactics than students with a lower grade of proactive personality, the results show the exact opposite, especially for the content socialisation area. These results are partly the same like the results by Gruman and Saks (2011), with the difference that in our study a much higher significance can be seen. A possible reason for this result might be that newcomers need a structured socialisation process before they are able to act out their proactive personality by seeking for feedback and building relationships (Griffin et al., 2000). The results of the three demographic related hypotheses indicate a clear trend that students' demographic characteristics influence above all students' preferences for the context socialisation tactics. A main statement in this regard is that the higher students' age respectively working experience, the more likely are their preferences for the individualised socialisation tactics. Reversing this statement, it can be concluded that especially young and inexperienced students are more likely to prefer the institutionalised context tactics. This fact is underpinned by the argument that especially young and inexperienced newcomers' have a greater need for information and structure in the socialisation process (Saks et al., 2007). Young newcomers prefer a formal and more collective socialisation, which represents the two main characteristics of the institutionalised context socialisation tactics (Feldmann, 1990).

In regard to potential gender differences in the preferences for the institutionalised socialisation tactics, the context area showed significant differences between male and female students. In fact, the results indicate that female students prefer the institutionalised context socialisation tactics significantly more than male students. This supports the view by Lefkowitz (1994), who stated that men might see themselves as more mature, while for women it is more important to be in contact with others. As the institutionalised context socialisation includes formal and collective socialisation tactics, women might prefer this tactics, as it enables them to be around with people. On the other hand, as men might feel more mature, a highly formalised and accurate socialisation process is perhaps not

compatible with their self-evaluation of being mature (Alvesson and Billing, 1992). To sum up the study results, three main findings can be stated. Firstly, and apart from the hypotheses, the study showed that students have a general preference for the institutionalised socialisation tactics. Secondly, in terms of personality especially students' grades of conscientiousness and neuroticism have the most significant influences for students' socialisation preferences. Thirdly, students' personality influences above all students' preferences for the institutionalised content socialisation tactics, while students' demographic characteristics influence above all students' preferences for the institutionalised context tactics.

LIMITATIONS

The target group for our study is strictly limited to current students from the DACH region. Associated to this target group, it is generally not advisable to generalise the results to other types of potential new employees, who have for instance no university education (Gruman and Saks, 2011). In terms of the study design, some further limitations have to be made. By the use of a cross-sectional design through different topics in the survey and self-reported data, a common-method bias might influence the results. The risk of such a common-method bias can be reduced through methods like the use of existing scales with multiple items, different scale anchors and values, and negatively worded items, which were applied in the questionnaire of our study. The use of self-report data is to a certain extent influenced by the respondent's mood and condition and therefore a risk in terms of common-method bias (Podsakoff et al., 2003).

CONCLUSION

Our study evaluated the topic organisational socialisation and focused in the first place on the different socialisation tactics and the classification of these tactics. The empirical part dealt with the socialisation preferences and potential differences regarding newcomers' personality and demographic characteristics. By using the available academic literature and the results of the conducted empirical study, the following can be concluded:

Organisational socialisation is an important topic for organisations, as the first days and weeks of a new employee are a crucial time for the further collaboration. In fact, organisations have the opportunity to influence the outcomes of the organisational socialisation by the use of different socialisation tactics and strategies. The tactics can be classified both in areas and strategies. The identifiable areas are the context area, which describes the way how organisations are providing the organisational socialisation process to new employees, the content area, which is about time regulations and the framework for organisational socialisation, and the

social area, which contains the interpersonal factor in the organisational socialisation of newcomers.

In terms of strategies two general strategies are identified in our study, the institutionalised and the individualised socialisation strategy. The main difference between them is that the institutionalised socialisation is characterised by a more formal approach, which leads to a more custodial role orientation for newcomers. In contrast to that, the individualised socialisation strategy is characterised by a more informal and flexible approach, which leads to a more innovative role orientation for newcomers. The institutionalised socialisation strategy generates beyond that positive outcomes for new employees' organisational commitment, job satisfaction, and proactive socialisation behaviour and negatively influences new employees' role ambiguity, role conflict, and intentions to quit. Our findings reveal that students' from the DACH region have a general preference for the institutionalised socialisation strategy. Considering the identified positive outcomes of the institutionalised socialisation tactics, this general preference is not very surprising, as the institutionalised socialisation strategy provides structure, guidance, and information that can decrease students' uncertainty and anxiety in the initial time of their employment.

Through the investigation of the nine stated hypotheses, it was revealed that students' personality and demographic characteristics do matter for their socialisation preferences. In terms of personality, students' grades of conscientiousness and neuroticism have the highest influence on their socialisation preferences towards institutionalised socialisation tactics, while students' grades of extraversion and proactive personality have only slighter influences. For the personality traits agreeableness and openness our study showed that both are actually not significantly related to students' socialisation preferences. With regard to students' demographic characteristics, it can be stated that students' age and working experience negatively influence students' preferences for the institutionalised context socialisation tactics. Furthermore, some significant differences could be detected between male and female students. To sum up, it can be concluded that students in the DACH region have a general preference for the institutionalised socialisation strategy. The degree, however, varies across students' personality traits and demographic characteristics.

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THE DIFFERENCE BETWEEN SUCCESSFUL AND UNSUCCESSFUL FRANCHISEES: AN INSIGHT INTO GERMAN FRANCHISE NETWORKS

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Abstract

The quest for finding suitable franchise partners has been a challenge for many franchisors across borders. The research results of this paper give hints for the question, which skills have to be strongly developed in order to select profitable franchise partners. For this purpose, data collection took place with mostly German franchisors that were asked to describe their point of view on their most successful and their least successful franchisees. The contribution displays the relevant skills and requirements of successful franchisees compared to unsuccessful franchisees. The skills and requirements are divided into hard skills, soft skills, and local knowledge. Each component of the three different skills is investigated for both groups. The differences are all in favor of successful franchisees. The range of values and their distinct relevance make a significant contribution to franchisee selection research and close a niche gap in literature.

Key Words

Franchising; franchisee selection; success criteria; skills.

INTRODUCTION

Franchising is a concept, which can be expressed as 'business to go'. It is an advantageous option for all who seek self-employment, but do not have an idea which direction to pursue. Countless companies use franchising as expansion strategy. The ready concept is sold to a candidate, who should be in a favorable position to execute, manage, perform the required results, and to actively contribute to the system's goals. The possibility to use the franchisor's experience and established brand prevents them to not commit common mistakes, and operate a known brand from one day to the other. This allows to save money, time and to achieve faster sales success. Entrepreneurs using franchising walk a less complex way of setting up a proven business idea. According to Bennett et al. franchising offers a high possibility of gaining superior standard of living, the option to receiving training on the job, and the chance to being one's own boss (Bennett et al. 2010, p. 102) while being backed up by an entire system. Franchising is an opportunity for job seekers, in case employment possibilities are scarce. However, especially young people may see a hurdle in paying the entry fee up front. The franchise fee is partly necessary to provide sufficient training to franchisees. These trainings influence franchisee satisfaction and may include sales, customer service orientation, time management, client conflict resolution, strategic business planning, leadership techniques, telephone behavior, client relationship, business knowledge, marketing knowledge, rhetoric, and presentation abilities (Beitraining et al. 2014, p. 29). In addition to trainings, another benefit of franchising lies in the regionally anchored social connections of franchisees on site. Most franchisors prefer franchisees, who have extensive local knowledge and who are well connected on site. The franchisee is in the entrepreneurial position to operate one or several units and to plan processes on site. Understanding the prevailing political environment and the way business is done in the region is a plus for any business operation. Even if a franchisee candidate has little or no experience in the chosen sector, the way franchising is set up, it is still possible for most companies to accept highly motivated individuals, who show their willingness to work hard and learn about new tasks.

LITERATURE REVIEW

Vertical cooperations have demonstrated powerful potential in retailing and service industries amongst others. Pairing parties to build a strong network and to develop competitive advantages has to be planned carefully. Several key success factors help to establish fruitful operations. Franchisee selection is one of them and is therefore a critical issue. Common goals and sustainable coordination between the franchisee and franchisor spur the strength of the networks as a whole. Attention for franchising has been rising and it has developed into an internationally recognized and reputable network strategy amongst small, mid-size, and large companies around the

world. By nature, franchising spurs rapid expansion within a company,¹ while at the same time it saves scarce resources of franchisees and franchisors.

As rapid expansion strategy, franchising is a favorable tool to save a franchisor's own human resources and investments, since suitable franchisees have knowledge of local markets, specifically cultural, geographical, linguistic, and political knowledge. Franchise systems have developed over time, adapted to special business needs, and increased network sizes. Franchising allows distributing a certain service or product through a developed business idea, or by providing franchisees access to certain sources of knowledge, technicalities, or other resources.

Doherty sets up two approaches for market selection and partner selection in international retail franchising: an opportunistic and a strategic approach. With the opportunistic approach, partner selection influences market selection. With a strategic approach, market selection influences partner selection. She found out that financial background, business know-how, local knowledge, shared understanding of business are key aspects for suitable franchisee prospects (Doherty 2009, p. 532-533). This result shows that the decision for a potential candidate has strong influence on several future steps of the business, as it reflects the market possibilities the candidate performs in.

Altinay uses Geringer's (1991) task and partner-related criteria² to group certain intangible assets and to infer an adequate choice for future franchisees in the hotel industry. Altinay names important partner-related aspects, such as reliability, commitment, culture, and experience, and defines significant task-related aspects, such as operational skills and resources. Depending on the stage in the selection process, task or partner-related criteria are of more or less importance. In the divisional/company level the emphasis is on task-related criteria, which can be seen in the importance given to managerial experience. Also, financial resources play a relevant role, as they are seen as vital point together with managerial experience to successfully operate a franchise unit. As far as marketing is concerned, customer perception reaches high importance. This results in the need for a franchisee to understand intangible asset issues. Another point is raised regarding knowledge and expertise, which the company determines vital and declares a high need for transmission among organizational member (Altinay 2006, p. 124-12). Nevertheless, relationships are of great significance and should be based on mutual evaluation long before an agreement is struck.

Partner-related characteristics are the center of Clarkin & Swavely study of a variety of industries, in which personal characteristics are compared and related. The characteristics examined are consistent to Jambulingam and Nevin's (1999) categories of financial, individual background, and personal characteristics. Though, in Clarkin and Swavely's study, personal interviews

¹ "Company" without further reference in this article is referred to as the company network of a franchise system, including franchisor and franchisee.

² Geringer 1991 first came up with task and partner-related grouping of characteristics.

were rated most important, followed by the applicant's financial net worth, and general business experience. Industry experience was rated least important (Clarkin & Swavely 2006, p.138-140). By citing Stanworth, Clarkin and Swavely announce that still many franchisors take their intuition and gut feeling into account. This result stresses the importance of attitude and personality of candidates (Stanworth & Kaufann 1995 cited in Clarkin & Swavely 2006, p. 140). It goes hand in hand with Jambulingam and Nevin's result, which also emphasizes the influence on personal attributes, when selecting a franchisee.

In a previous contribution, Clarkin and Swavely 2003 had similar outcomes, as personal interviews were rated highest. Interesting is the component of financial background, as the majority rated it third and fourth. Formal education and specific industry experience are seen to be less important and therefore support Jambulingam and Nevin's (1999) importance ranking. Should formal education influence a potential franchisee's ability to learn, then the training provided from the franchisor may have the desired effect. As seen in the results and to overcome this challenge, franchisors which rate formal education higher, provide more training days to their franchisees. Also franchisors who rate a franchisee background highly important, offer more training (J. Clarkin & Swavely 2003, p. 17-18).

Jambulingam and Nevin (Bennett et al. 2010, p. 102) published a numerously cited study in 1999, which is referred to in many articles around the world over decades. It indicates favorable criteria for desired outcomes by the franchisor. Desired outcomes are cooperation, franchisee opportunism, and satisfaction with business decision. Referring to Olm, Jambulingam and Nevin state in their literature review the classical categories examined in franchisee selection research: "financial capabilities, experience and managerial factors, demographic factors, attitudes/personality, and other" (Olm et al. 1988 cited in Jambulingam & Nevin 1999, p. 367). The results of asking current franchisees, instead of potential franchisees, demonstrate that franchisee selection criteria do influence franchisee outcome and improve the efficiency of the relationship during the time of the agreement. Out of five dimensions perceived, innovativeness and personal commitment were significant in all of the three models used in the study, whereas the desire for personal development was not significant. Also prior experience and risk taking made it on the list of top criteria. Demographics in general have no effect on outcomes, but age and gender do have a significant effect on opportunism, with men being more opportunistic than women, and women being more satisfied with their business decision. In addition, franchisee satisfaction rises, the more years a system has been franchising.

In Germany, Ahlert et al. replicate Jambulingam and Nevin's US study of 1999 and compare the German results with the US. Although the sample is much smaller than in the US study, a snapshot of the German situation is possible. The outcome in Germany showed an overall importance on sales orientation,³ commercial and trading knowledge, experience in the relevant

³ Sales orientation unites elements of service and customer oriented, show communication talents.

business sector, and strong personal commitment. When differentiating the ideal profile between retail and service industries, financial background forms a major element in the service industry. At the same time, the most important characteristic in retail is commercial or trade experience. The study further distinguishes between small, middle, and large systems. In systems of up to 30 members, personal commitment to continue the spirit and development is among the most important characteristic. Larger systems put more emphasis on the financial background of their franchisees. Overall, large systems demand more profile characteristics than smaller systems. This is due to their experience and need for expertise to continue a successful and running system (Martin Ahlert et al. 2006, p. 36-38).

DeCeglie collected several statements from franchisees about their opinion on most important characteristics and duties for being part of the network within the service sector. Among the most critical topics mentioned is ability to work with people, being able to provide training to employees, being growth oriented, willing to invest time and money, and putting in a lot of effort. Nevertheless, the franchisor still emphasizes the financial background as a prerequisite to start and advance the new business. Plus, a background in business or management, and industry experience are also necessities considered by the franchisor. Obeying to corporate rules and valuing the system by not inventing another strategy, is a must for the network and extremely important to the head of the questioned company of the study (DeCeglie 1993, p. 58).

Soontiens and Lacroix dedicated their time to an in depth investigation of the McDonald's organization in Australia. Measuring five factors of personality traits within the franchisee network thorough self-reporting, the McDonald's franchisee average profile was compared to the overall Australian habitant profile. Considering the vast experience McDonald's has gained over centuries, one can expect a well-developed franchisee selection process resulting in favorable candidates. McDonald's candidates show a comparably higher degree of organization, conscientiousness, outgoingness, activity, extraversion, spirit, hardness, security, relaxation, and are less neurotic. Soontiens and Lacroix state, that personality measures, amongst other factors, qualify to select appropriate franchisees or an organization (Soontiens & Lacroix 2009, p. 241-242).

Vaishnav and Altinay recognized cultural and ethical values, as well as commitment to be necessary selection criteria for future franchisees (Vaishnav and Altinay 2009). Altinay and Wang emphasize the multinational context of cross border business. A franchisee should be aware of the possible difference in a country, due to the possible cultural distance between franchisor country and franchisee country (Altinay and Wang 2006). In addition, Rahatullah and Raeside consider cultural compatibility as a success factor for franchising and important selection criteria (Rahatullah and Raeside 2009). When selecting partners in an international franchise organization, which might also displays cross-functional teams, it is highly recommendable to find compatible partners, who feel confident in the international environment of the franchiseship (Altinay 2006, p. 126). For franchisors it is of high value to find someone who already has the local

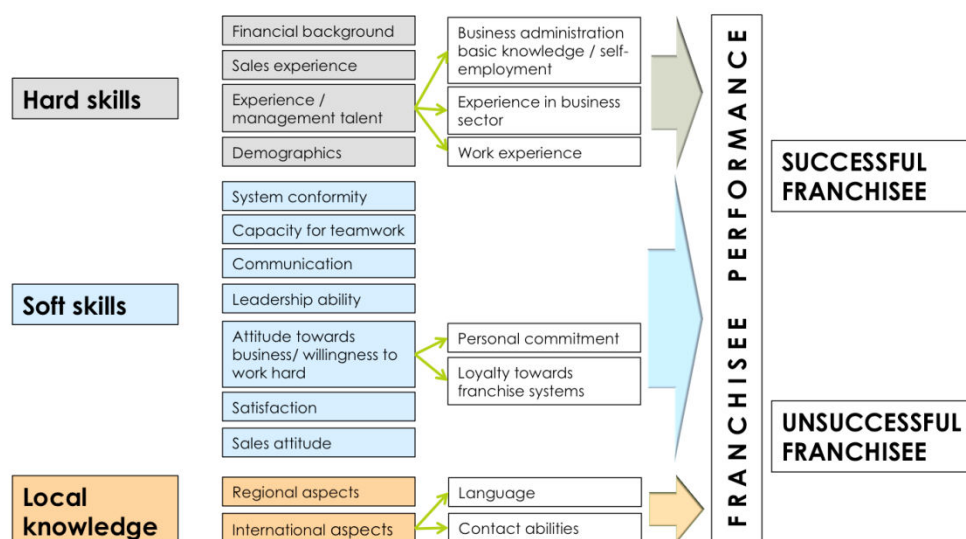
market knowledge (Brookes and Altinay 2011), so the franchisee is compatible with the market and has access to the market.

International business required local knowledge, in order to be prepared for the target market and the customer's needs on site. Based on the idea of defining different niches of criteria, the framework of this article focuses on skills. The definition of so called soft and hard skills is commonly used in general language. While soft skills include for example sales orientation, involvement, team ability, flexibility, and leadership potential, hard skills give evidence about business experience, age, own assets, trading and commercial experience (Ahlert et al. 2006, p. 44). Most desired and required characteristics of franchisee candidates combine skills of both categories. Literature shows that soft and hard skills, as well as local knowledge are relevant factors to determine a favorable candidate profile.

Grounded in the findings of researchers on the topic, the research question of this paper is formed. What are the most developed characteristics of successful franchisees? In the course of the investigation, the author considers prerequisites for successful franchise partners and develops a three skill set model, which includes soft skills, hard skills, and local knowledge, called Gaul's Triple, displayed in figure 1. Possessing certain skills does help to execute tasks and overcome challenges. Nevertheless, they are no guarantee for winning battles or achieving success. Andrews and Highson recognize the "increasingly wide gap between the skills and capabilities of graduates, and the requirements and demands of the work environment" (Yunus & Li 2005 cited in Andrews & Higson 2008 p. 411). In the case of franchising, skills and capabilities are the necessary fundament, which is then complemented by specific training given by the franchisor at the beginning and continuously thereafter. The model containing elements of soft skills, hard skills, and local knowledge was first presented by Gaul in 2014 (Gaul 2014, p. 153-154).

METHODS

Franchisors are defined as individuals who own, manage, or recruit franchisees for their company, as well as individuals who support the franchisee relations team. On the one hand, interviewees were selected personally during the Franchise-Forum in Munich, Germany in the period 19th to 21st May 2014, when questionnaires were filled on iPads. On the other hand, email addresses were taken from the yearly print publication of the German Franchise Federation called Franchise-Ratgeber 2013/2014 (Deutscher Franchise Verband 2013). In addition, email addresses from the printed Verzeichnis der Franchise Wirtschaft 2013/2014 (Martin Schaefer 2014) were selected via stratified random sampling. In the period between 12th May and 21st July 2014 a total of 149 answers was generated, all of which count for the collection of successful franchisee data.

Figure 1: Gaul's Triple, including soft skills, hard skills, and local knowledge to determine franchisee success

For the questionnaire on unsuccessful franchisees, emails were sent to a selected database. A return of 59 questionnaires was noted. The response rate is about 69% as 300 franchisors were approached in total, regarding successful and unsuccessful franchisees. A total of 208 answers were collected. The group of successful franchisees includes 144 questioned persons. All of them answered questions on national selection. 86 answers out of 144 answers include national and international information on selection criteria. The group of unsuccessful franchisees includes 51 persons. Out of these 51 national answers, 33 answers also filled in the international selection criteria section. The collected data is displayed in categories of soft skills, hard skills, local knowledge and their sub-categories. In the case of successful franchisees, a total of 144 answers were taken into account and in the case of unsuccessful franchisees a total of 51 answers were taken into consideration. A summary of data collection steps is shown in table 1.

Table 1: Overview of steps executed for data collection from experts and franchisors

Date	Step	N generated	N national taken into account	N national and international
12 May 2014 - 21 July 2014	Online questionnaire: successful franchisees	149	144	86

21 July 2014 - 18 August 2014	Online questionnaire: unsuccessful franchisees	59	51	33
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Source: Author's own table describing primary data sources used in this research.

FINDINGS

The sample group of successful franchisees is comprised of 21% restaurants, 17% trade, 13% crafts, 39% other services, and 10% other business sectors. 85% of the franchisors are from Germany, 5% from Austria, 3% from Switzerland, 1% from the United States, and 7% from other countries. The division of origins of the franchise system is noted with 72% from Germany, 13% from the United States, 7% from Austria, 1% from Switzerland, and 7% from other countries. The number of franchisees in the systems questioned range from over 50 franchisees in 53% of the cases, between 21 and 50 in 20% of the cases, 11-20 franchisees in 12%, 5-10 franchisees in 5%, 1-4 franchisees in 5%, and other in 5% of the cases. For the group of unsuccessful franchisees 24% restaurants, 15% trade, 9% crafts, 47% other services, and 5% other business sectors. The group of successful franchisees bears a larger proportion of systems with more than 50 partners (52.7%) and also a larger proportion of systems with 1-4 partners (5.3%). In general, the group of unsuccessful franchisees bears less observations and less diversity, as far as the number of partners in the system is concerned. Other services still represent the largest proportion of participants of the study, and restaurants the second largest, followed by trade in both samples. The smallest is other sectors.

The values of the questions posed range from one (never) to five (absolutely) on a Likert scale. Interviewees considered the full range of choices as relevant to answering questions. Minimum values for unsuccessful franchisees range generally lower and for successful franchisees maximum values range higher. Moreover, means range higher for successful franchisees than for unsuccessful franchisees, which is expected. These results show that the questions posed do outlay characteristics, which show a distinction between the two groups.

The narrowest range for successful franchisees is shown in local knowledge (1.58) and soft skills (1.83). For unsuccessful franchisees these values are again local knowledge (1.85) and hard skills (1.77). The widest range appears for successful franchisees in communication (3.67) and demographics (3.67). The widest range for unsuccessful franchisee is displayed for financial background (3.33) and regional aspects (3.17). The importance of these components apparently is not seen similar by franchisors. The four minimum values (sales experience, capacity for teamwork, communication, leadership ability) at value 1.0 are, as expected, counted for unsuccessful franchisees. For successful franchisees, maximum values of 5.0 are reached for all components. Soft skills have a maximum of 4.96, hard skills 4.98, and local knowledge, 4.83. Their respective minimum

values are 3.13, 2.65, and 3.25. and fairly high compared to the minimum values of soft skills (1.63), hard skills (1.86), and local knowledge (2.25) for unsuccessful franchisees.

A ranking of mean values of all soft skills shows different results for successful and unsuccessful franchisees. Overall in the successful group, the highest means can be observed for "Will renew franchise contract most likely" with a mean value of 4.61, "Would recommend the system" (4.56), and "Are responsible" (4.46). This means, that a successful franchisee rates around 4.5 out of 5.0 in the top three positions. The average value for soft skills for this group is 4.1. A summary of values is shown in figure 2 (see Appendix).

Within the unsuccessful group, the highest means can be observed for "Are actively taking part in operations" with a mean value of 3.55, "Work over time on a regular basis without affecting them" (2.89), and "Would recommend the system" (2.83). This means, that an unsuccessful franchisee rates just above the middle value of 2.5 in the top three positions. The lowest values are recorded for "Work efficiently with own business figures" (1.29), "Exemplify the business to others through own life" (2.00), and "Motivate others" (2.06). These statements mean that unsuccessful franchisees are rather unmotivated in their acts and inefficiently working with their finances. The average value for soft skills for this group is 2.5. A summary of values is shown in figure 3 (see Appendix).

In the group of successful franchisees and the category of hard skills, the highest value is given to "Pay their franchise fees on time" (4.42), "Display corresponding attitude for company philosophy" (4.36), and "Do know their business sector very well" (4.24). These answers still range above the value of 4 and can be considered distinct. This group is extremely aware of their business situation and acts as part of the entire system. The average value for hard skills for this group is 3.2. A summary of values is shown in figure 4 (see Appendix).

In the category of hard skills, unsuccessful franchisees perform worst in "Leading their team well" (2.11), "Coach their own sales team" (2.18), and have a low mean value for being "Women" (2.21). According to the data, leadership skills and training skills seem underdeveloped. The average value for hard skills for this group is 2.7. A summary of values is shown in figure 5 (see Appendix).

Local knowledge for the successful group is led by extreme values of "Speaking the language on site fluently" (4.78), "Use modern means of communication" (4.58), and "Good knowledge of business code of conduct on site" (4.48). The top and third ranked criteria emphasize the urge to choose a local person from the area of the franchised unit. In addition, the ranking highlights the need for being up to date with modern technology, in order to take advantage of generally provided tools, but it is also an indicator of being able to use the tools provided by the franchisor, such as technical equipment and sales tool for example. The average value for local knowledge for this group is 3.7. A summary of values is shown in figure 6 (see Appendix).

In the category local knowledge, unsuccessful franchisees rated the following criteria lowest: “Communicate in a third language with franchisor (neither German nor English)” (1.38), “Speak English to communicate with franchisor” (1.97), and “Are well connected on site” (3.00). As one can see, the language ability and the personal connections on site are only barely developed and form part of the low performance context, in which the candidate is operating. When speaking English or a third language to communicate with the franchisor, there is a high potential of misunderstandings, in case neither or only one party talks in their mother tongue. The average value for local knowledge for this group is 3.4. A summary of values is shown in figure 7 (see Appendix).

Overall, the highest ranked means for successful franchisees are the willingness to renew the franchise contract, the use of modern communications, and the recommendation of the system. Especially for international operations the highest ranked characteristics are speaking the language on site fluently and a good knowledge of the business code of conduct on site. Overall, the lowest ranked means for unsuccessful franchisees are motivating others, exemplifying the business to others through their own life, and working efficiently with own business figures. Especially for international operations the most unsuccessful franchisees communicate either in English or in a third language (neither German nor English) with the franchisor.

Overall, mean values differ significantly between the two groups. The highest mean value is noted for local knowledge (4.0) in the successful group; the lowest mean value is stated for soft skills (2.5) in the unsuccessful group. According to these numbers, soft skills (4.2) are rated most developed for profitable franchise partners, whereas hard skills (3.6) show the lowest development amongst the skill set. The range of values differs least for local knowledge (1.6) and most for hard skills (2.4). This information hints towards a popular attitude of franchisors to value soft skills most, as the answers differ less. Local knowledge yields a very high value in mean and a low range value. In this category it is strongly assumed that the items surveyed were highly relevant to franchisors and their opinion is fairly similar. Even for unsuccessful partners, the range of values for local knowledge is low (1.9).

DISCUSSION

The research question posed in the introduction is: What are the most developed characteristics of successful franchisees? First, looking at the results of the collected and processed data for successful franchisees, soft skills display an overall mean value of 4.16, hard skills 3.64, and local knowledge show a mean value of 3.97. Ranking these mean values gives the impression that soft skills are most important followed by local knowledge, and hard skills. For the unsuccessful group the respective values are 2.52, 2.73, and 3.38. Here, a ranking of mean values shows local knowledge to be still more developed than, hard skills and soft skills.

Unsuccessful franchisees have least developed soft skills. Their successful counterparts have most developed soft skills. Soft skills present the largest gap in mean values. Second, the small gap between the groups concerning local knowledge may lay in the already careful selection procedure, when working cross borders. The items forming local knowledge are touching the very base of international business and therefore could be regarded and adhered to as obvious for franchisee selection. Third, franchisors were asked for their view on their network partners. The evaluation was therefore an external one, and not a self-evaluation. It was also franchisors who defined what success means to them and the ratings were executed according to their individual definition on success.

LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

Limitations arise due to the examination in only German speaking countries (Germany, Austria, Switzerland), with focus on Germany. Due to cultural differences in other nations, the most successful skill set may be perceived differently and results may differ. Another limitation is that the questions during data collection were directed to franchisors. This means, that the view from franchisees is not included. Therefore, one suggestion for further research is, using the model Gaul's Triple from a franchisee point of view. An additional limitation of this article is the examination of one point in time. No development or changes of situations are observed over a certain period. This again, is one aspect that is suggested for future research projects. Another limitation is the collection of data on existing franchisees, not future franchisees. This means that the examination of future franchisees may result in an incomplete skill set, as the one determined in this article. The reason is the possibility of learning certain points raised in the text, when starting the franchisee career. It implies that some characteristics can be developed over time and complement the existing skill set. A final suggestion for further research is therefore to compare franchisee applicants before they enter the system and with the point in time when they have successfully established their franchisee unit.

CONCLUSIONS AND IMPLICATIONS

The study delivers numerous results. First, the results show a straightforward difference between skills of successful and unsuccessful franchisees. In all questioned aspects, namely soft skills, hard, skills and local knowledge, successful franchisees score higher. Soft skills show the largest gap. For this reason, the practical implication for franchisors is to heavily investigate a candidate's soft skills, before looking at hard skills and local knowledge during the selection process. Certainly, the testing of certain skills is problematic during the selection process. However, overall the more emphasis is put on soft skills, the more likely the franchisee will demonstrate a successful profile.

Second, the way of franchisors defining success shall be clear to potential franchisees, in order to meet the expectations of the franchisor. The clearer the possible asymmetry of goals before entering the relationship, the better for all parties involved. Should success be defined fairly differently to one party, dissatisfaction in reaching common goals may be the result.

Opportunities for franchisors arise when implementing a detailed selection program, including testing soft skills, hard skills, and local knowledge. In addition, the study reveals the importance of soft skills, which need to be focused on when choosing a partner. At the same time, the franchisor has the duty to prepare the franchisee for the new routine and also for upcoming challenges. In this context, it is the franchisor's opportunity to allow hands on training to better getting to know the applicant before contracting. The summarized aspects will help both parties to yield a more desired result in a mutually benefitting environment. Consequently, a profound assessment by the franchisor is a positive opportunity for the franchisee to get an impression on the potential future franchisor. As a practical implication of the finding in this text, it is to say that franchise selection processes should enjoy the utmost attention by the franchisor and the franchisee. Due to asymmetry of information between the franchisor and the franchisee, it is the duty of the franchisor to treat the candidate fairly and ethically correct during the selection process and thereafter. Long-term goals and not short-term goals have to be the reason for cooperation. Overall, the needs of the franchisor have to match with the needs and prerequisites of the candidate. For this to match, a clear candidate profile has to be established, in order to build mutual success and satisfaction.

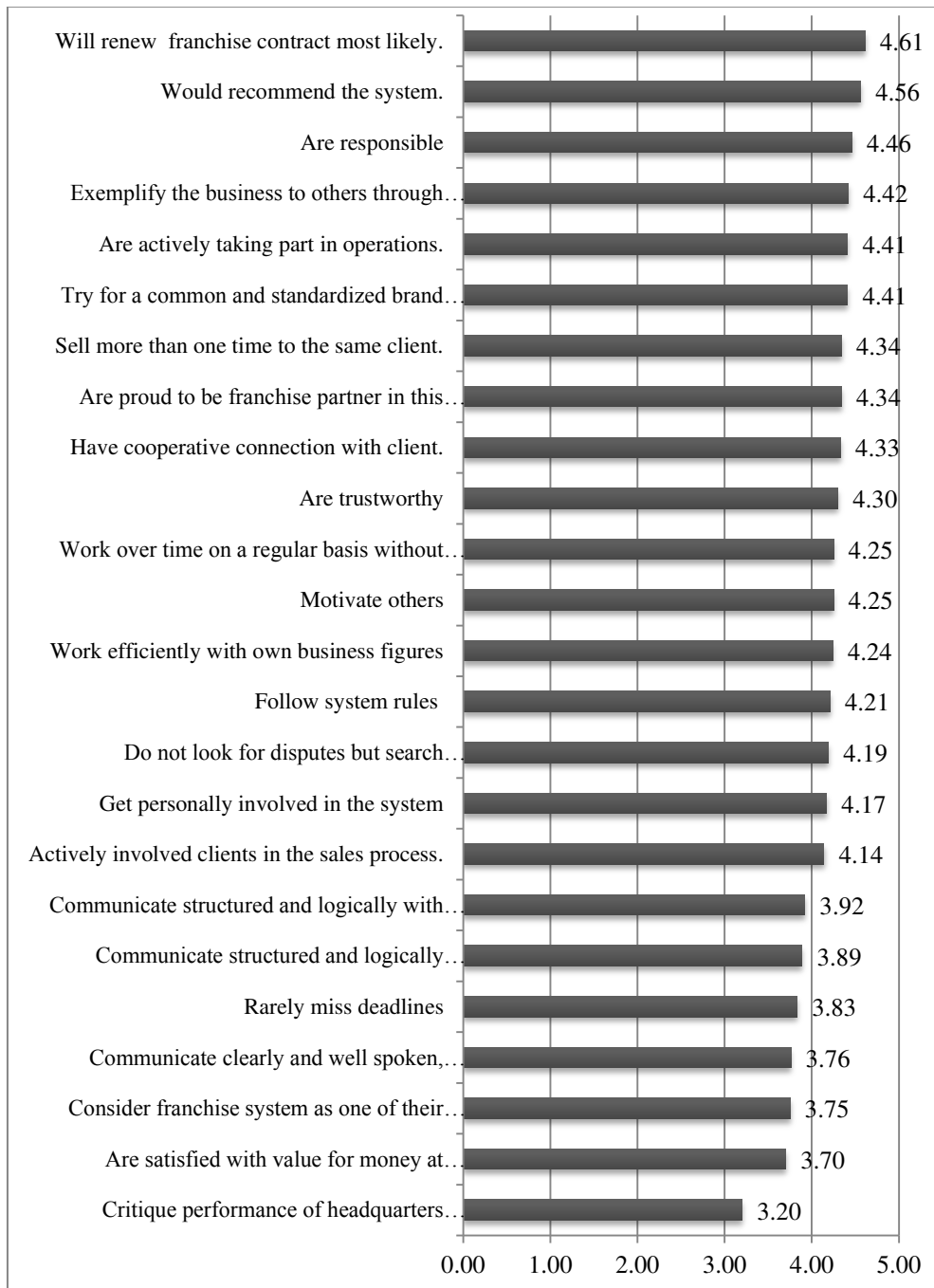
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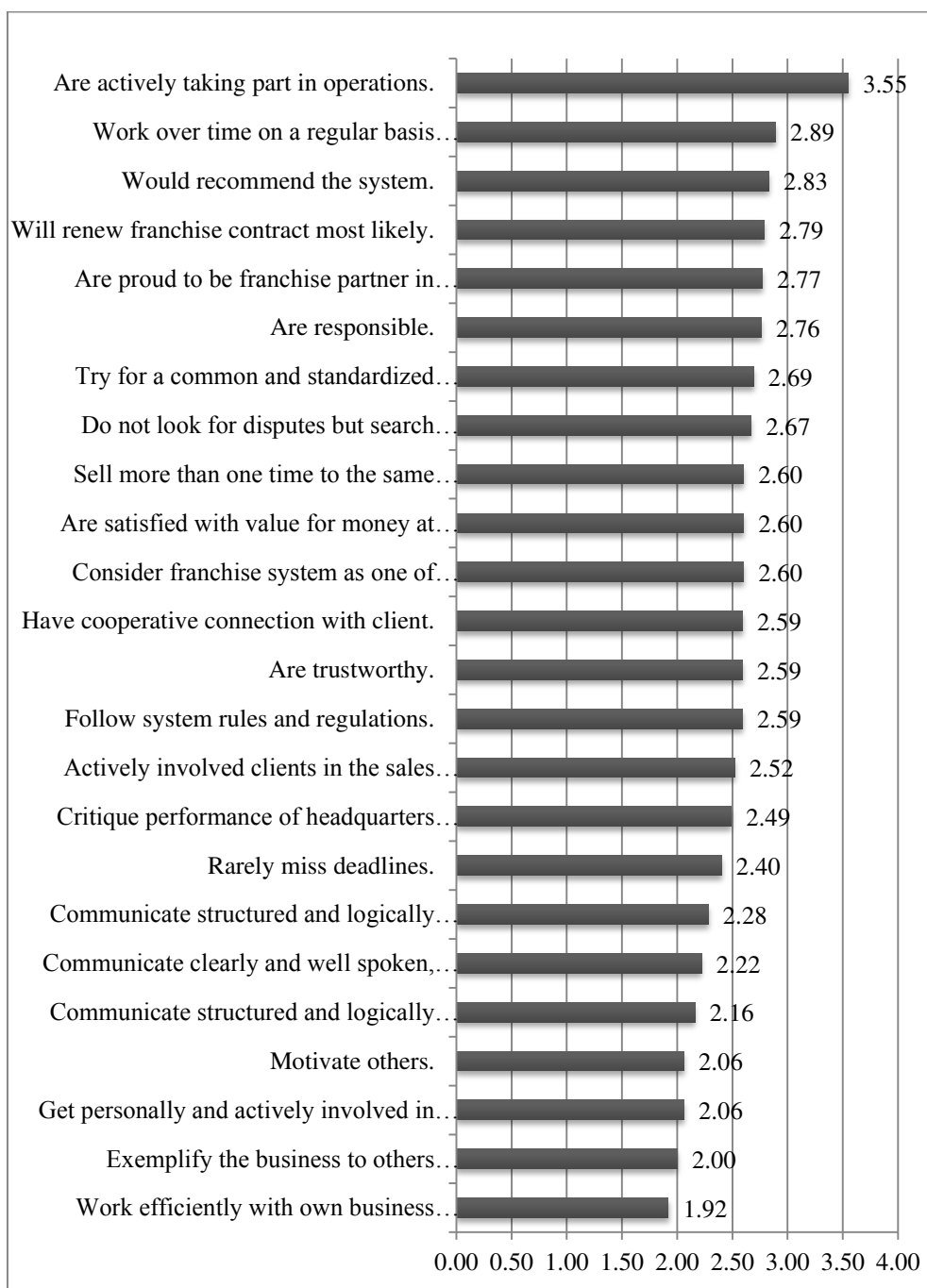
APPENDIX

Figure 2: Descending mean value for successful franchisees measuring soft skills



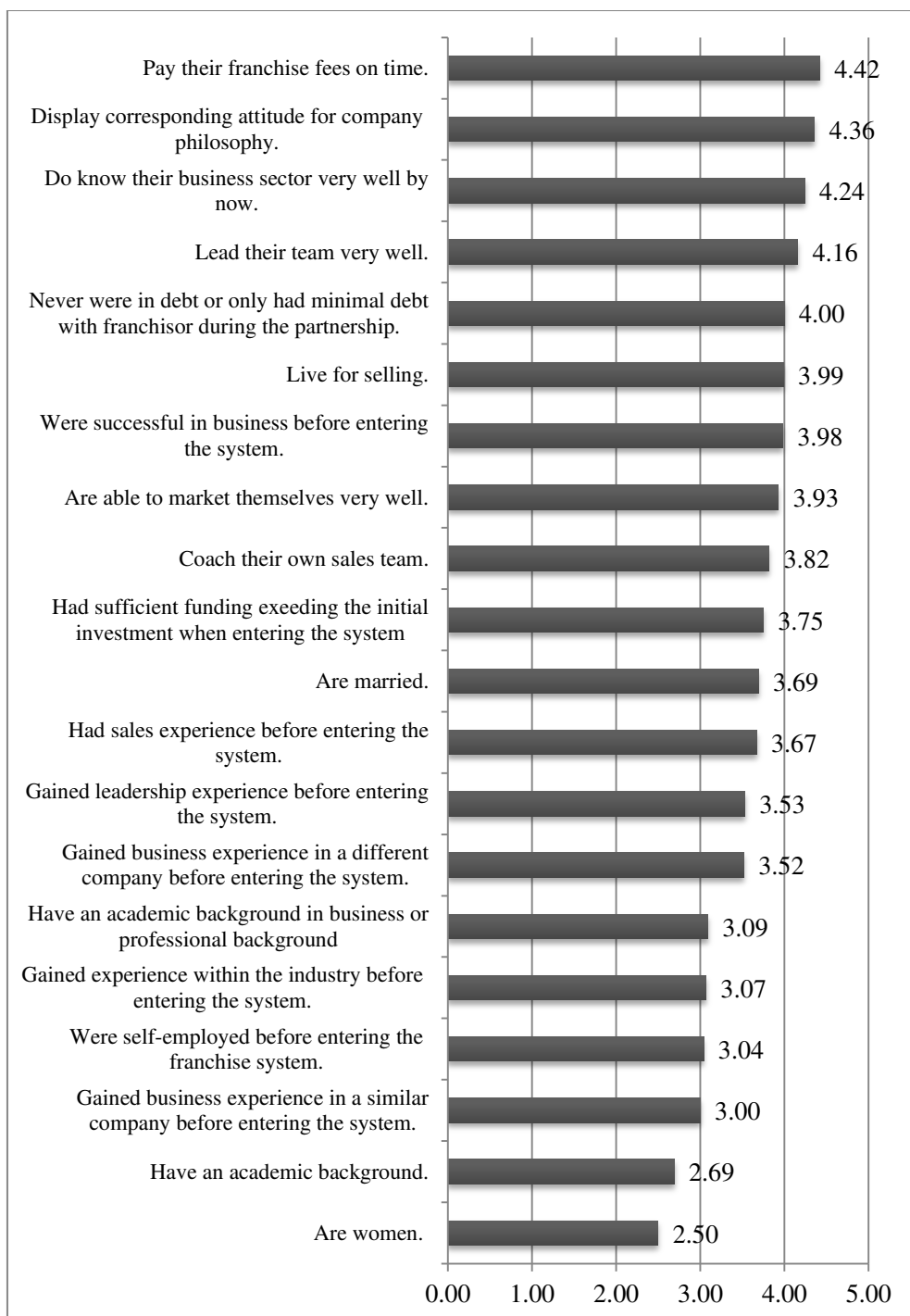
Source: Author's own research results based on primary data collected from franchisors (n=145); Scale ranges from 1 "never" to 5 "always".

Figure 3: Descending mean value for unsuccessful franchisees measuring soft skills



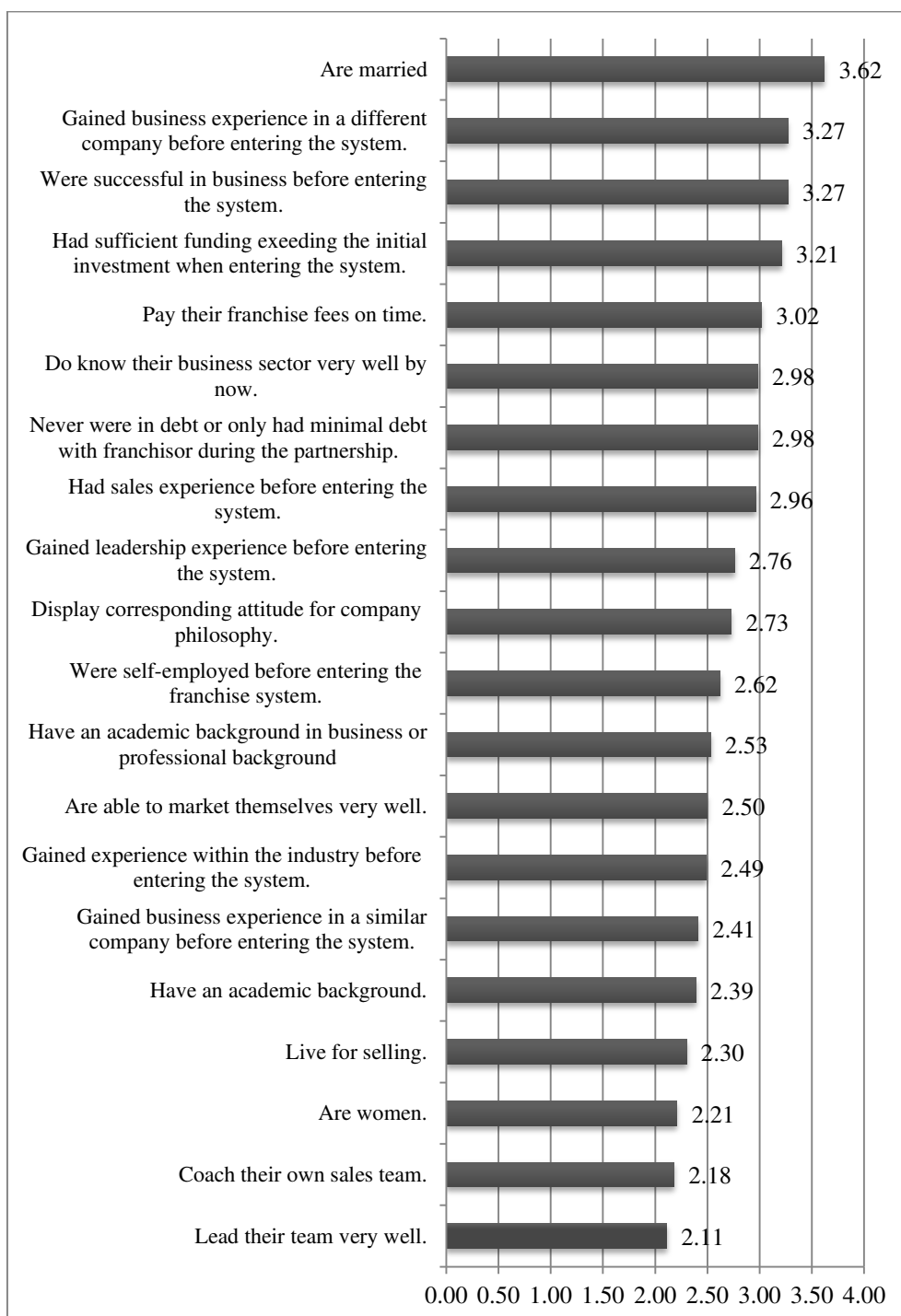
Source: Author's own research results based on primary data collected from franchisors (n min. 50 and max 51). Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

Figure 4: Descending mean value for successful franchisees measuring hard skills



Source: Author's own research results based on primary data collected from franchisors (n=140). Scale ranges from 1 "never" to 5 "always".

Figure 5: Descending mean value for unsuccessful franchisees measuring hard skills



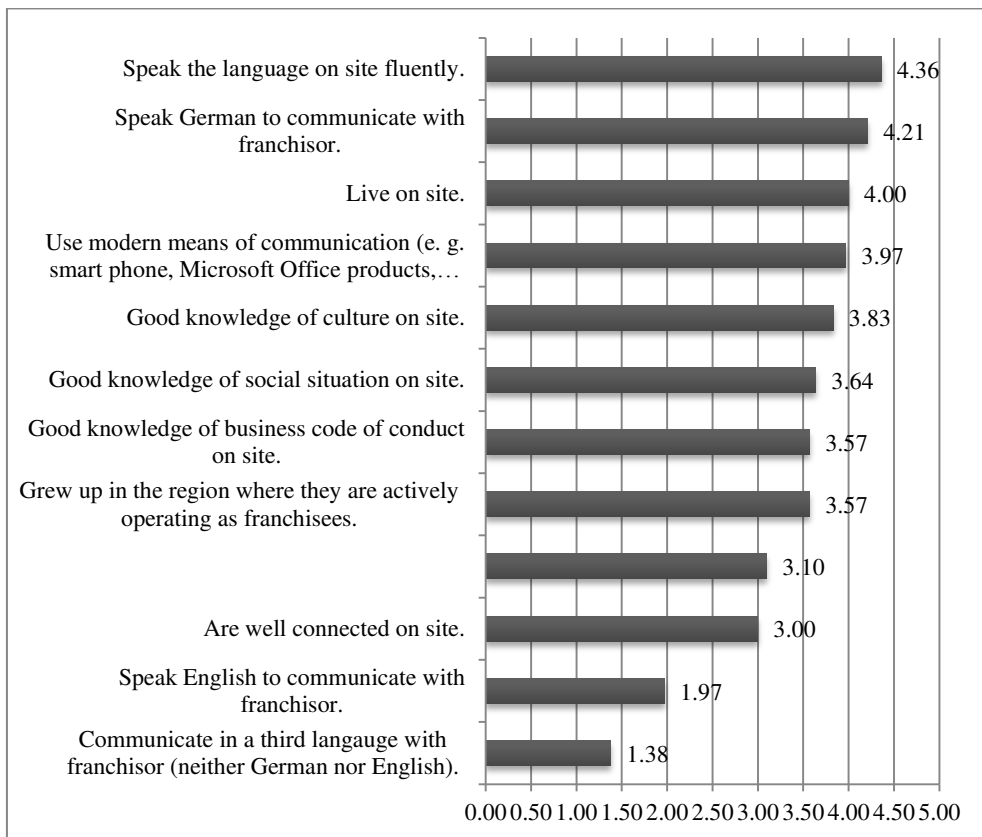
Source: Author's own research results based on primary data collected from franchisors (n=48). Scale ranges from 1 "never" to 5 "always".

Figure 6: Descending mean for successful franchisees measuring the skill local knowledge



Source: Author's own research results based on primary data collected from franchisors (n min. 87, n max. 140). Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

Figure 7: Descending mean for unsuccessful franchisees measuring local knowledge



Source: Author's own research results based on primary data collected from franchisors (n min. 34 and n max. 48). Scale ranges from 1 "never" to 5 "always". The reason for different sizes in n, is due to the fact, that the questionnaire also offered the option of not to answer certain questions.

CO-EVOLUTION OF DYNAMIC CAPABILITIES AND VALUE PROPOSITIONS FROM A PROCESS PERSPECTIVE

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Abstract

Managers need to be able to identify and develop their organization's dynamic capabilities for value creation opportunities. Although earlier dynamic capabilities literature has highlighted the importance of market creation, it has not examined dynamic capabilities and value propositions development process. Utilizing a modified steering wheel tool and a longitudinal case of a multinational enterprise (MNE) in ship building industry, we mapped the joint development of dynamic capabilities and value propositions. Our analysis revealed the developments to be accumulative and path-dependent. With this study we contribute to dynamic capabilities, MNE, and process research. Furthermore, we unearth critical events and paths for managers guiding their companies through the service business development process in our ever-globalizing world.

Key Words

Value propositions; dynamic capabilities; process; multinational companies.

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INTRODUCTION

A European-based global ship building company, founded over a hundred years ago has weathered and adapted to multiple industry changes. Already in the 1980s, this multinational enterprise (MNE) outsourced most of their production — first to cheaper labour cost countries in Europe and then later to China. More recently, the global economic downturn after the 2008 financial crisis created challenges for all the players involved in the industry. Instead of merely waiting for the global economy to recover, the company began to experiment in February 2013 with a solutions approach. Stunningly, half a year later they had signed their first 100 million euro deal. The success story made us interested in the questions that aim at looking beneath the surface: What capabilities enabled the company to provide a value proposition so different from their traditional product offerings? How did the company's dynamic capabilities and value propositions develop over time to reach a culmination in a solutions offering? The aim of the study is to increase understanding on how dynamic capabilities and value propositions coevolve.

Langley and Tsoukas (2010) noted that even if one knows that a certain organizational practice is more effective than another, this knowledge rarely reveals how one should adopt the better practice over time. Developing dynamic capabilities in order to provide better value propositions to customers provides such a challenge to many managers. The extant literature has explored capability development from various perspectives such as bargaining power (Coff, 2010), innovation (Agarwal & Selen, 2009; Lawson & Samson, 2001; O'Connor, 2008), internationalization (Prange & Verdier, 2011), IT infrastructure (Bhatt et al., 2010), managerial perspective (Ludwig & Pemberton, 2011), and process management (Benner & Tushman, 2003). Furthermore, the exploration has taken place in variety of company contexts: start-ups (Autio et al., 2011), SMEs (Branzei & Vertinsky, 2006; Mohannak, 2007), MNEs (Augier & Teece, 2007; Luo, 2002), emerging economies (Ludwig & Pemberton, 2011; Zhou & Li, 2010), and transition economies (Uhlenbruck et al., 2003).

What has been lacking though is examination of dynamic capabilities development from process perspective. Dynamic capability literature has been hampered due to little practical evidence for its propositions and poor understanding of specific processes within dynamic capability development (Ludwig & Pemberton, 2011; Schreyögg & Kliesch-Eberl, 2007). Furthermore, only few studies have examined dynamic capability literature in the context of MNEs (Pitelis & Teece, 2010) and service business development (Fischer et al., 2010). Providing compelling value propositions is of critical importance to MNEs, because they often have to create new markets (Teece, 2014). Thus, "an MNE's dynamic capabilities must be more amplified and leveraged than those of a firm with a less ambitious, purely domestic, focus" (Teece, 2014, p.29).

Pitelis and Teece (2010, p. 1248) highlighted that MNE literature would benefit from expanded economic lens in which "MNEs exist because of the desire by their principals (entrepreneurs) to create and capture value through

the establishment and design of organizations that help co-create cross-border markets, shape eco-systems, and leverage capabilities". More recently, dynamic capabilities-based theory of MNE has been discussed (Cantwell, 2014; Teece, 2014). In a similar manner, servitization has gained widely recognition over the last few decades, in particular as a way to maintain revenue streams and improve profitability (Baines et al., 2009). The servitization term was first coined by Vandermerwe and Rada (1988), but has since evolved to be understood as "the innovation of an organisation's capabilities and processes to shift from selling products to selling integrated products and services that deliver value in use" (Baines et al., 2009, p. 563).

In order to explore our phenomena of interest, we also adopt new methodological approaches from process research and hope along the way to further the dynamic capabilities research methods. This is also beneficial for the process research perspective as an increasing number of management scholars are conducting process research, but the number of process studies published in premier management journals has been lacking (Langley et al., 2013). We modify a novel approach developed by Halinen et al. (2013) from network process research, a steering wheel tool, and utilize it to analyse dynamic capability and value proposition development. Therefore, besides academic contribution to dynamic capabilities, MNE and process research fields, we hope to aid managers in navigating from traditional product-based business to service-based business in MNE context by expanding knowledge about the co-evolution of dynamic capabilities and value propositions necessary for business transformation.

In what follows, we first examine the theoretical foundation of dynamic capabilities and process research. We also identify a definition of value proposition for the context of this study. Next, we articulate the research methods chosen for event identification. Finally, we analyse the findings from the case study and discuss managerial and future research implications.

THEORETICAL BACKGROUND

Organizational resources and their management was identified as an important factor influencing firm growth already in 1959 by Penrose. Wernerfelt (1984) coined the term resource-based view (RBV) and emphasized the importance of focusing on firms' resources instead of their products. Barney (1991) presented the core tenets of RBV and defined the characteristics that make a resource to be a potential source of competitive advantage. Furthermore, RBV gained further prominence in 1991 through *Journal of Management's* special research forum, which helped to define "resources and capabilities as bundles of tangible and intangible assets, including a firm's management skills, its organizational processes and routines, and the information and knowledge it controls that can be used by firms to help choose and implement strategies" (Barney et al., 2011, p. 1300). Amit and Schoemaker (1993) further clarified the division of the overall construct of strategic assets into resources and capabilities.

Building on RBV, Teece et al. (1997) introduced dynamic capabilities framework in which assets, processes, and evolutionary paths are used to explain competitive advantage. Dynamic capabilities were defined as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997, p. 516). However, the line between dynamic and operational capabilities is often unclear and thus Helfat and Winter (2011) recommended recognizing capabilities that promote economically significant change as dynamic, even though the speed of change might appear slow. The framework is extremely relevant in our context of MNE business transformation as it highlights the importance of “identifying new opportunities and organizing effectively and efficiently to embrace them” (Teece et al., 1997, p. 509). Thus, “the microfoundations of dynamic capabilities — the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines — which undergrid enterprise-level sensing, seizing, and reconfiguring capacities” are essential for managers developing new value propositions (Teece, 2007, p. 1319).

The original context of dynamic capability framework, environment of rapid technological change, has expanded to cover more and more different sectors of the economy. This development has been propagated by “rapid innovation, globalization, and deregulation” (Augier & Teece, 2007, p. 185). One example of this are born global firms that engage in international business at a very early stage in their development (Weerawardena et al., 2007). On the other hand, dynamic capabilities hold implications also in more traditional industries such as ship building. Although the business has been described by the industry people as “slow-moving” and “conservative”, they also acknowledged that companies embracing the quickening pace of technology development position themselves for realizing competitive advantages and ensuring their company’s survival.

In order to learn more about capability development, the study of individual corporate histories as a fruitful approach for understanding the origins of capabilities (Nelson & Winter, 2009; Teece, 2012). Furthermore, dynamic capabilities framework’s focus on path dependencies — firms’ past investments and routines affecting its future behaviour — impel us to pay attention to how and why things develop over time. Although capability development is time-dependent, it does not necessarily produce immediate effects (Wang & Ahmed, 2007). However, once enterprises develop strong dynamic capabilities, they do not only adapt to business ecosystems, but also shape them (Pitelis & Teece, 2010; Teece, 2007).

A major way through which companies interact with the ecosystem is their value propositions. Value (Sánchez-Fernández & Iñiesta-Bonillo, 2007; Woodall, 2003) and value propositions (Frow et al., 2014) have been elusive concepts and often not defined clearly. Only recently have value propositions conceptualizations evolved from earlier value delivery and value exchange contexts to the ecosystem context (cf. Frow et al., 2014). Furthermore, value co-creation has emerged as a central focus in which for example suppliers and customers create value jointly (Prahalad & Ramaswamy, 2004, 2013). However, as in this paper the case firm serves as the focal point, a general

level value proposition definition according to Chandler and Lusch (2014, p. 3) as “invitations from actors to one another to engage in service” suffices. More specifically, these invitations are viewed as service providers’ offerings of facilitating the creation of potential value-in-use. Thus, “the service provider facilitates (e.g., produces and delivers) the customer’s value creation with resources/processes that are used and experienced in the customer sphere” (Grönroos & Voima, 2013, p. 143).

The value-in-use in the customer sphere can provide a combination of economic, financial, or social value for the customer (Chandler & Lusch, 2014). In addition, earlier Rintamäki et al. (2007) identified the key dimensions of customer value as economic, functional, emotional, and symbolic. In their framework, firms’ value propositions should be built on competencies and resources that can be utilized more effectively than the competitors, create differentiation, and result in competitive advantage (Rintamäki et al., 2007). This enables firms to create compelling value proposals that are more likely to be selected by customers amongst the multiple competing propositions.

METHODOLOGY

Exploring dynamic capability development from temporal perspective in order to understand how dynamic capabilities and value propositions impel or inhibit each other’s evolution over time requires empirically a novel approach. Process studies emphasize the centrality of time and incorporate “temporal progression of activities as elements of explanation and understanding” (Langley et al., 2013, p. 1). We adapted the steering wheel tool developed by Halinen et al. (2013) as it allows managers to unearth critical events and manage continuous change. However, we modified it so that it enables managers to follow event trajectories and from them to retrospectively analyse the development of dynamic capabilities and value propositions.

Philosophical foundation of the event-based analysis approach used on the steering wheel tool highlights “network processes as the focal phenomenon, managers’ sensemaking as the epistemological access point to process, and moderate constructionism as the ontological perspective on social reality” (Halinen et al., 2013, p. 1215). While we adhered to the rest of the points, our focal point was replaced by dynamic capability and value proposition processes. This allowed us to keep the process focus at the company level. However, the network aspect was not completely neglected since the event analysis included events on the network level impacting dynamic capabilities and value propositions development. Furthermore, the nature of value propositions was always exhibited and analysed in network context.

The steering wheel tool developed by Halinen et al. (2013, p.1214) perceives “processes as comprising sequences of connected events and activities that unfold over time in and around networks”. In particular, in process analysis events enable creating a narrative and formulating a case

analysis (Makkonen et al., 2012). Furthermore, events act as checkpoints as they can delimit the investigation period, define starting points of change processes and simply make change visible (cf. Halinen et al., 2013). As an example, events can occur at company level (e.g. changes in organizational structure, personnel, strategy), dyad level (e.g. closing long term contract and acquiring or replacing a partner) and network level (e.g. changes in industry or business environment due to recession or technological transition) (cf. Halinen et al., 2013).

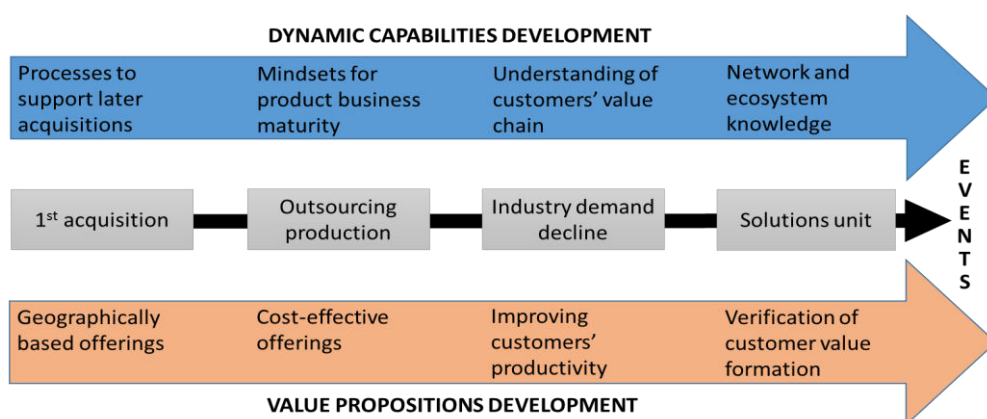
Longitudinal data for this study was obtained with mixed methods combining company archival data, interviews, and focus group interviews. The mixed qualitative data gathering was selected for the research in order to have rich, multi-perspective data. For example, archival data is suited for tracing event chronologies over long periods, while interviews provide more in depth information about contemporary processes (Langley et al., 2013). Triangulation was employed in order to ensure that multiple perspectives were gathered from the interviews. Furthermore, we were able to acquire interactional expertise before our interactions with the case company as we were assisted in the data collection by a fellow researcher with several years of industry experience (Collins, 2004; Langley et al., 2013).

Qualitative methods of analysis were employed with a focal firm perspective on dynamic capability and value proposition development. The key units of analysis included the case company history, development of its business offerings, key competitive advantages and their perceived origins. First we gathered information about what events managers identified as critical for the company development and why. We followed Weick's (1995) view that sensemaking involves retrospective and prospective thinking in order to discern an interpretation of reality. Then we utilized iteratively retrospective analysis to evaluate the events and created an analytical description of the process. This is similar to narrative as it has been seen as interchangeable with sensemaking and also as means to capture the outcome of collective sensemaking (cf. Sonenshein, 2010). The identified events and analytical description were then reviewed to map the development pathways over time.

ANALYSIS

Iterative, retrospective analysis of individuals' accounts and company material revealed shared perceptions about critical events, company's capabilities, and the nature of their offerings. The factors emphasized by multiple sources were highlighted and utilized to construct an overview of the development pathway shown in Figure 1.

Figure 1: Overview of case company's dynamic capabilities and value propositions development from 1980s to 2013



Overall, we identified a general trend on value propositions developing towards more service-based approach over time. Similarly, the data revealed development in perceived competences and capabilities that enabled and propelled this evolution. The critical events identified since 1980s included mostly internal changes, although few industry changes played part, too. The most often emphasized factor across company archival materials and individual accounts was mergers and acquisitions (M&A) activity over the years. Similarly to Jemison and Sitkin (1986), company managers acknowledged the process nature of the M&A activity and post-merger integration. Thus, even though all the acquisitions were performed for good reasons, the envisioned synergy realization did not always occur.

Out of the external factors affecting the company and industry, the 2008 financial crisis and the following economic downturn was identified as the most common critical event. It marked a turning point from previous years in terms of company's value proposition and dynamic capabilities development focus. Although external events provided more convenient temporal reference point, it is important to notice that all the identified factors were perceived as processes and thus had very vaguely defined start and end points that depended largely on individual perceptions and frames of reference. For example, the length of the employment at the case company affected individuals' viewpoints. In addition, the temporal continuum was emphasized as particular events and dynamic capabilities were felt to have affected the company's pathway and thus still influencing the company's activities today.

Event analysis revealed that the earliest critical event, the acquisition completed in the 1980s, was perceived by most sources as an extremely significant event and still affecting the company today. For example, a manager mentioned how still today, 4 decades later, they are trying to "*copy this [acquired company's] business model, without own production, good customer relationships...*" In addition, the significance of post-merger integration was highlighted as this was one of the rare occasions, when the acquired company's leadership took many of the key positions in the merged company, regardless that they came from a much smaller company. Furthermore, the acquired company had had a very global mindset to the

extent that the leadership was described to having planned to conquer the world. Thus, there was focus and vision that infused into the case company's organizational culture, though this was at times perceived as "our way or the highway" attitude. Although Monin et al. (2013) have highlighted the need for careful attention that should be given in post-merger integration to distributive justice, many interviewed individuals perceived benefits arising in this case from the unequal leadership position distribution.

For dynamic capability development, the acquisition provided a great opportunity for organizational learning as discussed by Vermeulen and Barkema (2001) and thus enhanced the viability of the over 10 mergers and acquisitions completed in the following years. Besides the earlier discussed culture and mindset changes that affected managers, the processes developed for integration provided experience and knowledge for carrying out other organizational changes. An example of such measure was transitioning from geographically based product offerings into common product centres that focused on particular products across all sales regions. The product focus was strong throughout the 1980s and the value propositions consisted of the company mainly describing what the products do, what the product specifications are, and utilizing the company's good reputation as an asset in sales situations.

Second critical event took place as the company outsourced their production. This happened quite early on and in fact the company was described to be among the first ones in the industry to outsource their production. The outsourcing led the company first to cheaper production cost countries in Europe and later, as globalization took hold, to China. To a large extent, it was seen necessary due to external factors affecting ship building such as labour costs, government subsidies and other benefits for the industry varying from country to country. Though at the time a difficult measure, it helped the company not to become prisoners of their own deeply ingrained assumptions (Henderson, 1994). One such assumption that was commented on by the managers was the belief that they were in product business. Discontinuing production allowed the company to develop more freely a service approach later. Furthermore, the organizational focus was forced to move from factories to customers. A manager emphasized the importance of the event as *"it actually cut the chains... they [the case company] followed the customer, not their own internal factory requirements"*.

In addition, closing production forced the company to face the reality that continuing the business in the old ways was neither sustainable nor always even possible. Thus, managers developed dynamic capabilities for sensing change and then reorganizing assets for a new business alignment. Furthermore, it allowed the firm to begin building offshoring capability (Doh, 2005). Also, the event helped the company to jumpstart the development of service offerings that became soon to dominate the company's market growth.

The timing of outsourcing was highlighted with the focus on cost-effectiveness in the value propositions. Moving manufacturing to cheaper production cost countries, allowed the company to continue offering

reputable products at a better price-point. However, the cost-effectiveness was still seen more as feature of the product. Thus, it was company-centric and did not place the customer into a more central role. Secondly, the nature of the value propositions evolved as without the firm's own production it became much more imperative to complement the product offerings with services. Thus, the company added value by adding services and this in turn raised questions about what is their core business and what are the businesses they should be in (Vandermerwe & Rada, 1988). Example of a potential mindset influence observed was that later M&A activity expanded the company's value propositions by widening the company's product portfolio.

The dwindling demand due to the 2008 financial crisis and following economic downturn, the third critical event, forced the company to further develop their value propositions. In the boom years, the focus had been to keep up production with the demand and now suddenly the company was challenged to provide more compelling value propositions in order to maintain the demand in difficult market conditions. The case company turned to examine various avenues of improving customer productivity. This drastic change and development of the value proposition was aided by the managers' mindsets that acknowledged business maturity due to the earlier outsourcing experiences. The managers described the case company actually privileged in comparison to many other players in the industry as they operated on the customers' revenue side. This meant that their offerings generated direct impacts on the bottom line and therefore it was easier to approach customers and discuss how their revenue generation could be improved. Detailed knowledge directly from the customers as discussed by Nonaka and Toyama (2007) was required on customers' value chains in order to map the needs for better value propositions. This enabled the value propositions to provide functional value in addition to economic value (Rintamäki et al., 2007).

The value proposition development was aided by the multiple M&A activities that had complemented the company offerings portfolio and thus allowed them to offer a full range of products and services. The case company's significance and ability to serve customers for more of their needs, further incentivized customers to enter closer collaboration. Furthermore, the knowledge gathered from the various product and service areas allowed for more in depth analysis of customers' productivity. Thus, to a large extent, the case company reaching this stage in the evolution of dynamic capabilities and value propositions was path dependent.

Similarly, the fourth critical event, the formation of the solutions unit, was enabled by all the previous steps. As Teece (2007) noted, the case company had many opportunities over its history to learn from the process of trial, feedback, and evaluation in order to develop solutions approach. In particular, the focus on customers' productivity had led to greater integration with customers and development of dynamic capabilities suited for sensing the ecosystem. This was perceived extremely beneficial since moving from offering products and services into jointly co-creating and co-developing solutions with customers required intrinsic knowledge about the customers'

operations and how their revenue generation operated. However, historical roots were also acknowledged as a manager commented on how “we [the case company] *have to be still competitive with traditional product business*” as it was seen essential for the solution value proposition. Thus, each of the individual components in the solution offering had to be competitive and cost-efficient in a similar fashion to earlier times instead of simply relying on the synergies created by the offering. This was seen essential for maintaining the company reputation and validating the value of their offering.

In addition, managers identified entrepreneurial capital as of critical importance for the solution unit’s success. Teece (2012, p. 1395) suggested entrepreneurial manager’s role to include also “transforming the enterprise and shaping the ecosystem through *sui generis* strategic acts that neither stem from routines (or algorithms) nor need give rise to new routines”. The interviews revealed that certain managers were indeed believed to hold such entrepreneurial capital and thus seen to propagate the change within the organization and the whole ecosystem.

The formation of solutions unit also ushered further evolution of dynamic capabilities and value propositions. Dynamic capabilities development focused on sensing, creating processes to identify and map out the ecosystem structure, in order to provide better value offerings for the existing customers and potentially to develop whole new customer segments. In fact, managers emphasized the importance of developing processes for gathering detailed information about the whole ecosystem in order to create value propositions for the future. Moreover, as discussed by Helfat and Winter (2011), the case company gained the opportunity to influence more effectively the ecosystem to its advantage and developed dynamic capability for market access. Thus, the dynamic capabilities developed could evolve in the future towards integrative capabilities aimed at the ecosystem and its stakeholders.

On the value propositions side, the focus began to include realized customer value verification. This required more relational interacting and for example benchmarking the company solutions to competitors’ offerings. However, this was perceived to further reinforce some of the company’s older assets such as reputational assets. Employing verification as part of the value proposition in sales situation improved the company’s reliability in the eyes of customers and provided additional assistance for customers in evaluating their capital expenditure. For the company, this allowed them to gather even greater amount of knowledge about the customers’ operations and thus improve their future value propositions.

CONCLUSION

This study responded to the needs of managers who are identifying and developing their organization’s dynamic capabilities for value creation opportunities. In particular, managers tasked with service business development have now an illustration of an MNE, a global ship building company, over three decades through the lens of dynamic capability

development. Furthermore, we contributed to empirical dynamic capability literature in MNE context with a novel process approach modified from Halinen et al. (2013).

The findings include that the dynamic capabilities and value creation opportunities co-evolve with each advancement providing new business prospects as well as resource alignment challenges. The case company's critical events included their acquisition in early 1980s that developed processes to support later M&A activities and early outsourcing of production enabling greater focus on value added services. Furthermore, later acquisitions offered opportunities to reconfigure resources and capabilities. In addition, industry demand decline and formation of solutions unit ushered the development of mindsets centred on improving customer productivity and verification of customer value respectively. We found the developments to be accumulative and thus path-dependent. Earlier developed capabilities supported later enterprise-level sensing, seizing, and reconfiguring capacities (Teece, 2007). Similarly, earlier developed value propositions provided essential knowledge required for evolving the value propositions more customer centred. This culminated in solutions offering that included verification of the delivered value to the customers.

Our case company's story supports dynamic capabilities relevance in MNE analysis. As dynamic capabilities-based theory of MNE is being developed (Teece, 2014), current managers can already now benefit from examining their companies event trajectories and capability development over time. The observed path dependency provides entrepreneurial managers (Teece, 2012) critical knowledge about the current direction and potential future direction of their dynamic capability and value proposition development.

Moreover, dynamic capabilities and MNE literature can benefit greatly from multidisciplinary approaches (Cantwell, 2014). We urge future researchers in the spirit of Langley and Tsoukas (2010) to examine how better practices can be adopted over time. Event-based analysis and process research tools provide a promising approach to scrutinize dynamic capabilities development. Our study alone opened multiple directions for future research. Employing the steering wheel tool by Halinen et al. (2013) in its original format, with network processes as the focal phenomenon, would allow mapping the development of value propositions in dynamic network context. This would provide examination of the process at a more complex and detailed level. In particular, performing data collection and analysis in real-time could provide richer picture of the organizational sensemaking. Furthermore, the steering wheel tool would allow evaluating the value propositions from the perspective of network power and shaping the ecosystem.

In addition, the microfoundations of dynamic capabilities at the level of managers deserve further examination. Our analysis revealed that the case company had entrepreneurial managers who had a critical role in transforming and shaping the ecosystem (Teece, 2012). Thus, examining the current and past managers' managerial cognitive capabilities in terms of sensing (perception and attention), seizing (problem-solving and reasoning), and reconfiguring (language and communication and social cognition) as

proposed by Helfat and Peteraf (2014) could provide insights into how MNEs build competitive advantages at the micro level. Similarly, Coff (2010) suggested examining how stakeholders plan rent appropriation as new capabilities are developed. All these could provide additional insights to the MNEs' co-evolution of dynamic capabilities and value propositions.

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ENTREPRENEURIAL ORIENTATION AND AGROPRENEURIAL INTENTION AMONG MALAYSIAN AGRICULTURAL STUDENTS: THE IMPACT OF AGROPRENEURSHIP EDUCATION

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Abstract

Entrepreneurship education has been acknowledged to have a significant role in promoting entrepreneurial intentions and assisting further development of enterprising citizens. Thus, agropreneurship education can contribute towards increasing entrepreneurial orientation and enhancing the intentions to become agropreneurs. This study therefore seeks to investigate the impact of agropreneurship education on entrepreneurial orientation and intentions of Malaysian agricultural students. Data gathered was analysed using partial least squares-based structural equation modelling (PLS-SEM). The results provide evidence that that agropreneurship education supplied by local higher educational institutions is sufficient in contributing to the development of students' entrepreneurial skills and intentions. The results also indicated that agricultural graduates' intention to become agropreneurs is substantially influenced by proactive orientation and agropreneurship education. Given the substantial role played by agropreneurship education in promoting entrepreneurial skills and intentions, it is desirable to revamp the educational system to encourage students to become more entrepreneurially oriented. Practically and managerially, the findings contribute to the educational providers in terms of helping them to design a well-directed

course curricular that may promote the development of agropreneurial skills and competencies among agricultural graduates.

Key Words

Agropreneurship education; agropreneurship intention; agricultural students; risk-taking; innovativeness; proactiveness; developing country.

INTRODUCTION

Malaysia is a federal constitutional monarchy with the economic contribution largely comes from service, manufacturing, and agriculture sectors. Given the world's current concern over food security and nutrition to the people, together with the concept 'agriculture is business', Malaysian government has placed a great attention to the development of modern agriculture in this country by encouraging more agricultural entrepreneurship activities or agropreneurship in this sector. Agropreneurship activities in Malaysia involve making profitable income by commercialising agriculture products from activities like farming, planting, fisheries, and animal husbandries.

The Malaysian government has shown serious commitment in modernizing this sector especially in the efforts to attract more young graduates to become agropreneurs. For example, in the 9th Malaysian Plan, RM511.9 million (approximately USD135 million) have been allocated with the target to produce more than 260,000 agropreneurs (Mohamed, Rezai, & Shamsudin, 2011) through the development of agropreneurship support programs including agropreneurship education (AE) and training. Billions of ringgits have also been allocated to conduct and support the agropreneurship programs such as the 'Young Agropreneurs' and 'My *Kampung* My Future' programs. To be exact, 1000 young agropreneurs (those who are 15 to 40 years old) are targeted to be produced in the year 2014 under the 'Young Agropreneurs' program (Abdul Kadir, 2014). However, despite the critical attentions and supports given by the government, the involvement of young Malaysians in agropreneurship activities is still very discouraging. According to Abdullah, Abu Samah, and Othman (2012), agropreneurship activities among Malaysian youth have accounted for only 26 percent. Therefore, the challenge now is to develop and increase the level of agropreneurial intention among this cohort. Studying people's intention to become entrepreneurs is very important as intention is known as the proximal determinant of human's behaviour (Ajzen, 1991).

The engines for agropreneurship development among young graduates are based on training and inculcating agropreneurship work culture (Mohamed, Rezai, Shamsudin, & Mahmud, 2012) during their study at the university level. Based on the assumption that 'entrepreneurs can be made', the

importance of AE in the development of future agropreneurs has become a major concern of many parties including the policy makers. Entrepreneurship education in Malaysia is believed to contribute to the development of agropreneurship by creating a large business opportunities and equipping students with innovative business skills (Mohamed et al., 2012). Hence, many agropreneurship programs such as bachelor degree in agribusiness have been introduced in local universities. Universities also begin to offer agropreneurship courses to agricultural students with the aim to supply students with appropriate agropreneurial knowledge and skills which may enhance their intention to become agropreneurs later on. Young agropreneurs are postulated to have the risk-taking and innovative attributes in undertaking a business enterprise (Mohamed et al., 2012; Zainal Abiddin & Irsyad, 2012). Therefore students who are supplied with entrepreneurship education and enrolled in entrepreneurship courses are expected to be confident, motivated, proactive, innovative, willing to face entrepreneurship challenges, as well as have the substantial skills to work in a team (Sánchez, 2013). Students who have participated in AE are expected to be more entrepreneurially oriented, and thus have a higher intention to become agropreneurs.

However, research on AE is still lacking and it remains substantially under-researched area. To date, a few studies related to AE have been published such as studies by Mohamed et al. (2012), Mohamed et al. (2011), and Sandhu, Hussain, and Matlay (2012). However, the focus of these studies is limited to the effectiveness of certain AE program or the AE needs by a certain population. The literature published on the impact of AE especially to how it influences students' entrepreneurial orientation and intentions is very scarce. Besides, a recent review on entrepreneurship education revealed that the relationship between entrepreneurship education and entrepreneurial intentions and new enterprise creation has been regarded as under-researched (Goduscheit, 2011). Furthermore, most of the studies on the relationship between entrepreneurship education and entrepreneurial intention were conducted in developed countries (Sølesvik, Westhead, & Matlay, 2014). Hence, there is a need to investigate its impact on the context of developing economy. Also, the literature on entrepreneurship education has been criticized for being very limited in terms of its impacts on developing students' entrepreneurial skills (Sánchez, 2013). Entrepreneurship education has been found to offer insufficient entrepreneurial skills training (Jusoh, Ziyae, Asimiran, & Kadir, 2011). This is very true especially in the Malaysia context. The literature on entrepreneurship education in Malaysia shows that entrepreneurship education in this country is not able to inculcate students with entrepreneurial knowledge and skills (Ismail & Ahmad, 2013). However, to generalize their findings to another area of entrepreneurship definitely requires empirical proof. Therefore, further investigation is needed to find whether AE in Malaysia will have a significant impact on instilling entrepreneurial skills among students. Thus, this study aims to contribute to the agropreneurship and entrepreneurial intention literature, from the perspective of developing economy, by providing the answers to the

corresponding research questions to generate a better understanding of agropreneurial intentions and the influence of entrepreneurial orientation and AE on developing the intention among Malaysian agricultural students. Hence, the result of this study will fill the blank spot in our understanding of entrepreneurship especially in understanding agropreneurship. The findings of the current study will provide the answers to the following research questions:

RQ1: What is the impact of agropreneurship education on students' entrepreneurial orientation and intentions?

RQ2: Do students' entrepreneurial orientation predict the formation of agropreneurial intention among Malaysian agricultural students?

In order to answer such questions, we establish a causal relationship between these variables.

AGROPRENEURIAL INTENTION AND RESEARCH MODEL

The fundamental argument of entrepreneurial intention studies lies in the capacity of intentions to predict human behaviour. Among the competing intention models that have been employed in a substantial number of intention studies are the theory of planned behaviour (Ajzen, 1985) and entrepreneurial event model (Shapero & Sokol, 1982). Intention can be defined as a cognitive indicator of a person's readiness to execute a certain behaviour in question (Shook & Bratianu, 2010). Hence, agropreneurial intention (AI) may be defined as a person's readiness to be self-employed by creating a new agricultural business venture to seek wealth.

Central to the argument that entrepreneurship can be taught and learned has highlighted the important role played by entrepreneurial education prior to the commencement of certain actual behaviour. At the university level, entrepreneurship education is expected to stimulate students' awareness and to form a mental picture and experience of the viability of entrepreneurship as a career choice (Fayolle & Gailly, 2015). Entrepreneurship education appears to enable students to acquire a set of knowledge and skills needed for successful performance along the entrepreneurial process (Matlay, 2008). This set of skills can facilitate future entrepreneurs especially in opportunity discovery as well as in promoting entrepreneurship desirability and feasibility, and thus increase the formation of intention to become self-employed (Peterman & Kennedy, 2003; Saeed, Yousafzai, Yani-De-Soriano, & Muffatto, 2013; Solesvik et al., 2014). Though substantial studies have contributed to the relations between entrepreneurial education and entrepreneurial intention, inconsistency with respect to the findings has been detected. While positive impact of entrepreneurship education on intention has been reported in a few studies (Farashah, 2013; Fayolle, Gailly, & Lassas-Clerc, 2006; Hattab, 2014; Küttim, Kallaste, Venesaar, & Kiis, 2014; Matlay, 2008; Pouratashi, 2014; Saeed et al., 2013; Sánchez, 2013), some others have reported no impact (Fayolle & Gailly, 2015; Franco, Haase, & Lautenschläger, 2010; Marques, Ferreira, Gomes, & Rodrigues, 2012) or even negative effects (Oosterbeek, Van Praag, &

Ijsselstein, 2010). The inconclusive findings show that our understanding on the impact of entrepreneurship is still lacking (Karlsson, 2013; Solesvik et al., 2014). Thus, it deserves further attention from entrepreneurship scholars. Furthermore, it has been argued that the impact of entrepreneurship education is different based on regional context (Küttim et al., 2014; Walter & Dohse, 2012). This highlights a need to investigate the impact of entrepreneurship education on agropreneurship development or known as agropreneurship education and agropreneurial intention in the context of developing country. Despite numerous studies dedicated to clarify the impact of entrepreneurship education, the actual relationship between specific entrepreneurship education i.e. agropreneurship education (AE) and students' intention to engage in agropreneurship activities have not yet been clearly established. Therefore, we hypothesized:

H1: There is a positive relationship between agropreneurship education and agropreneurial intention of agricultural students.

Students who undergo an entrepreneurship program are expected to be entrepreneurially oriented as they acquire a set of positive outcomes from the training such as high motivation and high level of self-confidence, become proactive, creative, and team-oriented (Sánchez, 2013). The fact that agropreneurship deals with perishable agricultural products has placed agropreneurship in a fragile and risk-prone business that operates under uncertainty conditions. Thus, this condition requires an agropreneur to be a risk-taker which is a personality trait that refers to the individuals' willingness to act under uncertainty (Lumpkin & Dess, 1996) and to penetrate the unique agropreneurship market. Also, due to the perishability issue, the market of agricultural products is very unique and challenging that requires agropreneurs to be creative and innovative by having the capability to design and introduce a new product which can attract customers' attention. Besides that, agropreneurs also need to be proactive by identifying the unique opportunities and be the first to act. Risk-taking, innovative, and proactive skills are also known as entrepreneurial orientation (EO) in entrepreneurship literature (Bolton & Lane, 2012; Taatila & Down, 2012). These orientations are necessary for agropreneurs to be successful when dealing with the dynamic and expeditious agropreneurial environment especially when it comes to recognizing business opportunities and circumventing entrepreneurial barriers along the entrepreneurial process. Based on the concept that entrepreneurship can be taught and learned, the AE provided by higher educational institutions (HEIs) must be able to produce this set of skills among students and tailor them to become entrepreneurially oriented.

An extensive literature on entrepreneurship education has shown that human capital investment in entrepreneurship education is related to the development of integrated entrepreneurial skills, capabilities, and competencies (Matlay, 2008; Rae, 2010; Sánchez, 2013; Solesvik et al., 2014). For example, in a study by Sánchez (2013), entrepreneurial education was found to have a significant relation to competencies such as risk-taking (RT) and proactiveness (PRO) among the sample of students. In another study, it was reported that students who engaged in

entrepreneurship education have reported that education has increased their innovativeness (INN) and confidence level to make a move to a high degree (Støren, 2014). Although there are contradictory findings that show entrepreneurship education has no impact on entrepreneurial skills and traits (i.e. market awareness, creativity, flexibility, and risk-taking) (Oosterbeek et al., 2010), the findings are lack in terms of generalizability to developing countries as the study was conducted in a well-developed country. An investment in AE could result in the production of accumulated assets and EO which enables people to deal with the barriers to set up an agricultural business venture. Therefore, it is reasonable to assume that students who participated in AE will be entrepreneurially oriented as a result of the development of certain kind of skills such as risk-taking, innovativeness, and proactiveness compared to those who do not. Therefore, it is hypothesized:

H2a-H2c: There is a positive relationship between agropreneurship education and EO (risk-taking, innovativeness, and proactiveness) of agricultural students.

Since entrepreneurship takes place over time (McMullen & Shepherd, 2006), starting an agropreneurship evidently involves risks, be it strategic or financial risks. According to Sexton and Bowman (1983), entrepreneurship behaviour has generally been associated with a moderate level of risk propensity. Literature has showed that risk-taking tendency predicts the formation of intentions to become entrepreneurs (Lüthje & Franke, 2003; Sánchez, 2013; Trucker & Selcuk, 2009; Uddin & Bose, 2012; Zeffane, 2015) where risk-taking ability distinguishes entrepreneurs from non-entrepreneurs. Risk-taking tendency was found to be one of the strongest determinants for business students intention to start their own business (Uddin & Bose, 2012). In line with this finding, Lim, Lee, and Cheng (2012) found that male students who have shown higher inclination towards entrepreneurship have also shown higher risk-taking tendency. However, there are also studies fail to prove the positive significant association between these two variables (Fitzsimmons & Douglas, 2005). In terms of agropreneurship, a previous research showed that agropreneurial intention among students who perceived themselves as risk-averse and students who perceived themselves as risk-loving have differed significantly where students who are risk-loving showed higher intention to venture in agropreneurship compared to the other group (Zakaria, Adam, & Abujaja, 2014).

The second dimension of EO is innovativeness. According to Lumpkin and Dess (1996), innovative agropreneurs create superior products, improve the existing products, and deliver greater effectiveness and efficiency in the production process. Individuals' innovative capabilities can represent their entrepreneurial behaviour where entrepreneurs are more innovative than non-entrepreneurs (Gürol & Atsan, 2006; Mueller & Thomas, 2001). Innovative individuals can also be linked closely with higher intention to become entrepreneurs. A considerable amount of studies has shown positive association between individuals' innovativeness and their intention to become entrepreneurs (Ahmed et al., 2010; Ghazali, Ibrahim, & Zainol,

2012; Gürol & Atsan, 2006; Ismail, Jaffar, & Hooi, 2013). Indeed, a study has shown that innovation is the main motivation for people to start a business venture (Mueller & Thomas, 2001). By linking this review to agropreneurship context, it can be posited that those who have innovative capabilities in creating new agricultural-based products or modifying existing agricultural products will have higher intention to become agropreneurs than those who do not.

The third dimension of AO is proactiveness which refers to the process of which entrepreneurs anticipate and respond to the customers' future needs and expectations and the involvement of introducing new products before starting the competition in the market (Lumpkin & Dess, 1996, 2001). According to Crant (1996), proactive individuals who are involved actively in opportunity identification and respond to it are eager to do something, take real actions, and do not simply give up until their objectives are successfully achieved. Indeed, proactiveness involves being ahead of competitors to either improve the existing situation or introduce new products and processes (Gupta & Bhawe, 2007). Hence, it can be concluded that proactiveness is very closely related to innovativeness (Lumpkin & Dess, 2001). While innovativeness concerns with agropreneurs' inclination towards creating new agricultural-based products or process or modifying existing products or process, proactiveness on the other hand concerns with forward-looking perspective in meeting future customers' needs and expectations in agricultural-based market. Even though limited studies have investigated the relationship between proactiveness and entrepreneurial intention, existing studies have shown that proactiveness contributes significantly to entrepreneurial intentions (Crant, 1996; Sánchez, 2013), significantly correlated with business creation (Brandstätter, 2011), and positively related to career success (Fuller Jr & Marler, 2009). To summarize, it is proposed that:

H3a-H3c: There is a positive relationship between agricultural students' EO (risk-taking, innovativeness, and proactiveness) and agropreneurial intention.

METHODOLOGY

Sample

In order to test our hypothesis, data were collected from diploma and bachelor students who were in the final semester of their study from three public universities and two polytechnics in Malaysia. Final semester students were chosen in order to make sure adequate education regarding agropreneurship has been obtained and also to investigate the impact of AE on students' EO and intention. Besides that, it is suitable to assess students' intention for self-employment at the very last stage of their education (Davey, Plewa, & Struwig, 2011).

Methods

The judgemental sampling technique was applied when choosing the respondents. Due to the confidentiality issue of students' contact information such as telephone number, mailing address, and email, students were approached via email which was sent by the academic advisor. The email sent to the respondents contained a link to an online web survey. The survey items were originally developed in English. Taken into consideration that the respondents are Malaysians who might face difficulty in understanding the meaning of the items, the questionnaire were therefore translated into the Malay language, which is the official language in this country. Translation and back translation process as suggested by Brislin (1970) were applied. The Malay version of the survey was the one that was distributed to the respondents from July to September 2015.

692 final semester students from five HEIs were approached. 335 students have participated in the online web survey which yield a response rate of 48.4 percent. This rate was higher than the previous response rate reported for an online web survey (see for e.g. Virick, Basu, and Rogers, 2015). In order to run a structural equation modelling (SEM) analysis with $\alpha = 0.05$, anticipated effect size of 0.15, and desired statistical power of 0.95, the minimum required sample size was 153. Thus, the sample size in this study was considered sufficient. Considering the respondents' profile, the 335 samples represented 40.8 percent of male and 59.2 percent of female. In terms of level of education, 30.6 percent of the respondents were pursuing their diploma in agricultural study in Malaysian Polytechnics while the rest 69.4 percent were pursuing their bachelor degree in agriculture at public universities.

Measures

Agropreneurial intention (AI), the dependent variable, was measured by measuring the students' responses to the six statement items adapted from Thompson (2009). There were six statements used to measure AI on a scale of six; from 1 = Strongly agree to 6 = Strongly disagree. Independent variables were the AE and EO factors. AE was measured using items that were originally developed by Keat, Selvarajah, and Meyer (2011). There were nine items used to measure this variable on a scale of five; from 1 = Strongly agree to 5 = Strongly disagree. In measuring EO, respondents were asked to respond to four items related to risk-taking orientation. Respondents were also asked to answer another four questionnaire items related to innovative orientation. Further, respondents were presented with three items to measure their proactiveness orientation. The items used in measuring all dimensions of entrepreneurial orientation were adapted from Bolton and Lane (2012). The items were assessed on a scale of five; from 1 = Strongly agree to 5 = Strongly disagree.

RESULTS

The data obtained were analysed using SmartPLS 2.0. The purpose of using partial-least squares (PLS) was to test the pattern of relationship between the variables in the research model by estimating the parameters in the outer and inner model.

Assessment of measurement model

In assessing the measurement model, construct validity was performed to assess the extent to which the result obtained from the instrument used in the study fit the theories of which the test is designed (Sekaran & Bougie, 2010). In order to assess construct validity, a few tests to assess convergent and discriminant validity were performed. Convergent validity can be tested by referring to factor loadings, composite reliability (CR), and average variance extracted (AVE) (Hair, Ringle, & Sarstedt, 2011). On the other hand discriminant validity can be detected by analysing the correlation between measures where low correlation between measures depicts that a construct is unique and is not represented by other constructs in the model (Cheung & Lee, 2010). Based on Fornell-Larcker criterion, discriminant validity is established when the square root of each construct's AVE is higher than its correlation with other constructs (Hair, Hult, Ringle, & Sarstedt, 2014). As shown in Table 1, the loadings for all items ranged from 0.620 to 0.897; higher than the minimum loading recommended by Hair et al. (2014). All the CR and AVE values were higher than 0.7 and 0.5 respectively. This shows that all the five constructs are all valid measures of their respective constructs based on their parameter estimates and statistical significance.

Table 1: Measurement model

Construct	Items	Loadings	AVE	CR	Construct	Items	Loadings	AVE	CR
AE	AE1	0.667	0.612	0.934	AI	AI1	0.790	0.730	0.942
	AE2	0.755				AI2	0.862		
	AE3	0.792				AI3	0.822		
	AE4	0.844				AI4	0.854		
	AE5	0.817				AI5	0.897		
	AE6	0.819				AI6	0.897		
	AE7	0.823			PRO	PRO1	0.773	0.591	0.812
	AE8	0.753				PRO2	0.806		
	AE9	0.755				PRO3	0.726		
INN	INN1	0.700	0.550	0.830	RT	RT1	0.620	0.584	0.847
	INN2	0.793				RT2	0.774		
	INN3	0.710				RT3	0.829		

INN4	0.759	RT4	0.815
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AE, agropreneurship education; AI, agropreneurial intention; RT, risk taking; PRO, proactiveness; INN, innovativeness

The results also illustrate that adequate discriminant validity exists for the measures used in this study. As shown in Table 2, discriminant validity was established as the square root of each construct's AVE was higher than its correlation with other constructs (Hair et al., 2014). In conclusion, the measurement model in the current study is satisfactory in terms of construct validity, reliability coefficient, convergent validity, and discriminant validity.

Table 2: Discriminant validity

	AE	INN	AI	PRO	RT
AE	0.782				
INN	0.394	0.742			
AI	0.465	0.325	0.855		
PRO	0.450	0.461	0.483	0.769	
RT	0.319	0.402	0.322	0.429	0.764

Values in the diagonal are AVEs while the off-diagonals are squared correlations AE, agropreneurship education; AI, agropreneurial intention; RT, risk taking; PRO, proactiveness; INN, innovativeness

Assessment of structural model

The results of the measurement model presented in Table 1 and Table 2 were within the recommended values, therefore providing the support to proceed with hypotheses testing. This study followed Hair et al. (2014)'s suggestions of employing bootstrapping procedure with a resample of 5000. Table 3 shows the bootstrapping results for hypothesis testing. H1 examined the relationship between AE and AI. It was found that AE significantly contributed to the students' AI ($\beta = 0.288$, $p < 0.01$). The bootstrapping analysis showed that all EO factors, RT ($\beta = 0.319$, $p < 0.01$), INN ($\beta = 0.394$, $p < 0.01$), and PRO ($\beta = 0.450$, $p < 0.01$) were found to impact AI significantly. AE alone was found to explain 10.2 percent, 15.6 percent, and 20.3 percent of the variances in RT, INN, and PRO respectively. Thus, H2a, H2b, and H2c were confirmed. For H3, we investigated the impact of EO factors on AI. Our results revealed that only PRO ($\beta = 0.298$, $p < 0.01$) impacted AI significantly. The findings did not provide the support for significant relationships between RT and AI and between INN and AI. Therefore, H3c was accepted. However, the bootstrapping analysis failed to prove the same for H3a and H3b. The collective EO factors and AE were found to explain a substantial proportion of the variance in AI ($R^2 = 31.8$ percent).

Table 3: Summary for the structural model

Hypothesis	Relationship	Std. Beta	Std. Error	t-Value	Decision
H1	AE -> AI	0.288	0.059	4.919**	Supported
H2a	AE -> RT	0.319	0.048	6.626**	Supported
H2b	AE -> INN	0.394	0.046	8.588**	Supported
H2c	AE -> PRO	0.450	0.046	9.834**	Supported
H3a	RT -> AI	0.086	0.058	1.492	Not supported
H3b	INN -> AI	0.040	0.057	0.694	Not supported
H3c	PRO -> AI	0.298	0.063	4.742**	Supported

** p < 0.01

AE, agropreneurship education; AI, agropreneurial intention; RT, risk taking; PRO, proactiveness; INN, innovativeness

DISCUSSION AND CONCLUSIONS

With the rise of the concept 'agriculture is business', AE has been emphasized especially at the tertiary level as a result of increasing awareness regarding the importance of graduate agropreneurship in contributing to sustainable society. Considering the results of our study, it seems that AE has significantly predicted agricultural students' EO and their intentions to become agropreneurs. AE was found to have the ability to develop students' inclination to embark in agropreneurship business activities as their source of income at some point in their life after graduation. The current finding is consistent with the study by Hattab (2014) and Pouratashi (2014) which stated that there is a significant relationship between AE and students' intentions to become entrepreneurs. Agricultural students who are supplied with sufficient and relevant agropreneurship knowledge are anticipated to be more motivated and disposed towards creating and starting their own agropreneurship business. AE was also found to be capable of developing students who are entrepreneurially orientated by developing skills such as risk-taking, innovative, and proactive. Thus, our findings debunk the previous claim that entrepreneurship education in this country cannot create graduates with the abilities to take up entrepreneurial challenges (Cheng, Chan, & Mahmood, 2009). Interestingly, our empirical data have proven otherwise. The current findings proved that agropreneurship courses and curriculum provided by the Malaysian HEIs have succeeded in providing students with in-depth knowledge and experience of how to start an agricultural-based business.

It has been argued that entrepreneurship needs a set of entrepreneurial skills including innovativeness, risk-taking, persistence, and proactiveness in order to act along the entrepreneurial process (Lim et al., 2012). Proactive orientation was found to impact agropreneurial intention among Malaysian

agricultural students. This result is in line with the findings by Sánchez (2013) in which the author found that the intention to become self-employed was positively and significantly related to proactiveness. Thus, our finding also supports Sánchez (2013)'s conclusion that proactiveness is an individual personality characteristic that has a connection with individual motivation and action. In the current study, proactiveness has emerged as the strongest predictor of agropreneurial intention. However, our data did not provide the evidence for the impact of risk-taking and innovative orientations on agropreneurial intentions. The results suggest that students' risk-taking and innovativeness abilities do not stimulate the desire to embark in agropreneurship activities. In our opinion, one possible reason for the insignificant impact of risk-taking and innovativeness on students' agropreneurship intention lies in our sample characteristics. As evident in a study by Zeffane (2015), the positive relationship between risk-taking and entrepreneurship intention was only significant among actual entrepreneurs but not among students sample. The samples of the current study may view that agropreneurship creation is still remote for them. Rather than thinking about becoming self-employed, they may pay more attention to their study in terms of pursuing it to the higher level. Therefore, students may tend to ignore their risk-taking and innovative skills and become not interested to use them along the agropreneurship business creation process. Furthermore, based on the cognitive perspective of risk-taking orientation which assumes that entrepreneurs are subject to biases (Kahneman & Lovallo, 1993) and due to perishability nature of agricultural products, the students sample may lack self-confidence in performing agropreneurship business. However, further empirical investigations are definitely needed to support this suggestion.

The main objective of this study was to examine the effect of AE on students' EO and intention to become agropreneurs. Overall, the results obtained support the hypotheses. The findings of the current study suggest that AE is practical in promoting agropreneurship skills and intentions among graduates through effective curriculum course and training. The evidence provided strengthen our understanding about AE and the development of EO and intentions. Practically and managerially, our findings contribute to the educational providers in terms of helping them to design a well-directed course curricular that may promote the development of agropreneurial skills and competencies among agricultural graduates. This study also managed to make a novel theoretical contribution by testing the impact of AE on students' EO in a developing country. Also, unlike previous studies that investigated the impact of EO at organizational level, this study examined the impact of EO at individual level, and thus provides new insights into a more targeted and effective manner. The development of EO among graduates could result in unbelievable entrepreneurial outcomes. In terms of methodological contribution, this study contributed to the PLS literature by applying PLS-SEM analysis technique in exploring the causal links between exogenous and endogenous variables in the model used.

This study has its limitations. Firstly, this study has time limitation. In this study, intentions were investigated and cross-sectional research design was

employed. Entrepreneurship is about wealth creation. Obviously intentions alone cannot create wealth. Therefore, future study should employ a longitudinal design and investigate if agropreneurial intentions will lead to actual agropreneurship business activities. Secondly, this study has a limitation regarding the use of student samples. As discussed in previous paragraph, the students sample may choose to pay more attention to pursuing their study to the higher level instead of focusing on creating a business. Hence, future study should choose samples from non-student population especially the young agropreneurs (those who just started their agropreneurship business). Thirdly, this study only focused on the impact of AE and EO in explaining agropreneurial intentions. Other behavioural, contextual, institutional, and social factors could also be important. Future research should also look into these variables in order to understand better the formation of agropreneurial intentions.

In conclusion, our findings have provided the answers to the research questions. Firstly, AE has a significant impact on the formation of EO and intentions among agricultural graduates. Secondly, EO has partially predicted the agropreneurial intention among Malaysian agricultural students. Since proactiveness orientation is the strongest predictor of agropreneurial intentions, there is a need to consider the content of local agropreneurship education in terms of its curriculum and pedagogical approach in such a way that promote this entrepreneurial skill.

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ANALYSIS OF DISRUPTIVE SIM TECHNOLOGIES USING BUSINESS ECOSYSTEM CONCEPT

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Abstract

The SIM card has lately experienced a lot of technology changes in terms of processing, storage, interface, form factor, etc. Typically it is getting smaller, may even in the near future disappear totally and then be reborn as something else. Unfortunately, it is not trivial to determine which SIM innovations are sustaining or disruptive to mobile operators. This paper proposes a methodology based on the business ecosystem concept to analyze the SIM technology advances. The paper proposes a methodology using the business ecosystem concept for systematic identification and analysis of technology innovations. The determination of the sustaining or disruptive character of an innovation is based on a comparison and logical deduction of positive and negative impacts. The SIM technology innovations are identified and assessed thoroughly and both sustaining and disruptive innovations are determined. Last but not least recommendations to meet the identified disruptions are provided.

Key Words

Disruption analysis; disruptive innovation; business ecosystem; SIM, identity management.

INTRODUCTION

From its birth for a little bit over two decades ago until today, the SIM card, this familiar tiny piece of plastic that inserted into any mobile phone enables people to make phone calls, has encountered tremendous changes. It has evolved in terms of size from mini, micro to nano format and in terms of processing power, storage, interface, etc. Mobile operators as the owner of this element are quite interested in knowing what SIM innovations could be beneficial or nocuous to their business. According to Christensen (Christensen 1997; Christensen and Raynor 2003; Christensen, Anthony, and Roth 2004) these changes could be of two innovation types: sustaining innovations and disruptive innovations. Sustaining innovations, as defined by Christensen, are often innovations that occur frequently and are implemented by established large companies in order to improve the performance of some of their products that have strong market shares. Disruptive innovations occur less frequently and tend to have performance problems initially although they are often less expensive, simple and more convenient to use. Disruptive innovations can destabilize existing markets and may result in the failure of well-established players. Consequently, the established firms are interested in assessing the disruptive potential of new innovations. Unfortunately, according to Nabil (Nabil S. & van de Bunt-Kokhuis S. 2012), it is not always easy to determine whether an innovation is sustaining or disruptive or both. To address the last issue this paper proposes a methodology to identify and analyse disruptive technologies which is based on the concept of business ecosystem. Although the method is intended for the analysis of the SIM card it is sufficiently generic to be used for other technologies, products or services. The paper starts with an overview of the SIM. Next, the disruption analysis methodology is thoroughly explained. The main part of the paper is the identification and analysis of the SIM technologies innovations. Recommendations to mobile operators are also provided.

OVERVIEW OF THE SIM

SIM stands for Subscriber Identity Module and was originally specified by ETSI (European Telecommunications Standards Institute) in specification TS 11.11 (ETSI 1989) which was later partially transferred to 3GPP (3rd Generation Partnership Project). It consists initially of both the tamper resistant integrated circuit and its secured content which is the International Mobile Subscriber Identity (IMSI) and the related keys used to identify and authenticate the subscriber on GSM mobile phone. The role of the SIM is to carry out strong authentication of the subscriber before granting access to the GSM network and to prevent cloning or abuse of the subscription.

With the arrival of UMTS it was necessary to separate the hardware module now called UICC (Universal Integrated Circuit Card) and the SIM software application because the UICC is now hosting also another software

application called USIM (UMTS SIM), which is required for the authentication and access to UMTS network.

From a single module the SIM is now divided into two entities:

1. UICC which is the tamper resistant hardware module.
2. SIM which is the software application containing the mobile identity.

These two entities evolve independently and encounter different changes that could be beneficial or disruptive to telecom operators.

DISRUPTION ANALYSIS METHODOLOGY USING BUSINESS ECOSYSTEM CONCEPT

In order to analyse and determine whether a technology innovation is sustaining or disruptive, we proposed a methodology which is based on the business ecosystem concept. The business ecosystem concept suggests to consider a business system as an ecosystem in the same way as a biological one and to benefit from the knowledge acquired in the biological ecosystem (Anggraeni et al., 2007).

The business ecosystem concept has gained a lot of momentum and there exists a considerable amount of publications about it. Unfortunately, there is not yet a consensus about what exactly a business ecosystem is and there are currently several overlapping and also conflicting definitions (Zhang and Liang, 2011).

To avoid confusion we adopt the definition given by Peltoniemi et al (2005) defining *“a business ecosystem to be a dynamic structure which consists of an interconnected population of organizations. These organizations can be small firms, other parties which influence the system”*.

The proposed disruption analysis methodology consists of the following tasks:

1. *Identification of the changes or innovations of the targeted product or service:* In this task it is crucial to identify all the technology advances, direct or indirect, standard or de-facto standard that may affect the targeted product or service.
2. *Specification of the relevant ecosystem and its boundaries:* To be able to understand the impact of the new technology innovation, it is necessary to identify and confine the business ecosystem which is influenced by the targeted product or service. Choosing an ecosystem with too narrow boundaries could lead to a disaster since decisive impact may happen outside. Selecting too wide boundaries may lead to huge waste of effort.
3. *Specification of the ecosystem's seed and its performance attributes:* The crucial task is obviously to recognize the seed around which the ecosystem is built and growing (Battistella et al. 2011, 2013). The seed is the “raison d'être” or reason for existence of the ecosystem. The seed brings life and prosperity to all the players in the ecosystem from the consumers, service providers, device manufacturers, etc. When the seed is threatened the whole ecosystem is in danger. It is

also important to identify and justify the performance attributes that makes the seed valuable for all the players in the ecosystem.

4. *Identification of the technology platform required to providing the seed and its performance attributes*: To be able to offer the seed of the ecosystem and its performance attributes, a technology platform consisting of one or more component is required. It is necessary in this task to place the targeted product or service as for example the SIM, in this technology platform and to find its role in the support of one or more performance attributes. If it is not possible, the selected ecosystem is not the appropriate one and it is necessary to go back to task 3.
5. *Identification of the competing alternatives to the seed*: In this task, a very wide identification should be carried out to find all the competing alternatives to the seed. Their performance attributes have to be identified and studied. Whenever possible links between the targeted product or services and the competing performance attributes should be established to facilitate the next task.
6. *Assessment of the innovations of the targeted product or service as beneficial or nocuous*: For each innovation, the positive and negative consequences for the performance attributes of the ecosystem seed as well as the ones of the competing alternatives are identified. If the positive ones for the ecosystem's seed and the negative ones for the competitors are dominant the innovation is favourable. Otherwise, it is disruptive. Counter measures could also be proposed to the ecosystem's central player – also called the keystone (Iansiti M., Levien R. 2004).

Let us now proceed with the disruption analysis of the SIM technologies.

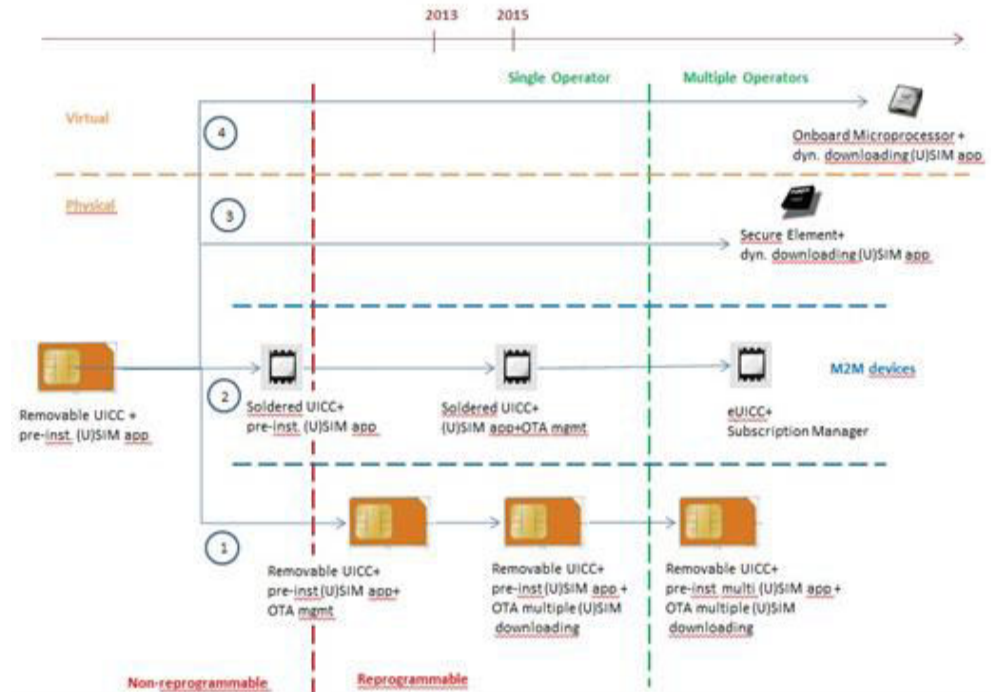
IDENTIFICATION OF THE INNOVATIONS OF THE SIM

Since the SIM card consists of the UICC and the SIM applications the identification of innovations will be done successively for both of them.

Innovations of the UICC

The evolution of the SIM was not happening in a structured way and controlled by one player or organisation but in a rather chaotic and confusing one. It is difficult or perhaps not possible to find documentation providing the whole picture but only fragments of it. Consequently, the description given here is the result of thorough collection and studies of qualified documents (Vedder 2009, 2011) and information presented at Web sites of SIM and semi-conductor manufacturers.

Figure 1: Evolution of the UICC



As shown in Figure 1 the UICC evolution follows four paths as follows:

1. The UICC will remain to be removable and provide flexibility to the user. It is still own by single operator. The most important improvement is the Over-the- air (OTA) management that turns the UICC programmable from a non- programmable module. Starting with minor modifications of subscription it is gradually possible to change a whole subscriber profile or to download new SIM/USIM applications. Further the removable SIM may also host SIM or USIM applications from different operators. This is possible today even without standardisation but commercial agreements need to be in place between this group of mobile operators that decide which SIM/USIM should be used at each time and how to switch between them.
2. This evolution path arises from the machine-to-machine (M2M) domain where there is a need of initialising communication with a large number of distributed devices e.g. metering devices, sensors, industrial automation, etc. without having to reach and install the SIM cards. Furthermore, M2M devices are quite often exposed to rough situations such as high temperature, noise, humidity, vibration, etc. and the removable UICC might not be the not be the most appropriate form factor because of its dependency on the card reader and its contacts that could deteriorate due to corrosion. It is hence desirable to have soldered in the M2M device a solid UICC that has longer lifetime than a regular SIM.

The current version of the UICC came with pre-installed SIM/USIM. However, with the OTA management it will be possible for the mobile operator to carry out modifications on the subscriber profile or to download a new profile on the UICC.

Since M2M manufacturers do not know where the produced devices will be rolled out they will have problem to install the right UICC with the right SIM. There is an obvious need to be able to select mobile operator and download the wanted SIM long after fabrication.

In order to ensure neutrality and fairness, e.g. all mobile operators can be selected at the same time as fraud and abuses, e.g. the SIM could not be cloned and re-used or at confidential data are extracted, standardised measures have to be agreed and introduced. The standardisation of the eUICC (embedded UICC) initiated by GSMA is now fueled by the ETSI SCP (Smart Card Platform). Unfortunately, the work is progressing slowly due the conflicting interests that the participating members have.

3. The UICC is replaced by a Secure Element which is hosting the SIM/USIM application. A secure element (SE) is a tamper-resistant platform (typically a one chip secure microcontroller) capable of securely hosting applications and their confidential and cryptographic data (e.g. key management) in accordance with the rules and security requirements set forth by a set of well-identified trusted authorities. The GlobalPlatform (2010) defines three different form factors of SE: Universal Integrated Circuit Card (UICC), microSD and Embedded SE.
4. The UICC is replaced by a secure zone built inside the microprocessor chip. A typical example is a chip from Trustonic (2014) integrating a Trusted Execution Environment (TEE) (GlobalPlatform, 2011) on a secure ARM TrustZone (ARM, 2009).

Innovations of the SIM application

Originally, inside the UICC there was only the SIM application that contains the user's credentials for authentication and authorization to the GSM network. Afterwards the USIM emerged with the arrival of UMTS or 3G. Both the authentication and the ciphering methods are constantly improved to provide higher security. The SIM/USIM will always be the one and only module responsible for security in the mobile networks and there is no change to envisage. It is also worth noting that the SIM/USIM is not much used for authentication of other services such as WLAN or Internet services although there exists standards or industry solution such as Extensible Authentication Protocol (IETF, 2006) combined with 802.11x (IEEE, 2010), Generic bootstrapping Architecture (3GPP, 2007), SIM strong authentication (Do, v. Thanh et al. 2006.2008), etc.

SPECIFICATION OF THE RELEVANT ECOSYSTEM AND ITS BOUNDARIES

The SIM card could be placed within several ecosystems such as the SIM card ecosystem, mobile payment ecosystem, NFC (Near Field Communication). However, since our goal is to determine changes that could be disruptive to mobile operators the business ecosystem to be considered should be the mobile communication ecosystem. The main justification to select the mobile communication ecosystem lies in the fact that although it could be used in other application area, the SIM was invented for mobile communication systems and for ensuring the security of mobile services.

SPECIFICATION OF THE MOBILE COMMUNICATION ECOSYSTEM'S SEED AND ITS PERFORMANCE ATTRIBUTE

To determine the seed of the mobile communication ecosystem is not a simple task because the ecosystem is constantly evolving and the services it is offering is changing dynamically. By considering the services that bring the most revenue to the mobile ecosystem we consider the seed of the mobile communication ecosystem as consisting of the two communication services, namely voice communication and short message service (SMS).

In order to specify the performance attributes (Christensen, C.L, 1997, Bower, J.L, Christensen C.M, 1995) of the mobile communication seed we carried out a thorough analysis of the two mentioned main services to find out the characteristics that make them attractive to the users. The attractiveness of the mobile communication seed is reflected by the following performance attributes:

Ubiquity: The two services should be available everywhere

- Reliability: They should be available 99,99% of time whenever the user needs.
- Mobility: The services should be functioning while the user is moving both in low and high velocity.
- Trust: The user should be able to trust that communications, e.g. voice or message are done with the right interlocutor.
- Security: The communications are protected against disclosure to unauthorized third party.

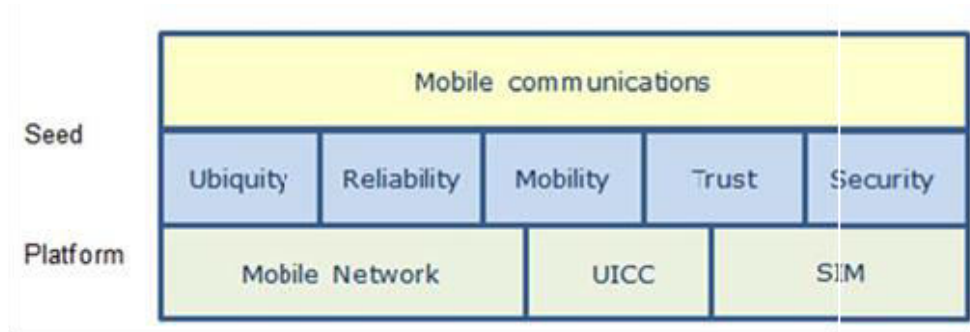
IDENTIFICATION OF THE TECHNOLOGY PLATFORM REQUIRED TO PROVIDING THE SEED AND ITS PERFORMANCE ATTRIBUTES

As shown in Figure 2 to obtain and maintain the mentioned performance attributes the mobile communication ecosystem must have an adequate technology platform, which consists of three components:

- The mobile network that ensures Ubiquity, Reliability and Mobility.

- The UICC that provides Mobility (portability between handsets) and Trust with its tamper-resistant characteristics.
- The SIM that contributes to Trust and Mobility.

Figure 2: The mobile communication ecosystem's seed, performance attributes and technology platform



By using the proposed methodology, the unique and crucial roles of the UICC and the SIM in the ecosystem, which is usually neglected, became very visible. Consequently, any changes of the UICC and SIM will have impact on the seed.

IDENTIFICATION OF THE COMPETING ALTERNATIVES TO MOBILE COMMUNICATION SERVICES

The mobile communication services enjoyed the privilege of being without rivals for over two decades. It was only with the rise of the Internet that the so far healthy mobile ecosystem finally got competition. At early stages the Internet players offered only information and commerce services and were more complementing than competing with the actors in the mobile communication ecosystem. As the Internet was getting more mature IP telephony services also called VoIP services started to emerge in high pace and in high quantity at the same time as social networks such as Twitter, Facebook, etc. provide alternatives messaging (Kopetsky R. et al, 2013).

The competition is becoming more real when the Internet players also allow flexible combinations of telephony and messaging between two users or a community of users. In addition, the possibility of watching their interlocutors i.e. other communicating parties, contributed to make IP telephony, also called VoIP service, quite attractive to a lot of users. But the most remarkable factor is the fact that these IP services are free of charge while mobile communication services are charged based on usage, i.e. per minute or per message. Indeed, most of Internet players adopt a new business model based on advertising revenues (Timmers P. 1998, Rappa M. 2005) and not on subscriptions. Their focus is hence to attract as many users as possible by offering free account. To access their IP communication services, consumers do not use the phone number but digital identities such

as Skype ID, Facebook Connect, LinkedIn, Twitter, etc. By using passwords as authentication these IP telephony services do not yet provide the same level of trust and security as the mobile communication services. In fact, so far the IP services are mostly used in private circumstances and quite often for social and entertainment purposes. They are used in business in a limited way when the communicating parties know each other but official conversations are still conducted using the mobile communication services due to their high level of trust and security.

Having realised the importance of convenient management of communication services for the users Google introduced Google Voice, Google Voice gives the user one number for all phones - a phone number that is tied to the user, not to a device or a location. Google Voice simplifies the way to use phones, makes voicemail as easy as email and customizes the callers' experience. Google Voice works with mobile phones, desk phones, work phones, and VoIP lines.

Well aware of the user identity's crucial role in the battle to win users Google also tried to link all products to the Google account such that its role in the user's life grows more important every day.

Figure 3: Comparison between mobile communication and IP telephony

Performance attributes	Mobile communication service	IP telephony services
Ubiquity	Yes	Yes
Reliability	Yes	Yes
Mobility	Yes	Yes
Trust	Yes	No
Security	Yes	No
Flexible combination voice, video, messaging & other com. scheme	No	Yes
Low price or free of charge	No	Yes
Convenient management	No	Yes

Figure 3 summarizes the performance attributes of mobile communication and IP telephony. While still having lower level of trust and security IP communication services provides three new performance attributes, namely flexible combination, convenient management and low price that mobile communication services are lacking.

ASSESSMENT OF THE SIM CARD INNOVATIONS

Assessment of the UICC innovations

The first innovation path where the UICC will remain removable is very favourable for mobile operators because it contributes to secure the two performance attributes mobility (portability) and security at the same time as mobile operator remain the sole owner with all rights.

In the second innovation path, the UICC will be embedded inside the equipment and may not be own by the mobile operator anymore. However, as long as the standardisation of the embedded UICC (eUICC) ensures a fair and secure management of the SIM application from different operators the two performance attributes mobility (portability) and security will be safeguarded. This evolution is a sustaining innovation for mobile operators.

In the third and fourth innovation path the UICC will be replaced by a secure element or a trust zone inside the microprocessor chip on the devices. These elements could host the SIM application but mobile operators could refuse to allow due to the lower level of security and the risk of losing control of the SIM application in terms of storage, management and usage. As a consequence, mobile operators will miss the opportunity of exploiting these new and more economic secure storages that could be beneficial for their business. A more reasonable approach could be to follow, understand and influence the development of these secure elements such that the appropriate level of trust and security could be ensured. Most menacing for mobile operators, these innovative secure storages could also host other Internet identities like Facebook Connect, Google ID, etc. and help improving the trust and security level of IP communication services. To summarize the innovative secure storage technologies could be both sustaining innovation and disruptive innovation for mobile operators.

Assessment of the SIM innovations

As described in earlier section the innovations on the SIM/USIM are mostly focused on improving the security of the algorithms for authentication, integrity and confidentiality, which is crucial to maintain the performance attributes, trust and security of the mobile communication services. Although there are standards and solutions to extend the usage of the SIM/USIM to other networks like WLAN and services like Internet services, they are not much in use. This stagnation is not beneficial for mobile operators because the usage of SIM as identity for Internet services would pave the way for offering flexible combination of traditional mobile communication services with IP services, one of the three new missing performance attributes. Further, mobile operators will also be able to provide convenient management of different telephony, messaging on multiple devices. Last but not least, more competitive prices could be given due to the efficient combination of technologies. The evolution or more precisely, the lack of evolution in SIM application technologies is therefore disruptive to the mobile communication ecosystem.

CONCLUSION

In this paper a disruption analysis of the SIM technologies has been carried out by using a methodology which is based on the concept of business ecosystem. Since the SIM card is a very small in size and insignificant in price component of the ecosystem technology platform it is quite challenging to find the significance and consequences of its technology innovations for the huge mobile communication ecosystem. Fortunately, with the proposed methodology it is possible to determine whether an innovation is sustaining or disruptive based on a systematic identification of positive and negative impacts on the ecosystem seed and its performance attributes and the ones of the competing alternatives. The determination is deduced logically from the comparison of positive and negative impacts. The methodology proves to be quite efficient because it manages to capture serious but less obvious impacts which could be left unobserved otherwise.

Although intended for the analysis of the SIM technologies the proposed methodology may be applied for other products or services, especially those which does not constitute the main offering but rather an infrastructure component or side product, which follows the main products or services.

The proposed methodology is still in its infancy and could be improved further by applying it for other technology innovations. There are quite a few candidates such as Network Function Virtualization, Dynamic spectrum, Service personalisation, etc. that could be subject for future works.

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