

**Venice, Italy**

**May, 12–15**

**2013**

**International Interdisciplinary  
Conference**

**Conference proceedings**



**International Institute of Social and Economic Sciences**

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Keynote Speaker:

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## **Dynamic Interaction and the Concept of Emergence – In Societies and Enterprises**

### **The Second City**

On December 16, 1959, a new theater was opened in the old town district of Chicago. It was called "The Second City Theater". Actually, the theater troupe had been in operation for some time, but this was the first time in a facility of its own.

The special thing about this theater, was that while the show was advertised, and a nice crowd showed up, there was no advertising what the show was about. There was no Shakespeare or Ibsen on the agenda. People simply did not know what the evening's show would be about – and neither did the actors.

When time was ripe, the actors entered the stage, and greeted the audience. And one of them would ask: "Is there anything in particular that you want tonight's show to touch upon"? Perhaps there was a romantically inclined person in the audience who would like to see a love story. OK – then: Love. Maybe there was a young man who wanted action, perhaps a murder. OK – a murder, then. So, the only thing they knew was that there would be a play, and that a love story and a murder would have to be part of it. And then it would start.

One of the actors might start making a movement, walking back and forth on the stage, perhaps looking a bit depressed. Another actor might approach him and ask what was wrong. The first one might respond that he had woken up from a nightmare last night – already starting to see a possible introduction to the murder part. Then a third actor might enter, commenting that someone had arrived at the house. OK – so what goes on here?

1. Someone initiates action and someone responds
2. There are innumerable ways to initiate action, and innumerable ways to respond. In the language of complex systems theory, such initiations and responses are called "micro-enactments", and they form patterns of dynamic interactions
3. One actor may have a certain idea for a story, but the story may be completely altered through the response of other actors. Nobody can predict in advance how the story will unfold
4. It would be possible to video-record the whole thing, and write down every comment and every movement after the performance. But nobody could say what it would be like before it started
5. It is all improvisational

And, as Keith Sawyer has noted in his book *Group Genius*, improvisational theater makes a good metaphor for understanding processes of invention and innovation (2007).

## **Jazz – a forerunner**

Improvisational theater, what we also may call “theater sport”, was again definitely inspired by jazz. Sometimes live “free” jazz is even used as part of the improvisational theater performance. Jazz is a form of music where you normally may start out with a melody, but where – through improvisation – the melody is embellished, varied and transformed, while new melodies and harmonic and rhythmic combinations are created in real time, as the performance unfolds.

Karl Weick, a leading organizational psychologist, was among the first to study the combo, or the little jazz band as a social phenomenon, in the late 1970’s, and he called it a social “micro cosmos” (Weick, 1998, Weick, 1979, Bougon et al., 1977). Much of what goes on in the world of social phenomena can be seen directly in the combo. I have myself done more than 300 live “leadership jazz” sessions in various leadership programmes. In jazz, as in social life, people initiate action and others respond, thereby initiating dynamic interaction, and through such interactive dynamics, entirely new stories, and new musical expressions unfold, or emerge.

## **In systems terms**

The process is by definition unplannable. A mathematician would add: non-linear, emergent and unpredictable. Systems people would notice that the players in jazz, or the actors in improvisational theater, are self-organized. They are also self-coordinated and self-synchronized, giving us a case of a Complex Adaptive System – CAS (Stacey et al., 2000). And a biologist would recognize it as an *autopoietic* system (Maturana and Varela, 1980). While an *allopoietic* system is created by someone in order to produce something other than itself, an *autopoietic* system creates itself, for the purpose of further creating itself – like a society of ants – or humans.

The basic ingredient in such systems is a mechanism of dynamic interaction – of action and responses, forming a stream and a pattern of dynamic interactions (Silberstang and Hazy, 2008). A micro-enactment may be an initiation, an invitation, an offering or a proposal, or it may be a response in the form of an active acceptance or a counter-offer, or it may be the start of a negotiation process, or a questioning, probing or “synthesizing”, or it may be a rejection or a non-response, ignoring the initial offer. As stated in the title of a book by Robert Poynton: *Everything is an offer* (2008).

So when we talk about dynamic interaction, what it mainly means is that we talk – we converse or we communicate about some content. But it can also be physical. We respond to needs. And we act upon initiations. We invite someone to dance.

We may use this metaphor of improvisational theater for several purposes. This morning, I will bring your attention to three areas:

1. First of all, we may consider the improvisational theater a model of human entrepreneurship, well-being and mastery, where people who are free to think and act, and who are also able to see responses to their actions, both have an optimal learning experience and a sense of self-actualization and fulfillment. The focus here is on the entrepreneurial spirit behind mastery and self-actualization.
2. Secondly, the metaphor gives us a model of innovation, including radical innovation, and strategy formation, and of operations in dynamic environments, where operators, task forces

etc. work in a self-organized, self-coordinated and self-synchronized manner – in all cases where action and coordination is not based on centralized planning or order-giving. The focus here is on invention and strategy formation.

3. Finally, the metaphor says something about how the vast, real life theaters of societies and markets evolve – especially if power and resources had been equally shared. The focus here is on the forces of business, social and political environments.

We may start with mastery and actualization.

### **1 - The entrepreneurial spirit of mastery and self-actualization**

At the heart of our improvisational theater metaphor or the jazz metaphor, and at the heart of complex adaptive systems, is a process of dynamic interaction. But before there can be dynamic interaction, there has to be actors – people capable of initiating and responding voluntarily, people who follow their own mind or their own inner drums.

From studies of experiential learning we know that the ability to act according to your own design and observe the effects, then contemplate the results and act again, is key to experiential learning (Senge, 1990, Kolb, 1976, Kolb, 1984, Knudsen, 1998). We do something and we see the results. We act and we learn and we are able to improve. Small children do it all the time. Adults should do it all the time. Whether we write an article or practice a musical instrument, or we try out a new way of producing something or invent a new way of conducting a therapy session – we do it and we see how it works. Then we try out a better way next time.

From studies of helplessness and depression we know that voluntary action, the ability and opportunity to do something about a situation, observe consequences and try again, are also the keys to personal mastery and well-being. In Martin Seligmans (1975) original studies of *Helplessness: On Depression, Development, and Death*, both the helpless dogs and the mastering dogs were given the same painful treatment the first day of a two-day experiment. Both groups were subjected to electric shocks. But the mastering dogs, were given a chance to escape during the first day. And the next day, when they were again given the opportunity to escape, they all escaped – a sign of mastery. Those who were given uncontrollable electrical shocks the first day, learnt that they could not escape. And the next day, when they were given the chance to escape, they did not even try. They simply gave up. It was not the pain of the electrical shocks that made them helpless – it was learning that you couldn't do anything to stop it. There was no connection between anything you could do and the result. Similar results were obtained with other animals – and, significantly, with humans.

An entrepreneur is in this sense a person with an idea who is able to act voluntarily upon the idea to produce some desired result. The reward is in most cases the least important part. But obtaining responses and coming up with results are. The most important is the opportunity to voluntarily act upon an idea, combining thought and action, and engaging in responsive and interactive processes. Under this definition an artist is an entrepreneur, and so is a writer, scholar, an artisan or anybody who is allowed to combine thought and action and see the results of that combination in his or her main occupations.

A slave is a person who can act, but not voluntarily, where the rewards end up in somebody else's coffins. A slave can still enjoy the action itself and the visible results of an effort. Aristotle defined the slave as a person who performs repetitive tasks at an other person's orders. There are many modern slaves.

The modern client, on the other hand, is a person who receives some form of benefit, but the reward is not connected to the person's own ideas or actions. In the case of the slave, including the modern "free work" slave, the result is deprivation. In the case of the client, including the millions in our welfare systems, the result all too often is helplessness and depression. When there is no connection between what you do, how you act and what comes out of it, there is very little opportunity for mastery and a sense of achievement.

In economic terms, the entrepreneur is someone who starts a new business. In our treatment, we may think of the entrepreneur as a person with ideas – or with one particular idea – who is in a position to voluntarily act in order to develop the idea and implement some form of activity to make it work. This can happen in the market place, in government offices, inside or outside of big corporations or in the voluntary sector.

At a personal level, the coming together of thought and action brings about some level of self-actualization. In relation to positive psychology it is an expression of mastery – as opposed to helplessness and depression. And in economic terms it is also a basic form of invention, innovation, renewal and development.

## **2 – The level of Invention and strategy formation**

In world history, there are very few examples of important inventions being the result of a lone inventor coming up with an idea and bringing the idea to fulfillment and realization through a lone process of trial and error. Trial and error is part of it, and loneliness too, but not the ability to carry out the whole invention process in splendid isolation. There has to be improvised dynamic interaction.

According to Keith Sawyer, all inventions and all innovations are the result of dynamic interaction. There is a process involved, but it is not one of planned stages. In the world of business and governments, attempts have been made to reduce all invention processes to processes of planned stages, including the formulation of a new product strategy; exploration of alternatives; screening of the best alternatives; analysis of business potential; product development and commercialization (Dosi, 1988). Probably the best known model is the one developed by NASA in the 1960's. The idea was that by focusing on a small number of steps the whole innovation process could be turned into an analytical-rational endeavor. It turned out, however, that the approach worked only for small-step improvements and incremental innovation and not for radical innovation (Kamoche and Pina e Cunha, 2001, Susman and Ray, 1966, Wind and Mahajan, 1997). It also turns out that planning of the process seems to be of least value in situations where the payoff would potentially be greatest. The stage-models also have turned out to slow down the process (Cooper, 1994, Hoopes and Postrel, 1999, Imai et al., 1985) and even the NASA-model has proved to be cumbersome and of little practical use. In one study, only one percent of the enterprises that tried to use the model, used it the way it was meant to be used (Cooper, 1988), and most firms never uses a planned-sequence model, or a formalized approach at all (Griffin, 1997, Takionda and Rosenthal, 2000).

For small-step, incremental innovation, stage models, may work. And continuous improvement models such as the Japanese Kaizen system may also work. It is like a relay, where an idea is taken systematically from the first to the second stage, and then to the third and fourth. But for radical innovation, the relay model doesn't hold up. Instead, the process is more like a football game, where the idea is the ball, continuously kicked forward from one player to another, where players improvise and seek to outsmart the other team. The process does not follow a pre-planned routine, it is not analytic, and we do not know beforehand where it ends up. In his book on creativity, that is just out from the publishers, Keith Sawyer calls it a *Zig-zag* (2013).

Like improvisational theater, the football game is one of continuous improvisation, where dynamic interaction makes it work much like a complex adaptive system. In order to control the system, the coach has to give away control to the players! It means delegation, and de-centralization and self-organization. It means relying on the players doing the improvisation and the dynamic interaction to form patterns of movement, that could not have been planned in advance. In this sense the players are also entrepreneurs – people with ideas, capable of unveiling their ideas and implementing activities that lead to outcomes.

### **Analytical and Intuitive Tasks**

In life, as in business and in politics, there seems to be two main types of problems. Some problems are of an analytical nature. These are problems where we know that there is an answer. We know what steps are needed to find the answer, and we also know where we can find the information to make the necessary steps. Intuitive tasks, on the other hand, are tasks where we do not know what kinds of knowledge we will need in order to find the answer, and we do not even know where to find such knowledge, or to find out about the steps necessary in order to come up with the solution (Hammond, 1980, Hammond, 1981, Knudsen, 1998). In order to solve analytical problems, we need to do analysis. In order to solve intuitive problems, we need to engage in search processes. Sometimes we cannot even set a specific target or goal, because we do not even know beforehand where we would want to end up. So instead of goals, we have a combination of “search areas”, “stretch-goals” (Sitkin et al., 2011) or “Suchfelder” (Brankamp, 1971).

Instead of problem-solving, Sawyer talks about problem-finding (2013). Problem-solving has often been used synonymously with creativity, but that is incorrect. It is true that often people think they know what the problem is, and that all that is required is to sit down and solve it. But more often it turns out that what first seems to be the problem is not the real problem, and before you can solve the real problem you have to try to find it, through a process of problem-finding. “The parameters aren't clearly specified, the goal isn't clear, and you don't even know what it would look like if you did solve the problem” (Sawyer, 2013, p. 23).

### **Military and business strategy**

In strategic management, there is a definite schism between an analytical orientation and a process orientation. And with the analytical orientation comes a certain optimism on behalf of data collection, data analysis, planning, order-giving, implementation, and control. It relies on a plan-and-control ideal that is predominant in most business schools. If you haven't learnt to analyze, you haven't really learnt anything! If you don't have a strategic plan, there can really be no strategy!

A key issue in strategic thinking has always been that of organizational adaptation to the environment, or the degree of fit between the organization and its environment. And Henry Mintzberg's main concern when drafting the concept of emergent strategy, was that environmental dynamics undermines the relevance of detailed strategic planning. When the game changes all the time, how can you gain control, by having the work-force follow detailed, predetermined plans?

Even the Chinese general Sun Tzu knew that this kind of planning would be in vain. He noticed 2500 years ago, in *The Art of War*, that it is common for generals to go to war using a conventional strategy – but battles are more often won when using **un-conventional strategies**. Sun Tzu claimed that he never repeated his strategies, but always sought un-conventional approaches, making responsive adjustments as the battles unfolded. Also, he had a very clear idea of how you could create unconventional variations (and complexities), such as using five colors on the palette, or five tones on a musical scale to expand variety (Tzu, [2007]).

And Karl von Clausewitz, the German authority on military strategy, in *Vom Kriege*, asserts that you can plan for the first battle, but once the interactions of war have started, you have to depart from your plans. The battle scene is an arena of dynamic interaction, between the struggling armies, and you cannot predict what comes next. The "friction of war" is everything that creates a gap between plans and reality, all the accidental elements that make it impossible to rely on plans to reach your targets. And "the fog of war" is the lack of transparency that marks all battle-fields, including the misunderstandings, delays, misconceptions, problems of getting stuck, problems of not knowing where the enemy is or where your own groups are. And it is all part of war. The interaction between antagonistic, opposing parties – just like the interactions between actors in an improvisational theater – create unpredictable, non-linear outcomes (von Clausewitz, 2007 [1832]).

Ellen Ann Chaffe was the first to note that not all business strategy is a result of planning, and that some of what is planned is never implemented (1985), and Henry Mintzberg was the first to use the term "emergent strategy" for that part of strategic outcomes, or "realized strategy" that was not a result of a deliberate plan or a deliberate choice (1995). And we may ask with John Kay: "Who invented agriculture, insurance and banking, or corporations? No one did: they evolved. Adam Smith, the revered founder of modern economics, chronicled the market economy, he did not invent or design it" (Kay, 2004, p. 50).

The improvisational theater metaphor tells us that the big, real life theaters of societies and enterprises evolve and that the outcomes are not always predictable. The metaphor further tells us that in such environments, operators and task forces have to work in a self-organized manner. The theater is a model of coordination. In all instances of mutual dependencies there arises the need for coordination by mutual adjustment, and for a self-synchronized timing of such interaction.

### **Information overload and implementation under-load**

The idea of gaining control by giving away control, may seem contradictory. And we may therefore examine what happens when you do the opposite – seeking to gain control by taking away control from your subordinates:

1. In an environment of rapid change and ever increasing varieties of information and information channels, informational inputs from the environment will increasingly become overwhelming –

much more information will be available than can possibly be digested by top management – whether it be a business organization or a society

2. At the same time, the internal analysis, order and control regime can only process so much information, form so many rules and give so many orders. And people at the receiving end can only absorb and respond sensibly to so much order-giving, so many targets and objectives
3. At the same time, trying to meet the varieties of environmental challenges only through distilled, planned action, will lead to a sub-requisite variety of action and responses. What comes out of the system will be too little, too late and of too little relevance
4. There is a need therefore to change the relationship between the leadership hierarchies and the ranks of loyal implementers, to empower the lower levels of the organization and give “power to the edge” of the organization in order to cope with environmental challenges and in order to proactively and innovatively put challenges back to the environment.

Ashby’s law of requisite variety stated that in order to have control, an actor needs to have «answers» to all «varieties» of things that may happen in the system to be controlled. Also, every «answer» to every «variant» needs to be a «winning answer», and finally new «winning answers» need to be generated at least as fast as the system comes up with new varieties of challenges (Ashby, 1958). That means that in a dynamic system, the actor needs to be agile and proactively be up-front with new «answers» – or better, new challenges to competitors and new offerings to the public – before they have asked for it. It means to take emergent strategy beyond simply responding to environmental dynamics and changing needs. Processes of emergence should be put in place in order to proactively bring about innovation and renewal. The improvisational theatre is a model of innovation, including radical innovation, since no invention or innovation is the product of a single individual operating in a secluded environment.

To the extent that business environments and public needs are dynamic and unpredictable, centralized planning and control will not lead to control. You have to give up some measure of control in order to gain control. You have to rely on self-organized units to act in the best interest of the organization. In fact, you increasingly have to rely on groups of people and crowds entirely outside of the organization, in a globalized virtual world, to stand up for you and bring the information and ideas you need – voluntarily and often for free! We know that a majority, more than 60 percent of impulses to innovation traditionally have come from customers. With the internet age, such impulses and contributions are now coming from any part of the interested public. If the audience in the theater is asking for more drama or a more sensitive love story, that is what they should get. And the audience reaches well outside of the theater walls.

### **Emergence – bonus or regret**

People who are very fond of planning, tend to think about emergence and complex adaptive systems mainly as noise! Irritating stuff that undermines rational analysis and solid planning. Does it have to be this way?

What is an “Italian strike” – also called “white strike”, or in England “work to rule”? When English railroad-men in the 1960s “worked to rule”, that is exactly what they did! They worked to rule. And

what happened? When they all did that they were supposed to do, according to the rule books, trains neither arrived nor left on time. And what was it that made trains normally be on time? Probably a most remarkable thing: that the station people and the train conductors and everybody along the line, used their senses and made sensible decisions in the interest of having trains come and go on time – even if not by the rule book!

So even the railroad system was – in practice, while not in principle – to some extent self-organized. And it didn't mean that people would sabotage, start loafing, or give bad service. No! They used their little portion of personal discretion for the good of the company and for the good of the passengers – and themselves.

There is a tendency, when we talk about complex adaptive systems, to focus on things that don't work, on plans that fail, human behaviors that run counter to what the authorities had hoped or anticipated. So let the stories from jazz and improvisational theater remind us that dynamic interactions are not in themselves either good or bad. What comes out of it is partly a result of intentions and partly a result of chance. To make emergent strategy more than a game of chance, then, is about tipping the chance part in the direction of positive intentions.

### **Generating alternatives**

At the level of strategy-making, a very basic question is a philosophical one: It is about whether to continue relying on analysis, planning and control, or to open up for- and to a greater extent rely on emergent processes through self-organized dynamic interaction. And the issue is equally relevant to private and public organizations. At the level of strategy, we may argue – and the argument is supported by thousands of interviews with CEOs around the world and with hundreds of consultants in the McKinsey consulting company – that most firms do not have good strategies, and that processes are more important than analyses. If you have a bad analysis, the flaws will be discovered and corrected if the processes are good. If you have a bad process, nothing can help you (Bradley et al., 2011).

And we need good processes for basically three tasks: 1) To come up with good strategy and policy alternatives – it is about being agile and inventive; 2) To make fast and efficient strategic change decisions, and 3) To implement the changes seamlessly and effectively. Business strategy textbooks spend almost all attention on the second issue. But without good processes for bringing forth original and creative alternatives, and also for considering all important aspects of implementation before the decision is made, not much good will come out of the decisions.

### **3 – Business and political environments as complex adaptive systems**

No philosopher has more relentlessly than Jürgen Habermas worked out what it means to decide among decision alternatives, whether it be in terms of efficiency or ethics, and the ideal of communicative action is worth adhering to whether it be in societies or enterprises. But there is still something missing from the Habermasian communicative action. It deals with how we make choices, and how we may improve on our approaches to making choices. But it doesn't say where the stuff comes from that we are choosing from. What appears to be missing is an understanding of how we come up with alternatives, and even more, an appreciation of the struggles and challenges of offering us new alternatives. We may analyze what is the best option among two alternative strategies that are presented to us; what is economically the best choice among two policies; what is in technical-operational terms

the best way to reduce cost, improve quality, speed up processes or reduce waste. And we can make moral judgments about the ethical defensibility of one priority as opposed to another, or about the democratic appropriateness of one procedure as opposed to another. But before we can choose among two or more products as the core of a new product strategy, somebody has to present to us the product options. And that requires creativity and invention.

And so also with the economic policies, or the process improvements, or the ethical deliberations and the democratic alternatives: How can we say in Europe that we have a choice between Angela Merkel and German austerity on the one hand, and Francois Hollande and his French Keynesianism on the other? Are these the only possible alternatives? Has nobody done the creative job of figuring out a better alternative? Wouldn't that really be the more interesting issue?

There is a philosophical void, and it is about the missing options, the alternatives that were never developed, those that were developed but never presented, and those that were presented but never listened to. The heart of all epistemology is to find out whether some statement is true or not. But before we can examine the truthfulness of the sentence, someone has to make the statement. And that takes a creative act. This is clearly a parallel to the distinction between problem-solving and problem-finding (Sawyer, 2013). Even the best problem-solving is rather useless, unless somebody has been able to define the salient problem issue and state the important question. Similarly, even the best communicative action is wasted, if nobody has done the job of coming up with promising decision alternatives.

### **Ideals and reality**

The improvisational theater metaphor is an idealized arena – an arena of equal participation, lots of humor and fun, creativity, self-actualization, and entrepreneurial spirit. It reminds you of a Saturday-market arena, with people young and old, locals and foreign, jugglers and traders and on-lookers. Markets can be fun, as can feast-days and holidays, with tivolis and circuses, concerts and games. The improvisational theater is spacious and tolerant of diversity and variety.

But not all markets are fun. The improvisational theater, as a joyful place, is a long shot away from the realities of economic and social life in much of the world today. In parts of Europe, unemployment rates of close to 30 percent, and among young people more than 60 percent, are not uncommon. In still other parts of the world, underemployment is even more prevalent. And in many societies well-educated people never get a chance to practice what they have learnt, and never get a job that can compensate for the investments in human capital made by the society and by the individuals. This is absurd – and it amounts to an enormous tragedy.

What do we have? Is it an improvisational theater gone sour?

The ideal market and the ideal democratic society is like a huge improvisational theater. The story that unfolds in societal development is created by millions of actors, all fully informed and fully empowered, with no centralized command post, and no script-maker. The regulators define the rules of the game, overall policies and principles, but never tell each actor what to do or how to coordinate. And of course, no actor on stage can change the regulations and policies to their personal or corporate advantage. Self-organization is the rule, and emergence is the name of the unfolding process.

We all know that the global market does not work that way today. So, before I finish, I would like to point to three areas of special concern:

1. Understanding the stage as a political-economic systems of greedy actors and unequal distribution of power
2. Understanding the stage as an arena of entrepreneurial failure and helplessness
3. Understanding the stage as an arena of regulator stage fright and defensiveness

### **Greedy dominant actors**

President Dwight Eisenhower, in his exit speech as president in 1961, came up with the term “Military-industrial complex”. We have since then seen that there are many such “complexes” – distorting the improvisational theater of free people. A “Banker-finance-government complex” was in existence both in Europe and the USA a hundred years before the Military-industrial complex. Recently, the financial empires were saved by tax dollars, euros, and pounds, and the emperors gave themselves bonuses in appreciation. And we have in later years seen the emergence of an “Agro-food-business complex” and a “Big-pharma complex”, to a great extent controlling the government bodies that were supposed to be the controlling them. Also, we see the fulfillment of what John Kenneth Galbraith 50 years ago, in *The New Industrial State*, coined a “reversed sequence” in the market, with “demand management” on the part of the big enterprises replacing consumer supremacy (Galbraith, [1967] 2007). The financial crisis which has become a real-economy crisis, made visible the fact that there are people and enterprises with greed and power, who – as foretold by Galbraith – are able to reverse the sequence, replace consumer demand with “demand management”, telling the public what to buy instead of responding to true needs, and sometimes even having tax-payers pay for their own stupidity. When markets fail, it is not by accident. The international pharmaceutical industry has come a long way in the direction of a reversed sequence – buying up American congressmen and hordes of doctors and clinics in their striving for “demand management”. This raises the question of what to do with regulators when so many of them are already on the wrong payrolls (as in the American Federal Drug Administration – FDA), and when legislators are outnumbered 6-1 by lobbyists, with unlimited funds, as was the American Congress during the recent health reform. Much of food and agricultural business are going in the same direction. Monsanto would love to have a fully controlled demand management of (gene modified, patented) seeds and pesticides in global agriculture. That would not be healthy – neither for the economy nor for people.

Galbraith’s concept of a reversed sequence was rooted in technological demands, the need to recover R&D investments, and the power of marketing, advertising and PR. The “industrial concept” version of a revised sequence, however, uses government reimbursements, controls, certificates and licenses as means to control the customer and the market. When the costs of securing FDA acceptance of a new brand of medicine runs at 250 million dollars, it is clearly not a game for entrepreneurs and start-up firms.

An important argument by John Kenneth Galbraith was that the more some of the actors (the big, and powerful ones) were able to control demand, and therefore revenues and turnover, the more the burden of economic adjustments and restraints would fall on the smaller and weaker actors in the economy. These are firms and agencies that cannot reverse the sequence and control their environments. The

power games and the corruptive practices associated with reversed sequences where governments are involved, raises some serious economic questions. The burden is one of enforced restraint: When governments have to restrain economic opportunities, and when powerful corporate interest are able to escape the restraints, the full burden of uncertainty and restraint fall upon the small firms and on would-be entrepreneurs in a global market theater. During the economic downturn since 2008, the pharmaceutical industry has come out un-harmed. So who, then were harmed? What would John Locke and Adam Smith say if they were here today?

### **A stage of helplessness and refusal**

Of course, young people who have finished education, should be employed in the private, public or voluntary sector – or have a chance to start their own business. Something is terribly wrong in Europe, when the majority of a whole generation of young people are not allowed to act on stage! They are not part of the action. The play is evolving, and they are not offered meaningful parts.

It is beyond the scope of the present address to outline how this can be reversed, but a few comments may be in place. First, the (Galbraithian) unevenness of the burden of regulations need to be corrected – we need to take the classical, British thinking about the independence of government serious. We need to welcome Adam Smith and John Locke back to build a “guidance system” (policies, principles and rules) for the theater and for actor interactions.

It is commonly agreed that in order for business to thrive, there is a need for predictable government policies and predictable business contingencies. Linked to the previous argument, however, if small and entrepreneurial businesses are to thrive, government policies cannot be based at any one time upon the needs of those who control the reversed sequence. So, increased predictability will mean that some firms will experience less predictability – they will not be able to dictate government policies as before. There will be a need to reduce the power of the big and strong, that do not normally create many new jobs anyway, in order to empower and increase the predictability for the small, entrepreneurial and upcoming.

But more than this, we need, in much of Europe, to come up with massive support for entrepreneurs and young initiators – much along the lines of micro-finance and micro-venture capital that has become popular in emerging markets. We need to help small business and young people exploit the potential of new technologies and whole new economic avenues, such as creative and experiential sectors of the economy. The concept of “born global”, and similar developments in modern entrepreneurship thinking, need to be understood.

We also need to have “New Deal” type public works and use Keynesian government spending for visible social improvements. If banks fail, they should be allowed to fail. They may even be bought by the state at a very low price (as we did in Norway in 1990) and they can later be sold back to private investors at market rates. But it is not good for the cohesiveness of society to subsidize the financial villains, as has been done during the present financial crisis. The Keynesian solution was never meant to be a mechanism for saving scrupulous bankers.

### **Bureaucratic stage fright and defensiveness**

In order to deal effectively (in the spirit of Adam Smith) with the inconsistencies and challenges of a “new industrial state” (that by now has become “post-industrial”), and with the need to emancipate

masses of young people (and immigrants) for entrepreneurial endeavors, we need political and administrative public action. And we need to do it without creating huge new bureaucracies. We need to come back to the idea of having the actors on stage and not in auxiliary administrative roles behind the scene. But we also need the people behind the scene, the lawmakers, referees and public servants. And we need them to be brave and fair and incorrupt. I am afraid there is a tendency among public servants to be so afraid of being intimidated by the mass media that they end up being timid – to hide in defensive roles behind bureaucratic paragraphs.

The modern combination of market economies and political democracy rests upon a complex web of checks and balances – and a great number of counterbalances. The strongest argument for political conservatism has at all times – and especially since The French Revolution – been that a radical, revolutionary transformation of this intricate system, easily may destroy important balancing mechanisms built over centuries. It means that the number and variety of formal and informal, explicit and tacit corrective mechanisms and institutions exceeds that which we can easily express in a protocol for revolutionary change. This also means that nobody in fact can have the full insight, or the full systemic view of how the society is built. The national and international political-economic systems have emerged over several centuries, as if played by an improvisational theater. Sometimes it is even hard to foresee the most immediate consequences of discrete political-economic changes, much less the indirect and long-term consequences. For some, the conservative bent goes so far as to resist any deliberate change at all.

At the same time, however, the political-economic environment is constantly changing – even without any discrete political interference. The Soviet Union was a case of resistance to all change except for that which was governed by central planning. But the system could not, in the long run, be made resistant to outside and international developments. And it could not in the long run account for changes and emergent elements of the internal society. A plan or a rule or a policy of a particular nature in 1950 did not retain that nature if applied in the same way to the society of 1980.

And the same holds for legislation and policies in more dynamic societies. If conservatism is practiced with too much restraint, it will backlash. At some point, not changing the governing system may be a more radical and risky solution than making the change. The society is subject to constant emergence and development, and not changing legislation in a way that reflects the varying needs of the emerging society, may at some point create unforeseeable consequences (This is in fact a good argument in favor of the British legal system of Common Law. The idea of a centralized legal system, based on centralized formal legislation, presupposes that a centralized law-making body at all times is up-dated and able to sense the needs of the population and the under-currents of society. Common Law, on the other hand is based on the notion that only those practicing law, and the judges and juries dealing with actual cases can best sense the needs and the under-currents).

The same parallel can be seen at the level of public leadership, where on the one hand you can have a bureaucratized system, based on detailed, formal rules and regulations, and on the other hand a much more freely system of wide spans of discretion and leader freedom to make personal judgments based on common sense, and also some not-so-common sense and personal expertise. The bureaucratized system is meant to ensure impartiality and standard treatment, while the benefit of the judgmental system is the opportunity to make meaningful exceptions and individual adaptations.

How can we expect radically improved public policies when the main concern for civil servants is to avoid blame in the media, and when the only means to avoid blame is to be able to hide behind certain paragraphs and rules? If there is nothing to hide behind, all you have to do is to create a new rule! And how can we expect entrepreneurship to flourish if we cannot change the paragraphs and the rules?

Growth and renewal will be restored when individuals and groups are allowed to put on an act in the **call-and-response, thought-action-outcome** sequence of improvisational theater! Such action is **meaningful!** How can we create a theater, where people can thrive and flourish, creating a better world for themselves and others by pursuing their own ideas, listening to their inner drums, engaging in action and interaction for learning and improvement, where the main reward is a meaningful life? It is about giving life back to people!

So, going back to the improvisational theater, **what are the key words** for our real-life theater plot? What kind of a theater is it anyway? Is there a script? If so – who has written it? Or are we all improvisors? If so – what are the key words: A love affair or a murder? Life as an unemployed or a billionaire?

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**Blood Money: Some Thoughts on Law and the Compensation of Grief**

**Abstract:**

This paper draws on art, philosophy, economics and contemporary law to examine whether law should attempt to compensate grief suffered at the loss of a loved one through money damages. Beginning with an examination of tomb of Michelangelo in the Basilica di Santa Croce di Firenze designed by Vasari depicting of three grieving figures.

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### **Global Crisis and a New Understanding of the Public Financial Management**

#### **Abstract:**

The seek for "Restructuring" in both public management and in public financial management all over the world has had a of significant place in Turkey's agenda for years. Particularly, the economic crises in 1990 and 2000s created the need for a Comprehensive reform of public financial management in Turkey. In this respect, the fundamental objectives during the reform of the public financial management of not realized in Turkey have been the consolidation of the increased fiscal discipline and fiscal transparency through the new public financial management approaches. Furthermore, improving the quality of public services delivery and Increasing accountability, participation, efficiency and the customer satisfaction in the public sector reforms have constituted the base of these. Continued After the reforms which have all over the world for many years, the struggle for the Restructuring of the public sector still occupies the agenda of a great number of countries. The global crisis which has affected the entire globe as of the last quarter of 2008 has particularly greater Importance attached to the reforms made within the scope of the concept and a number of new public financial management reforms to make new countries in order to eliminate the inclined effects of the global crisis. This study Aims to evaluate the global crisis at a global and national scale within the framework of new public management concept, taking into account the post-crisis period.

**Keywords:** Global crisis, new public management, accountability, transparency.

#### **1 Introduction**

Economic and financial problems in recent years, public sector spending, taxation and borrowing, with the increase due to the economic crisis from the public sector in many countries has led to the questioning of the concept of public financial management. In this context, many developed and developing countries went to important structural changes in public financial management and budgeting systems. New Zealand and Australia in the late 1980s, in the 1990s in Sweden, USA, Finland, Great Britain, Denmark, the Netherlands, Canada and France, at the beginning of the 2000s in Austria, Germany and Brazil, countries have made important arrangements in the field of public administration .

All over the world for many years as one of the most important problems in Turkey's public spending effectively, economically and can not be used in an efficient manner, ie, fiscal discipline has been a problem. This harcanamaması public expenditure on a regular basis and as needed, well this is a problem that has led to the growth of public finances. In this context, for the restructuring of public

financial management, the country that has been practiced for eighty years General Accounting Law No. 1050 was repealed, instead of the "5018 Public Financial Management and Control Law" was put into practice. This law was adopted in 2003, the basic principles of public finance and has many significant changes in the use of public resources.

Aim of this study considering the post-crisis period, the new public financial management within the framework of the global financial crisis in Turkey and in the world as well as the general to make an assessment.

## **2 New concept of public financial management reforms under budget**

Constantly increasing budget deficits in many countries after the 1980s as a result of aggregate demand, and therefore the increase in inflation, has led to a reconsideration of all aspects of public financial management. In this process, the organization of the tasks and re-questioning of the state, public financial management, it has become necessary to restructure some of the reforms. These reforms are basically the location and functions of the state in the economy and the public to question the direction of improving the financial performance of the developed and the "New Public Financial Management Understanding the scope of" shaped.

New public financial management approach:

- Improving the quality of service and management,
- Management approach based on the development of medium-and long-term objectives,
- Strengthening the capacity of policy-making, forum created
- Costing of these policies,
- Management culture exchange,
- From input focusing to result focusing
- Imposing the principles of participatory budget, forum → provision of public services to respond to the wishes of the citizens,
- Ensure accountability and transparency, is based on such factors as

Laid down within the framework of the new public management of public management reforms, aimed to increase the responsibility and performance to provide fiscal responsibility. The change in the budget process to clearly define the objectives of the fiscal policy aims (Tanzi and Schuknecht 1999:69). Budget reforms implemented in many countries, the restriction of government spending on the one hand the reduction of budget deficits and public debt trying to provide by way of limitation, by means of a set of performance indicators in the public sector but also aims to increase the efficiency of resource allocation.

new understanding of the emerging world, to ensure the stability of the macro-economic regulation of intra-state structure, and the structure of the elements of the organs is based on the evaluation of the performance of their duties to fulfill. Countries that have adopted the concept of new public management reforms introduced in the scope and application of the common features, though the

differences are observed. (Gursoy Hurcan, 1999:6) Ltd restrictive spending initiatives there, applying them at the same time to go budgeting in corporate restructuring has been significant. Faced with the financial crisis in the mid-1990s in some OECD countries, contributing to the budget process itself have recognized this situation and undertook significant reforms in the budget process. We live in the best of the most recent global financial crisis, many institutional reforms in these countries have put stance. This will help to reduce the impact of future economic crisis in any possible (OECD, 2010:1).

## **2.1 Reasons for requiring**

Budget reforms that require financial reforms, financial reasons, reaching great heights rising public deficits and debt inventories accordingly. Not only factor in the emergence of reforms in public financial reasons. "New Public Management" approach in time of public services, provide citizens with a certain quality and optimal cost, and it has adopted for the purpose of increasing the efficiency of the service. This is one of the driving forces in bringing reforms to the state's redefinition of the roles undertaken by the state has been to clarify the scope and size (Gursoy Hurcan, 1999: 6-7).

The last 20-30 years, the efforts of many countries to examine the role of the state and functions as established and has been the scene of public administration reforms. Orientation of reforms in the country in terms of the vast majority of governments "new public management" approach adopted. In this context, increasing efficiency, reducing budget deficits and public debt, improving service delivery, political control over the bureaucracy and spending programs, strengthening transparency, performance management, policy development and public employees need to be held accountable in the forefront. All these reforms, the budget process reengineering means. Today, this budget reforms introduced in various countries to be implemented in various degrees, "a smaller but more efficient state" idea came to the fore (Arin, 2000:59).

## **2.2 New trends in public financial management**

Tackle the present regulations in many countries in the field of public financial management, the public purposes of the rules in order to perform more effectively, reforms are being implemented with changing roles and management information (Dorotinsky, 2005: 3). In this context, public financial management reforms implemented in recent years in many countries, there are some common features. These reforms are to achieve three main objectives. These are financial discipline, distribution and use of resources according to strategic priorities to ensure effectiveness and efficiency in the provision of public services (The World Bank, 1999:17). These three functions are fulfilled, the macroeconomic stability in a country that will be provided. However, there is a hierarchical relationship between these functions. So, what sources providing fiscal discipline will be distributed according to strategic priorities, nor is it will be possible efficiency in operational terms (TEPAV, 2005:5)

different from each other but they are closely related to the three main functions, namely the nested elements with each other. Budget reforms at the same time trying to accomplish the changes depends on the application of these three basic elements. Questioning of these principles is provided to the tasks of the state in the economy, constitute an obstacle to the achievement of organizational structure by reviewing the three basic elements of the function is to eliminate or change. Some of the common features of these reforms, enforcement of fiscal discipline, which will take you to include binding

commitments, the macro definition of objectives for fiscal policy, and the opening up of financial markets is to make financial information available to the public.

By the OECD budget system to effectively control public spending five suggested that the basic institutional arrangements. These are: (Blöndal, 2003:2):

- Multi-year budgeting (Medium-term budget plan), Used
- Realistic economic assumptions,
- Public resources from top to bottom (top-down) allocation,
- Performance-based budgeting
- Financial transparency and accountability brought forward the application of Rule-Based Fiscal Policy and Financial Code.

### **2.3 COMMON CHARACTERISTICS OF PUBLIC FINANCIAL MANAGEMENT REFORMS**

#### **Placing the System of Fiscal Discipline, the Necessary Elements for Fiscal Discipline**

The most important factor that comes to mind when you think of the budget appropriations for the budget to increase them oylandıktan parliament and without the consent of the parliament in the fiscal year appropriation must not be allowed to play in the addition of (Kesik, 2005a: 130).

Fiscal rules, the macroeconomic sense, the budget balance, public debt, public expenditure and public revenue (tax rates), the restriction and regulations as well as financial performance indicators .. Fiscal rules, budget balance, debt, spending or taxation, fiscal policy, such as a financial indicator sets a limit on the special limitation is defined as the legal or constitutional. In other words, fiscal rules binding constraint or limitation of policy options that the government regulations (Kennedy and Rubbins, 2001: 2).

To establish fiscal discipline, macroeconomic stability, and reduce economic vulnerabilities is very important in terms of improving economic performance (Kumar and Ter-Minassian, 2007:3). Fiscal discipline, so the public debt and budget deficits, or a way of attaining this to remain below a certain limit, the budget deficit and public debt is to the legal or constitutional limits. The most important example of budgets, legal restrictions introduced in the Maastricht Treaty, the European Union, the European Monetary Union as a global financial targets for the Zoom (Convergency) called Maastricht Criteria Criteria is. Objectives, criteria and revealed a multilateral international obligations as well as to carry out these objectives have. For many countries in the EU to perform these criteria have become the main financial goal (Günay and Care, 2002:66). However, the recent crisis has shown that many EU member states made a sufficient effort to apply the criteria in order to mislead even the Union chose to play accounts.

#### **Determination of the Strategic Priorities**

Reforms is another aspect of the public financial management system, the allocation of public resources and the strategic priorities of the administration of government, and hence the effectiveness of the program with the regulations to be taken into account.

distribution of resources according to strategic priorities, the main responsibility of institutional mechanisms, set within the framework of fiscal discipline önceliklendirebilmektir competitive demands on scarce resources. Limited resources available in the amounts claimed by the ranking of priorities, the hierarchical structure of society and the state that prevents some preferences are known exactly.

- Medium-term costs of existing government policies,
- Output and outcome information for each policy,
- The cost for a new policy proposals, output and outcome information.

Strategic priorities, mainly to reflect the preferences of the political structure is capable of being the optimal solution is the most difficult to reach. In this case, some information is needed to support corporate arrangements. These are ;

As a result, expenditure rules and procedures within a particular identification, sequencing, and the results will improve public disclosure of the principles of transparency and fiscal responsibility. In addition, deviations will occur according to data released to the public obligation and a motivating force to achieve political goals will bring costs (Gursoy Hurcan, 1999:9).

### **Ensuring Effectiveness and Efficiency in the Delivery of Public Services**

The third element of the reforms in the public financial management system, so the efficiency of the public sector to increase performance. Especially in the developed countries has made significant progress in this regard and held the public financial management system is subject to change in this direction. Fiscal discipline and the determination of public expenditure in order of priority within the framework of next generation, another important issue is the efficiency of public services, and to present to the public. Applied

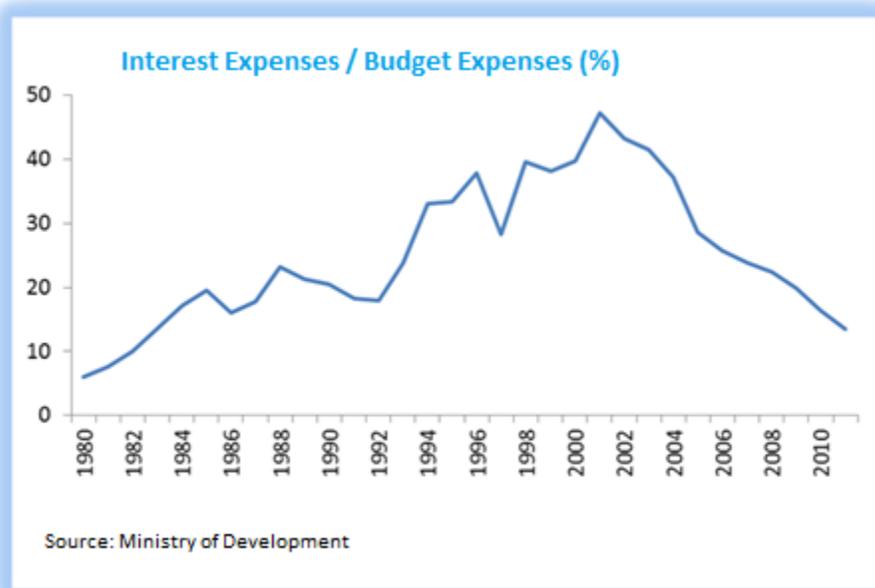
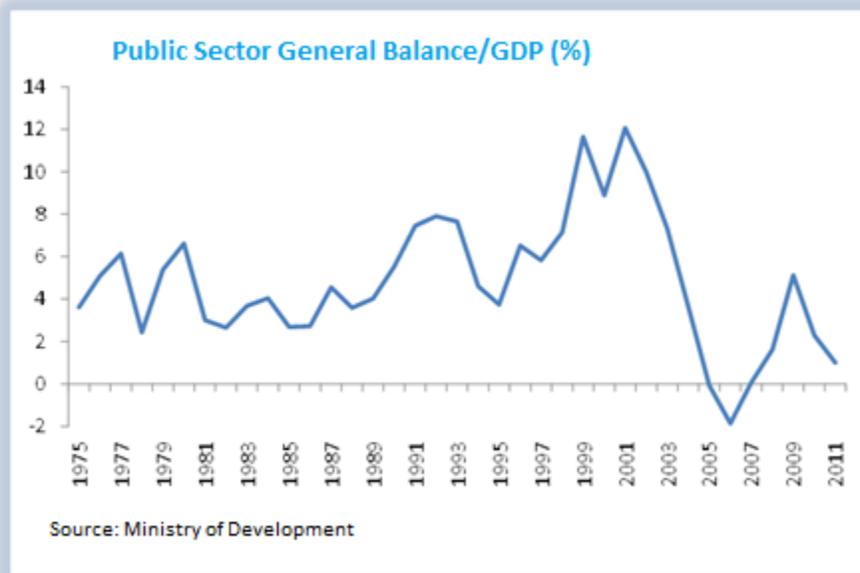
this element defines the efficiency and effectiveness of programs or outputs depends on many factors. Institutional arrangements that are connected to the performance of the institution at this level can be summarized as follows (The World Bank, 1999:17):

1. Resources and give adequate support systems with responsibility,
2. Objectives and tasks should be clear,
3. Tasks undertaken flexibility should be given the authority to maintain and objectives,
4. Forum should be accountability for the use of the authorization

## **3 Public financial management and budget reforms restructuring in Turkey**

### **3.1 Reasons for Budget Reforms in Turkey**

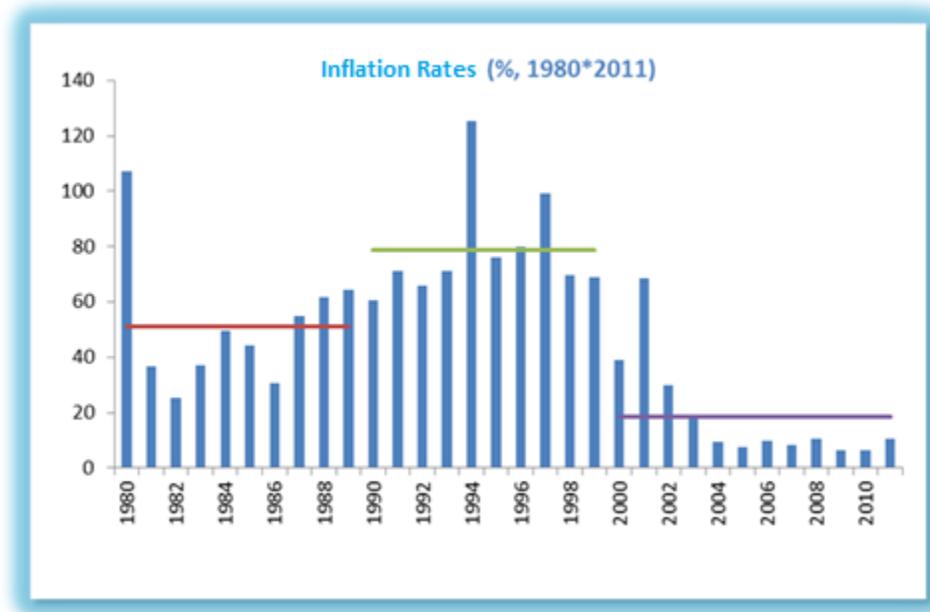
The 1980s and 90s, fiscal discipline and transparency in public financial management has been a period are ignored. High levels of budget deficits emerged in this period, the state has reached high levels of inflation and increased borrowing requirement. This period is also given to public spending and borrowing primarily to finance the debt is not subject to any limitation. All these experiences an increase in the fiscal policy of indiscipline, excessive public deficits to rise rapidly, and caused an increase in domestic debt service (Yükseler, 2010:2).



Sum up the reasons for requiring restructuring of public financial management in Turkey summarized as follows:

- High public deficits,
- Problems in the social security system,
- Scope of the budget and extra-budgetary expenditure stenosis,
- Unbudgeted fiscal and quasi-fiscal operations,
- Weaknesses in accounting and statistical system,
- Strong understanding of a lack of reporting,

- Control system deficiencies,
- Spending needs to develop the capacity of the units.



In 2001, all of these problems as well as the economic crisis, Turkey has been an element that requires comprehensive reforms in public financial management. The main objectives of public financial management reforms implemented in Turkey, and the new public management approaches to strengthen fiscal discipline has been to increase fiscal transparency. Other elements of these reforms is to improve the quality of public service delivery and accountability in the public sector, participation, has been to increase the efficiency and citizen satisfaction. Turkey's EU accession process has been one of the important factors in achieving the reform of public financial management. (World Bank, 2009:11-12).

### 3.2 5018 Public Financial Management and Control Law

Turkey, as part of the reform of public financial management, the legal framework for public financial management restated. The most important step taken in this direction, modern public expenditure management and accountability, providing a new legal framework for 5018 has been the enactment of the Law on Public Financial Management and Control.

scope of general government institutions fully implemented in 2006, the entry into force of Law No. 5018, for the improvement of the legal framework for public financial management is an important step taken.

Act 5018, on the basis of general government in Turkey, within the scope of central government institutions, social security institutions and local administrations composed.

Within the scope of the central government:

- 50 "in the general budget institutions", (organizations listed in Chart I)

- Universities and higher education institutions, including 130 special budget administration (No. II, ruler) and
- 8 regulatory and supervisory agencies (III No. ruler) are available.

Since the beginning of 5018 with the enactment of the Act of 2006 in full, the definition of the consolidated budget in the period of the program, the definition of the central government budget was adopted. In this context, the central government budget ruler No. I, II, and III of the schedule is the sum of the ruler.

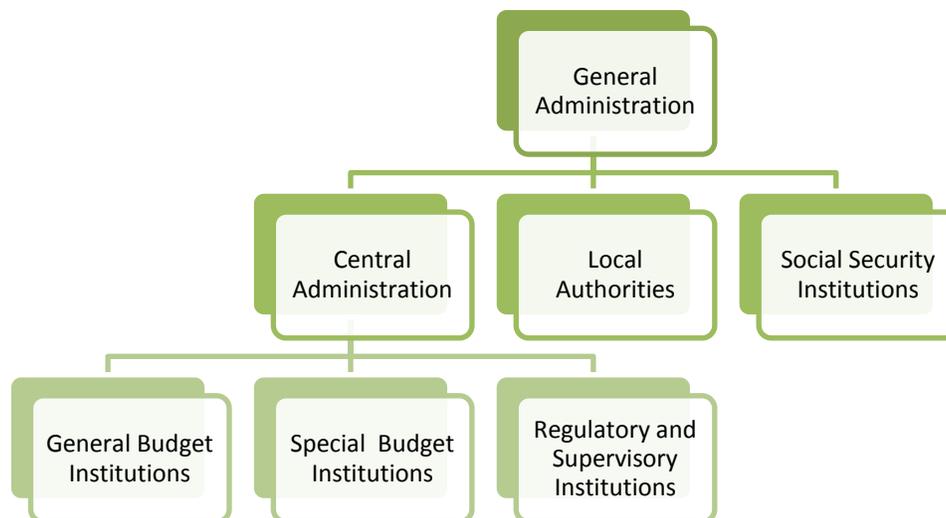
Prior to 2006, receiving transfers from the central government budget organization of 25 autonomous budget, special budget institutions were involved in the schedule II is displayed, but the old system are not covered by the budget revenue surpluses, which transferred the regulatory and supervisory agencies 8, III, ruler were included in No. .

In addition, in connection with the old definition and universities are not included in the consolidated budget, health, social, and cultural centers, within the scope of the central government budget, special budget began to take place between organizations (SPO, 2007:58).

Social security institutions After preparing the budgets of local governments and budgets approved by their councils.

The scope and magnitude of off-budget activities, although significantly reduced after the crisis in 2001, 5 extra-budgetary funds and working capital of about 1,400 units, continues to operate outside the central government budget. Performance-based management in the health sector, especially through revolving funds are used to improve service delivery.

**Figure 1: Scope of the Law No. 5018**



Law no 5018 has undergone major changes in the distribution of responsibilities for the management of the budget. Other ministries have become fully responsible for the management of their budgets. Other ministries "Strategy Development Units", including budget preparation and financial management were responsible for the internal control. Internal audit is carried out by other ministries, the determination of

the internal auditing standards, internal auditors and other ministries of education administration of the internal audit work carried out by the internal audit units of the Ministry of Finance for providing reasonable assurance that the "Internal Audit Coordination Board" has been responsible for.

### **3.3 Reforms of Law No. 5018**

Country, according to international standards of financial management and control system tries to establish a government. Public financial management and control system of the innovations introduced by this law are as follows:

1. Budget in order to ensure the best use of the right, extended the scope of the budget. Thus, the expenditure to be subject to the control of the parliament and provided information. Scope of the law, in accordance with international classifications, as determined by the public generally. Law No. 1050, including not only the legal personality of the state authorities and without prejudice to the provisions of special laws and regulations supplementary budget and special budget administrations covers financial management and controls, Law No. 5018, the central government under the public authorities, social security institutions and local public administrations within the scope of the overall management of includes financial management and control.
2. Public financial management and control system has been in a standard layout. Public administrations, budget preparation, implementation and control procedures were the rules of a general nature
3. Parliament's budget right strengthened.
4. Planned budgeting process has been established within the framework of a close link between development plans and budgets. Medium-Term Program (MTP), and it is compatible with the Medium-Term Fiscal Plan (MTFP) preparation of budgets will be prepared on the basis of these estimates in the budget in the next two years by applying a multi-year budgeting system was launched.
5. Strategic planning and performance-based budgeting system was introduced . Within the framework of the preparation of strategic plans and budgets of public administrations to prepare these plans, performance indicators are also provided to identify and performance audits.
6. Law No. 5018 of the Ministry of Finance with the re-defined the role of financial management and control system, the control ex-ante and ex-post the audit authority and given the task of public authorities.
7. Political and administrative responsibilities of the public financial management are separated, in the process of implementation of the budget and audit senior managers of public administrations come to the fore, assuming ministerial oversight and coordination functions.
8. Unity of accounting in the public sector is provided. Use the same accounting system in all public administrations within the scope of general government. In this respect, it was possible could be used in the consolidated accounts.

9. Preparation of public finance and public finance statistics are available. Decisions to be taken in the public finances healthy and to help to forecast financial data for all public administrations may be presented in an integrated manner.
10. By the Ministry of Finance before spending commitments and draft contracts in progress abolished visa process.
11. Extended the scope of the Court of Accounts audit. Ex-ante visa and registration procedures are carried out by the Court abolished the Court of Accounts audit of all administrations were included in the scope of the law.
12. Provide fiscal transparency in public financial management arrangements have been made. All income and expense budgets were included in the Law outside the budget to budgets prevented.

Sum Law No. 5018, containing regulations and processes of financial management in the public sector in general, may be perceived as a law that changes the fact that the responsibility of the public sector management systems and the management of the public sector has a law that requires cultural and behavioral differentiation.

5018, introduced by the new understanding of public administration, the concept of

- Administration, governance,
- Bureaucracy centered structure, individual and community-based structure determinants
- One-sided, multi-faceted engagement,
- From input focusing to result focusing
- Cumbersome bureaucracy, effective governance,
- Closure and culture of secrecy, transparency,
- Hierarchy and rules-based audit, performance and accountability, including audit procedures based on the multi-actor been implemented as a system.

○ **Law No. 5018 Supplementary Regulations**

Worked to prepare an integrated approach, the reform of public financial management in Turkey and in this context, the Public Procurement Act 4734, the Public Procurement Contracts Law No 4735 and No 4749 of the Law on Regulating Public Finance and Debt Management, co- time as the entry into force and implementation of the reform of the reform to be successful, and has been more important in terms of adoption.

Law No. 5018 external audit carried out by the Court. Law No. 832 for the external audit of the Court of Accounts, prepared in order to harmonize with the new Audit Act 5018 and amended by Act came into force.

Special Provincial Administrations and Municipalities No. 5779 in 2008 General Budget Tax Revenues to the enforcement of the Law on Issuance of Shares, a local governments to give more responsibility with a new decentralized arrangements, intergovernmental fiscal transfers, changes have been made.

Ministry of Finance, State Planning Organization and the Treasury, the main institutions responsible for the budget. The Ministry of Finance is responsible for budget preparation and implementation, accounting and reporting. SPO, other responsibilities, as well as long-term planning, the preparation of the public investment program and is responsible for determining the macroeconomic framework. Treasury, however, the agency responsible for the management of debt and cash. Ministry of Finance, General Directorate of Revenue Policies is responsible for tax policy formulation, collection of revenue Revenue Administration (IOP) is responsible.

Addition, the Freedom of Information Act No. 4982 and No. 5176 was enacted on the Establishment of the Board of Ethics for Public Officials. In addition, energy, agriculture, health and social security sectors, some reforms have been aimed at accountability and transparency of public finances.

Regulations in Turkey, which are complementary to the Law No. 5018 and Law summarized as follows:

**a) Enterprise-Level Strategic Planning and Performance Programs**

- Preparation and implementation of the budget of the upper stronger association was established policies.
- Trying to increase the capacity of policy-making in public administrations.
- Improvement in the use of public resources provided within the framework of the strategic priorities.
- Decision-making and performance management processes in public administrations strengthened.

**b) Increased Transparency and Budget Extended the Scope of the Budget**

- Budget under the increased number of organizations.
- Funds were liquidated.
- The number of revolving funds have been reduced.
- implementation of special allowance is limited to private income.
- Parliament budget right Powered coverage.
- The remaining five mutual funds, the public sector accounts.
- Reduced costs beyond the budget discipline.
- Cash planning has been carried out more healthy.
- Decentralized allocation policy, budget, union The budget provided to the generality of the principles of the classical budget.

**c) Multi-Annual Budgeting**

- Plan, program and budget has been strengthened relationship.

- Covering the period of three years and is renewed every year through the preparation of internal and external macro-framework Provided markets perspective.
- Institutions increased predictability of resources to be allocated.
- Increased initiatives institutions to prioritize projects.

**d) Enhancing Accountability**

- In the public sector budget types are defined according to international standards
- General government finance statistics prepared and presented to the public.
- Analytical budget classification was introduced.
- Accrual-based accounting system was launched.
- Accounting and reporting standards have been developed.
- The right to information has been strengthened.
- Public Ethics Committee has been established.
- Internal control and internal audit system has been implemented.
- Extended the scope of external audit.
- Public more informed.
- Increased public control.
- Public strengthened accountability.

**e) Enhancing the Quality of Fiscal Adjustment (Fiscal Discipline)**

- To establish fiscal discipline and fiscal space created by reducing public expenditure and implementation of policies used in the high social returns.
- Medium-and long-term sustainability of the programs being implemented care has been taken.
- Income policies have been noted to have at least distorting effect.

**f) Ensuring the Effectiveness of the Management of the Public Debt**

- Debt management strategies in line with pre-determined are carried out.
- Borrowing and debt management legislation has been corrected.
- Borrowing and warranties to be given the legal restrictions were imposed.
- debt management issues and regularly reported to the auction program.
- Market making system has been implemented
- Administrative structure has been strengthened. (Front office, Debt and Risk Management Committee, etc.).

**g) E-government: Citizen-Focused Service Transformation and Modernization**

- Registration number and address of Citizenship applications
- Tax and social security applications
- Judicial, law enforcement and customs services,
- E-transformation of the services offered to the public on public sector transformation
- Increasing the number of e-Government services offered Gate

In practice the solution of all these questions, and what should be done for the good functioning of the system ?

- Preparation of the strategic plan, organizations must adopt a more participatory model.
- Able to achieve the targets set level
- Strategic plans should be more transparent.
- A more rational and reasonable number of performance indicators should be identified.
- Performance audit institutions principles should be laid down clearly.
- Operated accountability more clearly. Responsible for the performance of which could be addressed and discussed in more serious ways and methods to be followed.
- Financial Services Professionals for the training of Strategy Development Units, although sufficient number of these units is employed. They can be employed in these units, together with the necessary personal arrangements should be made attractive.
- Ensure more effective in terms of the accountability of the institutions and the accounting services, accounting services, separated from each other, which is part of the internal control system of accounting management should be carried out by the contracting authorities.
- The financial data in order to develop sound financial strategies should be processed more healthy.
- Resource allocation based on public financial management, centralized management, and input-oriented approach rather than the traditional budgeting, management of resources is based on the distribution of authority and responsibility in the field of financial management and budgeting approach should be based on output-outcome-oriented performance.
- Systematic application of fiscal rules should be made.
- Policy Implications cost-benefit analysis should be performed.
- Strengthened the link between strategic plans and performance programs.
- Central harmonization in the internal audit function should be strengthened.
- E- broadened scope of state-of-service delivery area.

If you do an overall evaluation, the data referred to below as the name implies, in spite of all the shortcomings and problems in the application of the partial success achieved in the economy in recent

years, fiscal policy, introduced by the Law No. 5018, or attempted to impose regulations, has made important contributions. The exception of 2009 when the global financial crisis, the recent structural public finance, budget deficits reduced, public debt reduced, more efficient resource allocation in the budget, has been a period made more efficient. Law No. 5018, of the building blocks of expenditure ceilings of public institutions, strategic planning, performance programs for public finances has been the guiding nature.

However, in times of crisis, increasing the budget deficit was reduced in times of stability, rather than rules-based economic structure created by putting into consideration, and most importantly, the laws which sanction is inevitable that the area behind the creation of fiscal policies.

	Before 5018					After 5018				
	1990	1994	1997	1998	1999	2007	2008	2009	2010	2011
Budget Deficit (%)						-1,6	-1,8	-5,5	-3,6	-1,4
General Government Balance / GDP (%)	-	-	-	-	9,8	-0,2	-1,6	-5,5	-2,9	-1,0
Public Sector Borrowing Requirement / GDP (%)	5,5	4,6	5,8	7,1	11,6	0,1	1,6	5,1	2,3	1,0
Interest Expenses / GDP (%)			5,9	8,8	10,2	5,8	5,3	5,6	4,4	3,3
Interest Expenses / Tax Expenses (%)	30,8	50,7	48,0	66,9	72,4	31,9	30,1	30,9	22,9	16,6
CPI (%)	60,4	125,5	99,1	69,7	68,8	8,4	10,1	6,5	6,4	10,5
Compound Interest Rate Debt (%)	54,0	164,4	127,2	122,5	109,5	18,4	19,2	11,6	8,1	8,7

Source: Ministry of the Treasury, Ministry of Finance, the Treasury, Turkish Statistical Institute

- **Global crisis and the restructuring of public financial management**

- **European Union's Debt Crisis**

Already struggling with the debt crisis in the EU is the obvious reasons, since the Maastricht Treaty came into force in 1992, with almost all of the Excessive Deficit Procedure of the member states is subject to, and determined as a percentage of the budget deficit to GDP or reference to the ratio value between 2000-2007 by Greece 8 times, 5 times by Italy, Portugal and Germany have been violated by 4 times and 3 times by France. As a result, the financial discipline in which the Member States can be said that the main reason for the crisis. In the EU and, more importantly, in the case of euro zone countries such as Greece public debt to GDP ratio of 159.1 per cent to çikabiliyorsa, this financial undisciplined member states as well as the provision of financial discipline in the member states in the EU administration shows inactivity.

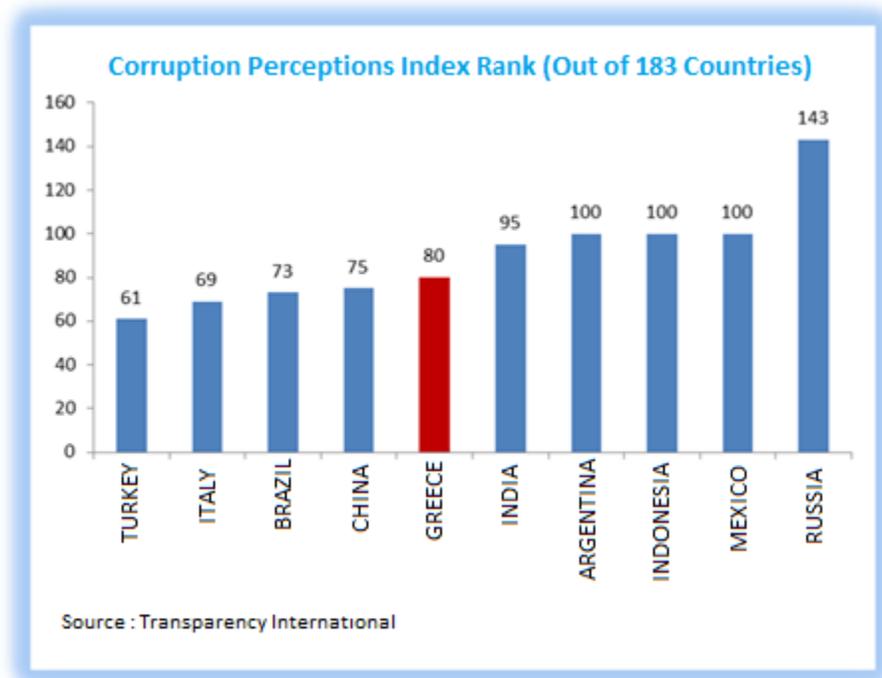
However, crisis, the impact of economic and social indicators has been a big influence on the management of the European economy. Tighter fiscal rules in the EU and all measures taken in order to predict more severe sanctions, further complicate the management of the European economy, so it casts a shadow over the transparency of the management of the economy.

- **Greece Debt Crisis and Greece**

Greece's debt crisis emerged in the last months of 2009, after the global crisis, the existing public financial management in the EU has led to some of the problems of the water.

The Greek government in October 2009; Gross National Product per cent of the country's budget deficit of 12.7 percent declared exceeded. International markets and the impact of the earthquake in EU circles that led to this statement, is expected to be at the level of 5-6 per cent budget deficit in Greece revealed that in reality it twice. EU standards by the Greek government announced that the budget deficit was about 4 times .. Another problem is the size of the budget deficit in the EU from playing the previous Greek government reports the data. This country has serious damage to the credibility of the EU and to the international community. The EU, as a result of his investigations on the subject, confirmed that Greece did fraud statistics. Greece all over the world have shown that event, the biggest problem facing the Greek economy, which had been neglected for many years based on the absence of financial control and fiscal discipline, macroeconomic structural imbalances. The biggest reason for this is the rapidly increasing public expenditures.

One of the most important factors that triggered the economic crisis in Greece corruption. According to a survey conducted by Transparency International, corruption is an integral part of daily life in Greece. According to the report, the organization announced in 2011 in Greece, Corruption Perception Index ranking of 80 out of 183 countries ranks.



#### ○ **Public Financial Management Reform In and After Global Crisis**

Beyond the crisis in the financial markets in 2008, many around the world a negative impact on the economy. The global crisis necessitated the reform of public financial management in order to reduce public spending in many countries has accelerated this process. The crisis has taught us that countries that do not meet the standards required to reforming public financial management.

The situation in Greece is only the visible face of the iceberg. Techniques that do not meet the standards of accounting, auditing and financial management practices by the end of the financial reports, the Greek government has led to counterfeiting. This is also in the public sector than in Europe,

revealing a broad range of financial fragility of the market's response has been triggered. Making it obvious that the needs of rescue packages and increased debt service costs. In Germany, the government in recent months, the GDP of 2.6 percent, corresponding to a calculation error has announced. To see the size of this error, the cost of the earthquake and tsunami that occurred in Japan is 5 percent of GDP should take into consideration. This kind of errors account for the lack of the German Ministry of Finance, is an indication of problems in the management of public finances. In the same way, errors in the financial statements of the Government of Ireland, has been an indication of serious problems in many countries, public financial management.

Poor financial management in the public sector is not limited to Europe only. Bad practices in the public administration has become a global problem. On the basis of the problem, the lack of political will and foresight systems used to manage public finances and governments is inadequate.

Confederation of International Accounting and Auditing (IFAC), Chairman of the Board of Directors assessed the situation as follows Ian Ball "most governments in developed countries use the information only cash-based financial manage, and you can check the status of such act, let us show that some things seriously wrong. "" Budgeting, accounting and cash-based information commonly used to date has been exceeded, and the financial situation of both simple and precise way to describe the complexity of the remote. This bad financial management strong evidence "(IFAC, 2011)

Public financial management in order to ensure greater transparency and accountability in public financial management and institutional arrangements needed changes should not be ignored. this context (IFAC, 2011);

- Financial statements the last six of months should be audited
- Budgeting and reporting should be done on an accrual basis,
- Full financial transparency should be provided prior to the general elections,
- Budgets and audited financial reports on the situation should be added independently,
- Budget deficit spending shouldn't be restricted, or at least result in a deficit which is based on the expenditure should be provided full transparency regarding the causes and context of a fiscal period explanations about how to ensure financial stability must be done.

Recession increasing transparency in public financial management arrangements implemented a commitment to established. More than one of the methods used to ensure accountability and transparency, including International Accounting Standards International Auditing the adoption of international financial standards (Nummy and Kevergood, 2012).

Effects and the possible repercussions of the global crisis is not yet fully finished. Crisis still continue to engage in more than all the world's agenda. High debt ratios, the sustainability of the budget deficit and high unemployment rates among the results of the ongoing crisis. extraordinary ongoing implementation of policies to tackle these problems is required.

- **Conclusion**

In this study, why 5018 Public Financial Management and Control Law is needed, what is done about it and what are the critics try to analyze what should be done next. At the same time, the reform of the global financial crisis after the revision of the public financial management has been demonstrated that the existing problems and difficulties.

Public all over the world financial management reforms implemented in recent years, continues to maintain its place on the agenda. Recession have difficulty, particularly in Greece, Spain, Italy and many other countries, such as Portugal does not meet the standards required to reconsider the management of public finances.

However, behind the reforms can be successful in the One of the important aspects of political commitment. I believe in the principles of modern public management in ensuring fiscal discipline and governments in their efforts to adapt to them is very important. successfully put into practice in countries implementing reforms, the reforms have been successful with the support of governments is usually stable. For this reason, governments, and to reform . If the application wants to reform how powerful, so much that the reform will have a chance to be successful. governments are not friendly and willing to making the need for applications such as fiscal rules, some techniques, such as in the case of Greece to fulfill the need of these rules, designed initially positive impact on fiscal policy can not provide.

Turkey, in the field of public financial management reform efforts has been successful since 2001. most important step in this context, the main objectives of the reform of public financial management, providing a new legal framework on Public Financial Management and Control Law No. 5018 entered into force. This law together with the multi-annual budgeting, public financial management, strategic management, performance-based budgeting, new approaches have been adopted, such as the internal control and management information systems. Moreover, the provision in the budget integrity, the close link between the application of policies and the establishment of the budget, productivity, transparency, accountability and control applications such as the Court has been key features of the new budget system.

The global crisis, increase the impact of public spending has become important in Turkey as well as all over the world. In this process, the implementation of expansionary fiscal policies to combat the crisis Due to improve the quality of fiscal discipline has gained importance. To this end, a more robust implementation of the public financial management reforms in the future, which could provide growth-enhancing expenditures, as well as to prepare a financial environment is an important tool to maintain the necessary arrangements.

5018 Law Although significant progress has been made in the management of, and problems to be solved, there are applications that need improvement. In this context, the Development Plan, the Medium-Term Program and Annual Program increased binding policy documents such as the top strategic plan, performance strengthened the bond between the program and the budget. Parliament weaken and undermine the right to edit all kinds of budget transparency should be avoided. performance audit perspective, developed, strengthened the link between control systems. increased speed and determination to continue the reform process, is critical to ensuring the permanency of the

progress achieved. Accordingly, the performance of the public sector that are required for the development of is of great importance to continue the second-generation reforms.

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**The New Face of Fiscal Auditing Within the Framework of the Amendments which Related to Sayistay's Mission in Turkey**

**Abstract:**

Recently, the most radical amendment in public financial management is General Account Law No: 1050 was removed and Public Financial Management and Control Law No: 5018 became valid. However, this state creates a period in Turkey's public financial management. 3E rule i.e, effective, economic, efficient principle has been entered into fiscal literature in Turkey.

## Share Aied Aldosari

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### Faculty Perspective at Art and Science College about Proposed Program in Persuasion to Develop an Academic Teaching

#### Abstract:

The purpose of this research was to explore the perspective of faculty at the college of Art and science in Salman Bin Abdulaziz university about proposed program in persuasion which designed by researcher (a vice of dean for quality and development) in order to develop academic teaching. The proposed program consists of eleven units (each called a persuasion program). In order to achieve the aims of this study the researcher distributed about 90 questionnaires and collected 42, just 39 of them were valid for research objects.

The findings of this research were as follows:

- In terms of the importance: the programs were all (high), except the sixth program, the results were (medium).
- In terms of the knowledge: the first, fifth and seventh program have been known for faculty with HIGH degree, and the other programs came with MEDIUM.
- In terms of the benefit expectancy: the fifth program took a high degree. Whereas, the rest programs were all medium.
- In terms of college/university seminars adequacy: 61.76% of the samples responded that were NOT enough. In the same time, 55.88 % of them agreed the value of training on the programs such as (communication skills, persuasion) to improve education at university.
- There were no significant statistical differences at the level of  $\alpha = 0.05$  on due to sex, specialization, qualification or experience variety.

**Keywords:** Persuasion, academic teaching, teaching development.

#### 1. Introduction

Many researches and studies have been concerned with the means and techniques of discussion as an ultimate subject of study. Here the writer is more concerned with the idea of *persuasion*, he considers dialogue and discussion as means of persuasion and that the goal of discussions is mostly to persuade and convince. He claims that persuasion is the most crucial element of human communication for its role in changing cultures, beliefs, ideologies and religions. This study tries to introduce a proposed skillful program that will help facing many challenges in the field of academic teaching and improving styles of teaching within the process of constant improvement and quality assurance of academic teaching.

People are judged by not only what they communicate to others, but also how they communicate it (Ng & Bradac, 1993). Because language use is an important part of impression management and person perception from point of view of Goffman. After even the most cursory perusal of the literature across any of the aforementioned disciplines, one thing is clear: how something is said can at times be as important as what is said (Brennan & Williams, 1995).

It is important to provide the knowledge to students with a suitable style of teaching techniques, what students will be convinced to accept the information and understand it. We are in the information technology era, so it is necessary to present course information with evidences by proper manner such as persuasion skills.

There are many studies obtained a persuasion as a research material. However, the majority was not talking about its relationship with academic teaching. Here will review some studies which considered relative with this issue:

In some cases, behaviors could be labeled with reference to what would be the behavioral consequences of a label. This new labeling feature is referred to as functional labeling and it is attributed to the usefulness of the performed behavior (Fointiat, 2006).

Although some studies found that those in positive moods are more easily persuaded than those in negative moods (Bohner, Chaiken, & Hunyadi, 1994), others find weak evidence of this interaction (Worth & Mackie, 1987), and still others have failed to find this interaction effect (Dillard & Smith, 1997; Mitchell, 2000; Mitchell, Brown, Villagran, & Villagran, 2001).

- **Goals of the study**

This study aims at contributing to the improvement of academic teaching through a proposed skillful program in persuasion that aims particularly at:

1. Discovering the reactions and responses of teaching staff at Salman Bin Abdulazeez University towards this proposed program based on the following elements:
  1. Their previous background about the levels of the program.
  2. Their feedback about the importance of conducting this program at higher education.
  3. Their feedback about the expected benefit of using this program in persuading their students.
  4. Discovering the reactions and responses of teaching staff at SAU about the necessity of training them on such a program (among others in communication skills) to improve academic teaching.
  5. Discovering opinions of teaching staff at SAU about communication skill programs that are being introduced by different colleges of the university which are highly demanded for academic teaching.

It turns out that the knowledge degree in the first, fifth and seventh program was (high) whereas, the programs rest degree was (medium).

The results also showed that the importance degrees of the programs were all (high), except the sixth program, the results were (medium).

The results also showed that the expected benefit degree from all programs were all (medium), except the fifth program the results were (high).

To answer the second question: “what’s the viewpoint of the faculty members at Salman Bin Abdul Aziz university on their training on programs such as (communication skills, persuasion) in order to develop Education at university? The researcher counted the ratio and iteration of the sample study responses on (36) faculty member.

The results showed that 55.88 % agreed the value of training on the programs such as (communication skills, persuasion) to improve education at university, while 44.11% have emphasize on the program necessity.

To answer the third question:” what’s viewpoint of the faculty member at Salman bin Abdulaziz On software’s provided by (university/college) in improvement of communication skills and persuasion with the higher education in particular.

Results have showed that 61.76% of the samples responded that the programs presented by the (University/College) in developing the skills of communication and persuasion are (not enough), While 17.64% of the sample mentioned that it’s (good).

To answer the fourth question: “Are there statistical differences in Level ( $\alpha=0.05$ ) due to the variable sex? The researcher has calculated the crossed tables in Chi-squared by using SPSS program,

The results indicated that there are not statistical differences due to sex variable at level ( $\alpha=0.05$ ).

To answer the question five: “Are there statistical differences in the level ( $\alpha=0.05$ ) due to specialization variety? The researcher has calculated the crossed tables in Chi-squared by using MINITAB program, as illustrated in table (5).

The results indicated that there aren’t statistical differences due to specialization variety at level ( $\alpha=0.05$ ).

To answer the question six: “Are there statistical differences in the level ( $\alpha=0.05$ ) due to experience variety? The researcher has calculated the crossed tables in Chi-squared by using MINITAB program, as illustrated in table (6).

The results indicated that there aren’t statistical differences due to experience variety at level ( $\alpha=0.05$ ).

To answer the question seven: “Are there statistical differences in the level ( $\alpha=0.05$ ) due to the variable of qualification?” The researcher has calculated the crossed tables in Chi-squared by using MINITAB program, as illustrated in table (7).

The results showed that there aren’t statistical differences due to variable of qualification at level ( $\alpha=0.05$ ).

- **Methods**

The researcher designed a questionnaire distributed on faculty members at Art and Science college in Salman University in Wadi Aldawaser (Saudi Arabia) they are about 90 members, to explore their perspective about the proposed persuasion program. After collection process the valid were 38 questionnaires.

The research used T test to analysis the data and mad proper statistical procedures.

- **Recommendations**

1. University teaching should be developed to be updated with the learner’s quality.
2. The necessity of the students satisfied during the lectures.
3. The student’s critical thinking should be improved.
4. Doing a research about the persuasion techniques in high level education.
5. The need to train teachers in modern teaching techniques especially those depends on the student’s quality at the time of knowledge and technical prosperity.

- **The proposed program**

<b>First program of persuasion</b>	
<u>Cautious</u>	<u>Directed</u>
The one who needs and warning in order to do what is needed.	The one who just needs support and encouragement to be persuaded.

<b>Second program persuasion</b>	
<u>Extrinsic</u>	<u>Intrinsic</u>
The person whose principles are what others believe and accept as something habitual and known by tradition. To persuade him, we need to tell him that is what really believe in, accept and do without hesitation.	That who has self-imposed principles that come from himself and his own cultural views. To persuade him, we need to suspect these principles and deconstructed them through the right religious beliefs and the right logic.

<b>Third program of persuasion</b>	
<u>Sacrifice for others</u>	<u>Self-benefit</u>
The one who likes to draw a smile on other’s face and sacrifice for them. To persuade him, we need to tell him that the issue in hand will benefit others in the first place.	That person who considers himself as the first priority and his benefit is the most important rather than the benefit of the others. To persuade him, we need to tell him the issue in hand is for his own advantage.

<b>Fourth program of persuasion</b>	
<u>Unfortunate</u>	<u>fortunate</u>
Those who focus on differences between objects, we can persuade them to focus on the interests and the differences between what we want.	The persons who concerned on the similarities and things that closed together, we need to persuade them by bringing interest and benefit of which we want to persuade him.

<b>Fifth program of persuasion</b>	
<u>Quality</u>	<u>Experimental</u>
The persons like verified and frequent things. We persuade them by the accuracy and quality of the thing and this thing is known and ensured.	Those like discovering and changing, we persuade them to be more innovation and more experiment.

<b>Sixth program of persuasion</b>	
<u>Futurists</u>	<u>Current person</u>
The persons envision the future and they utilize the day for future or tomorrow. Or may be hardened themselves today for better tomorrow. We can persuade them by the planning of their future, focusing on the future and the present sacrifice.	The persons live the present time and the moment, they don't think a lot about future .their slogan "I live for the day I die tomorrow". Their concern only for the present time, they don't care about tomorrow. To persuade them, focus on the moment and try to make it better.

<b>Seventh program of persuasion</b>	
<u>Realists</u>	<u>Creators</u>
Those persons have bare critical Thinking. You can persuade them in logic, planning and logical words.	They are persons with vision and liberal spirit Who are happy to resent idea, desire, adventure enthusiasm, innovation and creativity. You can persuade them spontaneity and creativity, try to make criticism away from them.

<b>Eighth program of persuasion</b>	
<u>Dependent persons</u>	<u>Ambitious persons</u>
They are sympathetic and relaxed persons, You have to persuade them to chat, patience and encourage them to rely on you without pulling or pushing them so quickly.	Those persons are happy in a given chances so they take these aims immediately. You can persuade those people by limit the goal clearly.

<b>Ninth program of persuasion</b>	
<u>The anxious</u>	<u>The calm</u>
The emotions of those people have great impact on their decisions so it is easily to control them. You can persuade those persons by drawing the reactions and make control on their actions .	Those persons are independent, control their emotions, make their own decisions, you can persuade them but their emotions are difficult to control. You can persuade them by taking idea related to them without any effects.

<b>Tenth program of persuasion</b>	
<u>Inductive</u>	<u>Deductive</u>
Those who rely on small details. You can persuade them to go from the parts to the whole, and clarify the smallest details.	Those who rely on the general image of the idea. You can persuade them to go from the whole to parts, and clarify the entire Image and general frame work.

<b>Eleventh program for persuasion</b>	
<u>Metaphysical</u>	<u>Materialists</u>
Those people believe in supernatural power, miracles, paranormal and metaphysics. It is easily to persuade them according to their faith and believes.	They are people who shall be persuaded by moving from tangible, viewer, or audible to abstracts.

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**Small Welfare States in the Age of Globalization: the Case of the GCC Countries**

**Abstract:**

Since the advent of the concept of globalization in the late 1980s there has been heated scholarly debate on the impact of globalization on the nation state. Within this debate there has been a growing tendency to emphasize the size of the country as a variable in theorizing about the impact of globalization on the nation state. It has been suggested that small nation states respond differently to the pressures of globalizations than large nation states.

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## **Women's Employment in the Maldives Hospitality and Tourism Industry**

### **Abstract:**

This research examines the economic impact due to the lack of opportunities for female employees in the Maldives Hospitality and Tourism Industry. Furthermore, it analyses the, current industry practices, government policies and strategies in Human Resourced development in the Maldives. Over the past few decades the Maldivian economy has become dependent on the tourism industry.

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## **Globalization, the Nation State, and the Expansion of the Notion of Security**

### **Abstract:**

In recent years, the field of International Relations has witnessed a resurrection of the debate between Neorealism and Neoliberalism on the fate of the nation state. Such revival of an old debate has been generated by the introduction of the relatively new concept of globalization. The objective of this paper is to focus on the question of security within the ongoing debate on globalization and the nation state.

## **Khalil Alsaadat**

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### **The Benefits of Distance Learning to Adult Learners**

#### **Abstract:**

Distance learning provides many benefits, including meeting the needs of nontraditional students with responsibilities to career and family that keep them from taking traditional college courses. The benefits of distance learning have led many higher education institutions to implement distance learning classes, even if on an experimental basis, just to keep the flow of revenue going.

#### **1 Introduction**

Distance learning provides many benefits, including meeting the needs of nontraditional students with responsibilities to career and family that keep them from taking traditional college courses Lawrence,2007, said he continues that, this new approach provides a new source of revenue for public universities that are experiencing shortages in financial support from the state and can ease the tension of body count in classrooms to generate full-time equivalence (FTE) to avoid canceling classes (Maguire, 2005). As a result of this success, the benefits of distance learning have led many higher education institutions to implement distance learning classes, even if on an experimental basis, just to keep the flow of revenue going. Some are hybrid in format and some are completely online. In general, society benefits most from an overall increase in technology literacy through greater access to education (Belanger & Jordan, 2004),(Lawrence,2007).

The number of nontraditional students has grown more rapidly than the number of traditional students (U.S. Department of Education, 2001). The growth of nontraditional adult enrollment in higher education demands a different and more flexible delivery system to meet students' needs (Chun & Hinton, 2001). Distance learning is designed to ensure compatibility with the characteristics and needs of the adult learner. By retaining their jobs while attending school, adult learners are able to continue to gain in work experience while pursuing educational goals (Nafukho, Thompson, & Brooks, 2004), (Lawrence,2007).This paper discusses the importance of distance learning to adult learners and the various distance learning methods that they can use to learn and get their degrees and diplomas, then conclusion will drawn and suggestions and recommendation will be provided.

Distance learning is gaining popularity among adults who are keen to upgrade themselves for better career opportunities. Distance learning provides an alternative for people to further their education without having to undergo the traditional classroom learning. Nowadays, more adults are becoming interested to pursue higher education in order to compete more effectively in the job market. In response to this growing interest in higher education, education providers are creating new courses using new technologies to meet the demand. Many distance learning online courses are developed to

meet this increasing need (Godden,2010). Formal online learning is becoming more commonplace among adults, although the Pew project has not published numbers on the penetration of formal online learning for seniors. In a 2000 survey they found that 5 percent of adult Internet users of all age groups had taken an online course for credit . A 2005 report from the Oxford Internet Institute in the United Kingdom indicates that one-fifth of UK Internet users have used the Internet for distance learning . The Sloan Foundation reports an 18.2 percent growth in online enrollment higher education classes from 2003 to 2004; it was also reported that "two-thirds of all schools offering face-to-face courses also offer online courses" . And in 2007, Michigan became the first state to require all high-school students to take at least one online class in order to graduate (Notes&Huber,2007).

Lawrence,2007, noted that Because of the rapid growth in distance learning, the use of technology has overcome many of barriers to higher education by providing traditional universities with an opportunity to meet the changing worldwide demand for education (National Committee of Enquiry Into Higher Education, 2001). The demand for higher education is expanding throughout the world: by 2025, as many as 150 million people will be seeking higher education (Goddard, 2000). This growth in demand will result in a change in the type of students undertaking higher education. Educational needs are becoming continuous throughout one's working life, as labor markets demand knowledge and skills that require regular updating (O'Neill et al., 2004). A recent report by the National Committee of Enquiry Into Higher Education (2001) indicated that more than 50% of higher education students were mature students (someone who starts a degree at age 21 or older). This figure is expected to increase as people realize the importance of education and how convenient it has become to have access to online learning and virtual universities that allow educational experiences to be tailored to the needs of individuals or groups (Lawrence,2007).

Mrcus,2010, believes that many people choose this learning mode of study because of the flexibility and freedom it provides. Some of them enroll in this type of learning courses because they are working full-time and could not afford to lose their jobs. They need their income for their own as well as their family's living expenses, and leaving their jobs would bring about financial problems. They have to find a way to fit learning into their schedule of family and job demands. Some people take up distance learning courses because they live far away from the school and attending classes is inconvenient. For some, this problem arises because the program they want to study is not offered by a nearby school and they have to choose a school far away from their residence. Traveling to a campus far away is inconvenient and time-consuming. Some people have family commitments which make attending class difficult. These people may have elderly or kids at home to look after and are not able to attend classes. Studying through distance learning can enable them to look after their family while they study. There are some people who are keen to do a certain course but feel shy about joining a class. Hence, they choose to do distance learning courses because these courses do not require them to attend classes (marcus,2010).

Lawrence,2007,cited that The distance-learning environment has a major contribution to make to the educational requirements of the 21st century by encouraging general acceptance of the concept of knowledge as a vital element in social development and economic growth. The authenticity, quality, and competitive standards of such programs should come from reputable institutions so that those in higher education can confidently say that it will eventually lead to economic growth.

Keeping pace with changes in technology and meeting the increasing demands of the knowledge-based economy will require a highly skilled and educated workforce capable of working collaboratively to find solutions to diverse economic, social, and environmental problems. The key to success is, in large part, continuing education, which means that online learning, with its open access and opportunities for active collaboration in an egalitarian environment, will have an important role to play in meeting the challenges of the future (Stansfield et al., 2004-in (Lawrence,2007). Distance learning has several benefits in which the classroom learning lack. One of the benefits is that a learner can learn at his or her own pace. In classroom learning, the faster learners need to wait for the slower learners to catch up with the lesson before the teacher can move on to the next topic. They have to slow down their pace for the sake of the slower learners. With distance learning, the faster learner can go on to the next topic any time he or she wants. Furthermore, in classroom learning, a learner has only one chance of listening to a class lesson. However, with distance learning, the learner can replay a portion of the audio tape or video, or read again the notes for a particular module (Godden,2010).

Wetzel,2008, said that In the past, adults who took advantage of distance education programs referred to as non-traditional students.He thinks that Today this term no longer applies, because distance education is part of most college and university programs to meet demand. Every year more and more degree programs are being offered for those who want to continue their education.Wetzel listed some advantages of distance education as follows:

- **Individual Advantages of Distance Education**

The advantages for individuals in this education alternative method teaching and learning for adults include:

1. Courses for those with time limitations for various reasons.
2. Flexibility to study in any convenient location with an Internet connection.
3. Flexibility to join conversations online discussion groups at any hour and to review classmates' comments.
4. More opportunities to study the most current material available.
5. Flexibility for those with irregular work schedules.
6. Study materials at own speed, without having to wait for slower pace of the average classroom or being overwhelmed in fast paced classroom.
7. Ability to take courses when living too far from the college or university.
8. Those with physical challenges which prevent attendance.

- **Technology Advantages of Distance Education**

Many adults, when thinking about enrolling in distance education, wonder if they will receive the same level of teaching and learning opportunities as traditional education. The answer is yes, because course requirements are not reduced and they have plenty of opportunity to interact with their instructor, along with fellow classmates. Communication is typically accomplished through the use of a range of technological options, all of which take advantage of anyone's specific situation, such as:

1. Voice – audio tools include the interactive technologies of telephone and video/audio conferencing (one-way or two-way video with two-way audio).

2. Video – video tools include still images, pre-produced videos (film and videotape), and real-time videos combined with audio conferencing.
3. Computer-Assisted Instruction (CAI) – uses computers as a teaching tool to present individual lessons.
4. Computer-Managed Instruction (CMI) – uses computers to organize and deliver instruction using the Internet has the prime method of delivery.
5. E-mail
6. Fax
7. Real-time computer conferencing
8. Internet applications
9. Web-based resources such as online textbooks, study guides, workbooks, syllabi, case studies, reading resources, and more.

- **Distance Education Degree Advantages**

Many degree programs are available through distance education programs offered by colleges and universities. Adults who want to continue their studies in specific fields or change careers can earn Certificates of Certification, Associates, Bachelor, Masters, and Doctorate degrees (Wetzel,2010).

Bird and Morgan,2003, reviewed the literature about factors influencing distance adult learning they said There seems to be wide agreement that success of adults enrolled in distance education is influenced by the interplay of a variety of factors. Some of the more commonly cited issues in discontinuance include:

1. **Conflicting work and family commitments**

As most adult distance learners study part-time and need to balance a range of responsibilities, conflicting commitments is a frequently cited problem. In many instances, study will necessarily assume a lower priority than family and work commitments, particularly when unforeseen events intervene (Thorpe, 1987; Evans, 1994).

2. **Financial strain**

Full or significant part-time study will often necessitate acceptance of reduced income, combined with the additional burden of course fees and expenses. For single parent families and lower income workers, this may not be sustainable over long periods of time.

3. **Predisposition and readiness for independent learning**

The solo study arrangements that distance education most commonly affords are clearly not suited to everyone. Students are often required to find far greater reserves of self-discipline and time management skills than in prior educational experiences (Calder and McCollum, 1998; Candy, 1991).

4. **Availability and timeliness of appropriate learning support**

Learning support is usually offered in a variety of forms, including preparatory programs and semester-based support. Yet the level of learning support available to distance students is highly

variable and often non-existent. Students are commonly left to develop academic skills such as essay writing by trial-and-error. Those who fail to develop them quickly enough may become dispirited, perhaps confirming their suspicions that they do not have the ability to succeed (Morgan et al., 1998).

**5. Accessibility and user-friendliness of administrative systems and staff**

Admissions and enrolment centres usually provide a first point of contact for many prospective students. The accuracy and timeliness of information provided to students is critical to their future. Evans (1994) describes the difficulty that adults studying at a distance experience when seeking advice from educational institutions. Prospective students are often unfamiliar with the culture of higher education and how to formulate the right questions.

**6. Ease of contact and approachability of academic staff**

For external students, establishing satisfactory contact with academic staff is one of the major afflictions of life as an external student. Distance learners typically must study at night and on weekends when academic staff tend not to be available. Inability to obtain timely, practical input or feedback may be dispiriting and is a commonly cited reason for discontinuance (e.g., Parr et al., 1996; Brown, 1996).

**7. Suitability of program content or its design and delivery methods**

Inevitably many students will discover that their selected program of study does not meet their needs, career goals, or leaning preferences. However, questions arise regarding how adequately the program is described and promoted to prospective students in terms of detailed information on curricula, workload, career opportunities, and academic expectations.

**8. Ability to comprehend and deal with assessment requirements**

Assessment is the engine that drives learning; it is also a focal point around which students' concerns and fears coalesce. For adult students with fears regarding their abilities to succeed, assessment tasks become major 'hot spots' in their progress. Assessment schemes that fail to communicate a rationale or clear expectations, or fail to give adequate feedback, or require students to undertake tasks that have little personal meaning or relevance, may provoke considerable anxiety and discourage students. Rather than being a tool to build skills and confidence, assessment may become a means of confirming feelings of inadequacy (Morgan and O'Reilly, 1999).

**9. Level of motivation and commitment to study**

Individual student motivation and commitment are not static. Over the span of a three to five year program of study, distance learners' motivations may change enormously, due to the nature of their incremental achievements, shifting perspectives, and family and financial circumstances. For some, once the initial curiosity and desire to prove something to themselves is extinguished, they may need to seek out more practical or tangible outcomes, such as improved career prospects, in order to persevere to completion (Thorpe, 1987).

**10. Access to and confidence with computers and other necessary technology**

Adults entering university without pre-requisite information technology skills are at considerable disadvantage initially, which may compound their sense of being overwhelmed or

not ‘belonging.’ Their ability to overcome these initial hurdles will be closely related to the level of understanding and practical support offered by the university.

**11. Language, literacy or learning disability issues**

It is accepted that many students gaining entry to higher education will have a learning disability or a first language other than English. Such students face particular and ongoing hurdles that will often leave them vulnerable and prone to discontinuance through the sheer weight of their struggles. The level of support available to students, both within and outside the university, will be a critical factor in their success.

**12. Impact of previous educational encounters**

Expectations of students entering university may be largely formed by previous educational experiences and study approaches. Negative prior experiences will affect students’ confidence and self-concept, as well their ability to form new teaching and learning relationships, and develop more appropriate approaches to study. For some, a lifetime of responses to highly teacher controlled, teacher-centered education may be difficult to cast off, in favour of independent and lifelong learning strategies.

**13. Problems regarding isolation and not ‘belonging’ in an academic community**

The potential for isolation in distance learning is a well-documented phenomenon, and may be both a geographical and psychological construct. The ability of today’s distance learner to become part of a learning community depends on one’s technological proficiency and ability to engage in certain kinds of academic and social discourse offered through online learning. Some older adult learners, whether they study on campus or at a distance, may encounter the generational problem of insufficient peer support and simply ‘not belonging’ in a younger person’s world.

**14. Support from partners**

One’s success as a distance learner is often predicated on the support of a partner who is prepared to take a greater share of domestic and/ or financial responsibility during the often long period of study. Evidence suggests that support is more likely to be forthcoming to males within the partnership than to females, which highlights the particular plight of women returning to study while maintaining a heavy domestic burden (Evans, 1994) in (Bird and Morgan, 2003).

- **Conclusion**

Neal and Miller talked about techniques and best practices for delivery of distance education they argued that teaching online can be quite different from teaching in the classroom. Although not all distance education has a teacher—self-paced courses being an example—when they do the teacher needs to be adept at using the delivery technology and at interacting with students effectively without the physical presence and visual information that are so abundant in the classroom. It is not enough for an instructor to be expert in the content being taught—instructors must be adequately prepared to ensure their online courses will be a positive experience for students. This reaches beyond familiarity with the technology itself—an understanding of how teaching practices and behaviors need to be adjusted to succeed online is required. For example, adjustments might be needed regarding the number

of assignments and due dates, given that text-based interaction and coordinating coursework and feedback between peers and the instructor often take longer than classroom-based situations. Berge (1995) defines the roles of an online instructor to be pedagogical, social, managerial, and technical and points out that these may not all be carried out by the same person; in fact, they rarely are. Each type of medium (e.g., print, audio, video, Web based) requires specific instructional skills for effective use. For example, those teaching in video-based environments must learn on-camera behaviors and adapt to lack of learner feedback, while those using Web-based technology must adapt to the absence of nonverbal cues and learn to interpret online communication nuances (Schoenfeld-Tacher & Persichitte, 2000). It is crucial for instructors to understand how to use technology, apply it to the discipline, generalize it to learn new applications, and guide students in applying the technology. Ideally, instructors should try to identify opportunities to improve learning via technology by developing a variety of teaching strategies and understanding how technology shapes new teaching roles and student roles (Coughlin & Lemke, 1999). This understanding and ability to leverage technology in teaching is a learned skill—it does not come naturally to most people (Neal, Miller, 2005). Godden, 2010 added that one of the advantages of distance learning is that the student can have access to learning at any time and any place. There are no restrictions imposed on their study time and location. Students can easily fit learning into their family and work life. They do not need to adjust their family and work commitments in order to attend fixed class schedules. Besides, it enables students to save on travel time and travel costs. They can spend more time and money on other areas. He continued that Distance online learning creates interactions that stimulate understanding and exchange of ideas. Online programs require the student to actively participate in the learning process. Throughout the course, the student is presented with opportunities to interact with the course instructor as well as other students via website forums, chat rooms, Internet conferencing and emails. Online course developers try to get the student to participate and engage as much as possible.

Some research studies have shown that distance learning education can be as effective as campus-based education. These research studies reported that distance students can perform as well as or better than campus-based students. Many students who have succeeded in distance learning education have reported that they have a positive experience with distance learning courses (Godden, 2010).

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### **Travel Freedom Nad Freedom Seekers**

#### **Abstract:**

While freedom depends on the form of tourism being projected, non-conventional forms of tourism which are considered as offering higher levels of freedom have received little attention. Taking this under consideration, the aim of this study is to add a new dimension to the debate of the types of freedom in the case of specific non-conventional forms of travel, called for the purpose of this study freedom seekers.

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### **The Analysis of the Environmental Policies in Turkey in Terms of Public Finance**

#### **Abstract:**

The studies related to environmental management have gained importance in 1980s in Turkey. Until that date, regular and adequate infrastructure was not available for legal, administrative and financial structure. Continuous changes in corporate restructuring didn't allow the institutionalization of organizations. Parallel to sustainable development approach by preserving the natural balance and human health, allowing continuous and economic development, ensuring the management of natural resource and leaving a healthy natural, physical and social environment to future generations a desired progress has not been made. However, environmental policies weren't integrated with economic, social and fiscal policies and the advantages of financial instruments weren't used adequately. Realizing the importance of subject inter-agency, intergovernmental and international level and for finding remedies for such deficiencies some steps have been made with some arrangements but the desired level hasn't been reached yet. The purpose of this study is to examine the importance of the policies related to environment in terms of "**sustainable development**" in the context of the Turkish public finance by using national and international data.

**Keywords:** Sustainable development, environmental policies, Turkish public finance.

#### **1. DEVELOPMENT OF ENVIRONMENTAL POLICIES IN TURKEY**

First studies related to environment in Turkey are based on limited solution seeking of Ottoman Empire for issues such as air quality, water springs, protection of forests and flora, prevention of pollution caused by ships, public health and cleaning rules between 1539 and 1894. Moreover, these studies were applied as temporary precautions solving current problems rather than studies similar to today's environmental policies during the process between the proclamation of Republic and 1960s (Algan, 2000:222- 223). In Turkey –which experienced two world wars- basic problems such as famine, poverty, economical depression, political and administrative change and transformation were prioritized whereas environment was ignored. In those years only public health was perceived as a basic environmental problem and legal regulations were limited to this scope.

“Planned development policies” were adopted as a matter of change in governmental management as a result of rapid population growth and urbanization since 1960s. After 1961 constitution, efforts of development and industrialization were planned and in 1962 development plans prepared by State Planning Organization were put into practice. Legal regulations for that term did not have the

qualification of environmental policy and used to have a narrow-scoped, problem based and inhibitive feature (Türkiye Bilimler Akademisi, 2002: 16).

In Turkey, starting point of environmental policies was based on national and international developments experienced in 1970s. Industrial branches composed of small and medium-sized businesses and primitive agricultural methods until 1970s yielded to heavy industrial branches and modern agriculture in which use of machine-outfit, chemicals and metal products increased. In this process, while economic development used to go on rapidly environmental pollution, waste control and risks caused by urbanization were either not realized or were ignored. Therefore an environmental policy could not be formed, legal regulations were limited to specific problems a holism was not formed. In cities visual, noise, air and water pollution came out as a result of industrialization and uncontrolled urbanization. Moreover natural sources such as earth, water and forest were harmed by senseless and irresponsible agricultural activities in the countryside. Special regulations for environmental problems were not dealt, detailed policies were not formed and only “environmental health” was mentioned in the first two plans covering the years of 1963-1972 (Keleş - Hamamcı 2005: 336).

In the plans after the first two development plans, the need for a holistic planning insight stating permanent precautions to be taken for current problems was tried to be emphasized. First Development Plan which emphasized the significance of environment and which included a separate part for environment was 3<sup>rd</sup> Five-Year Development Plan covering the years of 1973-1977. In the 4<sup>th</sup> Five-Year Development Plan covering 1979-1983 preventive and corrective precautions stand out rather than innovations in environmental policies. Regulated laws and regulations were tried to be applied in accordance with international agreements.

After Stockholm People and Environment Conference in 1973, such policies as “environmental right” and “right to live for future generation” have been discussed since 1973. Until the 5<sup>th</sup> Five-Year Development Plan, the issue to be emphasized in environmental regulations was to decrease environmental pollution. Since the 5<sup>th</sup> Five-Year Development Plan, the view of effective use of natural sources and transferring them to the future generations sturdily was started to be accepted as important as prevention or annihilation of environmental pollution.

An approach aiming at “sustainable development” discussed predominantly in Rio Summit in 1992 was started to be adopted and the term “sustainable development” was mentioned in the 6<sup>th</sup> Five-Year Development Plan for the first time (Egeli, 1996:103).

As to 1990s and 2000s awareness about Turkey was said to start and development plans were said to develop in parallel to the other countries. In accordance with “Agenda 21” accepted in Rio Summit in 1992, participating countries accepted to develop a national environment program in order to adapt the determined aims including sustainable development. However, Turkey started studies to prepare its own national environmental action plan and completed it in 1998 by presenting a document named as “National Environment Strategy and Action Plan” (UÇEP) (Türk Çevre Vakfı, 2001:106-107).

The importance of UÇEP in terms of Turkey’s environmental policy is that it was prepared by the participation of all related governmental institutions as well as non-governmental organizations, private sector and a lot of agents from scientific institutions (Algan, 2000:228). In Stockholm World

Environment Conference organized by United Nations, Turkey argued the thesis of “if we allocate the sources for development partly for environmental issues, our development will slow down” in parallel to all the Third World (Arat, 1981, 57-67). However, as seen from the Sixth Development Plan and following plans, this view was realized to be wrong and developing more susceptible policies for environment were adapted.

Within the scope of 9<sup>th</sup> Five-Year Development Plan, which is still in effect, it was put forward that rapid population growth and industrialization process had an important pressure on sustainable use of natural resources and the need to remove the uncertainties of duty and authority distribution among institutions and organizations in the sustainable use of national sources to protect environment and not to affect the production process in a negative way was emphasized. In the adaptation process to EU, although there has been a progress in the issues such as waste management, protection of nature, evaluation of noise and environmental effect; search for new financing methods have been emphasized to encourage the private sector to participate in the realization of high cost- environment friendly investments through more economic, social and financial inclusive legal regulations in the field of environment.

- **LEGAL REGULATIONS RELATED TO ENVIRONMENT IN TURKISH LEGAL SYSTEM**

In Turkey, radical change related to environmental policies and legal precautions started with 1982 Constitution. The 56<sup>th</sup> dam of 1982 Constitution expresses: *“Everybody has a right to live in a healthy and balanced environment. It is a civic and governmental task to improve environment, protect environmental health and prevent environmental pollution. The government arranges the health institutions’ service by planning centrally to help people go on their lives in physical and mental health conditions and to realize cooperation by increasing saving and productivity in man and material power. The government performs this task by benefiting from health organizations and social organizations in governmental and private sector and by inspecting them.”* By this dam, the right for environment entered into the Turkish positive law for the first time. Thus, a binding clause holding normative value which gives rights and tasks to both citizens and government was introduced in order to prevent the environmental pollution and to protect the environment (Budak, 2000: 365). Moreover, other dams indirectly related to the environment were also included.

Moreover, Environmental Law numbered 2872 was put into action in 1983. In accordance with this law, in the application of legal obligations methods such as prohibition, receiving a certificate, responsibility to evaluate the effect on environment as well as obeying the ultimate values and standards, posting a notice and notation have been used (Akdur, 2005: 39). However, legislation and regulation arrangements which can be possible and enough about many issues within the scope of the law related to environment has detracted the Environmental Law from being the only resource to be consulted.

After Framework Convention on Climate Change by United Nations was approved by Turkish Great National Assembly, Turkey became a party to the Framework Convention on Climate Change as of the date of 24<sup>th</sup> May, 2004. In accordance with this convention, it has been emphasized to activate the applications by developing the substructure of environmental monitoring, inspection and reporting.

Moreover the necessity and continuity to provide the information flow and sharing among the related institutions with a holistic system was stressed (Resmi Gazete, 2006: 28-29).

Participation in support studies based on the results of related international collaborations about environment as well as provisions of convention and protocol have also had a legal value and are a part of national legislation. Within this scope, “Kyoto Protocol” was signed by participating governments within Framework Convention on Climate Change by United Nations in 1997. This protocol has been the broadest collaboration protocol signed so far. While Turkey had not been a part of the protocol for a long time, decision to be a side of it was accepted in 2009. As Turkey did not take part in the related list of protocol, it did not have any digitized obligations until 2012 but it has resuming its studies for the post 2013.

#### • **FINANCING ENVIRONMENT POLICIES IN TURKEY**

Considerable financial sources are required for both private and public sector in order to take precautions about terminating environmental problems and protecting environment. However, it has been an obvious fact for years that financial sources allocated to the issues of protecting environment and preventing pollution has been inadequate in Turkey. It is necessary to form a consistent and rational environmental financing policy for sustainable development in a stable setting, for economic competition power and for efficient and fruitful environmental management. Social deviations from criteria such as prolificacy, efficiency, prudence, propriety and timing expected from environment finance policies can cause newer and bigger problems and waste of internal and external economic reasons (DPT, 2007:52).

Success in environmental policies is based on suitable financing source management, founding infrastructural and sectoral collaborations and determining basic strategies comprising all processes from production to consumption in investments related to environment. For this aim, financial means estimated to be used are categorized into two groups as internal and external sources. Internal sources include subventions in central-local administration budgets, environmental contributions, taxes, charges, tolls and fines as well as inter-institutional donation, grant, aid, support and low interest loans and subventions. External sources are low interest loans obtained from international institutions, organizations and communities (United Nations, World Agriculture Organization, European Union, etc) and international financial corporations, grants, aids, donations as well as environmental grants and/or loans obtained under the framework of multi-lateral international institutions and bilateral agreements. Furthermore, incentive applications and collaborations encouraging the private sector to invest in issues related to environment (production, technology, business, substructure, etc.) or such mechanisms as build-operate-transfer related to the presentation of private sector based urban environmental substructure services have been benefited in accordance with joint interests of governmental-private sectors (DPT,2007:94-96).

Except for sources in question, opportunities of finance have been benefited from the contributions of national and international non-governmental organizations in order to solve environmental problems

In Turkey most of the governmental environment investments were sustained by 20 special funds in governmental financing of environmental projects until 2002. Sources of central government related to environment were realized by direct subvention transfers by an only current account and overall

transfers via Provincial Bank to municipalities by paying off the budgetary and off-budget funds. While considerable reductions in subvention amounts furnished for environmental substructure came into question after terminating the funds discussed, significant contributions were made thanks to the aids provided for municipalities via Provincial Bank from the budget of central government in transitional period. As an instance, in 2005, finance of governmental environment investments were carried out through four main sources as local administration (68%), central government (19.5) via Provincial Bank (12%) and extraneous income (05%). Moreover municipal revenues (environmental charges included) have an important role in financing investment and environmental business expenditures (ÇOB, 2009: 24).

When numerical dimension of environmental policies are scrutinized, costs of investments estimated to use for industrial, agricultural and urban substructures to make the environment better as stated in European Union Integrated Environmental Adaptation Strategy cost 59.006 million euro and it costs nearly 170.000 TL through current exchange rate. Moreover, it has been predicted that 9000 additional staffs for water sector and 3000 additional staffs for waste sector will be required to provide the orientation. When investment costs are examined, sectors that have the biggest share are water and waste sectors (ÇOB, 2006:56). While national-international obligations of Turkey about environment and environmental problems have been increasing day by day, the fact that staff number operating in this field decreased from 14.186 in 2004 to 8298 in 2010 indicates strategic aims determined by environmental policies have not been reached (TÜİK, 2003 -2004; TÜİK, 2010). Furthermore, emission and discharging, which are to provide standard among economic means of environmental policy, have not been excised according to their contaminating features, which shows that one of the most important principles of Water Framework Directive “polluter pays principle” is applied defectively.

- **RELATIONSHIP BETWEEN ENVIRONMENTAL POLICIES AND PUBLIC REVENUES IN TURKEY**

In environmental performance examination report published by OECD in 2008, it was stated that Turkey made positive progress in many issues such as air and water management, protection of nature, goals of sustainable development and international obligations whereas it could not how the same success in tax policy (OECD 2008: 5-6, 21). Environmental taxes applied in OECD and EU countries aims to inline the production and consumption units to environment friendly activities and improve technology by increasing the cost of goods and services. From this aspect, by these taxes financial aim was pushed into the background whereas inclining and inspection aims were featured. When average environmental taxes revenues in European countries in 2011 are examined, 73.2% of them are seen to be composed of energy taxes and 21.8% of them are composed of transportation taxes. Total taxes obtained from sources such as energy, transportation, pollution and natural sources tax, which are used to finance environmental policies, include energy (fuel oil) tax (65%) and transportation (motor vehicles tax) taxes (31.5 %) (Yalçın, 2013:145-146).

Percentage of total tax revenues of EU, OECD countries and Turkey in Gross Domestic Product is given in table 1. Among these countries, in Turkey, while the ratio of environmental taxes to GDP was 1.62 % in 1995, it became 4.74% in 2004 and 5.49% in 2005 by realizing a significant increase.

However, in our country which obtains the highest revenues when compared to other countries (the highest petroleum taxes in the world is in Turkey), the aim was to provide revenue rather than protect the environment. As a significant step about this issue, Environmental Law numbered 2872 was partly changed in 2006 (Law numbered 2872, article 3) and economic means like emission and pollution charges were stated to be benefited more effectively to protect the environment ( OECD, 2008: 167).

**Table 1: Environmental Taxes of some EU and OECD countries- Ratios to GDP (%)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Germany</b>	2.3	2.2	2.2	2.1	2.3	2.4	2.5	2.5	2.7	2.5	2.5
<b>Austria</b>	2.1	2.1	2.3	2.3	2.3	2.4	2.6	2.6	2.7	2.7	2.6
<b>Belgium</b>	2.3	2.5	2.6	2.5	2.5	2.3	2.3	2.3	2.3	2.4	2.4
<b>Denmark</b>	4.5	4.8	4.8	5.2	5.3	5.2	5.1	5.3	5.1	5.5	5.8
<b>France</b>	2.8	2.9	2.7	2.7	2.8	2.5	2.4	2.5	2.4	2.4	2.4
<b>Finland</b>	2.9	3.1	3.3	3.3	3.4	3.1	2.9	3.0	3.2	3.2	3.0
<b>England</b>	2.9	3.0	3.0	3.1	3.2	3.1	2.8	2.7	2.6	2.6	2.5
<b>Ireland</b>	3.1	3.1	3.0	3.0	3.0	2.9	2.3	2.3	2.3	2.5	2.3
<b>Italy</b>	3.6	3.5	3.5	3.4	3.5	3.2	3.0	2.9	3.0	2.8	2.8
<b>Sweden</b>	2.8	3.1	3.0	3.0	2.9	2.8	2.8	2.9	2.9	2.9	2.9
<b>Spain</b>	2.2	2.2	2.1	2.3	2.3	2.2	2.1	2.1	2.1	2.0	2.0
<b>Holland</b>	3.6	3.8	3.7	3.8	3.9	3.9	3.8	3.6	3.7	3.9	4.0
<b>Luxemburg</b>	3.0	2.9	3.0	2.9	2.8	2.8	2.8	2.8	2.8	3.1	3.0
<b>Portugal</b>	3.5	3.5	3.3	3.5	3.4	2.7	3.0	3.1	3.1	3.1	3.1
<b>Greece</b>	3.5	3.5	3.4	3.2	3.1	2.6	2.8	2.5	2.4	2.4	2.3
<b>Czech R.</b>	2.9	2.7	2.5	2.4	2.6	2.6	2.6	2.5	2.6	2.8	2.8
<b>Hungary</b>	3.1	3.1	3.0	3.5	3.4	3.0	2.8	2.8	3.0	2.9	2.9
<b>Malta</b>	3.3	3.1	3.5	3.9	4.0	3.7	3.7	3.5	3.5	3.2	3.5
<b>Poland</b>	1.8	1.9	1.8	1.8	2.1	2.1	2.1	2.4	2.5	2.6	2.7
<b>Bulgaria</b>	-	-	-	-	-	2.5	2.8	2.3	3.0	3.4	3.1
<b>Turkey</b>	<b>1.62</b>	-	-	-	-	<b>3.18</b>	-	<b>4.41</b>	-	<b>4.74</b>	<b>5.49</b>
<b>EU-27 Energy Tax (Weighted Average)</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>

**Source:** EU Commission ([www.eu.europa](http://www.eu.europa))<[www.oecd.org/dataoecd/27/23/36966499.pdf](http://www.oecd.org/dataoecd/27/23/36966499.pdf)> 15.04.2013, taken from Biltekin ÖZDEMİR, “Küresel Kirlenme Sürdürülebilir Ekonomik Büyüme ve Çevre Vergileri”, Maliye Dergisi, Maliye Bakanlığı Yayını, Sayı:156, Ocak- Haziran 2009, Ankara, p.14.

When Table 2 is examined, it is seen that the ratio of revenues of environmental taxes in Turkey to total tax revenues was 7.16% and this ratio reached to 17.02% in 2005 by continuously increasing in the following years. Although there was no significant change in some OECD countries between 1995 and 2005, the ratio increased more than double with a big change. Main reason of this increase is caused by private consumption tax which started to be applied in 2002.

**Table: 2. Ratio of Environmental Taxes-Total Revenues of Taxes in Some OECD Countries (%)**

	Austria	Belgium	Denmark	France	Finland	England	Ireland	Italy	Sweden	Spain	Holland	Luxembourg	Portugal	Greece	Slovakia	Japan	Germany	Switzerland	Norway	Turkey	The USA	Weighted Average
1995	5.01	5.17	8.83	5.70	6.52	8.42	9.24	8.86	6.12	6.58	7.95	7.90	11.15	12.65	5.81	6.09	6.30	6.03	8.52	7.16	4.07	7.28
2000	5.35	5.00	9.78	5.29	6.67	8.25	8.95	8.11	5.22	6.27	9.06	7.12	10.53	7.95	7.71	6.35	6.29	6.90	6.75	9.85	3.52	6.97
2002	6.04	4.88	10.06	5.28	6.80	7.74	8.16	8.58	5.83	5.82	8.88	7.03	9.07	6.71	-	6.86	7.11	7.09	6.87	14.23	3.45	7.34
2004	6.25	5.10	9.73	5.27	7.47	7.36	8.21	7.98	5.76	5.83	9.52	8.18	9.22	6.71	-	6.71	7.29	7.70	6.87	15.15	3.43	7.22
2005	6.21	5.01	9.56	4.91	7.02	6.88	8.06	8.0	5.73	5.50	9.49	7.84	8.80	6.29	-	6.42	7.06	7.79	6.41	17.02	3.25	6.94

Source: EU Commission ([www.eu.europa.eu](http://www.eu.europa.eu)) <[www.oecd.org/dataoecd/27/23/36966499.pdf](http://www.oecd.org/dataoecd/27/23/36966499.pdf)> 15.04.2013, taken from Biltekin ÖZDEMİR, “Küresel Kirlenme Sürdürülebilir Ekonomik Büyüme ve Çevre Vergileri”, Maliye Dergisi, Maliye Bakanlığı Yayını, Sayı:156, Ocak- Haziran 2009, Ankara, p.26.

**Table 3: Environmental Taxes Collected Per Capita in Some OECD Countries (Dollar)**

	Austria	Belgium	Denmark	France	Finland	England	Ireland	Italy	Sweden	Spain	Holland	Luxembourg	Portugal	Greece	Slovakia	Japan	Switzerland	Norway	Turkey	The USA	Weighted Average
1995	610	629	1502	672	741	575	559	705	792	321	894	1462	390	450	80	716	882	1189	44	310	579
2000	544	508	1438	530	740	758	720	658	758	308	868	1279	300	315	78	644	720	1084	94	373	544
2002	680	535	1562	560	790	728	720	753	790	337	903	1405	385	303	-	550	808	1261	117	328	587
2004	971	792	2168	790	1178	949	1151	984	1118	503	1134	2301	533	435	-	636	1097	1684	202	357	831
2005	974	811	2304	764	1154	936	1223	998	1154	518	1433	2441	539	439	-	628	1144	1838	280	373	861

**Source:** EU Commission ([www.eu.europa](http://www.eu.europa))<[www.oecd.org/dataoecd/27/23/36966499.pdf](http://www.oecd.org/dataoecd/27/23/36966499.pdf)> 15.04.2013, taken from Biltekin ÖZDEMİR, “Küresel Kirlenme Sürdürülebilir Ekonomik Büyüme ve Çevre Vergileri”, Maliye Dergisi, Maliye Bakanlığı Yayını, Sayı:156, Ocak- Haziran 2009, Ankara, p.26.

According to Table 3, an increase is seen from beginning of period to end of period in environmental tax amounts per capita in our country. Foundation of these developments is the reflections of environmental policies interiorized and legal regulations carried out. Especially big change experienced since 2002 has been caused by positive reflections of mainly special consumption tax and individual-institutional-national-international affairs in terms of environmental awareness and inspection thanks to communication, informatics and transportation technologies coming with globalization. However, it is seen that quota per capita of environmental tax amount falls behind both the average of OECD countries and sample countries given in the table. For this reason, it is necessary to find out environmental economic policies to prompt domestic and foreign capital in the sectors such as energy, tourism, food, agriculture, transportation and residence and to do national and international publicity stunts to make Turkey an attraction center for investors.

- **ENVIRONMETNAL TAXES APPLIED IN TURKEY**

- **Energy Taxes**

Energy taxes include fuel oil products and electricity as stated in EU’s 2003/96 Directive. In Turkey, fuel oil and fuel oil products are involved in Law of Special Consumption List numbered I dated 06.06.2012. Delivery of these products is also subject to value-added tax. Turkey is a country where the fuel oil taxes are in the highest level among the OECD countries. On average fuel oil taxes cover the 70 % of gasoline and 61.4 % of diesel oil. (OECD, 2008: 147). Special consumption tax can serve for a lot of purposes except for its financial purpose by definition. However, it is possible to say that the priority for this tax in Turkey is its financial purpose and it indirectly contributes to protection of environment and prevention of pollution as it reduces the consumption by increasing the price of fuel oil. In taxing, consumption amount (liter) is based on rather than the harm of fuel oil for the environment and the tax rate depends on the type of the fuel oil, which hampers the use of tax for environmental purposes and features its financial purpose (Çelikkaya, 2011:112).

Another energy tax applied according to European Union’s 2003/96 Directive is electricity tax. When it is considered in terms of electricity tax, two European countries where the rate of electricity tax to price has the highest level are Italy and Turkey. Germany, France and Greece do not apply tax for industrial electricity. In Turkey, the government applies electricity tax as 18 % added-value tax, 1% share of energy fund, 2% share for TRT through energy price and 5% share for municipalities in domestic uses. Moreover, while industrial natural gas is not applied tax in Poland and Spain, Turkey is one of several European countries which apply the highest tax for industrial natural gas (Öz, 2006: 17-18).

In Turkey special consumption and added-value tax take the first place among revenues obtained from energy taxes. In addition, 16-18 % of these revenues are obtained from fuel oil and LPG consumption. From this viewpoint, a case is in point in terms of enabling energy efficiency in energy tax policies based on the purpose to obtain revenues (Aytaç, 2011: 404- 405).

### ○ **Pollution (Waste) Tax**

The only and meaningful environmental tax kind in our country is Sanitation Tax in terms of environmental pollution and protection of natural sources. Except for this tax, user fees (petroleum searching, hunting, noise, business permission fee, etc.) are used to solve environmental problems. Sanitation tax is applied by municipalities and it is obtained for domestic uses connected to water and sewage networks and water utilization of industrial institutions and sewage disposals (duplicated 44th article which was added by the law dated 15/07/1993 and numbered 3914 to the Law on Municipal Revenues). While the tax is calculated according to the water amount consumed in houses, it is determined individually by each municipality according to a list price for workplaces and other buildings.

Commercial and industrial businesses pay a fixed and annual tax determined in accordance with the type and size of the facility whereas houses pay a fixed and a lump-sum price through water bill. The fact that sanitation tax is not associated with produced waste amount and it meets only some part (15 %) of fees of waste collection and removal makes the environmental efficiency of sanitation tax disputable (OECD, 2008: 167). Although it was determined by law not to use this tax for anything except for environmental cleaning, exact opposite applications are seen. In this context, 10 % of revenues received by the municipalities are paid in the account of Ministry of Environment and Forestry Central Accounting Agency to struggle for environmental pollution and 20 % of it is used to establish and operate garbage disposal facilities in big cities (Özdemir, 2009: 29). In the application of the tax, quality of a building stands out rather than the impact of taxpayer's behavior. Thus the taxpayer has no possibility to reduce the tax by decreasing the amount of solid waste. It can increase the effectiveness of this tax to revise the structure of tax rates due to the fact that industrial facilities, schools and the like pay lower rates of taxes and to redesign the tax rates so that they can reduce the waste formation and meet the whole cost of waste removal (OECD, 2008: 79-80, 167).

Within the scope of applications related to solid waste management in our country, deposit-return system is generally used. Solid waste management regulation requires the collection and recycling of packaging waste (paper, metal, plastic and glass) in terms of annual quotas after being used. In this context, deposit payment is carried out if empty packages are brought to product retailers and wholesalers. On the other hand, some fee (medical and industrial waste included) is supposed to be paid in order to meet the expenses of the only dangerous waste removal facility (İzaydaş-İzmit) in Turkey. The amount of this fee depends on volume and type of waste delivered to the facility. Amount of the fee meet the whole costs of the facility (OECD, 2008: 167-168).

### ○ **Transportation Taxes**

In Turkey there is a toll application to remove traffic jams and environmental harms originating from traffic. A toll (according to travel distance and size of vehicle) is asked only in highways and Bosphorus bridges in Istanbul (OECD, 2008: 145). This application has an only purpose of receiving revenues rather than preventing traffic jam and accordingly environmental pollution. Although only Motor Vehicle Tax was applied within the scope of transportation tax, 274.000 vehicles were disqualified from driving by an incentive within the scope of “scrapping bonus”, which provides a discount of

Special Consumption Tax while buying a new vehicle by scrapping vehicles over twenty years old which release harmful emission to the environment in 2003 and 2004 (OECD, 2008: 147).

○ **Motor Vehicles Tax**

Motor vehicles considered as a tax issue as a wealth source at the beginning is seen as big threat for environment due to exhaust and greenhouse gases posed by transportation sector nowadays. This tax includes transportation, energy, trade and environment elements. Especially transportation sector causing the 18 % of CO<sub>2</sub> emissions stemming from fuel oil consumption is also one of the main sources of significant air polluting particles. In line with OECD's recommendation, railway and maritime transports were encouraged as public transportation through Transportation Master Plan Strategy prepared in our country in 2005 and within this context public transportation projects (subway-tramway) were actualized in big cities (OECD, 2008: 64).

The use of new motor, exhaust systems and fuel oils that are suitable to emission standards accepted for next-generation fuel oil products have become widespread day by day in order to prevent air pollution caused by transportation. It has become possible to travel by more environment-friendly vehicles through Euro 4 emission standards that have become obligatory in Turkey subsequent to European countries since 2009. Suitability to standards has been inspected by vehicle inspection stations and 20 % of inspection fees are transferred to circulating capital of the Ministry related to environment since 2005. Regulations related to fuel oil quality were rearranged in conformity with European Union Quality of Oil and Diesel Fuel Oils Directive, use of lead gasoline was prohibited in 2004. Sulfur ingredient of diesel has been reduced 80 times and it has been limited to 50 mg /kg since the 1<sup>st</sup> of January 2007. Standards of sulfur ingredient of unleaded gas have been reduced by harmonizing with the Directive that arranges fluid gas (OECD, 2008: 49).

Despite these positive environmental improvements, it cannot be claimed that enough studies are carried out on tax policies. Taxes obtained from motor vehicles are applied in two ways in Turkey. First application is special consumption tax and added-value tax. The second one is motor vehicles tax received two times annually due to the use of the vehicle.

First acquirement of vehicles that are subject to registration and enrollment in the list numbered II in Special Consumption Tax Law is subject to special consumption tax. Special consumption tax for a passenger car with a motor cubic capacity of less than 1600 cm<sup>3</sup> is 37%, the tax is 80% for the vehicles with capacity of 1600cm<sup>3</sup> and 130% for those with capacity of 2000 cm<sup>3</sup>. Moreover on the first purchase of motor vehicles, it is required to pay added-value tax whose special consumption tax is calculated on the value of a vehicle. Moreover, by a cabinet decree dated 25 February 2011 special consumption tax started to be applied to electric motor vehicles. This tax is 3 % for vehicles with a motor power of less than 85 kW, 7 % for those with 85-120 kW and 15 % for those with more than 120 kW. This decree has been accepted as a new incentive to protect environment in our country (Karaduman, 2010: 153). However, the fact that there is no arrangement for hybrid vehicles and normal special consumption tax is applied is considered as deficiency.

As mentioned earlier, motor vehicles tax is received twice according to the age of a vehicle annually; however, the fact tax to be paid decreases when vehicle gets older constitutes a significant contradiction about the environmental purposes because technological deficiencies of old cars usually

cause more dangerous gas emissions to the environment (OECD, 2008: 147). Moreover, it is considered as a significant deficiency not to evaluate fuel oil type of a vehicle during taxation. In our country motor vehicles tax has the feature of a wealth tax whose financial purposes stand out.

Carbon dioxide based taxation has started in taxation of motor vehicles in particularly European Union countries and in the world. Within this framework, current arrangements in our country have an indirect positive impact on environment. In our country CO<sub>2</sub> based taxation should be started both in special consumption tax and motor vehicles tax in accordance with global tendencies that are for current and future generations.

#### ○ **Other Tax, Fee and Financial Aids**

It is possible to benefit from tax system in different ways besides direct tax application for polluting sources in order to solve environmental problems. Some of these include accelerated depreciation, discounted added-value tax for green areas and environmental fees (OECD, 2009:2). However it cannot be claimed that added-value tax is arranged to serve environmental purposes. Energy products or transportation services are subject to either standard or increased rate. The exception of added value tax is only applied to maritime transport vehicles with an incentive purpose (Added-Value Tax Law, numbered 3065, article no 13/a-b).

Indirect contributions to environment have been carried out with certain fees except for taxes applied related to environment; however, desired levels have not been reached yet. Main examples include aircraft noise fee, oil exploration and operation fee, hunting fee and exhaust emission fee, etc. (OECD, 2008: 168). Characteristic of revenues obtained from such fees is that they are directly used to protect environment, remove and prevent the harms.

Financing means of environmental policies include financial aids, tax exemption and exceptions and subventions. It is possible to regard conditional and unconditional grants, donations, goods and cash flows by project supports, which are provided by national and international institutions and organizations, as financial aids. Tax exemption and exceptions issues include exemption and exception of Customs Duty, Special Consumption Tax, Corporation Income Tax and Added-Value Tax from purchase of environmental equipment, expenditures and imports related to environmental RE-DE and investments. Subventions comprise the applications such as low interest loan support for investment loans related to pollution refinement and reduction facilities and discounts to 50 % for energy tariff. The fact that amount of these subventions are kept limited and special time limitations are asked in subvention schemes have importance in terms of enabling harmony with polluter pays principle (OECD, 2008: 168-169).

#### • **RELATIONSHIP BETWEEN ENVIRONMENTAL POLICY AND PUBLIC EXPENDITURES IN TURKEY**

In Turkey, environmental policies not only are a public responsibility composed of development plans and legal regulations but also they include determination of activities to minimize and prevent harms to the environment done by private sector. Public expenditures are predominantly used in financing environmental policies. These expenditures comprise the expenses carried out to prevent and reduce pollution stemming from production phases as well as goods and service consumption. Annual

environmental statistics to indicate expenditures allocated for environment were started to be composed in 1997 for the first time. Within the scope of Environmental Employment and Expenditures Inventory Project, environmental employment, payment and expenditure data of public institutions that have environmental activity are compiled.

**Table: 4. Environmental Expenditures of Public Institutions (TL)**

	1997	1998	1999	2000	2001	2002	2003	2004
Total Environmental Expenditures	83,499,182	151,283,406	323,629,488	476,471,492	387,164,725	564,126,873	792,783,921	859,120,016
Total Non-exhaustive Expenditures	20,897,679	35,940,992	85,401,410	121,575,210	161,625,342	163,515,453	219,609,279	320,524,450
Total Investment Expenditures	62,601,503	115,342,414	238,228,078	354,896,282	225,539,383	400,611,420	573,174,642	538,595,083
Drinking and Usage Water	32,559,142	73,386,664	115,011,615	169,989,670	198,235,584	195,682,552	147,354,702	111,233,083
Waste Water Management	11,676,838	34,218,043	59,391,713	143,470,479	7,211,726	171,367,542	347,727,023	323,693,376
Protecting Soil and Ground Water	138,617	-	726,000	539,101	92,308	849,178	3,300,957	4,671,428
Protecting Biological Diversity and Landscape	214,039	76,512	40,948	-	206,547	389,082	303,059	367,856

Source: Sencar, 2007:181. <<http://www.tuik.gov.tr/PreIstatistik> tablo.do?istab >

According to table 4, when environmental expenditures of public institutions are examined, they can be said to increase dramatically since 1997. Whereas environmental expenditures were 83.499.182 TL in 1997, they became 859.120.016 TL as of 2004 and they decupled in seven years. In addition, they increased up to 5.4 billion TL in 2005 and 9.86 billion TL in 2010. Share of total public environmental expenditures in gross national product was 089 %in 2010. These expenditures are an indicator of the fact that awareness and responsibility about environmental problems have increased. Among public environmental investment expenditures, the most expenditure was allocated to drinking and usage

water besides waste water management services and waste management services between 1997 and 2010; especially 2.9 billion-TL-expenditure for only waste management services was much more remarkable when compared to previous years. While issues to which the highest budget was allocated include water services, air quality and climate protection in order of priorities in 1997, the priority turned into waste water management as well as drinking and usage water management with the advent of 2000s. As to 2007, water services gained priority and waste water management followed it.

Expenditures on protection of biological diversity, soil and ground water show increase nowadays. Furthermore Re-De studies have gained importance (TÜİK, 2003-2004; TÜİK, 2010). From the subject information, environmental issues are highly supported by public expenditures as well as legal regulations related to environmental protection in Turkey in the last years. Moreover studies have been widespread in order to prevent environmental threats for the future generations by protective and preventive precautions.

## • CONCLUSION

The starting point of studies related to environment and sustainable development dates back to 1980s. While applications heavily based on control and punishment principles have been used, incentive or preventive applications have been limited. Especially with the advent of globalization, the studies in this issue have been emphasized in our country as the environmental problems have reached very significant dimensions, the agreements and responsibilities have increased and EU harmonization process have had an impact. Struggle for environmental problems have been continued by central government, local administration and non-governmental organizations. Central government is generally responsible for forming legal-administrative framework to constitute and apply environmental policies. Local administrations are assigned as pragmatist by means of transferred authority and sources from central government. The most active local administration units to present environmental services are municipalities.

Legal infrastructure for environmental policies is mainly composed of statutory rules and orders rather than laws. Applications of fees and tolls are considerably carried out rather than taxation regulations in problem solution processes.

It has been considered important to encourage private sector besides public institutions to carry out environmental investments in order to increase competitiveness by reaching the national-regional-international standards in global competitive setting for determination and application of environmental policies. It is observed that private sector has a tendency to this issue with the effect of supports and grants provided for environment friendly production types. Many nongovernmental organizations in the country continue their activities in order to increase awareness about environment and provide the active participation in decision process. As a country aiming to realize growth and development by getting industrialized, Turkey could not produce or did not find it necessary to produce permanent policies related to environmental protection for years as environmental problems were not experienced intensely or were not realized. Social-political-economic change and transformation experienced by the effect of “new world order” which started with the advent of globalization all over the world in the 1980s lead to positive steps about environment in our country as well.

Since 1997, statistics about environment were started to be recorded, environmental expenditures and economic-social indicators obtained each year were started to be compared within the scope of “sustainable development relationship” by determining investment and current expenditures carried out for environment according to order of priority

Although considerable increases related to environmental expenditures have been obtained in terms of Turkish Public Finance each year since 2000, financial source inadequacies are in subject. Although significant steps are achieved to start law and regulations related to environmental protection, legislation should be updated with legal regulations based on operation of “polluter pays” principle and tax discounts, pollution certificates with subvention and funds, obligatory deposit applications and environmental fees should be applied in detail in order to provide sustainable development. As carbon emission has started to be taken as a basis in the taxation of motor vehicles which are accepted to harm the environment the most in many OECD countries, Turkey should keep up with these developments. Moreover, as stated in 2008 report of OECD, new taxation should be applied to certain contaminative products and inputs (detergents, batteries, pesticides, artificial fertilizers, chlorofluorocarbons, etc.) and other taxation to prevent noise pollution should be started or green area taxation reforms paying attention to incentive applications should be done.

Except for environmental taxation arrangements, incentive legal and institutional structures should be revised or developed to increase the role of private sector in environmental infrastructure investments. New ways of benefiting from national and international sources (European Union and other loan institutions) should be found out by encouraging the increase of project preparation capacity about environmental investments both in public and private sector. When especially local needs are attached importance in environmental investments, local administrations should be supported about mainly financial and administrative issues.

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## **The Effects of Bullying on Organizational Paranoia**

### **Abstract:**

This study is carried out in order to investigate the effects of bullying on organizational paranoia. In this research, four hospitals in the province of Konya, Turkey were selected and the research instruments were applied among 200 health care employees. In this research, it is used to organizational paranoia scale (Fenigstein and Venable, 1992), bullying scale (Einarsen, Hoel and Notelaers, 2009). As a result of the study, it is found that bullying have a positive effect on organizational paranoia. It is found that work-related bullying and physically intimidating bullying have no effect on organizational paranoia. It is found that person-related bullying has effect on organizational paranoia.

**Keywords:** Bullying, organizational, organizational paranoia, health care employees.

### **1. Introduction**

#### **○ Bullying**

In many countries, associations, professional organizations and departments of human resources, in recent decade, have become more sensitive towards bullying behaviors, which prevents integration, decreased self-confidence of the employees and decreases productivity, such as intimidation, public humiliation, offensive name-calling, social exclusion and undesired physical contacts (Cowie, Naylor, Rivers, Smith, & Pereira, 2002, s. 34).

According to Einarsen et al. (2003), the concept of bullying is preferred by UK, Ireland and Australia, the term ‘Mobbing’ mainly in Northern Europe and the concept of ‘moral harassment’ in France and Belgium can find using field (Bloisi & Hoel, 2008, s. 650). Bullying is defined as harassment, humiliation, one of social exclusion (Chappell ve Martino, 2006) or attitudes, which affect one’s organizational tasks negatively, are including hostile and unethical communications in order to provide removal of that person’s from the organization (Leymann, 1996; Duffy ve Sperry, 2007).

Rayner and Keashly (2004) state that five basic elements are taken into account, while defining the bullying behaviors. These are, experiencing of the targets negative behaviors, sustaining these behaviors, harassment of the targets as psychologically and physically, perceiving of target people themselves as more weakly than individuals, who exhibit bullying behaviors and finally labelling the targets as victims, who are exposed such behaviors (Saunders, Huynh, & Delahunty, 2007, s. 341).

Hoel et al. (1999) emphasize that although bullying behaviors designed as consciously, individual, who exhibits these behaviors, might not have awareness of that or tendency to undermine people; these behaviors especially, have exhibited as a motivation factor in terms of achieving the job-related goals (Bloisi & Hoel, 2008, s. 651). According to Olweus (1999), bullying is defined as a sequence of aggressive behaviors in the case of continuously behaviors and a power distance between victim, who has no chance for self- defence, and individuals, who exhibit bullying behaviors (Cowie, Naylor, Rivers, Smith, & Pereira, 2002, s. 34). Another different perspective for identifying bullying behaviors could be expressed as that leader displays bullying behaviors due to selected tactics to lead the targets to a obedient and weak position that they would control and influence easily, in order to achieve individual and organizational goals, create a special image (Ferris, Zinko, Brouer, Buckley, & Harvey, 2007, s. 197).

Although many researchers have stated that there are not any environmental factors, most of them have emphasized that organizational conditions have a role on intensity of these behaviors (Ferris, Zinko, Brouer, Buckley, & Harvey, 2007, s. 196). Einarsen (2000) has expressed that the relation between bullying behaviors and environmental factors could be displayed by the effects of stressed tasks that occur aggressive behaviors on employee behaviors (Bentley, et al., 2012, s. 353). Agervold and Mikkelsen (2004) stated the negative effects of bullying behaviors such as low self-esteem, having negative emotions, anxiety, stress, depression, job absenteeism, low job satisfaction, low organizational commitment and low job motivation (Bentley, et al., 2012, s. 35; Fox & Stallworth, 2005, s. 440).

#### ○ **Organizational Paranoia**

Such concepts as conflicts, defensive behaviors, desires, dreams, worries in business environment has also apperad in areas like psychoanalysis, psychodynamic, psychotherapy and dynamic psychiatry (Vries, 2004, s. 184).

Paranoia has been defined as an emphasis on organizational intelligence, anxiety and dishonest behaviors in an environment that contents unequal power with others and has uttered as contenting such an atmosphere in organizational culture (Burke, 2007, s. 681). According to Robins and Post (1997), paranoia has included behaviors such as exploiting others, damaging or deceiving them, worried situations such as about loyalty or mistrust colleagues or stakeholders, and inadequate based doubts (Kramer, 2001, s. 5). Zaleznik (1970) uttered that organizational life has desired to observe the comparison of individuals with the others and sharing of their power and authority with the other based on power. However, such an organizational life, comparison of individuals with the others and their experiences have prepeared an atmspere of paranoia due to sceptical, jealous and worried attitudes (Wilcocks & Rees, 1995, s. 33).

Psychologist Manfred F. R. Kets de Vries has studied on psychoanalysis management, stated that paranoia is not always evil as thought and each organization need a paranoid executive in order to provide balance, manage organizational dysfunction, and remove the lack of diversity (Laura, 2005, s. 32).

Fenigstein and Vanable (1992) indicated that the probability of displaying daily behaviors of an ordinary individual, which occur character of the individual like assumptions such as self-centered thinking, skepticism and even assassination goals, have been reminder of paranoia (Kramer, 2001, s. 6).

Paranoid people have translated their lack of social learning, stressed situations into inadequate social reactions (Lemert, 1962, s. 2). According to Kernberg (1998), employees have behaved dishonest and anti-social under conditions such as inadequate technical knowledge, risks like change and rebellion, gender discrimination and generally they become constantly worried, seeking stored messages behind the expressions and commonly alienated people to protect themselves external threats. At the end of this process employees have become individuals that they always feel depressed, alone, isolated and unhappy and make criticisms about their mistakes and deficiency (Baum, 2002, s. 187). In the light of this approach, Hypothesis 1 was created, by considering to be correlated with bullying and organizational paranoia.

H1. Bullying is positively associated with organizational paranoia.

Paranoid organizations could be occurred in a general atmosphere that dishonest conditions, paranoia (especially between leaders) and high degree of accuracy. In this way, employees, who work in such an organization, have considered that which of other organizations will hire them and have become to seek ways in order to accept others' doubts rightly (Vries, 2004, s. 194). Therefore, the distribution of power in the organization should be reasonable. Otherwise, it is the cause of unhealthy psychological conditions that affect social relationships of executives in the organization (Swanson, 1996, s. 740). Depending on this approach, it is assumed that person-related bullying has a correlation with organizational paranoia and Hypothesis 2 was developed.

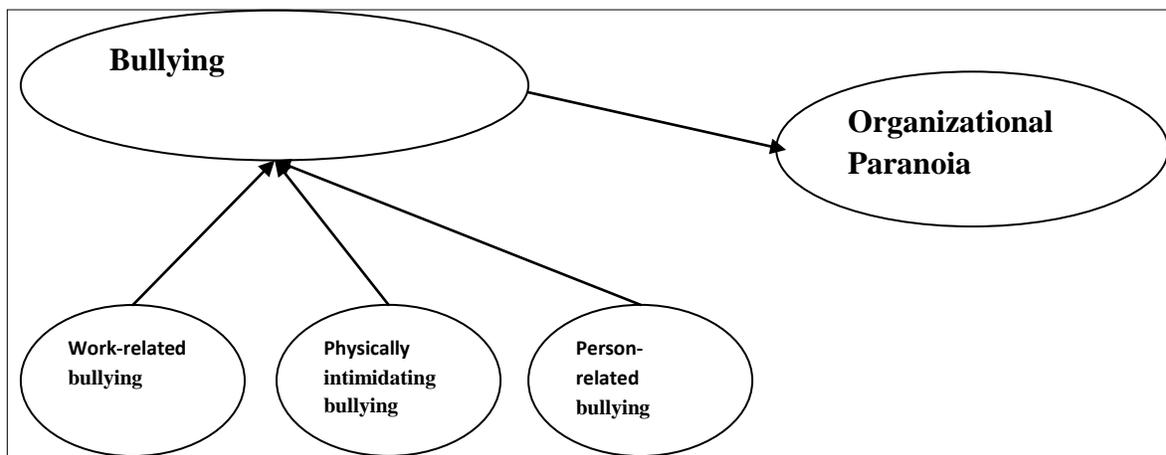
H2. Person-related bullying is positively associated with organizational paranoia.

- **Method**

- **Research Model**

In this study, the relations with bullying and organizational paranoia among healthcare employees were analyzed. The data was evaluated by the packet programme of SPSS 10.0. In order to examine the content validity of these measures, we performed confirmatory factor analysis (CFA) and path analysis with LISREL VIII. Besides the descriptive statistics, correlation and regression analyses were also carried out. The hypothesized model is depicted in Fig. 1.

**Figure 1: Model of the research**



### ○ **Participants**

Our surveys were carried out with 200 health care employees in the health sector providing services at four hospitals in the province of Konya, Turkey. The sample mostly consisted of female participants, nurses and people graduated from a collage. And the percentages were 64%, 39.5%, 46%, respectively. The most of participants are between the ages of 25 and 29 (%40).

### ○ **Instrumentation**

In the study organizational paranoia scale and bullying scale were used. More detailed information is given about the scales below.

**Bullying scale:** Bullying scale has been formed benefiting from the studies of Einarsen, Hoel and Notelaers, (2009). 22-item instrument has a high internal stability, with three underlying factors: personal bullying (12 items), work-related bullying (7 items) and physically intimidating forms of bullying (3 items), although the instrument may also be used as a single factor measure. Participants were then given six alternatives: “no,” “yes, very rarely,” “yes, now and then,” “yes, several times per month,” “yes, several times per week” and “yes, almost daily.” Cronbach’s alpha for the 22 items in the Bullying scale was .90. (Einarsen, Hoel ve Notelaers, 2009).

**Organizational Paranoia scale:** Paranoia scale has been formed benefiting from the studies of Fenigstein and Venable (1992). 20-item instrument has a high internal stability, the instrument is a single factor scale. Cronbach’s alpha for the 20 items in the Paranoia scale was .84. Subjects were asked to respond to each item on a 4-pointscale ranging from 1, not at all applicable to me, to 4, extremely applicable to me (Fenigstein and Venable, 1992).

Validity of Bullying Scale has been identified by using confirmatory factor analysis. The Bullying Scale factor loads relating to each factor are given in Table 1. The goodness-of-fit measures were used to assess the overall model fit (Goodness-of-Fit Statistics:  $\chi^2/df = 698.43/206 = 3.39$ , NNFI=.78, NFI=.74, CFI=.80, AGFI=.70, GFI=.76, RMSEA=.110). In the final analysis, it has been not achieved high reliability scale. Twelve items that show correction indices have been removed from the scale. CFA has been applied. The results of confirmatory factor analysis, which is done in order to test the validity of the Bullying are given in Table 1 in order to accept the validity of a scale statistically, as a result of confirmatory factor analysis, some of the fit indices values are supposed to be acceptable. Goodness-of-Fit Statistics:  $\chi^2/df = 59.14/32 = 1.85$ , NNFI=.95, NFI=.93, CFI=.96, AGFI=.90, GFI=.94, RMSEA=.065. All the above fit indices for the initial CFA model indicated an acceptable fit. The Bullying Scale dimensions’ Cronbach Alpha values were found to be .646, .776, .802, .875, respectively. At the end of the application materials by calculating the mean and standard deviations are shown in Table 1. Mean values were found higher. In addition, the t values of all scales were significant (See. Table1). Factors were examined for levels of total-item correlations of the internal consistency for scale. Calculated materials at the end of the application to distinguish are shown in Table 1. According to the results of all application materials to distinguish from all of other scales, the border does not require correction adopted .25’s over. The item-total correlations for the items were: values ranging between .72 and .84 ratings. According to these scales, showing a good level of internal consistency for the scale could be accepted.

**Table 1. Items and Item Loadings from Confirmatory Factor Analyses**

Items	CFA) Initial Version Standardized Loadings	(CFA) Result Version Standardized Loadings	t- Value	Mean	SS	Item-Total Correlations
<b>Bullying</b>		<b>Alpha=.875</b>				
<b>Work-related bullying</b>		<b>Alpha=.646</b>				
1	.67					
2	.63	.62	8.30	1.88	1.276	.729**
3	.67	.58	7.74	2.14	1.367	.797**
4	.76					
5	.55					
6	.71	.63	8.50	2.02	1.011	.767**
7	.61					
<b>Person-related bullying</b>		<b>Alpha=.776</b>				
8	.67	.62	9.33	1.74	1.233	.757**
9	.50					
10	.66	.64	9.69	1.87	1.153	.750**
11	.69					
12	.77	.74	12.72	1.68	1.133	.797**
13	.73					
14	.63					
15	.72					
16	.71					
17	.73	.67	10.35	1.70	1.251	.791**
18	.74					
19	.75					
<b>Physically intimidating bullying</b>		<b>Alpha=.802</b>				
20	.76	.69	10.57	1.82	1.304	.830**
21	.81	.87	14.63	1.60	1.111	.878**
22	.73	.77	12.29	1.65	1.074	.844**

Note: Standardized item loadings reported for CFA.  $p < .001$  for all loadings.

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

Validity of The Organizational Paranoia Scale has been identified by using confirmatory factor analysis. The Organizational Paranoia Scale factor loads relating to each factor are given in Table 2. The goodness-of-fit measures were used to assess the overall model fit (Goodness-of-Fit Statistics:  $\chi^2/df = 485.81/170 = 2.86$ , NNFI=.73, NFI=.66, CFI=.75, AGFI=.76, GFI=.80, RMSEA=.097). In the final analysis, it has been not achieved high reliability scale. Twelve items that show correction indices have been removed from the scale. CFA has been applied. The results of confirmatory factor analysis, which is done in order to test the validity of the The Organizational Paranoia are given in Table 2 in order to accept the validity of a scale statistically, as a result of confirmatory factor analysis, some of

the fit indices values are supposed to be acceptable. Goodness-of-Fit Statistics:  $\chi^2/df = .32.27/20 = 1.61$ , NNFI=.95, NFI=1.00, CFI=.96, AGFI=.93, GFI=.96, RMSEA=.056. All the above fit indices for the initial CFA model indicated an acceptable fit. The Organizational Paranoia Scale dimensions' Cronbach Alpha values were found to be .805. At the end of the application materials by calculating the mean and standard deviations are shown in Table 2. Mean values were found higher. In addition, the t values of all scales were significant (See. Table2). Factors were examined for levels of total-item correlations of the internal consistency for scale. Calculated materials at the end of the application to distinguish are shown in Table 2. According to the results of all application materials to distinguish from the other all scales, the border does not require correction adopted .25's over. The item-total correlations for the items were: values ranging between .59 and .74 ratings. According to these scales, showing a good level of internal consistency for the scale could be accepted.

**Table 2. Items and Item Loadings from Confirmatory Factor Analyses**

Items	CFA) Initial Version Standardized Loadings	(CFA) Result Version Standardized Loadings	t- Value	Mean	SS	Item-Total Correlations
<b>Organizational Paranoia</b>		<b>Alpha=..805</b>				
1	.54	.54	7.47	1.74	.891	.623**
2	.56	.70	10.28	1.68	.860	.711**
3	.64	.73	10.98	1.78	.927	.747**
4	.51	.51	7.06	1.98	.937	.613**
5	.49					
6	.45					
7	.60	.51	7.08	2.00	.985	.629**
8	.42					
9	.49					
10	.46					
11	.42					
12	.50					
13	.58					
14	.65	.54	7.57	2.00	.897	.641**
15	.47					
16	.50					
17	.52	.52	7.18	1.57	.780	.585**
18	.52					
19	.58	.64	9.16	1.68	.754	.670**
20	.64					

Note: Standardized item loadings reported for CFA.  $p < .001$  for all loadings.

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

○ **Findings**

In order to determine the direction and power of the relation between the variables, we benefited from the Pearson correlation analysis. The correlation matrix was given in Table 4.

**Table 4. The result of correlations analysis**

	Mean	Std. Dev.	Organizational paranoia	Work-related bullying	Person-related bullying	Physically intimidating bullying
Organizational paranoia	1.80	.652				
Work-related bullying	2.05	1.045	.170*			
Person-related bullying	1.84	1.005	.387**	.572**		
Physically intimidating bullying	1.68	1.021	.316**	.462**	.724**	
Bullying	1.82	.905	.331**	.758**	.859**	.804**

\*\*Correlation is significant at the 0.01 level (2-tailed). \*Correlation is significant at the 0.05 level (2-tailed).

As seen in Table 4, the results of performed correlation analysis, a low positive correlation was determined between the work-related bullying and organizational paranoia ( $r=.170$ ). Moreover, correlation was discovered between the person-related bullying and organizational paranoia ( $r=-.387$ ). Correlation was discovered between the physically intimidating bullying and organizational paranoia ( $r=-.316$ ). Correlation was discovered between the bullying and organizational paranoia ( $r=-.331$ ).

**Table 5. The result of regression analysis**

	B	Std. Error	Beta	t	p	F	R Sq	D-W	Dependent Variable: Organizational paranoia
Bullying	.238	.048	.331	4.932	.000	24.322	.109	1.880	

As shown in Table 5, bullying was significant positive predictors of organizational paranoia. The bullying (10.9 % of the variance) has low significant positive predictors organizational paranoia.

	B	Std. Error	Beta	t	p
<b>Work-related bullying</b>	-.051	.050	-.083	-1.028	.305
<b>Person-related bullying</b>	.242	.067	.373	3.620	<b>.000</b>
<b>Physically intimidating bullying</b>	.054	.061	.084	.881	.379

F=12.167 R Sq=.157 p=.000

Dependent Variable: Organizational paranoia

The results of multiple regression analysis, due to assess relations of work-related bullying, person-related bullying and physically intimidating bullying, organizational paranoia together, was found statistically significant ( $p < .01$ ). Variables have explained 15.7 % of organizational paranoia. Person-related bullying is also only variable that affects organizational paranoia ( $\beta = 0.37$ ). The effects of other variables on organizational paranoia were not statistically significant ( $p > .05$ ).

- **Conclusion**

As a result of the study, it is found that bullying have a positive effect on organizational paranoia. It is found that work-related bullying and physically intimidating bullying have no effect on organizational paranoia. It is found that person-related bullying has effect on organizational paranoia.

In recent years, bullying, which emerges in the workplace frequently, is an crucial concept that is spoken both behavioral and legal ground, because of negative psychological affects on employees (Ogunbamila, 2012: 4975). Considered as the individual and organizational results of bullying, created dishonest environment in the organization could affect the important outcomes such as communication between the employees, employee satisfaction, self-esteem and feeling of confidence of others. It would influence the feelings and thoughts in health sector, where is common intense stress (Jex vd., 1991, Richardsen ve Burke, 1993; Van Wiljk, 1997) and burnout (Maslach ve Leiter, 1997). Conditions and factor that individuals have to cope with them could affect employee behaviors in such an organizational atmosphere. Employees have been becoming skeptical with the effect of bullying and have lived paranoia. It is to begin to shape social relations in the organization by doubts and paranoia, so that it would influence organizational outcomes negatively. While work-related bullying and physically intimidating bullying has no effect on organizational paranoia, person-related bullying influences this concept, so that it is assumed as factors that called as bullying in the organizations intended individuals directly, it would be more noticeable, therefore it could be considered as more intensive effect of it on employees. By this perspective, it could also be accessed that work-related bullying factors are more likely to be acceptable according to the employees.

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## **Effects of Servant Leadership and Organizational Citizenship Behaviour on Organizational Virtuousness**

### **Abstract:**

This study is carried out in order to investigate the effects of servant leadership and organizational citizenship behaviours on organizational virtuousness. In this research, four hospitals in the province of Konya, Turkey were selected and the research instruments were applied among 200 health care employees. In this research, it is used to organizational virtuousness scale, servant leadership scale and organizational citizenship behaviours scale. As a result of the study, it is found that servant leadership and organizational citizenship behaviours have a positive effect on organizational virtuousness.

**Keywords:** Servant leadership, organizational citizenship, organizational virtuousness, healthcare employee.

### **1. Introduction**

Leadership is always on the agenda in terms of the success of the orientation function and efficiency of corporate activity and has been one of the areas of interest investigation. Leader and leadership have a history as old as the history of mankind. In this context, "how to be a leader? Who will be a leader? What are the characteristics of the leader? What are the distinctive features of a non-leader from a real leader?", answers of such questions are curious not only today, but also has been curious since before now and one of the issues on a great deal of research done (Sabuncuoğlu and Tüz, 2001: 215). When the studies in the field of management are analysed, the leadership covers a process related to operationalizing the individuals; the leader refers to an individual who has the power and authority of mobilising the process (Robbins and DeCenzo, 2003: 401).

The complexity of the social surroundings and conflicts in human relations in the current era impose a new and quite a difficult task to leaders. This role entails the leaders to have a system of ethical values, and beliefs and efforts in the organization to be developed within the framework of this system. The leader fulfils his responsibility to learn and apply leadership; on the other hand he is in the case of making the right decision about organizational phenomena through a moral filter. The responsibility of creating an ethical environment in the institution in question adds a new dimension to administrator's understanding of leadership (Turhan, 2007: 1-4). Tendency to a person who is increasingly wearing off, corrupting his inner peace, to take into account more and more human feelings, and conventional leadership approaches about providing to meet with himself again by increasing his morale and motivation are insufficient. Therefore, taking into account of the feelings of people, the structure of the

soul, enriching their lives, the need for approaches of servant leadership, which has aim to use its power for meeting all kinds of need of people, is increasing more and more (Fındıkçı, 2010). Organizational citizenship behaviour is defined as volunteer efforts and extra-role behaviour beyond standards and work descriptions set for the individual in the work environment of him. This type of behaviour is also described as an employee's doing more beyond organization determining obligations in a stylistic way. In this respect, servant leadership and organizational citizenship behaviour's the effects on organizational virtue is investigated in this study.

#### ○ **Organizational Virtuosity**

The concept of virtue, before having reached to be used in a moral function, was understood for fulfilling an asset in the best way, but in the stories of Homer it was used any kind of superiority or virtue (Ocak, 2011). In this context, virtuosity is expressed as a concept related to desires of individuals and organizations to make the best of them (Cameron etc., 2004). Based on the definitions, moral goodness relevant to virtue (represents what is right), human influence (individual development, moral character, manpower, resistance, meaningful purpose, superior principles) and social development (the benefit of one's own interest and social value creation) is expressed in three basic features (Erkmen etc., 2012:109). Every organization needs to be virtuous in a framework as whether or not for profit. Because virtue which concerns human and provides reputation in the community and acceptance in social aspects is expressed that it is important for the future and reputation of every kinds of organization and community (Torlak, 2008).

Organizational virtuosity differs from organizational values. Values in organizations are an important component of organizational culture and have been extensively studied beginning with early organizational literature (Weber, 1947) and continuing with contemporary approaches (Amis, Slack, and Hinings, 2002; Meglino and Ravlin, 1998). The types of values in organizations have shifted over time, in some decades focusing on business outcomes such as profitability and employee satisfaction while at others moving toward processes such as teamwork or innovation. While values may change with the business and environmental climate, virtues are rooted in the human fabric and are enduring (Vallett, 2010:131).

Individual virtuosity expands to become organizational virtuosity. The entire organization is influenced positively when virtuosity is displayed, especially by individuals in leadership positions. Displays of virtuosity by leaders are especially likely to become characteristic of the organization as a whole (George, 2000).

Servant leader imposes love, respect, compassion by focusing on others rather than him. In this regard, he builds his behaviours on the virtuous behaviours (integrity, honest, trust) (Cerit, 2008: 552-553).

#### ○ **Servant Leadership**

Subservience is the most basic understanding to come into prominence for "servant leadership". Understanding of subservience means that a person devotes himself to others and to meet their needs and also lives for them without wanting any benefit. It also includes the understanding that a person, who sees himself at the zero point, exceeds any notion of self, in other words before the concept "I", manages to focus on the concepts "we", "you" and "you" (Fındıkçı, 2009: 378). Greenleaf defines the

concept of servant leadership as a person who can replace him with others, listen to them, emotionally understand and support them and has an unusual power and resource (Greenleaf, 1977: 22). According to Spears, servant leader is a person serving a holistic approach to people, inspiring them to study and having a power for creating to make a collective decision at the institution. In the core of servant leadership approach, it is expressed that some persons, who have the potential to create any changes in a positive effect on society and have the vision, take part into it (Spears, 2004: 8). Liden and his friends developed a comprehensive model and multi-dimensional measuring instrument for servant leadership because of these definitions and classifications made on servant leadership. In other words, when the studies about what the servant leadership behaviours are in the literature are combined, the servant leader emerges as a basis size of 9 (Liden and etc., 2008):

1. Emotional Healing: People should completely accept that they can not achieve personal integrity and the leader should help heal individuals dispirited and be sensitive to the followers' wishes and needs.
2. Creating Value for the Community: To support the provision of social development and be conscious and conscientious on this issue.
3. Conceptual Skills: The leader solves the complex problems with new, effective and creative ideas and looks to the subjects through future beyond the daily problems. The leader clears up the future with the long-sightedness and with the data being learned from the past and now.
4. Empowering: To give an authority to their needs and a responsibility about taking a decision in their works by leaving the control on the followers.
5. Helping Subordinates to Grow and Succeed: The leader feels responsibility in the followers' personal, professional and spiritual development and acts as mentor on this subject
6. Putting Subordinates First: The leader keeps priorities of the followers in mind rather than his priorities, supports them by leaving his work when his subordinates have problems about the work.
7. Behaving Ethically: To build open, honest and fair relationships with others.
8. Relationships: To make a sincere effort about recognizing, understanding and supporting the others and to focus to build long-term relationships with the leader's followers.
9. Serventhood: The theory's heart of servant leadership. It is stated as a person who even services and as sacrificing his benefits for others and community

In foreign and Turkish literature, besides encountering studies on servant leadership (Joseph and Winston, 2005; Ehrhart, 2004; Vondey, 2010; Sendjaya and Cooper, 2010; Liden etc., 2008, Cerit, 2009; Çevik and Kozak, 2010; Aslan and Özata, 2011, Sanı etc., 2013), the need continues to research on the subject. In studies made on servant leadership between 1990 and 2003, moral and inspiring dimensions of servant leadership met with great interest and servant leadership was studied to be developed on these dimensions (Kahveci, 2012:21). In the studies made in this context hypothesis 1 was improved.

H1 servant leadership is positively associated with organizational virtuousness.

When dimensions of organizational citizenship that is altruism (generosity), scrupulousness, sportsmanship, kindness and righteousness (Dipaola et al., 2005) are collected under five headings (Organ, 1988), it is brought forward that especially the virtue affects organizational citizenship of employees in a positive impact (Buluç, 2008:581)..

#### ○ **Organizational Citizenship Behaviour**

Organizational citizenship behaviour can be expressed as behaviours which are either directly or not clearly defined by stylistic reward system and job descriptions, based upon a voluntary basis and provide the functions of the organization to effectively progress (Gürbüz, 2006: 50). In another definition, organizational citizenship behaviour is referred as an individual makes an effort and exhibits an extra-role as a volunteer beyond standards and job descriptions set for him in his work environment (Organ, 1988:4). To help their colleagues, behaviours such as making suggestions for advancing work and processes, caring about coming to work on time, evaluating effectively work time and so on are associated with organizational citizenship behaviour (Kaskel, 2000).

Organ is divided into five dimensions as altruism, conscientiousness, courtesy, civil virtue and sportsmanship (Organ, 1988: 3-9). Description of these dimensions in the following lines (Aslan, 2008:166):

- *Altruism*: Refers to all voluntary behaviours which aim to help other members of organization regardless of benefits in the employee's problems or missions related to organization (Organ, 1988).
- *Conscientiousness*: Voluntary behaviours beyond the employee's definitions of role as a member of the organization. The behaviour of helping the new members joined in the organization can be demonstrated as an example (Podsakoff, Mackenzie, 1994:351).
- *Courtesy*: Voluntary behaviours to prevent problems before problems about the job occurred (Mackenzie etc., 1993:71).
- *Civic Virtue*: Employees participate in the political life of the organization as active and responsible (Podsakoff and Mackenzie, 1994:351).
- *Sportsmanship*: To be able to tolerate without complain non-ideal organizational conditions (Podsakoff and Mackenzie, 1994:351).

The first reason of a research topic of organizational citizenship behaviour being popular in recent years (Dipaola et al., 2005; Buluç, 2008) is which to keep the performance showed up as a result of this behaviour in mind in evaluations of the employees' performance, in the applications of promotion and salary and the second reason is which this behaviour's contribution to the success and effectiveness of the organization is important. In this regard, Hypothesis 2 has been developed in the study made.

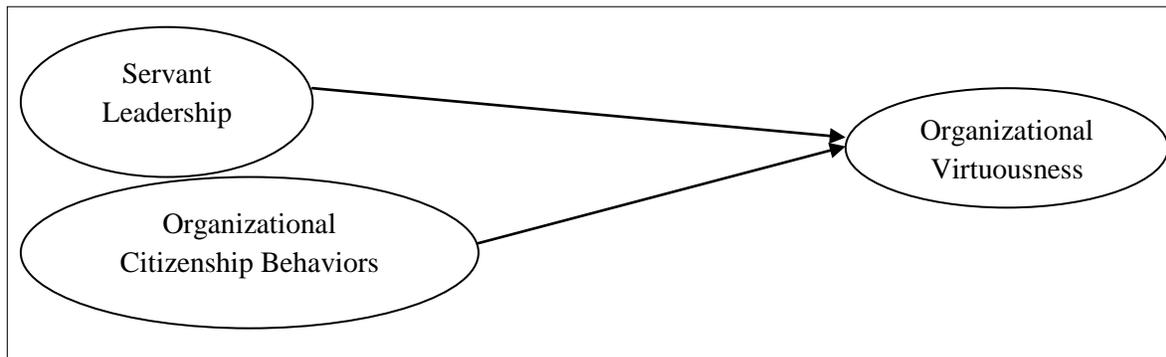
H2 Organizational citizenship behaviours are positively associated with organizational virtuousness.

- **Method**

- **Research Model**

In this study, the relation of Servant Leadership with Organizational Citizenship Behaviours, and the effects of Organizational Virtuosity on healthcare employees were studied. The data was evaluated by the packet programme of SPSS 10.0. In order to examine the content validity of those measures, we performed confirmatory factor analysis (CFA) and path analysis with LISREL VIII. Besides the descriptive statistics, correlation and regression analyses were also carried out. The hypothesized model is depicted in Fig. 1.

**Figure 1: Model of the research**



- **Participants**

Our surveys were carried out with 200 health care employees in the health sector providing services at four hospitals in the province of Konya, Turkey. The sample mostly consisted of female participants, nurses with and people graduated from a collage. And the percentages were 51.5%, 42%, 38.5%, respectively. The most of participants are between the ages of 18 and 26 (%43). Average age of the participants is 28.21, and work experience is 2.30 years.

- **Instrumentation**

In the study, Servant Leadership Scale, Organizational Citizenship Behaviors Scale and Organizational Virtuosity Scale were used. More detailed information is given about the scales below.

**Organizational Virtuosity scale:** Organizational Virtuosity scale has been formed benefiting from the studies of Cameron, Bright and Caza (2004). The answers are categorized with a 5-likert scale (1= strongly disagree, 5= strongly agree). The Organizational Virtuosity scale consists of 15 items and five factors. These factors are; “optimism” (3 items), “trust” (3 items), and “compassion” (3 items), “integrity” (3 items), “forgiveness” (3 items). The scale dimensions’ Cronbach Alpha values were found to be .84, .83, .89, .90, .90, respectively.

Validity of The Organizational Virtuosity scale has been identified by using confirmatory factor analysis. As a result of initial version scale of the CFA, a scale consisting of 15 questions and five dimensions are found. Factor loads, that relating to each factor are given in Table 1. The goodness-of-Fit Measures were used to assess the overall model fit.

**Table 1: Items and Item Loadings from Confirmatory Factor Analyses**

Items	(CFA) Initial Version Standardized Loadings	t- Value	Mean	SS	Item-Total Correlations
Organizational Virtuousness scale	<b>Alpha=.923</b>		<b>52.32</b>	<b>11.35</b>	
Optimism	<b>Alpha=.877</b>		10.94	2.92	.780**
1	.84	14.16			.907**
2	.93	16.44			.920**
3	.76	12.23			.864**
trust	<b>Alpha=.835</b>		10.40	2.98	.827**
4	.71	11.01			.837**
5	.86	14.40			.896**
6	.81	13.21			.868**
Compassion	<b>Alpha=.775</b>		10.16	2.77	.806**
7	.82	13.51			.850**
8	.90	15.29			.885**
9	.53	7.64			.762**
Integrity	<b>Alpha=.863</b>		10.59	2.69	.844**
10	.86	14.56			.891**
11	.80	13.08			.882**
12	.81	13.29			.885**
Forgiveness	<b>Alpha=.854</b>		10.23	2.88	.729**
13	.76	12.13			.874**
14	.91	15.54			.911**
15	.77	12.17			.853**

Note: Standardized item loadings reported for CFA.  $p < .001$  for all loadings.

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

Goodness-of-Fit Statistics:  $\chi^2/df = 147.72/80 = 1.84$ , NNFI=.95, NFI=.92, CFI=.96, AGFI=.86, GFI=.91, RMSEA=.065.

All the above for the initial CFA model fit indices indicated an acceptable fit (Goodness-of-Fit Statistics:  $\chi^2/df = 147.72/80 = 1.84$ , NNFI=.95, NFI=.92, CFI=.96, AGFI=.86, GFI=.91, RMSEA=.065). The Organizational Virtuousness scale dimensions' Cronbach Alpha values were found to be .877, .835, .775, .863, .854, respectively. At the end of the application materials had calculated and the mean

and standard deviations are shown in Table 1. Mean values were found higher. In addition, *t* values of all scales were significant (See. Table1). Factors were examined for levels of total-item correlations of the internal consistency for scale. Calculated materials at the end of the application to distinguish are shown in Table 1. According to the results of all application materials to distinguish from the other all scales, the border does not require correction adopted .25's over. The item-total correlations for the items were: values ranging between .72 and .92 ratings. According to these scales, showing a good level of internal consistency for the scale could be confessed.

**Table 2. Items and Item Loadings from Confirmatory Factor Analyses**

Items	(CFA) Initial Version Standardized Loadings	(CFA) Result Version Standardized Loadings	<i>t</i> - Value	Mean	SS	Item-Total Correlations
The Servant Leadership Scale		<b>Alpha=.949</b>		<b>43.22</b>	<b>11.42</b>	
1. Empowerment		<b>Alpha=.936</b>		21.62	6.21	
1.	.75	.76	12.42			.820**
2.	.83	.84	14.42			.877**
3.	.79	.81	13.61			.846**
4.	.90	.91	16.58			.917**
5.	.90	.89	15.96			.897**
6.	.87	.85	14.86			.866**
7.	.88					
Service		<b>Alpha=.867</b>		10.26	3.48	
1.	.81					.860**
2.	.83	.78	12.69			.913**
3.	.85	.86	14.69			.892**
4.	.82	.84	14.10			
Vision		<b>Alpha=.899</b>		11.34	2.91	
1.	.85	.86	14.90			.912**
2.	.88	.88	15.57			.920**
3.	.86	.86	14.84			.907**

Note: Standardized item loadings reported for CFA.  $p < .001$  for all loadings.

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

Goodness-of-Fit Statistics:  $\chi^2/df=224.68/74=3.03$ , NNFI=.93, CFI=.94, AGFI=.80, GFI=.86, RMSEA=.101

Goodness-of-Fit Statistics:  $\chi^2/df=122.25/51=2.39$ , NNFI=.96, CFI=.97, AGFI=.86, GFI=.91, RMSEA=.08.

**Servant Leadership Scale:** Servant Leadership Scale has been formed benefiting from the studies of Dennis and Winston (2003). The answers are categorized with a 5-likert scale (1= never, 5= always). The Servant Leadership Scale consists of 23 items and three factors. It was reached a new version scale and the values of validity and reliability of the scale highly in Turkey (Aslan and Özata, 2011). These factors are; “empowerment” (7 items), “service” (4 items), and “vision” (3 items). The scale dimensions’ Cronbach Alpha values were found to be .96, .88, and .89, respectively. In this research, it is used to 14 items a new version scale.

Validity of The Servant Leadership Scale has been identified using confirmatory factor analysis. The Servant Leadership Scale factor loads relating to each factor are given in Table 2. The goodness-of-fit measures were used to assess the overall model fit (Goodness-of-Fit Statistics:  $\chi^2/df = 224.68/74 = 3.03$ , NNFI=.93, CFI=.94, AGFI=.80, GFI=.86, RMSEA=.101). In the final analysis, it has been not achieved high reliability scale. Two items that show correction indices (7. and 11. items) have been removed from the scale. CFA has been applied. The results of confirmatory factor analysis, which is done in order to test the validity of the Servant Leadership Scale are given in Table 2 in order to accept the validity of a scale statistically, as a result of confirmatory factor analysis, some of the fit indices values are supposed to be acceptable. Goodness-of-Fit Statistics:  $\chi^2/df = 122.25/51 = 2.39$ , NNFI=.96, CFI=.97, AGFI=.86, GFI=.91, RMSEA=.08. All the above fit indices for the initial CFA model indicated an acceptable fit. The Servant Leadership Scale dimensions’ Cronbach Alpha values were found to be .936, .867, .899, respectively. At the end of the application materials by calculating the mean and standard deviations are shown in Table 2. Mean values were found higher. In addition, the t values of all scales were significant (See. Table2). Factors were examined for levels of total-item correlations of the internal consistency for scale. Calculated materials at the end of the application to distinguish are shown in Table 2. According to the results of all application materials to distinguish from the other all scales, the border does not require correction adopted .25’s over. The item-total correlations for the items were: values ranging between .82 and .92 ratings. According to these scales, showing a good level of internal consistency for the scale could be accepted.

**Organizational Citizenship Behaviours Scale (OCB):** OCB scale was developed by benefiting from the scale, which was arranged by Podsakoff and MacKenzie (1997) and the values of validity and reliability of the scale highly in Turkey (İşbaşı, 2000). The response categories for each item were anchored by Strongly Disagree (1) and Strongly Agree (5). The OCB Scale consists of 18 items and four factors. These factors are; “conscientiousness” (5 items), “gentleman” (5 items), “altruism” (4 items), and “courtesy” (4 items). Other questions were not added to the study. Cronbach alpha of the obtained data was found as 0.97 (Çelik, 2007: 200).

Validity of The OCB Scale has been identified using confirmatory factor analysis. The OCB Scale factor loads relating to each factor are given in Table 3. The goodness-of-fit measures were used to assess the overall model fit (Goodness-of-Fit Statistics:  $\chi^2/df = 231.85/129 = 1.79$ , NNFI=.92, NFI=.88, CFI=.93, AGFI=.85, GFI=.89, RMSEA=.063). In the final analysis, it has been not achieved high reliability scale. Three items have been dropped because factor loadings were not above .40 and CFA has been applied. The results of confirmatory factor analysis that is done in order to test the validity of the OCB Scale is given in Table 3 in order to accept the validity of a scale statistically, as a result of confirmatory factor analysis, some of the fit indices values are supposed to be acceptable.

**Table 3. Items and Item Loadings from Confirmatory Factor Analyses**

Items	(CFA) Initial Version Standardized Loadings	(CFA) Result Version Standardized Loadings	t- Value	Mean	SS	Item-Total Correlations
<b>Organizational Citizenship Behaviours</b>		<b>Alpha=.937</b>		<b>59.71</b>	<b>11.08</b>	
<b>Conscientiousness</b>		<b>Alpha=.855</b>		<b>16.35</b>	<b>3.52</b>	
1	.74	.74	11.76			.828**
2	.82	.82	13.47			.858**
3	.80	.80	12.99			.827**
4	.73	.73	11.47			.829**
5	.35*					
<b>Gentleman</b>		<b>Alpha=.796</b>		11.90	2.74	
1	.38*					
2	.31*					
3	.70	.70	10.90			.836**
4	.81	.81	13.30			.844**
5	.74	.74	11.68			.850**
<b>Altruism</b>		<b>Alpha=.853</b>		15.73	3.25	
1	.81	.81	13.18			.856**
2	.81	.81	13.17			.850**
3	.72	.72	11.25			.821**
4	.75	.75	11.83			.807**
<b>Courtesy</b>		<b>Alpha=.880</b>		15.72	3.25	
1	.74	.74	11.78			.810**
2	.78	.78	12.82			.849**
3	.86	.86	14.71			.897**
4	.84	.84	14.26			.872**

Note: Standardized item loadings reported for CFA.  $p < .001$  for all loadings.

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

\*The item was dropped because factor loadings were not above .40

Goodness-of-Fit Statistics:  $\chi^2/df=231.85/129=1.79$ , NNFI=.92, NFI=.88, CFI=.93, AGFI=.85, GFI=.89, RMSEA=.063.

Goodness-of-Fit Statistics:  $\chi^2/df=140.31/84=1.67$ , NNFI=.95, NFI=.92, CFI=.96, AGFI=.88, GFI=.91, RMSEA=.058.

Goodness-of-Fit Statistics: Goodness-of-Fit Statistics:  $\chi^2/df = 140.31/84 = 1.67$ , NNFI=.95, NFI=.92, CFI=.96, AGFI=.88, GFI=.91, RMSEA=.058. All the above fit indices for the initial CFA model indicated an acceptable fit. The OCB Scale dimensions' Cronbach Alpha values were found to be .855, .796, .853, .880 respectively. At the end of the application materials calculated the mean and standard deviations are shown in Table 3. Mean values were found high. In addition, t values of all scales were significant (See. Table 3). Factors were examined for levels of total-item correlations of the internal consistency for scale. Calculated materials at the end of the application to distinguish are shown in Table 3. According to the results of all application materials to distinguish from the other all scales, the border does not require correction adopted .25's over. The item-total correlations for the items were: values ranging between .80 and .89 ratings. According to these scales, showing a good level of internal consistency for the scale can be said.

### ○ Findings

In order to determine the direction and power of the relation between the variables, we benefited from the Pearson correlation analysis. The correlation matrix was given in Table 4.

**Table 4. The result of correlations analysis**

	The Servant Leadership	Organizational Citizenship Behaviors
The Servant Leadership		
Organizational Citizenship Behaviors	.370**	
Organizational Virtuousness	.646**	.479**

\*\*Correlation is significant at the 0.01 level (2-tailed). \*Correlation is significant at the 0.05 level (2-tailed).

As seen in Table 4, the results of performed correlation analysis, a positive correlation was determined between the servant leadership and organizational citizenship behaviours ( $r=.37$ ). Moreover, a positive correlation was discovered between the servant leadership and organizational virtuousness ( $r=.65$ ). Likewise, a positive correlation was discovered between organizational citizenship behaviours and organizational virtuousness ( $r=.48$ ).

**Table 5. The result of regression analysis**

	B	Std. Error	Beta	t	p	D-W	F	R Sq
Organizational Citizenship Behaviors	.491	.064	.479	7.686	.000	1.624	59.072	.230
The Servant Leadership	.514	.043	.646	11.920	.000	1.617	142.080	.418

## **Dependent Variable: Organizational Virtuousness**

As shown in Table 5, organizational citizenship behaviours (23 % of the variance) were significant positive predictors of organizational virtuousness. The servant leadership (41.8 % of the variance) has significant positive predictors of organizational virtuousness. It is found that servant leadership and organizational citizenship behaviours had a positive effect on organizational virtuousness.

### • **Conclusion**

As a result of the study, it is revealed that servant leadership and organizational citizenship behaviours have a positive effect on organizational virtuousness. In the study in which the managers being intermediary within the organization about either virtue or immorality are argued (Neubert etc., 2009), specifically, through ethical leadership behaviour we argued that managers can virtuously influence perceptions of ethical climate, which in turn will positively impact organizational members' flourishing as measured by job satisfaction and affective commitment to the organization. In the study, servant leadership and organizational citizenship behaviour is the result of a positive impact on virtues. Servant leadership has a positive impact at the individual, group and organizational level. In this sense, the hope and virtue impress positive behaviours as micro- and macro-perspective (Searle etc., 2011). In particular, job satisfaction and organizational commitment that influence the organization's members on a positive impact via ethical behaviours of the managers, which impress the ethical climate, have been associated (Manz etc., 2008). Our results indicate that ethical leadership has both a direct and indirect influence on the follower's job satisfaction and affective commitment. Ethical leadership affects job satisfaction and organizational commitment on a positive impact. Therefore, it is considered that the leadership behaviour have effects on the organizational results.

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## **Change of Consumer Preferences of Close or Perfect Substitutes**

### **Abstract:**

This contribution deals with change of consumer preferences of close and perfect substitutes. Change preferences can be observed not only by non-price factors (e.g. fashion, weather, marketing, etc.), but also the price factors. Price has a significant influence on the preferences close and perfect substitutes, which can be represented graphically by changing the slope of indifference curves. For normal goods this phenomenon cannot be observed.

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## **Multiple Identity Crisis? Predicaments of Fusions and Transformations**

### **Abstract:**

Knowing yourself is the beginning of all wisdom. Aristotle The heat haze rose in mirage eddies from the red pan-tiled roofs of Antalya.... In cerulean-blue cloudless skies swallows peeled and manoeuvred in their aerobatic precision, catching insects rising on the thermals. I was walking along the stalls of a Turkish market - my senses flooded with vibrant colours, smells, sights and sounds - when an old lady offered me a bowl of some sweet-smelling bubbling broth.

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### **It's a Radioactive Life After All: Radiation Exposure and the Threshold to Modernity**

#### **Abstract:**

This paper examines newly emerging concerns in the public health controversy over low-dose ionizing irradiation. It questions airline occupational exposures, limits to disaster zones of exclusion, radon “health” mines, rates of global “background” radiation, and global cancer rates. I emphasize variable global health concerns for radioactive injury in connection to threshold versus linear non-threshold (stochastic) debates, yet also situated within deeper social and political-economic undercurrents. Of primary interest, I suggest thresholds of hazardous excess radiation to be equated to participation in Foucaultian biopolitics and threshold to modernity. While “acceptable” dose limits for medical technicians, power plant workers, and general public are pushed towards decrease through growing bureaucratic measures for safety regulation, social counterbalancing mechanisms can be observed in forms of political exception and scientific uncertainty.

**Keywords:** Low-dose irradiation, health physics controversy, threshold to modernity, linear non-threshold (LNT) model, global health relativity, advanced biopolitical modernity.

#### **• Introduction**

It is well known in 21st century science that radiation is a cosmic process that is primordial to planet Earth, inherent to all forms of matter and consistent with the transference of energy on vector pathways. Along with multiplication of speed of light squared, radiation is a key to interchange between matter and energy. Humans have thus evolved, since their first traces of origin, in an atmosphere of cosmic and material radiation, absorbing various forms of radiation to become consistently irradiated beings. Humans, as material entities, even emit their own traces of radioactive particles and energy.

However, the way ionizing radiation relates to human health has proven to be a source of enduring academic and public health debate, creating a controversy which is entrenched and spurred on by needs for nuclear energy, weapons of war, and other technological or industrial advancements. Scientific consensus on issues of cause and effect for human illness is demonstrated within medical anthropology and philosophies of health to be highly culturally and politically variable. Such variability is particularly potent in the case of ionizing radiation, as this variability can result in much tension concerning the legitimacy of biomedical illness.

This paper draws from the fact that epidemiological causality can only be supported on population levels, observing increases for attributable illness among exposure groups as a whole: epidemiology cannot support attributable illness on an individual level. This issue of causality for individual illness pertains as much to cultural philosophy as it does to biomedical science, including complex social natures of distal to proximal causal explanation schemas.

In the case of human irradiation, mild or severe, biomedical understanding suggests that some portion of exposed individuals will develop illness as a result of exposure, however illness caused by such irradiation can never, with certainty, be differentiated from the same illnesses not caused by irradiation for any exposed population. Although there are various signatures and degrees of likelihood, it remains a biomedical impossibility to determine precisely which illnesses come as a direct result of radiation exposure and which do not, when symptoms are below the threshold of Acute Radiation Syndrome and overlap with common maladies of age or other conditions of biological degeneration.

The question which emerges in this context, forming the primary focus of this paper, is to what degree should radiation be deemed hazardous, at what level does a threshold of radiation become significant to human health, and what sociocultural conditions are most likely to directly mediate the scientific perception of this hazard? This question is asked amid evidence for both accelerating global background radiation levels and accelerating global cancer rates, demanding further academic consideration for any possible link between these two conditions.

Questioning the definition of “background” radiation, my argument is drawn in relation to a cultural climate of increased attention to and reliance on radioactive technologies and industries of concern to radiation exposure. It suggested by the U.S. National Council on Radiation Protection (NCRP, 2009) Report #160 that, contrary to even a decade ago, Americans receive more radiation from medical procedures than from all other natural sources. Based on entirely different cultural patterns and behaviors, there is growing concern for radiation exposures for airline employees and frequent airplane travelers, and there is increased political attention and media coverage associated with any radioactive “zone of exclusion.” There is also a great diversification of public attitudes towards radiation where, in some cases, abandoned uranium mines are being converted to radon “health” mines as a form of alternative therapeutic treatment. There is also increased attention given to human settlements at high altitudes and naturally High Background Radiation Areas (HBRAs) and what such areas might indicate about radiation safety and, most importantly for this paper, there is continuation of debate over threshold or no-threshold limits for somatic damage from low-dose irradiation. While many health physicists maintain that all ionization within human tissue holds likelihood for biological harm, there are also proponents of hormesis theory which suggests small doses of radiation may be beneficial to health by stimulating activity of DNA repair mechanisms.

Finally, this paper examines the sociological processes which encourage reduction in acceptable dose limits for human radiation exposure as governmental bureaucracies become more accountable for safeguarding health, and how processes of risk reduction are carried out in a cultural context specific to modernity. I suggest that a current “modern” cultural context necessitates a risk of illness inherent to industrial and medical technologies involving radiation, with important political needs for risk reduction as outlined by Michel Foucault’s (1978) precepts of biopower. Concerns for the threshold dose of radiation necessary for biological harm are connected to Foucault’s (1978) Threshold to

Modernity, where reductions in upper limits for permissible radiation exposure, on both national and international levels, are a direct product of biopolitical modernity. Moreover, the connection between threshold for radiation dose and the biopolitical threshold for modernity is evaluated for potential underlying apparent relativity in approaches to global health, variable and politically motivated definitions for “background” radiation, and possible minimization or obscuring of rise in current global cancer rates.

Global conditions of biopolitical modernity which demand increased safety regulation and reduction in likelihoods of harm must still mitigate industrial and economic needs, creating the “modern paradox” of increased safety and increased industrial development. Ultimately I argue that controversy on the effects of low-dose irradiation, explained through concepts of healthy DNA repair mechanisms and inconclusive epidemiological data, creates an important cultural function – allowing a liminal space, or a state of exception in an Agamben (2005) sense – where technological and industrial benefits of nuclear power and weaponry can be maintained while governing agencies simultaneously safeguard the minutely and genetically regulated health of subjects under auspices of an advanced form of biopolitical modernity.

- **Introduction to the Millisievert**

In the past one year, most people on this planet will have received on average 3 millisieverts (mSv) – or 300 millirem (mrem) according to the older and more traditional unit – of ionizing radiation simply from cosmic rays, the soil beneath feet and homes, food and water ingested, and radon breathed in with the air. For every full chest X-ray, 0.1 mSv of exposure should be added to this total. Since a full chest X-ray is roughly equal to a roundtrip transatlantic flight in terms of radiation dose, another 0.1 mSv should be added for each roundtrip transatlantic flight. Avoiding the arctic region and spending less time at higher altitudes, most one-way flights across the continental United States contribute roughly 0.02 mSv. For every pack of cigarettes smoked (depending on brand and source of tobacco leaves) count in 0.001 mSv of exposure, or 0.365 mSv per year for a pack-a-day smoker.

Benefits from economic standards associated with living in industrialized countries also come with additional radiation doses associated with technology and modern medicine. In recent years, it is likely that the United States has become the first country to have average technology-based radiation doses exceed average “natural” radiation doses (NCRP, 2009). This combines to a total civilian average of about 6 mSv a year, with the vast majority of technology-based exposures coming from medicine.

But what do these numbers and units really mean? What are their associated probabilities for causing illness and suffering? What is the harm of one increased mSv in the life of a human being coming from any particular point of “background” radiation? The mSv has been placed in the following context by Bernard Cohen’s (1983) *Before It’s Too Late: A Scientist’s Case for Nuclear Energy*: each exposure of 1 mSv is roughly estimated to increase risk of dying from cancer by 1/40,000, and corresponds to a general reduction in life expectancy of about two hours. This corresponds, in concepts of risk, to about 300 times walking across an average street, 300 puffs on a cigarette, or ingesting 10,000 calories for someone who is already clinically overweight (Cohen, 1983; Cohen, 1990).

- **Units of Radiation and Alphabet Soup**

Despite the ready availability of numbers and equations, it is difficult to evaluate radiation in terms of quantifiable units of energy without resorting to gross generalization, and even more challenging to assess quantities of absorbed radiation. The most complicated task in this sequence is to measure and estimate probabilities of somatic damage and hazard to health from ionizing radiation. Following these considerations, there are three different basic types of units applicable to measurement: basic units of general radiation involving decay count, absorbed dose units, and biological equivalent dose units.

Basic measurement of frequency and energy of radioactive decay typically involves the coulomb per kilogram (C/kg), which measures radioactive energy in terms of the electrical charge of 1 ampere per second of each polarity within 1 kilogram of matter. This is the Standard International (SI) unit for energy of radioactive decay. The older, more traditional unit is the roentgen (R), the amount of radiation necessary to free 1 electrostatic unit (esu) of charge of each polarity within 1 cubic centimeter (cc) of dry air. An equation of conversion is:  $1 \text{ Roentgen} = 2.58 \times 10^{-4} \text{C/kg}$ .

Absorbed dose is measured in the SI unit of gray (Gy) and the more traditional unit of rad (radiation absorbed dose). The gray is the amount of radiation necessary to transfer 1 joule (J) into one kilogram of matter, so it is a measurement of J/kg. The rad simply refers to 0.01 J deposited per kilogram, so  $100 \text{ rad} = 1 \text{ Gy}$ . These units are important because they distinguish amount of energy *deposited* as opposed to measurement of charge. This is especially of importance when primary scientific interest (or application) refers to concepts of biological damage.

Biological equivalent dose takes into consideration the different forms of radiation, and the different types of matter which have variable absorption sensitivities. The matter of most interest for equivalent dose measurements is human tissue. Still, some components of human biology have more sensitivity than others, and some forms of radiation are more destructive within specific forms of biological tissue as opposed to others. For example, alpha irradiation which involves helium ions of relatively significant mass will cause significant damage superficially to whatever membranes, organs, or structures it first encounters. X-rays and gamma rays, which both have relatively no mass, will easily pass through great quantities of biological tissue, yet will take a less significant toll than larger particulate radiation. One gray of alpha radiation is roughly about 20 times as much damage as 1 gray of X-rays.

For this reason, there is a weighting factor taken into consideration for equivalent dose measurements. The units of absorbed dose combined with specific weighting factors will translate to the SI equivalent dose unit of sievert (Sv), and the more tradition unit of rem (Roentgen Equivalent Man). The sievert, like the gray, is comprised of J/kg. Yet the sievert is tied to the concept of probability for cancer, in that it will measure dose of specific radiation to specific tissue or part of the body and equate this dose to similar probabilities of cancer when gamma radiation is applied to the whole body. It is the equivalent dose of gamma radiation applied to the whole body which is noteworthy, based on current projections and statistics of contracting cancer. The rem equates to the sievert as:  $1 \text{ sievert} = 100 \text{ rem}$ .

Some of the social context for these units will be discussed further in reference to the history of scientific discovery of radiation and associated evolution of social concern. Chances are that a new form of measuring unit is still awaiting the next discovery with irradiation and *likelihood* to induce

illness, including levels more refined or specific than “cancer”, such as in respect to rates of genomic aberration. Current genetic epidemiology not only challenges the way we view and classify illness, but possibly how we measure it as well.

- **The Dangers of Ionizing Radiation**

The early radiologists suffered from tumors and ulcers on their hands, from calibrating X-ray machines on themselves – so it is known that a standard X-ray, over time, can certainly be harmful. Yet a single X-ray is miniscule in comparison to other routine exposures of background radiation, and is unlikely to be considered of any health threat *in comparison to the health potential which it offers*. Undoubtedly, purpose and responsibility are important political determinants of risk, especially when the source of risk can be isolated and identified.

Much of the most extensive and prolonged data on isolated radioactive exposures above background radiation on population levels comes from atomic bomb survivors of Hiroshima and Nagasaki. Elevated radiation-induced cancers are found in Hiroshima and Nagasaki with single bomb exposures as low as 100 mSv (USNAS, 2005: *BEIR VII Report*). According to the Health Physics Society (2009), a lifetime dose of 100 mSv or more will raise individual probability of contracting cancer from 42% to 43%. A lifetime dose of 1000 mSv (1 Sv) or more will raise this probability from 42% to 58%. For *in utero* exposures (fetal exposures during pregnancy) excess cancers have been identified following doses of only 10 mSv (Doll and Wakeford, 1997).

- **Defining “Background” Radiation: Natural and Man-Made Sources**

All matter emits some degree of radiation, so the idea that there is any clear distinction between matter which is radioactive and matter which is not radioactive is misleading. The question of primary interest to me in this paper focuses on what level of radiation should be deemed significant, or significant enough to be placed in the cultural category of “radioactive”, and hazard to be mitigated or avoided. Distinction for hazard typically follows distinction for “excess” radiation from “background” radiation, which in turn is closely connected to cultural constructs for what is “man-made” and what is “natural.”

If the distinction between radiation and non-radiation is made on relatively arbitrary grounds, much more important cultural classification encode a socially presumed difference between “background” radiation and non-background radiation, as well as “naturally” occurring radiation from man-made sources of radiation. In general, assumptions are made that what humans produce, manipulate, or affect through technology is “man-made” and therefore not “natural.” This anthropocentric system of classification not only privileges human activity, it is also highly presumptuous. Any scrutiny reveals that dividing lines between what is man-made and what is natural are false and oversimplified – even egotistical by presuming human activities to be apart and above all other processes of nature.

If there is any important social function to the designation of “man-made” apart from natural, it is likely to be in the realm of politics, blame, and accusation. What is natural cannot easily be blamed on anyone, and to challenge or change conditions of this category is to flow against underlying moral decorum. There is strong social pressure to accept what is “background” and natural, but to challenge and be more critical of that which is human and “man-made.” This open door for criticism, combined

with potential for scapegoating and ready faces or agencies to play the narrative antagonist or “bad guy” has significant impact for cultural determinations of risk which are often at odds with scientific observations and available data.

**Figure 1: Common Sources of Background Radiation with Dose Estimate over a 1 Year Time Period in the United States**

<b>Routine Natural Sources (3.11 mSv or 311 mrems per year)</b>		
<u>Source</u>	<u>Percent of Routine Natural Sources</u>	<u>Dose Estimate</u>
Inhalation of Radon and Thoron from Environment	73%	2.26 mSv
Solar Particles and Cosmic Rays (Altitude Dependent)	11%	0.34 mSv
Ingestion of Radioisotopes in Common Food	9%	0.28 mSv
Proximity to Rock and Soil (Mostly K <sup>40</sup> , U <sup>238</sup> , and Th <sup>232</sup> )	7%	0.22 mSv
Sharing the Bed with another Human Being	< 0.01%	0.001 mSv
		Total: 311 mrem or 3.11 mSv
<b>Routine Man-Made Sources (3.15 mSv or 315 mrems per year)</b>		
<u>Source</u>	<u>Percent of Routine Natural Sources</u>	<u>Dose Estimate</u>
Medical Use (CT scans, nuclear medicine, radiography)	95%	2.98 mSv
Consumer Products and Activities	4.1%	0.13 mSv
Cigarette Smoking	0.05 mSv	
Building Materials	0.035 mSv	
Commercial Airtravel	0.035 mSv	
Medical Occupational Exposure	0.6%	0.02 mSv
Aviation Occupational Exposure	0.6%	0.02 mSv
Fossil Fuel, Nuclear Technology, and Waste Byproducts	< 0.01%	0.001 mSv
		Total: 315 mrem or 3.15 mSv
<b>Some Event Specific Man-Made Sources</b>		
<u>Source</u>	<u>Dose Estimate</u>	
Cardiac Nuclear Stress Test (Thallium)	40 mSv	
Full Body Computed Tomography (CT)	10 mSv	
Chest X-ray	0.1 mSv	
Roundtrip Transatlantic Flight	0.1 mSv	
Smoking One Pack of Cigarettes	0.001 mSv	
1 Year Regularly Watching Television or Using Computers	0.001 mSv	
1 Year Living Next to Either Coal or Nuclear Power Plant	0.001 mSv	

(compiled primarily from NCRP, 2009: *Report #160*)

- **The Place of Nuclear Industries in Dose Assessments**

The U.S. Department of Energy and many nuclear physicists emphasize that we, as a society, may be quick to judge the nuclear industry in terms of harmful exposures, yet the granite from Grand Central

Station exposes its employees to 1.2 mSv of radiation each year, and the people of Denver are exposed to 0.5 mSv of extra radiation compared to Los Angeles because of its altitude. Yet fingers are seldom pointed at Grand Central Station or Denver for excess radiation risks. While cigarettes are now culturally classified as hazardous to health, few people would cite radiation levels as part of this concern. While psychology may explain these divergent concepts of risk in terms of locus of control, sense of responsibility, or simply politics of blame and accountability, the fact remains that biological damage is not the sole basis of hazardous risk determination.

This is not to say that all concerns and social anxieties concerning radiation from nuclear facilities are unwarranted and hysterical. Although nuclear industries under normal operation and safety regulation pose very little radioactive hazard to surrounding communities, potential for disaster, terrorism, or warfare create entirely different scenarios. It is in the public's interest to be concerned and wary of worst-case scenarios, following the tenet for conservatism of the masses. So not only does public opinion often go in face of careful statistics and research from nuclear industries, it also does not share the economic incentive for increased social liberalism.

Of concern for the nuclear industry is the fact that hazard does not even have to be real or substantiated in order to create very real economic impacts: social perception of harm from the general public, as consumers of nuclear energy, is key in shaping the economic sustainability of the industry. Fortunately for the nuclear industry, the place of nuclear energy is inevitably still entrenched in the strong politics of nuclear weaponry and state governments as world nuclear powers.

What all this amounts to is a sense of scientific liberalism on the part of physicist, engineers, and regulatory agencies which contradicts expectations of irrational conservatism from a public which fears radiation. As Zonabend (1993) remarks at the outset of her ethnographic research for *The Nuclear Peninsula*, it is difficult to discuss anything related to either radiation or nuclear power without instantly be branded either “pro-nuclear” or “anti-nuclear” – demonstrating strong sensitivity on the issue of nuclear and radiation hazard.

- **Reduction in Permissible Radiation Dose Limits and Cases of Exception**

Since radiation was first discovered and understood for its medical and industrial potentials, “acceptable” dose limits for medical technicians, power plant workers, and general public have undergone many revisions for national and international guidelines, typically moving in the direction toward increased sensitivity.

For current measures in the United States, recommended dose limit for the general population is 1 mSv above background radiation levels per year and 50 mSv above background radiation levels per year for radiation workers, including nuclear engineers and miners. International guidelines endorsed by the World Health Organization (WHO) modify this limit to be an average of 20 mSv per year within any five-year period, with the maximum yearly dose set at 50 mSv.

However, during times of duress, these recommendations change. The U.S. Environmental Protection Agency (EPA, 1992: 28) suggests that dose limits should be raised to 100 mSv when “protecting valuable property” and 250 mSv when engaging in “lifesaving or protection of large populations.” The

EPA also states that doses above 250 mSv only to be permissible “on a voluntary basis to persons fully aware of the risks.”

Both the Chernobyl disaster of 1986 and the Fukushima Daiichi disaster of 2011 observed officially “acceptable” dose limits being raised to 250 mSv above background per year, with this limit being more relevant to the “liquidators” or clean-up workers of Chernobyl than to the Fukushima “50” repair crew attempting to keep exposures within the normal Japanese limit of 100 mSv per year (Bradsher and Tabuchi, 2011).

Despite issues of exposure-damage modeling, namely the controversy between threshold and non-threshold for low-dose radiation hazard, there is general scientific consensus that excess radiation exposure is detrimental to health. However there is considerable debate on what “excess” amounts to: in typical colloquial use “excess” refers directly to the point of a low-dose threshold. Given the extremely high variability of “background” radiation doses and sources, it is also difficult to come up with any general “acceptable” doses of radiation and clear cut-off points for levels of exposure for public health concern. This, of course, offers ease in manipulation due to political-economic necessity during times of emergency, such as for cleanup workers following the 1986 Chernobyl accident and other disasters.

- **The Low-Dose Irradiation Controversy**

Low-dose within the context of radioactive exposure has generally been presumed to be that dose which is of little or no ill effect, more prone to the advancement of technological medical care than to instigation of medical illness. Yet, as previously emphasized, dose in relation to somatic effect cannot be calibrated by similar quantities of radiation but *how and in what ways that radiation is applied* – which is the difficult and highly speculative science of equivalent dose measurements. So the idea of “low-dose” is purely a social construct based on past observations and expectations for biological harm.

Examples of low-dose ionization which may be considered from the medicinal realm include X-rays and nuclear profusion exams. The examples of low-dose ionizing radiation which counteract medicinal use, and which have historically garnered considerable social and political unrest, typically are those of radioactive contamination. Such contamination issues may be industrial accident or deliberate dumping, the diffuse result of nuclear weapons use and testing, or the explosion of uranium munitions.

Especially in cases of higher profile and political-economic stakes, different agencies will typically cite different energy thresholds to define radioactive contamination of concern. While perceptions of human harm typically mediate categorization for hazards such as poison, it is the concept of measurability which is of particular salience to the issue of radiation hazard. This point is best elaborated through the distinction between ionizing and non-ionizing radiation: the critical difference between ionizing radiation and non-ionizing radiation is in the ability to observe and measure impact.

Non-ionizing radiation includes many types of energy transference including light, heat, and sound. Examples include visible light, infrared light, microwaves, radio waves and other electromagnetic waves of even lower frequency. Non-ionizing simply refers to the fact that these electromagnetic waves carry insufficient energy to ionize atoms or molecules by removing electrons. Electromagnetic

radiation is subdivided into two categories of ionizing and non-ionizing which roughly correspond to a line of perceived ability to cause harm, with potential for biological harm being much more prominent when electromagnetic frequency (or other particulate mass) is able to carry enough energy to dislodge electrons in absorbing matter. Electromagnetic radiation of sufficient frequency or intensity to cause ionization includes higher frequencies of ultraviolet light, X-rays, and gamma rays.

Although biological hazard is not the defining feature in culturally determining “radiation,” an important parallel should be observed in the technical scientific distinction between ionizing and non-ionizing. The issue of arguably greater concern than biological effect is the issue of material observation and measurement. Radiation challenges notions of discrete fields of matter and energy, since it is a concept which can affect interchange. From a scientific perspective, it challenges our methods of observation. While some frequencies of light and even sound can be visibly detected, many forms of radiation and particularly ionizing radiation can only be detected from theoretical calculations of energy, or from the physical effects that energy can elicit. It is difficult to measure on a satisfying, observable level independent of either theoretical calculations or effects of interaction. So where radiation can be detected and measured, or its effects can be observed, a definitive category of “radiation” can be constructed. The problem is that our theoretical understandings and abilities to observe minute modifications at even atomic and subatomic levels have rapidly grown in the preceding decades. We are now, more than ever, aware of the vast and nuanced forms of radiation enveloping us every minute. Undoubtedly, the growing controversy and uncertainty over biological effects of both ionizing and non-ionizing radiation are deeply entwined with how we understand the universe around us, and our evolving future on this planet.

- **Models for Exposure: Threshold vs. No-Threshold**

The Canadian Nuclear Safety Commission (2010) suggests the following in response to the idea that irradiation has a bottom threshold at which levels of exposure cause no negative somatic effects:

*There could be a number of reasons why we cannot see radiation effects below 100 mSv. One reason is that there is a dose threshold below which no cancers are caused. Another reason, supported by the National Academies “Biological Effects of Ionizing Radiation” (BEIR) studies, and the International Commission on Radiological Protection (ICRP), is that while cancer can occur as a result of low doses of radiation, the incidence of radiation-induced cancer is so low that it cannot be distinguished from the natural occurrence of the same cancer.*

As Austin Bradford Hill emphasized in his 1965 criteria for causality, standard margins of error and undisputable levels of evidence should not stand in the way of drawing logical conclusions based on available knowledge and existing evidence. However, if scientific evidence and methodology is disregarded, there is certainly a greater chance of cultural attitudes and beliefs prejudicing an assessment. A similar fine balance pervades the discussion of dose thresholds.

The idea that any degree of excess exposure can constitute increased somatic damage is known as the linear non-threshold (LNT) or stochastic model, as opposed to various forms of low-dose threshold (LDT) or non-stochastic models which in several different ways suggest that there is a point at which radiation exposure causes no increased somatic disturbance. These two models frame the low-dose

irradiation controversy on the level of hypothetical scientific theory. What is most important to remember is that scientific determination of radioactive injury is, after all, based on models of exposure which are both uncertain and contestable. They are models, and therefore a simplification of any ecological reality. The main support for LDT models which are more skeptical for low-dose damage may be found in propositions for theories of hormesis and radio-starvation.

- **Hormesis and the Radiodurans Organism**

Hormesis is a hypothesis suggesting that chronic low doses of ionizing radiation are actually *beneficial* to the biological body, priming DNA and other repair mechanisms to be more efficient in safeguarding against disease. The idea of hormesis is homeopathic in that it suggests a certain degree of sickness may help the body prevent a larger degree of the same type of sickness. While some laboratory studies may lend credence to such a notion, mainstream allopathic medical opinion remains highly skeptical of the hormesis suggestion and it appears unlikely that any mass chronic irradiations on the basis of hormesis will begin any time soon. Significant skepticism to hormesis arises from the fact that, rather than encourage irradiation, it seems to be a theory designed to allay fears over irradiation, and one which has striking convenience and utility for nuclear power manufacturers and maintainers of nuclear military arsenals.

One specific opposition to hormesis can be observed in the Petkau Effect. Abram Petkau, with the Atomic Energy of Canada Whiteshell Nuclear Research Establishment in Manitoba, published findings in *Health Physics* of 1972 concerning radiation doses necessary to rupture cellular membranes. The first experiment found that 3500 rads delivered in 2.25 hours (26 rad/min) caused cellular membrane rupture. However, at the much lower level of radiation of 0.7 rads, only a few more hours (11.5 hours) were necessary for rupture, causing the cellular membrane rupture to occur at the relatively minute ratio of 1 millirad/min. If correct, these findings would suggest low-level ionizing radiation to be much more dangerous than even the most liberal views currently presented for radiation risk (Graeb, 1994).

Proponents to hormesis can easily be a confusing biologically cost-demanding adaptation with biological benefit. A parallel example is Pelto and Pelto's (1989) nutritional and anthropological review of David Seckler's (1980) "small-but-healthy" hypothesis. Pelto and Pelto (1989) adamantly show that being "small" is not a healthy, advantageous result of being undernourished, it is an environmental adaptation associated with biological cost. In a similar way, while noting the proponents of hormesis suggest a small degree of free-radicals and genetic mutation to be good for the body to stimulate various somatic repair mechanisms, I emphasize that this cause for excess repair mechanism operation is an environmental adaptation with a range of "costs" that vary in accordance with both age and initial health of an individual. If there is any validity to the general hormesis theory, where irradiation can stimulate some form of positive effect whether in terms of pain relief or varying rates of cellular growth, such benefit is likely to only exist in the context of *other costs*.

Recent research of cell lines being grown in laboratories deep below the surface of the Earth, meant to provide an environment of "reduced" background radiation, has yielded some noteworthy results, with at least one study reporting stagnation of cellular growth in "radio-starved" environments (Smith et al., 2011). Although this general study is becoming quickly cited in literature pertaining to the LNT debate, what is less well cited is the fact that Smith et al. (2011) conduct their study using cell lines of

the bacterium *Deinococcus radiodurans*, likely the most radioresistant organism on Earth (Venkateswaran et al., 2000). The *Deinococcus radiodurans* bacteria are so resistant to radiation that it is possible that these bacteria may have been introduced to the Earth's ecosystem from a planet of higher radiation levels, forcing it to evolve accordingly. This comprises one of the few current scientific arguments proposing life on other planets. Although extraterrestrial origin is disputed, what is obvious is that *Deinococcus radiodurans* has ostensibly evolved in response to irradiation more than any other living organism on Earth, making it a poor choice to be representative of life under radio-starved conditions.

Even discounting contributions to human evolution and concepts of evolutionary medicine, claims can be made on more immediate cases of relief for individual illness symptoms. It is certainly possible that the assault and damage on the body of ionizing radiation can trigger a reaction which relieves symptoms of other illnesses, particularly forms of autoimmune diseases, such as arthritis or thyroiditis or autoimmune disturbance of other organs or systems. Since autoimmune disease involves malfunction of the immune system to attack healthy cells and tissues, it is possible that outside somatic insult such as irradiation may interfere or disrupt this internal attack of otherwise healthy tissues.

- **Radon “Health” Mines**

A number of companies and business have taken advantage of the possibility for radiation induced somatic alteration and autoimmune disturbance, despite the dominant cultural milieu of fear for radiation. Foremost among these businesses might be radioactive “health” mines such as those found in northwestern United States. Such facilities take advantage of the fact that many uranium mines have high levels of radon gas, since radon is a daughter element from uranium decay, and this radioactive exposure can result in closure of the mine.

Nevertheless, a number of alternative “health” resorts have formed at the sites of these abandoned mines due to excessive radiation amounts. One current radiation mine in Boulder, Montana advertises “get your life back,” stating:

*Radon Therapy is found to induce beneficial long term effects for many who suffer conditions of chronic pain due to disease or injury. Additionally, this modality is effective for - but not limited to - the following conditions and symptoms:*

- *Ankylosing Spondylitis (AS)*
- *Diabetes Type I & II*
- *Migraine Headaches*
- *Arthritis (OA, RA, JRA, etc.)*
- *Eczema*
- *Mobility*
- *Asthma*
- *Emphysema*
- *Multiple Sclerosis (MS)*
- *Behcet's*
- *Fibromyalgia*
- *Post-Polio Syndrome (PPS)*
- *Bronchitis*
- *Gout*
- *Prostate (BPH)*
- *Bursitis*
- *Hayfever*
- *Psoriasis*
- *Cancer (Breast)*
- *High Blood Pressure*
- *Scleroderma*
- *Carpal Tunnel*
- *Inflammation*
- *Sinus*
- *Chronic Pain*
- *Lupus (SLE)*
- *Ulcerative Colitis*
- *Circulation*

This website for the Free Enterprise Radon Health Mine (2012), explains that “Radon may well be one of mankind's oldest therapies,” citing evidence of use of hot springs which are radioactive among diverse ancient civilizations throughout parts of modern day Eastern Europe, Russia, and Japan.

Attesting to the safety of the radon mine, while also addressing some legal liability issues, the fine print at the end of the website gives the following comment:

*NOTE: This mine facility is a healing retreat that is made available to persons seeking an alternative or complement to present treatment for arthritis pain relief and other disease symptom management. Though not a state law, it is suggested that children under 18 years of age obtain a written prescription by a licensed doctor before visiting. Women who are pregnant may want to consult with their physician. It is our opinion that visiting during a pregnancy is perfectly safe, however if in doubt, do not visit until the first trimester has passed.*

Erickson (2007) questions clients at a radon health mine in Montana, even undertaking some of the “treatments” while discussing opinions of radon irradiation with participants. The answer to Erickson’s (2007) question of irradiation being either a “toxin or medicine?” is that it can be both. Erickson (2007: 2) attests to this on a cultural level with the idea of “explanatory frames” (Kleinman, 1980) where, “Radon gas thus holds the paradoxical position of being at once both a toxic and a medicinal substance.” What is important in Erickson’s (2007) observations is that, despite this paradoxical situation (or maybe because of it) cultural categorization can become oversimplified in the direction of assumption for safety and beneficial effect of irradiation. Erickson (2007) cites numerous discourses or “explanatory frames” for such complete confidence in the beneficial health effects and safety of irradiation from radon, which can also partly be observed in the post-script to the Free Enterprise Radon Health Mine quoted above.

Can Erickson’s (2007) question of “toxin or medicine” hold true on the level of general low-dose irradiation and the individual biology, as opposed to simply cultural explanatory frames? The answer of “both” is probably more relevant to the biological scientific realm than the realm of cultural categorization. While cultural categories are meant to be one-or-the-other (anything else would defeat the utility inherent to such simplification) biological impact is less prone to such discrete and binary thinking, at least outside the realm of most professional medical practice.

Yet, while there may be some relief of symptoms of various conditions, particularly of autoimmune disorders, this possibility does not negate the probability of increased susceptibility to cancer and other problems later on in life.

- **High Background Radiation Areas (HBRAs)**

Based on different soil compositions, with variable concentrations of ore containing natural uranium or other natural radioactive elements, some places can have exceptionally high background exposure rates, much higher than most occupational recommended limits. Parts of Brazil and Iran may be considered as High Background Radiation Areas (HBRAs), and this designation extends to some regions in southwest France, the Kerala coast in India, and parts of China. According to Dissanayake (2005), some of these HBRAs confer an average dose equivalent to 400 times what is the national background radiation level in the United States. Dissanayake (2005: 885) suggests what might be

considered a “radiation paradox” where, despite expectation of adverse health effects, he finds through review of literature and popular local opinion:

*people living in these HBRA do not appear to suffer any adverse health effects as a result of their high exposures to radiation. On the contrary, in some cases the individuals living in these HBRA appear to be even healthier and to live longer than those living in control areas that are not classified as HBRA.*

At the very least, what Dissanayake (2005) proposes is that there may be some adaptive or evolutionary possibility for radioresistance, which could account for why there are not more readily observable negative health impacts. However, the only thing more absent than negative health impacts might be sufficient epidemiological data to support the claim.

The U.S. also has some general regions of higher earth background radioactivity. The vast majority of American nuclear weapon testing on American soil has been done in the region of the country with the highest background gamma radiation levels: the southwest states of Nevada, Arizona, and New Mexico. It may only be a coincidence that the radiation affects from this testing are partly obscured by preexisting high levels of natural radiation – or it may have been a carefully planned factor.

- **Globalization, Modernization, and Points of Friction**

In an era of globalization and rapid cultural change, new challenges are implicit to development of new cultural practices. In this section I wish to emphasize only a few of the pressing concerns associated with patterned behavior in a modern global age which are likely to increase risk and exposure associated with low-dose ionizing radiation, and make measurements of “background” radiation of increased concern. This brief selection of issues meant to be representative of a cultural pattern of concern are as follows: i) demographic transition involving longer life-expectancies and greater prevalence of chronic illnesses than acute or infectious illnesses ii) increased urbanization iii) increased aviation travel including a greater number of industries from small to large scale, greater interconnectivity of the planet through airfare, and greater numbers of consistent airline travelers each year iv) increased reliance on medical technologies involving radiation and v) increased concern and statistical likelihoods of eventual nuclear disasters, based on greater numbers of nuclear reactors than ever before, with increased hazard associated with high population densities around reactors and greater media attention which influences perception of this hazard.

- **Demographic Transition**

Demographic transition refers to the age of “modern” public health which is characterized primarily by a shift in dominant concern from infectious to chronic diseases, which is associated with longer life expectancies and greater mean and median age of the population. Although childhood mortality drops, fertility rates also become reduced, resulting in a population which is “older” or comprised of greater percentages of older individuals.

Much of the global population boom, which is most significant in developing countries, is a result of a probable “lag time” between child mortality rates dropping and fertility rates dropping. If biological and epidemiological concepts of modernity are associated with incentives for less and less children (which is part of an *economic* feature and definition of modernity), there is always some discrepancy

between the cultural and economic conditions of modernity and the biological or fertility-based measure. Even if only one generation, there typically exists some degree of “high fertility period” where traditional cultural pressure and social expectation for high rates of fertility persist despite low childhood mortalities and low economic incentives for large families. Lower incentives for large families are associated with trends towards urbanization, and away from family-based agriculture (a *demographic* modernization), and these incentives are readily actualized through availability (and often social pressure) for modern contraceptive use and family planning.

By significantly reduced morbidity and mortality from infectious disease, particularly among youth, and raising average ages within populations, likelihood to observe chronic illness such as cancer which may be associated with accumulation of genomic damage from low-dose radiation sharply increases. While the shift from infectious disease to chronic disease is never a complete shift, it holds important implications for average life-time background radiation exposures and likelihoods for any individual to develop cancer or any other type of radiation induced disease.

#### ○ **Urbanization**

For the first time in the history of the planet, within the first decade of the 21<sup>st</sup> century there is a greater percentage of people living *within* urban centers than *outside* of urban centers. The trend for urbanization is a clear pattern of population growth associated with economic features of globalization. It is of poignant relevance in concerns for increased somatic effect from low-dose irradiation when considering the older age of urban populations in connection to environments of increased concrete and asphalt compared to rural environments. Building materials of concrete and asphalt, as well as burnt gases from fossil fuels, all increase rates of exposure to low-dose radiation.

#### ○ **Airline Occupational Exposures**

While numerous studies have suggested that pilots and airline hostesses face greater cancer risks, such as concerns for bone and breast cancer in employees with over 15 years flight experience from the Finnish Cancer Registry (Hunt, 1995), there is still much debate and skepticism concerning attributable illness even on the population level of occupational hazard. Skeptical voices suggest the increase may be due more to a chaotic lifestyle of irregular sleep, vacations in the sun, and other possible confounding factors (WebMD, 2003). Whatever the case and explanation, there is at least growing public health concern over occupational cancer rates in the aviation industry, and what link these rates may have to the increases in radiation exposure associated with frequent air travel. Globalization has also resulted in much greater reliance on air travel, resulting in greater numbers of diverse industries, more people employed within these industries, and more airline passengers worldwide than ever before.

#### ○ **Utilization of Medical Technologies**

The United States based National Council on Radiation Protection and Measurement *Report #160* (2009) observes higher doses of radiation to the United States public in the year 2006 from medical procedures over any other form of common place or routine background exposure. This high rate from medical sources is primarily from nuclear stress tests, computerized tomography scans, fluoroscopy, and radiography. Whatever the exact figure or estimate of dose or radiation-based medical procedure,

there are many social and economic reasons as to why these procedures are on the rise and causing a greater percentage of exposure to the world public. First, there is greater availability of these technologies to great parts of the worlds, and greater affordability to allow larger percentages of local populations to benefit from them.

This is not to say that medical diagnostics is always cheap and affordable. Particularly in healthcare systems similar to the United States, there is tremendous economic incentive for healthcare practitioners to order X-rays or other more elaborate radiation-based diagnostic scans when remotely applicable since more revenue can be charged and reimbursed from insurance companies for these diagnostic exams than for general physician consultation. Yet such acts are not deemed unethical or wasteful. On the contrary, high propensity towards overuse of radioactive exams is supported by cultural and medical systems which are highly attuned to concerns for liability, not taking any chance or risk in terms of professional medical treatment for fear of the legally enforced claims of malpractice. For its part, at least the “modern” American public has corroborated this moral condition through relatively high concern for detecting, avoiding, and treating illness associated with an underlying cultural consciousness which supports prolonged and proactive health to be a marker of morality.

All of these social, economic, and moral factors which support ready distribution of admittedly lifesaving medical technologies are compounded by older populations more prone to cardiac disease necessitating stress tests and other forms of chronic illness.

#### ○ **Nuclear Disasters and Zones of Exclusion**

There is no clear scientific consensus for what limits become safe for residential proximity to either disaster zones in Chernobyl, Ukraine or Fukushima, Japan, and these debates will likely continue based on social designation for radioactive hazard. What is clearer is that numbers of nuclear power facilities worldwide is steadily increasing, with fastest growth currently observed in China. With high numbers of nuclear facilities in the world, probabilities of eventual damage, accident, natural disaster, warfare, or simple neglect and abandonment affect the safe operation and regulation of these facilities increases. This increased probability for nuclear disaster, even if occurring in some distant future, also takes place in environments of increased population density, and environments of increased social anxiety fueled by a public media which can no longer be readily contained by state regulation and censorship. Depending on expanse of time considered, all nuclear facilities can be considered disasters waiting to happen – whether humans will still be around to observe and suffer from those disasters is separate issue. For its part, radioactive decay from uranium endures millions of years.

#### ● **The Steady Rise in Global Cancer Rates**

According to the World Health Organization (2012), more people die from cancer every year than from any other illness condition (with about 7.6 million attributed deaths in 2008, this was about 13% of the global total.) Of these deaths, the highest proportion is associated with lung, stomach, liver, colon, and breast cancer, with percentages differing between men and women. The World Health Organization (2008) also states that deaths attributable to cancer are projected to increase 45% from 2007 to 2030, entailing a rise from 7.9 million to 11.5 million deaths. However, a more recent study published by

*The Lancet Oncology* (Bray et al., 2012) suggests that this could be a huge underestimate, projecting instead that global cancer rates will increase by 75% by the year 2030.

Regardless of the exact rate, it is clear that global cancer rates are escalating rapidly worldwide, and for a diverse number of reasons. These reasons are complex and difficult if not impossible to disentangle. Some include increased global lifespans (with more people living to older ages more likely to contract cancer), recording bias of increased emphasis to registries, more registries being maintained than ever before, improved methods of diagnosis and detection, improved medical availability to encourage those suffering to seek treatment and disease registration, global changes to diet, other lifestyle changes associated with modernization, with less physical activity and more obesity, and increased levels of global radiation. It is this last category which is my interest.

- **The Steady Rise in Global Background Radiation Levels**

It is extremely difficult and contentious to estimate the contribution of background irradiation to global cancer rates. This topic cannot be studied in a double-blind clinical trial, since there is not any other planet without background radiation with which to make comparisons. Current U.S. views of low-dose radiation health hazard can be observed in the U.S. National Academy of Sciences publication titled *Biological Effects of Ionizing Radiation Report VII* (USNAS, 2005). This report suggests, among other findings, that background cosmic and terrestrial radiation, excluding radon gas, causes 1 cancer per 100 people, totaling about 60 million people worldwide.

With background cancer rates contributing 1 cancer per 100 people, based on relatively conservative estimates, the fact that background radiation levels may be rising is of significant concern. Also, with global populations aging more, and changing diet, exercise and lifestyles being more vulnerable to cancer, it is possible that cancers attributable to background radiation will soar much more than expected through a synergistic or compound effect.

Of most importance, there is often an assumption that small exposures are insignificant because they are negligible in comparison to larger background radiation levels. Yet background levels, even at uninflated or average rates, are themselves of clearly measurable health concern – resulting in far greater cancers than smoking cigarettes even on epidemic proportions. It is in the context of background radiation that statements proclaiming one single atom of inhaled radionuclide to be of health consequence hold merit: even if there is a real process of hormesis or threshold for low-dose irradiation, most humans are way past it.

- **Nuclear Weapon Testing vs. Solar Variation**

A further issue of concern with background radiation levels includes general solar activity. There are more solar flares and solar radioactivity during some time periods than others. Depending on time scale and specificity of these fluctuations, the fluctuations will have varying effects on different geographic locations. This is to say nothing of variation in interstellar cosmic radiation, or the variability in Earth's diminishing ozone layer.

Just as the issue of global warming has garnered much public attention and debate over the role of anthropogenesis, concerns for escalating background radiation doses are engaged in a similar debate: fluctuation may be solely the product of cosmic and planetary level forces, or human behavior and

consumption may play a role. In terms of anthropogenic contribution, by far the most important issue for the currently accelerating background doses of ionizing radiation is that of nuclear weapons testing, with over 2060 confirmed nuclear weapon explosions and counting (Johnston, 2007).

The point that Barbara Rose Johnston (2007) makes in her edited volume *Half-Lives and Half-Truths* is that the great concern for shift between Cold War and active “hot” war may have been trivial from the beginning. Communities and regions selected for nuclear proving grounds certainly experienced a form of very “hot” war. They are still fighting this radioactive war, and likely will continue to do so for millions of years, if any community could last so long. Johnston (2007) estimates that the combined nations of the world have by now detonated at least 2,057 nuclear weapons in experimental tests. But this radiation exposure, even if a drop in the bucket compared to other background sources and medical technologies, is not localized with acute effects but rather is over global concern within the timespan of hours after each blast.

In 1958, a U.S. hydrogen bomb named “Shot Orange” was combined with tracing elements within the bomb casing so as to track fallout debris from the explosion. Monitoring stations throughout the world revealed that fallout material for years to come would be evenly distributed throughout the globe in northern and southern hemispheres, with greatest radioactive debris concentrated at polar regions (Johnston, 2007). Subsequent tests have revealed 60 mile thick layers of beta particles which have encircled the earth for days following nuclear detonations (Miller, 1986). Since the scale of radioactive spread was entirely unprecedented, assessments for health effects from the world’s detonated nuclear arsenal can hardly be fathomed.

#### ○ **Flexibility in Background Radiation Dose Standards**

The U.S. Nuclear Regulatory Commission’s recommended limit for radiation dosage is cleverly made in reference to *background* radiation levels: the general recommendation of dose limit for the general population is 1 mSv *above background radiation levels* per year and 50 mSv *above background radiation levels* per year for radiation workers, including nuclear engineers and miners.

While flexibility of radiation dose limits during times of emergency is fairly explicit, the flexibility inherent to *background* doses is the less visible aspect of dose limit recommendation, which is of greater salience to the population outside of acute episodes. It should be pointed out how disasters of great and acute radiation release, including over 2,060 nuclear weapon test explosions, *clearly contribute to background radiation levels*. There are a few reasons why this issue of background radiation is difficult to deal with, as well as why the association between significant acute radiation releases and determining impact for increased background radiation levels is highly problematic. Despite these variables, it is necessary to realize that “background” doses *incorporate* aspects of global radiation released from nuclear weapon or power plant explosion.

#### ○ **Relativity and Global Health**

Linear and nonlinear concepts define “hazard,” but also help maintain a utility for scientific controversy and explain the importance for increasing political holds for any governance oriented by biopower. For these reasons, linear vs. nonlinear concepts for threshold of harm is a central issue in

any understanding of variable concerns and priorities associated with health in different geopolitical contexts, which I refer to as relativity in global health.

Variable “thresholds for harm” in global health define modern approaches to global health. The most important “threshold for harm” in the debate concerning radioactive properties of uranium is the low-dose irradiation threshold itself: this includes either the linear non-threshold (LNT) model or the assumption that there is a threshold at which negative somatic effects of irradiation are either insignificant or totally non-existent (or maybe even beneficial according to the other extreme end of the theoretical spectrum defined by the hormesis model). Regardless of which “threshold for harm” is being conceptualized and the way it is conceptualized, these “thresholds for harm” within concepts of global or international public health should directly equate with Foucault’s (1978) concept of Threshold for Modernity and associated biopower.

- **Defining Modernity: Threshold to Modernity and Biopower**

Biopower may be defined from Foucault’s (1978) “Right of Death and Power over Life,” in *History of Sexuality, Vol. I*, as the shift of power over life from the sovereign authority “to either kill or let live” to the more modern power of “to either foster life or to not foster life (and let die).” Drawing attention to the importance of power inherent to biology and science, biopower is constructed as the right to decide issues of life and death through the authority of a collective state. It becomes a judicial, sovereign right to exercise power through the seizure of property, bodies, or even lives of individuals. A specific “Threshold of Modernity” (Foucault, 1978: 265) is thought to be reached when a “Right to Kill” becomes the “Right to Maintain Life” for state subjects. This transition to modernity may be essentialized by the dichotomy between the conquering authority of a new government, and the pacifying efforts of an incumbent administration to maintain authority through legitimating actions and maintenance services. Many historical applications of Foucault’s Threshold of Modernity can be seen throughout various societies. In essence, this gateway or threshold to “modernity,” at whatever time or for whichever civilization, is breached once the politically governing “right to kill or let live” becomes the right to “foster or not foster life.”

Such a theoretical distinction should be understood for its emphasis to facilitation of life under modernity, as well as the important sociological repercussions associated with such a condition. Expectations grow to reduce harm and maintain security of population subjects. Incidence rates and proportions of illness suddenly become of great interest and of political significance. Measurable, bureaucratic statistics become the basis for legitimizing power under a biopower regime, extended to all sorts of social and economic welfare conditions, but highly focused on the biology of harm and risk – and how that risk is manipulated or ameliorated.

Michel Foucault’s (1978) “Right of Death and Power over Life” should also be viewed as an explanatory framework underlying medicalization as a political process. In the highly rationalistic context of “foster life or not foster life,” the lives of biopolitical citizens become controlled through regulation, and disease is controlled through medicalization. While medicalization establishes connection with biomedical processes to more effectively alter these processes, and intertwines with biopower legitimization, the status of biopower can only be effectively conferred through the construction of a particular “modern” community.

- **Radiation Exposure and the Threshold of Modernity**

To return to the original inquiry of this paper: what is the difference between “background” radiation and harmful radiation exposure? The answer is simple in that there is no difference – accept in the politics of biopower and in point of Threshold to Modernity. It is my ultimate aim in this paper to extend Foucault’s (1978) application of Threshold of Modernity to the particular details of irradiation thresholds and other “thresholds for harm.”

To begin with, concerns and initiatives for global health are likely to follow “sliding scales” of perceived importance, with acute and infectious diseases, particularly those of childhood morbidity and mortality, taking precedence. While I do not challenge and fully endorse any such system of public health prioritization, I would like to emphasize that the sliding scale of priority and detection limits for harm which accompany and determine these priorities are directly parallel to certain assumptions for modernity. In other words, how “modern” a society is can be directly equated with how low the exposure-specific “threshold for harm” becomes set. “Threshold for harm” is never an issue of “linear” and “non-linear” or “threshold” and “non-threshold”: they are inherently spectra which are lowered in accordance to biopolitical advancement and development of society, defined by varying degrees of biopolitical bureaucratization of society.

The importance of this examination on controversy for biological hazard with irradiation is not to suggest that current controversies should be for or against supporting categories of danger. It is the controversy, and all its associated uncertainty, which is itself likely of greatest importance. Controversy allows a liminal space for contestation, a space in which awareness of damage cannot be held in direct association with any damage incurred. Any damage which comes as a result is therefore *not deliberate*.

The repercussions of scientific controversy are of particular importance for biopower as elucidated by Foucault (1978.) Under biopolitical modernity, concepts of risk and illness susceptibility necessarily change and become more refined. “Acceptable” dose limits for medical technicians, power plant workers, and general public *must* be in a continual state of decrease. The sense of achieving “the greater good” for a civilization of modern society must be associated with the bureaucratic process of increased facilitation of life (or non-facilitation for those outside the modernistic project.) The bureaucracy of risk reduction, however, occurs in a socio-environmental medium which cannot necessitates, or at least cannot be easily divorced from, production of nuclear energy and political might based in nuclear military arsenals. The only way for risk reduction processes to carry on systems of refinement without disturbing the larger social fabric of political and economic frameworks is to maintain scrutiny on minute conditions of exposure: reduce safety standards occasionally when social pressures from newly occurring death or injury mounts to sufficient extent.

It must be asked: who is reducing these safety standards? Who determines when radiation dose limits must be lowered again? The answer, in a Foucaultian sense, is much more than the bureaucrats, the politicians, the scientists, and the wealthy capitalists who may directly influence the time of certain decisions. The decisions themselves, in a cultural sense, are already made. They are embedded within a social framework for scientific knowledge and power. The more important question is therefore to ask: at what point can societal pressures for public health regulation outweigh concerns and benefits

from political-economic development? And to what degree can any society fully participate in the population-centric precepts of Foucault's (1978) biopolitical modernity?

- **Liminality and the Biopolitical “Have Your Cake and Eat it Too”**

It is the uncertainty inherent to medical controversy and moral conditions of illness involving radioactive contamination which gives strongest significance to concepts of biological authority and risk within a Western biomedical framework. Science, as a political institution as well as an intellectual process, is able to incorporate and take under its fold the uncertainty of controversy, placing overt political circumstances and personalized struggle for moral representation or legitimization at frequent odds. Uncertainty of illness associated with radioactive contamination structures a gap or void in which safety regulations may progress and be refined without encompassing the large picture of likelihoods for harm. Focus on proven harm, as opposed to likely harm, will always favor the political economic institutions which benefit from the biopolitical advantage.

While uncertainty may surround issues of causality for individual illness, the same lack of causal proof does not translate to population-based measures scrutinized through epidemiology. It is for this reason that biopolitical pressure must transform uncertainty to controversy, maintaining debate and uncertainty on the level of collective consensus. Without the enforcement of collective consensus, the biopolitical responsibility to uphold and increase safety regulation becomes more relaxed. It is a liminal space which forms, but one which has a strategic advantage in terms of the pressures of modern society.

Particularly associated with biopower and low-dose irradiation, there is an important “modern paradox” which should be observed in the contradiction and tension between public health protection and industrial escalation. It is in this way that I suggest the controversy on the effects of low-dose irradiation, focused and sustained to a large extent through inconclusive epidemiological data and poorly understood concepts of healthy DNA repair mechanisms, forms an essential modern cultural function. It allows for a liminal space, one of such political importance as to resemble an Agamben (2005) state of exception, where technological and industrial benefits of nuclear power and weaponry can be maintained while simultaneously safeguarding and improving the minutely and genetically regulated health of subjects under an empire of biopower. Science becomes the institution which can be self-critiqued, but whose core foundations can never be directly challenged. In the case of low-dose irradiation, cause for concern and the associated threshold for modernity simply shift one way or another.

Notes: All figures follow those suggested by the American Nuclear Society (ANS), compiled from National Council on Radiation Protection and Measurements (NCRP) Report Numbers 92-95, 100, and 106. ANS figures found online at <http://www.new.ans.org/pi/resources/dosechart/>

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### **Government Domestic Borrowing and Private Investment in Nepal**

#### **Abstract:**

The proportion of domestic borrowing has been increasing in comparison to foreign borrowing in fiscal deficits in Nepal. This paper investigates the impact of domestic borrowing on private investment, interest rate, commercial banks loan to private sector and economic growth in Nepal. The study analyses the time series annual data from 1975 to 2011. The long run and short run relationships are established by using Autoregressive Distributed Lag (ARDL) and error correction models. The empirical results show that domestic borrowing has positive and significant impact on private investment and economic growth rate in long run and short run. Similarly, it has negative relationship with lending interest rate and no effect on the commercial banks loan to private sector in Nepal. The overall results empirically verify that the effect of domestic borrowing on private investment and economic growth rate is positive and confirms the Crowding-in effect as described by Keynesians in the case of Nepalese economy. Nepal, as being a developing country needs huge government fund for economic development. Government of Nepal can further utilize the domestic loan for government budget deficit financing.

**Keywords:** Fiscal deficit, domestic borrowing, private investment, interest rate, ARDL and ECM models.

**JEL Classification:** E62, H62, C32

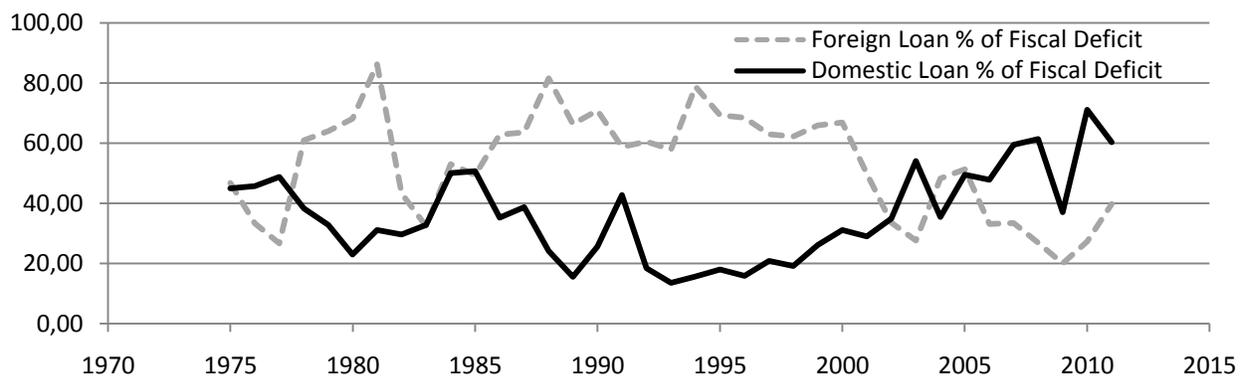
#### **1. Introduction**

Fiscal deficit results when tax revenue of a government does not fully cover its expenditures and public debt is an accumulation of yearly deficits. There are various sources of budget deficit financing and domestic and foreign borrowings are the major sources. The borrowings from any sources may have their own positive and negative macroeconomic implications in an economy. In this paper, we discuss the domestic borrowing and its impact on private investment. Economic theory suggests that deficit financing borrowing from domestic source reduces the loanable funds available for private investment, driving up interest rates, and reducing the level of private investment which is often called “Crowding-Out” effect. If, as Keynesians argue, the positive impact of increased government investment outweighs the negative impact of reduced private investment then economic growth will increase which is a case of “Crowding-In” (Mitra, 2006). Thus, the effect of government investment through domestic borrowing may have “Crowding-out or Crowding-in or Neutral” effect on private investment

(Abdullatif Alani, 2006). The effect varies from one country to another and even it may vary in different time periods in a same country.

Nepal is a developing country with abundant natural resources and rich in bio-diversity with high potential of economic growth surrounded by two fastest growing Asian economies, India and China. Government expenditure, receipts (including grants) and fiscal deficits are 23.70 percent, 19.72 percent and 3.98 percent of nominal GDP respectively at the end of fiscal year 2010/11. The net outstanding external debt is 20.82 percent, internal debt is 14.78 percent and total public debt is 35.60 percent of nominal GDP in the same period. Average foreign loan and domestic borrowings are 52.76 and 35.90 out of total fiscal deficit from 1975 to 2011. The proportion of foreign loan was 66.86 percent of total fiscal deficit in 1999/2000 which is 39.76 percent in 2010/11. The proportion of domestic borrowing was 31.13 percent in 1999/2000 and it is 60.23 percent of total fiscal deficit in 2010/11. This data clearly indicates that the government budget deficit has been shifting towards domestic borrowings (MoF, 2012).

**Figure 1: Foreign and Domestic Loan as a Percent of Total Fiscal Deficit in Nepal (1975-2011)**



Source: Economic Survey Various Issues, Ministry of Finance, Nepal

The research questions can be raised as: Does the government domestic borrowing increase the interest rate and crowd-out private investment in Nepal? Does it create shortage of loanable fund to private sector from the commercial banks? And what is the impact of domestic borrowing on the economic growth rate of Nepal? In order to answer these crucial points, this paper aims to investigate the impact of government domestic borrowing on private investment, interest rate, commercial banks loan to private sector and economic growth rate in Nepal.

- **Literature review**

The effect of government investment through domestic borrowing on private investment is whether “Crowding-Out or Crowding-In or Neutral”, it is still a debatable issue. Regarding the issue, the Neoclassical economists argue that budget deficits increase current consumption which causes a decrease in saving. Interest rates must rise to bring equilibrium to capital markets. High interest rates, in turn, result in a decline in private investment. Thus, budget deficits could “crowd-out” private investment. There are *Keynesians* who provide a counter argument to the crowding-out effect by making a reference to the expansionary effects of budget deficits. They argue that usually budget

deficits result in an increase in domestic production, which makes private investors to become more optimistic about the future course of the economy and invest more. This is known as the “*crowding-in*” effect. Another possibility is that investment is not only a function of interest rate; it is also a positive function of income level. Increase in government expenditure increases income through multiplier process. This increased income induces the investment. The positive impact of induced investment may offset the negative impact of interest effect of deficit financing. Consequently, there will be increase in investment by private sector which is crowding-in effect (Abdullatif Alani, 2006). Another theory on budget deficits is the “Ricardian Equivalence Theorem” was propounded David Ricardo and Barro made it advanced. Barro (1974) argues that an increase in budget deficits, say, due to an increase in government spending must be paid either now or later, with the total present value of receipts fixed by the total present value of spending. Hence, a cut in today's taxes must be matched by an increase in the future taxes, leaving interest rates, thus, private investment remains unchanged.

Many researchers empirically investigated the effect of government budget deficit and domestic borrowing on private investment, economic growth, interest rates and other macroeconomic variables in different economies. There are mixed results found in the investigations. Balassa (1988) investigated data for developing country, Clements and Levy (1994) examined the data in Caribbean, Nazmi and Ramirez (1997) in Mexico, Degirmen (2007) in Turkey, Paiko (2012) in Nigeria, Charles (2012) in Nigeria, and Fayed (2012) in Egypt found that fiscal deficit and domestic borrowings have crowding-out effect in the economy. In contract to the findings, Greene and Villanueva (1991) and Ghura and Goodwin (2000) investigated for developing countries, Musalem (1989) in Mexico, Looney and Frederiken (1997) in Pakistan, Pereira and Flores de Frutos (1999) in USA, Pereira (2000) in USA, Ribeiro and Teixeira (2001) in Brazil, Ouattara (2004) in Senegal, Mitra (2006) in India, Abdullatif-Alani (2006) in Japan, Majumber (2007) in Bagladesh, Maana, Owino, and Mutai (2008) in Kenya and Sheikh, Faridi, and Tariq (2010) in Nigeria found the evidence of crowding-in effect. Thus, the effect may vary whether it is crowding-out or crowding-in from country to country and time to time depending on the situation of the economy.

- **Data and methodology**

This study uses annual time series data and it covers the period 1975 to 2011. The data are obtained from Various Economic Survey Reports of Ministry of Finance, Government of Nepal. All the nominal data are converted into ratio of nominal GDP of the corresponding years. The variables are defined as percentage ratio of government loan from commercial banks to nominal GDP (CBSLG), percentage ratio of commercial banks loan to private sector to nominal GDP (CBSLP), percentage ratio of domestic loan to nominal GDP (DL), percentage ratio of foreign loan to nominal GDP (FL), annual average lending interest rate of commercial banks in Nepal (LINT), percentage ratio of private investment to nominal GDP (PINV), and annual percentage change in real GDP of Nepal (Y). A dummy variable D90 is also introduced to capture whether there is any impact of democracy after 1990. It is equals to “1” after establishment of democracy in 1990 and otherwise it is “0”.

The objective of the study is to establish the long run and short run relationship among the variables. The econometric technique applied to analyze data is Autoregressive Distributed Lag (ARDL) model for cointegration test. Though, the order of integration is not necessarily to be same for the coitegation

in ARDL approach, but generally the data should be stationary maximum of two time differences i.e. second difference (Pesaran et al., 2001). In order to test the unit root, Augmented Dickey-Fuller (ADF) test has been employed which is most common and widely used test in literatures.

The short-run and long-run parameters with appropriate asymptotic inferences can be obtained by applying OLS to ARDL with an appropriate lag length. The ARDL with Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC) estimators have very similar small-sample performances. ARDL-SBC has performed slightly better than ARDL-AIC in the majority of the experiments (Pesaran & Shin, 1997). Therefore, in this study SBC is used for lag selection while applying ARDL approach for small samples in this case. Following Pesaran et al. (2001), an ARDL (p,q,r,...,m) representation can be written as:

$$\begin{aligned} \Delta Y_t = & \kappa_0 + \sum_{i=1}^p \alpha_{0i} Y_{t-i} + \sum_{j=0}^q \alpha_{1j} X_{1t-j} + \sum_{k=0}^r \alpha_{2k} X_{2t-k} + \dots + \sum_{l=0}^m \alpha_{nl} X_{nt-l} + \sum_{i=1}^p \beta_{0i} \Delta Y_{t-i} \\ & + \sum_{j=0}^q \beta_{1j} \Delta X_{1t-j} + \sum_{k=0}^r \beta_{2j} \Delta X_{2t-k} + \dots + \sum_{l=0}^m \beta_{nl} X_{nt-l} + \dots + u_t \quad \dots\dots (1) \end{aligned}$$

Where, Y is dependent variable, Xi are independent variables and i=1,2, ..., n, Δ is the first difference operator and u<sub>t</sub> is the usual white noise residuals. The coefficients (α<sub>0</sub>-α<sub>n</sub>) represent the long-run relationship whereas the remaining expressions with summation sign (β<sub>0</sub>-β<sub>n</sub>) represent the short-run dynamics of the model. The values (p,q,r,...,m) show the number of lags of the corresponding variables. The F-statistics is used for testing the existence of long run relationships. The ARDL level relationship is tested by Wald-test of coefficient restrictions setting hypothesis as:

$$H_0 : \alpha_0 = \alpha_1 = \alpha_2 = \dots = \alpha_n = 0 \quad , \text{ i.e. there is no level effect.}$$

$$H_1 : \alpha_0 \neq \alpha_1 \neq \alpha_2 \neq \dots \neq \alpha_n \neq 0 \quad , \text{ i.e. there is significant level effect.}$$

The calculated F-statistic is compared with lower bound and upper bound critical values to take the decision. If the calculated F-statistic lies between the bounds, the test is inconclusive. If it is above the upper bound, the null hypothesis of no level effect is rejected. If it is below the lower bound, the null hypothesis of no level effect can't be rejected. In this study, the data are processed by using Microfit 5.0 software which has an in-built facility to calculate the critical values on the basis of sample size (Pesaran & Pesaram, 2009).

After confirming the cointegration relationship among the variables, the estimated long run model using the ARDL approach of above model (1) can be expressed as:

$$Y_t = \kappa_1 + \alpha_1 X_{1t} + \alpha_2 X_{2t} + \dots + \alpha_n X_{nt} + (ect)_t \quad \dots\dots (2)$$

The error correction representation based on the assumptions made by Pesaran et al. (2001) of the ARDL model (1) can be expressed as:

$$\Delta Y_t = \kappa_2 + \sum_{i=1}^p \beta_{0i} \Delta Y_{t-i} + \sum_{j=0}^q \beta_{1j} \Delta X_{1t-j} + \sum_{k=0}^r \beta_{2j} \Delta X_{2t-k} + \dots + \sum_{l=0}^m \beta_{nl} \Delta X_{nt-l} + \lambda ect_{t-1} + \omega_t \quad \dots\dots (3)$$

The error correction term  $(ect)_t$  is calculated from equation (2) and the coefficient of  $(ect)_{t-1}$  i.e.  $\lambda$  indicates the long run dynamics. The coefficient  $\lambda$  also measures the speed of adjustment towards equilibrium if disequilibrium exists in long run. The  $\lambda$  should possess negative sign and it should be statistically significant to confirm the long run relationship between the variables. The coefficients ( $\beta_0$ - $\beta_n$ ) in the model (3) show the short run impact of corresponding independent variables on dependent variable (Narayan, 2004).

The regression estimations are tested for goodness of fit and overall significance by R-squared/R-bar squared and F-test, statistical significance of the coefficients are tested by t-test. Other residuals diagnostic tests are the Lagrange multiplier test of residual serial correlation, the Ramsey's RESET test for functional form using the square of the fitted values, the normality test based on a test of skewness and kurtosis of residuals and the heteroscedasticity test based on the regression of squared residuals on squared fitted values. All the data are processed in Mircofit 5.2 and Eviews-7 software. The paper has used Harvard referencing style for citation and referencing.

• **Empirical results and findings**

○ **Unit Root Test**

In this study time series data from 1975 to 2011 which are discussed in data and methodology section are analyzed. Augmented Dickey-Fuller (ADF) test is employed to test the unit root. The results of ADF-test are presented in table 4.1 below:

Variables	Levels		First Difference	
	t-Statistics	p-Value	t-Statistics	p-Value
DL	-2.767178	0.0731	-5.867359*	0.0000
FL	-1.521703	0.5114	-5.855334*	0.0000
PINV	-1.061095	0.7203	-7.128779*	0.0000
CBSLG	-1.241301	0.6457	-5.391723*	0.0001
CBSLP	0.838498	0.9934	-4.436297*	0.0012
LINT	-1.039929	0.7283	-5.045256*	0.0002
Y	-6.141317	0.0000*		
ADF Test critical values		1% level	-3.632900	
		5% level	-2.948404	
		10% level	-2.612874	

The symbols \* and \*\* indicate data is stationary at 1 and 5 percent level of significant respectively. In table 4.1, we can observe that DL, FL, PINV, CBSLG, CBSLP and LINT have unit root at levels showing that these are non-stationary. These data are stationary at first difference at 1 percent level of significance. The data series Y is stationary at level at 1 percent significance level. The ADF test for unit root for all the data is tested with intercept and without trend. After testing the unit roots of the

variables, we can run the ARDL estimation approach to cointegration to establish the relationship among the variables.

○ **Domestic Loan, Private Investment and Lending Interest Rate**

In the following table, the results of ARDL model are presented where PINV is dependent variable and LINT and DL are independent variables. To find the effect of democratic government after 1990, a dummy variable D90 has been intervened in the model. D90 is '1' when there is democracy after 1990 till the date, otherwise it is '0'. The ARDL (1,0,0,1) estimation and F-statistic to find the cointegration among the variables for bound testing is reported in table 4.2. The calculated value of F-statistic is 5.41, which is greater than the 95 percent upper bound critical value showing that the variables are cointegrated.

<b>Table 4.2: ARDL(1,0,0,1) Model: PINV on LINT, DL and D90</b>				
<b>Bound Testing Result for Existence of Level Relationship</b>				
F-statistic	95% Lower Bound	95% Upper Bound	90% Lower Bound	90% Upper Bound
5.4132	3.6362	4.8636	2.9686	4.0734
<b>Estimated Long Run Coefficients</b>				
Regressor	Coefficient	Standard Error	t-Ratio [Prob]	
LINT	-0.34225	0.20586	-1.6626 [0.087]	
DL	1.0146	0.60229	1.6845 [0.097]	
D90	6.3335	1.1313	5.5986 [0.000]	
C	13.2606	3.6132	3.6701 [0.001]	
R-Squared = 0.9117		R-Bar-Squared = 0.8964		
F-Stat. F(5,30) = 59.88 [0.000]		DW-statistic = 2.3665		
<b>Diagnostic Tests</b>				
Test Statistics	LM Version	F- Version		
Serial Correlation	CHSQ(1) = 2.345 [0.126]	F(1,28)=2.01[0.16]		
Functional Form	CHSQ(1) = 1.111 [0.292]	F(1,28)= 0.91[0.34]		
Normality	CHSQ(2) = 1.380 [0.50]			
Heteroscedasticity	CHSQ(1) = 0.043 [0.835]	F(1,33)= 0.04[0.84]		

The estimated long run coefficients of the model are also presented in the same table 4.2. There is negative relationship between PINV and LINT. The coefficient of LINT is also significant at 10 percent level and it shows that 1 percent increase in LINT causes 0.34 percent decrease in PINV and vice versa in long run. The coefficient of DL is positive and it statistically significant at 10 percent level. The coefficient of DL is 1.01 which shows that 1 percent increase in DL causes 1.01 percent increase in PINV and vice versa in long run. The dummy variable has the positive and significant impact on PINV which means democracy is favorable situation for PINV in Nepal.

The value of R-Squared is 0.91 which shows that about 91 percent variation due to explanatory variables is explained by the regression equation. The F-statistic is also significant at 1 percent level showing the overall significance of the regression equation. The diagnostic tests show that there is no autocorrelation, normality assumption of the residual is not violated and the no heteroscedasticity in the variance of the residuals.

The error correction representation of the model shows the short run coefficients. The short run coefficients of LINT, DL and D90 are not significant at 5 percent level. But, the coefficient of  $\Delta DL$  is significant at 10 percent level. It shows that 1 percent increase in DL causes 0.43 percent increase in PINV and vice versa in short run. The coefficient of  $ect(-1)$  is statistically significant and negative showing that there is long run association among the variables and about 42 percent disequilibrium can be adjusted towards equilibrium in this model.

<b>Table 4.3: ARDL (1,0,0,1) Model: Dependent Variable is <math>\Delta PINV</math></b>			
<b>Error Correction Representation</b>			
Regressor	Coefficient	Standard Error	t-Ratio [Prob]
$\Delta LINT$	-0.14489	0.10571	-1.3706 [0.181]
$\Delta DL$	0.42951	0.22278	1.9279 [0.063]
$\Delta D90$	-0.70176	1.2284	-.57126 [0.572]
$ect(-1)$	-0.42333	0.11145	-3.7986 [0.001]
R-Squared = 0.4318		R-Bar-Squared = 0.3339	
F-Stat. $F(4,31) = 4.2022[.008]$		DW-statistic = 2.3665	

In conclusion, domestic borrowing has positive and significant impact on private investment in short run and long run in Nepal.

o **Commercial Banks Loan to Government, Private Investment and Lending Interest Rate**

In the following analysis government borrowing from commercial banks (CBSLG) is taken instead of total domestic borrowing (DL). The ARDL estimation is performed where PINV is dependent variable and LINT, CBSLG and D90 are independent variables. The ARDL (1,0,0,1) estimation and F-statistic to find the cointegration among the variables for bound testing is reported in table 4.1. The calculated value of F-statistic is 7.81 and it is greater than the 95 percent upper bound critical value showing that the variables have long run relationship i.e. there is cointegration among the variables.

<b>Table 4.4: ARDL(1,0,0,1) Model: PINV on LINT, CBSLG and D90</b>				
<b>Bound Testing Result for Existence of Level Relationship</b>				
F-statistic	95% Lower Bound	95% Upper Bound	90% Lower Bound	90% Upper Bound
7.8142	3.6362	4.8636	2.9686	4.0734
<b>Estimated Long Run Coefficients</b>				
Regressor	Coefficient	Standard Error	t-Ratio [Prob]	
LINT	-0.1710	0.16181	-1.0572 [0.299]	
CBSLG	0.7044	0.2070	3.4031 [0.002]	
D90	3.5608	0.9077	3.9226 [0.000]	
C	10.7768	2.7821	3.8736 [0.001]	
R-Squared = 0.9287		R-Bar-Squared = 0.9165		
F-Stat. $F(5,30) = 75.63[0.000]$		DW-statistic = 2.4402		
<b>Diagnostic Tests</b>				
Test Statistics	LM Version	F Version		
Serial Correlation	CHSQ(1) = 3.653 [0.066]	F(1,28)=3.2632 [0.082]		
Functional Form	CHSQ(1) = 0.027 [0.869]	F(1,28)=.0217 [0.884]		
Normality	CHSQ(2) = 0.053 [0.974]			

Heteroscedasticity $CHSQ(1) = 0.659$ [0.417] $F(1,33)=0.633$ [0.432]
--

In same table 4.4, the estimated long run coefficients of the ARDL (1,0,0,1) model are presented. There is again negative relationship between PINV and LINT. But the coefficient of LINT is not significant even at 10 percent level. The coefficient of CBSLG is positive and it is statistically significant at 5 percent level. It exhibits that 1 percent increase in CBSLG causes 0.70 percent increase in PINV and vice versa in long run. The dummy variable has the positive and significant impact on PINV in this model as well.

The value of R-Squared is 0.93 which shows that about 93 percent variation due to explanatory variables is explained by the regression equation. The F-statistic is also significant at 1 percent level showing the overall significance of the regression equation. The diagnostic tests show that there is no autocorrelation, normality assumption of the residual is not violated and the no heteroscedasticity in the variance of the residuals.

**Table 4.5: ARDL (1,0,0,1) Model: Dependent Variable is  $\Delta$ PINV  
Error Correction Representation**

Regressor	Coefficient	Standard Error	t-Ratio [Prob]
$\Delta$ LINT	-0.094	0.0968	-0.9750 [0.337]
$\Delta$ CBSLG	0.388	0.1143	3.4006 [0.002]
$\Delta$ D90	-1.099	1.1123	-0.9884 [0.331]
ect(-1)	-0.551	0.1057	-5.2189 [0.000]
R-Squared = 0.5417		R-Bar-Squared = 0.4627	
F-Stat. $F(4,30) = 8.57$ [.000]		DW-statistic = 2.4402	

The error correction representation of the model is shown in table 4.5. The short run coefficients of LINT and D90 are not significant at 5 percent level. But the coefficient of  $\Delta$ CBSLG is significant at 1 percent level. It shows that there is short run association between CBSLG and PINV. The relationship shows that 1 percent increase in CBSLG causes 0.39 percent increase in PINV and vice versa in short run. The coefficient of ect(-1) is negative and statistically significant at 1 percent level. The speed of adjustment towards equilibrium is 55 percent in each year if disequilibrium occurs in the model. The model can be summarized as there is positive and significant relationship between government borrowing from commercial banks and private investment in short run and long run in Nepal.

#### ○ **Domestic Borrowing and Commercial Banks Loan to Private Sector**

After examining the relationship of private investment to domestic borrowing and others, we tried to find the relationship of commercial banks loan to private sector with other variables in this part. The commercial banks loan to private sector as a percentage of GDP (CBSLP) is dependent variable and LINT, DL and PINV are independent variables in this ARDL model. The level relationship among the variables for the ARDL (1,2,0,2) is presented in table 4.6. The F-statistic for bound testing for existence of long run relationships shows that there is cointegration among the variables at 10 percent level of significance. It means the variables are weakly associated in long run.

The estimated long run coefficient of LINT shows that it has highly insignificant impact on CBSLP. The coefficient of DL is negative but it is also not significant even at 10 percent level. The relationship

between PINV and CBSLP is positive and significant at 1 percent level. It shows that 1 percent increase in PINV causes 4.61 percent increase in CBSLP and vice versa in long run.

The coefficient of determination measured by R-squared shows that 99 percent variation due to explanatory variables to dependent variable can be explained by the regression equation. The overall significance of the regression equation is also significant at 1 percent level shown by the F-statistic. The other diagnostic tests also confirm that there is no evidence of serial correlation, the residuals are normally distributed and the functional form is also significant at 5 percent level except the model is suffered from heteroscedasticity problem.

<b>Table 4.6: ARDL(1,2,0,2) Model: CBSLP on LINT, DL and PINV</b>				
<b>Bound Testing Result for Existence of Level Relationship</b>				
F-statistic	95% Lower Bound	95% Upper Bound	90% Lower Bound	90% Upper Bound
4.1133	3.6362	4.8636	2.9686	4.0734
<b>Estimated Long Run Coefficients</b>				
Regressor	Coefficient	Standard Error	t-Ratio [Prob]	
LINT	0.0002	0.93312	0.0002 [1.00]	
DL	-1.1217	2.1168	-0.52992 [0.601]	
PINV	4.6165	0.80371	5.7439 [0.000]	
C	-33.1774	21.0429	-1.5767 [0.127]	
R-Squared =0.9933		R-Bar-Squared =0.9913		
F-Stat. F(8,26)= 485.54[0.000]		DW-statistic = 2.0835		
<b>Diagnostic Tests</b>				
Test Statistics	LM Version	F Version		
Serial Correlation	CHSQ(1) = 0.511 [0.474]	F(1,25)=0.370[0.548]		
Functional Form	CHSQ(1) = 1.763 [0.184]	F(1,25)=1.326[0.260]		
Normality	CHSQ(2) = 1.036 [0.596]			
Heteroscedasticity	CHSQ(1) = 14.186 [0.000]	F(1,33)=22.493[0.000]		

The short run relationship is established by error correction representation of the model in table 4.7. The coefficient of  $ect(-1)$  is negative and statistically significant at 1 percent level. This again confirms that there is a long run relationship among the variables. The feedback coefficient is  $-0.14$ . It suggests that 14 percent of the previous year's deviation in CBSLP from its equilibrium path is corrected over the following year. This result implies that the adjustment process to equilibrium is quite slow. Though the coefficient of  $\Delta LINT$  not significant, the coefficient of one period lagged i.e.  $\Delta LINT(-1)$  is negative and significant at 5 percent level. It shows that there is negative and lagged effect of LINT on CBSLP in short run. Likewise, the coefficient of  $\Delta DL$  and  $\Delta PINV$  are not significant even at 10 percent level. The coefficient of one period lagged PINV i.e.  $\Delta PINV(-1)$  is negative and statistically significant at 5 percent level. It shows that one period lagged PINV has negative impact on CBSLP in short run.

The goodness of fit of the regression equation observed by R-squared and R-bar squared give so not satisfactory result. The overall statistical significance of the regression equation is observed by the F-statistic which is also significant at 1 percent level. This analysis comes to the conclusion that the impact of domestic borrowing on the commercial banks loan to private sector is insignificant in short

run and long run. In other words, loan to private sector by the commercial banks is not affected by the government domestic borrowing in Nepal.

<b>Table 4.7: ARDL (1,2,0,2) Model: Dependent Variable is <math>\Delta</math>CBSLP</b>			
<b>Error Correction Representation</b>			
Regressor	Coefficient	Standard Error	t-Ratio [Prob]
$\Delta$ LINT	-0.041334	0.24941	-0.16572 [0.870]
$\Delta$ LINT(-1)	-0.57160	0.23770	-2.4048 [0.023]
$\Delta$ DL	-0.15597	0.27339	-0.57048 [0.573]
$\Delta$ PINV	0.14089	0.16784	0.83944 [0.408]
$\Delta$ PINV(-1)	-0.45980	0.18874	-2.4362 [0.021]
ect(-1)	-0.13904	0.050587	-2.7486 [0.010]
R-Squared =0.5307		R-Bar-Squared =0.3863	
F-Stat. F(6,28)=4.90[0.002]		DW-statistic = 2.0835	

o **Domestic Loan, Foreign Loan and Economic Growth**

Finally, this study tries to examine the impact of domestic and foreign borrowing on the economic growth rate of Nepal. The economic growth rate (Y) is taken as dependent variable and domestic loan (DL) and foreign loan (FL) are taken as explanatory variable in the model to observe the impact of both type of borrowings on Y. The level relationship among the variables for the ARDL (2,0,0) is presented is table 4.8. The F-statistic for bound testing for existence of long run relationships shows that there is cointegration among the variables at 5 percent level of significance. The estimated long run coefficients of the independent variables are also reported the same table 4.8. The coefficient of DL is 0.38 and FL is 0.55 which are statistically significant at 5 percent level. Both of the borrowings have positive impact but impact of FL is comparatively higher than the impact of DL on Y in Nepal.

The regression equation can explain 43 percent variation in Y due to explanatory variables. The overall significance of the all the regression coefficients are also significant at 1 percent level. The other diagnostic tests show that there is no evidence of serial correlation and the residuals are normally distributed. Similarly, there is no heteroscedasticity problem in the variance of the residuals and functional form is also significant at 5 percent level. Therefore, the model is correctly specified.

<b>Table 4.8: ARDL(2,0,0) Model: Y on DL and FL</b>				
<b>Bound Testing Result for Existence of Level Relationship</b>				
F-statistic	95% Lower Bound	95% Upper Bound	90% Lower Bound	90% Upper Bound
13.8186	4.2145	5.3379	3.4213	4.4376
<b>Estimated Long Run Coefficients</b>				
Regressor	Coefficient	Standard Error	t-Ratio [Prob]	
DL	0.38449	0.18621	2.0648 [0.048]	
FL	0.55548	0.10818	5.1348 [0.000]	
C	1.8433	0.49315	3.7378 [0.001]	
R-Squared=0.43008		R-Bar-Squared=0.35409		
F-Stat. F(4,30)=5.6598[0.002]		DW-statistic=1.8982		
<b>Diagnostic Tests</b>				
Test Statistics	LM Version		F Version	

Serial Correlation	CHSQ(1)=0.143 [0.705]	F(1,29)=0.119[0.732]
Functional Form	CHSQ(1)=0.007 [0.993]	F(1,29)=0.0006[0.994]
Normality	CHSQ(2)=0.481 [0.786]	
Heteroscedasticity	CHSQ(1)=0.003 [0.953]	F(1,33)=0.003[0.955]

The short run relationship is presented by error correction model in table 4.9. The coefficient of  $ect(-1)$  is negative and statistically significant at 1 percent level. The coefficient of one period lag of  $Y$  i.e.  $\Delta Y(-1)$  is positive and significant at 1 percent level. It shows that there is positive impact of lagged value of the economic growth rate on  $Y$  in short run. Likewise, the coefficient of  $\Delta DL$  and  $\Delta FL$  are 0.68 and 0.99 respectively which are statistically significant and both have positive short run effect on  $Y$ . The short run effect of  $FL$  is also higher than the effect of  $DL$  in the study period. The value of  $R$ -squared and  $R$ -bar squared and  $F$ -statistic give the satisfactory result for the goodness of fit of the regression equation.

<b>Table 4.9: ARDL (2,0,0) Model: Dependent Variable is <math>\Delta Y</math></b>			
<b>Error Correction Representation</b>			
Regressor	Coefficient	Standard Error	t-Ratio [Prob]
$\Delta Y(-1)$	0.44880	0.15304	2.9326 [0.006]
$\Delta DL$	0.68315	0.33944	2.0126 [0.050]
$\Delta FL$	0.98695	0.22756	4.3372 [0.000]
$ect(-1)$	-1.7768	0.23744	-7.4830 [0.000]
R-Squared=0.72345		R-Bar-Squared=0.68657	
F-Stat. F(4,30)=19.61[0.000]		DW-statistic=1.8982	

The results of the model can be summarized as domestic loan and foreign loan have positive and highly significant impact on economic growth in long run and short run. The positive effect of foreign loan on economic growth rate is higher than the effect of domestic loan in Nepal.

#### • **Summary, conclusions and policy implications**

The effect of government investment through domestic borrowing on private investment is whether Crowding-out (negative effect) or Crowding-in (positive effect) or Neutral (no effect, it is still a debatable issue in the theoretical grounds. Neoclassical economists put forward the argument in favor of Crowding-out whereas Keynesians argues for Crowding-in and Ricardian equivalence theorem explains the neutral effect of domestic borrowing on private investment and economic growth. The empirical results of the researchers are also found mixed in the studies. In Nepal, proportion of domestic borrowing in comparison to foreign loan has been increasing in recent years. This paper focuses to examine the empirical relationship of government domestic borrowing with private investment, commercial banks loan to private sector, lending interest rate and economic growth of Nepal. Annual time series data from various issues of Economic Survey Reports of Nepal are analyzed covering the period 1975 to 2011. The econometric techniques employed in the study are Augmented Dickey-Fuller (ADF) test for unit root, Autoregressive Distributed Lag (ARDL) approach to cointegration and its error correction representations.

The empirical results show that government domestic loan ( $DL$ ) has positive effect on private investment ( $PINV$ ) in short run and long run. The government borrowing from commercial banks ( $CBSLG$ ) has also positive and significant effect on  $PINV$  in long run and short run. The effect of  $DL$

on Commercial banks loan to private sector (CBSLP) is not significant showing that DL does not affect CBSLP. It is also observed that CBSLP significantly depends on PINV in positive direction and it has no relationship with lending interest rate in long run and short run. The effect of domestic as well as foreign loan on economic growth rate is positive and statistically significant in long run and short run. However, the positive effect of government foreign loan is higher than the effect of government domestic loan in long run and short run in Nepal. The overall results empirically verify that the effect of domestic borrowing on private investment and economic growth rate is positive and confirms the Crowding-in effect as described by Keynesians in the case of Nepalese economy. Nepal, as being a developing country needs huge government fund for economic development. Government of Nepal can further utilize the domestic loan for government budget deficit financing.

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### **Cinque Terre: Identity Poetics and Heritage Policies**

#### **Abstract:**

The Cinque Terre are a very famous touristic site in northern Italy, in Liguria, made by five small and picturesque villages: Monterosso, Vernazza, Corniglia, Manarola and Riomaggiore. They have been recognized by UNESCO as a world heritage in 1997, and since 1999 they is a Cinque Terre National Park. The UNESCO has put the Cinque Terre in the heritage list because their landscape testifies an epoch and is seen as an eminent example of human interaction with the environment.

- **Introduction**

I'm working on an ethnographic research project about tourism in the Cinque Terre, specifically about the identity poetics and heritage policies, involving sustainable tourism, typical products, landscape tutelage. My main methods are participant observation, qualitative interviews, qualitative focus groups, but I'm also collecting historical, economical and demographical official data.

In this paper I'm going to outline in particular the issues of identity poetics and heritage policies, focusing on the policies of the Cinque Terre National Park after the Cinque Terre being listed by the UNESCO as a world heritage site. I'll also focus on the concept of "poetic" as a symbolic action able to shape the social reality.

- **The Cinque Terre**

The Cinque Terre are a renown touristic destination of Northern Italy, specifically in Eastern Liguria, very close to Tuscany and Emilia-Romagna. Their name means "the Five Lands", because it refers to the coast and the immediate inland of five small villages overlooking the sea: Monterosso, Vernazza, Corniglia, Manarola e Riomaggiore. Even if there are five main villages, there are only three townships, Monterosso, Vernazza and Riomaggiore, as Corniglia is part of Vernazza's territory and Manarola of that of Riomaggiore. In the inland mountains there are other even smaller villages, like Volastra or Groppo. Over each one of the five villages, at a higher height there is a sanctuary dedicated to the cult of Virgin Mary: Our Lady of Soviore over Monterosso, Our Lady of Reggio over Vernazza, Our Lady of the Graces over Corniglia, Our Lady of Health over Manarola, Our Lady of Monte Nero over Riomaggiore.

The origin of these villages dates back to the Middle Ages, but the territory is inhabited since before the Roman age by ancient Ligurian tribes. Contended by the Sea Republics of Genova and Pisa, the Cinque Terre have followed the fortune of the latter since the XIII century. The territory of the Cinque Terre, together with Porto Venere and the islands Palmaria, Tino and Tinetto, has been acknowledged

as World Heritage by UNESCO in 1997. In the same year it has been also instituted a Sea Reserve, followed in 1999 by the Cinque Terre National Park, the only park in Italy that isn't a "natural park" but a "park of Man", as the territory that it protects is not uncontaminated, but rather a deeply man-made territory.

- **The UNESCO acknowledgment**

The Ligurian coast territory including the Cinque Terre, Porto Venere and the islands Palmaria, Tino and Tinetto has been acknowledged as a world heritage site by UNESCO in 1997, according to article 1 of the 1972 World Heritage Convention, as a unique example of man-made landscape, a cultural site of outstanding value that represents the harmonious interaction between man and nature. Following the UNESCO, this strong interaction has produced a unique landscape testifying a traditional way of life that the inhabitants have continued for centuries and that still today plays an important socio-economic role in the life of the local communities. The cultural criteria satisfied for the inclusion in the UNESCO list are the II, IV and V<sup>1</sup>:

The Committee decided to inscribe this site on the basis of criteria (ii), (iv) and (v), considering that the eastern Ligurian Riviera between Cinque Terre and Portovenere is a cultural site of outstanding value, which represents the harmonious interaction between man and nature, this strong interaction has produced a unique landscape that shows the traditional way of life of the local inhabitants that has been continued for centuries and nowadays plays an important socio-economic role in the life of the community.

In other words, the territory of the Cinque Terre testifies an epoch and is seen as an eminent example of human interaction with environment. We might say that a territory shaped by human activities is what we call a landscape. That of the Cinque Terre is characterized by terraces based on dry stone walls on steep hills overlooking the sea. These terraces and the sea itself are the two main elements of that landscape and also the sources of the most important traditional activities, that are agriculture, particularly viticulture, and fishing. The main "typical" products coming from these activities are the Cinque Terre DOC wine, the Sciacchetra DOC wine, the lemons of Monterosso and the salted anchovies of Monterosso. These were the prevailing activities at least till the fifties, but eventually tourism has moved many workers from these traditional activities to the touristic ones, more rewarding and less tiresome, such as restaurants and bars, beaches and hotels, leading to a progressive abandonment of the territory. We must say, though, that this was a dynamic already present even before the mass tourism of the sixties, as even before mass tourism many young people tried to avoid the traditional jobs choosing instead to work on ships, on trains or in the railways, at the arsenal in the close city of La Spezia, or in banks and other services. So we might say that tourism didn't cause the abandonment of traditional activities, but quickened it, opening many more job alternatives.

- **Cinque Terre and Sciacchetra wines**

The Cinque Terre white wine is obtained by old local vines as Bosco, Albarola and Vermentino. From the same vines they obtain also the Sciacchetra sweet wine. My interlocutors say that wine and oil used

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<sup>1</sup> UNESCO Periodic Report (31st of October 2005), by the Regional Direction for Heritage and Landscape of Liguria

to be the cheapest products, a long time ago, the only ones that wouldn't have been missing even on the poorest tables. They also told me that the yield of the Sciacchetrà were much lesser than that of Cinque Terre regular wine and that is why they used to produce Sciacchetrà only in particularly abundant years or in occasion of special events, such as the birth of a child. AS long as the Sciacchetrà can be seasoned for many years, they say that once they used to produce it when a child was born and to open it when at that child's marriage, that is at least 20-25 years later, or even more.

Since 1973 it has been instituted a DOC (“of controlled origin”) protocol that establishes the parameters about the productions of these wines, the admitted proper zones of production, the admitted vines with their respective percentages (at least 40% of Bosco, no more than 40% of Albarola and Vermentino, and the eventual rest can be made by other minor local vines), the admitted techniques of production<sup>1</sup>. But this protocol doesn't just outlines the guidelines for the production of these wines: it establishes also the sensory characteristics that these wines should show in order to be able to bear the DOC brand (pale yellow, intense and persistent scent, dry and sapid flavor), and even the standards about labeling, bottles and packaging of these wines.

Some of my interlocutors though say that the production percentages established by the 1973 protocol are actually those used in the eastern Cinque Terre, like in Manarola and Riomaggiore, that used to be reversed in the western Cinque Terre, like in Monterosso and Vernazza. As a consequence, the wine producers had to adequate their production in order to be able to bear the DOC brand or just keep a home-made production not meant for the touristic market. Is it still possible to buy by some small farmers their “home-wine”, that shows characteristics, both about their production and sensory, different from those established by the 1973 protocol.

The purpose of that protocol was to grant the authenticity of a typical local product establishing some rigid standards, but paradoxically by the point of view of many interlocutors of mine the true “authentic” product is the home-made one that doesn't follow the protocol. Thus, whilst an occasional tourist will be eager to buy the “official” product in the shops, on the other side a holiday-maker attending the Cinque Terre every year since years, having a closer point of view to that of the inhabitants, will rather try to buy the “genuine” home-made wine of some small landowner, not meant for the touristic market.

Every third Saturday of July, there is since a few years a “Wine Celebration” in Monterosso, when the Sommeliers Italian Association evaluates the wines of all the local canteens, that are also offering free wine tasting to all tourists. This celebration is an important occasion to promote local wines and beyond this also other typical products, such as salted anchovies and rice cakes.

- **The salted anchovies of Monterosso**

Monterosso is the only village in the Cinque Terre with long beaches. This today means that tourism in Monterosso has is more beach-centered than in all the other villages, but once it used to mean something else: Monterosso was the only village where fishing was as much important as terraces based agriculture. Following my interlocutors, there were several teams of fishermen, boarding on *leudi*, that were large cargo boats typical of the Tyrrhenian sea, looking like the present Ligurian *gozzi*

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<sup>1</sup> *Disciplinare di Produzione del Vino “Cinque Terre” e del “Cinque Terre Sciacchetrà”, 1973*

boats, but long even 16 meters. A few fishermen lived also in the other villages, but not as many as in Monterosso. Today fishing and agriculture are much less important than touristic activities. Some restaurants in the Cinque Terre proudly vaunt that they buy fresh fish from the few still working local fishermen, instead than buying it at the big fish market in the near city of La Spezia. On the third Saturday of June, there is in Monterosso the Anchovies Festival, followed by the Salted Anchovies Festival on the third Saturday of September. In the first one, it is possible to taste the just fished anchovies, usually fried, while in the second it is possible to taste the first salted anchovies. Both festivals are good moments to promote local products and many shops prepare some banquets on the street to present their products, like Cinque Terre wine, Sciacchetrà wine and many samples of typical dishes, like rice cake.

Following my interlocutors, the anchovies of Monterosso used to be fished with *lampare*, or fishing lamps, at the end of June, especially on the 29<sup>th</sup>, that is the day of St. Peter, in the local waters and then put under a particular salting treatment that allowed to eat them even one year later. They say that in that time of the year is when the right size and right age anchovies are passing by the stretch of sea in front of the Cinque Terre. The salting treatment used to be a female activity and it worked this way: anchovies were put in shard cans called *arbanelle*, in perpendicular alternate layers, with a layer of coarse salt between one layer and another, than the *arbanelle* was filled with salted water. On the top, they used to put a slate cover with some weights on it that kept everything pushed down. Sometimes, during the year, they used to change the salted water. In any case, no fresh water or ice was allowed, because it would have wrecked the salting process. They called these salted anchovies *u pan du maa*, that is “the sea bread” in the local dialect, as they claim that salted anchovies were one of the cheapest products, that even the poorest could afford, along with local wine and oil. It’s interesting to notice how the salted anchovies of Monterosso are now one of the most expensive products, that can cost even 4€ per 1 hg of them.

The problem is the market request is higher than the availability of the product based on the anchovies of the right size and age fished in the right time and in the right stretch of sea following the tradition and this is why it is possible to find now many “Monterosso method” salted anchovies, actually fished elsewhere, as in Spain, France or in the Adriatic sea. The CE law 853/2004 recommends to freeze all fishes at -20°C for at least 24 hours in order to avoid the risk due to the possible presence of the Anisakis worms, dangerous parasites that can be present in the flesh of fishes. The freezing, although expected by the EU law, is in contrast with the “traditional” treatment, that allows no ice in any case. For these reasons, the salted anchovies available on the market, often fished in the wrong time and elsewhere, and that have gone under the freezing treatment expected by the EU law, are often seen as less “authentic” by the local people than the home-made ones, fished in the right time and in the right stretch of sea and traditionally salted without any freezing treatment, a product that is no way available on the market, but that can be bought only by the local fishermen.

- **The lemons of Monterosso**

The famous lemons of Monterosso are large lemons, with few juice, a big zest and a strong scent. They are cultivated mostly in Monterosso, but can be found also in the other villages. The culture of lemons was introduced to Monterosso in XVII century, when a blight killed all the silk mulberries that used to

be cultivated till that time, pulling the inhabitants to replace the mulberries with lemons. These lemons were made famous mostly because of the poem *I limoni*, by Nobel Prize Eugenio Montale, whose family was from Monterosso. In this poem there are explicit references to landscape and architectural typical elements of the Cinque Terre, as the narrow paths following the edges of hills and leading to hidden gardens where the lemons are. In Monterosso it is possible to follow a sort of literary path marked by stone signs with significant fragments of Montale's poems, moreover matching panoramic places or particular sights over the landscape of the Cinque Terre. Still, there is in Monterosso the holiday villa of the Montale family and also the family tomb in the local cemetery.

From the zest of these lemons it is possible to obtain a liquor called *limoncino*, a variant of the more known *limoncello*, originally from the zone between Sorrento and Amalfi, in Campania (Southern Italy). The denomination *limoncello* is indeed allowed by Italian law only for liquors produced with IGP lemons of Sorrento and Amalfi coasts<sup>1</sup>, and this is why the liquor made in Monterosso has to be called instead *limoncino*. It is possible to object that the original recipe is from Campania and not from Liguria, then this product wouldn't be actually "typical" of Monterosso or the Cinque Terre. To this objection, one of my interlocutors argued that not only the local *limoncino* is "typical" because it is made with local original lemons (that is like saying that everything local is also typical and that everything typical has to be local), but even telling me a significant episode that happened to him and that should have convinced me of the authenticity of the local product: once, being in Sorrento and tasting the local *limoncello*, my interlocutor asked to his host how they produced it and found that in Monterosso and Sorrento they used exactly the same recipe. The identity of the recipe with that of the more known product, that is Sorrento's *limoncello*, could be interpreted as an evidence that the local *limoncino* is nothing else than a copy of the original one, everything but "typical" or "authentic" (at least, by point of view of Italian law), but by the point of view of my interlocutor, just this identity guaranteed instead the "authenticity" of the local *limoncino*.

On the third weekend of May, there is in Monterosso a Lemons Festival where it is possible to taste many local specialties made with lemons, like *limoncino*, lemon cake, lemon soured anchovies; everything with Cinque Terre wine.

- **Slow Food Presidia and Food Communities**

Slow Food is an international no-profit association, born in 1986 in Bra, Italy, with the starting name of Arcigola. Amongst its founding members there are Italian celebrities like Carlo Petrini, the Nobel Prize Dario Fo, Francesco Guccini, Ermete Realacci, Sergio Staino. From their official International website<sup>2</sup>:

Slow Food is a global, grassroots organization with supporters in 150 countries around the world who are linking the pleasure of good food with a commitment to their community and the environment. Slow Food believes that everyone has a fundamental right to the pleasure of good

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<sup>1</sup> IGP: Protected Geographic Origin

<sup>2</sup> <http://www.slowfood.com/international/1/about-us>

food and consequently the responsibility to protect the heritage of biodiversity, culture and knowledge that make this pleasure possible.

A non-profit member-supported association, Slow Food was founded in 1989 to counter the rise of fast food and fast life, the disappearance of local food traditions and people's dwindling interest in the food they eat, where it comes from, how it tastes and how our food choices affect the rest of the world.

Today, we have over 100,000 members joined in 1,500 convivia – our local chapters – worldwide, as well as a network of 2,000 food communities who practice small-scale and sustainable production of quality foods.

### **About the philosophy, mission and vision of Slow Food<sup>1</sup>:**

Slow Food stands at the crossroads of ecology and gastronomy, ethics and pleasure. It opposes the standardization of taste and culture, and the unrestrained power of the food industry multinationals and industrial agriculture. Our association believes in the concept of neo-gastronomy - recognition of the strong connections between plate, planet, people and culture.

#### **Our Vision**

We envision a world in which all people can access and enjoy food that is good for them, good for those who grow it and good for the planet.

#### **Our Mission**

Slow Food is an international grassroots membership organization promoting good, clean and fair food for all.

#### **Good, Clean and Fair**

Slow Food's approach to agriculture, food production and gastronomy is based on a concept of food quality defined by three interconnected principles:

**GOOD** a fresh and flavorsome seasonal diet that satisfies the senses and is part of our local culture;

**CLEAN** food production and consumption that does not harm the environment, animal welfare or our health;

**FAIR** accessible prices for consumers and fair conditions and pay for small-scale producers.

#### **Co-producers**

Collectively our consumer choices can bring great change to how food is cultivated, produced and distributed. To highlight this, we consider ourselves co-producers - eaters who are informed about where and how their food is produced and actively support local producers, therefore becoming part of the production process.

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<sup>1</sup> <http://www.slowfood.com/international/2/our-philosophy>

## Local Identity

We are committed to protecting traditional and sustainable quality foods, defending the biodiversity of cultivated and wild varieties as well as cultivation and processing methods. Through maintaining the diversity of regional food and agricultural traditions, the wisdom of local communities can be preserved to protect the ecosystems that surround them and to offer sustainable prospects for the future.

Amongst the projects of Slow Food we mention the institution in 2002 of the Slow Food Foundation for Biodiversity; the organization of “Terra Madre – world meeting of food communities”, that was a meeting of more than five thousands farmers, fishermen and breeders from all over the world to discuss about food sovereignty, defense of biodiversity, the right to a “good, clean and fair” food; the census of food products at risk of extinction called “Ark of Taste”; the institution in 1999 of the “Presidia” protocols for the recovery and tutelage of small productions with gastronomic excellence menaced by cultural homologation, industrial agriculture and environmental decay. The acknowledgement of a certain product as a “Slow Food Presidium” is a sort of certification of quality, authenticity and typicality, that follows a protocol similar to the official ones like IGP and DOC, but even more strict and rigid. The attempt is that of replacing the criterion of a selection of products made by public organs with one based on the trust on the reliability of the choices made by an international association. A brand over the products tells the people they are Presidia.

Two Slow Food Presidia were tried in the Cinque Terre, that of the anchovies of Monterosso and that of Sciacchetrà wine. The Cinque Terre National Park outsourced in 2006 the production of the anchovies of Monterosso to a local cooperative company, that managed a main production laboratory in the near town of Levanto and a smaller laboratory in Monterosso, open to the public. Obviously, this cooperative company had to follow the EU laws about freezing the fish for 24 hours, that made their anchovies “fakes” by the point of view of local people. But the main problem was that the market request was higher than the availability of the product. The first solution was to offer to the public two lines of products, in other words on one side the Slow Food Presidium Anchovies of Monterosso (with the Presidium brand), fished in the local stretch of sea at the end of June, and on the other side some Salted Anchovies (without the Presidium brand), fished elsewhere and in other periods of the year. Virtually the two products were identical, even if my interlocutors claim that the right anchovies are also the right size and the others are not. The difficulty of establishing which anchovies were the “authentic” ones lead Slow Food to the withdrawal of the Presidium and then the Park to end the official production of salted anchovies in 2009.

About the Presidium of Sciacchetrà, the proceedings to create it revealed themselves too difficult and it hasn't been possible to find a satisfying agreement between the local producers and Slow Food. The Presidia are made in order to establish high standard protocols, higher than those established by DOC, DOP and IGP official brands, but in the case of Sciacchetrà it hasn't been possible to establish a protocol being more strict than that of 1973. I have interviewed some exponents of Slow Food, like Silvano Zaccone (that is the chief of the local section), who explained to me that the attempts of creation of Presidia had met difficulties probably for a base reason, that is that they were top-down policies, while bottom-up policies are often more effective. This is why Slow Food is now promoting the birth of some

Food Communities in the Cinque Terre: that of Small Fishing, that of Old Vines, that of Lemons of Monterosso and that of the Broad Beans of Corniglia.

- **The Cinque Terre National Park**

The Cinque Terre National Park was born in 1999, two years later than the birth of the Sea Reserve and the acknowledgement of the Cinque Terre, Porto Venere and Islands of Palmaria, Tino and Tinetto in the UNESCO World Heritage List. The Cinque Terre National Park is the only park in Italy that is not a “Natural Park”, but a “Park of Man”, as the territory that it aims to defend is not an uncontaminated environment, but a deeply man-made territory, whose landscape, shaped by human activities for centuries, has been indeed acknowledged as World Heritage by the UNESCO. The Park’s official website says<sup>1</sup>:

Today in our country there are 22 national parks set up and other 2 parks waiting for implementing measures. Altogether they cover over one half million hectares, equivalent to about 5% of the national territory.

The Cinque Terre National Park has, compared to the varied panorama of the other parks, some atypical elements that make it unique.

In fact the Cinque Terre park, with its 4,226 acres, is the smallest national park in the country and at the same time the most densely populated, with about 5,000 residents shared out in five villages: Riomaggiore, Manarola, Corniglia, Vernazza and Monterosso al Mare. What makes special this area rather than others, however, is the fact that here the natural environment has been profoundly altered by man activity.

For centuries, from the year one thousand, the inhabitants of the Cinque Terre have dissected the steep slopes that drop the sea to obtain strips of arable land, each of these narrow flat portions, said “ciàn” (local dialect), are supported by dry stones, the true identity section of the Cinque Terre that made them famous throughout the world.

Man intervention has thus led to the creation of terraced architecture of an area developed in height, making the landscape very unusual man-made and here is why it is the Park made by Man.

The National Park focuses on the defence of its action of this peculiarity, which, because of the physiological abandonment of agricultural activity on the part of any industrial society, has led to landscape degradation. In fact if the other parks are born with the aim to protect the natural environment, taking it away from everyday human action, here the ultimate reason of the park is to bring people to act on the landscape by cultivating and taking care of it, tracing, and rediscovering the ancient gestures of those before us, that made the territory of the Cinque Terre inserted on the list of the World Heritage sites by UNESCO.

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<sup>1</sup> [http://www.parconazionale5terre.it/cos-il-parco-delluomo\\_2.asp?id\\_lingue=2&menu=87](http://www.parconazionale5terre.it/cos-il-parco-delluomo_2.asp?id_lingue=2&menu=87)

### **About the Sea Reserve<sup>1</sup>:**

The Cinque Terre Marine Protected Area was established by a Decree of the Ministry of Environment of 12 December 1997 and includes the municipalities of Riomaggiore, Vernazza, Monterosso and partly that of Levanto.

The establishment of Marine Protected Areas is provided by two National laws: Provisions on the protection of the sea (No. 979 of 31 December 1982) and the outline on Protected Areas (No. 394 of December 6, 1991).

The purpose of the Cinque Terre Marine Protected Area, which includes two A strict nature reserve zones and B zones of two general reserve in Punta Mesco and Capo di Montenero and boasting an extraordinary richness and variety of plants and animal species, is to protect and enhance natural, chemical, physical features and marine and Coast biodiversity, also and especially through environmental restoration measures, with the collaboration of academic and scientific communities.

For these reasons programs of study, monitoring and scientific research in the fields of natural sciences and of environmental protection are consistently produced, aimed to ensure a systematic knowledge of the area, but also for the promotion of a sustainable development of the environment, with particular emphasis on enhancing traditional activities, local culture, environmentally friendly tourism and enjoyment of socially sensitive categories.

In recent years the Cinque Terre National Park and the Marine Protected Area, which since 1999 have become part of the Cetacean Sanctuary, triggered a series of projects with various Italian and European protected areas.

### **The official website<sup>2</sup> of the Park also states its purposes:**

The territory of the Cinque Terre shows an unmistakable appearance shaped by the intervention of man who, during centuries, in order to snatch from the mountain flat surfaces to cultivate, has realized a thick net of terraces where it is cultivated since ever the grape. The wine production, prevailing in the past, has characterized beyond the landscape, the social, cultural and economic structure of the resident populations; in other words has characterized their deepest identity. Then the overtaking of industrial activity over the agricultural one, due to the technologic revolution, has had as a consequence in this strip of land of the Ligurian far east the constant abandonment of the wine-making activity, imprinting thus to the territory and to the populations a deep transformation. The National Park is born as a tool of tutelage and defense of the territory of the Cinque Terre, an area deeply modified in centuries in its geographic and morphologic appearance by the hard work of man. The ancient inhabitants of these places, in fact, without any imposition by tyrannical rulers, but because of the strict necessity of obtaining cultivated spaces in a hostile environment, have replaced the ancient natural vegetation of these

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<sup>1</sup> [http://www.parconazionale5terre.it/area-marina-protetta-cinque-terre\\_2.asp?id\\_lingue=2](http://www.parconazionale5terre.it/area-marina-protetta-cinque-terre_2.asp?id_lingue=2)

<sup>2</sup> [http://www.parconazionale5terre.it/le-finalit.asp?id\\_lingue=1&menu=87](http://www.parconazionale5terre.it/le-finalit.asp?id_lingue=1&menu=87) (my translation)

steep slopes with a thick weaving of vine cultivated terraces, held up by a net of about 6.729 kilometers of dry-stone walls.

Then the aim of the Park is to defend a territory characterized by a man-made landscape shaped by human activities as the traditional agriculture, particularly viticulture, based on terraces obtained with dry-stone walls. On the other side, the Sea Reserve wants to preserve the biodiversity of the facing sea stretch regulating and limiting fishing, but without forbidding it completely, as small fishing, like agriculture, is seen as a traditional activity that must be preserved as well. What is to preserve is not an uncontaminated environment, but a delicate balance in the relationship between man and environment. In the case of terraced landscape, this means a recovering of agriculture in general and viticulture in particular: the point is not much recovering the dry-stone walls *per se*, but restoring their use through the recovering of the activities that led to their construction. The Park has then started a series of territory policies going in this direction, as the rebuilding of dry-stone walls, the recovering of neglected lands and that of rural buildings.

About the revival of traditional agriculture, it is unavoidable to pass by the restoring of dry-stone walls. The Park has just established an important policy, in order to recover the dry-stone walls, as we can read in this recent official announcement issued by the press office of the Park<sup>1</sup>:

(Manarola, 9th of May 2013) It's not just the rains and the abandonment that cause the fall of the dry-stone walls in the Cinque Terre. Amongst the criticalities noticed by our farmers there is surely that of finding material for the rebuilding of the renown terraced landscape, in the respect of the typical characteristics observed since the Middle Ages. A unique footprint conferred to the territory of the Cinque Terre, such to deserve in 1997 the acknowledgment from UNESCO as a World Heritage. Maybe not everybody knows that the collapse of these secular extraordinary engineering works depends also on the erosion of the stones, caused by the time and the atmospheric agents. This is why the Cinque Terre National Park, as already happened in the past, has taken charge of the whole course of research, acquisition and distribution of stone material suitable for the rebuilding of dry-stone walls. "The terraced bands, integral part of the UNESCO landscape, - underlines Vittorio Alessandro, President of the Cinque Terre National Park - have always been a priority aim of tutelage amongst those pursued by the Authority. Amongst the other strategies put on the field – adds the President - it encourages the recovering of the terraces putting freely available for the agrarian owners that make request for it, the necessary stones for the rebuilding of the dry-stone walls, chosen for their characteristics compliant with those typical of the territory". The initiative has in fact the aim of promoting the activities that contribute to the maintenance of the territory. The first step has been that of finding the stone quarries that could provide the material respondent to the traditional characteristics, with a particular attention to the quality of the product and the size of the stones – with a variable weight between 10 and 30 kg and with a visible face for the shaping of the walls – (Resolution n. 18 of the 7<sup>th</sup> of May 2013). Accordingly with the Townships of the Park, there have been identified the zones for temporary stocking where those concerned, after regular application, will be able to pick up the portion of stone material due to them. [...] In order to

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<sup>1</sup> [http://www.parconazionale5terre.it/news\\_det.asp?id\\_prodotto=3088&id\\_lingue=1&](http://www.parconazionale5terre.it/news_det.asp?id_prodotto=3088&id_lingue=1&) (my translation)

freely obtain the stone material it is necessary to fill the appropriate application form, that has to be submitted to the protocol office of the Park Authority in Manarola. Once received and verified the application, the techniques of the Park will carry out the verify inspections to establish the amount of stone material to provide. The applicants will have to commit to make the works before 12 months since the grant of the stones.

In the past the Park had already made a pilot intervention like this, funding the rebuilding of the dry-stone walls in a land awarded to a local consortium, but this is the first time that the idea of funding the stones for the rebuilding of the dry-stone walls has become a structural policy of the Park. The Park has also drawn a manual for the rebuilding to dry-stone walls, that showed the correct way to rebuild and restore them in a “traditional” way. Whatever rebuilding of dry-stone walls with mortar or concrete is seen as a building permit violation. Many of my interlocutors have complained about this policy, as they think that a stone wall made with mortar or concrete would just be more stable and lasting. In fact, the “traditional” dry-stone walls need a continuous care and usually must be rebuild about every twenty years. On the other side, by the point of view of the Park and the UNESCO, only the dry-stone walls are seen as “authentic” and “traditional”. One of my interlocutors, though, has showed me a massive stone wall, tall about four meters and dating to 1792, that has never been rebuilt as it was built since the beginning using lime as a glue for the stones. My interlocutor explained that only the most wealthy owners could afford to build stone-walls with lime, while the poorer ones were content with just dry-stone walls. Then, that lime-glued-stone wall made in 1792 is another kind of stone-wall, less common, but not less authentic than the dry-stone ones.

Another policy of the Park is about the recovering of neglected lands, based on Law n. 440 of 1978, “Norms for the use of neglected, abandoned or not enough cultivated lands”, that says<sup>1</sup>:

Art. 2 – For the purposes of this law, they are considered as neglected or abandoned those lands, suitable for cultivation, that have not been allocated to agrarian use since at least two agrarian years.

[...]

Art. 4 – The regions allocate for the cultivation of neglected, abandoned or not enough cultivated lands, even owned by public and moral authorities, including State-owned terrains, to the applicants that commit to cultivated them as a single or as a company. [...] The owners and the entitled ones can ask the Region, before the established term [...] to cultivate directly the lands [...] attaching to the request a plan of company development labored following the criteria in this article [...].

Basically, the Region can temporarily reassign the neglected, abandoned or not enough cultivated lands to those who request it, but the owners can avoid this reassigning by committing to cultivate the land themselves. This way, different terrains have been reassigned to the Park or to local cooperative

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<sup>1</sup> my translation

companies and agrarian consortia. Also, the Park can exercise the right of preemption, based on the art. 15 of Law 394 of 1991 about protected areas<sup>1</sup>:

Art. 15- Acquisitions, expropriations and compensations

1. The Park Authority [...] can take to lease properties inside the Park or acquire them, also through expropriation or by the right of preemption [...]

2. The constraints deriving from the plan to the agro-forestry-pastoral activities can be compensated on the the base of equitable principles. The constraints, temporary or partial, related to activities already seen as compatible, can give place to compensations taking into account the advantages and disadvantages deriving from the activity of the Park. [...]

[...]

5. The Park Authority has the right of preemption over the transfer for value or properties and of the real rights over the terrains being inside the reserves and protected areas [...].

Finally, the land owners that don't want to cultivate their own lands (or just can't do it for any reason) can give them to the Park with a free commodate contract, lasting five to twenty years: it is a private script between the owners and the Park Authority, that then is able to have the terrains at its disposal, in order to be able to make the necessary works to guarantee the hydro-geologic balance. At the end of the contract, the owner gets back the estate, that in the meanwhile has been put in theory in the optimal conditions.

Inside the agrarian estates there are many rural buildings, traditionally used by the local farmers as tool storage rooms for vine cultivation. They are not houses and have not habitability conditions, so they can't be used as houses by the owners. With the abandonment of traditional activities of vines cultivation, many of these buildings have been abandoned in the last decades and are now in bad conditions. Following the norms established by the Park Plan, these buildings can be recovered only following the "Guide to building interventions in the territory of the Cinque Terre", that prescribe that these rural buildings must keep their original purpose and shape, that is tool storage, even if it is possible to add toilets in order to use them. Art. 35 of the norms established that the release of the authorization to any intervention (that can be only a conservative restoring) is subordinated to the cultivation of vines in the surrounding area. This means it is possible to recover these building only as tool storages and only if the owner is going to cultivate the surrounding land with vines, another way to encourage the recovering of traditional activities.

Many of the policies of the Cinque Terre National Park didn't work as well as they could, maybe because they were top-down policies, not fully agreed or understood by the local population. Many of my interlocutors see the Park as a useless authority, if not even a damage to local economy, whose policies couldn't actually recover the traditional activities, nor encourage sustainable tourism, but that have mostly put a spoke in the wheels of local people, taking their lands, forbidding to build anything, forcing them to cultivate some lands and so on. Being it the territory of a National Park, and moreover a territory whose landscape is seen as a World Heritage by UNESCO, it is unavoidable that some

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<sup>1</sup> my translation

environmental and landscape constraints are made by law in order to regulate and heavily limit any building intervention, and it is not strange that these limits have frustrated in many cases the projects of local people. Also the law about neglected lands and the right of preemption couldn't make anything else than disturb local owners. But the real problem was another, that it the feeling, by the inhabitants, that all the resources that the Park could collect, being them EU funds or profits by tourism, have been plowed back in a improper and not transparent way. Some of my interlocutors for example wonder why, even if the Park has put a ticket to access to many of the panoramic paths connecting the Cinque Terre villages, right now these paths are in a pitiful state, at the point that there have been collapses on the famous Love Way and right now these paths have been temporarily closed for urgent intervention of extraordinary maintenance. The snaking idea is that, if it is necessary an extraordinary maintenance, it means that the ordinary maintenance lacked. Other interlocutors have instead found unacceptable that, instead of promoting local agriculture, the Park has given life to a line of cosmetic products based on officinal herbs. All the management under the former President Franco Bonanini has been heavily criticized by the inhabitants of the Cinque Terre, at the point of calling him “the Pharaoh” for his power and his ways to deal with things. The situation exploded in 2010, when Bonanini was accused of corruption and embezzlement, was arrested and removed from his position. This judiciary case is not yet closed, so we cannot say anything more about this matter. Regardless Bonanini's guilt or innocence, his whole management of the Park was seen by many as too paternalistic, self-centered and not transparent. Since that time, the Park has been put under commissars for more than two years, when in 2013 the last commissar, Vittorio Alessandro, has been appointed as the new President. The former Park Plan has been revoked and now a new Park Plan is going to be approved, aiming to a larger involvement of the inhabitants, in order to give way to bottom-up policies that can be more agreed by the local population.

### **Tradition and identity**

In the globalized context we can everyday observe identity representations showing elements that can be interpreted in the light of the concept of *structural nostalgia* (Herzfeld, 1997: 135), that is

the static image of an unaltered and irrecoverable past [...] legitimates the acts of the moment conferring them the moral authority of an eternal truth. [...] collective representation of a heavenly order – a time before time – when the perfect balance of social relationships hadn't yet suffered the decadence that hits everything is human.

or in other words (*ivi*: 137)

the evocation [...] of a time when everything was better: people was more generous and simple, kindness was more disinterested, women were more virtuous and more aware of their family duty and men were more directly involved in the reciprocity of hospitality.

Already Cicero in I century B.C. complained about the customs of his age, saying “*o tempora, o mores*” and even in ancient Egyptian texts from the Middle Kingdom we can find the complains of Ipuur (Gardiner, 1909) about the disorders caused by the social and economic revolution, the country invaded by foreign people, the godlessness, with nostalgia for the former social order, when everything was better. We might say that structural nostalgia is a political strategy, more or less conscious, where people project in an authoritative past those elements that they hope for the future and can't see in the

present. Thus, in response to the sense of identity loss so common in the globalized world, we can then see a stronger and stronger request of tradition and identity, of authenticity and typicality.

With “tradition” people usually mean something handed down from the past, perhaps by ancestors, ancient and full of meaning. Hobsbawm and Ranger have yet shown how tradition, even those looking most ancient and solid, are actually the result of an invention, often even more recent than we might think (Hobsbawm-Ranger, 1983:03):

the traditions that appear to us, or pretend to be, ancient have often a quite recent origin, and sometimes are invented out of whole cloth [...] for “invented tradition” we mean an ensemble of practices, generally regulated by norms openly or tacitly accepted and provided of a ritual or symbolic nature, that aim to inculcate certain values and repetitive norms of behavior in which it is automatically implicit the continuity with the past

Thus tradition is an authoritative model, a form of legitimacy of practices and norms, that projects in the past values and customs of the present, clothing them with authoritativeness and is therefore subject to a continuous redefinition, following the values and customs of the present. Even in the case of a particularly ancient tradition, it is always possible to wonder when and how they were born and realize that once, in the past, even they had been new things. The process with which a custom spreads into a social group and takes roots can last for long and it doesn't mean that the final outcome will be identical to the beginning, as customs can continuously change and adapt to the historical context.

Abandoning any claim of true ancientness or originality, we might consider a “tradition” any cultural element that is adopted by a social group representing itself as such since enough time to be perceived as an integral part of the identity of that group. In other words, customs and values that a group acknowledges as its own and with which it feels a deep bond and an exclusive relationship, that is such that only those who share these elements can be considered a member of that social group, whilst those who don't share them are excluded. Even an activity that in the beginning wasn't seen as “traditional” for a group can become it after some time, if the group starts seeing it as an element of its own identity. We might even say that a certain cultural element becomes a “tradition” in the moment when, lost its original meaning, starts developing a new meaning, linked to the identity of the social group, or in other words gets clothed of a particular meaning in the representation of the identity of that social group, independently by its actual or presumed ancientness and “authenticity”.

So, in our case in the Cinque Terre, the “traditional” activities, like fishing and terraces based viticulture, are “traditional” in this very sense, being activities that once used to be necessary, whilst today they have widely lost their original meaning, but in the same time they have developed an identity meaning, they have become emblematic elements of the local identity.

- **Authenticity and identity poetics**

We might say that authenticity and identity are performances, so it could be useful to approach them with the point of view of anthropology of performances, the dramaturgical perspective. Erving Goffman claims that in everyday life we can distinguish between two main plans: a public plan called *front-stage* or *front region* and a private plan called *back-stage* or *back region* (Goffman, 1959: 69):

When one's activity occurs in the presence of other persons, some aspects of the activity are expressively accentuated and other aspects, which might discredit the fostered impression, are suppressed. It is clear that accentuated facts make their appearance in what we have called a front region; it should be just as clear that there may be another region —a back region or backstage — where the suppressed facts make an appearance.

A back region or backstage may be defined as a place, relative to a given performance, where the impression fostered by the performance is knowingly contradicted as a matter of course.

In other words, every social actor plays his or her “character” or “social role” in the front-stage for a public made by other social actors. In the back-stage, the social actor feels free to behave in ways that wouldn't be acceptable in the front-stage.

Mac Cannell (1976) used this dramaturgical perspective for touristic contexts, defining “front region” the place where there is an interaction between hosts and guests and “back region” the place where the hosts retreat, rest and prepare themselves. In the front region authenticity is performed by the hosts following what the guests expect (or what the hosts think that the guests should expect). The central point is: what is authentic? In the touristic imagery, authenticity is usually connected with tradition, ancientness, a far past, while the present is seen as not authentic and somehow corrupted. However, what actually happens in the back region, far from the sight of the guests, is usually closer to unauthentic modernity, more than to the “authenticity” performed and acted in the front stage. The paradox is that in some cases what is seen as “authentic” by the guests can be seen as fake by the hosts, and *vice-versa*. But how do people shape authenticity? this question leads us to consider the concept of “poetic”.

The term “poetic” usually evokes the idea of something linked to poetry. This term comes from the Ancient Greek verb *poiéo*, that means “making, creating”, and thence *poiesis* in Greek is the act of making, creating something, as the *poietés* is literally the “maker, creator”. Clearly in the case of poetry, we are speaking about an imaginary creation made through the words: the *poietés* “creates” what he's chanting about, making it real in the minds of those listening (or reading). I would like to use the term “poetic” in cultural and social anthropology with such a meaning, that is a symbolic act that can create or shape social reality.

Every poetic act has a semantic level and an esthetic level, and in the same time also a linguistic side and a visual side. The linguistic side of a poetic act is what Searle (1969) calls a “performative speech act”: a particular statement with which the speaker makes an actual action. For example, commanding, forbidding, promising, swearing, apologizing, betting, declaring, nominating are all performative speech acts. When I say “I apologize”, I'm already apologizing with the very act of saying it, as saying “I promise I'll do that” I'm already making a promise, or saying “I bet it's going to be like this” I'm already actually betting.

Some of these performative speech acts can modify social reality (Searle, 1995), for example the sentence “I declare you husband and wife” is a performative act that, stated by someone with the actual authority to do it and in the proper place and time (these are called conditions of “happiness”, Austin, 1962) modifies and shapes the social reality, or in other words has social effects based on conventions commonly accepted inside a social group, in this case making two people “married”. Rituals, religious

and magic ones, and even legal acts, work exactly this way, being based on performative speech acts with a social efficacy and happiness conditions. We must then add that rituals and performances in general are not made just by performative speech acts, but have also esthetic and expressive aspects that are not secondary. Imagine for example someone celebrating a wedding or pronouncing a sentence while completely drunk, dressed like a clown or in swimming suit and flip flops. In every performance there are esthetic and visual aspects that are not less important than the linguistic and semantic ones.

Searle (1995: 7) in particular claims that

There are parts of the real world, objective facts of the world, that are facts only thanks to a deal between human beings. [...] I have denominated some of the facts dependent on the deal between human beings “institutional facts” in contrast with the non-institutional facts, or “brute facts”. Institutional facts are called so because they require for their existence human institutions.

For example, a banknote of a certain value has that value because there is the institution “money” and there is a common agreement inside a certain social group, to attribute value to banknotes. The value of that banknote is not a brute fact, but it depends on the presence of the institution “money” and therefore on the collective agreement, or “social intentionality”, to use Searle’s words, at least inside that social group. Outside that social group, without that common agreement and institutions, that banknote is merely a piece of paper with meaningless signs on it. Yet, inside that socially shared reality where there is “money”, the value of that banknote is objective. The fact that two peoples are married is objective when in their social group there is the institution “marriage”, so that its members acknowledge that ritual exists and has a meaning and can shape social reality in a certain direction (in this case, making those people married). Where there is no “marriage”, we would just see two well dressed people in front a third one that is saying nonsense words, or at least words without a social efficacy.

In this sense we might say that a poetic is a symbolic action able to shape social reality. As a symbolic action, a poetic has a semantic content expressed in the terms of a performative speech act and also a visual aspect expressed as a performance. As Searle (Ivi: 43-6) says:

one of the most charming facts of the institutional facts is that a very large number of them [...] can be made by means of performative statements [...] the linguistic element looks being partially constitutive of the [institutional] facts.

The other side is then the visual aspect. We can indeed distinguish in every poetic a verbal plan and a visual plan, where both of them have a semantic level and an esthetic level. The more effective the esthetic level is, the better the semantic level is conveyed.

Let’s take then the case of an institution like the Cinque Terre National Park, the UNESCO or even the Slow Food association. When these institution put their brand over something (a typical product, but also the whole territory), testifying (but perhaps we should say instead “building” or “shaping”) its quality, authenticity and typicality: this is a poetic, a symbolic act where a brand is put, a symbol, over a product with the intention of building its value inside a shared social intentionality, where there is an acknowledged institution that has put that brand with its authoritativeness. The brand has a semantic clarity and recognizability such that anyone who see it knows that product has those characteristics. This is valid not just for the identity of a product like lemons or wine or anchovies, but also for any

other identity, including those “ethnic”, “cultural”, “historical”, like that of Cinque Terre territory and landscape.

- **Conclusions**

We have seen the local policies of the Cinque Terre National Park that aimed to defend the territory and the landscape of the Cinque Terre and to promote the recovering of “traditional” activities, like small fishing and agriculture based on dry-stone walls terraces, that has shaped this territory in a unique landscape, declared World Heritage by the UNESCO. This is why the policies of the Park couldn’t just recover the stone walls collapsed because of the abandonment of agriculture, but they had to recover the very tradition of viticulture based on dry-stone walls. The products of these traditional activities, like Cinque Terre wine, Sciacchetra sweet wine, salted anchovies of Monterosso and lemons of Monterosso, became typical products, refined and with a high value added, made and performed through symbolic acts able to shape social reality that we might call poetics, like putting a DOC brand on wines, but also trying to make “presidia” of fine typical products. The very fact of restoring a traditional activity like dry-stone walls terraces based viticulture can be seen as a poetic act. All these poetics aim to perform an authenticity, following a strong local identity rhetoric. This performed authenticity in the touristic “front region”, though, is often in contrast with that in the “back region” of the inhabitants. We have also seen as top-down policies showed themselves often ineffective or anyway not as effective as they could be, not being fully agreed with the inhabitants and meeting often their hostility. The ethnographic method of research of the anthropologists tries to grasp the point of view of the “natives” (Malinowski, 1922), and this might be the starting point in order to make effective bottom-up policies.

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### **The Absence of Women's Voice: Why Are Women a Minority in Management and Leadership Positions in Turkey?**

#### **Abstract:**

The purpose of this investigation is to review the reasons for the under-representation of women in management and leadership positions in Turkey. What are the barriers to career progress for women in management? What is the role of training? Are there differences in the styles of male and female managers? Are female managers prone to more stress than male managers as they are in the minority? This research has focused on these questions by finding out the perceptions of Turkish managers.

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## **Public Debt and Productivity Growth**

### **Abstract:**

This paper analyzes the impact of public debt on the rate of growth of Total Factor Productivity (TFP) in developed and emerging economies over the 1990-2010 period. To ensure the robustness of the results with respect to the choice of control variables, we employed the Bayesian Model Averaging technique. The estimates using annual data and 5-year averages unanimously suggest that higher public debt is positively related to the pace of technological improvements.

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## **A Study on Preparation History Books for Children**

### **Abstract:**

History, is one of the most important study subjects involving in school programs, and intellectual life. It can be said that the science of history has the most interested and reaches the widest audience among the other social sciences. It is unthinkable that any individual, society or universe which is deprived from history. Our feelings, thoughts and behaviors arise, improve and form in the light of our past experiences whether we realize or not.

**Ayşen Civelek**

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## **The Contribution of Marketing Public Relations to Integrated Marketing Communication**

### **Abstract:**

Today communication takes part in the heart of marketing activity as a key element and value. The overall communication reasonability of enterprises is undoubtedly within the duty and authority scope of public relations. Now, it is accepted that public relations is not only a management but also a marketing vehicle. Integrated marketing communication is the strategic partnership of public relations and marketing. MPR (marketing public relations) is the planning, application and evaluation process of the strategies and programs increasing customer satisfaction and purchasing. Functional Pro-active and Re-active public relations applications in Marketing Public Relations (MPR) and sub-expansions of Marketing Public Relations enable strategic and centralized planning of different communication techniques employed in integrated marketing communication practices and planning within the corporation.

In this study, the content of marketing communication, the connection between marketing and public relations, the implementation phases of MPR, the contribution of MRP to Integrated Marketing Communication (IMC) and the value created by MPR are going to be discussed.

**Keywords:** Marketing, public relations, marketing communication, marketing public relations (MPR), integrated marketing communication (IMC).

### **1. Introduction**

Technological developments being experienced intensively are removing the physical barriers among people, and the world is becoming a small village where people hearing, seeing each other and sharing their feeling live in. On the other hand, this convergence, which is a result of communication technologies, makes the communication among people difficult and makes messages of corporations marketing goods or services to people so difficult. Today, communication takes part as a key element and value in the heart of marketing activities.

Marketing communication, whose scope is larger than the concepts of sales promotion or sales efforts, is a process in which product concept and corporate identity are presented to consumers.

The overall communication reasonability of enterprises is undoubtedly within the duty and authority scope of public relations. Strategic planning, application and measurement of marketing communication are involved in new domains of public relations and take place in the development trend of public relations.

The main mission of public relations is to provide an atmosphere in which a corporation communicates and contact with target groups in a way that is clear, correct and respectful to environment and human rights, based on a mutually-equal sharing and to meet all ethical criteria and to continue this contact forever. When the current position of public relations is examined, it is seen that public relations is the planner and implementer of communication related to all administrative levels and target groups, and is more likely to take more active roles in marketing process as a result of structural and functional evolution that it has experienced.

- **Marketing Communication and Integrated Marketing Communication**

Today, globalization and the change appearing paralelly are perceived quite well in every field of daily life. Particularly, the developments in communication technology have emerged as major factors accelerating the change. Through the communication opportunities, the world has become a place where everyone sees, hears everyone and similar events receive joint and global reactions. Globalization and competition are increasing rapidly in today's markets, so the success of enterprises is based on their capacity to use marketing communication effectively.

M.Wayne Dolezier describes marketing communication as : “ The process of receiving messages from the market, explaining these messages and acting according to the purpose of presenting integrated stimuli, changing current enterprise messages and creating communication opportunities in order to spark intended reaction in the target population” (Delozier, 1976:168). As it is understood from the description, on the one hand marketing communication means presenting enterprise's messages to target population, but on the other hand, it means evaluating the messages coming from the target population and acting accordingly. By means of this two-way flow, which expresses the essence of communication, enterprises find the opportunity to introduce their products and services to the customers better and they can also make changes for their current products and services within themselves and presented messages in accordance with demands and needs of customers. (Kocabaş et al., 1999:16).

Based on the explanations related to marketing communication concept and general communication process, basic features of marketing communication can be stated as in the following:

- Marketing communication is based on the general communication model and involves all communication components. These components known as source, message, channel and recipient are discussed and examined within marketing dimension.
- It is expected that the messages produced through marketing communication would remain in the mind as information, thus it would affect purchasing decision in future. It has a convincing feature in that sense
- Those who manage marketing communication must research in the field of customer experience well and construct messages that could enter into the field.
- Marketing communication is a two-way communication. It includes a two-way exchange of information and experience.

- There is a harmony and a consistent messaging unity between the components of marketing communication. The explanation of this concept is called “integrated marketing communication”. It is a concept being used intensively and accepted nowadays (Göksel et al., 1997: 27-29).

Integrated marketing communication can be described best as: By taking communication dimension of all decisions made in concern with organizations’ products or service into account, it is considered as making customer-based decisions which would affect purchasing behaviours, and the process of planning in a strategic approach and creating synergy by controlling these different decisions in a discipline (www.emu.edu.tr).

In integrated marketing communication, marketing communication elements integrate with all elements of marketing integration. In this integration, personal selling, advertisement, public relations, sales development and direct marketing activities are used to form a unity and a common theme (Yolaç, 2004:192).

Integrated marketing communication is the strategic partnership of public relations and marketing.

Public relations which strategically plans and coordinates communication studies which have been broken up through traditional marketing communication methods and whose efficiency has been decreased takes an active role within the organization in integrated marketing communication approach that affects purchasing behaviours directly (Güney, 2002:68).

- **Public Relations and Marketing Relations**

Public relations is a privileged management function that helps formation and maintenance of a mutual communication, understanding, acceptance and cooperation between an organisation and its target audience and includes management of difficulties and problems. It provides services such as responding to public opinions, helping management inform public opinion, describing and emphasizing the responsibility of management in order to serve for the welfare of public, providing an early warning system to estimate tendencies, helps management to benefit from changes satisfyingly and uses moral communication techniques and researching as major tools (Okay and Okay, 2002:2).

When the approaches, which have been developed recently, are examined, it is possible to see that communication and public relations underlie each of these approaches. Enterprises see that traditional marketing tools are not as effective as they were in the past, so public relations becomes crucial for them as it is budget friendly and more efficient.

It is also accepted that public relations is not only a management but also a marketing tool because public relations techniques are applied not only in relations with staff, partners and general public opinion but they also concern mediators of distribution channels, people at selling points and customers and consumers. Therefore, it is thought that public relations contributes to each component of marketing mix, and the correct use of other components in marketing mix also helps public relations (Göksel et al., 1997: 127).

It is possible to explain the relationship between marketing and public relations in five models:

- **Separate but equal functions:** Separate but equal functions model is; separating two functions in terms of perspectives and roles with a traditional perspective. Marketing exists to identify customer needs lucratively and meets them. Public relations represents creation and maintenance of goodwill from the enterprise to target audience in order to achieve the objectives of an enterprise.
- **Equal but intersecting functions:** This notion is a significant and separate function of marketing and public relations but it claims that both of them have common feature. Product overview and customer relations are the apparent samples of common interests.
- **Functions in which marketing is dominant:** This model represents the notion that enterprises have public relations function in order to meet the needs of marketing functions with the intention of facilitating product and service marketing of the enterprise.
- **Functions in which public relations is dominant:** Although it is a minority opinion, it is possible that marketing is a sub-function of public relations under some conditions. The discussion is that; achievement of an enterprise, even its survival, is based on how the enterprise sees its community (not only customers, at the same time workers, shareholders, communities, government etc.,)
- **Equal functions of marketing and public relations:** Perhaps the most contentious notion among five models is the one in which it is supported that concepts and methodologies of marketing and public relations are converging rapidly (Kocabaş et al., 1999:76-77).

The association between public relations and marketing arises from their outward structure. In his article written in 1986, Philip Kotler, one of the well-known people in marketing science, said that it is necessary to discuss public relations as the fifth P of marketing. The association between marketing and public relations originates from primarily organisational structures of institutions. For example, small social service enterprises do not have marketing and public relations organization. Although non-profit organizations have strong public relations units, they do not need marketing (for instance public hospitals). Even-though medium-scaled producing companies have influential marketing and sales organisations, they do not have sensitivity to public relations. The only purpose is sales. There are both public relations and marketing departments in large companies and holding companies.

As public relations and marketing have many very similar technical factors, individuals within public relations want to see marketing under their umbrella, or just the contrary happens. ( Kocabaş et al, 1999:78-79).

- **Marketing Public Relations (MPR)**

Today public relations does not mean only establishing a communication between public opinion and enterprise, introducing the enterprise to the public, getting people to accept the enterprise, forming the image of the enterprise. Public relations has become an important factor of marketing exercises.

As product and brand have become more important, customer efficiency has risen and the importance of communication in marketing opinions has come out, public relations has changed and got an effective role in marketing.

Along with these developments, public relations concept has divided into two parts as Corporate Public Relations(CPR) which enables the communication between organization and the public, and Marketing Public Relations(MPR) which supports marketing exercises of the organisation.

By arranging relationship with all target groups that a corporate or an organization is connected with, Corporate Public Relations(CPR) is the whole of efforts to change unawareness of these groups into awareness, irrelevance into relevance and sympathies into corporate identity([www.kobitek.com](http://www.kobitek.com)). Corporate public relations uses a two-way communication process while communicating with its target audiences. It employs communication and media to achieve this two-way communication. Corporate public relations prefers the methods to create public opinion in general.

Corporate Public Relations performs the following functions in general.

- 1 Suggestion and Consultancy
- 2 Corporate Publication
- 3 Publication about the corporate
- 4 Relations with community
- 5 Corporate image oriented advertising/message
- 6 Creating/Affecting Public Opinion
- 7 Sociological Programs

When the activities conducted by corporate public relations are examined, we can say that corporate public relations does classical public relations tasks([www.danismend.com](http://www.danismend.com)).

While corporate public relations(CPR) structuring of public relations fulfils all classical public relations activities, MPR, marketing-oriented public relations and its sub-expansions, which are pro-active and re-active public relations applications, transfer its communication, knowledge and skills requiring marketing within customer-oriented marketing understanding ([ilef.ankara.edu.tr](http://ilef.ankara.edu.tr)).

Marketing and public relations experts have begun to use the concept of MPR increasingly in their literature after 1980s. This concept was used for the first time in America in order to point out public relations field, which is employed to support marketing activities. Even some experts who want to evaluate MPR as an independent field suggested that this kind of public relations gains autonomy in itself and the public relations including relations with the public which do not have customer qualification must be discussed independently ([www.kirbas.com](http://www.kirbas.com)).

Public relations(MPR) serving marketing purposes can be defined as: a public relations packet serving marketing objectives; a planning, executive and evaluation program process using believable, reliable information and interaction communication which encourages sales and customer satisfaction and can identify companies and products with demands, needs, benefits and specialties ([www.kobifinans.com.tr](http://www.kobifinans.com.tr)).

According to another definition, marketing public relations is the public relations process having the purpose of serving marketing objectives, encouraging sales and customer satisfaction, aiming at developing the enterprise and its products by considering customers' interests(expectations). In other

words, marketing public relations is the public relations practices that support marketing activities in the direction of marketing strategies in order to increase sales of an enterprise (Okay and Okay, 2002:541).

Shimp (1993: 28) defines it as “Marketing public relations is a narrower-scoped aspect of traditional public relations. It includes the interaction of a corporation with customers and other interest groups in marketing process. Briefly, it is the marketing-oriented use of public relations”.

MPR is directly related to selling products and/or supporting brands. From this perspective, it is a part of marketing communication for which product and brand managers are mostly responsible. (Pelsmacker et al., 2004:284).

MPR can be used to support a product which is presented to market for the first time such as inviting media to the test drive of a new automobile or broadcasting a new CD on radio.

It is also possible to use MPR in order to support and revitalize a current product at the same time. For example, creating an event while opening the 50<sup>th</sup> store or after selling 100.000 cars from a certain model of a car.

Sponsorship and special events can be employed as public relations tools by providing free tickets to dealers and suppliers for art and sports event.

Restaurants may invite journalists from specialised press to encourage them to write something positive with the aim of increasing sales.

All these examples show that MPR is an activity which is integrated with both public relations and other tools of communication mix (Pelsmacker et al, 2004:284).

The conducted researches show that MPR has been becoming more important and the share of MPR in promotional expenditures has increased as well. As the underlying reason, it can be shown that MPR is both more cost efficient and more efficient in creating image and awareness. Thus, the increase in advertisement cost makes MPR more appropriate in terms of cost. MPR is becoming more efficient against messages, whose effectiveness is decreasing in advertisement confusion, and it completes advertisement campaigns by increasing credibility of the messages given in advertisements and reinforcing. (Odabaşı and Oyman, 2002:152).

What is expected from MPR is; to consider marketing mix factors such as product, promotion, pricing, distribution and use of force and to extend the room of an organisation for manoeuvre in order to satisfy the changing needs of market in order to perform what is necessary for marketing in short and long run. Hence, the significance of MPR, which is one of the intersection points of business logic and communication, cannot be denied ([www.gidasanayii.com](http://www.gidasanayii.com)).

MPR strategies follow a 5-stage process within the frame of public relations policies:

- 1 Defining the Problem and Determining the Objectives: “The Situation Analysis” must be conducted primarily in order to define the problem and determine the objectives. Situation analysis is divided into two as environmental and enterprise-oriented. Environmental situation analysis includes market breadth, economical conditions, conditions of competition, political-legal situation, customer specifications; on the other hand, enterprise-oriented situation analysis includes issues

such as structure of the enterprise, sales management, production and distribution system, capacity of developing new products and advertising activities. Analysed issues are market, product, promotion, distribution and price.

In situation analysis, traditional marketing methods or PR planning look for and answer to the question “What is happening?”. It involves gathering all important information and realities that would help understanding questions and opportunities concerning this process marketing. The mentioned information is generally related to product, business environment, market and customers.

The organisation must ask the following questions to itself:

- What is our product or service?
- Who are our target audiences and how are their life styles?
- What do they think? What is the role of our product and service in their lives?([www.kirbas.com](http://www.kirbas.com)).
- Where and with whom do they establish their essential brand relationships?
- What are their contact points with us?
- What kind of requirements do our expectations have and what must we do to meet these requirements in order to help decision-making process?
- What meets our expectations?
- Who or what has a positive effect on target audience, and who or what do they trust?
- What kind of relationship can the organisation establish with customers in order to provide a positive and reliable relationship?
- What are the features of an efficient message distribution system?

2 Analysis and Research: Analysing and researching provide crucial information about market and consumers for organizations. Life styles and media preference of customers are determined. Companies such as Gallup etc. help organizations in providing basic information about life styles of customers. Governmental statistics are rather significant in finding out the demographic factors of target audiences. The secondary data collected at this phase are to examine customer’s perception related to the company and the brand. Field researches, mutual, in-depth interviews, focus groups, which are the researches to obtain these data, are frequently employed by marketers because information can be analysed immediately through these groups.

Public relations uses market researches in order to obtain important data for itself. The existence of public relations in marketing field as an important factor takes its source from the given importance to researching in the planning phase by public relations. Each public relations plan starts with researching and ends with researching. Public relations is a mediator between customers and company and it takes this responsibility between media and company because how media perceives a company and a brand is also important.

Researching is the biggest helper of campaign strategy and timing of the company. If a new product is presented into the market, both knowing formal qualifications and weaknesses and knowing what customers' expectations are about price, appearance, size, colours, packing, and etc. of the product facilitate that organization's work.

In analyzing and researching phase, SWOT analysis(Strengths, Weaknesses, Opportunities, Threats), PEST analysis (Political, Economical, Social, Technological) and Ansof Matrix, which have great importance in marketing research in general, are used. (www.kirbas.com).

Another method developed as an alternative to all of these research methods is "focus group" which was used by researchers and academician. The army of The United States of America tried the effect of films, which were made in order to justify going to war, on certain groups. Complicated interview methods were used to measure the reaction of the recipients to the films. Then in 1940s, DR. Robert K. Merton developed a new technique called "focused interview". In 1960s, the focus group technique was developed through the group therapy methods that were conducted by psychoanalysts and psychologists. This method was based on disclosure of individual having common problems with a group. Minimum 8 and maximum 12 people came together under the guidance of a group/discussion leader. This method included qualitative information such as behaviours, emotions and human reactions.

In comparison with other research methods, focus groups are quite important because they present more qualitative information to measure the effects of organisational messages of public relations on target audiences.

- 3 Selecting Messages and Tools: After conducting situation analysis and researching, it is time to select the messages what would be presented to the public and decide which mass media would be used.
- 4 Applying the Program: Application of public relations plan is a phase requiring attention and concern. Any insignificant problem or misunderstanding may cause all efforts to go down the drain. Therefore, selected messages must be presented in correct mass media channels, periods and with correct timing. In this phase, public relations expert must be in touch with media representatives and establish sound relations in order to do publicity activities.
- 5 Evaluating Results: It is the final point in public relations planning. In this phase, how much the public perceive all of these activities and the quality of this perception are measured. Naturally, it is difficult to measure attitude and behaviour change caused by messages delivered to target audiences in public relations field as it is in other disciplines. Perhaps conducting pre-test on messages before presenting them on target audiences and doing post-test after delivery may help comparison of former and latter situations. (www.kirbas.com).

- **Marketing Public Relations at Present (MPR)**

Effective development of marketing public relations has been proved with a telephone survey conducted by marketing report in 1993. The survey revealed that more than one third of 243 marketing managers in customer, industrial and service companies spend more than 20 % of their annual marketing budgets on public relations.

Today, it has been estimated that marketing public relations may account for more than 70 % of the billings off all public relations counselling firms. It is necessary to express that using public relations in marketing to sell products has become significant. High technology has developed another expertise within marketing public relations. Other rapidly developing fields of MPR are related to medicine and health.

In addition to its efficient role in marketing products, public relations also has a critical role in protecting products at risk. This role gains importance because of aggressive and disapproving nature of modern society.

There is a non-negligible association between fame of the company and company's products in market (Caywood, 1997: 91).

- **The Contribution of Marketing Public Relations(MPR) to Integrated Marketing Communication(IMC)**

The increasing acceptance of IMC has guaranteed public relations in marketing. The recent surveys conducted on marketing managers have proved not only the near-universal acceptance of the integrated marketing concept but also the almost unanimous agreement that public relations plays an important role in the process.

In his introduction to *The Marketer's Guide to Public Relations*, Philip Kotler states:

Marketers are finding it increasingly difficult to reach the minds and hearts of target consumers. thoughts and hearts of target consumers.

As mass marketing and even target advertising lose some of their cost effectiveness, message senders are driven to other media. They discover or rediscover the power of news, events, community programs and other powerful communication modalities. Marketing public relations(MPR) represent an opportunity for companies to regain a share of voice in a message-satiated society. It not only delivers a strong share of voice to deliver share of mind; it delivers a better, more effective voice in many cases.

Public relations is gaining a more outstanding role in integrated marketing because it has an invaluable contribution which is necessary for every marketing program; the ability to add creativity into the message of the product. (Caywood, 1997: 93).

- **How Marketing Public Relations(MPR) Adds Value to Integrated Marketing Communication(IMC)**

Today marketers are aware of the need to talk to not only consumers but also publics, which are broken into pieces finely and affect purchasing opinions of consumers, with one voice. They have been discovering the variety of strategic use of public relations in integrated programs. The mentioned programs include:

- To build marketplace excitement before advertising breaks:

Today many marketers recognize that the announcement of a new product offers a unique opportunity for obtaining publicity and for dramatizing the product.

While presenting a new product, timing is the name of the game. Most marketers also understand that the news about the new product must precede the advertising break. When consumers see the advertising, the product is not news for media anymore. For example, when the Food and Drug Administration(FDA) approved over-the counter dosage of Ibuprofen, Advil was ready to give advertisements and market activities and obtain the dominant share of the market.

Successful PR introduction may have a powerful effect on sales. Experienced marketers use MPR effectively to create an expectation before the product becomes available to the public (Caywood, 1997:95).

- Driving marketing in the absence of advertising:

To mark the 50th birthday of its famous advertising character, Miss Chiquita, Chiquita Brands did not advertise. The company used its feature and advertisement jingle of its radio and television advertisements in 1940s in public relations. 1994-Miss Chiquita research took place in public communication instruments and here people carried fruit in 10-pound bowls on their heads in front of the jury and television cameras. The winner visited shopping malls to meet the media, appeared in stores and delivered bananas.

- Making Advertising News:

Advertisers such as Nike, Budweiser and McDonalds have learnt to create expectations for short advertisements by providing sneak previews for media. Typically, their video packets involve advertisements and interviews made with corporate spokespersons and the celebrities in commercials. Budweiser also use actor profiles and animations. (Caywood, 1997:98).

- Bringing Advertising to Life:

Some advertisers go a step forward by benefiting from the popularity of their advertisements and putting them into practice. The advertising “spokescharacters” such as Morris the Nine Lives Cat, the Dancing California Raisins and Kellogg’s Tony the Tiger go around by appearing in shopping malls, places where the traffic is heavy and taking part in important events. For example, Tony visited each of baseball mascots of the major league.

- Extending Sales Promotion Programs:

Integrated marketing public relations may be used effectively to increase sales promotion programs and advertisement campaigns.

When McDonald’s launched a promotion in celebration of the 25th anniversary of the Big Mac, the company effectively used public relations to generate consumer excitement

Mc Donald research shows that the advertisement increased the rate of recognition in comparison with the rate before the promotion. This rate of recognition during the three-day introduction period before the advertisement increased Big Mac Sales at 13 percent.

- Building Personal Relationship with Consumers:

Some companies have become the names used household by presenting useful ideas, information and answers for many years. These firms have been able to create an acceptance environment for their products, advertisements and promotions by gaining a reputation as consumer-friendly. Since obtaining a customer is less costly than finding a customer, this concept is partly important for integrated marketing communication and today's market (Caywood, 1997:99).

- **Influencing the Influentials:**

Even consumer groups are the target of our efforts, marketing public relations has been directed to the opinion leadership which has an important role in affecting customers' tendencies and attitudes.

- **Communicating New Product Benefits:**

One of the most efficient use of marketing public relations is for the benefits of new products and the promotion of their usage (Caywood, 1997:101).

Arm & Hammer continued to extend baking powder market by announcing new usage areas related to the use of baking powder which is an old product category. Some of these new usages are refrigerator deodorizer, freezer deodorizer, dentifrice and antiperspirant.

- **Demonstrating Social Responsibility and Building Consumers Trust:**

Marketing public relations is qualified to gather company's benefits and customer benefits. Today customers are more willing than they were in past to work with companies which share their social concerns. There are considerable number of samples of programs aiming at acquiring customer support.

- **Defending Products at Risk:**

Marketing public relations composes the brand. Public affairs defend brands.

In today's market, consumer behaviours are highly affected by public issues and speeches and behaviours of those including some influential actors/actresses, local and federal government officials, consumer groups, activists, health-care professionals and academicians. Many matters affecting marketing are related to the environment, nutrition, safety, crisis or corporate behaviour (Caywood, 1997:103).

The tactics in marketing oriented public relations include the following:

- Goods and services-oriented press conferences or media kits.
- Video news explanations including goods and services which qualify as news
- News conferences to announce new significant goods and services.
- Press tours in which a spokesperson introduces goods or products through satellite.
- Exhibitions in trade shows, where industrial analysts and related customers come together in order to try new goods or services.
- Specially designed events to attract the attention of media(including internet chat rooms)

- Communication efforts targeting employers, investors, lawmakers and other public sectors that may have an effect on marketing, except customers (Guth and Marsh, 2006: 437).

- **Classification of Marketing Public Relations (MPR)**

MPR is examined in two groups as pro-active public relations(Before Marketing Activities) and reactive public relations(During Marketing).

Pro-active public relations means management of an enterprise by marketing purposes. It is integrated with other marketing communication tools in order to introduce products and services of an enterprise and provide an additional image, newsworthiness, legitimacy and reliability. The most important role of pro-active public relations is product promotion(launching) and being stable in changes occurring in product range. Pro-active public relations add news feature and newsworthiness to the product/service launch by integrating other marketing communication factors. In general, it includes the association of marketing and communication(www.kobifinans.com).

In pro-active public relations, marketing objectives, promotional activities, products and services of a corporate are mostly accepted – that is, there are not any problems, everything is fine. The organisation’s strategies in presenting products and its position against its rivals are correct. In this situation, MPR representing sales objectives, market selection and positioning of an enterprise is defensive rather than being offensive, opportunist rather than being a problem-solver, supportive rather than being corrective. Pro-active public relations is short-term, deals with current changes and it can also lead to long-term marketing policies because the changes (decisions of an enterprise, plans and programs, etc., ) it deals with reflects internal effects(Kocabaş et al., 1999:85-86).

Due to its supportive qualifications, pro-active public relations is planned and programmed. It requires long-lasting and hard efforts as it is prepared for long term.

A pro-active public relations study includes:

Some tools that Proactive MPR uses:

- 1 Press bulletins, press conferences, interviews, press release related to the products:
  - Publishing them in the outstanding newspapers and magazines.
- 2 Statements of senior staff: Make these statements appear in the press. Some of these statements are:
  - 1 Developments concerning the sector
  - 2 News about the sales force of a corporate
  - 3 Evaluating economy(general)
  - 4 New economic policies that the firm would follow
  - 5 Explanations about environmental protection, etc.,
  - 6 Articles: having scientific fact-based articles printed in different newspapers and magazines about a new product or service that would access the market. Having scientists prepare these articles. Explaining why the product or the service is important, and other usage opportunities

(www.frmtr.com). These are; articles about experienced events, articles reporting the latest technology, articles making comparisons and articles telling how to do.

7 Events

8 Product events

9 Organisational events

10 Society events

11 Lobbying

12 Sponsorship (Kocabaş et al., 1999:103).

Another field that marketing public relations uses is determined by external factors and changing conditions in the market because all of these changes (governmental policies, consumer behaviours, and condition of competition) cannot be planned as they are not corporate-led and determined by the corporate. These are generally directed by marketing policies. This strategy has a reactive structure. Contrary to proactive PR which tries to increase the image and income of a corporate, reactive PR policies try to protect the current status of a corporate by repairing impaired reputation of the corporate, preventing market erosion, preventing lost sales.

Proactive PR deals with strengths of a firm, whereas reactive PR pays attention to weaknesses and reparation of these weaknesses(www.dunyagazetesi.com.tr).

Reactive public relation is considered in terms of external effects and it is likely that long-term plans may change in consequences of these external effects. For example, changes appearing in the market, changes in consumer behaviours, changes in governmental policies and changing conditions of competition and changes met in similar situations are generally negative. It is necessary to start to move and strive against negative conditions immediately. Contrary to pro-active PR which presents and strengthen the image of the corporate, repairing the impaired reputation of the corporation, preventing market share loss, regaining the decreased sales are targeted(Kocabaş et al, 1999:86).

- **Some Fields That Marketing Public Relations(MPR) Would Use**

1. Positioning the corporate as the leader and expert of the sector
2. Providing belief and trust in customers towards customers
3. Presenting new products to the market
4. Repositioning, boosting current products in the market
5. Communicating about current products' newly noticed benefits
6. Addressing new usage areas of previous products
7. Making customers familiar with the products
8. Attracting attention to a certain product category
9. Creating new markets

10. Reaching secondary markets
11. Creating impulsive force in weak markets ([www.mpr.com.tr](http://www.mpr.com.tr))
12. Helping marketing components of the corporate
13. Providing new marketing-related activity areas for the corporate
14. Getting an edge over competition by making a difference
15. Developing relations not only with customers but also with internal and external environment (Ledingham and Bruning, 1998: 59)
16. Increasing the efficiency of advertisements
17. Drawing attention to advertisement messages of target audiences
18. Attracting attention in advertising environments
19. Making news related to the products/services before advertisements.
20. Providing advertisements which are newsworthy
21. Creating, producing claims that would strengthen advertisement messages.
22. Mentioning about other benefits of a product in order to support advertisement messages
23. Creating stories about products/services
24. Emphasizing aspects of a product/service which cannot be advertised
25. Expressing aspects which cannot be presented through advertisement messages on television.
26. Catching audience connection through sponsor programs
27. Putting pressure on leaders of the public
28. Giving information about the products through methods except for advertisement
29. Testing the content of messages in the market
30. Strengthening the efficacy of campaigns improving sales
31. Reaching demographically-identified target groups
32. Reaching physically classified target audiences
33. Providing the introduction of products/services to other identified groups
34. Forming marketing programs according to local changes
35. Strengthening brand image via sponsor programs
36. Being creative in competition in order to make the firm different from its rivals in the market
37. Applying new media and methods to reach target groups
38. Producing activities that would help target audiences think positively about the product and firm.

39. Preventing crisis which are likely to outbreak in the market with the least damage.
40. Discovering new channels to get in contact with negative groups, which might block reaching marketing objectives
41. To be in touch with leaders molding public opinion for public benefit
42. Supporting, defending the products/services which are at risk in marketing
43. Providing distribution
44. Increasing the frequency of market visits
45. Increasing the sales
46. Motivating the sales force
47. Providing the support of wholesalers and retailers (www.mpr.com.tr)

- **The Future of Marketing Public Relations (MPR)**

The dominant communication method until 1990s was media advertisements. Today more than 65% of marketing expenses in The United States is allocated to sales promotions, database marketing, trade promotions, special events, sponsorship and public relations. Total advertisement budgets of the past have started to give place to being more purposeful, being more various for goods and services sales, providing customer's confidence and establishing brand loyalty.

Beyond formers, this requires a mixture of a more special advertisement and sales promotion, and direct marketing and marketing public relations.

Integrated marketing public relations has been positioned for a more important role in marketing than its current role because:

- 1 It is a unit which has expertise in mass classification.
- 2 It establishes a two-way communication by listening to the public and responding what it listens.
- 3 New Integrated Marketing Method relies on dialogues with customers and feedbacks from customers.
- 4 It is a cost-effective way to a positive consciousness and a way of creating appropriate selling atmosphere.
- 5 It has the power of enlarging sales messages with the approval of influential third person effectors.
- 6 It is versatile and may employ a wide tactic spectrum to reach target markets.
- 7 It directly contacts customers through non-media tools and tactics such as personal contacts, seminars, symposiums and different technologies such as teleconference, telemarketing, informing videos, computer disks and online messages.
- 8 It may try to provide competition advantage for the corporate by supporting reasons.
- 9 It can help marketers in defining social events that might affect the market and products of the corporate.

10 It may help marketers avoid from making mistakes, which might cause consumer reactions.

11 It can help reestablishment of customer confidence about product reliability and efficiency.

Integration gives public relations a chance to present what they report about the products of the corporate and how they report and also a chance to affect what they do and how they do( Caywood, 1997:103-104).

## Conclusion

Marketing public relations, which has appeared as a field that may meet present conditions in both proactive public relations and reactive public relations, has become a manner of approaching that has been increasingly accepted in organizational managements. MPR, one of the modern marketing techniques, appears as a management/public relations policy that allows the adaptation between an organisation and customers. Of course, all tools and channels consist of key elements of public relations- that is, key elements based on communication. However, the usage of these channels is limited with practices and needs of the area. At this point what is expected from MPR in order to meet short and long term marketing policies is to regard marketing mix factors such as product, promotion, pricing, distribution, use of force and extend the room for manoeuvre to satisfy changing needs of the market. Due to this reason, the significance of MPR, which is one of the junctions of business logic and communication, cannot be denied. On the other hand, when we act according to a notion accepting that the methodology and objectives of public relations and marketing concepts, we encounter a management process having four stages including analysing, planning, application and control. Although these two areas close up and MPR, which is a hybrid concept, appear, the determining role of public relations in achieving long-term organizational objective cannot be denied.

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### **Consumer Protection – Institutionalization and Public Judgement**

#### **Abstract:**

The article examines consumer protection related to several disciplines in the view of business administration. The analysis focuses on the characteristics and operation of the European institutional system. The inclusion of consumer protection into the business administration system itself can be considered as a niche subject in the light of the available sources. The first part of the study concerns with the clarification and the precise determination of the economical conceptual web of the topic. The second part presents the exploration of the institutional systems of consumer protection and the examination of their public judgement in European perspective. The motivation of the analysis is given by the fact that creation and coordination of an institutional system of consumer protection is a very complex process in each country. The study introduces the European types of institutional structures in system included and it presents the European practice of governmental consumer protection subsidies. The analysis of the judgement of the institutional system is based on the results and models of the author's previous researches. According to the assumption, the public judgement of the organizations performing consumer protection tasks is affected by many factors, which can be classified and quantified. The analysis of the judgement is based on the development of confidence in the governmental and non-governmental organizations, which is examined by this study in relation to the 27 EU member states in the period between 2006 and 2011. The study is based on scientific literature and legal processing, on the analysis of the results of Eurobarometer and Flashbarometer surveys carried out by the European Commission and on the results of previous researches.

**Keywords:** Consumer protection, consumer protection public authority, independent consumer organisations, consumer perception, consumer confidence.

**JEL Classification:** D18, P46

#### **1. Introduction**

Consumer protection is an area of economic policy relating to more disciplines with a high number of relevant, including diversified business activity and rules. Consequently, the examination of the topic can be approached by several aspects. The professionals classify the topic to three social sciences: law, economics and sociology. According to some opinions it also has relationship with the sciences of psychology. In practice, the examination of consumer protection has jurisprudence approach in most cases; we can meet literatures relating to the area of economics in minor cases. The study prioritizes the business administration approach of the area and focuses on the institutional system and the financial

management, operation and activities of the consumer protection authorities and organizations. The inclusion of consumer protection into the system of business administration can be deemed as a niche topic in the light of the current source literature. The study considers the rules protecting the consumers as the first and base pillar of the consumer protection system however it does not examine the content relevance of the given legislations, standard systems and other rules. The article considers the compliance of rules as the second pillar and in the following it considers the consumer protection activity relating to this level.

The main objective of research is to explore the institutional problems of the consumer protection system. The analysis runs parallel at macro and at micro level. The scope of the analysis at macro level are the financing questions, while at micro level the spending, namely the management of certain organizations. The primarily examined area is the definition of consumer protection and consumer protection activities connecting to organizations and the analysis of the functioning of governmental and non-governmental societies. The research methodology primarily is the processing of the international literature and the relevant legislation. Secondly, primary researches performed by the European Commission associated with recurrent consumer protection, the analysis of which was based on systematic collection and reorganization of the information base of data sets and the statistical analysis of the data.

- **Literature review**

Only a few and different conceptual definitions can be found for consumer protection in the scientific literature. It is basically not unreasonable, since it is difficult to define this concept exactly. The economic and sociological interpretations are relatively scarce compared to the field of law –where we can find most of the definitions - while clear definition of the concept cannot even be found in the science of business administration. If we tried to draw a sharp dividing line between the legal and business administration approach, we would consider consumer protection as a system, process or activity in the field of management science and in legal interpretation we would consider it as law making and assertion of rights. Even in the field of law, only some national publications can be found defining exactly the concept of consumer protection. The definition being closest to the study is formulated by Balogh and his co-authors, according to which consumer protection is nothing more than *“all the institutions and regulations, which mainly aims to protect the fundamental rights, health, safety and economic interest of the conscious consumer possessing adequate knowledge, ability of claim enforcement and skill, to inform and teach him about consumer rights, providing possibility to acquire necessary information for the enforcement of legal remedy and claims of loss as well as assuring the representation of consumer interests.”* (Balogh, et al., 2010, p. 22) According to the interpretation of Judit Fazekas, a prominent national expert of consumer protection it means *“the enforcement of consumer preferences by means of regulation of the economy.”* (Fazekas, 2007, p. 22). According to the Britannica Hungarica encyclopaedia it means *a movement or an organized activity, which „aims to regulate the products, services, methods or standards of manufacturers, retailers or advertisers in the interest of consumers.”* (Nádori, et al., 2012, p. 410) Clear definition of the concept cannot even be found in the foreign literature, it is mostly applied as a synonym for right of consumer protection or consumer right (Cseres, 2005). The Molony Committee – which has been established in 1959 for paying attention to consumer right and for preparing reports on its changes – stated in a report on

consumer protection that „*Consumer protection*’ is an amorphous conception that cannot be defined”. According to an other view, consumer protection means measures which directly or indirectly assures consumers that the goods bought by them has sufficient quality and they have a possibility to enforce legal remedy in case of complaints. (Molony Committee, 1962) In economics sciences source works – like in the work titled of Economics of Consumer Protection edited by David Morris, in which the critical evaluation of the examined topic has primarily economic and less sociological, legal and marketing approach – „*Consumer protection is a form of social action which is designed to attain material well-being for one group within society, namely consumers.*” (Morris, 1980, p. 10).

The study deals with a narrower spectrum compared to the above definition, i.e. under consumer protection it understands provisions, activities and systems of institutions protecting and representing the consumers’ fundamental rights, which primarily aim is to comply with the prevailing regulations.

The paper focuses on the operation of the institutional system, the management of certain organizations among the actors of the consumer protection system. The denomination of institution is applied in different interpretations within this theme. The various interpretations of the definition can be summarized based on the work of (Farkas, 2007) as follows. In the point of view of business administration, institution can mean an organization or a sub-system of the society. According to the legal interpretation, under institutions mainly legal institutions are understood, which basically mean the particular system of the regulations and their application. From sociological point of view, the observed regularity of behaviour, the attitudes and the probability of interpretation inclination can be also called as institution. The study understands organizations and authorities performing consumer protection activities under the denomination of institution. The institutional pillars of consumer protection consist of governmental authorities, non-governmental organizations and the conciliation bodies. The main scope of the research focuses on the operational and management characteristics of these organizations. However this approach would cover a lot of organizations, therefore I think it is necessary to have an accurate definition for consumer protection activity. András Bencsik examining of the relation between consumer protection and competition law concluded that “consumer protection activity” directly means the “*protection of the consumers*’, as it always reacts on the infringement of consumer rights.” (Bencsik, 2012, p. 112). According to my opinion, it means a broader concept, i.e. it includes every activity that is closely related to the field of consumer protection. This includes the so-called “*primary activities*”, such as regulation and law making (the review of these are not discussed by the study). The study takes the so-called “*secondary activities*” as a base, i.e. those which deal with the enforcement, implementation and compliance of regulations affecting consumer protection.

In literature we can also find many definitions regarding to the object of consumer protection. According to some opinions there are too many definitions, others stating that we still do not have enough of them. If we begin with the most primitive interpretation, we can say, that its meaning is simply the consumer himself. With this kind of interpretation all people of the world are belonging here as we are all consumers of something. In the every-day used language under consumer we mean the individual, who buys a product or a service. According to other approaches he is the person, who concludes a deal with a corporation on the market. An even simpler approach states, that he is everybody who consumes. There is no two approach, which uses the same or uniform notional criteria as an other. This situation is made even more difficult by the fact, that from a legal perspective it would

be also important to have a consumerial sample, which constitutes as ground for consumer protection remedial procedures. In the sense of economics he can be any performer of the economy, who consumes already finished goods and services (Pearce, 1993). Not even in the European Union can we speak about a uniformised and standard notion of the consumer. Definement was not taken place in the Treaty of Rome and only many times later, in the 1970s began the work to clarify the meanings of the fundamental notions of consumer policies. This work is still in progress. Currently we can find the most accurate definitions in consumer protection programs and directives. But the European Union is unified in the opinion, that the consumer is a natural body, who gathers goods and services for personal use. Since the acceptance of the EEC directive 85/450 in many cases in the legal practice of the union not only the term „*consumer*” but the term „*the average consumer*” is used. Reflecting to this defined the European Court the notion of „*the average consumer*”, who means the adequately informed, well-learned and wise consumer, who on the other hand can show little interest or no interest at all sometimes. In Hungary the earliest mentioning of the term of consumer can be found in the govt. decree 2145/1996, where the consumer is a natural body, who buys, orders, receives, uses goods or services outside of his regular commercial activity and who is the recipient of information related to goods or services. The definition of consumer was altered by the times of almost all amendments of the Consumer Protection Act. Apart from this we still can find many different definitions. The Civil Code, competition law or the act on advertising are all using different ones. It may be confusing and still wanting. It can be confusing in those special cases of law application, where a strict borderline can not be drawn from a legal point of view as it can also be wanting, if the law does not determine its strict notion of the consumer. Pursuant to the 2. § of the Act CLV of 1997 on consumer protection, which is in effect currently, in 2013 consumer is: a natural person who buys, orders, becomes, uses goods outside of his professional or economic activities or who is the addressee of commercial communications. (Apart of them the law also provides the opportunity of appealing to dispute resolution organisations for consumer organisations, churches, apartements, apartement maintainance organisations and micro- small and medium enterprises. When appealing to dispute resolution organisations, these bodies are considered as consumers as well.)

- **Institutionalization of consumer protection**

In the most Western European countries the governmental consumer protection ensures the enforcement of consumer protection legislation in force by applying the state administration system – considering the fact that they have a very significant resource demand to perform these activities. It is typical for non-governmental bodies that they participate in establishing consumer protection policies and they help to explore problems of consumers by gathering information, they perform education activity concerning consumer protection, even can initiate procedures at court and operate consumer consulting offices. In the developed countries of Europe, these organisations are recognised and subsidized by the governments. Financial instruments required for their maintenance and operation are primarily provided by the state (Csiszár, 2012).

Consumers’ interests and rights are numerous and diverse by their nature, therefore the connecting institutions also form a complex system differentiated by countries. The system of institutions is not consistent within the European Union, their structure is complex and differs from country to country. However, the governing rule of the state is significant independently from whatever institutional model

is followed by the given country. As a result of the different extent of development in the European countries, three specific institutional structures were established for performing consumer protecting activity (Table 1).

**Table 1: Types of Consumer Protection Institutional Structure in Europe**

<b>Types</b>	State management in the implementation <b>with less significant</b> non-governmental participation.	State management in the implementation, <b>with almost equivalent</b> non-governmental participation.	State management in the implementation <b>with significant</b> non-governmental participation.
<b>Typical</b>	Scandinavian countries	France	Germany

Source: own elaboration

In performing consumer protection activities the governmental system of institutions is in the forefront. In first type beside the state's governing rule the participation of non-governmental organizations in the implementation is less significant. Such kind of system operates for example in the Scandinavian states (in Finland, Sweden, Norway), Denmark or Hungary.

In second type the consumer protection activities are performed by governmental and non-governmental bodies together and the role of organizations is almost equivalent. This kind of system operates for example in Belgium, France, Spain and the most European countries (The mixed institutional system.).

In the third type the consumer protection activities are mainly performed by non-governmental organizations. Such structure operates for example in Germany (Csiszár, 2012).

#### ○ **Institutional Structure in Hungary**

The complex system of consumer protection of Hungary lies on three pillars. The first and main pillar is formed by the circle of state-provided institutions, which forms an institutional system structured following the duties of the institutions. The second pillar are formed by consumer organisations while arbitration boards are forming the third pillar.

It is the responsibility of the state-provided consumer protection institutional system to provide for the the rule of consumer protection law, its execution, and enforcement and to sanctionate and initiate measures against those, who disobey these rules (Bodnár, et al., 2001). There is only one body, which having a pure consumer protection profile, so which was established specifically to perform consumer protection tasks and that is the Hungarian Authority for Consumer Protection. The institution itself is independent in its financials and have full authority over the money provided for its operation by the central budget. The two main financial sources for the performance of its base operations, which are the tasks of the state, are subsidies from the budget, which gives almost 100% of its financials and operational incomes (NGM, 2011). As a result of the structural changes, the amount of subsidies in 2011 has declined from 3,227 million Forints to 862 million Forints.

The role of consumer organisations is the forming and functioning non-governmental bodies performing consumer interest representation tasks. Among its responsibilities one can find the cooperation in consumer protection policy making, formation of opinions regarding to consumer-related draft laws, helping to unfold consumer problems, assisting the rule of consumer protection law, cooperating in national standardisation and initiation of procedures, investigations, measures and law amendments. A further important task of non-governmental consumer protection organisations is the cooperation in the education of consumerial knowledge for consumers. The state regulates the support of consumer organisations in the act on the budget. The amounts of subsidies are differing significantly year after year in the last years. Subventions were growing between 2000 and 2009 - even if some years there were no money provided at all - from 43 million Forints to the 308 millions of 2008. After a year of stagnation subsidy was decreased significantly to 140 million Forints. This was the 45% of the former amount. This tendency continued, so nowadays only 90 million Forints are provided for these organisations.

Pursuant to the 18th paragraph of the Act on consumer protection it is the responsibility of arbitration boards to mediate between the consumer and the corporation in relation of disputes over the quality or safety of goods and services or over the responsibility of the merchant for his product as well as over contracts. To do this, its goal is to reach an agreement between the parties and if this effort proves to be unsuccessful, it tries to have a decision made on the case as fast, effective and cost-effective as it can be in order to protect consumer rights. The mediating organisation, upon request from the consumer or the corporation, informs about the rights and responsibilities of consumers. For the operation of mediating organisations the state provides year after year increasing financial support, the sum of which was 400 million Forints in 2012.

#### ○ **Institutional Structure in France**

In France the Ministry for the Economy, Industry and Employment is responsible for the development and implementation of consumer policy. There are also independent administrative authorities whose work can have a direct impact on consumer policy, like The Competition Authority, The Financial Markets Watchdog (AMF), The Energy Watchdog (CRE), The Consumer Safety Watchdog and many others institutions. In France, there was a large number of consumer organisations that all operate within the protection area, other exclusively in specific domains. In the year 1988, the French law allowed the right to summon in court only the known associations; in order to obtain recognition, these must have had as a status “*protecting the interests of the consumer*” and be truly representative, that is to have operated at least one year, pursue the consumer protection objective in a public and effective way and have at least 10,000 members. In addition, the organisation must be independent of any professional activity. In present, only 18 such organizations are recognized, the most important being “*Union Federale des Consommateurs*”, established in the year 1951 by public authorities contribution. The consumer organisations receive public funding. The amount of money is decided by the the Ministry for the Economy, Industry and Employment. In addition to the funds necessary to carry out their basic activities, consumer organisations can also receive funding for specific actions previously decided in agreement with the Ministry (France, 2011).

### ○ **Institutional Structure in Germany**

In general German consumer protection has a strongly interventionist nature and it focuses on methodology and coherence in the legal system. On a state level the consumer protection belongs to the Ministry of Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz (BMELV), however the 16 independent states (Bundesländer) are responsible for the enforcement of consumer protecting regulations (Germany, 2010).

The Ministry, based on the Budget of 2012, has earmarked 146, 8 million Euros for consumer protection policy, which is 11.5 million EUR less than the previous year of 2011. In Germany, consumer protection is based on the principle of prevention, therefore the highest amount of subsidy, i.e. EUR 65.7 million is provided for the Bundesinstitut für Risikobewertung (BfR), i.e. the Institute for Risk Assessment. The main body of food safety is the Verbraucherschutz (BVL), which is provided with 20 million Euro subsidies. One of the biggest non-governmental organizations is the Verbraucherzentrale Bundesverband (VZBV), which forms a federation of 41 consumer associations, 16 consumer advisory centres and 25 other organizations dealing with other consumer policies. The Association represents the interests of consumers in public; it is even allowed to initiate legal procedures and works together with the establishers of the consumer protecting policies, authorities and companies on national and international level. The advisory centres handle approximately four million individual complaints every year, which activity is financed by the federal government and from financial resources provided by the states as well as by their income from their publications. The budget of the BMELV for the year 2012 planned to provide the same amount of money for VZBV as in the last year, i.e. 8.7 million Euros. The second largest consumer organization is the Stiftung Warentest Foundation, which carries out independent tests mainly in the field of households, healthcare, financial and insurance services. Almost 90 per cent of their income is coming from publishing of Test, Finanztest and other publications (BMELV, 2011).

### ○ **Financial Resources**

It is difficult to present the total financial resources of consumer protection system. The reason of that consumer protection system is quite complex. Table 2 shows the amount of funding provided for consumer protection by the national governments in 2006. It shows the data of countries sorted by the amount of subsidies for one thousand people, in GDP ratio and the number of organisations. The financial resources made available to consumer organisations vary considerably, as does the number of organisations that receive public funding. The concentration of subsidies can be described by the funding per thousand consumer and GDP ratio. According to the state subsidy per thousand capita the highest amount is in Luxembourg, in Austria, in Slovenia, in France and in Belgium. The amount of subsidy per organisation is the highest in Luxembourg, in Austria and in the Netherlands. It shall be noted that the number of subsidized organisations in these countries are also relatively low. France and Belgium are special because the number of subsidized institutions and the amount of subsidy per organisation are also high in both countries (Csiszár, 2012). Rearrangement can be observed based on the order of the countries in term of GDP ratio, in the light of which Slovenia, Hungary, Austria and the Czech Republic spent the most on consumer protection in 2006.

**Table: Financial resources of consumer organisations, 2006**

<b>Countries</b>	<b>Funding (EUR thousand)</b>	<b>Funding (EUR per thousand capita)</b>	<b>Funding in thousandths GDP ratio (%)</b>	<b>Number of consumer protection organisations</b>
<b>Austria</b>	2,235	266	0.7	3
<b>Belgium</b>	1,673	153	0.5	15
<b>Bulgaria</b>	30	4	0.1	3
<b>Czech Republic</b>	750	71	0.6	10
<b>Estonia</b>	51	38	0.4	5
<b>Finland</b>	521	97	0.3	2
<b>France</b>	7,379	113	0.4	33
<b>Greece</b>	250	22	0.1	42
<b>Hungary</b>	946	95	1.1	25
<b>Ireland</b>	65	15	0.1	1
<b>Latvia</b>	30	13	0.1	1
<b>Lithuania</b>	72	22	0.2	7
<b>Luxembourg</b>	830	1,622	3.4	1
<b>Netherlands</b>	438	26	0.1	1
<b>Poland</b>	556	15	0.2	13
<b>Portugal</b>	200	19	0.1	5
<b>Romania</b>	40	2	0.0	1
<b>Slovenia</b>	374	182	1.2	6
<b>Sweden</b>	965	102	0.3	3

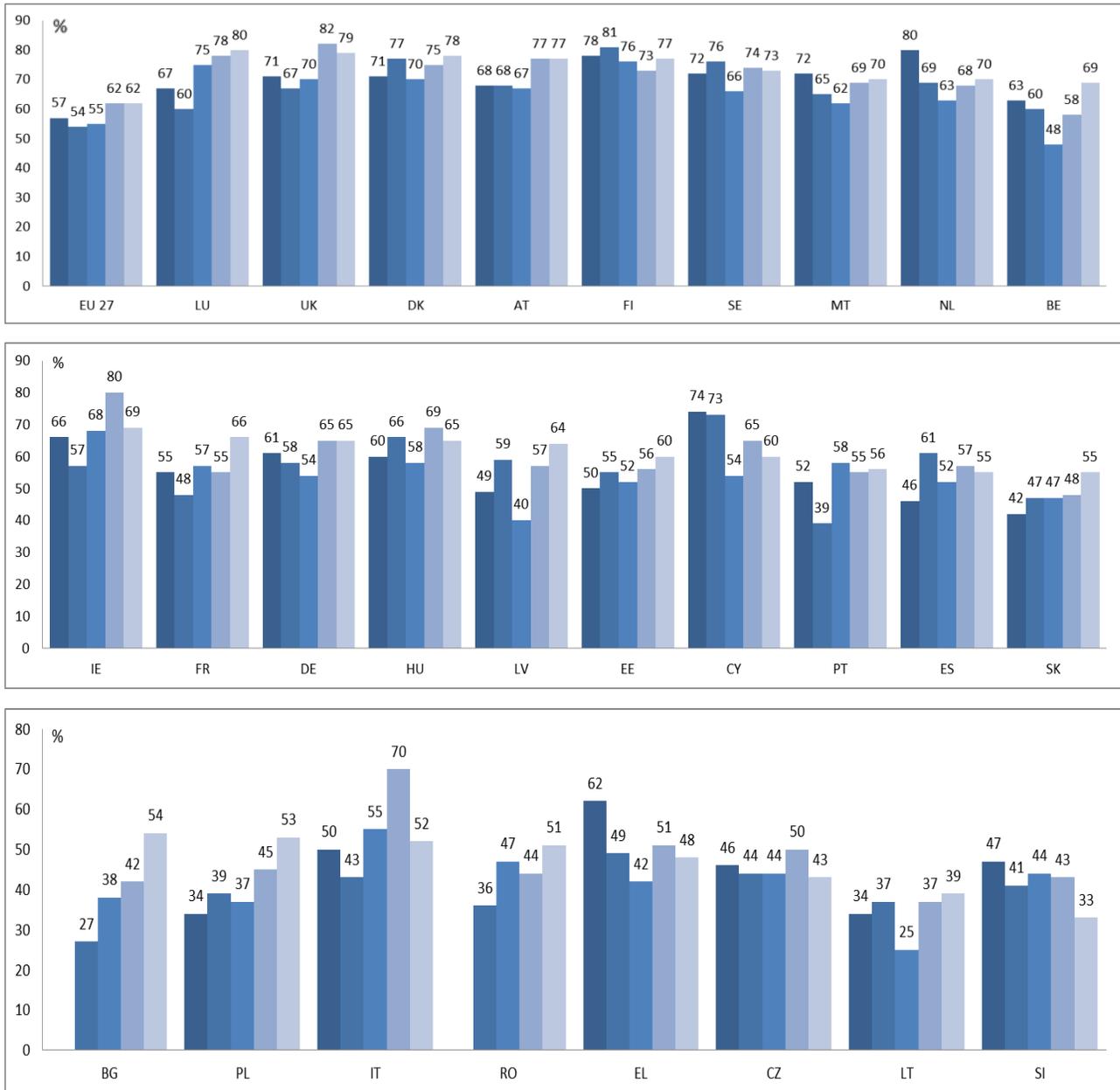
Source: own elaboration based on Consumers in Europe, 2009

- **Public Judgement of Institutions**

The European Commission has been examining the operation of the inner markets and the consumer markets since the beginning of the 1970s. The surveys were initially conducted only in the countries of the European Community with the aim to examine the social and political changes. Later the survey was also expanded to the member states of the European Union and surveys are still conducted two times every year even to the present day. They ask approximately 1,000 people in every country and apply the method of personal interviews in most cases. Since the beginning of the 1990s this survey called Standard Eurobarometer was supplemented by questions concerning the candidate countries and researches analysing some special fields (Special Eurobarometer, Flash Eurobarometer).

More of these researches are focusing on consumer protection; however there are some of which only partially relates to consumer protection. Main issues examined in relation to consumer protection concerns with consumer consciousness, consumer and corporate awareness, organizations of consumer protection and with the exploration of other consumer protection questions/problems. Significant information base has been established for the cognition of the public judgement on the institutional system from which this overview natured research would like to rely on the most important information. In my opinion, satisfaction with the operation of the organizations and trust in them are the factors among these, which can the most directly express the perception of the consumers.

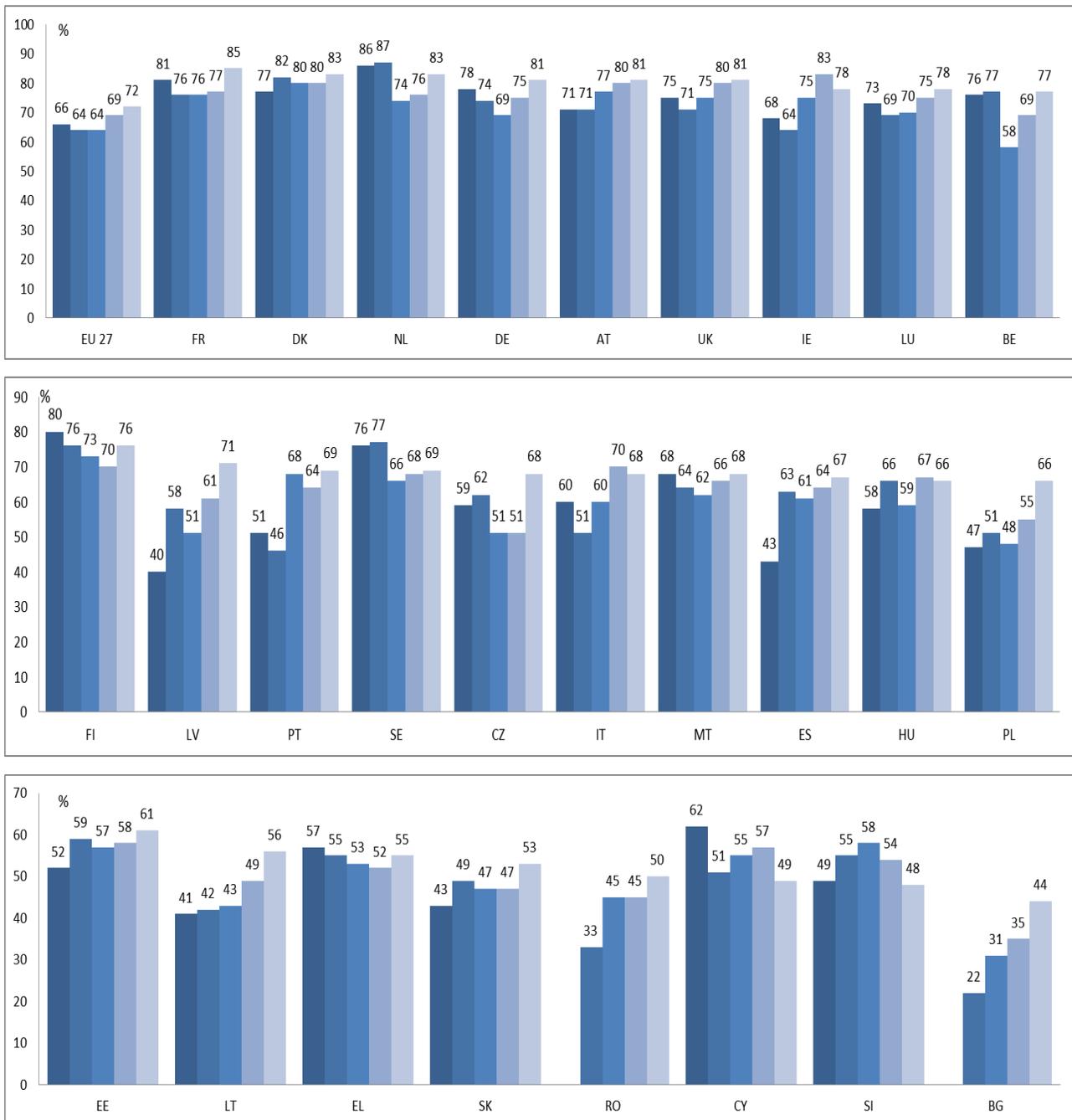
**Figure 1: Consumer Confidence in Public Authorities, 2006. 2008-2011**



Source: Special Eurobarometer 252; 298 and Flash Eurobarometer 282, 299, 332

The study has collected and re-directed the information that can be connected to the two topics in accordance with the above researching aim. The Figure 1 and Figure 2 below shows what is the percentage of respondents agreed that they trusted public authorities and independent organisations to protect their rights as consumers (Csiszár, 2012). Consumers in Luxembourg, the United Kingdom and Denmark trusted the most in their consumer public authorities to protect their rights. However Slovenia, Lithuania and Czech Republic consumers trusted the less their organisations.

**Figure 2: Consumer Confidence in Independent Consumer Organisations. 2006. 2008-2011**



Source: Special Eurobarometer 252; 298 and Flash Eurobarometer 282, 299, 332

In general consumers are now more likely to trust public authorities to protect their rights. However in Cyprus, Czech Republic, Finland, Greece and Malta the proportion of respondents who trust in organisations is equal to or lower than the results in the 2006 survey. The greatest increase from 2006-2011 is recorded in Poland with 19 percentage points. The largest increase in trust can be observed in Bulgaria with 27 points. In last two years the largest increase can be observed in Bulgaria, France and Belgium while a considerable fall is registered in Italy and Ireland (Flash Eurobarometer 332, 2012).

Consumers in France (85%), Denmark (83%), the Netherlands (83%) and Germany (78%) trusted the highest level in independent consumer organisations to protect their rights. The lowest level of trust is in Bulgaria with 44 percentage then Slovenia (48%) and Cyprus (49%).

In general consumers are now more likely to trust independent organisations to protect their rights than in 2006. However in Cyprus, Finland, Greece, Malta, the Netherlands, Slovenia and Sweden the proportion of respondents who trust in organisations is equal or lower than the results in the 2006 survey. The largest increase from 2006-2011 is recorded in Latvia with 31 percentage points. In last two years the largest increase can be observed in Czech Republic, Poland and Latvia while the sharpest decline is registered in Cyprus, Slovenia and Ireland. Trust in independent consumer organisations varies between Northern and Western Europe on the one hand and Southern and Eastern Europe on the other with consumers in the latter areas expressing showing lower levels of confidence (Flash Eurobarometer 332, 2012).

The Table 3 and Table 4 show the confidence-data are population weighted average of the results. The period covered by this study lasts from 2006 to 2011. I examined the data based on time dimensions on the one hand. according to consolidated EU average on the other and thirdly according to the EU member states divided into two groups of countries EU 15 and the 12 newly joined EU member states.

**Table 3: Level of Confidence Placed In Public Authorities**

	<b>2006</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>EU15</b>	63%	59%	60%	71%	67%
<b>EU12</b>	47%	47%	48%	51%	56%
<b>EU 27</b>	57%	54%	55%	62%	62%

Source: own elaboration based on Special Eurobarometer 252; 298 and Flash Eurobarometer 282, 299, 332.

2013

The level of confidence placed in governmental organizations shows a growing trend, in 2011 62% of the EU population trusted in governmental organizations, which means an 5 percentage-point increase compared to 2006. Regarding the country-groups, apparently there are significant differences. In certain years there is a 20 percentage point difference between the EU 15 and the later joined 12 countries. It can be stated that in the formerly joined, more developed member states, where the institution system was developed previously, the level of confidence placed in the organizations is higher, while the level confidence placed in the consumer protection institution that has been developed or restructured for 6-7 years is significantly lower. But the difference shows dercesing trend.

Table 4 shows the level confidence placed in independent organisations, which present a similar growth as public authorities. The increase is 6 percentage point high, therefore currently 72% of the EU population trust in the effective operation of public organizations. Regarding the country-groups the deviation is more significant, as there are differences of 20 percentage points between the EU 15 and the later joined 12 countries in certain years.

**Table 4: Level of Confidence Placed in Independent Consumer Organizations**

	2006	2008	2009	2010	2011
<b>EU15</b>	70%	68%	69%	73%	77%
<b>EU12</b>	50%	48%	48%	52%	60%
<b>EU 27</b>	66%	64%	64%	69%	72%

Source: own elaboration based on Special Eurobarometer 252; 298 and Flash Eurobarometer 282, 299, 332.

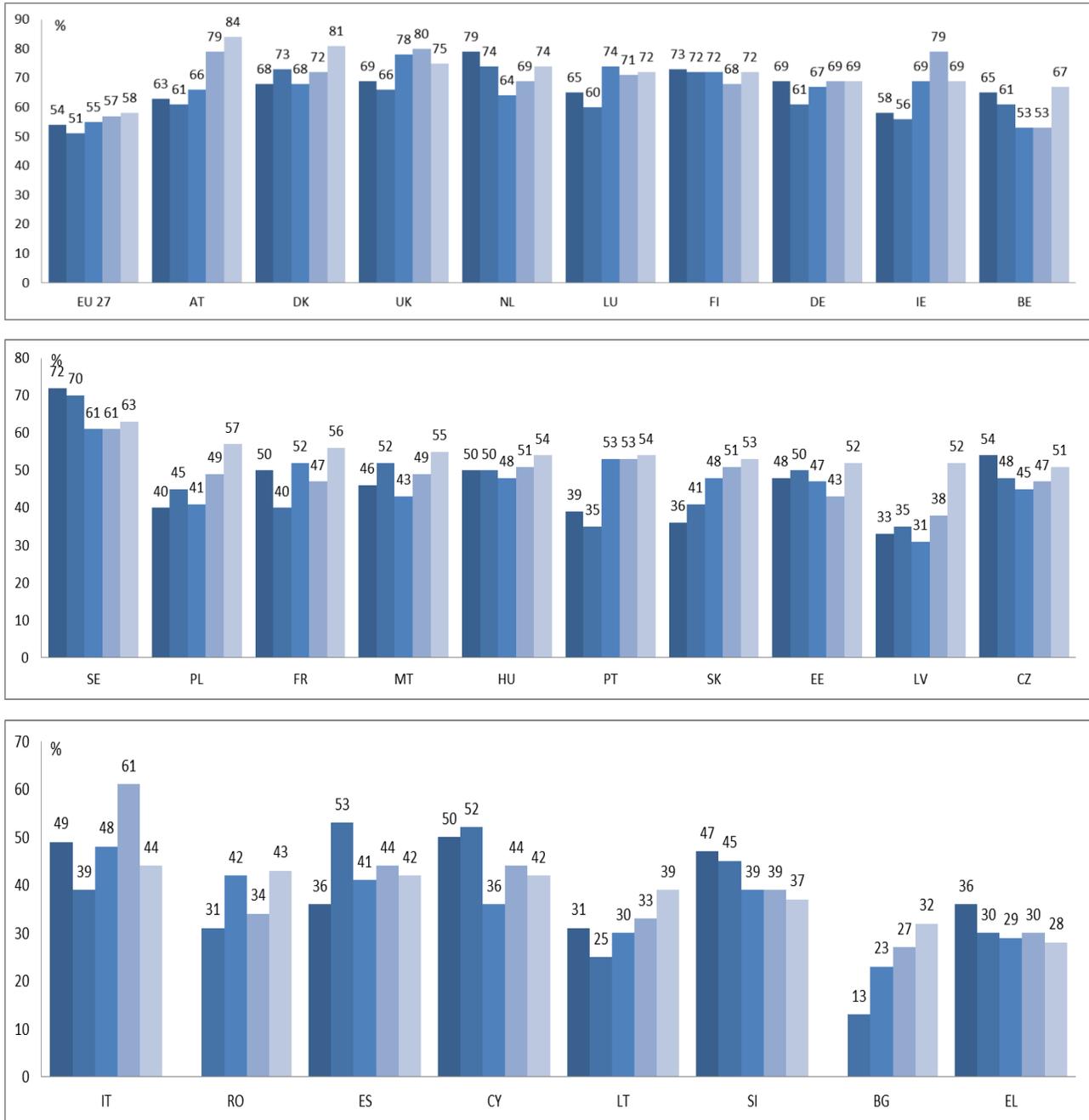
2013

The development of confidence placed in non-governmental and governmental organizations shows very significant differences and characteristics for the two groups of countries. At the beginning of the examined period the population of the EU 15 trusted more in the non-governmental than in the governmental consumer protection organizations by 10 percentage points. This difference has been decreased to 7 percentage points by 2010 due to the fact that the level of confidence placed in non-governmental organizations increased in a lower extent than in the case of governmental organizations. I assume that the worse judgement statistics of the population of Romania and Bulgaria joined in 2007 also played a role in the background.

The next Figure 3 shows, who feel, that they are adequately protected by existing consumer protection measures. More than four in five consumers in Austria and Denmark feel that they are protected. Three-quarters of respondents in the UK and the Netherlands feel the same. The lowest levels are observed in Greece, Bulgaria, Slovenia and Lithuania where the level of confidence in consumer protection organisations was low.

It can be stated that the trust in measures is better now than it was in 2006 in most countries. Exceptions to this are recorded in the Netherlands, Finland, Sweden, the Czech Republic, Cyprus, Slovenia and Greece where fewer proportion of consumers now feel sufficiently protected than in 2006. The greatest increase was occurred over the last five years in Austria while a considerable fall in again in Italy and Ireland.

**Figure 3: Confidence in existing consumer protection measures, 2006. 2008-2011**



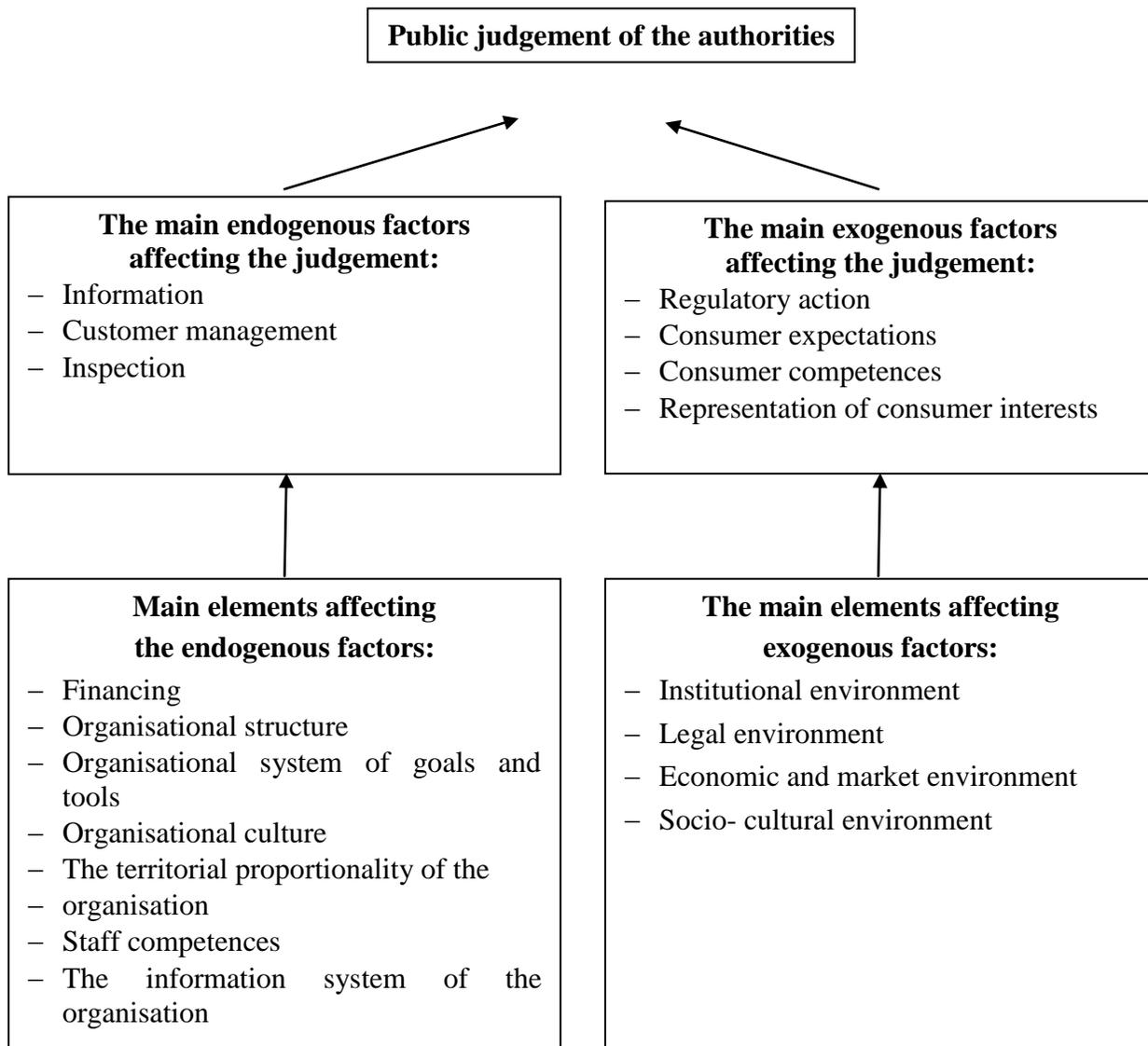
Source: Special Eurobarometer 252; 298 and Flash Eurobarometer 282, 299, 332

- **Factors affecting the public judgement of consumer protection organisations**

Judgements in most cases represent transitions between quantitative and quality oriented points of view and always examine performance. I based my quantitative judgements on output data of consumer protection activities, while my quality-oriented judgements are based on public opinions regarding to consumer protection by the authorities. During the examination of the effects affecting the public judgement of consumer protection authorities I divide these effects into two groups (Figure 4). I rate

the consumer protection competences of the organisations into the endogenous<sup>1</sup> group, while the factors affected by external effects (self-consciousness or expectations of consumers) are rated into the exogenous group. Figure 4 shows the main elements affecting both the endogenous and the exogenous group, as well as those factors affecting the judgement.

**Figure 4: The main factors affecting the public judgement of authorities**



Source: Own elaboration based on the publications of Hetesi (2002:211-213) and Bodonyi et. al. (2002: 27-30)

I based the collection of the factors affecting the judgement of supervisory consumer protection authorities on the model of Hetesi, who wrote a similar study in relation of energy providers (Hetesi, 2002) and on the works of Bodonyi et. al. (2002), who examined the elements needed to learn the activities of administrative institutions. The measurement of consumer self-consciousness (awareness,

<sup>1</sup> Endogenous means “caused by internal influences”, while exogenous means “caused by external influences”.

competence, interest representation) was a new element in the model of Hetesi, which I found very important in the relation of this study as well.

The measurement model of the judgement is based on the measurement models of consumer satisfaction. There are many ways known to measure consumer satisfaction, from which the procedure used in most cases is the one emphasising on the judgement of service efficiency by the consumers. This study is also based on the identification of the factors for the public judgement of the service, which is the execution of its consumer protection function. Amongst the aims of consumer satisfaction measurements we can also find the provision of assistance to institutions by their self-judgement and by the comparison of efficiency levels (Hofmeister et. al. 2003; Bruhn and Murmann, 1998) The aim of the measurement model of effects affecting the public judgement is also to help achieve these goals.

Although studies regarding satisfaction levels clearly have a traditional background, one can not find a clear description belonging here either. I base my study on the notion of Stauss and Seidel (2006), which is one of the result-oriented approaches. According to this notion, consumer satisfaction is nothing more than an after-purchase effect, which shows how the consumer evaluates the products and services bought. The very first aligned national measurement system in the world that was capable of consumer satisfaction measurement and of the improvement of products and services on an intercorporate and inter-industrial level was established in 1989 in Sweden. This system was adapted by the establishment of the American Customer Satisfaction Index (ACSI), which, after many positive experiences coming from the USA and Sweden, was followed by the European Customer Satisfaction Index<sup>1</sup> (ECSI) (Gronholdt et al., 2000).

In most cases, national and international studies of satisfaction are based on the ECSI model. This is an equilibrated model that attaches consumer satisfaction to its factors and with its effect, namely with trust (Figure 5). The determinants of consumer satisfaction in this model are the following: consumer expectations, the experienced quality of services, the experienced value, the information and customer management, those factors likely having an impact on satisfaction. The fundamental aim of the model is not the measurement of the level of consumer satisfaction, but the factors having an impact on it.

The only factor in the model, which is observed directly and which is measured by one statement is consumer expectation. The consumer will be satisfied if the service holds value for him (Dumond, 2000), meaning that expectations also affect satisfaction levels.

In the middle of the focus of the model, next to the measurement of the satisfaction, the perceived value of the service can also be found. The experienced quality can indicate the level of fulfillment of the most important needs, which may have a positive effect on the satisfaction levels, the perceived value of the service consists of two elements. One of them includes the features of the services, in this case the details of consumer protection function (control, regulatory action), while the other includes the elements of interaction, like the environment of the consumer protection services or the competences and interest representation abilities of the consumers. The perceived value<sup>2</sup> indicates the ratio between

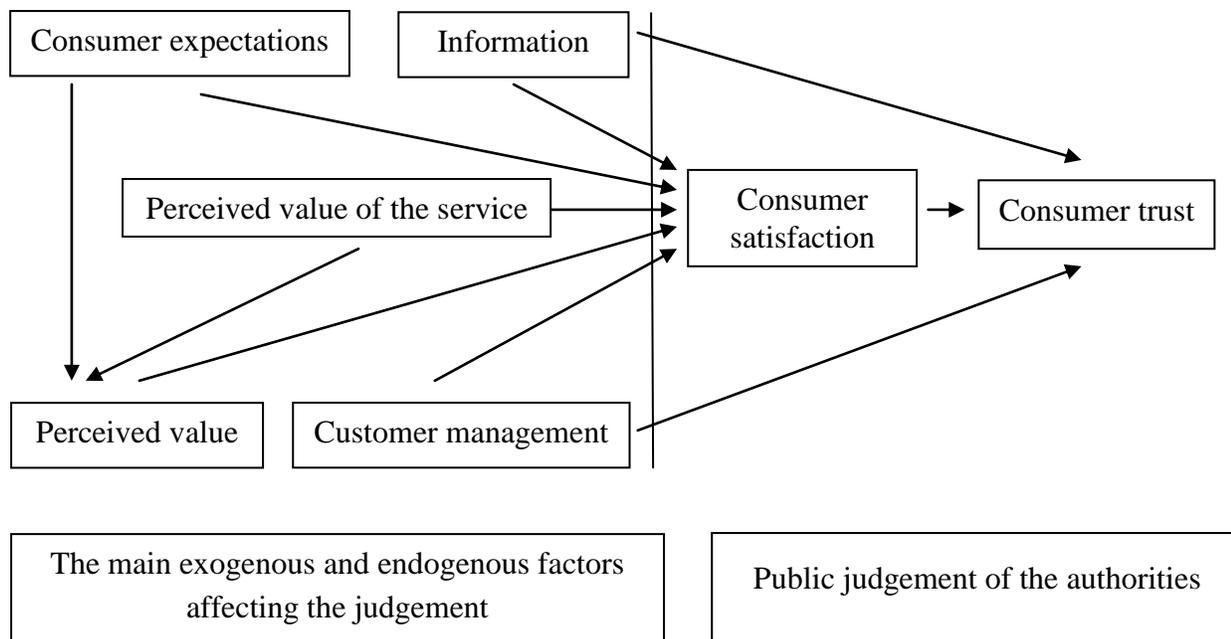
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<sup>1</sup> The establishment of ECSI was a result of a cooperation of organisations, including the EOQ (European Organization for Quality), the EFQM (European Foundation for Quality Management) and the European Academic Network for Customer-oriented Quality Analysis.

<sup>2</sup> The study does not analyse the experienced values regarding the supervisory consumer protection authorities.

the price and the quality, which is measured in the model in money. The quality of information and customer management influences satisfaction and in the long term trust as well. Similar to the model of Ball. I found important to put emphasis on these factors in order to achieve a more exact result.

**Figure 5: The measurement model of the public judgement of consumer protection authorities**



Source: ECSI model, own elaboration based on the studies of the ECSI model published by Bee et al. (2012) and Ball et al. (2004)

### • Conclusion and future research

The importance of the institutional systems of consumer protection is not a question anymore. However, to enable the system to be efficient, the proper establishment and operation of these systems is essential. In the relatively developed countries of the World and in Europe we can meet with different institutional structures. As a conclusion it can be stated that as result of the different measure of development, the consumer protection institutional structures can be classified into three different groups regarding the intervening role of the government in Europe. I examined one of the main goals of the current consumer protection policy, the level of confidence placed in the internal market and within that I examined the level of confidence placed in consumer protection organizations and measures. The level of confidence placed in governmental and non-governmental organizations is almost the same in the recent years, however significant differences can be observed between the groups of countries.

The study was based on the presumption that the state-provided institutions for consumer protection are influenced by many factors and that these factors can be grouped and counted. I grouped the factors of public judgement of the authorities into endogenous and exogenous factor groups. The article's discussion of judgement was based on the measurement models of satisfaction with consumer protection authorities and the trust placed on them. The writer proposed her measurement model of public judgement regarding supervisory consumer protection authorities, which was based on studies of the measurement of consumer satisfaction. The main variants of the model are latent variants and

therefore, those are unmeasurable in a direct way, so researchers have to attach measurable indicators to these variants. The further direction of this research is the accurate identification and quantification of internal factors, so as the activities of the organizations, consumer protection responsibilities as controlling, reporting and customer management (Csiszár, 2012).

### Acknowledgements

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#### **Annex:**

EU27 European Union - 27 Member States

EU15 The fifteen Member States that were EU Members prior to the accession of ten candidate countries on 1 May 2004

EU12 The twelve Member States that joined the European Union in recent years (2004 and 2007)

BE	Belgium	LU	Luxembourg
BG	Bulgaria	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	The Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
IE	Ireland	PT	Portugal
EL	Greece	RO	Romania
ES	Spain	SI	Slovenia
FR	France	SK	Slovakia
IT	Italy	FI	Finland
CY	Republic of Cyprus	SE	Sweden
LV	Latvia	UK	United Kingdom
LT	Lithuania		

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**Effects of Physician-Directed Pharmaceutical Promotion on Prescription Behaviors: Longitudinal Evidence**

**Abstract:**

Expenditures on prescription drugs represent one of the fastest growing components of U.S. healthcare spending. Virtually all (83%) of Rx promotion is directed at physicians in the form of visits by pharmaceutical representatives. This study is one of the first to bring longitudinal evidence to bear upon the question of how detailing and sampling impact physicians prescribing behaviors.

## **Lídia Diána Demeter, Krisztina Szegedi**

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### **Some Ethical Issues of Innovation**

#### **Abstract:**

The article examines an interdisciplinary research topic, it focuses on some ethical aspects of innovation by connecting the major fields of technical and social sciences. In a broad interpretation, innovation is aimed at satisfying customer needs at a new, higher standard by regarding research and development as its central element. Applying the basic question of ethics about the right and good behaviour to innovation and research and development, thought-provoking conclusions can be drawn. After defining innovation, research and development and ethics, the article presents the specific ethical dilemmas raised by innovation and research and development, emphasizing the ethical issues of information technology, nanotechnology and biotechnology. Finally, the possible directions of an empirical research are determined.

**Keywords:** Innovation, ethics, enterprise, corporate social responsibility.

#### • **Basic definitions**

According to Chikán's (2006) broad definition of innovation, it satisfies consumer needs at a new, higher quality level. In his influential work about the theory of innovation, Schumpeter (1939) made a distinction between five types of innovation:

- 1 Producing news goods previously unknown for customers,
- 2 Introducing a new production process previously unknown in the industry,
- 3 Exploiting new markets,
- 4 New sources of purchasing raw materials and semi-prepared products,
- 5 New ways of organizing business activities.

An essential part and also the framework of innovation is research and development, which includes the foundation of development ideas and the process of creating new products technologies and organizations. Research creates new knowledge while development means the application of knowledge (Chikán, 2003).

Ethics, however, is a philosophical discipline. Philosophy is the science of researching and classifying the most general laws of nature, society and thinking. On the one hand, it examines the evolved habits and behavioural patterns in society so it has a descriptive nature, on the other hand, it does not only

reflect morality but it also critically evaluates and formulates ways of improving the morals, in this sense it can be regarded as a normative science as well (Hársing, 1995). The subject of ethics is traditionally the behaviour and actions of people. It investigates a good life in the art of leading a good life, on the other hand, it also examines the rules of action. The main moral issues of ethics are the following: how can we make a distinction between right and wrong? What is good life and happiness? When do we act in a morally acceptable way (Enderle-Homann-Honecker-Kerber-Steinmann, 1993)?

According to Molnár (2001), ethics is the theory of the reflection of "right" morals. While reading this, we might have the question of what is morally right. Who can tell us which one is the "right" morality in a modern, pluralistic society in which a wide variety of lifestyles, views of life and their corresponding virtues co-exist close to each-other. Does morality have a special role in them? And if so, what role does it have and who is to tell us which is the one that is more valuable than the others? Kaufman and Desotelle point out that ethical values are also significant to the ethical quality of innovation (Kaufman and Desotelle, 2002).

- **The ethical issues of innovation and technological development** The most controversial dilemma caused by the constant economic development is that while the more and more intense production is aimed at satisfying increasing consumer needs, the side effects of the applied technological processes may result in crucial damage to the natural environment. According to Hans Jonas, all previous ethics, either explicitly instructing to do certain things while not allowing to do, or establishing the obligation to obey some previously determined principles, tacitly shared the following interrelated conditions (Jonas, 1998):

- 6 The human condition arising from the nature of man and the nature of things is basically unchanged once and for all.
- 7 Human good can be determined on this basis in an easily foreseeable manner.
- 8 Human actions and therefore the exact scope of human responsibility is fixed.

Jonas points out that in our modern world that these conditions are no longer valid. The ability of modern technology, together with the growth of human power has extended the scope of responsibilities, which opens up new dimensions in ethics. In his conception of ethics, the survival of the human race plays a key role: "Act in such a way that the real impact of your action are compatible with the conservation of human life on Earth" (Jonas, 1984). According to the public view, technology is merely a neutral tool and not the subject of ethics. Jonas does not only reject this thesis but he also shows what hidden assumptions make us believe that technology-related actions should be regarded as morally neutral.

According to some authors, the moral dimension necessarily appears within the framework of general or metaethical problems since any technology can be a device leading only to the realization of the "right". However, the negative consequences of technology drew attention to the issues of responsibility, which, in this case, constitute a collective and individual responsibility, such as the responsibility of engineers, designers, politicians etc. Due to the uncertain outcome of the technical developments, the approach of the ethics of intention may be emphasized, that is, the real intention of decision-makers and executors. When examining the ethics of technology, another relevant aspect is

the trust in the abilities, expertise, knowledge and honesty of the creators and designers (Ropolyi, 2005). Potter (1971), connects the issues of technology and ethics to the survival of the human race, according to him, everything is good that promotes the survival of the human race, and everything should be considered bad that puts limitations to it (cited by Tóth, 2006).

According to other approaches, ethics plays a role of a moral guide, a sort of moral brake in the field of innovation, as well as in terms of the global economy (Habisch, 2007). Innovation affects a lot of actors, and it may have very different effects on the individual stakeholders, that is why the approach of the ethical consequences and the analysis of these effects are essential (Martin, 2008). Among the ethical principles of innovation, the respect for human dignity, the respect for vulnerable persons, the respect for private and confidential information, the respect for the truth, the balance between benefits and losses and the minimization of damages also appear (Greene, 2003)

- **Ethics and information technology**

Information technology has become an important part of our everyday life, however, it does not only have positive effects on our society, it triggers almost as many negative impact as well.

Molnár (1999) points out that computer technology does not only make production and production-related systems, financial systems and education more efficient but it also redefines the concept of working, offering unlimited potential along with high risk and a low level of controllability.

This question is so substantial and complex that the European Parliament hosted a workshop on how to integrate ethics, polics and innovation as part of the ETICA project. The four main fields identified by the panel are the following:

- 9 The effects of the Internet on society,
- 10 Right to privacy,
- 11 Acquiring personal data from the Internet and their use for business purposes,
- 12 Censorship on the Internet.

One of the fundamental questions of EU projects is what ethical problems and challenges can be raised by the dynamically developing technologies. There is a consensus about the areas where these technologies may occur in the context of ethics. These are the following:

- 13 Environmental intelligence,
- 14 Emotional intelligence in computers,
- 15 Artificial intelligence,
- 16 Bioelectronics,
- 17 Cloud-based computing,
- 18 The Internet of the future,
- 19 Human-machine symbiosis,
- 20 Extended and virtual reality,

- 21 Neuroelectronics,
- 22 Quantum computing,
- 23 Robotics.

- **Ethical issues in nanotechnology**

Nanotechnology is the engineering of functional systems at the molecular scale. It has the potential to create many new materials and devices with a vast range of applications, such as in medicine, electronics, biomaterials and energy production. However, nanotechnology raises many of the same issues as any new technology, including concerns about the toxicity and environmental impact of nanomaterials, and their potential effects on global economic life. Its significance will raise in the near future, as products underpinned by nanotechnology are forecast to grow from a global volume of 200 billion EUR in 2009 to 2 trillion EUR by 2015. The number of employees is also expected to grow in the sector, although the current direct employment in the nanomaterial sector is estimated at 300 000 to 400 000 in Europe.

At the same time, being a new technology, relatively little information is available about the impact of nanomaterials on humans and the environment. Many articles can be found on the potential dangers of nanotechnology (eg, Smithers, 2008, EU-OHSA, 2012). The following main ethical concerns can be identified in the field of nanotechnology:

- 24 Damage to health: The extremely small size of nanoparticles makes them able to get into the human body very easily, which can result in a toxic damage, especially in certain foods, cosmetics, paints and medicine.
- 25 Environmental damages: Nanotechnology may cause a possibly new type of pollution if its materials are released into the environment. The whole life cycle of some of these particles is much longer than that of other chemical materials, it may take them several thousand years to decompose.
- 26 Insufficient supply of information: Consumers, producers of nanomaterials and the society as a whole are not necessarily informed about the possible threats posed by this new technology.

- **Ethical issues in biotechnology**

Biotechnology can be defined as the application of biological organisms, systems, or processes by various industries to learning about the science of life and the improvement of the value of materials and organisms such as pharmaceuticals, crops, and livestock. In other words, it may refer to any technological application that uses biological systems, living organisms or derivatives thereof, to make or modify products or processes for specific use. Biotechnology has applications in four major industrial areas, including health care (medical), crop production and agriculture, non food (industrial) uses of crops and other products (e.g. biodegradable plastics, vegetable oil, biofuels), and environmental uses. In biotechnology certain religious and cultural attitudes also appear.

A variety of foods such as meat, fruit, vegetable dehydration, canning, bread and beer, or the extraction of bioactive compounds produced from cereals for medical purposes, includes the traditional areas of

biotechnology. The much disputed genetic modification (Bánhegyiné, 2002) also appears in modern biotechnology:

- 27 The cultivation of high-yielding crops with natural defense in the developing countries was a reasonable goal on ethical grounds. However, considering the consequences, genetically modified pollens or seeds spread to lands where there are not genetically modified plant species, and they are almost impossible to eradicate.
- 28 Pesticide manufacturers followed a clearly unethical practice when they took pesticide-resistant genes into the plants, encouraging farmers to purchase their pesticides and crops compatible to them. However, the distribution of some of the pesticides also have a negative impact on biodiversity.
- 29 It was also unethical to put genes into the seeds that made it impossible for farmers to collect seed, forcing them to permanent purchasing.

Biotechnology arguably plays an important role in various areas of food and energy production, medicine and industry. Positive moral value appears in avoiding or mitigating damage and in increasing human well-being. However, potential risk occurs due to the unintended effects or misuse of the research and application of biotechnology. In connection to biotechnology, religious and cultural attitudes appear as well. The application of certain biotechnological solutions has impacts on social relations, it shapes social life in a non-obvious way, and changes future conditions for every stakeholder. The ethical approach of public discourse is recommended, which is characterized by openness and inclusion, honesty, accountability, public reasoning, licensing, and warning (Nuffield Council on Bioethics, 2012).

- **Conclusions**

Lu Yong Xiang (2006) points out that technological advances are the driving forces for the development of human civilization, they do not not raise ethical issues by themselves, these are raised due to their incorrect application. However, the aforementioned examples show that, in spite of the good intentions, innovation in various fields can lead to bad consequences. The preliminary ethical analysis may give support to the designers, creators and users of a variety of new technologies to identify and eliminate potentially problematic items during development. Due to the interdisciplinary nature of the subject, public consultation and the cooperation of experts from different fields is essential. Not only their own conscience may pose an ethical constraint for researchers, but they also have a public responsibility. Similarly, responsibility also appears in business innovation (Hanekamp, 2007), including corporate responsibility, so innovation must be involved in corporate social responsibility, and it is worth being included in the CSR reports as a separate topic. (Nuffield Council on Bioethics, 2012). These issues require the application of the approaches of ethical duty, ethical consequences and ethical discourse at the same time.

Our paper presented the possible directions of a future research into the relationship between ethics and innovation. and outlined the framework of a future research. During the actual research, the following questions need to be answered: Are researchers aware of their widespread ethical responsibility?

- 31 What regulations may help resolving the ethical concerns raised by innovation?

32 What do businesses do in order to take the ethical responsibility of their innovative activities?

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**Cultural Impacts among Lefluts:  
Highlights of CPD Within the University of Benghazi**

**Abstract:**

Teachers are the conveyers of ideas, practices, and they are the source of knowledge to their learners. Libyan English as a Foreign Language University Teachers (LEFLUTs) are doing that in a language that is not their language to students to whom it is not their language, at the same time as they are doing it in a difficult cultural context. Teachers are constrained, as teaching is an activity in which the extent to which the teacher can decide what they are going to do is limited.

**1. Introduction**

Teachers are the conveyers of ideas, practices, and they are the source of knowledge to their learners. Libyan English as a Foreign Language University Teachers (LEFLUTs) are doing that in a language that is not their language to students to whom it is not their language, at the same time as they are doing it in a difficult cultural context. Teachers are constrained, as teaching is an activity in which the extent to which the teacher can decide what they are going to do is limited because of the way that things are decided. EFL teachers may have extra issues and constraints in that they cannot use a lot of the techniques that teachers of other subjects use. This is because they have to work in a language that is not native to the learners. Then, if the teacher is not a native speaker either, it will be another constraint. LEFLUTs may have additional constraints than, for example, an Italian teacher teaching English to Italian students. These constraints may come from their cultural context, such as the impact of Libyan community, teachers' age and gender, the way learners' use to learn (their learning styles), also the last political context (Gadhafi's era) which has influenced the way that LEFLUTs teach and deal with the foreign language. In other words, LEFLUTs are restricted by the wall of culture, political interference, and their subject and how to teach it. Thus if we seek to offer support, we need to explore in details the influences affecting their teaching approaches in the language classrooms. It may then be possible to suggest a way or an approach of continuing professional development (CPD) to work within these constraints. This paper is an outcome of my research study on the Libyan EFL university context which presented ideas and justifications of implementing Action research as model of CPD for EFL university teachers within the University of Benghazi.

**33 Libyan Context: Brief Background**

Various studies in many different sectors of education have focused on areas related to teachers and teaching practices, such as teachers' knowledge, interpretations, beliefs, cultural situations, as well as how these areas are related to each other theoretically. Despite this, teaching is a practical activity, and

in order to be a teacher you need to be very practical. Also, as a teacher, you have to find a way of using theory in practice of language teaching. This means that you undertake activities with a community of other teachers. Because people do not learn in isolation, but as active members of society (Wilson 1999). What a person learns and how they make sense of that knowledge depends on where and when they are learning, such as the social context (p.172). Libyan teachers learned to be Libyan teachers in a particular social context, using a particular kind of knowledge at a particular time, therefore their practices are socially constructed. The practices of Libyan teachers teaching EFL at the university level can be seen as constructed from their cultural background, views on learning and teaching, and the kind of education they have received: theoretical knowledge about the language and practical knowledge about the teaching. They are a product of the way learning is managed in the university context. These problems are exacerbated by the top down approach of faculty and departmental control; these managers (in this context of belief and culture) consider university teachers already qualified enough to teach any subject. This managerial expectation puts pressure on these teachers to perform, without providing the necessary training and professional support. Therefore, my research study aimed to explore the implications for supporting the LEFLUTs to overcome their difficulties.

### **34 Aspects of the Investigation, and the Research Questions**

My research study aimed to explore what kinds of knowledge LEFLUTs have, background information on Libyan education system, policy, training, and English curriculum. It investigated how LEFLUTs are prepared and how they teach EFL in terms of their views on learning and teaching methods. Also, this research aimed to go through the challenges faced by the LEFLUTs arising from their existing culture and beliefs of teaching. It went through the challenges of the university management within faculty and department. The following research questions covered the main research concerns:

- 1 What are the difficulties faced by Libyan university EFL teachers?
- 2 To what extent are the difficulties faced by Libyan university EFL teachers' consequences of views, beliefs/culture and concepts of learning?
- 3 What are the implications for the development of an approach to CPD?

#### **○ .The Study Issues**

In the search for possible theoretical solutions for the problems in Libya which come from teachers' education, teachers' knowledge and their cultural context, this research uncovered a variety of related issues. To explore these issues, the following resources have been found useful: social constructivism as a theoretical framework for understanding teaching and learning, theories of teachers' knowledge – especially in terms of the pedagogical content knowledge (PCK) and the six categories of teachers' knowledge established by Shulman (1986-87), Kennedy's taxonomies of Continuing Professional Development (CPD) – and its models such as action research, and theories and methods of teaching EFL – such as the communicative approach and the grammar translation method.

### ○ **The Research Theoretical Framework: Epistemology and Social Constructivism**

It is the epistemology of social constructivism which makes it attractive in exploring the main research issues among LEFLUTs, as it provides a very good basis to explore the context of learning (how teachers learn), teaching (how teachers teach) and teachers' education (how their knowledge is developed). Kincheloe & Tobin (2005) demonstrate that other epistemological approaches which hold that knowledge does not depend on social interaction would be less useful here: "Rejecting hyper-rationalistic notions that there is a monolithic knowable world explained by positivistic science, an epistemology of complexity views the cosmos as a human construction – a social creation" (p.14). The use of social constructivism to investigate such issues relating teacher education and teacher knowledge has been studied by several researchers.

Myles (1988) pointed out that social constructivism provides a "psycholinguistic explanation" for how learning can be promoted effectively through interactive pedagogical practices. This emphasises that learning takes place in a socio-cultural environment and views learners as "active constructors of their own learning environment" (p.162). Vygotsky (1978) showed that learning occurs through dialogue (p.50). Von Glasersfeld (1989) explained that the process of knowing has social interaction at its roots: an "individual's knowledge of the world is bound to personal experiences and is mediated through interaction (language) with others; thus, learning from a social constructivist perspective is an active process involving others" (p.136). Brooks and Brooks (1993) claimed that "social constructivism is not a theory about teaching... it is a theory about knowledge and learning... the theory defines knowledge as temporary, developmental, socially and culturally mediated, and thus, non-objective" (p.7).

Schwedt (2001) and Schram (2003) both showed that peoples' interpretations of phenomena are not always subjective; we sum up our interpretations, constantly comparing and constricting them with reference to those of other people. It can be said that the interpretation of phenomena is basically inter-subjective (p.33). Hawkins (2004) pointed out that, because a social constructivist approach is based on the premise that teachers' knowledge is a socially constructed experiential entity, teachers' education needs to involve the process of negotiation among teachers (p.77). Gergen (1994) stated that Vygotsky's social constructivism emphasises that knowledge is constructed through interaction in the social world. It abandons the traditional views and introduces a new range of theoretical departures and shared values, as opposed to individualist values (p.59). Also, Woolfolk (2001) showed that social constructivism provides a learning atmosphere in which group discussion, social negotiation, "inquiry, reciprocal teaching, humanistic education, computers, and hypermedia are utilised" (p.89). Au (1990) pointed out that a social constructivist approach to teacher education necessitates teachers' educators to develop awareness-based activities through which the process of negotiation among teachers can be supported. Teachers can share ideas and views about English learning and teaching, reflect upon their interpretations and perspectives and possibly generate some changes in their teaching practice (p.275).

LEFLUTs have a lack of professional interaction among teachers, because of the cultural influences that limit their relationships. In the light of social constructivism, this lack impacts on their professional knowledge. Freeman (2004) stated that teachers' knowledge is the central activity of teacher education and "any improvements in the professional preparation of teachers... need to be learned". It is therefore significant to organise appropriate development programmes (p.89). Hedgcock (2002) showed that non-native EFL teachers need to have greater teachers' knowledge as they also need to meet the

language competence and proficiency requirements to be effective teachers, which could be achieved through professional development activities (p.230). Also, Tsui (2003) stated that the impact of teachers' beliefs and culture might influence their practice, knowledge and classroom actions (methodologies).

LEFLUTs also have a lack of teacher training. Due to the above-mentioned constraints, LEFLUTs may not have the appropriate development programmes or training activities which enable them to develop their knowledge. Rodrigues (2004) defined continuing professional development (CPD) as “any process or activities that provides added value to the capability of the professional through the increase in knowledge, skills and personal qualities necessary for the appropriate execution of professional and technical duties, often termed competence” (p.11) and Kennedy (2005) suggested that “CPD can be structured and organised in a number of different ways, and for a number of different reasons” (p.236).

#### ○ **. EFL in Libya: Brief History**

Teaching and learning of English as a foreign language in Libya has gone through several stages, Sawani (2009:p.5-10) pointed out that during the 1970s and until the mid-1980s learning English was a compulsory component of the Libyan schools and universities. However, in 1986, teaching and learning of English were completely cancelled. This was due to the political forces which deeply influenced the educational system at that time. This in turn meant the teachers of English were made “jobless or otherwise had to teach other subjects such as history and geography”. At that time students were unaware of the problem until they finished their secondary school and became university students where their failure to study many subjects in English became evident.

“After a while the Libyan educationalists realised the fault and determined to incorporate English in the curriculum again. They decided not only that English must be taught, but that other languages must also be learned even at the very early stages of the learning process. When English was welcomed back at school again teachers who were once teaching English became unable to teach it”.

Also, Sawani (2009) pointed out that some of those teachers (English teachers who became unable to teach English) practiced a programme called in Arabic *TageerMasar in Libya* (which means “change of direction or specialty”) to teach other subjects such as history, mathematics or geography in primary and secondary schools. Therefore, some of those teachers preferred to stay where they were and not return to their original specialty (p.11).

Moreover, Gadour (2006) pointed out that the introduction of new textbooks integrated cultural aspects of the English language that required the application of new teaching methodologies. This created an obstacle in the teaching learning environment because “many teachers have forgotten the English language, but culturally they have to teach it” There were only a few teachers left who were still capable of teaching languages, particularly English (p.180). However, IAU (2009) showed that those teachers who struggled during the cancelation of English were often given opportunities to take scholarships to renew their English skills overseas, either in short courses or by taking a degree, such as an MA or PhD (p.35). This particular point is one of the causes of the two evidently different generations of teachers in Libya.

Also, Gadour (2006) showed that to deal with this problem, programmes for training school-level teachers of English were designed, but the local educational culture prevalent among teachers and learners had led to nothing, because Libyan teachers of English had been accustomed to using old methodologies and to materials which were solely built on Libyan culture. In addition, the generation of students who graduated during the time when English was not being taught are still limited in their ability to take advantage of existing opportunities with western countries, such as work opportunities at foreign companies in Libya (pp.180-182).

The IAU (2009) showed that after the welcoming of English, the Committee of Higher Education arranged a massive scholarship programme abroad to allow more than 72,000 teachers and students to get MAs and PhDs from different western countries, such as the UK and the USA, from 1999 to 2009. Scholarships had also been offered for graduate students and teachers before 1986 but there were very few scholarships from 1991 to 1999 (only 1,733). This reopening of scholarships (after 1999) created two generations of teachers (p.36).

#### ○ **. Grammar Translation Method in the Libyan EFL Context**

Reza et al. (2007) showed that in many foreign settings and countries, such as Libyan EFL, the Grammar Translation Method is still considered as the best way of teaching and learning English as it satisfies the existing culture of learning in Libya, such as the teacher-centred. Also, Arab students in general and Libyan students in particular are acclimatised to such methods of teaching and learning since they are used to learning the Quran and some famous poems by memorisation and low interaction. This approach indicates that there is predominance among teachers of the view that learning a language is best done following a behaviourist paradigm. Although there is no clear policy of teaching at University level which stipulates exact methods or theories (pp. 136-138), it is assumed that everyone is familiar with the required approach. Latiwish (2003) explained that learning English as a foreign language in Libya is viewed as a matter of mastering grammatical rules and vocabulary, and many English language curricula and accompanying course books are designed to promote this by memorisation. Many Libyan teachers are also influenced by particular beliefs/culture of learning as in the traditional Libyan classroom, where teachers have more control over students' interaction and contribution in the classroom. (pp. 37-38). In other words, the grammar translation method is applied in the Libyan EFL context for two main reasons:

- 1 A lot of Libyan EFL teachers had themselves been taught using some aspects of grammar translation method during their learning journeys, such as the traditional approaches to learning the Quran, old Arabic poems and some national sayings.
- 2 Students' learning styles, which were influenced by quiet and weak interaction with teachers.

### **3 EFL Teaching and Teachers at the University of Benghazi**

The University of Benghazi has seen the clear impact of the educational situation and circumstances, such as the suspension of English teaching and the unplanned changes to curricula at the school and university levels. Latiwish (2003) pointed out that because of these impacts, the LEFLUTs at the University of Benghazi could be divided into two generations: teachers who have been teaching at the university for more than 18 years are considered to be old generation teachers (**OGTs**), while teachers

who have been teaching for less than 15 years are considered to be new generation teachers (**NGTs**) (p.23). In other words, because of the LEFLUTs' unique circumstances such as the suspension of English and interchangeable management they have been through, two different generations of teachers (OGT & NGT) emerged clearly at the University of Benghazi.

○ **4.1. Libyan Old Generation Teachers (OGTs)**

Latiwish (2003: (p.25) pointed out that teachers who have been teaching at university for more than 18 years could be considered as old generation teachers (OGT). As a consequence of the political and cultural reasons and its impact on teachers' developments, most of the OGT are still using their own methods of teaching and administration and their own choice of materials for a very long time. Some of them maintain their old perspective of teacher-centred and student-level measurement, while ignoring the use of modern teaching facilities such as labs, PowerPoint, emails and the internet. This way of teaching reflects a belief of how teaching and learning should be, as their beliefs and perspectives would not have changed or developed).

○ **4.1. Libyan New Generation Teachers (NGTs)**

The Libya Committee of Higher Education has sent thousands of students to study abroad, which has produced a new generation of teachers (NGTs). Latiwish (2003: (p.26-27) also pointed out that the majority of the new generation teachers (NGT) have been taught by the OGT during their undergraduate studies. Then, after the wide re-opening to the West in 1999, most of the NGT got a chance to complete their MAs/PhDs abroad. Those teachers have therefore experienced different ways and schools of learning to how they learnt at universities. Some of the NGT are still facing difficulties in applying their new experiences with their students due to the OGTs administration and control. This control remains strong at most university faculties and is supported by the government, which might reduce the NGTs' abilities to implement their strategies. I am interested in investigating the extent to which NGTs may face challenges in applying what they have learned abroad and also in finding out the extent of the relationship between OGTs and NGTs.

Notwithstanding the points above, Latiwish (2003) explained that some OGT and managers have been implicitly guided to accept development in their qualities and beliefs of teaching to cope with the current Libyan situation. Furthermore, most current university students are encountering the new developments of internet access, international schools and globalisation of knowledge which require well-skilled teachers. This encounter has started to help NGTs to interact with their students. Even some interested OGTs are now interested in developing their teaching skills and interacting with modern knowledge and with the NGTs. In addition, new ways of teaching and learning English have become easy to learn, even outside universities, in places such as private English schools or institutes, which have also helped the NGTs to interact with their students (Latiwish :p.28-30). IAU (2009: p.39) also mentioned that teaching and learning EFL is offered in numerous places in Libya, such as the British Council, the private sector, oil industry institutes and in business activities.

#### **4 Continuing Professional Development (CPD)**

**CPD** can be seen as offering a systematic way of improving and developing teachers' knowledge, perspectives, beliefs and skills during their lifelong career as a teachers. The Institute of Professional

Development (2006) defines CPD as combinations of approaches, ideas, concepts and techniques that help teachers to manage their own learning and development (p.20).

Rodrigues (2004) showed that:

“ CPD is any process or activity that provides added value to the capability of the professional through the increase in knowledge, skills and personal qualities necessary for the appropriate execution of professional and technical duties, often termed competence” (p.11)

Lange (1990) also showed that it is a “process of continual intellectual, experiential and attitudinal growth of teachers”, which is essential for maintaining and enhancing the quality of teachers and learning experiences (p.250). Bell et al (2001) stated that teachers can review, renew and extend their commitment as agents of change to the moral purposes of teaching; and through this they acquire and develop critically the knowledge, beliefs, skills and emotional intelligence important to excellent professional thinking, planning and practice with children, young people and colleagues through each phase of their teaching lives (p.4).

Rodrigues (2005) points out that a teacher’s CPD shifts to meet accountability and credibility demands as it is planned to enhance teachers’ self-confidence, overall competence and language teaching or pedagogical content knowledge by providing instruction on the fundamental themes and perceptions in the EFL teaching process (pp.388-389). Kanu (2005) also suggested that CPD serves longer term goals and seeks to facilitate the development of teachers’ understanding of teaching as well as understanding themselves as teachers (p.499).

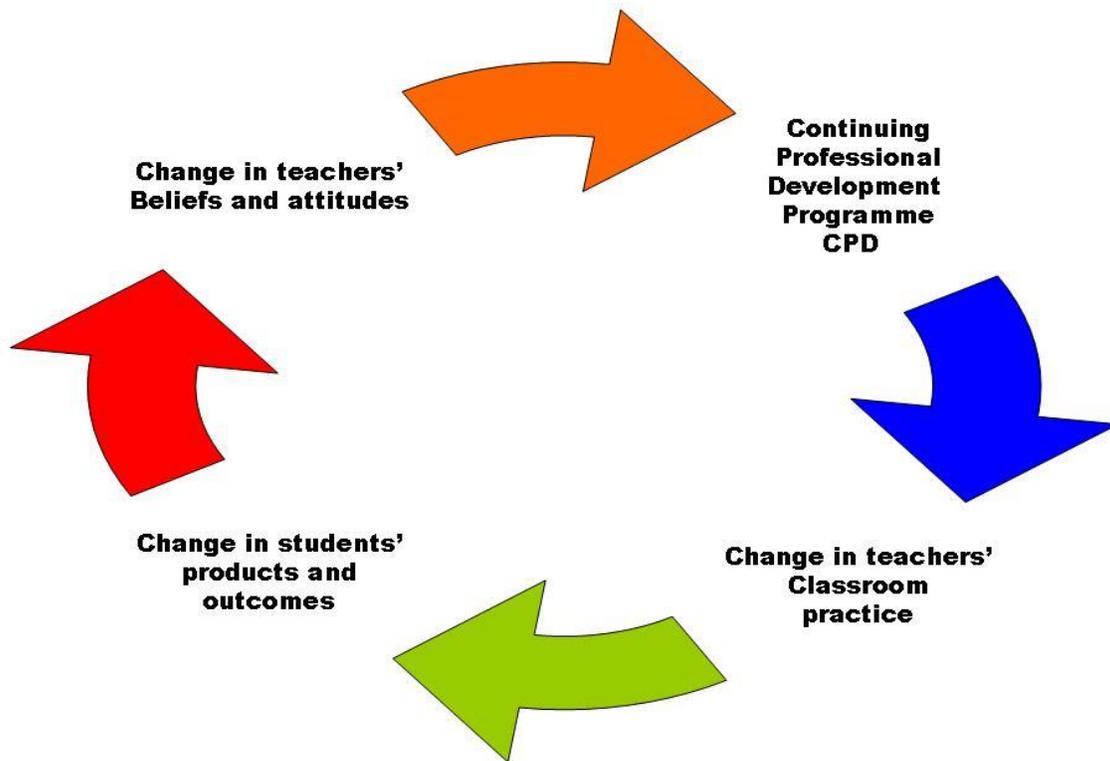
#### ○ . **Process of CPD: School Teachers**

The process of teachers’ CPD may be anything that helps teachers to progress their skills and teaching beliefs, in order to enhance their teaching performances. Rodrigues (2004) showed the aims of CPD from a second or foreign language development perspective can cover any of the following: the process of how second/foreign language development grows; learning how roles transform according to the kind of the learners being taught; reviewing theories and principles of foreign language teaching; determining learners’ perceptions of classroom activities; developing an understanding of different styles and aspects of teaching; understanding the sorts of decision making that occur during foreign language lessons and building awareness of instructional objectives to support teaching (pp.5-6).

Rodrigues et al (2005) stated that “teacher development is more involved with in-service teacher education. It relies more on teachers’ personal experiences and background knowledge as the basis of the input content, and typical teacher development activities through their teaching career”, as it includes “teacher study groups, practitioner research, or self-development activities” (p.390). Guskey (2009) reported on the strong relationship between teachers’ CPD and their students’ outcomes and practice (p.490). Also, Guskey (2002) offered four models of professional development as vehicles for changing teaching practice, leading to improvements in student achievement and outcomes, and changes in teachers’ beliefs and attitudes (p.382). In other words, the process of CPD is usually linked to teachers’ careers and development. According to the importance of training and CPD, the LEFLUTs

may find the idea of CPD useful, and then they might find a possible model which accords with their existing context.

**Figure 1: Guskey’s Model of Professional Development**



(Adapted from Guskey, 2003, p.3)

○ **Action Research as a CPD Model**

Kennedy (2005) pointed out that action research as a model of CPD has been recognised as being successful in providing teachers with opportunities to ask critical and important questions of their practice (p.250). Clare et al (2000) claimed that the action research approach could improve teachers’ knowledge improvement in several ways:

**A-** Teachers engage in critical reflection on specific features of their curriculum and pedagogy, they get to know their students well, interact with them, observe them and gather data.

**B-** They engage critically with the research literature related to their research.

**C-** They collaborate with their peers and they modify curriculum and pedagogy in ways that allow their students and meet a wide range of their educational needs (pp.117-118).

**5 The Study Findings**

In the light of main research issues concerning difficulties faced by LEFLUTs, and influences from views, Beliefs/Culture and Concepts of Learning , the results of the study, reported in the previous

chapter, exposed several important points to discuss and explain. The previous chapter (the findings chapter) also pointed out the responses, ideas, knowledge and experiences of 18 LEFLUTs at the University. To help guide the discussion, this chapter returns to the research questions that the study seeks to answer. It will first provide a brief summary of the results that pertain to the particular research questions, which will then be followed by an interpretation and clarification of the results, with reference to the literature and theory.

- **. Research Question 1: What are the Difficulties faced by Libyan University EFL teachers?**

The data analysis and findings in chapter six, major issues regarding the participants' knowledge, situations, and difficulties they face have been elicited. These difficulties could be summarised and discussed as follows: (1) knowledge and skill development within the university (2) top down approach from management or administration within the university, faculty and department (3) poor facilities and resources, such as the internet, books, PowerPoint, etc. (4) the large number of students within the department (5) and academic atmosphere, motivation and collaboration among teachers.

- **. Research Question 2: To what Extent are the Difficulties faced by Libyan University EFL teachers' Consequences of Views, Beliefs/Culture and Concepts of Learning?**

Through the data analysis and findings in chapter six, a number of important points regarding the difficulties faced by the participants as a consequence of their views, beliefs/culture and concepts of learning have to be clarified. These difficulties were revealed through the process of data collection and analysis. As the participants (both OGTs& NGTs) pointed out there is an influence from their existing culture/beliefs, on views of professionalism and concepts of learning shown through their responses to the scenarios and interviews.

In other words, during the data collection and analysis, it has been found that the participants are influenced by their cultural beliefs of teaching and learning, as some of them displayed the traditional Libyan culture of teaching and responding to the scenarios.

Also, through their interview participations, a number of points were revealed, such as their beliefs on being qualified teachers, age and gender issues, and the culture of teaching and learning.

- **. Research Question 3: What are the Implications of the Development of an Approach to CPD?**

The aim of CPD is to develop teachers' knowledge during their careers as it provides them with a way to develop knowledge. Freeman (2004) stated that teachers' knowledge development is the central activity of teacher education and 'any improvements in the professional preparation of teachers... need to be learned', i.e. it is significant to organise appropriate improvement programmes (p. 89). The Institute of Professional Development (2006) explained CPD as a combination of approaches, ideas, concepts and techniques that help teachers to manage their own learning and development (p. 6). Rodrigues (2004) stated that CPD is described as 'any process or activities that provide added value to the capability of the professional through the increase in knowledge, skills, and personal qualities necessary for the appropriate execution of professional and technical duties, often termed competence'

(p. 11). Kennedy (2005) highlighted that action research as a model of CPD has been recognised as being successful in providing teachers with opportunities to ask critical and important questions of their practice (p. 250). Also, Clare *et al.* (2000) stated that the action research approach could improve teachers' knowledge improvement through several elements: (1) teachers engage in critical reflection on specific features of their curriculum and pedagogy, they get to know their students well, interact with them, observe them and gather "data" (2) they engage critically with the research literature related to their research (3) they collaborate with their peers and they modify their curriculum and pedagogy in ways that allow their students to meet a wide range of their educational needs (p. 117).

Furthermore, Van Driel *et al.* (2001) concluded their PCK study by stating that 'PCK is an appropriate framework for the design of teacher education programs and development. As discussed in 4.1.4, already, PCK has been used to describe and develop such programs at all levels' (p. 984).

## 6 The Research Implications

According to what we have learned from the research theoretical background, framework, research challenges, research findings, and discussion, Action research as a model of CPD may be a helpful approach for the development of the LEFLUTs at the University of Benghazi. This is because of following points:

A. Most LEFLUTs (OGTs & NGTs) are looking to develop their teaching abilities and learn more about teachers' knowledge such as pedagogical knowledge, content knowledge, curriculum knowledge and knowledge of learners. Some of them try to challenge the lack of official development programmes through their self-activities, such as the M4 (OGT) who took some courses outside Libya, and M6 (NGT) teachers who showed a real interest in increasing their knowledge as exemplified.

Therefore, this point about teachers seeking development can be used as a supportive point to suggest and encourage those teachers to apply the action research model of the CPD programme for their knowledge development. For example, those interested teachers could set together and discuss their classroom problems, implicitly guided at the beginning, and then try it, observe it, and by then they will reflect to what they have found themselves; this process could encourage them to work out and progress their mistakes.

B. The approaches of action research are flexible enough to be applied by those teachers (the LEFLUTs), as they facilitate teachers to investigate problems either individually or in pair or group work. As seen in chapter five, LEFLUTs at the University of Benghazi are facing cultural and situational difficulties which may limit any wide range of development programmes. In addition, action research as a flexible instrument of CPD could be a very useful start for professional development programmes in the Libyan university situation.

Additionally, as extracted and understood from the literature, the process of action research could be helpful for the Libyan university teachers because of the following reasons:

- 1 It is quick to increase teachers' sense of critical questions, reflection, and reduces stress in terms of their existing Libyan culture/belief of being qualified for teaching.

- 2 The action research model of CPD could help and promote them (LEFLUTs) in terms of further reading and integrations with the field of EFL teaching, and it will also help them fill the gap between theory and practice.
- 3 The process of action research can be adapted to facilitate all levels of teachers, as this study has demonstrated that there are different levels of teachers.
- 4 Action research can facilitate teachers with the bottom up approach, motivation and collaboration.
- 5 Action research as a model of CPD could be helpful to promote teachers' PCK through suggesting different research activities which support different areas of teachers' knowledge.
- 6 It does not need any policy or routine as it can be managed simply, and busy teachers can apply its activities within their teaching hours (see chapter three for more information about CPD, PCK and action research).
- 7 Action research as CPD could be applied over a short or long period and with small or large groups of students.

Finally, and according to my own view, I can say that encouraging LEFLUTs to action research activities could be good start towards adapting CPD ideas among Libyan policy makers; as well as the start of bottom up approach. Particularly, there are some good indications behind the scenes that could be used to support this view, such as the overall impressions towards development among most LEFLUTs, the globalisation of knowledge and contacts, such as internet and private language schools which require well trained teachers. These points and many other related aspects such as the 2011 upheavals in Libya could establish a great start on the way to increase CPD ideas in the Libyan EFL context.

## **8 Conclusion and Recommendations**

During the process of producing this research, I encountered some different teaching and learning situations, and some of these situations were more difficult than the Libyan EFL teachers' situation. According to the findings of this research study, I would recommend and encourage the Libyan teachers at the University to apply the following:

- It would be useful for the interested teachers get together to discuss their classroom difficulties and events; by this sort of activity, teachers may pick up more ideas and views towards their classroom situations.
- Due to the existing culture which limits wide interaction between men and women, I would recommend each gender to begin action research as a CPD activity, and then to present the outcomes in wider meetings or conferences. I recommend that teachers begin discussing the classroom difficulties they face and try to read up on and find out about the possible solution - and then try it, observe it and react to the difficulties. By this sort of activity, teachers will be engaged to discover the problems, and read about it as well as try to find solutions for it, without any influence or pressure on their beliefs of being qualified for teaching.
- I would recommend that interested teachers arrange short classroom action research studies in areas such as students' learning styles, dealing with large groups of students, and methods of

teaching used in pairs. Then they should discuss their outcomes with other teachers or other interested people.

- I would recommend that interested teachers extend their reading before and after their classroom research, this will help them discover more supportive solutions.
- I would recommend that the head of the department arrange regular academic meetings to discuss the difficulties which exist and to take suggestions from the teachers.
- I would recommend that the department managers discuss their points of view with teachers and suggest effective materials or decisions.
- I encourage interested teachers to interact with their interested students for more research, ideas, and feedback activities.
- I recommend that the university support CPD activities among its teachers and create professional development plans and ideas.
- I would encourage the university to promote more facilities, such as the internet, libraries and language labs.
- I would recommend that the university managers arrange meetings with teachers which have an open agenda and study their comments and their suggestions.
- Finally, I would recommend taking a bottom-up rather than a top-down approach. This point could occur through giving more freedom to teachers' suggestions and start building the future plans from the existing situation instead of following the instructions from the top.

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**The Impact of Management System on the Productive and Efficient Use of Natural Resources: Case Study Fujairah Natural Resources Corporation**

**Abstract:**

The efficient use of natural resources has received a substantial concern in last decade, basically in the area of how to use these resources in a sustainable manner for the purpose of protection of natural resources for the next generation Fujairah Natural Resources Corporation (FNRC) was established as an autonomous entity by the Government of Fujairah to oversee the optimal use of the natural located within the boundaries of the Fujairah Emirate.

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### **Recognition of States in International Law and The Role of The United Nations in Recognition of Palestine**

#### **Abstract:**

In international legal systems, particular political communities needs to be a certain part of the subject of these systems to take advantage of some of the rights and privileges. In this regard, other states and organizations should accept to establish legal and political relations with these political communities, so that they can take part in the international arena. This institution is accepted by the term of recognition in the doctrine and there is a wide application area of it in international law.

#### **1. Introduction**

Benefiting from certain rights and authorities in international law is based on becoming a certain part of the system. In this respect, in order for a certain political society to make its place in the political arena and be considered as a member of this process, the other international legal persons should accept that the legal and political relations will be established with this society and declare their opinions in this regard directly and clearly. The state involved in the international law by the expressions, “recognition” in the teachings have an extensive field of implementation in law. The societies such as states, governments, international organizations, rebels, militants, national independence movements encounter the status of being recognized in order for them to acquire full authorities and rights in the international arena.

In order for a political society to be considered as a state, the generally accepted and adopted opinion is that the state encompassing the sought for founding components in terms of domestic and international law will not be sufficient for it to acquire an international identity. In other words, in order for a state to be established which is an international law personality, “a certain group of people”, “a piece of land with pre-determined borders” and “superior authority” is not sufficient and an additional “recognition” is needed. If this opinion is accepted, certainly we may face certain disadvantages. First of all, if we accept that recognition is an obligatory condition for the establishing of the states, formation of a new state will be left to the incentives of other states, in other factors, factors other than its own incentive, which is arbitrary instead of legality<sup>1</sup>. As a secondary factor, if the recognition is considered as a transaction which encompasses the decision and purpose of a state to engage in political relations with

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<sup>1</sup> **BOZKURT ENVER / KÜTÜKÇÜ M. AKIF / POYRAZ YASIN, DEVLETLER HUKUKU, 6. BASKI, ANKARA 2010, S. 101.**

the recently founded state, this matter should be analyzed as a part of international affairs and establishment of international affairs<sup>1</sup>.

In order for the political societies be deemed as “states” before international societies, they require recognition. In order for these requests to be realized, they conduct and take political actions. The most frequently used and implemented method is filing an application before the United Nations to which nearly all states in the globe are members. The latest example we meet in this regard is the Palestinian Administration applying to United Nations for full membership.

In the first part of our study, we will consider what the concept of recognition which relates with the international society this much means in general terms. After learning the concept of recognition in details, we will seek for answers to questions such as what are the methods of recognition, if it is obligatory to recognize them so as to form new states and to which methods the political societies apply to, so as to be recognized as states. In the second part of our study, we will consider the Palestine Administration which has been fighting for its independence since 1947 and seeking to become an equal member of the international society and whether their application to United Nations will cause Palestine To gain the status of becoming a state and whether this strategic movement will be deemed as a request for recognition before international laws.

- **Recognitions of States**

- **Definition and Actual Conditions of Recognition**

### **1. Definition of Recognition**

Recognition is a single sided legal transaction where a politically institutionalized society of people (by fulfilling the terms of international laws) is certified and accepted by one or more states that it can continue its presence as a state with all the relevant legal consequences.

### **2. Actual Conditions of Recognition**

In order for a political society to face the institution of recognition, they have first to be encompassed by the status of being a state. In order for a political society to become a state in this context, it is required that it embodies some certain conditions. In 1931, the Commission of Permanent Mandates of Nations League have determined the conditions and terms required for the states mandated be recognized and obtain the status of an independent state leaving this regime.<sup>2</sup> According to this, a society encompassing three components may be deemed and defined as a state.<sup>3</sup>

#### ***a. A country with certain borders***

The group of people to form the state should live on a certain land and environment. The land/area contains the piece of land of the country and the aerial domain above the land. If this piece of land has borders with the sea, a certain area of the sea is within the borders of the country starting from the land. Since the state will exercise its authorities from dominance on this land, it is very important that the

<sup>1</sup> ÇELİK EDİP F., MİLLETLERARASI HUKUK, CİLT I, İSTANBUL 1975, S. 340.

<sup>2</sup> CROZAT CHARLES, A.G.M. S. 5.

<sup>3</sup> ERDAL SELCEN, “ULUSLARARASI HUKUKTA TANIMA KURUMU VE KKTC ÖRNEĞİ”, SELÇUK ÜNİVERSİTESİ HUKUK FAKÜLTESİ DERGİSİ, C. 13, S. 1, 2005, S. 160.

borders of the country is determined. It does not matter whether the country is large or small. The important thing is that the existence of the country is sustainable. So, the parts of the country which is above the sea level only during certain times of the year that does not allow people to live is not contained by such countries.<sup>1</sup>

### ***b. Presence of a Superior Independent Authority***

One of the conditions required in order for the society of people who live on a certain piece of land gain the quality of a state and request for recognition is the presence of a superior and independent authority. The society of people in question need the supervision of an authority to be manage and represented in the international arena without being under the supervision of an another authority in legal and political aspects. By means of this organization, the state may exercise its rights and authorities to provide services to the people and it can meet their requirements and govern them as well as represent them independently in the international arena.

### ***c. Being Capable of fulfilling the International Obligations***

Other than the conditions mentioned above, the state to be recognized should have the power to perform its liabilities and obligations from the international law. If the state fails to have this power, it may not be possible for the state to enter international relations with other nations in the international arena. If the basic purpose of recognizing a state is establishing all types of international relations with that state, the recognized state should have the power to fulfill the requirements of this relation.<sup>2</sup> When we look at it in these terms, in order for a political society to find a place in the international arena, it has to be able to fulfill its obligations from the international law.

#### **o Legal Nature of Recognition**

We previously expressed that there is no consensus on the legal structure and scope of recognition and the legal arrangements in this regard are insufficient. There are serious conflicts of opinions relating to the nature of recognition. It is so much that some authors tell that in order for a political society to be a state, its recognition is obligatory whereas other authors expressed that the recognition only encompasses a political meaning in terms of the state recognizing the state being recognized. Some authors say that recognizing is a single sided legal transaction, whereas others claim that it is a convention between the parties only. Now let us analyze these subjects under the following headlines.

#### **1. Recognition being establishing and exemplary**

We mentioned that the recognitions of states are among the most complicated subjects of international law. Maybe the most important reason to the institution of recognizing have such a complicated structure and cause significant conflicts among the authors is that they cannot reach an agreement as to whether recognition has an establishing or explanatory function. The reason that these opinions are that much important is the consequences from these opinions will lead to change of way of establishing of a state in terms of international law and it will affect the legal consequences of recognition one to one<sup>3</sup>.

<sup>1</sup> **BOZKURT/KÜTÜKÇÜ/POYRAZ**, A.G.E. S. 96.

<sup>2</sup> **ERDAL SELCEN**, A.G.M. S. 161.

<sup>3</sup> **ERDAL SELCEN**, A.G.M. S.161.

Based on the opinion which advocates that the recognition is an establishing factor in the establishing of the states, in order for a political society continue its presence as a “state” in the international arena, it should be recognized by other stat(s). According to the advocates of this opinion, it is not sufficient as a certain political society embodies the three components (*a certain society of people, a country with certain borders and a superior authority dominating*) required for the presence of international law. In other words, in order for a society to exist in terms of international law, in addition to three factors of establishing we listed before, “the recognition” condition is mandatory as a fourth condition. Although the mentioned society strives to continue its existence in terms of domestic law, the state has no legal personality in the international arena. In terms of international law, the society acquiring legal status is dependent on the recognition.

According to the advocates of the more dominating opinion in the teachings, a society embodying three main factors mandatory for the existence of a state is not sufficient for the society in question to be accepted and recognized as a state in terms of international law. The advocates of this opinion Express that the state already existed prior to the recognition, otherwise recognition also cannot be conducted. Based on this, since a state which is verbally present will be present in terms of law too, the procedure of recognition should be considered as a political move only. The states do nothing other than disclosing their intention of establishing affairs with that country in line with the international law by recognizing that they accept this formation for themselves as valid<sup>1</sup>. So, the existence of an already present state by way of being recognized by another state will be revealed by the state having recognized it and it will lead to consequences and provisions from the view point of the state having recognized<sup>2</sup>.

In our opinion, if we accept recognition as a factor in the states gaining legal existence, we will have left the appearance of a new state to the incentives of other nations, in other words, factors outside the own incentive of the state which is more of a matter of incentive than being legal. In such a case, the destiny of a society is in the hands of the states other than itself which contradicts with the modern state approach in international law. Today, most of the authors see the recognition procedure by a state not as an establishing yet an explanatory procedure. The best example as grounds for this is the decision adopted by the decision of Mixed Arbitration Court conducting the recognition procedure in Poland on 1.8.1929: “According to the decision which was accepted by the majority of the international law authors, the recognition of a state is not establishing yet explanatory. The state exists automatically and recognition is nothing other than a procedure of announcing its presence by the states conducting this procedure.”<sup>3</sup> When we evaluate the subject, we can conclude that a society bearing the conditions envisaged by the international law may perform activities in the international arena. The recognition procedure of a state is that the recognizing state states that it shall incorporate political or legal relations with the state being recognized certainly expressed in other words. Thus, it is unacceptable that the recognition of a state has an essential and establishing effect for the existence of states.

## **2. The Recognition Procedure not being mandatory from the point of states**

<sup>1</sup> ERDAL SELCEN, A.G.M. S.162.

<sup>2</sup> BOZKURT/KÜTÜKÇÜ/POYRAZ, A.G.E. S. 96.

<sup>3</sup> “REUCEIL DES T.A.M., VOL. IX, S. 336”

Another problem having occurred in relation to the recognition of a state is that whether it is mandatory or not to recognize the political societies having fulfilled certain terms and conditions being recognized by other states. In other words, is a state which is established embodying the conditions required by the international law obliged to be recognized by the other states? Although there were conflicts of opinions between the authors on this aspect, the generally adopted opinion in the doctrine is that the recognition is optional. If we express it more clearly, the states are not obliged to recognize the new states established embodying the mandatory conditions. There are countries in the international arena which continued their existence for many years yet they were not recognized. For instance, Republic of China was not recognized by other states for many years. We can also consider the examples of Taiwan and Albania in this scope.

There are other debates relating to the recognition of states other than those we mentioned in the relevant doctrines. So, in order for state to be legally recognized, it is not certain how many nations should recognize. Each state may conduct the recognizing procedure at different times and even some states never recognize the new state. So, the state not having been recognized shall be deemed to have never founded and no international liabilities and consequences will arise<sup>1</sup>. This will cause nothing other than chaos in the international affairs. This is why, in terms of the recognition of a state, there is no limitation of numbers and no periods were envisaged for the recognition of a state. There is no obligation for a state which embodies the material conditions to becoming a state to be immediately recognized. We can see in the way it occurs in the applications that the states may recognize the states they wish to recognize as they wish to. There are even societies which continue their existence as a state which have never before been recognized. What we should consider at this point for a society to become a member is it is sufficient to embody the material conditions for being a state. There is no requirement of any state's recognition. We should make the following generalization regarding the operation of recognition: Recognition occurs only between the parties and it is an operation which plays a role in the development of legal and political affairs. The operation of recognition embodies more of a political meaning.

- **The Role of the United Nations in Recognition of Palestine**

- **Legal Status of Palestine and Its Recognition**

There is a legal distinction between the existence of a state and that member participating in United Nations as a member state. The existence of a state relates to the jurisdiction of the international law, yet the recognition of a state before United Nations relates to the Charter of United Nations. The Palestine administration applied to United Nations for full membership on September 23, 2011. Another positive result to be received from the United Nations may contribute to the recognition of the existence of a state. Yet, a negative decision to be adopted by the United Nations will not render the existence of a state before the international law null and void. In the same way, the recognition of a state by the others or its recognition by a group of states will not be binding in terms of the existence of that nation before international law.

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<sup>1</sup> **BOZKURT/KÜTÜKÇÜ/POYRAZ**, A.G.E. S. 101.

In international law, diplomatic recognition is a political and single sided action where a state accepts and recognizes the status or action of another state that leads to international consequences. It is not possible to accept that the status of recognition is an essential requirement to the existence and recognition of a state. The founding factors of a nation under the international law consists of three components as mentioned before (*a certain group/society of people, a country with certain borders and a superior authority*). The society which embodies all of these three factors can be named as a “**state**” in the legal aspect. If the institution of recognizing is deemed as a factor to the states gaining legal grounds to legally existing, this means it was left for the incentives of other states, in other words, it means being left to factors outside its own will which is more arbitrary rather than legal.

The institution of recognition which we explained above embodies a political meaning. The meaning of recognition will lead to legal meanings and consequences only among the recognized and recognizing states. So, a state recognizes another state under its own political frame and policy. For instance, Turkey recognizing Cyprus as an independent state leads to legal conditions only for Turkey, yet third party countries not recognizing Cyprus does not mean that Cyprus will not continue its political presence in the aspect of international society. In the same way, despite the Republic of China not being recognized by states for many years, it has sustained its existence in the international arena for many years. Due to the aspect of recognition not becoming a founding factor of the state, there is a requirement of the consideration of this aspect in the international arena as long as the state not having recognized exists. For instance, in the case of **Corfu Strait**, International Court of Justice had no problems with adopting this case between England and Albania which it did not accept as a state.

Based on the details given, the Palestine administration will be able to sustain its existence as a state provided that it embodies the international qualities accepted by the international law as of the moment.

#### ○ **Options in Front of Palestine**

The representation of Palestine before United Nations is a matter relating to the Charter of United Nations. Representation as a member at United Nations is open to pacifist States in accordance with the Charter of the United Nations, Part 2, article 4, however based on the advise by United Nations Security Council, it may be submitted for approval before the United Nations General Assembly. In order to become a full member to the United Nations organization, the positive decision adopted by the United Nations Security Council in this regard is required. In order for the Council to take decisions in any matter, the votes of nine, out of fifteen members of the assembly are needed. Yet, five members of said fifteen members are permanent members and even if just one of the permanent members votes against, the matter will be sufficient for the decision to be adopted negative. However, the Security Council denied the application by the Palestine Administration due to political reasons.

Due to a negative decision being adopted following the application for full membership, as a second alternative to Mahmoud Abbas and his administration was being accepted to the United Nations General Assembly as a “observer member state”. To this end, the majority of two thirds must have been obtained in the General Board (129 of 193stated). On November 29, 2012, the Palestinian State gained the status of a “non member observant” state. Although the status of a member state gives a state the right of participating in a voting at United Nations General Assembly, it gives the right to benefit from many rights and authorities. For instance, it gains the right to become a member of

UNESCO, UNICEF, International Court of Justice and many other international institutions. The right of becoming a member to an international institution and becoming a party to international conventions will play a role to design Palestine-Israel Conflicts. In this context, the Palestine state accepted by United Nations may sign and accept Geneva Battle Conventions, Global Heritage Convention under UNESCO frame and United Nations World Health Organization Convention and have the opportunity to emphasize and attract attention of the world to the military attacks by Israel in West Bank and the policies it implements in terms of health, education, nutrition and general conditions of living and problems in the legal arena the destructive policy of Israel in West Bank. At the moment, currently for Palestine which cannot even confirm United Nations Naval Law Convention, such a representation for it in the international arena will be significantly important. Other than that, its change of status is essential for the State of Palestine to be represented before institutions such as International Court of Justice and United Nations Commission of Human Rights which are at similar levels with the United Nations. In accordance with the Charter of International Court of Justice and International Criminal Court, the failure to consider the lawsuits of the entities not considered as states create problems for Palestine. These obstacles are eliminated when the observant member state status is taken. After the status change of Palestine, the compounds established by Israel in West Bank may be carried to the International Criminal Court as a crime of war.

- **Conclusion**

Based on the information given above, when we consider the action of Palestine Administration to enter the United Nations, it is not very correct that this action will be interpreted in the international arena as a request for “**recognition**”. The real reason to this is that United Nations has no authority to cause a political society to obtain the status of a state. In more open expressions, United Nations accepting Palestine as a full member will not show that Palestine is now an independent state. For instance, in the example of Kosovo, despite being recognized by many nations in the international arena, there are still states which are not members of the United Nations organization. When we look at it in this regard, Palestine’s acceptance into United Nations may be deemed as an important step it has taken in the way to become an independent state and it may be a way that shows other countries to take the incentive of recognizing Palestine more conveniently. The rejection of the application by the Security Council will not change Palestine’s desire and the facts to become an independent state. The Palestinian Administration which is determined in its fight for independence is seen all over the globe and in our opinion, despite the veto decision of the United Nations, the countries of the world will start to know Palestine. In this case, if a state like Palestine is not accepted into United Nations, this supports the fact that it will continue its political existence in the international area.

**Aydan Eryiğit**

Hacettepe Tomer

Turkey

## **The Use of Storybooks in Teaching Vocabulary to Basic User**

### **Abstract:**

Language consists of four basic skills as listening, speaking, reading and writing. Both in native and foreign language teaching, the aim is to provide these basic skills of listening, speaking, reading and writing. In order to provide these skills, some acquisition and learning processes are needed. One of them is improving the knowledge of vocabulary. The more vocabularies foreign language learners know, the more effective they can be in communicating in the language they are learning.

## **Rodiel Ferrer, Alger Tang**

De La Salle University

Philippines

### **The Impact of Merger and Acquisition, Financial Ratios on Stock Price Among the Industrial Firms in the Philippines**

#### **Abstract:**

With increased industrialization and development in the Philippines, it is essential for industrial companies to gain a positive image in the eyes of the various potential investors. One way of achieving this is by registering positive stock performance.

In line with this, the study explored the possible effects of various financial indicators in the form of financial ratios to the year-on-year change in stock price among the different publicly listed industrial companies during the year 2006 to 2010. The occurrences of business combinations as well as the industry subsectors were also included in the model to determine the possible effects of these factors on the change in stock price. To accomplish this, the researchers made use of panel data regression with mergers and acquisitions, financial ratios and industry subsector as independent variables and the year-on-year change in stock price as dependent variables to highlight the impact of various regressors on stock price.

Results indicated that certain financial ratios, namely the asset turnover, price-earnings and dividend pay-out ratios together with some company specific factors exhibited a significant impact on company's change in stock price. This study would help corporate managers to create more advantageous strategies with the objective of increasing stock price. The study also allows the public to better anticipate changes in stock prices.

**Keywords:** Merger and acquisition, financial ratios, stock price, industrial firms.

## **Tomás José Fontalvo Herrera**

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### **Incidence of BASC Certification in the Productivity of Companies in the City of Medellin - Colombia through Discriminant Analysis**

#### **Abstract:**

This research analyzes the impact of Business Anti-Smuggling Coalition (BASC) certification in the productivity of companies in the city of Medellin. For this, productivity indicators were calculated in 60 companies certified in BASC. Then, discriminant analysis technique was used to explain the ownership and discrimination, resulting in a correlation between certified companies and increased productivity rates. From the discriminant function obtained it was concluded that both Gross Profit / Value Added (IP1), Net Income / Value Added (IP3) and operating profit / Operating capital (IP5), presented significant differences and improved statistical indicator value added / Working Capital (IP4) during the years 2008 to 2010.

**Keywords:** Productivity, certification, pointer, function, correlation, discriminant analysis.

#### **1. Introduction**

Globally, trade in goods and services have increased; and more and more business organizations are incorporated in international transactions with the relevant requirements and the risks involved in such activity (Young and Esqueda, 2005; Valdevira, Diaz and Sans, 2009). These authors support that the more complex you configure the supply chain of a company, the more vulnerable it becomes to shocks and disruptions. Similarly, the requirements that must be met in order to market products in foreign markets have increased, product safety and consumer end is one of them, so that organizations must shield their operations from illegal activities that have historically developed alongside the global trade of products and services, as Perusset (2007) holds. To prevent such situations internationally, various organizations, which also involves governments, have established a standardized set of strategies to prevent interruptions and problems caused by activities such as drug trafficking, terrorism and smuggling, in order that the companies that implement them are not related to these activities, and to give warranty to customers about the security of its processes and products (Correa and Gómez, 2010; Maruchek, Greis, Mena and Cai, 2011). Strategies such as the implementation of the management system BASC, for its acronym in english for "Business Anti-Smuggling Coalition", aims to standardize logistics processes to improve product safety and the processes themselves, it can then be expected that the implementation of this management system has implications for the productivity of the organizations that carry out it, in other words, the BASC certification helps not only to improve processes safety, but also significantly affects other aspects of the organization such as cost, agility,

customer confidence, etc (Correa, 2009). Because of this it is important to gauge the effects of this type of certification in operations and business performance as a whole (Iturralde, Maseda y Ruiz, 2005).

In this research paper it is studied the incidence of BASC certification in the productivity of companies of the city of Medellin. For this, it was developed a methodology where the companies certified with BASC submitted their financial statements to the Superintendency of Corporations in the years of 2008 and 2010, and it was used the multivariate technique of discriminant analysis (MDA).

Subsequently, the results of the evaluation of productivity are presented as a result from the BASC certification, for what it was necessary the verification of the assumptions of the Saphiro & wilk, and Box tests, to check normality and equal variance-covariance matrices, respectively, of the variables under study, which allowed to analyze significant differences and behavior in selected indicators.

#### ○ **Theoretical references**

As the opening of the markets grow, the measures to ensure safe trade become more stringent, and this requires the implementation of procedures to ensure that the entire product flow from its production and transportation, especially in the latter, result in high quality products with the confidence levels to meet customer needs, while preserving the security not only of themselves but also of organizations, their employees and even of the same states. Ibarra (2008) maintains that companies must concentrate their efforts in standardizing processes, and governments in coordinating their institutions to achieve the goals mentioned above. These efforts are reflected in the implementation of strategies that enable them to increase productivity, and to provide a better service for its customers and consumers (Fariñas, 2011).

Ibarra (2007) highlights the role played by entrepreneurs and governments who must find a way to minimize the negative impacts and address threats posed by large-scale commercial transactions. Hence the importance of building partnerships to regulate logistics and curb all external activities that may affect the normal activities of the organization, however, the increase of the members participating in the chain can also generate weaknesses and vulnerabilities that must be identified and attempt to correct. Of the above it is concluded that the key to the safe trade is to standardize the processes developed by each of the participants to fulfill that purpose (Pfohl, Kohler and David, 2010; Manuj and Mentzer, 2008).

Illegal activities listed above could affect any company, regardless of the activities which are engaged wherefore should ensure the safety of the products from the moment you start to set up the logistics network, again, the emphasis is on the need for collaborative strategies between each of the participants in the supply chain to reach the achievement of safe trade (Sarathy, 2006), the costs incurred to achieve safe production and distribution for products can be balanced by achieving a better performance in the operational and financial organization and the confidence that you can get from new customers. According to the above, the Management Systems and Safety Control can impact on some key factors of the organizations, which somehow affect their productivity and profitability as the latter is merely a reflection of the effectiveness and organizational performance (Chacón, 2007 ).

Moreover Diaz (2008), points out that the implementation of security measures requires the deployment of a range of strategies to international transactions, these are related to the measures taken

by companies to secure and protect the products and the supply chain, which requires changes within business structures.

There are several factors that are necessary to achieve deeper safety in commercial transactions; working with governments in the development of new tools that encourage safety regulation, better methodologies for information management of products throughout their life cycle from design to disposal, monitoring technologies along the supply chain and building friendly relations with suppliers and customers (Maruchek et al. 2011).

- **Benefits of safe trade**

Internally, companies can make huge profits with safe trade, some of which result in increased productivity and improved financial results.

Blanchard (2006), mentions a study by Stanford University in which there's a disclosure of some of the benefits that companies have had by implementing management systems for safety in the supply chain, among them are the improvement in product safety, improved inventory management, improved visibility of the supply chain, improved product handling, increased speed of processes, agility at solving problems and increasing the customer satisfaction.

Additionally, to ensure safety, it is necessary to establish structures that facilitate information processing and analysis of all activities for planning decisions and control of operations in international trade (Finch, Sanchez Velez and Alvarez, 2011).

- **BASC Management System for safe trade**

The Business Alliance for Secure Commerce, "Business Anti-Smuggling Coalition" (BASC) for its acronym in English, was created as an alternative answer to answer all those threats that trade in goods or services are faced with daily. It was created in 1996 as a proposal for Mattel to implement activities and procedures for companies developing international trade operations were not objects of illegal actions of criminal organizations to transport weapons, drugs and stop the great amount of cargo theft and messed that were being presented. The success of the proposal was so high that it was necessary to create an organization to certify an international standardization of these processes (BASC Colombia, 2010). In this way, companies can also achieve greater participation in international trade order (Osorio, 2010). This system of control and security management in the organizational challenge comes as consisting of greater collaboration among chain participants to address common problems that affect all (Tamayo, Higueta and Castrillon, 2010).

One of the advantages of the BASC Management System is the possibility that the company will become an AEO (Authorised Economic Operator), this name is given to organizations involved in international trade and give guarantee of confidence and security in their operations. BASC Management System contributes to the achievement of this qualification as the entire organization undertakes to comply with the rules established by the safety program of the World Customs Organization (Ibáñez and Castillo, 2011).

Because organizations do not operate in a vacuum; several parties may have a legitimate interest in the proposal of the organizations for control and safety. These are, among others: employees, customers /

suppliers, community, shareholders, contractors and government agencies; this rule is intended to assist organizations in developing a proposal for Control and Security Management in International Trade, while protecting companies, their employees and other persons whose safety may be affected by their activities. Many of the characteristics of effective management cannot be distinguished from the proposed practices of quality management and business excellence.

Del Valle and Ospina (2009) argue that the BASC certification allows the improvement of internal processes of organizations and suggest that its implementation is almost mandatory in companies involved in international trade, this policy being designed for use in all organizations of all sizes, independently of the nature of their activities. It is expected that its application is proportionate to the circumstances and needs of each particular organization.

BASC management system is one way to ensure product safety and traceability; that is, through this strategy it can achieved a higher level of quality of services and products while incurring less costs, which may mean a step towards collaborative planning, process redesign and organizational innovation ( AECAF, 2008, Lee and Whang, 2003; Pibernick, Zhang, Kerschbaum, and Schröpfer, 2011; Speier, Whipple, Closs and Douglas, 2011).

Medina (2010), points out that there is a need, within companies linked to exports, to increase productivity by modernizing their management systems and the technology they use, BASC is an optimal alternative to achieve this.

#### ○ **Productivity Indicators**

This research analyzes the relationship between BASC certification and business productivity. In this sense, Berechet and San Miguel (2006) show that the productivity indicators allow to set a relationship between the amount of goods and services produced and the amount of resources used, turning into a crucial factor in determining the efficiency of resources. Thus, productivity becomes a key element in the creation of value and wealth within organizations, energizing not only the resources in the organization itself but also in the market (and Toirac Miranda, 2010).

Martinez (2009) argues that the operational indicators together with financial, increasingly demonstrate their importance and usefulness when making decisions, however Bortesi (2005) states that there are some aspects that are not necessarily be described quantitatively, but in their own way contribute to the productive performance of enterprises. Generally the increase in productivity is also related to an increase in the quality of products but Rincon (2001) argues that the increase in productivity can lead to a decrease in the quality if processes are not controlled. Good performance of business productivity can result from innovation, in this regard there are several sources of business innovation among which can be identified information technology, organizational redesign and training (Torrent and Ficapal, 2010), these elements are provided and implemented by the BASC Management System.

Within an organization, productivity indicators can be measured with respect to a given production factor, which is why there is the possibility of presenting a wide variety of indicators relating to different areas; Toirac and Miranda (2010) argue that the most important are those related to: labor productivity, the productivity of the use of materials and capital productivity. In Table 1, we present the productivity indicators used in this research.

**Table 1.: Productivity Indicators**

Indicator	Equation
<b>IP1</b>	$\frac{\text{gross profit}}{\text{Value added (sales - payments to suppliers + inventories)}} \times 100$
<b>IP2</b>	$\frac{\text{operating profit}}{\text{Value added (sales - payments to suppliers + inventories)}} \times 100$
<b>IP3</b>	$\frac{\text{Net}}{\text{Value added (sales - payments to suppliers + inventories)}} \times 100$
<b>IP4</b>	$\frac{\text{Value added (sales - payments to suppliers + inventories)}}{\text{Working capital (current assets and fixed)}} \times 100$
<b>IP5</b>	$\frac{\text{Operating income}}{\text{Working capital (current assets and fixed)}} \times 100$
<b>IP6</b>	$\frac{\text{Net}}{\text{Working capital (current assets and fixed)}} \times 100$

Source: Prepared by author.

○ **Assessment of the impact of BASC certification on productivity through discriminant analysis**

Discriminant analysis is a statistical technique for identifying the variables or characteristics that distinguish one group from another, it also suggests the number of variables to consider in order to rank the elements within their respective group optimally, the dependent variable in this type of analysis is taken as the membership of a particular group, the independent variables are the characteristics that supposedly differentiate the elements of each group. BASC management system is related to factors such as the enterprise infrastructure, the way they work, innovation and research, which significantly affect the productivity performance (Alvarez, Becerril, and Moral, 2011; Cuesta, 2012; Hernandez, 2005; Sanabria, 2011), hence the need to assess this impact.

Avendaño and Varela (2010) used discriminant analysis to measure the impact of the adoption of standards by companies, which concluded that both competitiveness and productivity are positively influenced by the adoption of standards, and that those companies that did could stay in the market and increase their participation.

On the other hand, the study by Suarez (2000) demonstrates the effectiveness of the methodology proposed by the discriminant analysis for the classification of the level of profitability because of the ease that this provides for handling multiple variables.

Also, Vivanco, Martinez and Taddei (2010), make use of the methodology that provides the discriminant analysis to determine the levels of competitiveness of various companies according to specific variables. Discriminant analysis takes into account the systemic behavior of organizations and attempts to identify the variables that best describe the behavior of the system through certain tools that assess the similarity or difference between them (Colonel and Cardona, 2009; Mutis, 2003).

These authors realize the effectiveness of discriminant analysis methodology to establish membership of a company or a group that has some variables that determine the competitiveness, profitability and productivity of the group.

### ○ Mahalanobis Distance

For the selection of the variables that best discriminate on the analysis of the incidence of BASC certification in the productivity of companies in the city of Medellín, we used the D2 Mahalanobis distance which is a generalized distance measure and it's based on the squared Euclidean distance, which conform to unequal variances, the selection rule in this process is to maximize the D2 Mahalanobis distance. The multivariate distance between group a and group b is defined as , eq. (1):

$$D = (n - k) \sum_{i=1}^p \sum_{j=1}^p W^{-1}_{ij} (X_i^{(a)} - X_i^{(b)})(X_j^{(a)} - X_j^{(b)}) \quad (1)$$

Where n is the number of valid cases, k is the number of groups,  $X_i^{(a)}$  is the mean of the group on the i-th independent variable,  $X_i^{(b)}$  is the mean of group b in the i-th independent variable, and  $W_{ij}^{-1}$  is an element of the inverse of the variance-covariance matrix within-groups. Being the total variability of the form, Eq. (2).

$$T_{ij} = W_{ij} + V_{ij} \quad (2)$$

The total covariance is equal to the covariance within groups, plus the covariance between groups.

Thus, the probability  $P(K_i/D)$  of an object j, scoring discriminant  $D = (y_{j1}, \dots, y_{jm})$  belonging to the i-th group can be estimated by Bayes rule, Eq. (3).

$$P(K_i/D) = \frac{P(D/K_i)P(K_i)}{\sum_i^m P(D/K_i)P(K_i)} \quad (3)$$

$P(K_i)$  is the prior probability and is an estimate of the confidence that an object belongs to a group if there is no previous information.

Escobedo and Salas (2008) argue that with the Mahalanobis distance it can be explained best the change that suffers a particular variable since it is analyzed in its own context, bearing in mind the correlation that this one possesses with regard to others.

Like any other statistical technique, the application of it has to be preceded by a check of the assumptions made by the model. Discriminant analysis is based on the following assumptions: multivariate normality, equal variance-covariance matrices, linearity and absence of multicollinearity and singularity.

Next, it is proposed and structured the model for the application of discriminant analysis in analyzing the impact of BASC certification in business productivity in Medellín during the years of 2008 to 2010 and thus determinate whether there are significant differences for the group of companies studied.

- **Methodology**

This is a research where a qualitative, descriptive and quantitative analysis was used, supported by multivariate discriminant analysis (MDA) to test whether two different periods showed the evolution of indicators of productivity resulting from BASC certification in the sector analyzed, for this, items required of companies in Medellin were studied. To carry out this research, we used the indicators presented on Table 1, using the ADM, to find the estimate of the years evaluated.

The population of this research consisted of 60 companies of the city of Medellín certified by the Business Alliance for Secure Commerce (BASC) that submitted their financial statements between 2008 and 2010.

It was taken as sources the financial statements of the Superintendency of Corporations (2011), and information recorded in BASC-Colombia and the Chamber of Commerce associated with the financial statements of 2008 and 2010. From where it was taken various financial items for the indicators of productivity of organizations in the city of Medellin - Colombia.

To analyze the variables associated with the selected indicators, we used discriminant analysis using SPSS Statistics 19 software, application used to establish discriminant functions and to study the various statistics related to productivity indicators established; this methodology allowed to analyze whether financial indicators evaluated in the same context present significant differences in the two selected periods. Then, it was proceeded to verify compliance with the assumptions required to apply discriminant analysis and thus calculate and set the objective function to determine which indicators discriminate the better. it was also calculated the accuracy of the model to predict the future behavior of the indicators in the sector.

Finally, with the statistics, specifically the means of the indicators for the sector, it was analyzed and evaluated the behavior of different financial productivity indicators selected in the two periods 2008 and 2010 to analyze the impact of BASC certification in the indicators of productivity of companies in Medellin.

- **Results**

First, the model assumptions mentioned above were checked (Javalgi Koch, 1998), Table 2 shows the results of normal data for the periods 2008 and 2010 respectively associated with the Shapiro & Wilk test.

Tabachnick and Fidell (2001) point out some details about the robustness of this technique in relation to the size of samples, suggesting a sample size of 20 similar groups to which the model is robust. In our research we used 60 samples, so the model is robust according to the size specifications also suggested by Blanca (2004).

**Table 2.: Shapiro & Wilk test for normality checking of productivity indicators for 2008 and 2010 respectively.**

Indicator	Shapiro-Wilk 2008			Shapiro-Wilk 2010		
	Statistical	Samples	Sig.	Statistical	Samples	Sig.
IP1	0,726	60	0,160	0,802	60	0,163
IP2	0,96	60	0,248	0,932	60	0,202
IP3	0,872	60	0,120	0,889	60	0,170
IP4	0,481	60	0,149	0,495	60	0,095
IP5	0,954	60	0,163	0,912	60	0,190
IP6	0,782	60	0,150	0,878	60	0,149

Source: Prepared by author.

○ **Homogeneity of variance-covariance matrices**

The assumption of equal variance-covariance matrices for the years 2008 and 2010 was proved with the test box, as shown in Table 3.

**Table 3.: BOX test results.**

M de Box		62,444
F	Aprox.	2,812
	g11	21
	g12	51212,449
	Sig.	0

Source: Prepared by author

The results of the test statistic  $M = 62,444$  and a value of  $F = 2,812$  with an associated probability  $p = 0$  prevents accepting the null hypothesis of equal covariance discrimination groups, ie, the explanatory capacity of separation of the clusters is good.

○ **Linearity and multicollinearity and singularity**

The assumptions of linearity and multicollinearity and singularity will not be reviewed, since the construction of the discriminant analysis model used the stepwise method, taking into account the tolerance criterion to select the variables that are included. Thus, those variables having a high correlation with the remaining multiple variables will yield a low tolerance and would not be considered ahead of the construction of the discriminant function (Rodriguez and Moreno, 2011).

○ **Selection of the variables that best discriminate**

To determine which variables discriminate independently between 2008 and 2010 groups, it was estimated the D2 distance of Mahalanobis and Wilks Lambda for each. To the above, it was used all selected variables presented in Table 2. With these productivity indicators once used the technique of discriminant analysis, discriminant functions were constructed. The end result of the model is shown in Table 4 and in Eqs. (4) and (5).

$$Z_1 = IP1*(4,442) + IP2*(11,370) + IP3*(-4,219) + IP4*(0,970) + IP5*(-5,403) + IP6*(3,294) - (2,579) \tag{4}$$

$$Z_2 = IP1*(4,918) + IP2*(-4,617) + IP3*(7,649) + IP4*(0,944) + IP5*(3,650) + IP6*(-5,561) - (2,602) \tag{5}$$

**Table 4.: Coefficients of the classification function**

	YEAR	
	2008	2010
IP1	4,442	4,918
IP2	11,37	-4,617
IP3	-4,219	7,649
IP4	0,97	0,944
IP5	-5,403	3,65
IP6	3,294	-5,561
(Constant)	-2,579	-2,602

Source: Prepared by author

As a result of the application of discriminant analysis it can be said that productivity indicators studied show significant differences, generating results in a Type I error of 30% and a Type II error of 46.7% for a 61.7% efficiency rating as shown in Table 5.

**Table 5.: Classification results**

		YEAR	Predicted membership group		Total
			2008	2010	
Original	Count	2008	42	18	60
		2010	28	32	60
	%	2008	70	30	100
		2010	46,7	53,3	100

Source: prepared by author

○ **Assessment of productivity in companies of Medellin**

When reviewing the statistics (stocking) of the selected indicators of the companies in the city of Medellín, Gross Profit / Value Added (IP1) Operating Income / Value added (IP2), Net Income / Value Added (IP3), Value Added / Working Capital (IP4) Operating Income / Operating Capital (IP5) and Net Income / Operating Capital (IP6), it was found that the value added indicator / Working Capital (IP4) is the only one that presented a good behavior during the years of 2008 and 2010 as shown in Table 6.

**Table 6.: Stockings of financial indicators**

YEAR		STOCKINGS	Desv. típ.
2008	IP1	0,4005	0,35973
	IP2	0,0589	0,07406
	IP3	0,0382	0,07347
	IP4	1,7968	1,47517
	IP5	0,0805	0,1113
	IP6	0,0532	0,12617
2010	IP1	0,3905	0,3093
	IP2	0,0321	0,09521
	IP3	0,0196	0,08335
	IP4	1,9392	1,89564
	IP5	0,0543	0,14326
	IP6	0,024	0,11996

Source: Prepared by author

• **Discussion**

In analyzing the discriminant functions generated in Table 5 it can be concluded that indicators such as (IP1), (IP3) and (IP5) discriminate well, improving from one period to another, which means that they differ from year to year. However for the case of the other indicators, there is no evidence of the same behavior during the years 2008 and 2010.

With respect to the average productivity indicators presented in Table 6 of the selected indicators it can be concluded that the only indicator that improved was the value added / Operating Capital (IP4) in the course of the years analyzed, so it can be inferred that the items associated with this indicator are positively affected by the BASC certification of companies in Medellin. Importantly, the added value and working capital are related to operational processes and therefore are also associated with the productivity of the firm. The results obtained in this study are consistent with methodologies and analysis previously made, in which productivity is assessed through indicators and positive results are

obtained by strategies that involve the participation of organizations in international markets (Hannula, 2002 and Merino, 2012).

Likewise, research by Fontalvo, Mendoza and Morelos (2011) and Fontalvo, Morelos and Sickle (2011) have shown that standardization processes with different rules positively affect in improving indicators of organizations in different business sectors. Which also could be demonstrated in this research. Similarly, it is noted that using the methodology developed in this study offer alternatives for performance evaluation of productivity different than those developed by Ballesteros and Ballesteros (2006), Diaz (2009) and Gomez (2010) that offer reliability and effective results. Similarly, the results of this research are consistent with the approaches of Avendaño and Varela (2010) who claim that the adoption of standards positively affects the competitiveness and productivity of the company or sector that implements them, as these represent standardization of processes and production of healthy products.

- **Conclusion**

In this research we worked with the indicators of 60 companies in Medellin, the model presented an acceptable effectiveness in classifying the two populations. In the original sample, the accuracy of the model in 2008 is 30% and in 2010 is 46.7%, for an overall average rating of 61.7% of companies, demonstrating acceptable reliability for predicting behavior of financial indicators in the sector specifically looking indicators IP1, IP3 and IP5.

From the results and the discussion of this research we can conclude that despite significant differences in indicators IP1, IP3 and IP5 in both periods studied, there's only statistical evidence that BASC certification affected the improvement of the behavior of the productivity indicator Value Added / Working Capital (IP4) in the course of the years analyzed in Medellin companies certified with BASC. However, the incidence of BASC certification in productivity can change in another business sector or other indicators.

From studies like this, some other analysis in different business sectors can be made to facilitate decision-making about which variables, items and indicators are redundant to the improvement of the production situation of organizations, and to analyze other indicators that affect the positioning thereof. For future studies it is recommended to increase the number of indicators and incorporate indicators of competitiveness; and there's an invitation to analyze the behavior of other business sectors through this methodology.

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### IACrtHR's Influence on the Convergence of National Legislations on Women's Rights: Legitimation through Permeability

#### Abstract:

We analyze the evolution of Latin American legislations on women's rights protection, to address the complex issue of supranational institutions' influence on national legal orders. The examination of national legislations and IACrtHR's jurisprudence on the matter, provides elements to discern two definite phases of elaboration, pre and post the IACrtHR's first judgment involving a violation of the Belém do Pará Convention. Through a comparative analysis, we find a process of regional convergence on the adoption of a gender perspective in national legislations. This process mirrors the evolution of understanding in IACrtHR's jurisprudential interpretation of the BdPC, constructed through the interaction with scholars, civil society, national institutions and international agencies. On this basis, we argue that the permeability to exogenous conceptual elaborations is the crucial element of the reproduction of the Court's legitimation in the region and, hence, of the influence of its judgments in the region.

**Keywords:** Belém do Pará convention, women's rights, IACrtHR, gender studies, transnational constitutionalism.

#### 1. Introduction

Transnational Constitutionalism (Tsagourias, 2007, pp. 1-14) recognizes a constitutional substance (Cassese, 2006, p. 188) to international human rights instruments, reconceptualising the basic principles of constitutionalism (Pizzolo, forthcoming, p. 1-3) and emancipating them from the experience of the Nation-State. With the 1948 Universal Declaration of Human Rights, the subject of fundamental rights shifts from citizens to individuals, their protection and promotion leaves the realm of the proclamations and emerges as a positive obligation (Bobbio, 1992, p. 20). In this process human rights become *self-evident* (Mezzetti, 2010, p. 39), and the international community turns into a community of people, according to the *constitutional theory of international law* (Kelsen, 1966, pp. 375-9). Like constitutional texts in national orders, human rights instruments limit and define the competences and entitlements of the State, performing and actual foundational function (Borsari, 2007, p. 138-139), implying a resizing of their national sovereignty. The Universal Declaration, with the *core*

*international human rights instruments*, came to constitute the *constitutional block of international constitutional law*<sup>1</sup> and, hence, the bases for guaranteeing legal effects to their provisions.

Overlapping national and international instruments extended human rights protection, while increasing the complexity of pluralist legal contexts. The interaction between orders created the conditions for a multilevel (Pernice, 2002; Gambino 2008) - or polycentric (Morrone, 2011, p. 198) - system of protection of human rights, based on the subsidiarity of national and supra-national instruments and on complex, and often dynamic, hierarchical structures. The frequent interaction between orders through national and supra-national Courts, created the conditions for the convergence of national disciplines, even more so in those countries that adopted regional human rights instruments. One of such regional initiatives is the Inter-American System of Human Rights Protection, based on the American Convention of Human Rights (ACHR) of 1969, which came into force ten years later, and the Inter-American Court of Human Rights instituted in 1979 by the Organization of American States (OAS) to enforce and interpret ACHR's provisions.

Adopting a comparative perspective to analyse the impact of IACrHR's rulings on national legislation, helps us identifying the processes constructing and reproducing the Court's legitimation in the region, and its influence on a regional convergence (De Vergottini, 2010, p. 49) on human rights standards of protection. With the exception of Dominican Republic, the Caribbean countries have been excluded from the analysis. The reason of such choice is that only Barbados, Haiti and Trinidad y Tobago ratified the ACHR and recognized the jurisdiction of the Court<sup>2</sup> and their sharp specificities and minor homogeneity with the regional legal, cultural and political context, weaken the accuracy of generalizations.

To address the issue of the Inter-American legitimation, we focus on the evolution of women's rights protection in the Latin American region since the proclamation of the Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against Women (Belém do Pará Convention, BdPC). Through a comparative analysis of the national legislations on violence against women, and the analysis of Inter-American Institutions' jurisprudence on the matter, we will trace the path and causes of what we consider a wide spread regional convergence on the inclusion of a gender perspective in the current relevant national legislations. In Section I we describe the legal context at the basis of our research, addressing the question of the domestic status of international human rights instruments in Latin American national orders. Section II introduces the BdPC, the specific Inter-American Instrument on women's rights protection. In Section III we present a comparative analysis of the first generation of national legislations on violence against women, direct outcome of the ratification of the BdPC. Section IV addresses the issue of IACrHR's competence on the BdPC. Section V and VI are dedicated to the analysis of Inter-American Institutions relevant decisions and jurisprudence on the matter. Finally,

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<sup>1</sup> For a punctual and commented collection of all international instruments integrating such *international constitutional block*, refer to Mezzetti (2010, pp. 40-41)

<sup>2</sup> In addition, Dominica ratified the Convention but did not recognize the jurisdiction of the Court. Incidentally, but out of the scope of this analysis, we mention that Trinidad y Tobago recently withdrew from the ACHR because of contrasts related to due process and the application of the death penalty.

Section VII offers a comparative analysis of the second generation of national legislation on women's rights.

- **The domestic status of the ACHR and international human rights instruments**

Formally, relations between regional and national legal orders are defined in the States Parties' Constitutions. Most of them opened (De Vergottini, 2010, p. 45) to international human rights law and endorsed the influence of supranational Courts' jurisprudence through specific provisions (Pinto Bastos, 2007, p. 91), although at varying degrees. The constitutional structure of the States Parties shapes ACHR and IACrHR's jurisprudence influence on national legal systems. Addressing the unsettled debate on dualist and monist approaches to international law, started with the theories of Kelsen and Triepel, is not within the scope of this study. Nevertheless, this research provides evidence that, in the Latin American region, different but functionally equivalent solutions<sup>1</sup> provided effective mechanism of enforcement of international human rights provisions.

By Art. 2 of the ACHR, State Parties commit to adapt their national legislation to Conventional provisions (and to IACrHR jurisprudence, being ACHR's interpreter), in order to guarantee their legal effect: "*Where the exercise of any of the rights or freedoms referred to in Article 1 is not already ensured by legislative or other provisions, the States Parties undertake to adopt, in accordance with their constitutional processes and the provisions of this Convention, such legislative or other measures as may be necessary to give effect to those rights or freedoms*". The IACrHR performs an actual *control of conventionality*<sup>2</sup> when called to judge on the compatibility of national legislation with respect to conventional provisions. At times, this function went as far as causing a constitutional reform<sup>3</sup>. Formally, ACHR norms do not have *direct effect* in domestic orders, however practical experiences have often proved the opposite<sup>4</sup>. Similarly, although IACrHR's rulings require specific acts to be applied by the State found responsible of violating the Convention, the *praxis* has increasingly been to guarantee to them *ex tunc* and *erga omnes* effects (De Vergottini, 2010, p. 55).

Depending on the mechanism adopted to incorporate conventional instruments, exogenous norms acquire a different domestic status, namely: supra-constitutional, constitutional, sub-constitutional/supra-legislative or legislative (De Vergottini, 2010, p. 47). Reviewing Latin American countries' constitutions we can provide a brief overview of the range of solutions adopted in the region.

The majority of the countries explicitly assign a constitutional (or, arguably, supra-constitutional) status to human rights treaties. This is the case of: Argentina (Cost. 1994, Art. 31), Bolivia (Const. 2009, Art.

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<sup>1</sup> The State Parties to the ECHR present a similar scenario (Stone Sweet, Keller, 2008, pp. 28-29).

<sup>2</sup> For IACrHR's jurisprudence on the control of conventionality refer to: Concurring Opinion Judge Garcia Ramirez, *Myrna Mach Chang v. Guatemala*, 25 November 2003, Series C, N. 101, *Trabajadores Cesados del Congreso (Aguardo Alfaro y otros) v. Peru*, 24 November 2006, Series C, N. 158, *Suares Rosero v. Ecuador*, 12 November 1997, Series C, N. 35, *Castillo Petruzzi v. Peru*, 4 September 1998, Series C, N. 41.

<sup>3</sup> "La Última Tentación de Cristo" (Olmedo Bustos y otros) v. Chile, 5 February 2001, Serie C, N. 73.

<sup>4</sup> However, as we will see in the following sections, some countries present specific constitutional provisions guarantee direct effect to conventional norms. For instance, this is the case of Art. 11.3 of the Ecuadorian Constitution.

13-14), Brazil (Const. 1988, Art. 4, 78), Chile (Const. 1980, through the interpretation of art. 5), Colombia (Cost. 1991, Art. 93, and C-400/98 Constitutional Court ruling), Dominican Republic (Const. 2010, Art. 74), Ecuador (Const. 2008, Arts. 3, 10-11, 424-425), Guatemala (Const. 1993, Art. 46), Honduras (Const. 1982, Art. 16-17), Nicaragua (Const. 1987, Art. 46), Panama (Const. 1972, Art. 129), Venezuela<sup>1</sup> (Cost. 1999, Art. 23). Until 2011, the Constitution of Mexico did not contain a specific provision on human rights instruments, but the jurisprudence of the Constitutional Court had recognized to them constitutional status (Case 120/20, 2007). A specific provision was inserted in Art. 1 with the 2011 constitutional reform, which specifies the both the constitutional status of human rights treaties and the principle of the maximum standard of protection.

In other countries the rank is set below the constitution and above national legislation, such as in: Costa Rica (Const. 1949, Art. 7), El Salvador (Const. 1983, Art. 144), Paraguay (Const. 1992, Arts. 137, 141).

Others are less explicit, as in the case of: Peru, with Art. 55 of the 1993 Constitution defining human rights treaties as “*part of national law*”, without further specification, and Art. 56 providing for a special procedure to ratify treaties on constitutional matter, thus suggesting a constitutional status, and Uruguay, where the 1997 Constitution does not explicitly refer to the rank of international instruments, but a legislative status can be inferred on the basis of Art. 46, referring to national legislation and international conventions as instruments to fight social problems (“*vicios sociales*”).

IACrHR’s jurisprudence endorses the supra-constitutional/constitutional perspective, having repeatedly affirmed that the ACHR and “*the other treaties on human rights, are inspired to shared superior values (...) define obligations of objective character, and have a special nature compared to other treaties (...)*” (*Ivcher Bronstein Case*, 1999, par. 42). This has been the Court’s position since its first rulings, as proved by a 1982 Advisory Opinion, in which it states that “*approving these treaties on human rights, States submit to a legal order in which, for the common good, they undertake various obligations, not with respect to other States, but in front of the people living under their jurisdiction*” (Advisory Opinion OC-2/82).

Through the years, the Inter-American System of Human Rights strengthened and gained legitimation in the region, addressing transversal dramatic issues such as forced disappearances and the complex question of amnesty laws. Its relations with national orders evolved through time, coming to represent a crucial engine for the convergence towards regional standards on human rights.

- **Women Rights in the Inter-American System**

The evolution of women’s rights protection provides evidence of the influence and legitimation of the IACrHR in the region. Since the proclamation of the BdPC, national legislations have experienced two phases of reception and adaptation to conventional norms: a first generation of national laws, characterized by a focus on domestic violence, and a second generation, presenting evidence of the adoption of a gender perspective and a broader scope. In the evolution of the Court’s jurisprudence we find evidence of the mutual alimending process that progressively developed and shaped the Inter-

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<sup>1</sup> Incidentally, we mention that Venezuela denounced the Convention in September 2012. If the State’s position remains unchanged, the withdrawal will be effective starting from in September 2013.

American Standards on women's rights protection through the interaction between IACrHR, scholars, civil society, national institutions and international agencies. On the other hand, the Court's jurisprudence provides elements to understand how and through which means this process influenced what we recognise as a regional convergence of national legislations on the matter.

The IACrHR does not hold a mandate to unify national legislations on the matters of its competences. Nevertheless, given the multilevel system of protection of the region, each state is obliged by Article 2 ACHR to adapt its national legal order to guarantee its effect, regardless of the domestic status of the Convention. It should be pointed out that the margin of appreciation doctrine in the Inter-American System is not as comprehensive as in the European System, hence, national solutions in Latin America tend to vary to a lesser degree (Acosta Alvarado, Núñez Poblete, 2012). Since 1969, the IACrHR has developed a solid jurisprudence and the ACHR has been enriched with several protocol and treaties *“one of which is the (...) Convention of Belém do Pará, a type of specific Magna Charta on woman's rights - or better yet: women's - that constitutes a separate and substantial chapter in the complete corpus juris that makes up the statute of the contemporary human being, based on the double foundation offered by the worldwide human right's order and the continental version in the order of the same specialty”* (García Ramírez, Concurring Opinion, *Castro-Castro case*, 2006, par. 5). Article 7 of the 1994 BdPC prompted several States to pass legislation criminalizing acts of violence against women:

*“The States Parties condemn all forms of violence against women and agree to pursue, by all appropriate means and without delay, policies to prevent, punish and eradicate such violence and undertake to: a) refrain from engaging in any act or practice of violence against women and to ensure that their authorities, officials, personnel, agents, and institutions act in conformity with this obligation; b) apply due diligence to prevent, investigate and impose penalties for violence against women; c) include in their domestic legislation penal, civil, administrative and any other type of provisions that may be needed to prevent, punish and eradicate violence against women and to adopt appropriate administrative measures where necessary; d) adopt legal measures to require the perpetrator to refrain from harassing, intimidating or threatening the woman or using any method that harms or endangers her life or integrity, or damages her property; e) take all appropriate measures, including legislative measures, to amend or repeal existing laws and regulations or to modify legal or customary practices which sustain the persistence and tolerance of violence against women; f) establish fair and effective legal procedures for women who have been subjected to violence which include, among others, protective measures, a timely hearing and effective access to such procedures; g) establish the necessary legal and administrative mechanisms to ensure that women subjected to violence have effective access to restitution, reparations or other just and effective remedies; and h) adopt such legislative or other measures as may be necessary to give effect to this Convention”.*

Notwithstanding the strength of such instrument, only recently the IACrHR received cases on women's rights involving a violation of the BdPC. Interestingly, in the first of such cases, *Castro Prison v. Peru case* (2006), the reference was not made by the Inter-American Commission of Human Rights (IACommHR), but came from the demandants. Although the Court had dealt before with cases involving issues of gender equality (Advisory Opinion 4/84), until the mentioned case, none concerned *“directly and immediately (...) the victim's female condition”* (García Ramírez, Concurring Opinion,

*Castro-Castro case*). However, as we will see, the main reason of such delayed use was, in fact, more related to the generalised lack of familiarity with such new specific instrument, which was both cause and effect of the Court's "self-restraint" to interpret its provisions. The Court's attitude was, on the other hand, also based on technical reasons and probably involved misunderstood limits to the Court's competences (García Ramírez, Cançado Trindade, Concurring Opinions, *Castro-Castro case*). However, as we will see, this problem was easily overcome when the Court was first presented with a case in which the petitioners alleged, *inter alia*, a violation of the BdPC. While such delay deferred the development of regional standards of protection of women's rights, the generalised sudden change of understanding that followed IACrHR's involvement in the subject, provides us with an interesting case to analyse the impact of Inter-American Institutions in national legislations and its crucial role as an interpreter of Inter-American instruments of human rights protection.

- **Impact of the ratification of the BdP Convention: The first generation of laws**

We first proceed with a comparative analysis of the regional legislative choices prompted by the ratification of the BdPC. In the '90s virtually all Latin American countries adopted specific legislation on violence against women, in abidance to Article 7 BdPC. These legislations belong to what we called the *first generation of laws*. They present several common features, such as the focus on the private dimension of violence against women, i.e. domestic violence, the scarce attention to the reasons and causes of such violence and, hence, an overall deficiency on measures of prevention and eradication.

Three cases differ from the others for country-specific reasons, as we point out below:

Paraguay, although already prompted by article 60 of its 1992 Constitution to "(...) *promote policies to prevent violence in the family and other factors disrupting its solidarity*", and having ratified the convention in 1995, enacts a specific law only in 2000 (Law 1600 "*Against domestic violence*"). On the contrary, Peru enacted Law 26260 "*Protection from violence in the family*" before the adoption of the BdPC. However, the case is hardly a real exception, since a year after the entry into force of the Convention, in 1997, Law 26.763 "*Reforming the law on protection against domestic violence*", substantially extended Law 26260 scope and provisions, which in fact mainly covered child abuse. Brazil constitutes another noteworthy case, with the BdPC itself becoming a national law by 1995 Decree 107, on the basis of Article 226 of its 1988 Constitution: "(...) 5. *The rights and duties implied in the marital status are exercised by men and women in equal conditions; (...) 8. The State guarantees assistance to the family and each one of its members, creating mechanisms to restrain violence in the context of family relations*"

Although all reviewed laws focus on domestic/intra-family violence, the definition of family tends to be broad, including former spouses, partners and former partners, relatives and persons living in the same household. This feature is noteworthy, since it implies the concept of *effect utile* and maximum expansion of protection in given social and cultural contexts, in abidance to Art. 29.d ACHR according to which "*No provision of this Convention shall be interpreted as: (...) d. excluding or limiting the effect that the American Declaration of Rights and Duties of Men and other international acts may have*". Indeed, Inter-American instruments contain the normative basis for such material approach to the definition of the concept of family. Art. 17 ACHR recognizes the *family* as the fundamental element of society, and the duty of the State to protect it. The language of its second paragraph provides the

basic grounds to found a broader interpretation of the concept of family on the basis of the principle of non-discrimination. Indeed, notwithstanding the discretionality left to the State for what concerns domestic laws on the institution of marriage, Art. 17.2 establishes that “2. *The right of men and women<sup>1</sup> of marriageable age to marry and raise a family shall be recognized, if they meet the condition required by domestic laws, insofar as such conditions do not affect the principle on non-discrimination established in this Convention*”. Additionally, Art. 2.a of the BdP Convention refers to violence “*that occurs in the family or domestic unit or within any other interpersonal relationship, whether or not the perpetrator shares or has shared the same residence with the woman (...)*”, abandoning all references to marriage<sup>2</sup>. According to our findings, the most restrictive definition of family is, limiting it to marital relations and partnerships (current or former) and parents of a common child is contained in Nicaraguan Law 230 of 1996 “*Reforms and integrations to prevent and sanction violence in the family*”. However, the restriction is partly motivated by the fact that, as mentions, this law is essentially a reform of the Penal Code.

The majority of the legislations establish precautionary measures to protect the victims and, in some cases, provide for alternative punishments in cases of minor violence, in abidance to Art. 7.d BdPC. Only few imply specific sanctions or reforms of the Penal Codes, as required by paragraph d of the same article. Such cases are: the mentioned Nicaragua’s Law 230, Panama’s 1995 Law 27 “*Typifying crimes of violence in the family and child abuse, establishing special institutions to attend victims of such crimes, reforming and integrating articles of the Penal Code and adopting other measures*”, Dominican Republic’s Law 24-97 “*Against violence in the family*”, Uruguay’s 1995 Law 16.707 “*On citizen safety*” (this law was replaced in 2002 by Law 17541 “*Prevention, early detection, attention and eradication of domestic violence*”), Colombia’s 1995 Law 294, “*Norms to prevent, remedy and sanction violence in the family*”, El Salvador’s 1996 Law 902 “*Against violence in the family*” and Chile’s 1994 Law 19325 “*Norms on procedures and sanctions related to acts of violence in the family*”.

The language to define acts of domestic violence, their features, victims and perpetrators tends to be gender neutral. However, in some cases women are directly mentioned as the victims of domestic violence such as in Ecuador’s 1995 Law 103 “*Against violence against women and the family*” and Venezuela’s 1999 “*Law on violence against Women and the family*”. Honduras’ 1997 Law Decree 132 “*Against domestic violence*”(completely reformed in 2005 by Law 250), at Article 5.2 goes as far as denouncing the reproduction of unequal power relations as “*(...) any behaviour directed to affect, compromise or limit the free development of the personality of a woman for reasons related to her gender*”. Panama’s 1999 Law 4, which addresses the shortcomings of the mentioned earlier Law 27, dedicates Chapter VI to “*The social policy to be promoted by the State on the subject of gender violence*” and, similarly, Dominican Republic’s Law 24-97 uses the term *gender* in its wording.

<sup>1</sup> Notably, the wording of the ACHR refers specifically to men and women as subjects of the right to marry. The recent extension of such right to homosexual partners, in countries such as Uruguay and Argentina, is clear evidence of the evolutionary interpretation of human rights norms.

<sup>2</sup> A broad definition of family was also given, in another context, in IACrTHR’s Advisory Opinion 17/02 on the juridical status and human rights of the child. The Court adopts a broad concept of family and emphasises the duty of the State to protect and support the development of the family unit.

Several countries directly refer to the BdPC as an international instrument providing further measures to protect and guarantee women's rights: the Considerandum of El Salvador's 1996 Law 902, the Considerandum of Guatemala's 1996 Law Decree 97 "*To prevent, sanction and eradicate violence in the family*", Article 1 of Honduras' 1997 Law Decree 132, Article 1 of Panama's 1999 Law 4, Article 3 of Peru's Law 26.763, the Considerandum of Dominican Republic's Law 24-7 and Article 2 of Venezuela's 1999 "*Law on Violence Against Women and the Family*".

Some of the texts extensively reproduce Article 9 BdPC when defining the duties of the State to "*modify social and cultural patterns of conduct of men and women, including the development of formal and informal educational programs appropriate to every level of the educational process, to counteract prejudices, customs and all other practices which are based on the idea of the inferiority or superiority of either of the sexes or on the stereotyped roles for men and women which legitimize or exacerbate violence against women*". These are the cases of: Article 3 of Bolivia's 1995 Law 1674 "*Against domestic violence and violence in the family*", Article 21 of Costa Rica's 1996 Law 7586 "*Against domestic violence*", Article 13 of Guatemala's 1996 Law Decree 97, the Considerandum of Honduras' 1997 Law Decree 132, Article 17 of Mexico's 1996 Law "*Assistance and prevention of violence in the family*", Article 4 and Article 12 of Panama's 1999 Law 4, dedicated to "*The social policy to be promoted by the State on the subject of gender violence*", and Chapter II of Venezuela's 1999 "*Law on violence against women and the family*". Brazil and Colombia represent two special cases, both inserting the whole conventional text in their national legislations through laws, respectively Decree 1973 of 1996 and Law 248 of 1995.

Overall, we find a general tendency to include several forms of violence, overcoming the physical and psychological dimensions. Some legislative texts provide noteworthy wording, such as Article 3 of Mexico's Law referring to "*physical, verbal, psycho-emotional or sexual violence in its bio-psycho-sexual sphere*", Article 2.e of Costa Rica's 1996 Law 7586, introducing patrimonial violence, Article 16 of Venezuela's Law, referred to threat of violence and Article 1 of Ecuador's Law 103, mentioning the protection of women's sexual freedom.

Only few countries, at the time of the BdPC ratification, presented constitutional norms directly related to the subject and mentioned them in their legislations: Brazil with Article 226 of its 1988 Constitution recalled in its Decree 107: "(...) 5. *The rights and duties implied in the marital status are exercised by men and women in equal conditions; (...) 8. The State guarantees assistance to the family and each one of its members, creating mechanisms to restrain violence in the context of family relations*", Colombia's Article 42 of the 1991 Constitution "(...) *Relations in the family are based on equal rights and duties of the couple and mutual respect of all the family members. Any form of violence in the family is considered destructive of its harmony and unity, and is sanctioned by law. (...)*", Article 32 of El Salvador's 1983 Constitution "*The Family is the basic foundation of society and the State will protect it providing the necessary legislation and appropriate services for its integration, well-being and social, cultural and economic development. The legal foundation of a family is the marriage and it is based on the juridical equality of the spouses*". It is noteworthy to mention that El Salvador's legislation explicitly cites this constitutional provision as its foundation, although the law was enacted more than ten years after the constitutional text and in direct coincidence with the ratification of the BdPC. Finally, Article 42 of Guatemala's 1993 Constitution, establishes the duty of the State to protect

the family and the equal rights of spouses. Interestingly, although it did not count on a specific constitutional norm on the subject, Honduras, in its legislation, explicitly refers to Article 59 of its 1982 Constitution, more broadly referring to the duty of the State to protect the individual's inviolable dignity.

- **Competence of the IACrTHR on the BdP Convention**

Given the crucial function of IACrTHR's interpretation of the Inter-American instruments for their full adoption and development, it is necessary to address the issue of its competence on Conventions other than the ACHR. The question is whether or not the IACrTHR has the power to apply the BdPC in a specific case, issuing a ruling regarding its infringement and, hence, to use it in the condemnatory part of the judgment.

The issue requires a careful evaluation, since it affects the legitimacy of IACrTHR's rulings, as well as the legitimacy of the institution itself. Differently from the issue of the Court's jurisgenerativity, implied when its role of interpreter is defined and inherent feature of the application of international conventions as *living instruments* (IACrTHR, Advisory Opinion 16/99), this issue refers to the fact that a supranational jurisdictional body cannot generate its own competences, that need instead to be based on judicial norms.

A similar question had been previously posed in relation to the San Salvador Protocol on Economic, Social and Cultural Rights, the Convention against Torture (OPCAT) and the Inter-American Convention on Forced Disappearances. The BdPC dedicates a specific chapter to "Inter-American Mechanisms of Protection" (Chapter IV), providing the bases to ground both the Commission and Court's competence to be presented with matters that involve a violation of its provisions. Moreover, Article 44, Chapter 7 BdPC mentions the Convention's own Art. 7, requiring States Parties to adopt measures to prevent, punish and eradicate violence against women, with evident correspondence with duties inherent to the ACHR norms: "*Any person or group of persons, or any nongovernmental entity legally recognized in one or more member states of the Organization, may lodge petitions with the Inter-American Commission on Human Rights containing denunciations or complaints of violations of Article 7 of this Convention by a State Party, and the Commission shall consider such claims in accordance with the norms and procedures established by the American Convention on Human Rights and the Statutes and Regulations of the Inter-American Commission on Human Rights for lodging and considering petitions*". This article establishes a clear interpretive link with other instruments, and its wording can be interpreted as including the possibility of recurring to the IACrTHR, when established by the Commission.

Consistently with the *pro personae* criteria, the ACHR and the BdPC are two complementary instruments, with the specific content of the latter integrating the provision of the first, general one: "*The joint reading of the ACHR, with its catalogue of general rights and guarantees, and the BdP Convention, with its declaration of specific State duties, to which women's rights correspond, results both natural and obligatory for the application of both. The second determines, illustrates or complements the content of the first in what refers to women's rights that derive from the ACHR*" (García Ramírez, Concurring Opinion, *Castro-Castro case*, 2006, par. 30).

According to IACrTHR’s 2003 Advisory Opinion n. 18, on the *Juridical Condition and Rights of Undocumented Migrants* (IACrTHR, Advisory Opinion 18/2003, par. 97-101), the principles of equality and non-discrimination belong the domain of *jus cogens*. In this sense, the Court argued that this normative framework proves sufficient to justify this “expansion” of its public function, without implying any arbitrariness. Indeed, the doctrine increasingly agrees on the need to adopt an axiological-substantial perspective when assessing the influence of Human Rights treaties, considering more the subject matter they regulate than their form or name, for being in force of their content that they generate specific obligations (Ruggeri, 2008 p. 2).

In an earlier Advisory Opinion, back in 1982, asked about her competences on “*Other Treaties*”, the IACrTHR made clear that “*to exclude, a priori, from its advisory jurisdiction international human rights treaties that are binding on American States would weaken the full guarantee of the rights proclaimed in those treaties and, in turn, conflict with the rules enunciated in Article 29 (b) of the Convention*” (IACrTHR, Advisory Opinion 1/82, p. 42). Although this opinion concerned its advisory jurisdiction, the line of argumentation suggests that the Court considers itself competent to form its opinion on the cases using all human rights instruments signed by American States, even if not directly part of the Inter-American System of Human Rights protection.

Besides the ACHR, hence, the Court considers direct normative sources of the Inter-American System virtually any other international treaty that imposes obligations related to human rights to a State Party to the Organization of American States (OAS). According to the Court, this is the sense of Art. 29.d ACHR, prohibiting the exclusion or limiting of the extent of any such obligation. The literature recognizes an explicit reference to multiple international sources in the Convention. In this sense, Bidart Campos maintains that the sources of the Inter-American System are the ACHR and “*any other convention, pact or treaty ratified by any State Party in the Inter-American system*” (Bidart Campos, 2000, p. 67-68), implying the competence of the IACrTHR to interpret the instrument creating that obligation, even if such instrument were not strictly referred to American States.

- **The Path-Breaking Cases: The IACommHR**

While the origins of the BdPC are to be found in the international and regional context of growing sensibility towards the dimension and outcomes of discrimination against particular sectors of the society, it is not immediately that this instrument triggers the adoption of a gender perspective in the resulting legislations. As showed in the previous section, in the silence of the interpreter of the Convention, the first generation of laws focuses on the private dimension of violence and does not address the structural elements in which it originates. In the following years, the role of Inter-American Institutions in interpreting and developing Conventional standards of protection shaped their impact on national legal orders, an evidence of the process of reproduction of the IACrTHR’s legitimation in the region.

In the ‘90s, several petitions on cases of violence against women were submitted to the IACommHR<sup>1</sup>, and a few reached the IACrTHR. Amongst those addressed uniquely by the IACommHR, only two

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<sup>1</sup> IACommHR’s cases regarding cases of violence against women that were not submitted to the Court are: *Raquel Martín de Mejía v. Peru*, Case N. 10.970, Report N. 5/96, March 1, 1996, *X and Y v. Argentina*, Case N. 10.506, Report N. 38/96, October 15, 1996, *María Eugenia Morales de Sierra v. Guatemala*, Case N. 11.625, Report N. 4/01, January 19, 2001, *Ana*,

referred directly to the BdPC: *María Eugenia Morales de Sierra v. Guatemala* and *Maria da Penha Maia Fernandes vs. Brazil*. Being the first such instances in the Inter-American System, and anticipating the IACrHR's judgments of several years, in the following section we analyse some of their relevant features.

The first case involves Guatemala, and differs sharply from all other cases presented on the matter to the Commission or the Court, until the present time. In 1995 the Commission received a petition alleging that several articles of the Guatemalan Civil Code<sup>1</sup> provided a discriminatory definition of the roles of spouses in marriage. In 1992 the Constitutional Court had ruled the provisions constitutional (Constitutional Court, Case 84/92) since, *inter alia*, they provided juridical certainty in the allocation of roles. A second appeal on constitutionality was presented in 1996, a year after the petition to the IACommHR, which later issued Report 86/98 containing recommendations on the matter. At the time of the first appeal, in Guatemala was still in force the 1985 Constitution. However, for what concerns our analysis, this issue does not make a difference, considering that both the constitutional rank of international instruments (Art. 46, Const. 1985) and the protection of the equality of rights of spouses in the marriage (Art. 47, Const. 1985) were guaranteed in the same way as in the 1993 Constitution. The element of difference at the time of the second appeal and of the petition to the Commission was the ratification of the BdPC, which, as an international treaty on human rights, acquired constitutional rank ex Art. 46 of the 1993 Constitution. Subsequently, and in abidance to Commission's recommendations, in the following years several questioned articles were derogated by Decree 80 of 1998 and Decree 27 of 1999, which reformed the Civil Code. Moreover, 1999 Decree 7 "*Law on the dignity and integral promotion of the woman*" established, *inter alia*, the prohibition of any discrimination on the basis of civil status (Cotula, 2007, p. 101-102). On these grounds, in its 2001 Decision, the Commission found that the State had complied with the recommendations and did not submit the case to the attention of the Court. The case provides evidence of the direct impact of both the Convention and the Inter-American Institution's on national orders, however, although the Commission briefly mentions it (Case N. 11.625, Report N. 4/01, par. 45), the BdPC does not intervene in the conclusion of the case. Indeed, the responsibility of Guatemala is established on the basis of the provisions of the ACHR, although read with reference to relevant requirements of the BdP Convention.

In the 1998 petition *Maria da Penha Maia Fernandes vs. Brazil*, the petitioners present a dramatic case of reiterated domestic violence, alleging the violation of several provisions of the ACHR, of the American Declaration of the Rights and Duties of Men, Arts. 4,5 and 7 of the BdPC and suggesting that "*this case must be analysed in a context of gender-based discrimination by Brazilian State organs, which serves to reinforce the systematic pattern of violence against women and impunity in Brazil*"

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*Beatriz and Celia González Pérez v. México*, Case N. 11.565, Report N. 53/01, April 4, 2001, *Maria da Penha Maia Fernandes vs. Brazil*, Case N. 12.051, Report N. 54/01, 2001. Recently, in July 2011, the Commission was presented with a petition against United States, which we mention for completeness but should be considered elsewhere, because of the different position of such country in the Inter-American System (i.e. the US did not accept the competence of the IACrHR): *Jessica Lenahan (Gonzalez) et Al v. United States*, Case 12.626, Report N. 80/11.

<sup>1</sup> For instance, Art. 114 establishes that the husband may oppose the pursuit of his wife's activities outside the home where he provides adequately for maintenance of the home and has "sufficiently justified reasons", Art. 131 states that the husband shall administer the marital property, Art. 317 establishes that specific classes of persons may be excused from exercising certain forms of custody, including, *inter alia*, women.

(Case N. 12.051, Report N. 54/01, par. 51). Incidentally, we give notice that the facts happened in 1983, when it was in force the 1967 Constitution, hence, equal rights of spouses were not constitutionally guaranteed yet, and the BdPC was still not even drafted. However, the Commission based its competence to hear the case pursuant the BdP on the on-going violation of the right to effective legal procedures (Case N. 12.051, Report N. 54/01, par. 52). In its 2001 Decision, the Commission found Brazil responsible of the violation of Art. 7 of the Convention, besides other ACHR provisions, again in relation to Art. 1.1 ACHR, for having tolerated the violence inflicted and failed to act in respect.

- **The Path-breaking Cases: The IACrHR**

As previously argued, through IACrHR's jurisprudence on BdPC, we can single out the elements of the construction and evolution of the Court's own understanding of the issue of gender-based violence. The Court's reasoning presents elements of interdisciplinary contributions aimed to enrich the juridical analysis with the tools offered by gender studies, sociology and anthropology, suggesting an explicit interaction in the conceptual construction between Court, scholars, civil society, national institutions and international agencies, resulting in the adoption of a gender perspective in the Court's understanding and argumentations.

The evolution of the extent and nature of women's rights protection emerged through a process of mutual alimentation and legitimation generated by the Court and all involved actors exercising their self-determination beyond the State. On the one hand, non-judicial actors have contributed their analyses to the Court, on the other, the Court's endorsement of external inputs let them come out of specific fields and enter that of law<sup>1</sup>, presenting the States with newly constructed shared understandings.

For what concerns the IACrHR, it is not until the *Castro-Castro v. Peru* case that the BdPC enters its jurisprudence. We claim a recent convergence of national legislations towards a holistic approach, began with IACrHR's judgement in *Castro-Castro v. Peru*, in which Judge Cançado Trindade referred to "*the systematic nature of discrimination against women*" (Cançado Trindade, Concurring Opinion, *Castro-Castro case*, 2006, par. 65).

Submitted to the Court in 2004, the case originates in two petitions separately presented to the IACommHR in 1992 and 1997, about facts occurred in 1992 in the Miguel Castro-Castro Prison, in Lima. A large number of the victims were women, some of them pregnant, and Peru's ratification of the BdPC allowed it to be invoked in the case. However, in its Report to the IACrHR, the Commission<sup>2</sup> only referred to violations of the ACHR: Arts. 1.1 (Obligation to respect rights), 4 (Right to life), 5 (Right to human treatment), 8.1 (Right to a fair trial) and 25 (Right to judicial protection).

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<sup>1</sup> The strength of such process is now about to be tested in *Véliz Franco v. Guatemala* Case No. 12.578, submitted to the IACrHR on the 3rd of May, 2012. Documents forthcoming < <http://www.oas.org/es/cidh/decisiones/demandas.asp>>.

<sup>2</sup> Incidentally, in his Concurring Opinion Cançado Trindade refers to this element to argue the possibility to eliminate the filter of the Commission.

Nevertheless, the 2006 judgment shows the signs of a change in the understanding of the matter. Indeed, the Court affirms: “*When analysing the facts and their consequences the Court will take into account that the women that were affected by the acts of violence differently than the men, that some acts of violence were directed specifically toward the women and others affected them in greater proportion than the men. Different Peruvian and international organizations have acknowledged that during the armed conflicts women face specific situations that breach their human rights, such as acts of sexual violence, which in many cases is used as ‘a symbolic means to humiliate the other party’*” (Castro-Castro case, 2006, par. 223). As a reference of interpretation, to set the scope of Art. 5 ACHR in the case of violence against women, the Court mentions the Convention on the Elimination of all Forms of Violence Against Women (CEDAW), ratified by Peru in 1982 (Castro-Castro case, 2006, par. 276), which the Court considers part of the international *corpus juris* on the matter<sup>1</sup>. Referring to the BdPC as an instrument directly applicable to the case, the Court clarifies: “(…) *they specify and complement the State’s obligation with regard to the compliance of the rights enshrined in the American Convention*” (Castro-Castro case, 2006, par. 346).

At the background, we find the active debate on the issue of discrimination against women that was taking place internationally and regionally and involving scholars, civil society, national institutions and international agencies. Although it is not within the scope of this paper to analyse such debate, in the Court jurisprudence we find clear evidence of the conceptual “cross-fertilization” that is taking place. We claim that the responsiveness of the Court to exogenous but infra-regional conceptual constructions, contributes to consolidate the legitimation of the IACrtHR in a region in which national institutions are still rebuilding credibility.

The written deposit of the petitioners, for instance, dedicates a whole chapter to the analysis of the facts as *gender violence*<sup>2</sup>, and invokes the application of the BdPC provisions. The petitioners offer a thorough interdisciplinary analysis, providing extensive argumentations and singling out gender-specific features of the violence perpetrated by the military in the massacre occurred at the Castro-Castro Prison. They assert that women were specifically punished for a *double transgression*: the transgression to the norms of society and the *status quo* (common to the male political prisoners) and the transgression of the role assigned to women in Peruvian society, i.e. their supposed loss of femininity due to political activism. Besides a detailed recollection of testimonies of extreme suffering and tortures directed especially to women, the petitioners proposed to the Court a detailed framework of analysis, underlining elements of symbolic meaning, such as the deliberate confinement of the women prisoners in a men’s prison, the separation from their children, the scheduling of the massacre in the week of Mother’s Day and its coincidence with the day of visit of the female relatives of the inmates, forced to assist to the cruelties suffered by their sons, daughters and spouses, as a punishment for being “mothers and wives of terrorists”. In finding the State responsible of the violation of Article

<sup>1</sup> For jurisprudential references see: *Hermanos Gómez Paquiyauri v. Peru*, 8 July 2004, Series C, N. 110, par. 166; *Instituto de Reeducción del Menor v. Paraguay*, 2 September 2004, Series C, N. 112, par. 172; Advisory Opinion 18/03, 17 September 2003. Series A, N. 118, para. 120; *“Niños de la Calle” (Villagrán Morales y otros) v. Guatemala*, 19 November 1999, Serie C, N. 63, par. 194.

<sup>2</sup> See documents attached to the case file, p. 36: [http://www.corteidh.or.cr/docs/casos/expedientes/alefi\\_int.pdf](http://www.corteidh.or.cr/docs/casos/expedientes/alefi_int.pdf)

7.b of the BdPC (besides other provisions), the IACrtHR extensively adopted the suggested framework of analysis.

In his Concurring Vote, Judge Cançado Trindade's puts a special emphasis in advocating the adoption of a gender perspective. Cançado recalls the holistic approach developed in 1979 with the CEDAW, and the centrality of a change in the socio-cultural patterns of behaviour. His reasoning explicitly provides an overview of the evolution of the approach to the subject, fixed in documents such as the Declaration and Action Programme of Vienna in 1993 (Global Conference on Human Rights), the Beijing Platform adopted in 1995, the Inter-American Convention to Prevent, Sanction and Eradicate Violence Against Women of 1994 and the CEDAW Protocol, entered into force in 2000.

This endorsement of a gender perspective of the IACrtHR, with the emphasis of a thorough application of all provisions of the BdP Convention and, in particular, of the framework outlined by Article 7, contributes to the development of a *second generation* of regional legislations on violence against women. This second generation overcomes the limits of the family as specific domain of unequal relations of power, and addresses the issue as a complex structural problem rooted in the social and cultural patterns of society, preventing women to freely develop their personality and violating their human rights.

Before proceeding with the overview of what we defined the path breaking cases on the adoption of a gender perspective by the IACrtHR, we should mention another case that was presented to the Court in 2007, *Perozo et al. v. Venezuela*. The case is interesting in the framework of our analysis because it discourages an interpretation of the Court's attitude as a politically biased endorsement of an activist perspective. The facts are related to hindrance to broadcast and acts of harassment and physical and verbal assault, against 44 people working with Globovisión television station and to investigations and criminal proceedings conducted by the State on the issue. The IACommHR requested the Court to declare the violation of several articles of the ACHR, such as the right to freedom of thought and expression (Art. 13). However, the representatives had alleged that "*the physical and moral attacks the [female] reporters<sup>1</sup> suffered from 'mainly 'responded to the gender'*", and invoked, inter alia, a violation of the BdPC. In this case the Court did not find the reference appropriate, noting that "*the representative based their arguments, mainly, on quantitative criteria to allege that the aggressive acts were caused 'because of the sex' of the alleged victims*". For what concerns one of the victims, contrary to the representatives' opinion, the Court does not find that the facts reveal that the attacks suffered had "*a reason or purpose, or at least, a connotation or effect based on the sex or gender of the victim or her condition of pregnancy*". Regarding the allegation that pro-government newspapers had denigrated one of the victims "*as a woman*", the Court discards the argument due to the representatives' failure to provide documentation. In the 2009 judgement, while the Court finds Venezuela responsible of the violation of several provisions of the ACHR, it also clarifies that "*the Court deems it is necessary to clarify that not all human right violation committed against a woman implies necessarily a violation of the provisions established in the Convention of Belem do Pará. Even though female reporters have been attacked in the facts of this case, in all the situations, they were attacked together with their male colleagues. The representatives have neither demonstrated in what*

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<sup>1</sup> 13 out of the 44 victims.

way the attacks were ‘especially address[ed] to women’ nor have they explained the reasons why women turned into a special target ‘[due to their] gender’. (...) The representatives did not specify the reasons for and the way in which the State committed a ‘planned or directed’ action towards the alleged female victims and they neither explained to what extent the proven facts in which they were impaired ‘were aggravated due to the condition of being a woman’. The representatives also failed to specify which facts and in which way those facts represent attacks that “disproportionately affected women”. This case evidences a certain degree of caution in the Courts attitude. As we will see in the following paragraphs, this caution does not prevent the Court from endorsing an holistic gender perspective in its reasoning, when it considers it appropriate given the facts reported.

After this clarification, it is in the same year, with the *González et al. (“Cotton Field”) v. Mexico case*, that the IACrTHR further develops its gender perspective towards an holistic approach. Addressing the case of the forced disappearance and death of Mss. González, Herrera and Ramos, whose bodies were found in 2001 in a cotton field in Ciudad Juárez, the Court not only applies, *inter alia*, Article 7 of the BdP Convention, but also presents a reasoning based on the review of several contributions to the analysis of the complex issue of gender-based violence perpetrated in a context of widespread impunity.

In its argumentation, the Court collects the analyses offered by both the petitioners and the State. The First ones, pointing at the gender issue as a common denominator of the context of systematic violation of human rights and alleging that “*Cruel acts of violence are perpetrated against girls and women merely because of their gender and, only in some cases, are they murdered as a culmination of this public and private violence*” (*Cotton field case*, 2009, par. 128), and the second ones arguing that widespread violence is “*influenced by a culture of gender-based discrimination*” (*Cotton field case*, 2009, par. 128-129), exacerbated by the structural factor of the change in family roles<sup>1</sup> in an essentially patriarchal society. The IACommHR Rapporteur, CEDAW and Amnesty International provided further analysis on the same line. In addressing the responsibility of the State, the IACrTHR referred to the definitions of *due diligence* adopted by CEDAW, the 1993 Declaration on the Elimination of Violence Against Women of the UN General Assembly, the Beijing World Conference on Women, the 2006 statements of the UN Special Rapporteur on Violence against Women and to the conclusions of the IACommHR in the *Maria Da Penha v Brazil case* of 2000.

The extensive background research is evidenced by IACrTHR’s reference to the European Court of Human Rights concept of *procedural obligation* (*Cotton field case*, 2009, par. 292), to carry out effective official investigation in cases of violation of the right to life as well as the analogical adoption of ECtHR’s criterion of special emphasis on the investigation of racially motivated aggressions.

The Court’s definition of discrimination against women follows that of CEDAW: “*any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a*

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<sup>1</sup> The State explicitly refers to the changes occurred after the establishment of the Maquiladora industry, started in 1965 and increased in 1993, with the NAFTA. The majority of the employees are women and their increased economic independency triggered a sudden change in the traditional roles, often making them the household providers. On the topic see, amongst others, Cravey (2008).

*basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field*” (Cotton field case, 2009, par. 394). However, the Court enriches it with BdPC’s understanding of violence against women as “*a manifestation of the historically unequal power relations between women and men*”, with ECtHR jurisprudence, the *Opuz v. Turkey case*, affirming that “*the State’s failure to protect women against domestic violence breaches their right to equal protection of the law and that this failure does not need to be intentional*” (Cotton field case, 2009, par. 396), as well as with its own previous jurisprudence, the *Castro-Castro case*.

The argumentative choice of explicitly referring to a wide range of authoritative sources, undoubtedly contributed to legitimate a judgment of evolutionary nature. Indeed, the Court demanded the States to adopt measures directed to eradicate a context of entrenched social inequality, addressing its complex dimensions and overcoming the tendency to circumscribe the issue of violence against women to the private sphere. Indeed, in its final requests to Mexico, the Court calls for the adoption of a gender perspective in social policies and judicial proceedings.

Other factors influencing the Court’s understanding can be traced paying attention to changes in the Court’s discourse, such as the adoption of the concept of *femicide*: “*In the light of the preceding paragraphs, in the instant case the Court will use the expression ‘gender-based murders or women’, also known as femicide*” (Cotton field, par. 143). And it is, indeed, in those preceding paragraphs mentioned by the Court that we find the clearest evidence of that mutual alimending process, mentioned earlier in this analysis, that progressively developed and shaped the Inter-American Standards on women’s rights protection through the interaction between IACrHR, national institutions, scholars and civil society. Indeed, in Section 1.6 of the judgment, “*Regarding the alleged femicide*”, the Court extensively refers to the analysis of the petitioner’s representatives, Art. 21 of Mexico’s General Law on “*Access of Women to a Life Free of Violence*”, enacted in 2007<sup>1</sup>, Government agencies, experts’ testimonies, international agencies and NGOs.

When analysing the development of the protection of women’s rights in the region, the relevance of the Court’s adoption of the term *femicide* should not be underestimated. This choice provides evidence of its continuous interaction with scholars, civil society, national institutions and international agencies in shaping the evolution of the Inter-American System of Protection of Human Rights. A brief description of the history of the concept will, hence, prove useful to our analysis. Originally - not often - used to indicate the homicide of women, in 1992 the term was adopted by Diana Russell (1992) to name the killing of females by males *because they are female*<sup>2</sup>. The term does not indicate solely the killings following a sexual violence, but those generated by hatred, misogyny, and discrimination in an essentially patriarchal society. In the following years, scholars and feminist movements throughout the Americas elaborated the concept, beginning precisely with Mexico. There, the feminist scholar Marcela Lagarde translated the term with the Spanish word *feminicidio (feminicide)*, and later elaborated a broader definition, based on the features of the killings in Ciudad Juarez (the same place of the killings

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<sup>1</sup> This is one of those second generation laws we referred to at the beginning of this study, that will be thoroughly analysed in the following sections,

<sup>2</sup> Russel uses the term “female” intentionally, to underline the inclusion of young girls, children and older women.

of the *Cotton field case*<sup>1</sup>). She added to the concept the issue of impunity, defining the term as “a hate crime against women, a misogynous crime forged by the enormous social and state tolerance of gender violence, fostered by impunity, by haphazard investigations and mishandled findings. Access to justice and fair trial have not become a reality because the authorities do not pay attention to the victims charges and seem to see women's lives as secondary or are biased against women, discrediting and blaming them. Silence, omission, negligence and the collusion of authorities responsible for preventing and eradicating crimes against women contribute to femicide” (in Spinelli, 2008). However, the crucial difference in her later definition was making it independent from the death of the woman. In this sense, *feminicide*, differently from *femicide*, came to refer to extreme violence against a woman, of which the killing is the most extreme outcome, violating her rights in the public and private sphere, originating in misogyny and social impunity, which put women in vulnerable positions.

Although the Court adopts the more restrictive term *femicide*, better suited to the case and more rigidly defined, it is clear that the choice comes as an endorsement of a particular framework of analysis, elaborated in the field of gender studies and feminist movements. Hence, in a context of raised awareness on the issue of violence against women, which called the attention of the international community, national civil society and scholars, the IACrHR influences the evolution of a regional gender perspective in national legislations using a term with very defined conceptual features to indicate killings such those occurred in Ciudad Juarez.

In the next two years, the Court finds a violation of Article 7 BdPC in the cases: “*Las dos Erres*” *Massacre v. Guatemala* (2009), *Rosendo-Cantú et al. v. Mexico* (2010) and *Fernández-Ortega et al. v. Mexico* (2010). Although these judgments do not represent further developments of the discipline, they contribute to the consolidation of the IACrHR understanding of gender-based violence. The common feature is the increasing tendency of the Court to demand specific measures to abide to the provisions of Article 7 of the Convention, such as capacitation courses and the establishment of specialized institutions for prevention and support. In the extensive *Fernández-Ortega et al. v. Mexico* judgment, the IACrHR proves not to be satisfied the mere intention of the State to fulfil its obligation, providing evidence of the explicit intention not to relegate the adoption of a gender perspective to the domain of rhetorical exercises.

In May 2012 another case of alleged *femicide* was submitted to the Court, *Maria Isabel Véliz Franco et al v. Guatemala*. In this case it is the petition itself to name directly the violation, on the basis of the Court’s previous jurisprudence. The judgement has not yet been issued, but it will provide further material for an analysis of IACrHR’s jurisprudence on the issue.

- **The Second Generation of Regional Legislations**

The development of a regional gender perspective, endorsed by the IACrHR, and the national and international debate on women’s rights, provided the basis for the adoption of new national legislations on the subject. This second generation of laws emerged after the pronouncements of the IACommHR and, more directly, after IACrHR’s *Castro-Castro* and the mentioned following judgments. As we are going to see in the following section, the newly adopted texts show a general tendency to integrate the

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<sup>1</sup> Notably, Lagarde was the author of one of the testimonies explicitly cited by the Court in the *Cotton field* judgment.

Court's framework of analysis and its interpretations of the provisions of the BdPC. The texts manifest a regional convergence towards the holistic approach endorsed by the Court and internationally and regionally constructed through the interaction between institutions, civil society and scholars. Notably, this convergence also provides further evidence of the *erga omnes* effects of the Court's rulings.

Getting back to our comparative framework, we proceed with an analysis of the changed current regional context, analysing the features of the new national legislations<sup>1</sup> addressing violence against women.

In three countries constitutional reforms included specific provisions on the issue of women's rights: Art. 15.2 of the 2009 Constitution of Bolivia "*Everyone, particularly for what concerns women, have the right not to suffer from physical, sexual or psychological violence, in the family as in the society*", Art. 42.2 of the 2010 Constitution of Dominican Republic "*Any form of violence in the family or based on gender is condemned. The State will guarantee by law the adoption of the necessary measures to prevent, sanction and eradicate violence against women*", and Art. 66.3.b of the 2008 Constitution of Ecuador "*It is recognized and guaranteed to all: (...) 3. The right to personal integrity, which includes: (...) b. A life free from violence in the private and public sphere. The State will adopt the necessary measures to prevent, eliminate and sanction all forms of violence, especially those against women, children (...)*". On the other hand, Ecuador did not enact a law replacing or reforming the one promulgated in 1995. However, as previously argued, that text was already one of the few directly referring to women as subjects protected by that law. We recall that these countries, amongst others, also guarantee constitutional status to international instruments on human rights in the domestic order.

The majority of the new legislative texts contain a specific reference to the BdPC or, in general, to the international instruments ratified on the matter. Specifically, this is the case of: Argentina's 2009 Law 26.485 "*Integral protection of women*" (Art. 3), Bolivia's 2013 Law 348 "*Guaranteeing to women a life free from violence*" (Art. 1), Brazil's 2006 Law 11.340 (Law Maria da Penha, from the name of the notorious case presented to the Commission) "*Mechanisms to refrain domestic violence and violence against women in the family*" (Art. 1), Colombia's 2008 Law 47.193 "*Dictating norms for raising awareness, prevent and sanction all forms of violence and discrimination against women, reforming the Penal Code, the Penal Procedure Code and Law 294/1996*", (Art. 4), Costa Rica's 2007 Law 8589 "*Penalizing violence against women*" (Arts. 1 and 3), El Salvador 2012 Decree 520 "*Special Law for a life free from violence for women*" (Art. 2), Guatemala's 2008 Decree 22 "*Law against femicide and other forms of violence against women*" (Considerandum and Art. 1), Mexico's 2006 "*Law for equality between men and women*", (Art. 4) and again Mexico's 2007 "*Law for a life free from violence for women*" (Art. 2), Nicaragua's 2012 Law 779 "*Against violence against women and reforming the Penal Code*" (Considerandum II, Arts. 4 and 5), Panama's 2011 Draft Law 401 "*Reforming the penal code to typify femicide and sanction violence against women and dictating measures of prevention of this conducts*" (Art. 2) and Venezuela's 2007 Law "*Right of women to a life free from violence*" (Art. 3.6).

While, in the majority of these second generation laws, violence against women is addressed in its public and private sphere, independently from a family or affective (current or former) relationship of

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<sup>1</sup> Paraguay is currently debating on a new law "*To prevent, sanction and eradicate violence against women*", recently presented to the National Congress, but a final text has not yet been approved.

any sort, a few countries maintain the laws' ambits of application limited to the private sphere, although broadly defined. It is the case of Peru and Chile, since the laws considered are limited to reforms of their Penal Codes relatively to domestic violence or typifying the crime of *femicide*. Notably, Costa Rica's reform of the Penal Code presents the most limited ambit of application, considering only the cases of spouses and partners. Brazil maintains the scope of the law limited to domestic violence and violence within the family, although both the family nucleus and the forms of violence have a very broad definition and are thoroughly defined. In Brazil's case, however, we should consider three specific factors, namely, that Brazil did not have a law similar to the first generation laws analysed in this study, that in the country the BdPC is a national law, and that, as previously seen, the mentioned Law 11.340 was promulgated as a direct response to the Commission's decision on the country's responsibility in a case of domestic violence, which also gives the name to the new national law. All this factors contribute to explain why Brazil adopted a text more similar to the first generation of regional legislations than to the second one.

With the exception of the laws limited to reforming the Penal Codes, discrimination towards women based on gender is explicitly addressed in the revised texts as the structural element causing the violence, and its elimination is set as a priority. On the other hand, in a few of them the BdPC framework of analysis as interpreted by the IACrtHR is extended, as they go further in the identification of cultural and social patterns and the reproduction of stereotypes as the origins and roots of discrimination and gender-based violence. This is the case of Argentina (Art. 2.e), Bolivia (Art. 4.12, introducing the term *de-patriarchalization*), El Salvador (Art. 2), Guatemala (Considerandum), Mexico (Arts. 38.2, 45.7, 52.7), Nicaragua (Arts. 1, 4.1, 8-10), Panama (Arts. 3, 4.7, 8.4, 31, 32, 38, 39) and Venezuela (Arts. 1, 20.6, 20.8). On this bases, following the provisions of the BdPC and IACrtHR's jurisprudence, all these texts provide thorough inter-institutional and interdisciplinary programmes and policies for prevention, as well as provisional measures to prevent acts of violence.

Evidence of the adoption of a structural perspective is provided by the emphasis put on co-responsibility, i.e. the responsibility of society, family and the State towards eradicating all forms of violence against women, and societal proactive participation to the established programmes and policies. In particular, co-responsibility is included in the principles of the legislations of Colombia (Art. 6.1), Panama (Art. 5) and Venezuela (Art. 18). Three countries explicitly refer to the necessary participation of society, namely: Venezuela (Art.6), Nicaragua (Art. 6) and Bolivia (Art. 15), the latter also includes the requirement of social control on actions performed in violation of the law. Argentina introduces a similar concept referring to cooperation between institutions and civil society (Art. 7).

For what concerns the definition of violence, besides the common inclusion of physical, psychological and domestic violence, five legislative texts consider more complex forms, further evidence of the adoption and elaboration of a gender perspective and of addressing the problem as structural. The following provisions significantly expand the ambit of application suggested in the BdPC referring to:

1. *Symbolic violence*, intended as the transmission of messages, values, icons or signs reproducing relations of dominion, inequality and discrimination and presenting women subordination in society as natural, singled out in the Laws of: Argentina (Art. 5), Bolivia (Art.7), El Salvador (Art. 9), Panama (Art. 4) and Venezuela (Art. 15).

2. *Violence in the field of health care or reproductive rights*, acts or omission limiting or preventing women from being informed, oriented and attended before, during and after the pregnancy and to have free access to contraception, addressed in the same articles of the Laws of Bolivia, Argentina, Panama and Venezuela.
3. *Violence in the media*, intended as the transmission of undignified, discriminatory, stereotypical messages, is included by the same four countries. Although at Art. 8.g the BdPC suggests the use of media as means for campaigning and promoting women's rights, the intention of the national legislators is far broader.
4. *Institutional violence and violence in the workplace*, covering the issue of equal opportunities, besides harassment, again considered by the same four countries.
5. *Political violence* – i.e. violence against political involvement and activism, equal opportunities and access to political rights in general – appears in the Laws of Panama and Bolivia. Notably, at Art. 7.13, Bolivia refers to a specific law enacted in 2012, Law 243 “*Against harassment and violence in politics against women*”. The broad definition of such form of violence mirrors the concept of “punishment for a double transgression” previously addressed.

Costa Rica provides an interesting case to introduce a crucial problem inherent to several new provisions: the indeterminacy of the concepts and the difficulties in constructing clear definitions. Indeed, Costa Rica's Constitutional Court declared unconstitutional three articles of Law 8589: Art. 22 “Maltreatment”, Art. 25 “Emotional Violence” and Art. 27 “Threat against a Woman”. Costa Rica is not in our list of countries including a particularly wide range of forms of violence, since the provision of its law are mirrored in the majority of the texts reviewed. However, the mentioned articles were questioned for the lack of a rigid definition of the acts penalized, and the subsequent excess of discretionality left to the judiciary, creating uncertainty, and violating the principle of legality. Articles 22 and 25 have been re-introduced in 2011, after being reformed to meet the standards outlined by the Constitutional Court. The peculiarities of some countries' definition of violence and forms of violence and Costa Rica's case suggest possible future difficulties in the application of the new provisions. Addressing these questions will require an analysis of the future national responses to similar problems.

In all new legislations the neutrality of the terms identifying the victim is abandoned, although this does not imply necessarily a limitation of the subjects to women. El Salvador is an exception, restricting the scope of the law to women ex Art. 5. On the contrary, Bolivia explicitly considers other victims at Art. 5.4 of the Law: “*The provision of this law are applicable to any person that, being in a vulnerable situation, suffers any of the forms of violence sanctioned in this law, independently on gender*”.

On the other hand, neutrality is maintained for what concerns the perpetrator, although this raises doubts for what concerns the specific provision typifying the crime of *femicide*, included in the legislations of: Bolivia (Art. 252bis P.C.), Chile (Art 390 P.C.), Colombia (Art. 134.e P.C.), Costa Rica (Art. 21 of the Law), El Salvador (Arts. 45-46 and 48 - *Suicidal femicide* for induction or help – of the Law), Nicaragua (Art. 9 of the Law), Guatemala (Art. 6 of the Law), Honduras (Art. 118 P.C.), Mexico (325 P.C.), Nicaragua (Art. 9 of the Law, 162 P.C.), Panama (Art. 41 of the Draft Law), Peru (Art. 107 P.C.). Notably, Art. 7 of Bolivia's Law refers to *feminicide*, although not in the broad sense elaborated

by Lagarde. It is not within the scope of this analysis, needing a different analysis, addressing all the issues that such a choice raises, such as the question on the neutrality of law, the inherent difficulties of discerning a femicide from a homicide of a woman in more uncertain cases, and the problems in “translating” a concept essentially anthropological, sociological and political into a juridical category (Spinelli, 2008, p. 122-132). For what concerns our analysis, we limit ourselves to record the adoption of the term by several national legislators, following the example set by of the IACrtHR<sup>1</sup> that endorsed the conceptual construction emerged in the regional debate.

The new regional scenario shows an overall convergence towards the inclusion of a gender perspective in addressing the issue of violence against women through legislation. As shown, the features of such convergence suggest a direct implementation of the framework of analysis set by IACrtHR’s interpretation of BdPC provisions and constructed through the interaction with movements and civil society.

- **Conclusion**

Our research proposes an analysis of the development of women’s rights protection in the Latin American region since the proclamation of the BdPC. Through a comparative analysis of what we defined as the first and second generation of laws on violence against women, and following the evolution of Inter-American Institution’s jurisprudence on the subject, we argue a process of regional convergence on the adoption of a gender perspective in the understanding of the issue and in the elaboration of legislations addressing it. Such framework of analysis rises from the interaction and reception by the Inter-American Systems of the conceptual elaborations brought forward by scholars, civil society, national institutions and international agencies, in a period of particular international, regional and national attention to the problem of gender-based violence and discrimination. This process of convergence and its roots provide evidence of the legitimation of Inter-American Institutions in the region which, although obviously not based on the theory of *pouvoir constituent* categories, arise from the constitutional substance of the matter promoted and protected and is reinforced by the responsiveness of such supranational institutions to the demands of the subjects of the fundamental rights protected. The Court’s permeability to exogenous conceptual constructions is the crucial element of the reproduction of its legitimation in the region and, hence, of the influence of its judgments and reasoning, both in the countries found responsible of the violations and *erga omnes*.

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**An Investigation of Working Conditions, Occupational Diseases and Ergonomics in Oltu Stone Processors Operating in Erzurum**

**Abstract:**

The oltu stone, a semi-precious stone, is used for making jewellery. Today gradual decrease in the number of employees in this sector shows that employees have trouble in certain areas. In this study, working conditions, daily working hours and exposure to occupational accidents are examined and occupational diseases caused by negative circumstances of this profession are investigated. After this investigation, it is aimed to determine the measures currently taken to prevent these diseases.

## **Tabinda Hasan, Puneet Gupta**

Jazan University

Dentistry College

Saudi Arabia India

### **Learning Anatomy with Colors and Clay**

#### **Abstract:**

To accurately convey the human form, one has to know it through and through as any first-year medical student can tell you. Beneath the surface lie bone, muscle, guts, lobular yellow fat, webby fascia, stringy flesh, cords of nerves, intestines that look like a sea serpent, and a brain that could not survive anywhere but the skull. The human body, after having been dismembered, has more to it than mere form and function.

**Tatiana Hornychova**

University of Economics

Czech Republic

## **Localization Factors of Foreign Direct Investment in the Czech Republic**

### **Abstract:**

This study analyses foreign direct investment (FDI) and its key role in socioeconomic development of an area. This paper presents a case study of inflow of FDI to different regions of the Czech Republic. The aim of this study is to determine the key factors that influence the localization of FDI coming from France and Belgium to regional economies of the Czech Republic. A special attention is dedicated to investment incentives and their role in the localization of French and Belgian FDI.

## **Erika Horváth Csolák**

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### **Possible Development of Controlling Systems in Hospitals**

#### **Abstract:**

The continuous competition and changes taking place in health care compel hospitals to find solutions for their survival and development challenges. This paper presents the reporting system of a hospital, which has been using several elements of the controlling approach for the last 15 years. I systematize the defects of these reporting systems in order that hospitals and similar institutions can learn from the mistakes. It is a significant competitive advantage if a hospital is able to assess its environment and internal conditions and then relying on the assessment results it can reveal how the different areas are to be improved. In order to assess the internal circumstances, a hospital is supposed to have an adequate controlling system. But the system itself is not sufficient to achieve efficient operation without a change in the management attitude, affecting the operation of the whole organisation. The improvement of a hospital can manifest itself not only in the quality of care and its technology, but also in a change in management thinking, which then appears in the functioning of the organisation.

**Keywords:** controlling, strategic controlling, strategic awareness, health care, hospital, communication.

**JEL Classification:** I15, M11

#### **1. Introduction**

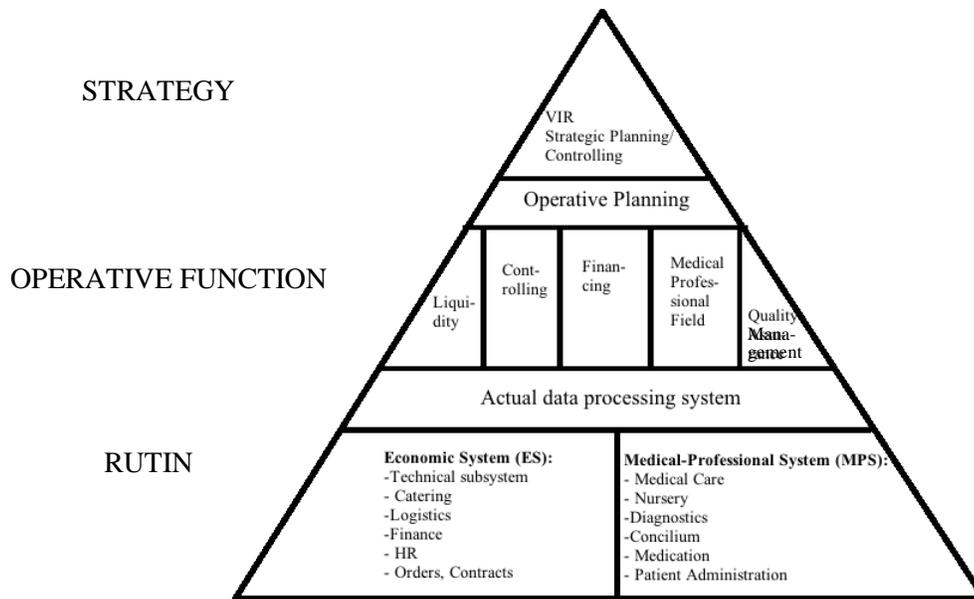
Operating of controlling system is unavoidable not only in the business sector but also in state hospitals. The need to set up a controlling system in hospitals struggling with permanent financial problems has become extremely justified in our continually changing business environment in the last centuries. The management of the hospital must be up to date with situation of the institute in order to correspond adequately for upcoming environmental changes and to operate in a proactive manner. Having a controlling system is good tool for all of these.

The 1. figure shows the management informational system of an institute. This pyramid has been made by many authors in different ways but the meaning is all the same. The base consists of economical and health systems, above them lays the level of operative function which also consists of controlling. Strategy from the top of the pyramid, together with strategic controlling in an ideal situation.

The economic systems ensures the registration of expenses and incomes. It delivers data in accordance with the law for the owners and management and also feeds the controlling system from the side of

service units. The medical professional system measures the performance, with different ways in each treatment form.

**Figure 1: The management informational system at a hospital**



Source: Gyakorlati controlling, Weka 7/7.2.3 chapter 18.p.

Since the beginning of performance based funding which was introduced in 1993, the OEP (National Health Funding) and the hospitals also have the demand for measurable performances in the different fields of treatment. Several levels of treatment exist but in my study I'm only going to mention ambulatory and inpatient treatment because these are the most relevant areas in case of a hospital.

○ **Outpatient care**

Outpatient care means continuous treatment and care of patient assigned by a doctor or the patient itself. Treatment is carried out by a specialist and can be one or several occasion's. Also the treatment of chronic patients belongs here that don't require any special caring in a way like inpatients.

The founding of ambulatory patient treatment is based on the detailed accounting of services. The services can be found in the internationally used WHO list, where a point value (german point) is added to each service. The account a performance we need the total point value of the reported services. There is a set forint exchange for this value, at the moment the OEP pays 1.5 forint for each german point if the institute has not overcome a set capacity limit. In case of exceeding this limit, the OEP uses a degressive founding, by +10% over the limit the institute gets only 30% of the costs (0.45 Ft /german point), next lane is between 10% and 20% over the limit here the only get 0.3 Ft/german point.

The financing of outpatient nursing until the 31-th of December 2001 was carried out in the form of base funding. But, from 2002 it changed to german point system like in outpatient care, but the base

funding system partially remained and only got totally cancelled from November of 2011 when at the same time the german point values of nursing were raised.

- **Inpatient care**

The inpatient care can be divided into two parts, active and chronic care.

The active care targets are the earliest health restoration. The period and the end of the care is mainly predictable, and in most cases short. The financing of the care is normative. The main point is that the similar clinical features require similar treatment and nursery. From these patients we can create a group that services needs similar expenses. We call them homogenous disease groups (HDG). Each HDG has some preset parameters such as lower and upper border days which mean the minimal and maximal number of days accepted for treating a specific disease and these parameters influence the funding also. The national base fee gets accepted for the next fiscal year whilst determining budget of the health insurance institute. Currently this value is 150 000 Ft/ HDG that has regrettably not changed since years due to the monetary situation of the insurer and the country. Moreover degressive funding is also used here for performances over the limit, for up to 10% over the limit means 45 000 Ft / HDG funding, in case of performances over 10% there is no funding from the OEP.

Looking from the funding side we speak of inpatient care when the aim of the treatment is to stabilize, maintain and restore the health of the patient. In contrast with the previous treatment form in this case the end date of the treatment is hard to plan and is usually a long term process.

The funding of treatments is connected to the accomplished and announced days of treatment. The number of treatment days is multiplied with different numbers depending on the treating department this is how the actual value of funding is derived ( weighted chronic day) which is accounted with the value determined for one day of treatment worth in forint. Currently this the departments get 5600 Ft for one chronic treatment day.

The management of health institutes constantly keep saying that these funding values are insufficient for the proper operation of hospitals. There is no money for development and investments and sadly in some cases not even for costs directly related to treatments. It can improve the financial situation of the hospital if the management can agree with the supplier in longer payment term. But if there is no monetary supply in the system or cost cutting in the institutes then this is also nothing more then firefighting work. Regrettably many hospitals ended up this way in a depth trap and piled many millions of unpaid supplier invoices.

The above mentioned hard economic situation could be eased by a decent controlling system.

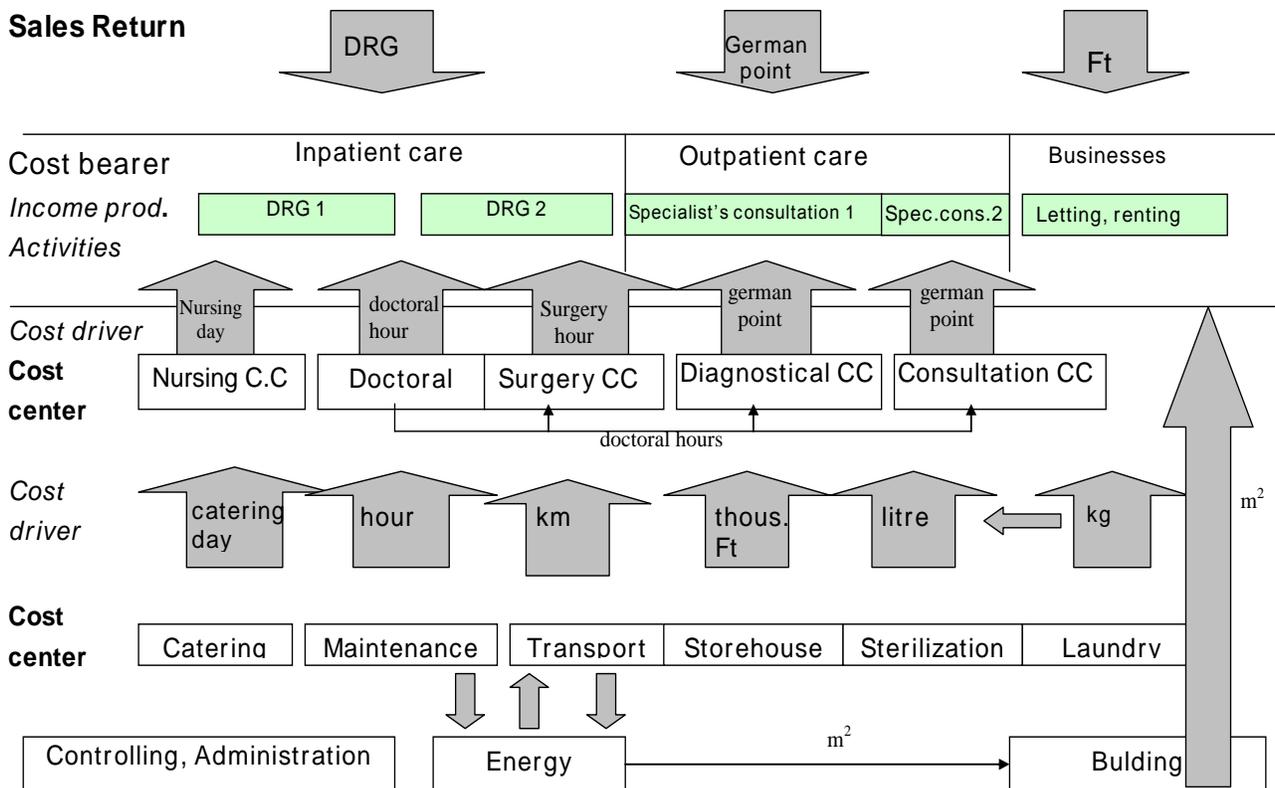
- **Controlling in health care**

The controlling accounting system in health care has the same duty as it has in other parts of the economy. In the matter of the smallest units of the economical activity, it determines what something costs for the leaders of the institution. It provides a wide range of information for planning, controlling, monitoring and for the decisions. To the question how, the answer is sketched by the next diagram. (Diagram 2)

Costs are entered on accounts of departments and their units with sales revenues through cost drivers. Certain costs such as medication, catering and some materials are charged direct to the departments, or on DRG and hospital cases. Other direct costs, like nursing, operation, doctor’s activities, consultation and the collected costs of diagnostics can be debited to the cost bearers with the help of the cost drivers (nursing day, medical hour, operation hour and german point).

On the basis of their typical nature, the costs of background servicers in medical care can also be debited to the first level cost center, and then to the cost bearers as mentioned above.

**Figure 2: The operative controlling model of hospitals**



Source: Gyakorlati controlling, Weka 7/7.2.1 chapter 1.o.

You can see “controlling, administration” costs in the left corner of the diagram, which is divided according to the direct cost rate of units in the hospital that I examined, but in many cases this cost is not debited to cost bearers, it is considered only on the level of the institution accounts.

Some experts calculate margin on the level of the cost bearers, where only directly connected costs appear (Margin 1).

The second level margin is calculated by the debiting of the costs of the professional attendant units. Then with the reduction of the costs of the background-servicers the third level margin is obtained. Finally, the profits and losses of institution are obtained considering the undividable general expenses.

Others shorten this margin scheme and every variable cost, which can be made proportional, is subtracted from the returns, so they get the margin, which is cut down by the general expenses. This is how the institution’s earnings is obtained.

In my opinion, the first version gives the possibility for a deeper analysis.

- **My experience in a hospital**

Many people think about the German meaning of the concept of controlling, when they hear this word, which means checking, but the Anglo-Saxon meaning is more appropriate, which is “supervising, managing, regulating and handling”. Unfortunately, I have often met this bad conceptualization in my work. Medical workers have often identified my job with simple trouble-shooting, checking, so they have regarded me as an enemy.

As I have spent several years in the accounting department of a hospital, I would like to sum my experience and suggestions in my article. First, the hospital operated as a budgetary body, but later it was converted to nonprofit ltd. Controlling data were obtained from different sources in both organizational forms for the executive officers and the leaders of departments.

- **The beginnings**

As a budgetary body and without information technology support, first, we prepared the controlling reports with the help of excel files for both the leaders of the departments and the financial director. The report contained profit and loss accounts for each department. The leaders of the departments received the reports quarterly at the beginning and then monthly, so they were able to evaluate the operation of their own departments.

The advantage of this report was that it contained not only the incomes and some costs from governmental accounting, but also the values of the services coming from the diagnostic and assistant units. In this way, the indirect costs were also monthly divided between the departments during the whole financial year by utilizing cost driver.

The disadvantage was that the statement had to be filled with money circulation data, like incomes and most different kinds of costs. Those outputs from which the income has appeared in earlier period have been ordered for the costs of given period. In contrast with the costs as outputs and their values come of 2 months earlier, because the OEP (National Health Funding) paid the fulfilled treatment 2 months later then the sent records were checked. The report involving the money circulation data also provided extra information, as the income in a given month is supposed to cover all the monthly costs. Still it is important to note that it is not these costs that are not related to the incomes coming in the given month. This principally caused problems in the case of the purchased services, as the medication and material usage in the hospital are debited real time to the departments. This can be achieved only by utilizing analytical data.

The first and the second table show the inner accounts of a department. The planned data were prepared at the end of the previous year in agreement with the financial director, on the basis of the base year data and of course in full harmony with the budget of the institution. The owner local government decided about the adoption of the budget.

The internal accounting price in a current year was defined according to the real data of the base year also with consideration to the current inflation. Then it did not change ie. it was constant for a whole year.

This was the so-called inner reporting system. Though, we knew that it had many faults, in that situation it could give the best for the leaders of the hospital and the departments. According to the information from the internal reporting system, the profitability of the departments and units could be revealed, which helped the financial director to find out, which departments and consultations assisted to finance the departments and consultations in deficit.

**Table 1: Inner reporting system- Handout 1<sup>st</sup> page**

HANDOUT about the department performance, turnout data, incomes, and outlays				
	January - March			
PERFORMANCES, TURNOUT INDICATORS **	Base year	Planned	January - March	In the % of the base
Inpatient care				
Payment weight	1806,60	1858,57	425,00	23,52
Long nursing day	174,80		2,40	1,37
Number of inpatients (person)	3 431		721	21,01
Number of nursing days (day)	17 808		4 073	22,87
Bed utilization (%)	57		55	96,34
Outpatient consultation (german point)	2 211 290	2 292 043	578 928	26,18
All appeared case (person)	3 061		856	27,96
<b>INCOMES</b>	thousand Ft	thousand Ft	thousand Ft	In the % of the base
OEP financing on performance based				
Active inpatient care	180 660	185 887	42 795	23,69
Long nursing days's value	459		6	1,39
Accounting difference (from OEP)	93			
Outpatient care	2 167	2 246	575	26,54
Indirect wage supplements	7 497			
Direct wage supplements	51 230	51 230	12 808	25,00
Total OEP financing	242 106	239 363	56 184	23,21
Operation income	3 091	2 912	908	29,38
Other income (tender, goal assist. Etc.)				
<b>Total income</b>	245 197	242 275	57 092	23,28
Operation deposit and 13th payment deposit	20 258		21 356	105,42
TOTAL GOVERNMENTAL (CIRCULATION) ACCOUNTING INCOME	265 455	242 275	78 448	29,55
<b>OUTLAYS, COSTS</b>				
Direct outlays, costs (specified on the 2nd page)	200 151	187 648	53 291	26,63
Indirect, debiting outlays, costs (specified on the 2nd page)	40 107		8 790	21,92
Withdrawal of the deposits	20 258		5 952	29,38
Total outlay, cost	260 516	187 648	68 033	26,11
Reserve forming ***	1 211	1 197	281	23,21
<b>IN TOTAL</b>	261 727	188 845	68 314	26,10
PROFIT / LOSS	3 728		10 133	
* The planned performance data were calculated by the trend, and sesonality, and with a 2% growth.				
** The performances, turnout data concerns to the period, which is the basis of funding.				
*** The 0,5% of the OEP( National Health Fund)'s income.				

**Table 2: Inner reporting system - Handout 2<sup>st</sup> page**

Specification of the direct and indirect outlays, costs								
DIRECT OUTLAYS, COSTS								
Outlay type	jan-dec	PLAN	jan-march	In the %				
	thousand Ft	thousand Ft	thousand Ft	of the basis				
Directly accounted outlays, costs								
Outlaying of the personal payments and contributions	143 528	140 186	39 617	27,60				
Usages								
- Medicine cost **	14 919	11 747	3 347	22,44				
- Cost of materials**	4 962	4 321	1 249	25,16				
- Cost of catering materials	5 505	5 332	1 315	23,89				
Other material outlays	26 835	22 370	6 489	24,18				
Tangible assets	171							
VAT(value added tax) counted for outlay, cost	4 231	3 693	1 274	30,11				
<b>Total direct outlays, costs</b>	<b>200 151</b>	<b>187 648</b>	<b>53 291</b>	<b>26,63</b>				
INDIRECT COSTS after the used services								
Servicers	Claimed services			Claimed services			Claimed services	
	Unit	Year	Year	Unit	Year	Year	Year	Year
Anaesthesiology	Ft/narcotic hour	20275,00	20711,00	Narcot.hour			0	0
Laboratory	Ft/score	1,40	0,77	Score	5 176 630	1 223 014	7 247	937
X-ray	Ft/score	2,80	1,00	Score	641 530	155 960	1 796	156
Pathology	Ft/score	0,81	1,00	Score	89 434	2 804	72	3
Central sterilization	Ft/piece	237,50	242,00	Piece	3 728	987	885	239
Catering	Ft/catering day	378,00	386,00	Catering day	17 291	4 004	6 536	1 546
Maintenance	Ft/hour	4300,00	4350,00	Hour	834	270	3 584	1 172
Central boiler	Ft/month/m <sup>3</sup>	10,80	11,00	Month/m <sup>3</sup>	6 499	6 499	842	214
Transport department	Ft/km	194,60	250,00	Km	2 948	740	574	185
Washing service	Ft/kg	66,40	68,00	Kg	29 899	7 021	1 985	477
Infusion laboratory	Ft/liter			Liter			0	0
Pharmacy	Ft/usage	0,10	0,10	Usage	14 705 094	3 268 325	1 471	327
Store-economy	Ft/usage of materials	0,16	0,17	Usage of materials	4 962 280	1 248 700	814	210
Finance	Ft/total outlay	0,00	0,00	Total outlay	200 151 300	53 291 400	941	256
Directorate	Ft/capita/month	11369,00	11585,00	Capita/month	71	64	9 686	2 224
Labour	Ft/capita/month	2032,00	2080,00	Capita/month	71	64	1 731	399
Horticulture, reception, telephone exchange	Ft/capita/month	2279,00	2314,00	Capita/month	71	64	1 942	444
<b>TOTAL VALUE OF THE INNER USED SERVICES</b>							<b>40 107</b>	<b>8 790</b>

I can sum the problems of the presented accounting system and their solutions in the following way:

1. The lack of the computer-based controlling manifested in many ways;
2. The costs and the incomes have not been accounted for the same terms. The solution is if the reported records are shown besides the costs connected to them;
3. The wage costs were not defined in the case of every department, the labor software could not handle the shared work hours of the doctors and the medical workers;
4. The service invoices were accounted at the time of their disbursement from the money circulation accounting; according to their disbursement time, they could be debited for the appropriate period with the help of information technology;
5. The numeral faults, because of the manual setting and data collection, can be minimized with the help of information technology;
6. The inner reporting system prepared the result deduction only on the level of the units. It could have defined the cost calculation not only on the above mentioned level, but also on the basis of the classical health controlling model, on the level of DRGs and cases in the field of inpatient care, of course with the help of the use of the controlling program;
7. The information needs of the different leaders were not considered. Only one report was prepared containing the above-mentioned data and which was given to the leader of the unit and

the financial director. On other levels of the organization information was not become aware of. Less information would have been enough for the director and in case of questions more information could have been sought. The leaders of the units were interested in the way how the things were going under their leadership from month to month.

8. Besides the above-mentioned faults it is worth to mention the following problem. An incentive system was not worked out in favor of planning and execution.

It is emphasized at every controlling system that to its accurate operation an appropriate incentive system is needed. I think it was a significant negative feature. The motivation system did not operate at the hospital, though the financial leaders considered the results of the units in case of ad hoc rewards. This fact also shows that behind the deficiency, there has not been the lack of intention, but the financial situation of the hospital.

Unfortunately, the tragical financial situation of the hospital has not enabled to build up a general integrated information technology system yet. Though, there has been an improvement. When the above-mentioned inner reporting system was being prepared, the medical and economical systems were operating with primitive and separated computer programs. Since then there has been considerable improvement in the field of IT, but because of something, a controlling module has not been built up in parallel with the economical system (the software was available).

At the same time, the well-founded expectation has remained from the leaders of the institution to get information about the records and profitability of the medical units, departments and surgeries. To fulfill this demand, they use a programmed Excel file system at the institution. The 3<sup>rd</sup> table shows its scoreboard.

Some former faults and deficiency in this system have already been corrected, mainly thanks to the more purposeful use of the Excel, but this controlling report has other faults.

Meanwhile, there has been a remarkable change in the operation of the hospital, because it turned into a nonprofit ltd. So it has had to switch to a financial accounting.

Owing to this, it is possible to book the service invoices for the corresponding period. Despite this efficient bookkeeping procedure, the controlling group collects and controls these invoices manually. They use the same solution, like they would work with governmental accounting. With the help of the Excel, saving the invoices from accounting system, they can be set to a given month, when the services are realized manually. This really solves a former fault of the inner reporting system, interrelated with the purchased services, but the problem with this method is that it has to be done manually. To collect, to filter and to insert are time-consuming activities and bear the possibility of faults. However, it would be enough to transfer the invoices from the economical system presently. The explanation of avoiding this is that the work of the accounting department is thought to be inaccurate, so the invoices are checked with this method. Controllers wait continuously for the incoming invoices due to arrive in the current fiscal month. Thus, the internal accounts are made with significant delay.

**Table 3: Inner reporting system - Handout**

Account number	711101
OEP code (National Healthinsurance Fu	050910111
Denomination	General medical ward
Wages	223 239 790
Cost of dismissal	0
Entrepreneur's fee	0
Health services	2 798 905
CT, DSA, RTG, UH (outside)	8 384 129
Medicine cost	41 277 219
Professional materials costs	5 668 261
Office supplies costs	536 121
Textil and other materials costs	2 273 133
Maintenance materials costs	235 657
Detergent materials costs	431 900
Current consumption	9 343 506
Heating costs	15 834 197
Water consumption	7 624 708
Cleaning costs	24 323 995
Other direct costs	3 739 073
<b>Total direct costs</b>	<b>345 710 593</b>
Costs of central operating room	0
Anaesthesiology	615 870
Laboratory	5 232 119
Costs of other inside services	5 855 289
Central sterilization	865 591
Catering	26 821 574
Washing services	14 871 964
Transport department	4 416 051
Maintenance	6 311 647
Other running costs	4 365 920
Board of Finance directors	1 288 345
Pharmacy	3 539 170
Directorate	19 647 634
Total indirect costs:	93 831 173
<b>Total costs:</b>	<b>439 541 766</b>
OEP income (operation)	218 821 203
<b>Other, private income</b>	<b>11 134 576</b>
<b>Total income</b>	<b>229 955 779</b>
<b>Profit/Loss</b>	<b>-209 585 986</b>
Number of Patient (outpatient care)	0
Number of Medical treatment (outpatient)	0
German point (outpatient care)	0
Number of Patient (inpatient care)	14
Number of Medical treatment (inpatient)	18
German point (inpatient care)	10 894
Total german point	10 894
Payment weight (inpatient care)	1 467

Due to this fact the leaders of departments can be informed about the monthly results and costs just 1-1,5 month later .

Furthermore wage costs accounting is still a problem. For example, a doctor who works for a consultation of the hospital and also for a department, his wage costs can be detected just on wage cost of the hospital department.

The rate of unnamed expenses is really high, which are allocated in proportion to the direct cost of the units. The incoming invoices should be booked much more precise.

If a leader of department owns more than one OEP code, it can be an advantage. For example it can be very useful for the decision maker of department of hospital that they can see the result of its separate units, however if they want to see the overall outcome, there is no direct data available.

In addition this is true just in that case if all costs have been accounted for, but as I referred to problem of wage costs' accounting which is usually a huge amount of money it turns out that they should be evaluated altogether.

However, it is fairly advantageous that the actual internal accounting prices are continuously recalculated as these values indicate the whole invoices of external service providers. This increases the rate of accuracy, but the heads of the departments are not inform properly about the actual internal accounting rate. The heads of the departments have no enough information about how much "purchase" within institution, such as costs of lab tests or catering. They can work just with value data.

As opposed to previous reporting table, the heads of departments could see just the data referring to current month in this new controlling system. Planned data and data from the same period in the previous year are usually not indicated in the reporting table. In fact they send just a worksheet for leaders of departments. I think it is a significant shortcoming.

The monthly plan determines the possible financial frame of orders for materials and drugs. On the other hand the OEP distributes the size of TVK for each unit.

Basically the management defines this financial frames through plan in base approach. The management do not agree with heads of departments about planned data.

Moreover the different departments don't have enough influence on changing any cost or revenue. So they don't have enough motivation to use and allocate the resources better and to act in accordance with the main objectives of the hospital.

As the financial situation of the hospital didn't change in the last few years, the system of incentives could not been introduced. Of course this fact hinders information flow and efficiency of departments.

- **What should the management do?**

What should the management do in order to change to current situation?

First of all, they should use and operate appropriate IT infrastructure. Secondly, they should introduce the operative controlling system according to ideal model as I mentioned previously. Certainly the personal and tangible assets requirements should be met.

In my opinion primarily a major change in thinking among management and employees would be necessary. They should understand how this system works in practice and what factors make it useful. The system will assist the staff to find out which activities proved to be profitable and which not at a

given period. And it can point out the potential necessary changes. The data could be used to convince the staff to support the leadership to implement the common strategic goals. So the management have to communicate with the staff about controlling system.

But all of this is still not enough to obtain the commitment of the colleagues. Besides the communication the incentives are also an essential element of the controlling system. Even a very small salary raise can compensate the workers for the plus administrative tasks and in this way the controlling system can be better accepted

If the operative controlling system works, the next step is introduction of the strategy controlling system.

Environmental challenges and reaction for constant changes are continuously present in the whole society and economy. These factors have largely affected the health care sector as well.

These trends in health care induce changes on both health policy level – restructuring, financing changes – and that of individual institutions. Hospital managements have to indentify and implement the hospital's strategy due to environmental changes.

The continuous changes in health care system affecting both the structure of the health care system and financing urge leaders of institutions and hospitals to take steps to strengthen and improve their market position.

In the first step, the conditions together with the immediate and wider environment of the hospital have to be examined. Then the strengths and weaknesses based on the factors considered have to be determined. To achieve this goal, there is abundant methodology available to support the hospital management.

After assessing the status the management team can decide which strategy to apply in the future: only giving response to changes or trying to anticipate environmental changes in advance.

The methodology of developing strategies, breaking down strategies to operational level and giving feedback is fairly wide and versatile.

My research primarily focuses on finding out whether this kind of methodological diversity appears in health care institutions or not.

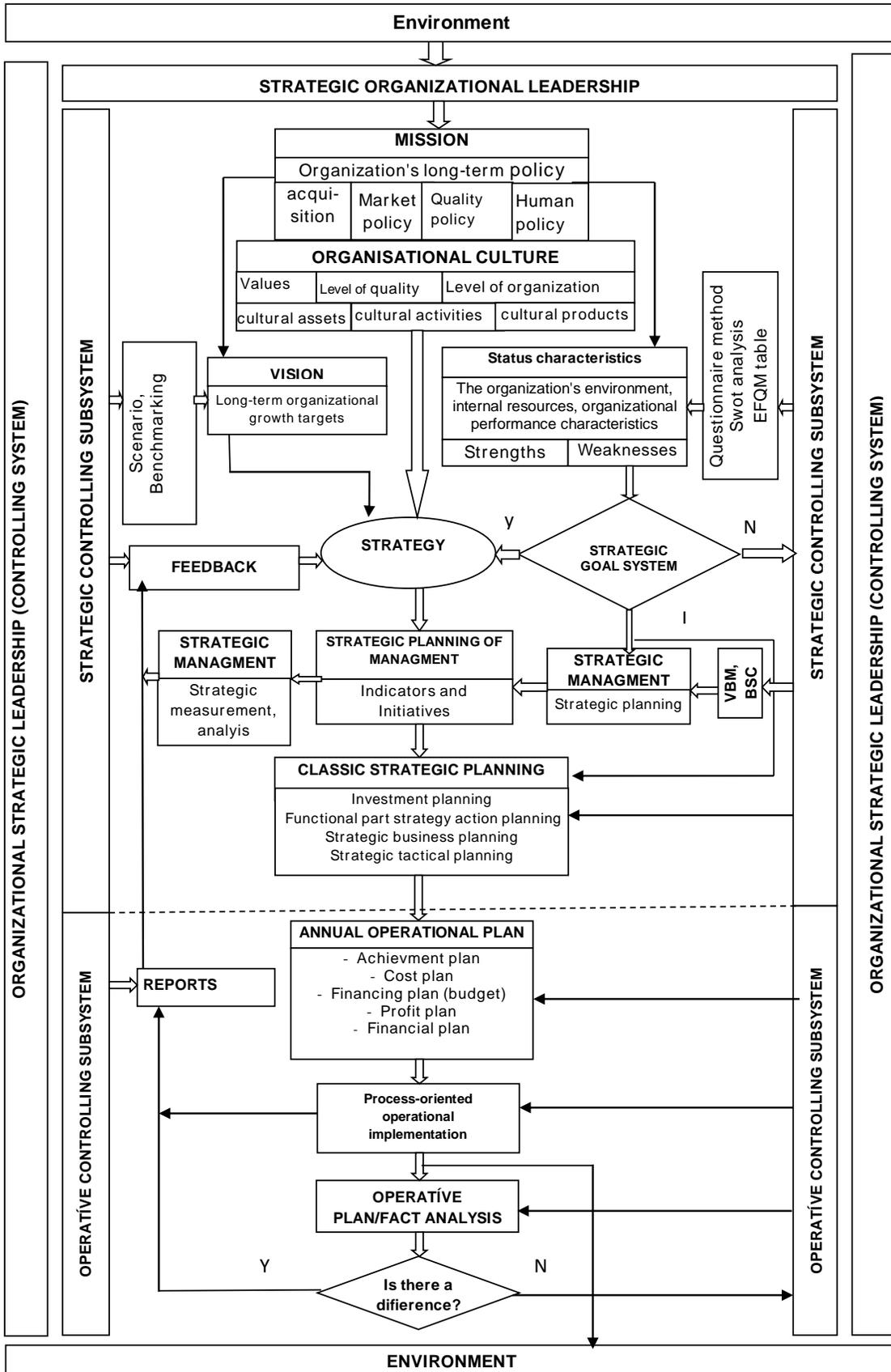
Controlling, being a common and frequently applied method/tool can support and contribute to the system-based approach of strategy development, progress and feedback process to a great extent.

The operative part of controlling has been explained in detail in the first part of my study. This process works by most health care institutions however it operates on different level. It is possible that you can find it just in a primitive status such as in case of my hospital. Hopefully in the future more and more hospitals will be provided with appropriate IT infrastructure and with well-trained colleagues.

I suppose that the strategic controlling system is not so common still in Hungarian health care organizations.

The third figure illustrates well how can be linked the two areas and what methods can be used in order to operate them properly and effectively.

**Figure 3: The operational process model of strategic management**



Source: Körmendi-Tóth 165.o.

- **My researches**

The questionnaire on controlling system is just being developed. The survey covers all health care institutions operating in Hungary, independently of their ownership and functional form. I take as my initial hypotheses that operational controlling is present in hospitals, but strategic controlling is less typical of institutions involved in the Hungarian health care system.

To support my hypothesis I have devised questions in the questionnaire in the following key areas:

1. General information about hospital's activities. To get information about the main operating activities focus on their capacity, revenue, cost data, the number of employees.
2. Controlling approach issues: planning, strategy-making, methodology, gap analysis, reporting and feedback. Planning at institutions- How often? Who is involved in the planning phase? What kind of methods are in use? Is there any gap or difference analysis? Finally feedback related questions. Such as how often and who reports them?
3. Personnel and material conditions and requirements of controlling. Organisation of controlling. Does it include any controlling staff? In what kind of organizational framework operates it? Is the hospital provided with appropriate IT support? What kind of?

After evaluating the questionnaires, I expect to be able to answer the question whether human potentials, databases and attitudes enabling the institutions to develop and further develop a strategic performance measurement system exists and functions in the everyday practice of an institution or not.

- **Strategic awareness - BSC**

One of the most popular such tool is the Balanced Scorecard (BSC). Basically the BSC includes not only sorted indicators based on criteria. The BSC should reflect the strategy and the dedicated goals. Otherwise if these characteristics are missing the tool is not the balanced strategic indicator but that can be a key performance indicator (KPI) which is continuously monitoring the operational activities. Using KPI's is very common especially in health care institutions, mainly if you have taken steps towards building a TQM system. If there is no relation between the key performance indicators and strategies at all therefore the measurement system remains just an illusion. (Kaplan - Norton [2002]).

How can the BSC become the part of everyday life? Suppose that the institution has successfully defined a goal then the decision-makers deduced from it the appropriate strategy, and finally the BSC. At this point we should go forward but how? In the followings the principles of strategy focused organization have to be enforced.

It is also necessary that the management should be able to make their employees understand and accept the strategy to be applied. Employee commitment is a key factor in realizing a strategy. [7] Everyone at the organization needs to understand and identify with it, otherwise it will never become a part of everyday practice, and therefore it cannot be performed.

Communication and education are the first and major ways of creating strategy awareness. It is a key thing that it should not be dictated, but communicated from top to down. Senior management should take charge of transmitting the strategy down to a certain level of employees, but those meeting the institution's customers, in an other word, patients should not be ignored either. It is the medical staff

that is able to define the areas of patient care where qualitative changes and improvements of patient satisfaction can be achieved in the easiest possible way.

For instance in case of American hospitals where this method has been introduced already the nurses and doctors presented the most valuable recommendations. These comments and ideas have been ranked according to their costs, implementation time and expectable positive effects.

There is a varied set of communication forms ranging from formal to informal channels available to have the strategy accepted, made it widely known and get feedback about its performance. This communication forms comprise such as: employee rallies, monthly newsletters, corporate newspapers, educational and training programs and corporate intranet, e-mail, phone.

Institutions should choose not only one form of information transmission, but rather their combination, as information is interpreted by each employee in a different way.

Strategic trees or maps make a good method to develop strategy among colleagues during training courses and meetings. A strategic tree outlines the mission together with its goals and actions according to BSC aspects, on which the employee can find the point where he can get connected to the organization strategy.

A particular emphasis should be placed on performance indicators used by the institution in order that they could communicate the same meaning to everybody. Once strategic awareness has already been developed in employees, it is possible to determine individual and group goals for the implementation of the strategy. This will harmonise employees' actions with the higher aims of the institution (strategic goals).

To sum up, a strong relationship between the strategy and daily activities can only be developed, if the compensation system is aligned with the strategic goals and BSC. This is mainly utilised by performance-oriented companies through payment for performance.

This method by itself is not adaptable to hospitals, but awarding bonuses seems to be an effective solution to raise awareness.

The current financing practice demonstrates that this solution is not recommended to choose. The OEP is actually penalizes performance over the TVK. It would be better to define special requirements as incentive which harmonizes with the strategy of institution.

Nowadays there still exist motivation systems in controlling systems, but they are short-term oriented, and usually employee recognition depends only on a certain level of cover (income-costs).

The strategy making is not a single task. It must be continuously updated in case of strategy oriented organization. It is important to give feedback about it thereby providing the opportunity for learning. Nevertheless It should be taken always into consideration that the budget and calculation should be reflected the each elements of the strategy and the operation goals.

- **Conclusion**

Basically the performance measurement is solved in this sector however the system is facing currently with many problems. The performance evaluation would be possible but it depends on the

management's attitude. Usually they allocate all the resources which are in most case not so much. In my opinion, those hospitals can introduce the BSC easier and sooner, which already have well-established systems controlling. Due to this fact it is very likely that in those hospitals has already launched an attitudinal change among employees and technical conditions. So in this way they can meet the requirements.

The last significant transformation of the health care system began in last year and has not finished yet. The hospitals and departments will be again entirely under government financial control regardless the legal status and operation forms. The centralization has several objectives and special aims but to detail them is not possible in this document.

Furthermore It is very likely that centralization activities will affect the software using and the legal forms of the institutions. By the end of March 31th each institution, which now operates in corporate form, altogether 28, should be overtaken by the government.

Before this deadline it was not possible to collect any data from organizations due to the fact, that GYEMSZI (Hungarian Quality and Organization Development Institute for Healthcare and Pharmaceutics) was not able to process them. But some new statutes enable for this organization to process accurately these collected data.

This transformation allows working with unified chart of accounts, uniformed accounting methods, which ensures the comparability of accounts.

The planned changes described above will help for management of the hospital to develop its strategy methods further, which can be a competitive advantage on the market. Such method among others the balanced scorecard and its upgraded version by Thomas Reichmann called Chance and Riskcard strategy method. The main point of risk indicator methods is that it takes into consideration not just the achievement of the strategic objectives but also the possibilities of risks threatening the strategic goals.

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**An Assessment of the Environmental and Social impacts of Urban Expansion: Case of Arab Countries**

**Abstract:**

Most Arab countries currently experience urban population growth at high rates, whereby over half the population lives in towns and cities, a trend which, in some cases, reaches more than 90%. Urbanization in the Arab world has been fuelled by high fertility rates, substantial rural-urban migration, international labor migration and the concentration of economic activity in urban areas.

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## **Are Students Problematic as Experimental Subjects? Evidence from the Laboratory Experiment**

### **Abstract:**

Experimental economics is on the increase nowadays, with possibility to investigate various phenomena in artificial laboratory environment, where causal relationship might be isolated. This is however associated with severe methodological issues with regards to the validity of experimental results. Attention is paid, among others, to a selection of experimental subjects, which participate in laboratory experiments. Since standard economic models abstract from diversity and heterogeneity of economic agents, experimental economics might be considered to be highly demanding in terms of subjects' samples selection. This study aims to evaluate basic methodological problems associated with using unrepresentative subject samples, the most frequently being student sample, with consequent implications for external and internal validity of experiment. Demonstration of basic methodological problems related to subjects' samples will be made on the basis of concrete laboratory experiment inspired by Fehr and Tyran (2001), where players are in the role of firms, setting prices for their production in monopolistically competitive economy. Particular determinants such as course of knowledge, demand effects, non-anonymity effects, availability, appropriate incentives and type of experiment will be analyzed within the boundaries of this experiment with regards to student subjects.

**Keywords:** Student sample, external validity, heterogeneous agent, course of knowledge.

### **• Introduction**

The emerging field of experimental economics enables to examine various phenomena in the laboratory environment. This raises several methodological issues associated with validity of results. Standard economic models abstract from diversity and heterogeneity through assumption of homogenous abstract agents with *ceteris paribus*. The aim of the experimental economics is to minimize these diversities in order to isolate examined causal relationship. However, fundamental role in the laboratory experiments is played by human subjects with infinite diversity. The type of the subject's sample used might significantly affect external validity of an experiment. This article will try to evaluate major methodological problems associated with choice of type of experimental subjects with help of the laboratory experiment. Based on findings, it will try to verify whether conclusions from the experiment will be similar when using subjects with higher level of professional experience, as opposed to the usual experimental subjects, i.e. students. Additionally, it will try to identify other effects, which might contribute to insufficient representativeness of the sample and potential distortion

of experimental outcomes. This will be assessed from different sights, where course of knowledge, demand effects, non-anonymity effects, availability, appropriate incentives and type of experiment play significant role.

First section briefly summarizes relevant concerns associated with subject samples regarding representativeness and validity, which are commonly mentioned by opponents. The second section is devoted to discussion related to concrete subject pools, particularly students as frequently used subjects of experimentation and professionally skilled subjects. Third section will demonstrate basic methodological problems related to subjects samples on the basis of concrete laboratory experiment inspired by Fehr and Tyran (2001), where experimental groups are compared, which exhibit different characteristic dependent on their course of knowledge. In this type of the experiment, players are in the role of firms, setting prices for their production in monopolistically competitive economy. According to the performance of each group with respect to pricing behaviour, implications might be derived about the quality of the sample, which may serve as a justification for usage of particular sample in the laboratory experiment.

- **Specification of Subject pool**

Our study is aimed to focus on assessment of the performance of students versus skilled professionals, because appropriateness of these two samples is frequently discussed. Additionally, student samples are very often used in experiments. This calls for some methodological underpinning and also justification for its usage. As a result, our analysis concentrates just only on narrow population with regards to the type of experiment, which serves as a case study and aims to test theoretical principles. In order to justify our specification of subject sample, following section will briefly discuss basic arguments behind.

In general common arguments are that if experiment is designed to test theoretical principles, for example general theory of decision making, such as expected utility theory, representative population is not the main issue, because there is no reason to generalize to a larger population. This is also mentioned by Bardsley, Cubitt, Loomes, Moffatt, Starmer and Sugden (2010). The representativeness of subjects used in the laboratory was under severe methodological criticism. Frequent questions are, whether it is justifiable to draw conclusions from the experiments, which were conducted using unrepresentative samples. The main attention is paid to students, which are most of the time recruited and definitely are unrepresentative of the general population. Also it is often discussed, whether there is difference between various categories of subject samples, for instance students versus professionals, or whether use of particular subjects sample is appropriate in experimental design. Both of above mentioned concerns are associated with external validity, often mentioned by opponents as necessary part of the reliability of experimental results, aimed to generalize laboratory results to the outside world and apply it to broader population or other settings, times and groups of people.

According to Lucas (2003), there is no need to use representative sample, when testing laws of human behavior, because the main goal is to test theoretical relationships. Therefore, it is wrong question to ask whether the sample allows generalizing from a sample to a larger population, when testing theory, (Berkowitz and Donnerstein, 1982) It is important to note, that theoretical experiments form majority of experiments examined in the laboratory.

Anyhow, experiments which test only theoretical explanations do not specify target populations for generalization. There is no need to produce results that generalize to some larger population, because there is no larger population from which to choose, when uncovering basic principles of individual behavior, (Lucas, 2003).

This suggests that external validity in this type of experiment is not threatened by the representativeness of subject sample. However, if we consider other type of the experiments, situation might be different. Another argument, which is very often mentioned in favor of narrow population is, that type of non-probability samples (e.g. students from the same university), are homogenous, therefore more compatible with simplified assumption of economics models and thus contribute to lower variability in experimental outcomes. On the other hand, probability samples (sample representative of the whole population), with heterogeneous participants, might significantly lower the probability of identification of violations of a theory, because lot of superfluous distortions is present due to heterogeneous sample.

As was already noted, experimental economists mostly use students as subjects in experiments. Based on previous discussion, the next section will try to deal more thoroughly with above mentioned methodological issues of using different types of narrow samples in experiments, particularly students versus skilled professionals. Based on the experimental case study, it will try to evaluate, whether it is justifiable to use students subjects in experiments with respect to external validity and also other aspects related to the validity of experimental results will be discussed.

- **Students and professionals**

As already noted, when conducting experiment, the vast majority of experiments use students as standard subject pool. However, this is subject to some criticism, because according to opponents it threatens external validity of the experiment. Moreover, potential generalization of results is threatened. Student group is considered to be narrow and special segment of the total population, where the set of economic principles applicable to people at large may not be compatible with this specific subject pool. Ball and Cech (1993) on the basis of an extensive survey suggest, that “using student subjects has the potential to produce anomalous results and efforts should be made to replicate results using subjects from more representative populations.” Ball, Cech (1993, pp. 31-32) This section will try to assess main arguments related to the type of subject pool used, particularly students versus professionals. Do professionals in the laboratory behave differently compared to students or do they reach even higher performance? If yes, this could have serious implications for robustness of experimental results with respect to external validity and choice of subject pools should be carefully considered.

- **Availability and Incentives**

Most experimental studies use students, because these are most available participants. This subject pool is not only accessible directly at university, where most of the laboratories conduct their research, but also students are willing to participate in experiments and are almost always available. On the other hand, it is difficult to attract high earning professionals, who are busy most of the time.

Experimental economists mostly use financial incentives to attract subjects into experiments. However, in case of professionals financial incentives are something, which has not the appropriate effect to gain the attention and other incentives have to be set. For instance, Potters, Winden (1996), when investigating behavioral differences between the students and the professional subjects, set educatory incentives for professionals apart from adequate financial rewards. Their participation was voluntary, while attending a conference on public affairs with experiment being education class. They conclude that incentives for professionals were set appropriately according to observations from experimental sessions. Based on questionnaires, only two professionals found the experiment boring and only three of them considered rewards to be low.

- **Demand and Non-anonymity Effects**

Advantage of using students as a subjects participating in an experimental design might be seriously weakened in the light of demand and non-anonymity effects. Following text will try to identify, whether these effects pose serious problem for validity of experimental results, or position of students as experimental subjects is justified.

The laboratory is characterized by the relationship of the experimenter, who has some power and experimental subject with some obligations being in some experimental situation. Relationship of experimenter and experimental subject is described as superior-subordinate one, similar example being parent and child, physician and patient, etc. (Schultz, 1969).

This was highlighted a long time before the boom of experimental economics by Pierce (1908), who points out that “It is to the highest degree probable, that the subjects general attitude of mind is that of ready complacency and cheerful willingness to assist the investigator in every possible way by reporting to him those very things which he is most eager to find and that the very questions of the experimenter...it seems too often as if the subject were now regarded as a stupid automaton.” (Pierce, 1908, pp. 264-271)

Under above mentioned conditions, subjects are aware that their behavior is monitored, recorded and analyzed by the experimenter. This brings about demand effect, when participants simply try to please the experimenter. Results of the experiment are then distorted, because subjects tend to behave precisely in a way, experimenter wants them to do and not to act naturally in a given situation. As famous example could serve Hawthorn effect, where individuals know, they are under watchful eye of the experimenter and therefore change significantly their behavior, when being under scrutiny. (Levitt and List, 2006)

It is necessary to say that demand effect might be even strengthened, when the relationship between experimenter and subjects is on the basis of lecturer versus student relationship. There are even higher incentives to please the experimenter. This will analyzed below with respect to non-anonymity effect.

Anyhow, Levitt and List (2006) do not consider the laboratory experimentation seriously flawed by demand effect. They propose that sufficient way to deal with it and identify possible distortion is to combine observations from the lab and from the field.

Moreover, this effect can be significantly minimized by the experimenter by appropriate experimental design. For example, when giving instructions to subjects, these should not be written in inappropriate

way giving stimulus to subjects to behave inappropriately. One of the most famous formulas included in instructions mentioned by Croson (2010) which significantly enhance demand effect is for instance: “You would be doing us a great favor if you would act so as to maximize your own earnings.” Instead, instructions should be written to minimize this effect: “There is no right or wrong answer, we are interested in what you would actually do in this situation.”

Another effect is non-anonymity (Levitt and List, 2006), which might significantly influence behavior. Concerns in the lab may arise about opinions of outside observers and this may affect significantly outcomes for instance in dictator games, where altruism is examined. Subjects do not have a taste for fairness, but a social concern plays significant role, exactly what others may think. (Davis, Holt, 1993) This may lead to more pro-social behavior than would be otherwise present.

There is very weak border between anonymous and non-anonymous settings, because some of them depend on the type of experiment. Loewenstein (1999) points out that excessive attempt to ensure anonymity might result in deduction of subjects, that experimenter demands them to behave in some manner, which is however not intended by the experimenter and is rather unacceptable. Moreover, too much anonymity might hinder external validity, because in the real world agents may be tied by social links, which may distort some experiments. (Jiménez-Buedo, Miller, 2010)

However, non-anonymity effect might present a problem in experimental design, when recruited subjects are students, who attend the course of the lecturer, who is in the role of the experimenter. Although class room experiments provide advantages in effortless recruitment and ensuring sufficient incentives by means of grading, Friedman and Sunder (1994) document, that research data from these experiments suffer several drawbacks regarding validity. Smith’s saliency assumption is not necessary valid, i.e. financial rewards might be dominated by other incentives, for example subjects desire to impress their lecturer. Internal validity might be weakened, when recruiting students from one one’s own class. Incentives of students might be different from the standard one in the laboratory, because they consider some aspect of performance to be relevant to their grading in the course. In addition, relationship between students and lecturer in the class might be decisive factor, which contributes to slightly different behavior in the laboratory induced by effort to impress the lecturer. However, this effect can be significantly reduced by absence of the lecturer in the laboratory. Despite this, it is difficult to combine pedagogical requirements of gradual learning with requirements of various experimental designs, such as control and replication of treatments. Although classroom experiments are least expensive and fulfill great pedagogical value, due to these imperfections they are more suitable for pilot and exploratory experiments.

- **Course of Knowledge**

Professionals in the laboratory often exhibit phenomenon called course of knowledge, which describes the fact of transferring daily routine of every day work to the lab situation. Their behavior is more intuitive and less analytic, despite superior knowledge they possess when acting at real markets. This is because in the real environment, they are not confronted with given and known probability distributions or pay-off functions, but they must rely on intuitive evaluation (calibration) of prospects. It was proved by many studies that these routines are successful in the real world, but highly inapplicable in experimental environment. (Bolton, Ockenfels, Thonemann, 2008, Abbink,

Rockenbach, 2006) Qualitative reasoning used in daily practice, is not suitable for the laboratory environment, where exact information is actually available. On the other hand, students receive strong formal and technical training and when they are confronted with abstract task, it is similar to task in a student exam. Highly technical task in well-defined formal laboratory environment is therefore something which is more favorable to the abstract approach used by the students and their ability to find a specific solution to an exactly specified problem. Thus performance of students is comparable to that of professionals on the real market. (Abbink, Rockenbach, 2006)

Dyer, Kagel and Levin (1989) compare naïve and experience bidders in common value offer auctions. Performance of undergraduate students from upper-level economics in role of naïve and executives from local construction companies as professionals was evaluated. The executives learned a set of specific heuristic rules, which could be applied in the field but not in the lab. Inability to adjust to laboratory environment contributed to the fact their behavior was similar with that of students.

Cooper (1999) even states that students seem to outperform professionals in cognitively challenging tasks, because they are endowed by skills, which enable them to solve abstract chains of logic similar to that of taking exams and are better at analyzing tasks required in the laboratory game.

Burns (1985) report that the performance of students is better when compared to businessmen in progressive oral auctions. The reason was that wool traders, who had experience in the actual wool markets, used their course of knowledge even in virtual laboratory, where such a behavioral rules were inapplicable. Again his study confirms that students outperform experts in more abstract problems. Also studies like Bolton, Ockenfels, Thonemann (2008) confirm better performance of students at leveraging analytical information and therefore significance of academic training.

- **Type of Experiment and Course of Knowledge**

Levitt, List (2006), state that the lab either rewards or punishes rules of behavior learned in the outside world, depending on the type of experiment. Choice of subjects, who dispose different course of knowledge, i.e. professionals versus students, might therefore significantly affect laboratory outcomes.

Theoretical experiments, in which category most experiments fall according to Schramm (2005), are aimed to test pure theory and therefore internal validity is more important than external validity. In this case experiments are used to test performance of theories in light of working institutions or to test the initial assumptions of the theory. Thus, there is no reason to believe that results would differ for two sets of subjects. According to comments mentioned in the beginning, when an experiment is used to test a general theory, there is no need for representative pool in terms of external validity. Thus, use of student sample in these types of experiments is justified. Moreover, student sample is perfect also because the ability of students to get quickly into the structure of highly theoretical experiment and face abstract tasks with ease, based on background course of knowledge. The validity of experimental design is therefore strengthened when using these subjects.

On the opposite pole lie experiments designed to test-bed policies. In these experiments external validity is of a major importance. This is usually common, when some new institutional design is tested and requires unique practical skills, which are out of student's domain. Croson (2010) points out, that a complicated financial market design requires participants more experienced with this sort of market,

which might reduce the errors in the experiment. On the other hand participants without any experience may evince noisy behavior. However, this does not mean that it will necessarily distort results instead it may induce variance in experimental data. Moreover, participation of novice subjects is justified, because many of these experiments are guided by theory as Schramm (2005) points out.

Abbink and Rockenback (2006) compare behavior of students and professionals in an option pricing experiment, where individuals make decisions in departments of foreign exchange, security, futures, bonds and money trade. It was shown that behavior of professionals is surprisingly far from the theoretical price than behavior that of students and therefore it does not mean that experienced participants always reach better outcomes. It was shown that students move closer to the equilibrium, whereas professionals moved in opposite direction. However, it confirms Croson (2010) that participants without any experience may contribute to the variance in experimental data.

Burns (1985) suggests that it is highly desirable to employ both groups, students and also professionals, when model or particular market institution is designed, because “the performance of skilled practitioners might point up issues of importance to the model that the theoretician may miss.” Burns (1985, pp. 152-153)

Also Fréchette (2010, pp. 34) states that examination of professionals “can prove very insightful in ways that studying undergraduates is not.” Nonetheless, after conducting survey of several studies related to this topic, he concludes that results do not tend to differ too much and are in most cases the same, not depending whether the examined subjects are professionals or students. Thus, it is up to the experimenter to decide about inclusion of both groups, if there are strong reasons to believe that these two subject samples may yield divergent results.

Above mentioned comments seems to support the view that course of knowledge plays a dominant role and goes hand in hand with type of experiment. Empirical studies show that there is no difference between professionals and students, or even students are better. This may be caused by specific experimental design, mainly implementation of theoretical constructs in the laboratory, how close these constructs are to the real world and consequent ability of professionals to overcome handicap of practical course of knowledge in the laboratory environment. Moreover, as the goal of these types of experiments is to have high external validity, reaction of professionals to experimental design might help to develop institutional design, which is as close as possible to the real market institution.

Although professionals are further from theoretical equilibrium than students, when playing some experimental games, there are some advantages. Behavioral rules such as rules of thumb, heuristic, might be beneficial; mainly they can reduce variance in experimental data.

The advantage of using professionals may be demonstrated by the experiment of Cooper, Kagel, Lo and Gu (1999), where the reaction of Chinese managers to context proved to be informative and their ability to get employees out of bad equilibria was faster. To obtain such results with student sample, which was also present, was impossible. Still behavior in other aspects was similar.

- **Case Study**

Based on available research, theoretical experiment was set in order to verify appropriateness of students sample in terms of decision-making and its suitability for a given experiment. We assume that

the level of experience might translate into the behaviour of subjects, which is expected to be less volatile and less frequently leading to suboptimal outcomes. Higher level of experience might reduce probability of undesirable outcomes, according to our assumption. This should contribute to faster convergence to the equilibrium in a given game, when individuals endowed by course of knowledge adjust immediately their prices with respect to the situation.

Hypothesis will be examined with help of the experiment, which was partly inspired by study of Fehr and Tyran (2001). Individuals are in the role of the firms, setting price for its production in artificial monopolistic competitive economy. Returns of these firms are affected by their selling price and by the price level, which is determined by prices set by other firms in the artificial economy. Players in the role of firms, with strong incentives supported by financial reward, try to maximize their profit, defined as a function of their particular price and the average price level. During the process of decision-making, subjects are assumed to select the profit-maximizing price, which should be consistent with the total general equilibrium of the economy, if other subjects choose the correct price maximizing their profits, as well.

Possibility to explore the effect of different performance is secured by setting two types of groups in the experiment, which can be compared. This can be demonstrated in Table 1 below with help of experimental design (Guala, 2005). The first treatment is composed of well educated experimental group of subjects in their master's degree, who have advanced knowledge of microeconomics, macroeconomics, game theory and other related economic courses. This gives them solid backgrounds in economics and analytical skills, which enable them to apply basic economic concepts to various situations. Moreover, these individuals mostly have some professional experience, which is connected to the course of knowledge. This effect of experience is marked as X. This implies that the effect of experience within this group should according to our assumption lead to better economic outcomes  $Y_2$ . The second treatment is in the role of control group, where students are in their first year of bachelor's degree, therefore having only minimum knowledge of basic economics and zero professional experience, which is indicated by 0 in Table 1. This according to the Salemi (2005) leads only to formal knowledge, which implies significantly lower ability to reach optimum outcomes. Therefore, the effect of experience should be the least possible, leading to the effect  $Y_2$ .

**Table 1. Experimental design.**

	Treatment	Putative Effect	Other Factors
Experimental Group	X	$Y_1$	Constant
Control Group	0	$Y_2$	Constant

Guala (2008).

There are several reasons, why these subjects tend to be the best choice for our experimentation. Firstly, by inclusion of experimental and control group with above-mentioned characteristics, we are able to distinguish between well experienced and low experienced person. Well experienced

experimental group has prerequisite to fulfil requirements, because through participation in various economic courses it should acquire particular analytical skills and the ability to think in economic terms with course of knowledge related to professional experience. Secondly, different behaviour of these groups might be observed, because we included control group with significantly weaker level of experience. Still minimum amount of knowledge is guaranteed, since we opted for narrow target group, which has common interest. This should reduce common problems, where two groups do not exhibit reasonably similar characteristics due to the fact of significantly different educational attainment, income status, etc. Choice of this narrow group of students (i.e. non-probability sample) from the same university also ensures that sample will be more homogenous, which contributes to lower variability in experimental outcomes. The problem mentioned by Walstad (1976) that deeper knowledge is not necessarily associated with interest to achieve economic outcomes, because of lower sense of economic efficacy will be weakened by proper incentives set in experimental design. Subjects will know that they can affect significantly their outcomes through adequate pricing behaviour. Moreover, this awareness regarding higher economic efficacy will be strengthened further by adequate financial rewards.

- **Experimental Design**

Experiment is based on n-player pricing game with monopolistic competition. Contrary to original experiment of Fehr and Tyran (2001) this study makes a difference between subjects according to the level of experience mentioned above.

The game has 40 rounds plus one trial period, with a group size of  $n=4$ . 84 subjects participated in the experiment, which was conducted in the Laboratory of Experimental Economics, University of Economics, Prague. Experiment is divided into a pre-shock and a post-shock phase. Fully anticipated negative shock is implemented during the game, which is common knowledge to participants. This shock is aimed to verify whether different performance of subjects is embedded according to the level of experience and course of knowledge, they are endowed with.

In order to test the impact of experience resulting from different type of sample, treatment groups differ with respect to the level of experience attained. Both groups received payoff functions, which provide them with information about their pricing strategy. Pay-offs of all participants are expressed in nominal terms. In order for subject to decide correctly about the price of his product, he needs to re-count nominal pay-off into the real pay-off. The nominal pay off is given by  $P_i$ .  $\pi_i$ , therefore in order to compute real payoff, individuals have to divide their nominal payoffs  $P_i$ .  $\pi_i$  by  $P_{-i}$ .

The real pay-off of subject  $i$  is given by:

$$\pi_i = \pi_i (P_i, P_{-i}, M) \quad i=1, \dots, n \quad (1)$$

where  $P_i$  stands for nominal price,  $P_{-i}$  is the average price of the other  $n-1$  group members, and  $M$  is nominal shock variable. Subjects are informed about payoffs of other subjects in the group, since  $x$  and  $y$  types players are present in nominal treatment. For more detailed specification of nominal payoffs and nominal payoff tables see Fehr, Tyran (2001), (Instructions and pay-off tables related to experimental design available upon request).

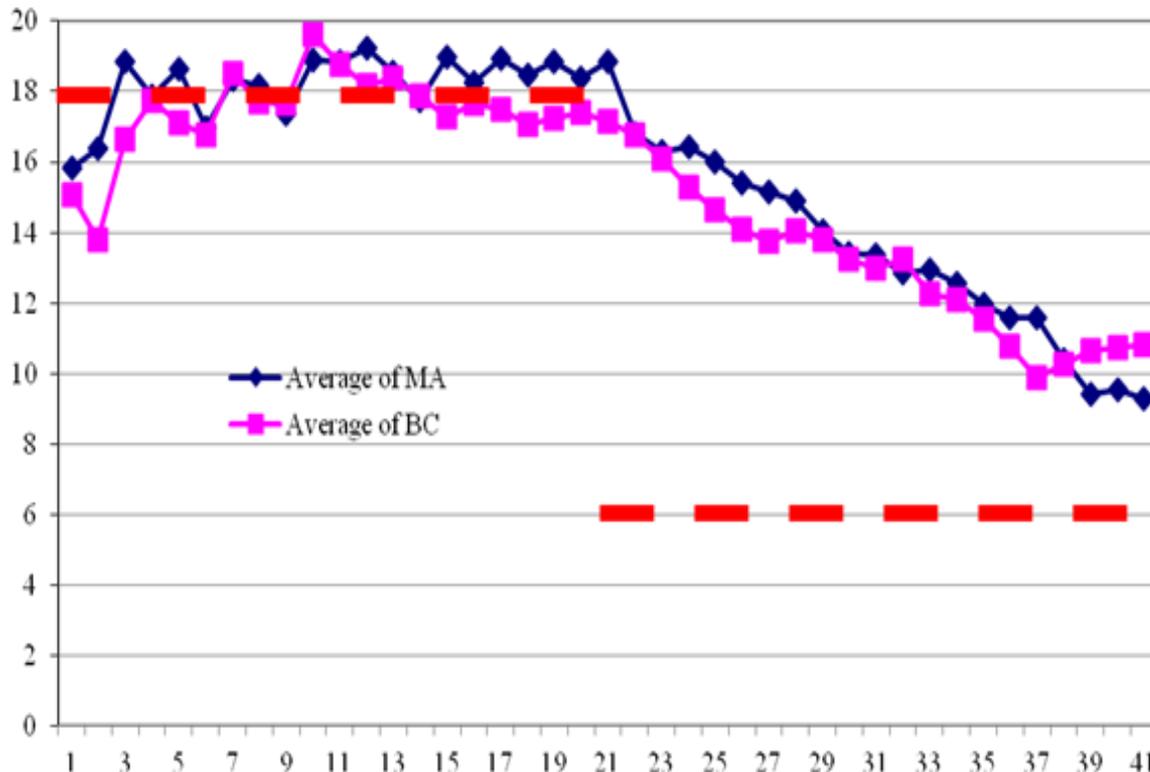
The need to recount nominal pay-off into real pay-off is a cognitively challenging task, which is the main barrier to optimal behaviour. It is assumed that well experienced subjects will easily overcome

this barrier and their behaviour will be less volatile due to their ability to coordinate, based on their economic skills and course of knowledge. Economic experience should work in favour of achieving optimum outcomes. On the contrary, control group should face higher uncertainty owing to absence of experience, leading to more volatile and suboptimal behaviour. We also predict that well experienced subjects will converge more quickly to with price to equilibrium, since flexible pricing behaviour is present due to the fact that these subject got easily over cognitive barrier in form of nominal pay-offs. Control group should converge at significantly slower rate due to the persistent inflexibility. Thus lower level of experience might hinder the adjustment process towards equilibrium. If our expectations will be proved, it means that usage of different samples may produce different qualitative results of the experiment depending on the level of experience of experimental subjects.

### • Results

In order to evaluate different performance in pricing behaviour related to the character of the subjects sample, Savage's test will be applied, which draws conclusions directly from graphically displayed experimental data. Economy's equilibrium price, to which subjects should converge, is depicted by the red line in Figure 1, with values given by experimental setting, where the average price before the shock is  $P_e=18$  and price after the shock is  $P_e=6$ . (For details of mechanism see Fehr and Tyran 2001). The blue line stands for average price created in the economy by MA (professional) group, whereas violet one stands for control group of BC (students).

**Figure 1: Average Price of Well Experienced and Low Experienced Group.**



As opposed to initial expectations, highly abstract task contained within this theoretical experiment benefits bachelor students in terms of the speed of the convergence to the equilibrium. As a result, their

performance is comparable to the performance of well experienced subjects. Not only the volatility is comparable, but also no substantial difference is observed in terms of the speed of convergence to the equilibrium in the post-shock phase. Both groups have ended at similar position, with deviation about 2 points from the equilibrium price. This suggests that even well experienced subjects exhibit performance, which is not better in terms of closer position to optimum price. Initial assumptions were that well experienced group will directly converge with its price to the equilibrium after the shock, which is rather not the case as might be seen from Figure 1.

Since there is no distinct difference in the performance of these two groups, we may derive that within our theoretical experiment based on game theoretical framework, the level of experience is not decisive factor. As a result, experimenters in the laboratory might feel comfortable with regards to frequent participation of student subjects, whose performance does not substantially differ from the performance of well experienced subjects. However, we have to bear in mind that this holds rather for theoretical experiments. Moreover, our approach should not be taken as granted and further research is desirable in order to support our conclusions.

Additionally, our hypothesis was examined with help of evaluation of potential volatility of prices for both groups before the shock and after the shock by computing standard deviations. Table 2 depicts standard deviations for 5 periods before and 5 periods after the shock, where these rounds are the most appropriate in order to detect noticeable difference in behaviour among well experienced and less experienced group.

**Table 2: Variability of price before and after the shock.**

	MA group (st.dev.)	BA group (st.dev.)
Before the shock	0,270062741	0,168263187
After the shock	0,644696525	1,166297561

If we compare standard deviations of well experienced (MA) group and low experienced (BA) group for post-shock period, values clearly indicate that price variability is only slightly lower for well experienced group. This suggests that well experienced individuals tend to coordinate in satisfactory way but not in radically different way from low experienced subjects. If we compare the size of standard deviations before and after the shock for each group, it is evident that standard deviation of well experienced group has risen by less than standard deviation of low experienced group. Although it might suggest that this group sets prices in less uncertain and volatile manner we should not attribute too much significance to this finding, because the difference is almost negligible. However, if we compare standard deviations for both groups before the shock, variability of MA group is slightly higher when compared with BA group, however the effect is negligible. The most important in our analysis is above-mentioned similar reaction of both groups, after the shock has been imposed.

- **Conclusion**

As was already highlighted in theoretical part, professionals in the laboratory are not capable to reach results comparable to outcomes reached by experience on the real markets due to the course of

knowledge. This is valid primarily for pure theoretical experiments and was proved by some empirical studies. However, our experimental case study proved that there is almost no difference between well experienced subjects and student subjects. After the announced shock, the adjustment of both groups was almost comparable in terms of pricing behavior. Our findings suggests, that for purpose of theoretical laboratory experiments, the best subjects are students, mainly because of their ability to adapt quickly to theoretical framework of experimental design and their performance comparable to professionally experienced subjects. Moreover, they are considered to be also the best choice in terms of budget issues. Additionally, proper financial incentives are ensured as opposed to professional sample, where the opportunity costs is significant factor and may not induce sufficient attention of tested subjects. This could be also one of the reasons for almost comparable performance of both samples, since well experienced subjects who already work, might not be seriously interested in issue due to the financial reward, which might be still negligible.

However, we have to bear in mind that our findings hold for pure theoretical experiments and not for experiments, which demand high external validity aimed to provide some policy advice. In this context professionals might be more valuable.

Additionally, we should take our experiment not as definite conclusion, but rather as further suggestion in terms of research related to different performance of students versus professionals, which is suggestion for further research. This should be directed not only towards theoretical experiments as our study did, but also to more real world experiments in order to underpin findings reached by various laboratory experiments.

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## **Socio - Cultural Context of Child Sexual Abuse in Ghana**

### **Abstract:**

This is an exploratory study that sets out to investigate the socio-cultural context of child sexual abuse and uncover the concerns of children in Ghana who are victims. The study further examines how parents and guardians who serve as the first agent of socialisation to the child understand the concept of child sexual abuse. It will equally be focusing on how the traditional authorities who serve as gate keepers in communities in Ghana deal with the phenomenon.

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### **The Influenced Factors on Productivity Improvement in Thai Industry**

#### **Abstract:**

The objective of this research was to study the factors influenced on the productivity improvement in Thai industry. The data was generated through distribution of questionnaire survey among randomly selected 339 plastic factories throughout Thailand and answered by the opinion of factory manager who concern in factors affected to productivity improvement. The data was analyzed by arithmetic mean, standard deviation, analysis of variance and factor analysis method.

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University of Economics

Czech Republic

## **Applying the Kalman Filter to Estimate the NAIRU in an Unstable Environment**

### **Abstract:**

Kalman filter with a higher coefficient of smoothing than is the commonly recommended value succeeded in capturing the non-stable environment in the labour market. We found these sources of instability and changes in labour market: the restructuring of the economy (case of the Czech Republic, Slovakia and Poland), change in nature of trade-off between unemployment rate and households' consumption deflator caused by factors exogenous to the labour market.

**Canan Karabey**

Ataturk University

Turkey

**Exploring the Relationship between Absorptive Capacity, Structural Organicity and Environmental Hostility**

**Abstract:**

The aim of this study is to investigate the relationship between organizational absorptive capacity, structural organicity and environmental hostility. Absorptive capacity is defined as a set of organizational routines necessary to identify and utilize externally generated knowledge. Organization structure is generally considered on a mechanistic to organic continuum and structural organicity refers to the degree of fit for organic structure.

## **Mehmet Fedai Kaya, Ayse Nigun Karakaya**

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### **Application of Credit Scoring Method for Credit Cards**

#### **Abstract:**

Nowadays, credit cards in daily life become the most important product in developing finance sektor. On behalf of banks, to issue or not issue credit cards to clients should be decided after carefully investigating their backgrounds. With the increasing demand for credit cards the evaluation of credit card applications become more important for financial sector. Therefore, specialist consider different criteria, the decisions can be subjective.

In this work, good- bad clients are tried to be seperated by regarding thirteen variables belongs to credit card clients of a specific bank and the results of applications are compared between each other.

**Keywords:** Credit scoring, discriminant analysis, nearest neighbour.

**JEL Classification:** G20, C10

#### **1. Introduction**

Credit scoring is a method of measuring the credibility of the applicant using statistical methods. The purpose of credit scoring is to calculate, in case of a credit application, the possibility of the client's not paying back the credit. Scoring, which is one of the most important instruments of the credit risk method, is a method that helps to predict what kind of a payment performance an applicant will exhibit in the future by analyzing the applicant's data through statistical methods

While the scoring method predicts whether the consumer will be able to pay back the credit, it does not concern itself with explaining why he/she will display a certain behavior. Another thing about scoring is that the environment where the consumer lives or works will help predict whether the credit that the consumer demands will be problematic or not (Thomas, Edelman and Crook, 2002). Time that is spent on each application decreases thanks to credit scoring. Application data are analyzed by the help of computers within a short time and decisions are made. Thus, the amount of money that is paid to the staff required for the allocation and monitoring of thousands of credit applications made to a bank in a year remains at a lower level (Mays, 2004).

All methods of credit scoring need past data about clients in order to improve the scoring system. The important point about the selection of sample is the size of the sample and the ratio of good clients to bad clients. Since there will not be enough data in the sample to account for bad debts when the good/bad ratio is determined according to the ratio in the population, this ratio is taken to be 50 % (Lewis, 1992).

One of the stages in score development concerns how the classification of good client/bad client will be conducted. Classifying some clients as bad does not mean all the other clients are good. There are two more choices other than classifying clients into good and bad: those who can not be defined and those who can not be evaluated adequately on the basis of observation (Thomas, Edelman and Crook, 2002).

One of the methods used in credit scoring is the approach of closest neighbor while another is discriminant analysis.

The closest neighbor technique is a non-parametric approach that was first developed by Fix and Huges. The rationale of this technique is based on selecting a distance that measures how far any two applications are from one another. A sample is taken from past applications and a new application is classified on the basis of the good/bad ratio between the closest k neighbors in this sample.

The closest neighbor approach demonstrates a good performance in samples where the ratio of good and bad is equal (Thomas, Edelman and Crook, 2002).

Another method in scoring is the discriminant analysis. This method establishes a functional correlation between **(a)** categorically determined dependent variable(s) and independent variables. The purpose of the analysis is to reveal in terms of what variables the groups differ from one another (Malhotro and Naresh, 1993).

- **Application**

For credit card scoring, 1806 of a bank's clients who had credit cards and 13 variables were investigated. The distinction between good clients and bad clients was made by the bank.

Some statistics are given below to present preliminary information about the study.

**Table 1 Statistics**

variables	Good-Bad		statistics
The age of the clients	Good	average	34.99
		%95 Confidence interval	(33.43,36.56)
	Median	33	
	Standart deviation	10	
	Bad	average	36.13
		%95 Confidence interval	(34.65 , 37.6)
	Median	34	
	Standart deviation	9.8	
Monthly income	Good	average	1744
		%95 Confidence interval	(1370 , 2117)
	Median	1000	
	Standart deviation	2384	
	Bad	average	3118

		%95 Confidence interval	(2535 , 3702)
		Median	2000
		Standart deviation	3887
Another bank card limit	Good	average	2337
		%95 Confidence interval	(1734 , 2941)
		Median	1500
		Standart deviation	3854
	Bad	average	3608
		%95 Confidence interval	(3135 , 4082)
		Median	2600
		Standart deviation	3153

In the above table, when the mean scores of the good and bad clients are examined in terms of different variables, it is seen that mean age of bad clients is higher. Moreover, mean scores of bad clients are significantly higher in terms of their monthly salaries and credit card limits of other banks.

**Table 2 Gender Distribution for Good and Bad Clients**

Gender	Good	%	Bad	%
Male	856	50.8	829	49.3
Female	76	49.2	78	50.7

The table above indicates that male clients constitute a large portion of credit card clients. The male and female ratios are close to one another for good and bad clients. This can be interpreted to mean that gender is not a determining factor in the distinction between good and bad clients.

**Table 3 Professional Distribution of Good and Bad Clients**

professional	Good	%	Bad	%
Other	264	53.66	228	46.34
Retired	102	62.96	60	37.04
Housewife	446	46.07	552	53.93
Public employes	46	85.19	8	14.81
The self employed	3	75	1	25
Student	70	98.59	1	1.41
Total	931	92.18	79	7.82

When the table above is examined, it is observed that students and public sector employees have a higher tendency to be good clients.

- **Scoring Using the Closest Neighbor Analysis**

The last five of the 1806 observations belonging to credit card clients were classified for 3 different variables according to whether their closest neighbors were good or bad.

X(i): i observations for 3 different observations      i: 1802, 1803

The closest neighbor technique was applied to the data from among the staged clustering techniques. Euclidean distance was chosen as distance. Of the neighbors, good clients were encoded as 1 while bad clients were encoded as 2.

The closest neighbors of X(1802)	X(379)	X(930)	X(1801)	X(1259)	X(1606)
Code	1	1	1	1	1

Since the closest neighbors of X(1802) are encoded with the good code, we can decide that that X(1802) is good. Indeed, X(1802) is a good client.

The closest neighbors of X(1803)	X(1682)	X(1116)	X(1506)	X(1612)	X(348)
Code	2	2	2	2	1

Since the closest neighbors of X(1803) are encoded by both good and bad codes, a clear-cut interpretation can not be made about X(1803). However, as the number of neighbors that are encoded as bad is higher in number, we can say regarding X(1803) that its possibility of being bad is higher. Indeed, X(1803) is a bad client.

Likewise, the closest neighbors were analyzed as a result of clustering analysis conducted for all clients and it was observed that the people in question had been classified, to a large extent, in accordance with their true status.

- **Scoring Using Discriminant Analysis**

The covariance correlation matrix for 1806 observation values of credit card clients belonging to the variables of limits for other bank cards, monthly income and client's age are given below.

**Table 4 Covariance Correlation Matrix:**

	<b>variables</b>	<b>The age of the clients</b>	<b>Montly income</b>	<b>Another bank card limit</b>
covariance	The age of the clients	98.46	2961.3	3096.28
	Montly income	2961.3	10596179	4251575
	Another bank card limit	3096.28	4251575	12293630
correlation	The age of the clients	1	0.09	0.08
	Montly income	0.09	1	0.37
	Another bank card limit	0.08	0.37	1

When the table above is examined, it is observed that there is no high level correlation among the variables included in the model.

**Table 5 Covariance Matrix for Good and Bad Clients:**

Good-bad	variables	The age of the clients	Montly income	Another bank card limit
good	The age of the clients	100.08	1378.75	1089
	Montly income	1378.08	5684511	34551191
	Another bank card limit	1089.44	34551191	14852727
bad	The age of the clients	96.97	4415	4983
	Montly income	4415.06	15108059	4983136
	Another bank card limit	4939.78	4983136	9942832
total	The age of the clients	98.49	3342	3447
	Montly income	3342.42	11037280	4676189
	Another bank card limit	3447.59	4676189	12660979

The fact that relevant variable pairs have different covariance values in both groups can be interpreted to mean that covariance matrixes are not homogeneous. The result of BOX-M test also confirms that intergroup covariance matrix is not homogeneous. In this case, the results of the Quadratic Discriminant Analysis, which does not need the assumption of homegeneity, are given below:

**Table 6 Group Averages Equality Test**

variables		F	Sd1	Sd2	P (sign.level)
The age of the clients	1	1.08	1	330	0.03
Montly income	0.96	14.78	1	330	0.00
Another bank card limit	0.97	10.89	1	330	0.00

Wilk's lamda " $\Lambda$ " is a multi-variable significance test and takes values between in the range of "0,1". Lower values of  $\Lambda$  indicate that the relevant variable is less effective in distinguishing the groups. Since p (sig) values are quite low, it can be said that the contribution of the monthly income, educational level and type of client variables to the model used in distinguishing good clients from bad clients is significant.

**Table 7 Canonical Discriminant Function Coefficients for Score**

variables	coefficients
The age of the clients	0,13
Montly income	0,68
Another bank card limit	0,48

$$\text{Score} = 0.68. \text{ monthly income} + 0.13. \text{ client's age} + 0.48 \text{ another bank card limit}$$

**Table 8 Discriminant Function Coefficients for Good-Bad Clients**

variables	good	bad
The age of the clients	0.35	0.36
Montly income	0.00	0.00
Another bank card limit	0.00	0.00
constant	-6.98	-7.65

(for good clients) , Score = 0,35. the age of the clients - 6,98

(for bad clients) , Score = 0,36. the age of the clients – 7,65

**Table 9 Classification**

	estimation		total
	good	bad	
Good	820	80	900
bad	731	174	905

In this model, out of 900 good clients, 820 (91 %) were classified as good while 80 (9 %) were classified as bad. Likewise, out of 905 bad clients, 731 (80 %) were classified as good while 174 (20 %) were classified as bad.

- **Conclusion**

In this study, data belonging to a bank's credit card clients were analyzed using credit scoring techniques. Statistical techniques of discriminant analysis and the closest neighbor techniques were used in the study.

The technique that was first used was the closest neighbor approach and since there was no limitation on assumptions, analyses were conducted using all the variables. Predictions were made in this analysis by considering the closest neighbors of five clients who were known whether they were good or bad but encoded as unknown.

The second technique was the discriminant analysis, which has allows limited assumptions. The Quadratic Discriminant Analysis was used because the homogeneity assumption was not validated when an attempt was made to set up a model using the variables of net monthly income, client's age and limits of other bank cards. The net monthly income variable made the highest contribution to the discriminant model at a rate of 0.878 whereas the variable of client's age made the lowest contribution at a rate of 0.238 and therefore was not included in the discriminant analysis model. The overall success rate of the model is 55.11 %. The rate of success in predicting good clients was 91.1 % while it stood at 20 % in predicting bad clients.

When the variables entering the model are examined, it is observed that the variable of net monthly income makes considerable contribution to all models. It can be said that the current data and the variables used in this study are effective in credit scoring.

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## **Opinion of Instructors Related to Virtual Classroom**

### **Abstract:**

The increase of demand for the education system due to the information flow accelerated as a result of cheap and widespread information technologies, changing place, time and distance perceptions, rapidly increasing population and economic conditions brought forward the distance education approaches as an alternative to formal classroom education.

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**The Family Firm and Its Social Capital:  
A Consideration of the External Dimension of Social Capital**

**Abstract:**

This research revolves around the idea that family business is a specific organizational form, which differs from other forms. The present work is part of the logic to detect this feature through the mobilization of social capital theory, based on the RBV. In this sense, the article presents the social capital as a concept defining the family enterprise's specificities. It introduces, then, the different family enterprise's social capital forms in literature. And it, finally, emphasizes, the so-long minified and neglected "bridging social capital", identifying some promising tracks to explain the "bridging social capital" role in the organization's functioning and performance.

**Keywords:** Social capital, familiness, competitive advantage, bonding social capital, bridging social capital, family enterprise.

**1. Introduction**

Although the employment of "social capital" was long restricted to sociological framework, the concept witnesses a more frequent mobilization towards the organisational frame. This fancy is, probably, due to the economic and organisational actors 'embedding in the social context. A particular and interesting framework will be focused on this study, namely, the family enterprise. This choice is founded in two ways: On the one hand, the family enterprise role is far from being economically insignificant, since there is a substantial increase in the publication about such a firm (Simon & Hitt, 2003). On the other hand, given its unique feature which consists in the interaction between the economical and social spheres i.e: between the family and the organization, the family firm represents the perfect frame for the study of the social capital (Kepner 1983). Furthermore, the family enterprise's social capital is different from that of the non-familial enterprises, showing then a competitive edge.

Let's clarify first that the familial enterprise had been the issue on different definitions, nevertheless, our choice is based on Litz's multi-criterion, which considers as familial any enterprise having the three following characteristics: the multiplicity of the roles of family members, the family institution influence on the organization and the intergenerational transmission intention.

- **The social capital: a theory explaining the familial firm specificities**

Many studies and searches stipulate that the family enterprises are more performing than non family ones (Charreaux, 1991; Allouche & Amann, 1995, 1998. Gallo & Vilaseca, 1996; Anderson & Reeb,

2003; Richardson, 2008). Moreover, some authors deem the family enterprises to be more successful (Brokaw, 1992), and even talk about a competitive edge associated with the latter (Hoelscher 2002; Brice & Richardson 2008). According to Aronoff and Ward (1995), family society is a superior model for success, and this is due to their management exercise and business values which are necessary for competitiveness (Prokesch 1986; Aronoff & al. 1996). By the way, there is a huge amount of works considering the family firms 'competitive advantage, for example, the agency cost lessening (Aronoff & Ward, 1995; Maconaughey & al, 1995), best reputation and standing (Ward & Aronoff, 1995; Tagiuri & Davis, 1996), best managerial practices (Prokesch 1986), more reactive to environmental change (Dreux, 1990)...

Nonetheless, despite the numerous work addressing advantages influencing the enterprise's performance, such studies are only theoretical and the theories used to explain such superiority were deemed to be inadequate (Arregle & al, 2003, 2004, 2007; Pearson & al, 2008). This irregularity weakens the pertinence as well as the foundation of the familial enterprise research. In order to remedy to such a coherence lack, researches looked into the relation of the familial entity and the organization, in other words, the family enterprise's specificities to the non-family enterprises. This way, researchers turned towards the theory of the social capital, since there is a consensus on the idea that the major kinds of capital which are traditionally identified as the bases of the organizational and economical development and performance (physical, human and natural capital), are no longer sufficient to the understanding of the economical growth process (Zhang & Fung 2006). Indeed, the social capital theory is getting more and more remarkable in the recent studies, especially concerning the family firm (Aldrich & Cliff, 2003; Arregle & al, 2007; Merlin & Salvato, 2008; Pearson & al, 2008; Lindow & al, 2010). These studies define social capital as the missing link in the economical development (Macerinskiene & Aleknaviciute, 2011). More specifically, the social capital theory plainly contributed to the progress of researches, which try to explain the relation between the familial enterprise's specificities and the ensuing competitive advantage.

The resort to the social capital theory is justified by the fact that "family- enterprise" are often intertwined, and the social capital allows, justly, the consideration of the relations between the social and economical actors. According to Pearson and al (2008), the social capital theory provides a structure that allows the identification as well as the understanding of the unique behavioural resources and the familial societies abilities, they even admit that the social capital theory is based on resources allowing the understanding of the familial enterprises 'specificities thus explaining its special advantages. In fact, the available writings demonstrate that the interest to the family enterprise has been tackled, especially during these last years, through the notion of social capital in an approach based on resources( Arregle & al 2003, 2004, 2007; Coeurderoy & Lwango 2008; Salvato & Melin 2008; Pearson & al 2008).

#### ○ **The "Familianness" concept**

Numerous researches about the family enterprises bring out the nonexistence of a conceptual, hard and unifier framework (Habbershon & Williams, 1999). Arregle and al (2007) stipulate the absence of a unifying paradigm of the conceptual and empirical studies in this type of firm as well as a disciplinary plurality in this field (psychology, law, accounting, strategy, entrepreneurship, economy...) yet, it's imprinted with an important lack of cohesion.

In an attempt to give a conceptual framework enabling the comprehension of the family firm and its specificities, Habbershon and Williams (1999) introduced the concept of “Familiness”, which suggests the study of the link between the organizational process specificities that emanate from the enterprise’s family aspect and the competitive advantage performance. In fact, according to Habbershon and Williams (1999), the family enterprises are considered to be unique with regard to their non family counterparts by their resources and capacities. Huybrechts and al (2011) clarify that the familial firms’ intangible resources which distinguish them and that the tangible resources are similar to the non-familial ones. In the same line, many scholars put these intangible resources together under the concept of “Familiness” (Cabrera-Suarez & al, 2001; Chrisman & al, 2005; Habbershon and Williams, 1999; Simon and Hitt 2003) as the human capital, social capital, governance structure, familial capital, information channels, reputation, identity, family social capital...

As a whole, Habbershon and Williams (1999, p 451) defined the concept as being “*a set of a unique idiosyncratic resources and capabilities which arise from the interactions between the family and the business*” Resources are then identified as firm’s assets and attributes; while the capacities are as organizational, specific, non transferable resources, whose purpose is to improve the productivity of other resources (Makadok, 2001). Chrisman and al (2003) also add; the engagement as well as the interactions between the family, family members and the organization are the source of these resources and capacities, so unique. These authors pushed forward the family positive contribution in the creation of “Familiness» which backed competitive advantage for the family enterprise (Zellweger & al, 2010). Pearson and al (2008) concluded that the “Familiness” concept is usually used as a unique and distinct element which, not only distinguishes between the family and non-family enterprises, but also between the performing and non-performing family enterprises. Moreover, the results of several studies on “familiness” confirm not only a positive effect of this concept (Tokarczyk & al, 2007, Zellweger & al, 2008), but also a negative effect (Stewart, 2003).

Despite the interesting expansion in different authors ‘work about the “Familiness” concept based on the RBV, many twilight zones persist and limit the full comprehension of the concept especially its dimensions’ delimitation and the difficulty to measure it (Pearson & al, 2008). The RBV had also been criticized for a general lack of specificity (Hoops & al, 2003), a too large definition of resources leading to a fragmented research (Armstrong and Shimizu, 2007) and a lack of clarity about the theory’s fundamental hypotheses (Hoopes & al, 2003).

All these critics pushed the authors to move towards other tracks to give a theoretical and empirical extension to the concept in a resource-based approach framework. A new theory is therefore essential not to replace the RBV, but rather to overcome its limits and allow researches to answer unresolved questions, as the identification of the unique resources, which represent the dimensions of the «Familiness” construct, particularly, those linked to the family firm (Pearson & al, 2008). By the way, this lack of clarification had been mentioned by the concept’s founders who said: “...it’s finally the conditions and the antecedents of the distinctive traits that constitute “Familiness”, which researchers need to identify” (Habbershon and Williams, 1999, p 13). Chrisman and al (2005), recommend that researches should focalize on the family enterprises singularity, on the question: How does the family’s participation create this kind of enterprise’s distinctive aspect? Would this tendency give a theoretical

and empirical basis for the present as well as the future research about the family enterprise? (Pearson & al, 2008).

We agree to Pearson and al (2008)'s perspective of the social capital which represents a useful frame for the exam of the specific social and behavioural resources that compose the "Familianness" concept, as well as its effects. In fact, the social capital theory is considered as particularly pertinent for the study of the family enterprise (Arregle & al, 2003, 2004, 2007; Coeurderoy and Lwango, 2008; Salvato and Melin, 2008; Pearson & al, 2008), Especially as the family enterprises are often characterized by the family and enterprise's intertwining, meaning the overlap between the social and economical spheres, and that major specific competitive advantages of the familial firms draw their roots from the family enterprise and these enterprises' organizational processes (Habbershon and Williams, 1999).

The social capital permits, then, to structure the links between specificity/ organizational processes/ advantages (Arregle and al, 2004). More precisely, we'll deal in what follows, with the social capital as being the essential resource for the family enterprises thus leading to advantages comparing to the non-family enterprises.

○ **The family enterprise social capital: A fundamental resource**

As already mentioned before, the resource-based theory doesn't draw any resource type. It grants the same importance to the tangible and the intangible resources. Likewise, the strategic management researches consider the social capital as a competitive advantage source (Arregle & al, 2003). Nahapiet and Ghoshal (1998) stipulate that social relations network is a specific and intangible resource which stimulates the economical activity. According to Bolino and al (2002), social capital improves the cooperative relations and favours the pertinent information exchange between the enterprise and the actors.

As far as Bourdieu (1986) is concerned, the social capital is like real or potential resources 'aggregate linked to the possession of a lasting net of more or less institutionalized relations of mutual recognition. As for Baron and Marksman (2000), the social capital corresponds to the resources acquired by individuals through other individuals' acquaintance, either by belonging to the same social network, or through being known and appreciated by them. Such resources can be used for economic ends. The actor or entity can, then, withdraw the benefits of their belonging to social network, indeed, Portes (1998) maintains that the network's members can use their social relations to get useful information for themselves or for the group; and that some network's members can benefit from more power and influence, still thanks to their social relations. The social capital can create a lasting competitive advantage for enterprises (Nahapiet and Ghoshal, 1998).

As a synopsis of the anterior work about the social capital, Arregle and al (2003) consider the numerous researchers were interested in the roles and importance of the social relations as a resource for social action. They agree about the fact that the social capital represents the relational resources that the individual actors can mobilize through their social relations' networks (Bourdieu and Wacquant, 1992; Coleman, 1990; Putnam, 1995).

In the framework of the familial enterprises, many researchers (Arregle & al, 2003, 2004, 2007; Pearson & al, 2008) were interested in the specific and formed social capital and consider the social

capital of the family enterprise as a fundamental resource for this type of enterprise supporting the competitive advantage. In fact, Arregle and al (2003) notice that the study made by Habbershon and Williams (1999) highlights the existence of many routines within the family enterprise able to sustain advantages and resulting from the original social capital of the firm. Hoffman and al (2006) and Pearson and al (2008) push this current further, since they proved that family firms' social capital and more exactly its dimensions represent a social resource generating competitive advantages. Hoffman and al (2006) estimate that the family constitutes a particular form of social capital, that can act as a resource generating a lasting competitive advantage. They add that the family firm's social capital is unique since it's impregnated by the family values and norms, which provide a social control and a collective confidence, creating a competitive advantage. Consequently, it could well satisfy the RBV criteria: valuable, rare, non –substitutable and hardly imitable (Levie and Lerner, 2009).

According to Pearson and al (2008), the social capital is by definition complex, linked to norms, values, cooperation, shared vision, common goal and confidence, which exist within the family enterprise. Actually, Barney (1999) stipulates that the family enterprises develop resources along years, thus increasing their chances to respond to the RBV's conditions. On the other hand, Habbershon and Williams (1999), carry on with the same reasoning, as long as they consider that the dependant phenomena associated with the organization are: The unique history create imperfectly imitable resources, like the organizational culture based on the family values, the particular geographic location, historic assets or organizational reputation. Phenomena, as the formal and informal decision-taking process profoundly casted concerning the family management, relational framing between parents and children, links between the family members and the participants, are complex social resources examples and usually present in the family enterprises.

In the same way, Dess and Shaw (2001), consider the family enterprise's social capital as a profoundly anchored, naturally tacit and extremely hard to imitate by competitors. Pearson and al (2008), add that the history of family plays the role of a unique historical condition which the "familiness" concept making the family enterprises' social capital imperfectly imitable. In this axis, Rothausen (2009) has ardently studied relations within the family enterprise and concluded they were specially marking. The family enterprise's social capital has a constituent dependant on the progress made and which strengthens the imitation difficulty and its substitutability. It's clear then, that social capital and particularly in the context of the family enterprise, can stand a lasting advantage for this unique kind of firms. It represents a resource, at the same time, valuable, rare, non-substitutable and hardly imitable since it's deeply linked to family and family values.

- **Social capital in the framework of family enterprise**

Admittedly, the social capital attracts more and more recent researches in different domains, notably, in management sciences. This interest can be explained by the fact that this latter offer a theoretical framework especially promising empirical extensions for the study of different tracks not explored yet until now. Specifically, as the family enterprises framework is concerned, the social capital seems to take all its importance in view of the existing interaction between the social and economical spheres, in other words, the overlap between family (owner and manager) and family enterprise. Several researches join this current asserting that the roles of a business manager and that of the head of family

are closely related (Davis and Tagiuri, 1982; Wortman, 1994; Gersick & al, 1997) even hardly separable at the risk of causing a fatal break with one of them (Kepner, 1983). Even further, Kepner (1983) adds the social capital notion is appropriate for the two coexisting worlds of the family firm, namely, family and enterprise, and highlights the relation of influence between these two forms of social capital. In fact, Kepner (1983) stipulates that the family social capital can structure, significantly, the enterprise's social capital and vice-versa. In concrete terms, the interaction between the two social capitals is made through the sharing and exchanges that can take place, either within the family firm or within the family. This way, Sorenson and Bierman (2009) consider simple dialogues around the evening dinner allow the family members to exchange information in relation to the family enterprise as well as to everyday family activities. Such exchanges to permit children to be impregnated with and to get acquainted to the family firm favouring enterprise's high instances in the creation of shared beliefs and visions. On the other hand, according to Arregle and al (2004), the presence of family members in the functions of direction and administration contributes to spread reality perceptions elaborated, here and there, in one of the two worlds.

This interaction wears all the researchers' since it represents the distinct point of the family enterprises in contrast to non-family ones. Arregle and al (2003, 2004, 2007) emphasize this issue and even consider that family affects the economic entity and more exactly the family social capital influence on the organization's. These authors speak about an institutional perspective which considers that the family is the first institution contributing to fashion its members' attitudes and behaviour (Arregle & al 2004). It represents a basis for the socialisation, more exactly the primary socialisation, process, which is done from infancy. In fact, according to Berger and Luckmann (1967), family is the first educational child framework, permitting to the child to develop his/her own reality conception in the course of time particularly in childhood. Thus, the child integrates cognitive schemata that will, later on, influence his/her perception and his/her way of being as well as reality representations when they are still young or as they reach adulthood (Berger and Luckmann, 1967). Whitley (1992) further put the accent on the role of family in the individual's education considering family as the educative institution, having a normative and mimetic influence on the organizations and its members, because it contributes in structuring behaviour around concepts like confidence, cooperation or identity.

Using this logic, Arregle and al (2004) consider the family enterprise as influenced by the family and that the social capital study is undeniably gone through this entity social capital. These authors talk even about the family enterprise management embedding in "the family administrative heritage", hence Granovetter (1985)'s avocation to contextualize it in order to achieve a better degree of comprehension. This embedding requires, then, the comprehension of social relations within family in order to understand the family enterprise management, as well as its social capital.

#### ○ **The family social capital**

As mentioned beforehand, family is crucial within the family enterprise, seeing the continuous interactions' considerable weight between the two spheres and that constitute, through force of circumstance, the source of family firms specificity. In fact, Coleman (1990) identified family as "the key institution» through which social capital is transmitted via an investment of time and efforts, affective links' development and directive lines about the acceptable and non-acceptable behaviour.

That's the values, the beliefs, the norms and the rules emanating from the family structure that fashion relational behaviour (Arregle & al, 2007).

According to Bourdieu (1993), family is one of the places of capital accumulation under its different species and its passing through generations; as for De Singly (1996): family is not only a love place, but also produces the construction everyone of its member's identity, especially that they are interdependent. This latter emphasizes the fact that has a considerable influence on its members' identity and way of thinking, while Bourdieu family as generating financial, social and human capital.

These two definitions are, in fact, complementary and reflect together the social entity role. Actually, Arregle and al (2004, 2007) insist on the fact that the family is governed by conduct codes and norms, in order to maintain cohesion, these social values and behaviour norms constitute the collective knowledge with which the family members are impregnated. On the other side, these values and norms within the family form a structure favourable for the creation and circulation of capitals especially the social one.

Let's focus now on the social capital. Portes (1998) considers family as representing an adequate and important land of application of the social capital concept. For Bulboz (2001), the concept of social capital allows to federate various already existing ideas about the family which constitutes through its characteristics and functioning; a source, a user and a social capital creator. This supports Bourdieu's family presentation (1993) defining it as an active agent, endowed with will and able to think. For him, family role is to institute to each, lastingly, feelings assuring the integration, a condition of timelessness. To Arregle and al (2004), family is considered to be a social system governed by laws and habits, impregnating its members with a collective knowledge. So, the same family members are endowed with the same values and are likely to act similarly and to acquire a family spirit. Consequently, family contributes to phenomena of accumulation and transmission of economic, socio-cultural and symbolic capitals defining the individual's conditions (Bourdieu, 1993).

Another family role is the upholding of cohesion between its members across time and tests (Arregle & al, 2004). This upholding is done through impersonal relations founded on emotion and affection as well as a sense of responsibility and loyalty towards the family system. Family should also satisfy one's deep social and emotional need of belonging, affection, intimacy and provide an identity sense (Kepner, 1983). Notwithstanding, there isn't only the social and emotional sides that the family should honour, but also, on the economical side, it should bring some security to its members (Arregle & al, 2004). This economic logic may present some risk as for the family cohesion and can be at the origin of conflicts and competition among its members. That's why it's important that this cohesion to set rules of conduct, in particular through the family social capital, to maintain this unity (Bourdieu, 1994). Zuiker and al (2003) consider, therefore, that social capital can be cited to respect social norms and mutual favours or the enterprise's benefit.

According to Coleman (1988), family can represent an idyllic context and a structure favourable to the social capital development, seeing the existence of strong family relationships, a strong identity and obligations. Tagiuri and Davis (1996) talk even about the existence of a family language, which allows to its members a more effective communication as well as a discreet and intimate exchange of information. Family is then characterized by strong relationships and exchanges, it generates a strong

social capital having more or less beneficial effects for its members and granting a primary source of information, influence and control and social solidarity (Portes, 1998).

As for Danes and al (2009), family social capital can be decisive in the enterprise life since it can be used by family members for family organization interest. In fact, these latter present family social capital as the benevolence or kindness among family members as well as between them and the members of community that can be introduced by the leading family in order to facilitate the family enterprise action. This same capital formed by the sum of relationships between people who think in the same way, likely to reinforce the group's homogeneity ( Schuller & al, 2000), influence the family enterprise social capital by strongly contributing in the construction of its members thought and behaviour schemata (Arregle & al, 2004). Actually, family enterprise is kept and directed by a family group operating as a single entity (Arregle & al, 2007) or a collective issue and not as a mere aggregate of individuals (Bourdieu, 1994), sharing the same reality conception together with the cognitive and behavioural schemata (Berger and Luckmann, 1967). This bonding capital would favour, thus, strong relationships creation, but could also engender negative effects like the exclusion of outer members (Schuller & al, 2000).

Now that we examined family importance in its members personality construction, that is that of its social capital on the family enterprise's, we'll focus on the organizational social capital, its creation, its content and its dimensions.

- **Family enterprise social capital: a consideration of its different forms**

As mentioned previously, family enterprise differs from its counterparts in the overlap between the economical and social spheres, that is to say family and enterprise. It's predicable then that its social capital is that specific.

It would be useful to remind that "Family impregnates its members with collective knowledge consisting of the sum of social values and behavioural norms carried by family group" (Arregle & al, 2004, p 15). Authors underline, at this point, that family members operating in the enterprise would behave depending on their received education. Family becomes, then, a dominant and influent group within the family enterprise, it would be a strong social capital generator (Bourdieu, 1993; Portes, 1998), which influences the organizational social capital (Arregle & al, 2003, 2004, 2007).

Arregle and al (2007) state that organizational social capital positively influence internal and external family firm activities, and this by facilitating internal coordination and by authorizing the external resources access (Hitt & al, 2002). The channels, obligations and expectations, form an asset to this type of enterprise (Hoelscher, 2009). Family firm differ from its non-familial counterparts on a very important point: the non-family enterprises supply efforts and resources in order to build high levels of social capital, while the family firm is already equipped, following the interaction and interdependence of "family-organization" systems within the entity.

- **Forms of social capital in the context of the family business**

The family and organizational spheres coexistence compel the researchers to differentiate between at least two social capital forms: "a strict social capital" and "a large social capital" (Arregle & al, 2007), without proposing a clear delimitation between these two types:

- **The strict social capital:** refers to the capital constructed within the network consisted only of family members, it only considers, then, family relationships.
- **The large social capital:** It emerges within a network consisted of family and external partners, not family members. It encompasses interactions with the family firm stakeholders as clients, bankers and other external entities able to be numerous and intense (Yeung and Soh, 2000).

This essay delimits social capital forms in a context of family organization, but it remains hazy and deficient, that's why researchers often consider only a unique aspect of social capital which is the "bonding social capital" (Arregle & al, 2003, 2004, 2007; Pearson & al, 2008). In fact, recent researches denounce more and more the focusing of different work about the social capital of family enterprise, on the "bonding social capital" without even mentioning the existence of the external social capital, which is as important for the functioning and survival of the family firm (Arregle & al, 2007; Graves and Thomas 2004; Sharma, 2008; Kontinen & al, 2010, 2011; Montemerlo and Sharma, 2010).

Sharma (2008) denounced an overwhelming and exclusive use of "bonding social capital" risking to exclude the second form being the "bridging social capital" which should be considered above all in the theme of family enterprise. Sharma (2008, 2010) explored the study of the nature of family enterprise social capital by stipulating the existence of four kinds of social capital as follows:

1. "Family bonding social capital»: It considers family network, including not working members, in the family enterprise,
2. "Family bridging social capital": It considers family network with other unities,
3. "Business bonding social capital": It examines internal network of people operating within the enterprise, family members and non-members,
4. "Business bridging social capital": It considers the enterprise network with stakeholders.

On the other hand, Sharma exploits the investment necessity in the two forms of social capital, that is the "bonding" and the "bridging", a fundamental investment for the enterprise viability in the long-term. Nonetheless, some balance between these two types of capital, which generally depends on the enterprise's objectives, is needed (Krackhardt and Hanson, 1993; Miller and the Breton-Miller, 2005). Actually, "an imbalance or an over investment in either form of social capital can transform productive assets into constraints and passive" (Sharma, 2008). Yet, the combination of these four types of social capital is extremely hard and complex, in view of the simultaneous presence of the same actors in the different networks and unities as well as the bidirectional relations existing between the different forms of social capital. These capital types consideration is then dependent on the studied problematic and the research context (Montemerlo and Sharma, 2010).

We start from the logic of Arregle and al (2003, 2004, 2007) which considers the relation between "family-organization" in the sense "family influence enterprise". As we showed it before, family is very influent in the construction of values, norms and shared visions between members including those who direct and participate in the family enterprise management. In fact, Carr and al, (2011) estimate that the structure, continual social interaction and the force of relationships existing within family can influence internal social capital development. In addition, for Portes (1998), family is characterized by strong relationships and exchanges; it generates a strong social capital. This capital is going to have

effects more or less beneficial to its members and offer a primary source of information, influence and control as well as social solidarity. To Coleman (1990), the bonding social capital is based on cohesion and solidarity within a community or a unity like family, an organization or a local community, enables to achieve effectively one's mission. This kind of relationships permits the generation of a common identity, the establishment of norms, sanctions, confidence, the pursuit of common interests and then the lessening in the surveillance costs, an increase in the feeling of commitment and a better disputes resolution; all these factors favour the group's efficiency (Nelson, 1989; Ouchi, 1981).

**P1:** Family is a generator of a strong social capital

As far as the study of antecedents and factors influencing the social capital creation is concerned, many researchers were interested in the latter in the family enterprise context (Arregle & al, 2007; Melin and Salvato, 2008; Sharma, 2008). Nevertheless, we are going to keep the factors identified by Sharma and Montemerlo (2010) who considered the two types of social capital separately. These authors stipulate that the bonding social capital is influenced by the following three factors: stability, centrality and closure.

**Stability:** It refers to the stability of dominant family unit (Arregle & al, 2007; Sharma and Montemerlo 2010) and is necessary to the strong social relationships emergence, potentially creating differentiation within the family enterprise (Arregle & al, 2007).

**P1.1:** The more important family stability is, the more important bonding social capital is.

**Centrality:** It refers to the strategic position of an individual in a unity (Gnyawali and Madhavan, 2001) while being closely implied with other people in that unity (Wasserman and Faust, 1994). In this context, we talk about the actor's centrality within the family cell. Sharma and Montemerlo (2010) consider the actor positioning in the family can significantly vary depending on his/her position (central or peripheral) and whether his/her seniority is sufficient. They specify that the actor positioning allows the bonding social capital development.

**P1.2:** The more important family actor centrality is, the more important family internal social capital is.

**Closure:** It refers to the density, meaning the expanse of interconnections between the unity individuals (Sharma and Montemerlo, 2010). Links density within the family network depends on the intensity and nature of social relations that members have (Arregle & al, 2007). They add that the more the network is dense, the more its boundaries are closed, hence the difficulty to access it.

**P1.3:** The denser family network is, the more important family internal social capital is.

On the other side, family enterprise is kept and managed by a family group operating as a sole entity (Arregle & al, 2007) or a collective subject and not as a simple individuals aggregate (Bourdieu, 1994), having the same conception of reality as well as behaviour and cognition schemas (Berger and Luckmann, 1967). This is explained by the fact that the family contributes highly in the construction of thought and behaviour schemata of its members, especially those operating within the family firm (Arregle & al, 2004). They adjoin that family network influence its members in a mimetic and normative manner, those having more or less similar and in line with the received education and that

this influence contributes to structure behaviour around concepts such as confidence, cooperation and identity (Whitley, 1992).

Hoffman and al (2006) put the accent on the presence on a unique characteristic distinguishing the family firm from its non-family counterparts as the influence of the family relationships on the enterprise's activity and strategy. Pursuing the same logic, Arregle and al (2007) consider that family as a proximity institution affects the behaviour of directors and the family firm management. These latter base their argument on the institutional theory and stipulate that family enterprise is depending towards the family and its critical resources (DiMaggio and Powell, 1983; Thompson, 1967). They go upstream by considering that since family enterprise depends on family, it will automatically resemble it, and more exactly at the level of its social capital. Finally, Chrisman and al (2005) stipulate that the family rooting affects decisions determining strategy, structure and administrative operations leading us to the following proposition:

**P.2:** The family internal social capital has an influence on the organizational social capital.

**P.2.a:** The family social capital influences the organizational social capital through the director's rationality and sense of identification.

**P.2.a.a:** The stronger the family social capital is, the more impregnated with family common values the leader is.

In this sense, Ayios and al (2010) stipulate that an internal social capital favours an increased feeling of belonging and identification in the group members, since the bonding social capital is characterized by norms, expectations and obligations. According to Arregle and al, (2007), family enterprise directors are impregnated with family norms and values since they belong at the same time to the two entities, that is: the family and the enterprise; these members will then transmit these same values to the family firm. There is, afterwards, a transfer of relational and cognitive dimensions of the strict social capital to that of the organization since the leaders' managerial rationality is affected by the individual characteristics (Gunz and Jalland, 1996), then by the family social capital (Arregle & al, 2007). As for Brice and Jones (2008), they assert that family firm considers strongly the family objectives and values contrary to other types of enterprise. These same values participate in enterprise management and largely influence the strategic decisions taken by directors (Brice and Jones, 2008). These authors add that family values prevail over enterprise values and that, in a context of family enterprise, family values become organizational.

**P2.b:** The family social capital influences the organizational social capital through the appropriation of the relations network.

Based on the appropriation concept, Carr and al (2011) put forward that members operating within the family enterprise beneficiate from the family existing relations for the family firm interest. The appropriation concept represents the manner with which the relationships existing within a social structure can be easily transferred to another structure (Coleman, 1988); in other words, the network of an actor relations can be used for other purposes such as the obtaining of information or advice (Adler and Kwon, 2002), the identification and exploitation of opportunities for the enterprise (Hendry & al, 1991; Mulholland, 1997), give access to financing, increase in building customer loyalty and the feeling of engagement in the staff (Bates, 1994). As for Jack (2005), he specifies that researchers agree

on the fact that the relations networks are decisive for the functioning and survival of the enterprise (Aldrich and Zimmer, 1986; Birley, 1985; Casrud and Johnson, 1989; Greve and Salaff, 2003; Hansen, 1995; Jack, 2005; Johannisson and Peterson, 1984) and particularly that of the entrepreneur or director. It's through the social and professional networks that the directors have access to ideas, possibilities of exchange and to resources (Araujo and Easton, 1996). On the other hand, Chua and al (2010) in their study concerning the creation of a new enterprise, highlight that the personal social capital can be insufficient and that in a professional context, directors can call family members appropriating their external relations. The authors add that family members' networks for the obtaining of means of financing are generally not sufficient. In fact, according to Steier (2007) other mechanisms are used as the transmission of references that stand guarantor for the integrity and capacity of the director or use of the family name as factor in the negotiation.

Furthermore, Anderson and al (2005) stipulate that the family social capital has a considerable impact on the family firm social capital since the enterprise network is initially based on the network of family members. The study focused on the role of the family on the work of entrepreneurs conducted by Jack (2005) corroborates this hypothesis, the strong relationships existing between family members are very important for the family enterprise running activities as well as futures ones and furnish a source of support, of knowledge and information for the firm. He also stipulates that even the external links of family members are accessible to the enterprise through the family, and that reinforces the appropriation of family members' relations from the part of the director in the good of the family firm.

Let's move now to the family firm social capital with its external partners or towards the Bridging social capital. Bourdieu (1980) depicted social capital as an organized concept around norms, values, shared visions....favouring the direct access of actors to economic resources. More precisely in the context of family enterprise, social capital permits to the director to take advantage from the existing familial relations for the interest of the family firm (Carr & al, 2011). These latter draw out that members operating within family enterprise take advantage from existing family relations for the good for the family firm based on the concept of appropriation (Coleman, 1988).

Bridging social capital focuses on direct and indirect external unity relations (example: family or enterprise). In the organizational case, the Bridging social capital concentrates on the firm relations with the different stakeholders (customers, suppliers, competitors, governmental institutions civil servants, community manager organizations) (Astrachan and Pieper, 2009). This type of social capital refers to connections among heterogeneous groups, these relations can be fragile, but favour the social inclusion contrary to the bonding social capital difficult to access (Schuller & al, 2000).

As noted earlier, the recent researches denounce more and more a lack of interest carried by the enterprise external social capital and emphasises the necessity of studying this long neglected concept, in order to determine its role in the growth and performance of the enterprise (Besser and Miller, 2001; Azmat and Waddell, 2009) a role far from being insignificant (Arregle & al, 2007; Graves and Thomas 2004; Sharma, 2008; Kontinen & al, 2010, 2011; Montemerlo and Sharma, 2010; Carr & al, 2011). In fact, Azmat and Waddell (2009) confirm this idea, by sustaining that the external social capital role is as important as that of the internal one and that an organization external social capital highly contributes to the well-functioning of the enterprise. Burt (1992), unlike a lot of researchers, didn't neglect this kind of social capital, but much to the contrary, he even considers that it favours access to

information, enables opportunities identification and facilitates negotiations. Actually, considering the bridging social capital, Burt's (1992) theory of structural holes, stipulates that open networks having "structural holes" (meaning to have non-connected unities' relationships) permit a greater access to information and opportunities, facilitate negotiations and allow actors to have a grip of power and influence within the network.

Consider now the nature of relation that can have an enterprise with an external partner, there are two modes of interaction: transactions and relations (Arregle & al, 2007; Saxton, 1997; Sirmon and Hitt, 2003; Williamson, 1999). The first mode is characterized by an economical incitation, because the exchange is operated on the basis of invitations to tender in the context of the market, this type of operation is strictly limited to the professional framework. As for the second type, it's rather characterized by more stable and closer relationships founded on economical and non-economical factors.

**P.3:** Organisational bridging social capital is strong and characterized by confidence and family values with the external partners.

According to Tokarczyk and al (2007), family enterprises have to create lasting relationships with external entities likely to give them necessary resources for their activities (Acquaah, 2010). The social structure permits then the realization of economic objectives (Portes and Sensenbrenner, 1993). That confirms Bourdieu and Wacquant (1992) idea that stipulate that relationships with external stakeholders and the lasting relations network allow the creation of value facilitating the enterprise or the individual access to new resources and/or knowledge (Miles, Miles, Perrone & Edvinsson, 1998; Adler & Kwon, 2002; Hitt, Lee & Yucel, 2002). Nam (2002) furthers that the stability of outer relations permits to the company the generation of a strong external social capital.

Simon and Hitt (2003), underline that family companies have a rich social capital thanks to their long-term vision namely the transmission of the family firm to the future generations. These authors note that family enterprises devote a significant effort to bearing of relationships with external stakeholders. Carney (2005) stipulates that family firms profit from long-term relations with external participants. The accent was put by Pfeffer and Salancik (1978) on the importance to create relationships with external participants in order to insure the enterprises survival and development. To these authors, the more important resources are accessible via strong relationships with the external participants. The same statement was shared by Khanna and Palepu (2000) in a study led about commitments between turnovers in the emergent markets.

Families can have certain advantages in the social capital development with the external stakeholders, particularly with the customers able to support the family enterprise during the crisis time (Gomez-Mejia and al, 2001. Tsui-Auch, 2004). According to Dyer (2006), ruling families have a tendency to create and maintain lasting relationships with the stakeholders, which themselves are inclined to develop personal attachment with the family members, contrary to non-familial enterprises where relationships have a tendency to be strictly professional. The author adds that these relationships generate certain goodwill.

In this context, Miller and al (2008, 2009) consider that within the family, relationships stability produce a social capital of confidence and loyalty, likely to reduce risks linked to transactions, and

appreciated by external stakeholders. The family firm is characterized by an increased feeling of loyalty, identity, integrity and the commitment to construct lasting relations (Miller and al, 2009). In fact, the family enterprises leaders can beneficiate from an advantage of this type of relationships, since they have the power and motivation to have their commitments respected (Bulboz, 2001; Miller and Breton-Miller, 2003; Saxton, 1997). This perception of credibility and loyalty that the family enterprise enjoys (Lyman, 1991) results from the stability of the family.

**P.4:** Organisational bridging social capital has an influence on the trustworthiness of the enterprise from the part of external partners.

Many researchers stipulate that family enterprises leaders are seen by external unities as stable and powerful representatives and having above all a tendency to honour commitments since they are endowed with a high sense of moral values, norms and commitment (Adler and Kwon, 2002; Bulboz, 2001; Miller and the Breton-Miller, 2005; Sirmon and Hitt, 2003). In general, they are known for their integrity and commitment in their external relationships (Miller & al, 2009). This idea is not really recent since Lyman, in 1991, emphasized that family enterprises enjoyed certain “trustworthiness”, in other words, a perception of credibility and liability on the part of external partners. Actually, this latter considers family enterprises’ directors to have an integrity reputation beside participants (customers, suppliers) in relation to family firms’ leaders. Besides, family enterprises are perceived as more trustworthy and inspire confidence (Ward and Aronoff, 1995; Davis, 1996).

Niehm and al (2008) suggest that social capital is reflected in the intangible value created by relational links between family enterprises and external unities. It’s obvious through confidence development, commitment, reciprocity and shared vision (Tsai and Goshal, 1998; Coleman, 1990). Social capital created with the external partners permits to family enterprises to obtain critical resources like: information, gain of knowledge and exploitation, capital, human capital and technological opportunity (Acquaah, 2010). As for these latter, Azmat and Waddell (2009, p 10) a strong external social capital is leading to customers and suppliers loyalty, given that “*the intangible assets as reputation, confidence, legitimacy and value created by social network act like powerful means able to profit the enterprise thanks to a better image, liability and public loyalty*”.

Besser and Miller (2001) stipulate that enterprises capable of maintaining a confidence relationship with stakeholders will have more chance to succeed. In fact, starting from an external vision, Azmat and Waddell (2009) sustain that a strong social capital with reciprocity norms is likely to improve the company reputation, image and goodwill. At the same time weak social capital with the enterprise’s external participants leads to a negative image as well as a bad reputation.

Moreover, bridging social capital is influenced by four factors according to Sharma and Montemerlo (2010) that is: centrality, closure, interdependence and interaction.

**Centrality:** According to Gnayawali and Madhavan (2001), centrality facilitates the access to a high volume of information and “opportunities, and thus extending the influence sphere. Sharma and Montemerlo (2010), suppose that the actor centrality in the two systems that is the family and the enterprise allows the social capital stock management of these two unities and can even use that of the family for the interest of the organization (Arregle & al, 2003, 2004, 2007; Acquaah, 2011).

**P.4.1:** The more important the actor centrality in the system “enterprise-family, the more privileged is the external organizational social capital development.

**Closure:** It refers to density, meaning the extent of interconnections in a unity (Sharma and Montemerlo, 2010). They further that the cohesion between actors at the same time in the family and the family enterprise favours the development of the external organizational social capital with the stakeholders.

**P.4.2:** The actors’ cohesion in the system “family-enterprise” favours the development of the external organizational social capital.

**The interdependence:** It refers to the shared objectives and to the orientations of each unity (Sharma and Montemerlo, 2010). According to Arregle and al (2007), the family enterprise network is characterized by the interdependence of the numerous actors following the existence of a collective heritage namely family firm. This latter is often considered as principal family assets (Bauer, 1993). Subsequently, it’s natural that family members working within the firm or shareholders have the same common goals; they cooperate together in order to increase the status of the inheritance (Arregle & al, 2007). This interdependence differs from one organization to another depending on the family degree of implication and dependence towards the enterprise (Sharma and Montemerlo, 2010). Actually these authors based their arguments on the director’s philosophical orientations identified by Ward (1987) and conclude that the best would be to favour the interest to the system “family-enterprise” in a simultaneous and not separate way.

**P.4.3:** The more important is the interdependence between family and enterprise, the more important the external organizational social capital is.

**Interaction:** It’s the frequency with which network members communicate together (Sharma and Montemerlo, 2010). In the context of the external organizational social capital, the vision is carried towards the leaders’ network with the external partners that are bankers, customers, suppliers (Acquaah, 2011). To Arregle and al (2007), family members are inclined to have relationships with external partners whether in a formal framework or an informal one (Mustakalio and Autio, 2002), favouring the enterprise’s external social capital development (Sharma and Montemerlo, 2010).

**P.4.4:** The more there is interaction between family and external partners, the more important the external organizational social capital is.

Nevertheless, it would be necessary to mention a possible bidirectionality of flows between the already studied forms of the social capital, and this can be explained by the appropriation concept (Coleman, 1988) and the continual interaction as well as the interdependence between the systems “family-enterprise” (Sharma, 2008).

Niehm et al (2008) suggest that social capital is reflected in the intangible value created by relational links between family firm and its external units. It manifests through the development of trust, commitment, reciprocity and shared vision (Tsai and Goshal 1998, Coleman, 1990). The social capital created with external partners allows family businesses to obtain critical resources such as: information, knowledge acquisition and exploitation, financial capital, human capital and technological opportunity (Acquaah, 2010).

Azmat and Waddell (2009) suggest that bridging social capital will lead to stronger customer loyalty and suppliers, as "intangible assets such as reputation, trust, legitimacy and value created by social networks act as powerful ways that can benefit the company with a better image, reliability and loyalty of the public".

As Besser and Miller (2001), they state that companies that manage to maintain a relation of trust with stakeholders, are more likely to succeed. Indeed, from an external view, Azmat and Waddell (2009) argue that strong social capital with norms of reciprocity is likely to improve the reputation, image and perception of the company. Meanwhile, low social capital with external stakeholders of the company led to a negative image and a bad reputation.

In this sense it is proposed,

**P.5:** The organizational bridging social capital influences the confident behavior of external partners and specifically investment in the relationship, through the concept of "trustworthiness."

First, it seems necessary to mention that there is confusion between the concept of "trustworthiness" and trust in the literature that needs to be clarified (Roy and Shekhar, 2010). "Trustworthiness" is the characteristics and attributes of the actors in an exchange relationship while trust is the attribute of the relationship itself (Akrouit and Akrouit, 2004; Barney and Hansen, 1994).

The concept of "trustworthiness" is the perception of reliability or credibility (Akrouit and Akrouit, 2004), is the belief that the actor will act in the interest of the other actor (Hodson, 2004). Perception of reliability is on cumulative experiences that lead a person to trust another person or organization (Caldwell and Clapham, 2003). It may subsequently influence and guide the behavior of actors in a trading relationship. The leaders of family businesses have standards and family values and tend to have strong and lasting relationships with stakeholders, seem to have every opportunity to take advantage of these relationships and access to various resources needed for the family business. Specifically, managers benefit from a confident behavior on the part of stakeholders represented an investment in the relationship-set of hardware resources (financial, physical or human) and intangible (consecration of time and attention to the relationship) that cannot be redeployed outside the relationship of trade (Akrouit and Akrouit, 2004).

- **Conclusion**

This work contributes to the research domain on family enterprises through three points. The first point consists in the presentation of the family firm social capital as an organizational advantage source. This approach is based on our interest focusing on the specificity of this particular organizational form, that's the interaction between the economical (enterprise) sphere and the social sphere (family). The adoption of social capital theory permitted to overtake the limits of the RBV and provide a theoretical and empirical basis for the "familiness" concept.

The second contribution is found in the highlighting of the different forms of the family enterprise social capital, especially, the "Bridging social capital" which is far from being insignificant, but which was also excluded in the family enterprises researches. At last, we identified the different relations between the «family internal social capital» and the «enterprise external social capital» following the logic "family influences enterprise" and we were also interested in the several tracks able to be tested

later on and which emphasize the role of the bonding social capital in the functioning and survival of the family enterprise. It would be interesting for family enterprises' leaders to consider not only the bonding social capital which is certainly too important for the functioning of the firm and which represents a primary source of support; but also to invest in the bridging social capital; in the relationships with the organization stakeholders, which can themselves provide certain advantages and resources to the family firm.

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### **Negative Impact of Consequences of Economic Crisis on the Employee Performance Potential**

#### **Abstract:**

In the present-day world health status of the nation is the crucial element of its economic potential. Cumulative effect of economic crisis led to deterioration of human factors of employee performance potential at the Russian enterprises.

Nowadays it is not an overstatement to say that health status of Russians is critical. 60% of the Russian population lives in the state of psycho-emotional and social stress causing increase in depressions and neuroses. 80% of people demonstrate chronic fatigue syndrome.

Physical ill-being is detected upon analysis of practically all sickness indicators: number of people seeking medical aid, number of diseases detected in the patients for the first time, disease incidence. Thereat, health problems rapidly move from the elderly to the younger generation.

In the past few decades the negative impact on health status of working population was mostly caused by deterioration of working environment and occupational safety. On the one part, it is determined by reduction of investments raised for plant renewal (depreciation of fixed assets had reached 47.9% by the year 2011) which results in drastic deterioration of occupational environment at the working places, increase in emergency situations. On the other part, employers often ignore occupational safety regulations, many enterprises use a six-day work week, and working hours exceed 40 hours established by law. About 98.5% of the overall occupational health problems include chronic diseases causing restricted employability. Thereat, up to 40% cases of retirement due to ill-being are related to unsatisfactory working conditions. As a result of employers' disregard of industrial safety standards about 48 thousand people become injured in job-related accidents and more than 2 thousand people die. Number of persons with the diagnosed occupational diseases is more than 7 thousand people per annum. In recent years practically one in two physically challenged people obtained such status in its active working age.

In follow-up of our studies “acceptable” employee health standard was marked only in half of the studied subdivisions. Thereat, the experts had the highest share of employees whose health complies with the occupational requirements (60%), among workers – 50%. The most hostile environment was observed among the managers of the enterprises (40.7%) which may be partly explained by psycho-emotional stress experienced by such employee category in their working practice.

The negative role therein was played by the circumstance that many enterprises due to financial hardship were forced to deny payment of special-purpose nutrition for the employees of certain categories, to reduce the list of additional medical services paid by the enterprise, to eliminate medical and socio-cultural facilities (polyclinics, hospitals, sanatoriums, health and recreation resorts, recovery centers). Nowadays, only 63% of the large enterprises and 33% of medium-sized enterprises have their own health units.

The process of employee health status aggravation is partly determined by the antecedent country development. However, it is to a greater extent related to the negative impact of business organization factors connected with restructuring of Russian economy and systemic crises particulars.

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### **Green Marketing in Turkey: A Critical Approach towards Green Promotional Practices Executed by Turkish Brands**

#### **Abstract:**

While the onset of industrial revolution led to the breakthrough of mass production, eased the burden of work, relieved human suffering, and made life easier for the human being, it also gave rise to drastic levels of environmental pollution and depredation. For about 40 years, the green defenders have been striving to call authorities for finding solutions to the introduction of contaminants into the natural environment that cause adverse change. Albeit surging concerns, conducts of studies, research and development lead to environmental friendly technology, production, cultivation, and manufacturing of green products, measures have failed to be far less than adequate. From the perspective of enterprises, propagating demand, establishing the successful distribution of green products and services to industrial and consumer markets is not only as fundamental as the utilization of environmental cutting edge technology, production, cultivation, and manufacturing of green products but also serves to be vital in the pursuit of sustainability and prevention of environmental pollution. Subsequently, green marketing is introduced as a process ranging from contemplation of green products to pricing, distribution, and promotion serving the role of a catalyst in informing the public at large and heightening responsibility for a more sustainable future.

According to the World Bank records, today, Turkey with a population of 75 million is referenced among European countries with the youngest population. In the face of this young population, advancing industrialization, unbound urbanization, temperaments in climate, contaminations by unprecedented earthquakes accelerated due to Turkey's earthquake prone region, electromagnetic contagion initiated by terminals, not to forget the ever incrementing air, marine and fresh water pollution is placing the prosperity of earth, human well being, biodiversity, and the larger Turkish ecosystem in jeopardy. In the last quarter of the 20th century with the onset of incrementing societal and environmental awareness, provocative proceedings by civilian organizations, regularizations at both national and international legislations have paved the way for enterprises to adopt new paradigms and methods of approach. The most contemporary, relatively hyped and significantly effective of all is green marketing.

In Turkey, in the course of the last years, Turkish government's call for action encapsulating practices and legislative enforcements, private sectors' reinforcements, educational curriculum consolidated to inform school age children as early as primary school on environmental sustainability, a range of praxis conducted with an objective to heighten awareness and responsibility, incrementing eco-sensitive green collar professions and professionals have nominated green marketing to the top rank within the

marketing agendas of enterprises driven to survive and succeed in various market platforms. Consequently, Turkish brands have truly embraced green marketing, adopted and implemented its fundamentals all ready to take the lead in the race.

In this study, on the basis of theoretical framework, executions of green promotional practices by Turkish brand holders across Turkey will be thoroughly analyzed and Turkish brand holders green promotional practices will be critically elaborated, assessed and discussed.

**Keywords:** Green marketing, green promotion, green Turkish brands, green products and production and packaging.

## 1. Green Marketing

Green marketing, with its provenance rooting back to the 1970's, and popularity coming to a head around the 1990's now serves not only as a strategic marketing managerial approach but also as the new focal point of diverse sectors within which marketing practices of many businesses are executed. In Turkey, as across the world, the basis of the cognizance encapsulating green marketing is effectuated by the surmount of environmental issues in parallel with ever increasing environmental consciousness. Akdoğan (2003), highlights global advances triggering the formation of environmental consciousness as follows; rapid population increase, perforation of the ozone layer due to fining away, greenhouse effects, deterioration of the atmosphere, water and soil, ever incrementing issues regarding water quality, a rise in contaminants and waste released freely in environment, extinction of breeds, burst of accidents and disasters, accession in green events, and regulatory advances in environmental legislations. Subsequently, in the light of such issues involving the environmental predicaments the world has to face, new regulatory legislatures broke out and a breakthrough in cognizance is induced regarding business administration.

Marketing concept is known to be the sum of value-laden praxes exercised between purveyors, mediators, society, consumers and business by way of exchanges. Such praxes commence before the process of manufacturing or introduction of the services offered and encapsulate proceedings such as; production continuum, distribution of products and services, promotion, pricing, selling, services offered following purchase, and the redeeming of the wastes and discards of utilized, consumed products. Green marketing concept is based on the cognizance consolidated with the insight toward environmental consciousness, social marketing and ethical issues. The common fundamental in every conceptualization that falls under green marketing such as sustainable marketing, environmental marketing, eco-marketing, social marketing and the alike lies working and cooperating with the mentality stressing environmental consciousness and in the mean time provoking individuals to buy most environmental friendly products and services. In contemporary times, numerous applications including, but not limited to, development of environmental friendly products, and environmental advertisements referred to as praxes of green marketing brings forth the question of what exactly green marketing is.

Polonsky (1994) defines green marketing as the sum of activities, facilities, designated to satisfy individual needs and wants conducted so as to relinquish the least harm to the natural habitat and surroundings. Peattie and Charter (2007) conceptualize green marketing as a totalitarian administrative

process that elucidates, predicts individual's and society's needs while fulfilling the needs in a sustainable and profit-bringing mean.

The factor of sustainability evolves green marketing into a value and meaning laden praxis. Achieving sustainability should not be limited to short or long-term periods of application because green marketing should be beyond periodic planning, it should be implemented across all practices of a business if the enterprise is to succeed. The fundamentals in executions of successful sustainability can be stated as follows: 1) business activities should be executed in line with the principle of transparency, 2) should be honest regarding the progress made in green marketing applications, fulfilled compliances, established advances, completed progresses and be objective in stressing its weaknesses and strengths. In the course of establishing sustainability, shareholders should be enlightened in each and every step. Hardships, success stories, sustainability reports should be communicated with the public at large and declared to the joint owners additionally, which product/service/ application is categorized as green on the basis of which specific attribute/function, the environmental profits generated through the means of alterations made in the production processes, and to what extent a particular product is actually green should be clearly highlighted. Firstly consumers then all the divisions explicitly or implicitly to be affected by the business's activities should be effectively informed, data flow should be established in a manner so as to ward off any possible ambiguity or confusion.

From the perspective of green marketing, the enterprise itself, economy, society and environment are consummate entities regarded as the constituents of an organism. Within this organism, the facilities/activities of the enterprise is regarded to exert implicit or explicit effects upon each and every constituent and these constituents in return interact with the enterprise. Stating with reference to business's appropriation of green marketing, it can be asserted that green initiatives should be adopted beyond local limits, executed at a global level, initiated for the well being of the humanity and the globe, embraced as an eco-system employed with a philosophy endeavoring the protection of the globe.

Finally, green marketing is to be cognizant of environmental issues when carrying out marketing activities. In other words, green marketing does not either mean reconceptualization of marketing, nor signifies any attempt to reformulate new 4Ps of marketing, but means implementation of 4P and execution of elements of marketing including the 4P's and every other business activities to be remolded on the basis of environmental consciousness. With this respect, it is not much different than the concept of marketing in the sense that the main issue revolves around what is "green", and how can issues encapsulating production, manufacturing, distribution, communication, etc can be executed with a "greener" manner.

#### ○ **Green Products and Production**

Green products and production tend to refer to classifications such as; green product, environmental friendly product, nature friendly product that spotlight necessities such as recyclable materials, production by recycled content that release the least amount of toxic, hazardous waste possible which yield little if any environmental pollution ceasing no harm to the natural life (i.e., Animal experiments in cosmetic testing), biologic resolvability, the consumption of minimum extends of natural energy, high durability, minor amounts of energy exhaustion in the process of using or consuming, all calling for the minimum depletion of the natural resources. Fundamental and additional services elevating the

value of a specific product held by a given business should also be complementary to environmental consciousness.

In the course of the production period, the extent of water and electric usage, processes such as heating and cooling, waste management, reuse of the sub parts, caution regarding the delivery of environmental friendly products transported by the procurers of a given enterprise in other words, the disposition of the production goods, raw materials and semi processed stocks to be composed on the basis of an environment friendly approach and the delivery in a way so as to generate preferably the least amount of harm to the business and the environment should be strictly taken into consideration. Aside from utilizing hazardous chemicals, products engineered to relinquish the least amount of harm to human health, water, soil and elements of natural habitat are exemplary to green marketing praxes with respect to raw materials and production goods. In the case of engineering new products, projects should be carried in line with a manner so as to maximize environment consciousness, assured to benefit the environment significantly. Environmental effects generated by ameliorations consequent to additions, alterations and/or enhancements to the existent product should also be clearly stated and elucidated.

### **Green Packaging**

Primary matters in green marketing have significant implications such as the design of the packaging, which should serve to convey the attributes, contributions of the green product inside and heighten consumer awareness moreover, the package itself should be environmental friendly.

Packaging, serving as the brand's/product's medium of communication, not only communicates to the consumer esthetically but also with its size and production material conveys the message regarding whether it is eco-friendly or not. One of the issues placing environmental pollution in jeopardy is the disposition of packaging and various product wrappings. The significant damage caused by indissoluble and unrecyclable items in nature is without a doubt an inevitable fact. Stating on the basis of sustainable cognizance, the attributes of the packaging/wrapping of a given product should be manufactured so as to comply with the following fundamentals: the volume and the weight of the packaging should be kept at minimum proportions, energy depletion should be minimized in both manufacturing of the packaging and in utilizing it, recyclable materials such as glass bottle should be resorted to, packaging should be composed of indissoluble and recyclable constituents or that, better yet, the entire packaging should be recyclable. An ideal green packaging/wrapping is the one engineered so as not to go to waste, the ultimate environmental application to be applied in the manufacturing of packaging is to stop waste.

In Turkey, in the course of the recent years, businesses have strived to make use of recyclable, indissoluble materials in packaging their products moreover, have taken proactive action and provided their consumers an opportunity to give back the packaging by setting up user convenient recycle collection points and banks. For instance, Anadolu Cam (Anadolu Glass), the most acknowledged pioneer among Turkish brands set up particular glass and textile recycling points in numerous locations across Turkey. With regards to packaging, it is necessary to note that compatibility between the product and the package has to be established especially when taking into consideration the fact that once a given product is placed directly into the package, the product and the package interact, the composition of the internal atmosphere of a package and the makeup of the packaging may indeed lead to possible alterations or decompositions of the product paving the way to place environment and human health in

jeopardy. For instance, in terms of packaging of foods, materials should be carefully selected, packaging in direct contact with a given nutriment should be strictly avoided.

Stating on the basis of regulatory legislatives, numerous countries have dealt with this issue from the point of local administrations and business enterprises. In Turkey, the legislation entitled “Control of Packaging Wastes” imposed by the Turkish ministry of environment and forestry is one example serving as a regulation enforcing 1) the production of packaging in compliance with the environmental standards to be appropriate to allocated basic conditions and attributes, 2) prevention of direct release of waste disposals of packaging to the receiving environment in a manner that will endanger the surroundings, 3) prevention of waste disposals of packaging and/or the reutilization of impending disposals via recycling and retrieval, 4) collection of packaging wastes within a designated system, separately at its point of source, delivery and decomposition. With this legislation the responsibilities and obligations of the ministry, provincial headquarters, municipalities, packaging manufacturers, sellers and the entities constituting the providers such as producers, representatives, exporters and points of sale are clearly declared.

### **CE, Eco-Labeling and Affiliated Symbols**

Products and packaging with environmentally friendly qualities are marked with various symbols providing information indicating green applications. Certifications, and endorsements granted by affiliated foundations are stated on the packaging with indexes placed indicating whether the product is eligible for recycle or not.

There is not an accredited international eco-label however, International Standards Organization (ISO) declares that they recognize any labeling standing for environmentally friendly. CE mark, signifying the acronym derived from "Conformite Europeenne" (European Declaration of Conformity) is a vital logo in eco-labeling. This mark is an indication of the presence of minimum security provision and a product marked with this logo is eligible to be transported in and out across each and every EU member countries without facing any hardships.

Green Point provided by Cevko (Environmental Protection and Packaging Waste Recovery and Recycling Trust) in Turkey was used in Germany along the course of the years 1990-1991 for the purpose of specifying packaging necessitating special collection system. This system encapsulates 82 million consumers financing their own collection and recycling facilities. Subsequently, for consumers and authorities, detection of included or excluded packaging have been much more simpler. As years passed, for the sake of both environmental and economic benefits, countries adopting the same symbol indexing the recyclable quality of packaging have elevated at a rapid pace paving the way for the advancement and enhancement of the Green Point system. Currently, 33 countries have been resorting to the Green Point system. In Turkey, this mark indicates that a given foundation has fulfilled its responsibilities regarding procedures involving recycling by passing on its duties to Cevko (Access on: 31.01.2011, [www.cevko.org.tr](http://www.cevko.org.tr)).

#### ○ **Green Distribution**

Distribution of green products and greening the dispensation processes are vital issues falling under green marketing. Firstly, it is of fundamental significance to note that utmost attention should be given

so as to be as environmental friendly as possible because a distribution policy insensitive to the environment is bound to impair the environmentalist product hence, damage the green image of a given firm. The fundamental problem in this case is how to set up an ecologically sensitive distribution mechanism and to what extent and how can cooperation be established within members of the distribution channel. Aside from this, stating from the perspective of green marketing, green distribution not only concerns the flow of dispensation of products from the manufacturer to the consumer but also the appropriate delivery of goods from the consumer to the manufacturer attained after use or disposal. Such a transaction is referred to as converse logistics. Along the course of recent years, in Turkey specifically, facilities set to collect and retrieve the used packaging, parts, and all sorts of dysfunctional products to be collected back from consumers by the assistance of middlemen at channels of distribution have come into prominence. Concluding on the basis of this fact, it can be asserted that green distribution is the amalgamation of two-way proceedings.

Carbon emissions of many firms are generated due to activities such as transportation/logistics. Since transportation activities are typically executed within the natural environment, improper executions bear the potential to yield direct harm to the surroundings. Consequently, with an objective to reduce carbon emissions to minimum level, only through the means of using transportation vehicles that run on environment sensitive fuel, detecting efficient routes of distribution, educating the drivers to gain driving experience so as to make use of the fuel with utmost efficiency will a step be taken towards green marketing distribution practices.

Additionally, the efficient utilization of the loading space, packaging of the products and positioning so as to take up minimum space possible will expedite an increase in the sum of the products to be transported at one space-time and this consequently in return will reduce the number of vehicles or transits needed for the transportation of the goods. In terms of the paper work necessitated in the course of transporting goods, switching from paper to digital is also another eco-friendly application to be taken into consideration.

### **Distribution Policies in Turkey and Relations with Channel Members**

Selecting among intensive, limited or selective distribution depends on the qualities of a given product. To elaborate on this, for convenience goods intensive distribution should be selected, whereas for specialty and selective goods, limited or selective distribution options should be preferred. For instance, in the case of organic foods usually limited distribution is favored. At specific groceries, points of sale that only market organic products, and at some massive supermarkets one come across organic nutrients.

With regards to applications executed within the channel, programs to enhance environmental consciousness of the channel members and evaluation of wastes generated by distribution such as ensuring the reutilization of the parcels and packages should be delicately conducted. Such green applications necessitate corporation in between members within a given distribution channel. Some business enterprises even enforce members of the distribution channel to be green. One of the members of a given distribution channel constitutes purveyors. ISO (2008) declares that in order to give ecologically and economically appropriate purchase decisions not only the price offerings proposed by the purveyors need to be taken into consideration but also their point of environmental stance. Additionally, ISO (2008) clearly states that factors such as whether purveyor's production

processes is eco-friendly or not, and extent of willingness of the purveyor to cooperate in generating solutions to possible environmental problems also need to be taken into account. Same declarations are also pertinent to other members within a given distribution channel.

Aside from these considerations, establishing alternative distribution channels also plays a crucial role in green marketing policies. In Turkey, many business enterprises make use of alternative channels of distribution. Cases where distribution is established over the internet is one example falling under green distribution application. For instance, instead of providing one music or education CD or software program by hand, they can be purchased and downloaded over the internet similarly, instead of buying a book hard copy, files can be purchased and simply downloaded contributing to the elimination of environmental pollution.

Now, across Turkey, numerous banks exercise online banking. Over the internet, all outputs of banking activity are delivered via emails in the form of electronic receipts that can be printed on demand. This serves as an indication highlighting the evolution of the distribution channels of the finance sector that can be regarded essentially as a green application when considering the fact that it instigates the elimination of carbon emissions fused by cars generated with each visit to the bank, paper, energy and consequently provokes a decrease in the degree of economic depletion related with the preparation of necessary financial paper work. In consequence, as an alternative channel of distribution, internet as a medium enabling product and service demand can be emphasized to bear eco-friendly qualities.

#### ○ **Green Price**

Stating on the basis of the most fundamental approach regarding pricing, the base price is determined by the sum of costs whereas the top price is conditioned according to the value ascribed by the consumer to the product. Pricing, set under the limit of the sum of costs will bring not profit but loss to a given business enterprise and when the price is set higher than the value ascribed by the consumer then demand will not be initiated. Taking this fact into consideration along with fundamental pricing approximations, deriving on the basis pricing dependent upon cost, competition and value, green price issues are elaborated as stated below.

Pricing of green products and services serve as a crucial issue. With an objective to revert their facilities and codes of conduct to be environmentalist, numerous business enterprises have to put up with a number of cascading costs. For instance, the remodeling, reengineering of the production process and methods of manufacturing. In such a case, costs will be inevitably reflected in prices making the green products to be comparatively pricier than their equivalents. One encounters with drastic price differences when it comes to organic products. However, despite the cascading costs businesses have to bear with when executing green marketing practices, the energy (packaging, delivery, etc.) they save in return should not be disregarded. Subsequently, when conducting cost assessments, beneficiary acquisitions attained as the end result of fund costs should be involved all together. Subsequently, beneficiary acquisitions attained as the end result of fund costs should be assessed together with cost assessments when conducting investment analysis.

From the perspective of competition, there are two issues concerning green marketing that businesses come across. One is the existence of another (equivalent) green product whereas, the second is the not green substitution of the same product. Particularly in situations when the consumer is price sensitive,

policies regarding pricing is definite to effect price ranges which is to induce pricing decisions in return. Within market environments whereby competition is nonexistent, it is evident that business enterprises can set price limits with a more flexible basis. However, in cases where there is competition then, with an objective to instigate the customer to purchase a given product, price limit should not set to be high. Not to forget, it is vital for businesses to take into consideration the price ranges set for other same category green products offered by various other brands.

Concluding on the basis of the fact that the primary consumers of green products are environmentalists, in comparison to the environmentally insensitive products, the value of the eco-friendly product within the perceptions of environmentalist consumers is sure to be higher. Empirical research results shed light on the findings emphasizing that consumers are willing to pay extra for eco-friendly products and services. The most fundamental point is for the businesses to keep the cost-profit balance at the optimum level and in the mean time seek the utmost profit to be generated by keeping an environment friendly and societal stance in essence.

#### ○ **Green Promotion**

Green promotion activities encapsulate not only promotion of green products but also promotion of products in an eco-friendly manner. The crucial point regarding promotion of green products revolves around correctly and clearly communicating the consumers about the eco-friendly qualities and attributes of a given product. The main objective in promotion activities is to position the product as “green” within the perceptions of consumers. Subsequently, when utilizing advertising, sales promotion, marketing, public relations, point of sale communication, direct marketing and direct selling, the messages conveyed should serve informatory function. Meanwhile, simultaneously, programs should be carried out so as to boost environmental consciousness, awareness and sensitivity of the consumers. Not to forget, consumers should be provided with moral grounds that will spur them to make green preferences.

Elementary highlights in promotion of a given green product can be listed as: 1) to convey accurate content, 2) not to be misleading, 3) to be informative and to enlighten the consumer by heightening awareness. Since accurately informed and environmentally conscious consumers will persist to demand eco-friendly products, businesses should strive to educate and inform the consumers regarding the advantages or the disadvantages a given product relinquishes to the surroundings. For instance, in advertisements of green products, from which perspective and to what extent a business’s services or products are eco-friendly should be emphasized. Advertisements of green products should be executed in such a fashion so as to not only draw the attention of the target consumer population demanding green product and services but also to win and create demand among the potential consumers. In such advertisements, usually qualities of a given product are stressed including but not limited to: organic production, exclusion of chemical ingredients, production by recyclable materials, fissionable qualities of the materials, green production processes, ability to provide energy efficiency, etc.

Another crucial point regarding advertisements of green products is the selection of the medium. If advertisements are communicated through the means of outlets followed by environment friendly consumers, the advertisement reach and appeal toward reaching the target population per unit will be significantly higher.

## Green Practices in Promotion

Another issue falling under what can be referred to as green practices in promotion encapsulates execution of activities such as advertising, personal selling, sales promotion, point of sale communication, direct marketing, public relations of marketing on the basis of environmental consciousness. For instance; utilization of digital –mobile- coupons, resorting to recyclable material in the making of inserts, utilization of recyclable content in promotional gifts, making use of video sharing websites such as Google video, Youtube to make and spread advertisements (viral and informatory), sending verbal or digital notifications to consumers via email, spreading the word by way of mobile phones (consent granted), etc. Additionally, the work force to be educated so as to heighten environment consciousness plays a vital role. Not to forget, the materials utilized by the work force to be eco-friendly, is crucial as well. Aside from these, reaching to and contacting with consumers and other environmental corporations via social platforms such as Facebook and Twitter will reinforce green intelligence. Thanks to advances in technology and modern decade's necessity for businesses to take orders online, with regards to cutting down consumer time, energy and unnecessary usage of paper work involved when placing regular orders, online orders can be stated among the range of green practices.

A business, adopting a green mission with its marketing practices will not only reinforce its “green” image but also pass strong flow of information by sending out periodic e-magazines to announce and elaborate its green practices to its consumers, civil society corporations, joint owners, members within the supply chain and society at large subsequently, being able to convey information regarding the green advances within its business, introduce the projects, and environmental corporations it supports. Putting together an e-magazine will not only save a given business from financial burden, due to saving from publication and distribution costs, but will also aid in contributing significantly to the decrease of paper, toner usage and reducing fuel consumption spent in the delivery of a regular magazine. Since all of these factors will contribute toward the elimination of hazardous factors bearing the potential to place the environmental wellbeing in jeopardy, putting together an e-magazine can be regarded as a green practice. Paro, a commercial mix of products and services delivered to inform the consumers, is an application of this kind.

By sending out bulletins to consumers, Green Information Platform backed by numerous foundations notifies its support of green practices and provides to enlighten consumers on numerous subjects regarding green marketing facts, issues, practices, etc. via the bulletin.

Meanwhile, as a green promotion execution, by supporting environmental organizations, businesses will on the one hand take part in social responsibility projects and on the other hand will consolidate their green image. While some businesses take the lead in initiating such projects, others may take the lead in sponsoring, being the financial supporter for a given project or related undertaking. The supermarket chain, CarrefourSA, the movies chain AFM, and the shopping mall Cevahir Alisveris Merkezi are all great examples from Turkey working in corporation with Cevko on numerous recycling projects.

Across Turkey, eco-friendly shopping bags, replacing plastic ones, are also preferred by a number of business organizations. Eco-friendly bags is also another green application serving the function to not only carry goods but also as a medium of communication by way of which usage of durable rag bags or

recyclable paper bags are provoked in shopping malls, supermarkets, and the like. One exemplary practice can be referred to the supermarket chain Migros in Turkey which sports durable rag bags with a slogan “a clean world is within my hands”. Similar applications can be stated to not only to serve the function of reinforcing the protection of the environments and the surroundings but also can be stated as contributing significantly towards the positive green identification and image of a given enterprise.

In house public relations is also regarded to pursue a vital role in green marketing. The activities and facilities organized by a business for its personnel will assist in the adoption of environmental sensibility. In line with this, personnel can be incited towards green practices. One example can be to reward the personnel resorting to recycle bins and not trash bins in discarding scrap paper. Aside from this, a business making space at its in house bulletin boards for notifications, announcements of environment friendly facilities and activities, displays of environmental awards earned and the alike so as to cooperatively raise and heighten environmental consciousness throughout the perceptions of the personnel can be stated as one of the examples assisting with respect to sharing and spreading environmental awareness within the framework of corporate culture. Without a doubt, educating the personnel on environmental issues, and studies encapsulating enhancement of environmental conscience should be carried out by a given business’s human resources department and conducted in periodic intervals.

- **An Assessment Regarding Turkish Brand’s Green Promotional Activities:**

In this study, various Turkish brand’s green marketing practices and integration of these practices with green promotional executions are analyzed. The sectors analyzed encapsulate white appliances, retailing, textile, banking, telecommunications, energy, food, petroleum, automotive and cement.

- **White Appliances Sector in Turkey: Case of ARÇELİK**

Arçelik, a Koç Group member and one of the leading Turkish brands across the Turkish white appliances sector, since the onset of the year 2006 have established over 90% energy recovery via producing and engineering of A+ class eco-sensitive technologies. Arçelik is a brand that adopts and places a strong significance on green policies in not only production but also distribution but also promotion.

Some of the green promotional studies carried out by Arçelik consecutive to the year 1990 can be highlighted as follows:

1. The project onset in the course of the year 2008 by the Turkish Ministry of Energy and Natural Resources called Energy Efficiency Campaign (EnVer) is initiated with an objective to heighten awareness regarding the significance and implications of energy efficiency within popular opinion. Arçelik, working in corporation with other members of the Koc Group, with an objective to endorse the sensibility of its actions towards the environment to its personnel have been organizing various educational programmes at each and every stage of administrative processes ranging from the design of products to the phase of production thereby, placing a strong emphasis on the implications of green production and green distribution.
1. Aside from launching out products and conducting social responsibility projects, with a goal to enhance societal consciousness regarding the appropriate and effective utilization of natural

resources, Arçelik A.Ş have been executing facilities with its personnel, dealers, and varying foundations.

2. The micro website administered by Arçelik A.Ş calling out “If Our World Is In, We Are In As Well” targets to enlighten the society regarding issues on energy, water utilization and austerity by way of heightening the level of environmental consciousness of the population at large through administering a platform so as to reach large masses and provide for information on studies executed within the framework of social responsibility conscience (Access on: 1.04.2013, Mikrosite: [www.çevremizicin.com](http://www.çevremizicin.com))

Taking its starting point as its cardinal policy to establish a greener world understanding at an early age, Arçelik A.Ş have been carrying out numerous campaigns and competitions throughout primary and elementary schools across Turkey.

3. To this day reaching 200 students enrolled at 299 elementary boarding district school students across 60 counties in Turkey, in corporation with Turkish ministry of education and general directorate of primary education set up the second of a painting competition with a theme on “Protection of Our Environment and Natural Resources”, granted the students the chance to declare hearings reflected through paintings. By organizing an exhibition to be constituted of the artwork exhibited by the students, introduced paintings to the larger population, displaying the art created all for a more beautiful world.
4. By the slogan “One World One Future”, within the scope of World Environment Day activities, traditional environment themed painting and poetry competitions are held for elementary school aged children of the personnel belonging to the Arçelik-LG family. Aside from the special gifts given to the contestants who are ranked, all contestants get the chance to be rewarded with gifts so as to spur the green spirit within their heart and mind.
5. Arçelik A.Ş, as having acquired the South Africa based Defy Appliances, with an objective to highlight Africa as an advancing market, to bring foreground in the eye of its personnel in terms of a market they demand to thrive and expand into, to spotlight the implications of climate change (within the time period of 100 years, 85% of the glaciers have liquefied) and raise awareness, have chosen to climb up the 5 thousand 895 metres tall Klimanjaoro Mountain. To the Klimanjaoro Mountain climb, Arçelik team was joined by 12 individuals from countries such as France, Russia, Romania, Germany and Turkey all of whom had no prior experience on mountain climbing. With respect to environmental conscience, Africa is a special place, affected by environmental events across the world yet one of the most well preserved areas due to the circumstantial state of its positioning.
6. In order to draw the attention to global warming, Arçelik developed an application enabling formation of fast and easy ice sculptures possible. People sculpting their own ice iconographies, carving their message, sharing their art across social networks and sending out to their loved ones over the digital platform instantly increased. By way of this application masses got the chance to convey the message they want to deliver across vast amounts of consumer groups.
7. Arçelik, in accordance with the social responsibility cognizance, intended for the generation of environmental consciousness, between the dates of October 2001-March 2002 executed Local

Community Networking project. The project carried out in various provinces across Turkish cities of Ankara, Eskişehir and Bolu shouted the slogan “Cevrenizdeyiz”. While there is no direct translation of the slogan in Turkish or in English, it basically indicates that Arçelik embraces the environment. Other projects/facilities carried under the Local Community Networking project are as follows: “Contribution to the Nature Project Competition”, various business excursions, environmental trainings, “Our Province with Ambiancial Beauties” essay contest and numerous environmental conferences.

8. Subsequent to the endorsement deal signed between Turkish Foundation for Combating Soil Erosion, for Restoration and the Protection of Natural Habitats (TEMA) and Arçelik A.Ş, both enterprises regarding erosion and the consequences imposed by it as being a particular concern to today’s Turkey and future, via planting 2.5 million acorn seeds across 250 hectares of terrain, on behalf of brands Arçelik and Beko a forest area is created. Targeting to plant 3 acorns (seeds) and cultivate one oak tree in return, the project amounts to 830 thousand trees liberalized from the 2.5 million seeds reserved for the Arçelik A.Ş. In face with virulent erosion, within the scope of the biggest forestation project ,“10 Billion Acorn Project”, firstly initiated and then spread across the world, an Acorn Planting Festival is carried out in March 2002 at the “Arçelik and Beko Acorn Forest” located at 22 kilometers of the Ankara-Samsun highway (Access on 2.04.2013, [www.tema.org.tr](http://www.tema.org.tr)).
9. The erosion documentary prepared by the Turkish Foundation for Combating Soil Erosion, for Restoration and the Protection of Natural Habitats (TEMA) and sponsored by Arçelik A.Ş is a vital resource in informing the public, heghtening awareness and spotlighting the neccessity towards taking precautions in the face of erosion which is one of the most environmentally threathening issues withstanding Turkey. The first erosion documentary of its kind, aired in numerous national tv channels across the country, is adopted as a valuable resource as part of numerous elementary schools’ learning curriculum towards educating and instructing students on the subject of combatting for a better environment.
10. Arçelik A.Ş. sponsored NTV Green Screen Project. This project is designed to not only draw attention to global warming and numerous issues concerning the environment but also to boost the awareness level of the consumer through the means of which messages proposing Arçelik A.Ş as the first brand to introduce Turkey with A class products and its leader standing in engineering and producing eco-friendly technologies are conveyed.
11. In order to sustain decomposition of the collection of packaging wastes by every firm, to establish recirculation, raise awareness among the personell and the entire population, Arçelik A,Ş have initiated the project called “Adding Value to Wastes”. Resorting to recirculation will not only contribute significantly to the protection of resources and the surroundings but also contribute positively towards reducing carbon emissions. Derived on the basis of the slogan “Recycling Starts From Here“, bins are placed across offices and numerous production points to collect package wrappings composed of glass, metals, paper and plastic.
12. As other Koc Group member brands, advertisements of Arçelik A.Ş. are executed within the scope of green promotional framework. Advertisement of products such as washing machine, refrigerator, oven, air conditioning systems are executed by communicating the slogan “Stay

eco-friendly with Arçelik” through the means of which raising consumer awareness and provoking consumers toward preferring green products are targeted.

○ **Retailing Sector in Turkey: Case of MIGROS**

One of the leader brands in contemporary retailing sector across Turkey, Migros, provide all sorts of consumer goods such as convenience, staple and impulse goods and a variety of shopping consumer goods with an array of durable and non durable consumer goods.

Bringing to life its environmentalist projects, Migros, particularly stressing on the necessities of prospective generations, keep on placing signature under smashing projects corresponding to heightening environmental awareness, instigation of consciousness, protection of the environment, productive and effective utilization of resources.

1. Within the scope of its nature friendly cognizance, first time in Turkey, Migros initiated the utilization of “Nature Resoluble Bag” application. In December 2008, first time in Turkey, nature resoluble bags engineered via oxo-bio resoluble technology welcomed consumers at Migros stores. While it takes at least 100 years for a regular plastic bag to decompose in nature, plastics produced by oxo-bio resoluble technology, thanks to a special adhesive accreted in the production process, can be decomposed 100% within as early as 24 months, breaking down in nature.
2. Migros the pioneer in initiating the utilization of nature resoluble bags, having observed a drastic decrease in customer preference towards regular plastic ones complemented its nature resoluble bags with rag ones as another green alternate to its consumers. Rag bags with printed inscriptions saying: “To Protect the Environment Is Within My Hands” not only create a delightful shopping experience but also support the efforts towards heightening of environmental awareness.
3. Another example to Migros’s environmentalist approach is “eco kiosks”. At each kiosk location, consumers get barcodes on product wrappings read, and then discard the wrappings to the bins designated exclusively for paper, glass, plastic, metal and battery. With every single discard eco sensitive consumers are in return awarded with “Eco Points” converted to shopping points that can be spent in their next shopping within that month. This application provokes environmental sensibility through the use of eco points, implicitly instigating consumer awareness and sensitivity towards the nature.
4. Having recognized that permanent remodelling of attitude and behavior with respect to environmental issues is vital for a environmental sustainability approach, campaigns are carried out periodically calling out youth populations to cooperate in the collection of discarded waste materials released in the surroundings and depurating the environment.
5. Migros, a member of Environmental Protection and Packaging Waste Recovery and Recycling trust (ÇEVKO), have pioneered the recycling of wastes in nature for reuse by providing financial endowments to numerous recycling and reutilization conducts. Within this respect, by collecting 2.595 tons of branded product wrappings, grant-in-aid was given to ÇEVKO.

6. Acting on behalf of environmental consciousness, Migros collects its waste disposals at its center designated for recycling and reutilization of wastes. Over the course of 2009 a record breaking total of 16.342 tons of paper, cardboard, wrappings and metal disposals had been collected from store and administration units to be utilized for recycling.
7. For the proper collection of batteries, with an objective to eliminate possible damage to the surroundings, Migros cooperates with Portable Sealed Rechargeable Battery Producers and Exporters association (Taşınabilir Pil Üreticileri ve İthalatçıları Derneği- TAP). With an objective to share with its consumers to social responsibility conscience, and call out the public at large to being environmentally sensible, Migros brought to life the following practices.
  - 1 To each and every Migros store recycle bins are placed for batteries and for their packagings.
  - 2 With respect to fast collection of battery discards, regardless of the brand campaigns calling out “Bring your used battery and buy the new one with a 25% off” are carried out.
  - 3 Personal mini bins are handed out to the personnel provoking the support of the staff as well.
  - 4 Through corporation of corporate communication and customer relationship management units, mini battery collection bins are sent to consumer addresses and provided for the delivery of the bins back to the designated Migros stores.
  - 5 With an objective to give support to practices initiated by public enterprises, backed swapping regular transparent bulbs with the energy efficient ones moreover, discounted all energy efficient bulb brands and related products so as to provoke consumer preference. Consecutively, numerous banners are placed provoking austerity, and informatory notifications are attached behind points of purchase so as to guide the consumers. Additionally, numerous practices are employed in order to reduce energy usage while boosting energy efficiency.
  - 6 In order to utilize energy sources with utmost efficiency, periodic technologic controls are conducted with respect to in-house lighting across stores and administrative units. Through utilizing energy saving end products and various applications amounting to significant measures taken to sustain ecological balance and efficient usage of resources establishes austerity.
  - 7 Having achieved energy austerity across all its units, resorting to advance systems and devices, Migros keeps on advancing its exemplary green practices.
  - 8 With respect to adaptation of eco-friendly technologies, the practice regarding sales slip first initiated in 2007 involves swapping bottom counter roll paper with an electronic record unit and removal of spaces on a slip normally taken up by barcodes of a given product. All of which contributed to significant savings regarding paper usage.
  - 9 Within the scope of the support given to recycling, 123.099 kg of electronic wastes have been successfully reutilized without giving harm to the surroundings. While the 82% of the total amount is redounded as raw material in consequence of decomposition of precious metals, the 16% is converted to energy on the basis of thermic analysis and finally, the 2% is completely destroyed without yielding harm to the environment.

10 In order to provoke environmental sensibility, and to effortlessly collect packaging wastes of consumers', at the exits of its stores recycle bins are placed for consumers to dispose packagings to the designated bins exclusive for paper, glass, metal and plastic only.

○ **Textile Sector in Turkey: Case of MAVI JEANS**

Mavi, the first Turkish fashion brand to open up to the world, is established in 1991 in Istanbul. For consecutive 16 years it has been one of the paramount brands across the Turkish textile sector while placing a particular emphasis on green marketing understanding. The green promotional practices adopted by Mavi are diversified.

- By creating “Mavi Organic” collection, via utilizing 100% organic aegean cotton, introduced jean wear that is more sensible to the well being of both humans and the environment. Mavi targets to reach consumer masses by executing advertorials through carrying out green advertisements.
- With an objective to provide a novel life style to its consumers, establish utmost quality in product development and design, came together with Indesit, an electric household appliances brand, on a project to not only meet consumer demand and needs but also to fulfill its global duties. Together with Indesit's eco and austerity sensitive latest model washing machine called “Moon”, which has an eye catching blue designed lid, Mavi Jeans initiated a campaign calling out “a blue globe” to draw the attention of the larger population and create a deeper level of awareness on austerity. Throughout the campaign, water and energy friendly A+ Moon washing machine along with eco friendly Mavi Jeans products came together for the premier at 29 stores across Turkey.

In the course of the campaign, by demonstrating on the Moon washing machine, the ultimate eco and product friendly washing settings are elaborated and demonstrated to the consumer. Additionally, individuals visiting Mavi Jeans stores was granted access to enter the sweepstakes for a chance to win eco-friendly Moon washing machine. At the end of the campaign, the sweepstakes gave out 30 Indesit Moon washing machines to 30 lucky winners.

1. One of the biggest green promotional practices executed by Mavi Jeans encapsulates bringing to life numerous social responsibility projects by way of drawing the youth population coming from diverse cultures and life segments across Turkey. In the onset of October 2007, Mavi Jeans initiated a long term cooperation with Community of Volunteers foundation (Toplum Gönüllüleri Vakfı- TOG). Given the name TOG Attack (TOG Atak), volunteer groups composed of youth populations come together to solve numerous problems surfacing at the provinces they reside, carry out 2 (minimum) to 4 (maximum) day social responsibility projects to be executed nationally within the scope of intercultural learning theme. Projects involve activities such as planting trees, construction of bird houses, excursions held at dumping grounds with the purpose of making documentaries and generation of ideas for the amelioration of the grounds, provoking the larger society to make use of rag bags, appointing rag bag workshops, carrying out educational executions held to acknowledge the public on the significance of austerity, putting together flyers and brochures on the efficient use of natural resources and its implications, drawing attention to global warming by having elementary schoolers watch documentaries, cleaning the designated sea shores, carrying out “environment” themed facilities with an objective to

execute workshops designed to heighten environmental awareness and sensitivity on issues such as erosion, recycling of wastes, energy austerity through the execution of projects including drywall mud constructions and tree planting.

○ **Turkish Banking Sector: Case of GARANTI BANK**

Founded in 1946, Garanti Bank is Turkey's second largest private bank, with its consolidated size of assets exceeding U.S. \$ 104 billion as of March 31, 2013. Being active in all business branches of the banking sector including corporate systems, commercial systems, SME systems, payment systems, private banking, and investment banking; Garanti is a financial services group integrated with leading financial affiliates in the fields of life insurance, individual pension, financial leasing, factoring, investment and portfolio management, in addition to its international affiliates in Netherlands, Russia and Romania.

- 1 In the production of Europe's first environmentally friendly card that has given inspiration to other global banks, PVC is use at the lowest possible level in order to enable the card to be decomposed in the nature faster.
- 2 Holders of Environmentally Friendly Bonus Card support realization of many projects, by donating a small portion of the bonuses they earn by means of Environmentally Friendly Bonus Card, a portion of which is transferred to WWF-Turkey (World Wildlife Fund) by Garanti Bank.
- 3 In addition, with the campaigns made with a large number of brands, the card enables its holders to get discounts up to 10-20 per cent, for environmentally friendly products of those brands.
- 4 The brand uses recycled paper for all printed materials such as envelopes, letters and brochures used for communication. Monthly account receipts are transmitted via e-mail. Through these savings, an extra donation is provided to the WWF-Turkey.
- 5 As one of its green campaigns, its sent seals to new cardholders in World Water Day, which provide water-saving up to 70 percent per house.
- 6 The projects supported by Bonus Card through Garanti's environmentally friendly portal can be followed, and at the same time, recommendations that are mini but have great effect can be made, in order to be active in this regard. Current news are followed and information on environmentally friendly products and campaigns can be received.
- 7 The brand puts children into the focus of consciousness-raising activities. In the road taken with the logic of that 'a generation loving its environment can protect the nature', the first environmentally friendly animated cartoon series of Turkey is being broadcasted. In the film, it is intended to tell children, with an entertaining approach, the fact that they can prevent important environmental problems if they pay attention to mini details. With this understanding, three animated cartoon films have been prepared, by which the matters of carbon emissions, water saving and paper wastage are discussed.

*In Turkey, approximately 338.5 tons of paper are used every month, for credit card receipts sent by banks to their customers. This figure means that 5,754 trees per month, and 69,000 trees per year are*

cut down. (Access on 04/10/2013  
<http://www.radikal.com.tr/radikal.aspx?atype=radikaldetayv3&articleid=939609&categoryid=101>)

- Environmentally Friendly Bonus receipts are transmitted to customers only by e-mail; and by this way, hundreds of trees are prevented from being cut down. According to the information given by Selin Billi, the ratio of those who prefer e-receipt among all the credit card holders of Garanti Bank increased from 8% to 30% in the last year. Garanti card holders who prefer e-receipt saved about five thousand trees from being cut down.
- Environmentally Friendly Bonus Card of Garanti and Ezici Biodiesel company have made cooperation with intent to utilize vegetable oil and animal fat wastes, and to prevent their damage to the environment. Within the scope of that cooperation, the vegetable oil and animal fat wastes collected from houses bring bonus. Participants of the project collect waste oils and fats in their responsibility areas, with jerry cans given to them. The bonus in the amount of TL 15 per jerry can, earned by those who submit the oils and fats to Ezici Biodiesel, are added to prepaid cards given them by Garanti Bank. Cards can be used in more than 200,000 member shops of Bonus.
- Within the scope of environmentally friendly SME Support Package provided by the brand, customers can utilize special interest rates and credits containing non-payment period for their future investments intended for increase in productivity in their activities, for providing savings by reducing the amount of energy consumed in production process, and for being in compliance with the current legal regulations on energy productivity, thermal insulation and waste management as well as the ones that will be entered into force in the following days.

Besides these, green promotion (sales promotion) activities used by the brand with intent to encourage the consumer (end buyers and intermediary entities) are the followings:

- Credits providing nonpayment periods, deferments up to 60 months, and special interest rates for expenditures to be made for "Energy Efficiency in Industry", "Energy Efficiency in Buildings" or "Waste Management".
- "Green Car Credit" provided with special interest rates for purchases of hybrid vehicles that provide fuel economy.

"Environmentally Friendly Bonus Card" providing the opportunity of utilizing special campaigns intended for Environmentally friendly products.

#### ○ **Turkish Food (Biscuit) Sector: Case of ULKER**

As Yıldız Holding Inc.'s 65-year brand, Ulker is one of the biggest brands of Turkish Biscuits Industry. Ülker that ranked first in the category of biscuits in AC Nielsen's Brands Report for 2008, also ranked second in Brands Being Felt Close, and ranked third in Companies And Brands Remembered First. In a research published by Istanbul Chamber of Industry (ISO) in 2009, Ülker Biscuits ranked 104th among the largest 500 industrial companies of Turkey.

- Ülker Smartt provides support to the project "Small Things Renew the Nature", in order to support environmental consciousness, tell new generations about the importance of renewable resources, and give them information on how to protect the nature. The project that has been kept going for 7

years, is being carried out with the cooperation of the Ministry of Education, Bogazici University, and Tetra Pak, with its format renewed as of 2011. The young minds are being told about the importance of paying attention to water saving, the subjects of renewable energy sources and prioritization of using materials produced of them, as well as the fact that packing wastes are valuable raw materials and they must be collected separately. In addition, campaigns intended for children, which encourage the cultivation of flowers and trees are organized.

- As a participant of the campaign "Have in Hand" commenced by TEMA (The Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats) in order to reverse the migration from villages to cities in Turkey, Ülker Food became the sponsor of the Kuzuçardağı and Karacaoğlan villages of the city of Kırklareli. The grasslands in these villages have been made green, and milking centers complying with the EU standards have been established.

#### ○ **Turkish Automotive Sector: Case of TOFAS**

Turkish automotive company Tofaş, foundations of which were laid by Koç Group in 1968, and in which Koç Holding and Fiat S.p.A are equal shareholders, is currently one of the three world-wide strategic manufacturing and R&D centers of Fiat. As the only automotive company in Turkey that manufactures both passenger car and light commercial vehicle, Tofaş today becomes prominent as the biggest manufacturer of the Turkish automotive industry, with its yearly production capacity of 400.000 units per year. As a company in the leading position of the Turkish automotive industry, Tofaş makes 25.9% of the total sector production by itself, with a score of 307.788 units. Tofaş exports to 80 countries in the world, and its share from the total automotive industry export is at the level of 22.8%, with 180.698 units for the year 2011.

Tofaş organizes the activity of traditional tree planting festival, and is creating the FIAT Forest in Gölyazı district on the road to Izmir.

The brand trying to adopt the environmental conscience as a lifestyle, drew attention with its world-class manufacturing processes, ecological model and engine range as well as its R & D projects; and supported the application of "Earth Hour" made under the leadership of the WWF (World Wildlife Fund). Within the scope of the environmental movement took place all over the world, the lighting elements (excluding the ones for production and security) were turned off for 1 hour in Tofaş's center in Istanbul, particularly at its factory in Bursa. Tofaş's dealers throughout Turkey participated in WWF's campaign that drew attention to the reduction of emissions and struggle with global climate change.

Tofaş that showed its environmental awareness by the applications in the field of production also draws intention with its studies such as the investment in environmentally friendly paint process, savings in cardboard and wood materials corresponding to 70 thousand trees per year as a result of the re-utilization of recycled plastic wastes.

#### ○ **Turkish Liquid Fuel Sector: Case of OPET**

As the biggest liquid fuel and mineral oil distributor of the international liquid fuel distribution companies operating in Turkey, the company acts with the main target and principle of becoming the first choice of consumers in the fuel distribution sector of Turkey. OPET is a brand that brought 98-

octane unleaded gasoline to Turkey for the first time, and also offered the diesel fuel Ultra Euro Diesel to Turkish consumers, before European users. OPET is one of the important brands of its sector, with also its social responsibility approaches, its new products and services, fast-growing network of stations, and the projects of Clean Toilet, Green Road, Exemplary Village and Respect for History. Today, it is Turkey's 2nd largest liquid fuel distribution company.

- The “Green Road Project” of the brand has been implemented since 2004, in order to draw attention to the importance of the green in our life, which is diminishing with each passing day throughout the world. The “Green Road Project” carried out by OPET with the slogan “He who loses green will lose life” makes important contribution to the expansion of green areas. The “Green Road Project” firstly aims to afforest the 1.5 kilometer area in and around OPET fuel stations. The campaign is expected to last for 10 years and more than a half million trees are intended to be planted along Turkish Highways. Within the scope of the project, 525.250 plants suitable for the climatic and earth conditions of particular regions have been cultivated up until now, in 613 stations and treeless areas determined by municipalities.
- With respect to the green environment policies of the brand, educational activities have been made, with intent to emphasize the importance of the tree and green texture in the lives of living creatures; brochures and documents have been prepared, and children’s books have been published.
- For a controlled and economic irrigation needed by plants, a “Fully Automatic Drip Watering System” was begun to be implemented in 2008. This system providing water saving in stations, where plants are cultivated, enables plants to be irrigated periodically and to grow much healthily, while using water as much as required by the plant, in an economical way.
- Having started out with the aim of creating a conscious society, OPET also aims with its “Exemplary Village Project” at some social indications, such as bringing distant villages closer, making them self-sustained, utilizing their historical, geographical and cultural potential, as well as improving their educational level. Within the scope of this project, many studies are being carried out on physical appearance of villages, their socio-cultural developments, greening the environment, special courses, and income-improving activities.

#### ○ **Turkish Energy Sector: Case of AYGAZ**

Founded in 1961, Aygaz is the first company of the Koç Group, which is active in the energy sector. Today, Aygaz is a company carrying out all the processes covering LPG production, procurement, storage, filling as well as production and sale of LPG-operated products. As Turkey's 10th largest industrial company in the private sector, Aygaz has the distinction of being the first and only company open to the public, that operates in the LPG sector.

- 1 Aygaz aiming to increase the awareness and sensitivity regarding global climate changes "by seeing and touching", prepared an environmental frame project entitled “What Will the Weather be Like Tomorrow?” , with intent to leave a more inhabitable world for the future generations. By this project, it is aimed to raise the awareness and sensitivity level of the public, with regard to the subject of climate change. Aygaz visited 11 provinces of Turkey, with its “Sky Truck” that was

produced within the scope of the project, and contains a "planetarium" and "magic globe". It was aimed to enable people to witness the climate change visually, to be convinced by touching it, and to take action.

- 2 The brand organized a festival and rowing competitions, with intent to raise awareness about climate change gain.
- 3 The brand also organizes annual competitions intended for ensuring the children to grow up with environmental consciousness.

○ **Turkish Cement Industry: Case of AKÇANSA**

As Turkey's largest cement producer, Akçansa is the corporation of Sabancı Holding and Heidelberg Cement .

*The cement industry causes 5% of the human-induced greenhouse gas emissions (primarily CO<sub>2</sub>) in the world. Half of this percentage is caused by the calcination of limestone during clinker production process; 40% is caused by the fuel consumption; and 10% is caused by electricity usage and transportation activities.*

- 1 Struggling with climate change is the core of Akçansa's environmental policies. Akçansa focuses on three main methods for reducing CO<sub>2</sub> emissions: Use of alternative fuels, reducing the ratio of clinker usage in cement, and energy efficiency.

*As in other energy-intensive sectors, high energy costs creates a disadvantage for the cement sector in terms of competitiveness. Therefore, the waste heat recovery power plant adds value to Akçansa, and to the national economy when looked from a broader perspective.*

- 2 With the investment it made in the Waste Heat Recovery Power Plant, Akçansa aimed at increasing its energy efficiency performance. In cement production, energy has an important role in operating costs and the environmental impact of production activities. Akçansa aims at minimizing such effects, with the Waste Heat Recovery Power Plant that it established in Çanakkale. With the Waste Heat Recovery Power Plant, it will save 105 million kWh energy per year, by recovering the steam generated during the process. By means of that saving, it is expected to ensure approximately 60,000 tons of reduction in CO<sub>2</sub> emissions per year.
- 3 Thanks to this project, 105 million kWh electricity per year will be produced in the plant, and approximately 30% of electricity consumption in Çanakkale plant will be met. By this means, 30% less electricity will be received from the electric network.
- 4 Besides its economic benefits, this project also puts forth social opportunities. The Waste Heat Recovery Power Plant established in Akçansa's Çanakkale Cement Factory is a first in Turkey's cement industry. Implementation and execution of the project requires a broad knowledge; and therefore, a growing business opportunity and specialization area have been created.
- 5 In conclusion, the most important outcomes of this project are related to environmental problems. Turkey is a party of the United Nations Framework Convention on Climate Change and the Kyoto Protocol; however, it has no emission reduction target. 9.5% of its total CO<sub>2</sub> emissions is caused by the cement industry. Thanks to its Waste Heat Recovery Power Plant, Akçansa will prevent 60,000

tons of CO<sub>2</sub> emission, depending on energy saving. Otherwise, the amount of oxygen produced by 2.700.000 trees will be needed to compensate that CO<sub>2</sub> amount. This CO<sub>2</sub> emission reduction project has been accredited and registered as a Gold Standard project. The Voluntary Emission Reduction certificates to be obtained from this project will take their places in the Voluntary Emission Trade market, as the most reputable carbon credit.

- 6 This project will have a positive effect on the biological diversity of the region, by means of the reduction in greenhouse gas emissions, and the sustainable use of natural resources.
- 7 Akçansa offered its products with recycled material content and lower CO<sub>2</sub> emissions, which add value to the environment. Today, A + Concrete intended for the construction of green buildings in the construction sector is the optimal concrete type for durable, efficient and sustainable buildings. The most important features of the product are its low CO<sub>2</sub> emission and resistance to environmental impacts. As an 'easy-to-use' and 'easy-to-fit' product, A + concrete provides superior freeze-thaw resistance, as a result of air drift in the concrete.

#### ○ **Telecommunication Sector in Turkey: Case of TURKCELL**

In Turkey, GSM operated mobile communication is launched out in February 1994 with the onset of Turkcell coming into service. The market leader of the 5 out of 9 countries it operates in, Turkcell is a localized pioneer. The environmentalist, green marketing practices of Turkcell can be summed up under four main captions:

- *Practices to Boost Energy Efficiency:* Network and wind turbine reinforced base station project which is globally the first of its kind and was at first run as a trial site, energy saving of %4.7 percent via passive cooling systems applied across all base stations, elimination of energy depletion at base stations via the utilization of inverter air conditioning, implementation of %11.4 percent energy saving via vendor showcase and virtualization at data centers.
- *Practices Held at Retail Channels and Marketing:* E-bill application enabling to save thirty five million A4 paper, initiating reutilization of used cell phones project, digital advertorial and digital uploading of user minutes, selling of user minutes upload cards without packaging.
- *Eco Sensitive Services and Solutions:* Prosecution of forest fires, waste management environmental control centralized implementation system, vehicle tracking system, telemetry service to green-o-matic water flow meters, M-education, mobile signature, mobile traffic services communications.
- *Environmentalist Office Solutions:* Green renovation, energy saving illumination systems, faucets, water saving by sprinkling gardens and greenery via deperated waste water , M-education, E-education, mobile signature and digitalization of office proceedings contributing to saving from paper waste and recycling of compound waste.

Turkcell has been communicating its environmentalist policies to its consumers via various intensive advertisement campaigns.

With the onset of December 28, 2009, Turkcell, across its points of sale and contracted chain stores put up for sale the 3G compatible eco-friendly Samsung BlueEarth that makes use of super economic solar

energy as its battery power, with its exterior surface composed of recyclable plastic, tells the number of trees saved by the individual in contrast to if the user was to use a vehicle as a means of transportation by counting each and every step of its user.

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- 2 Corporating with Redeem, Turkey, an award winning provider of high volume value recycling solutions for a wide range of hand held technologies, converted 1050 Turkcell points of sale and communications center as recycle points of consumer's used mobile phones. Now, across Turkey, consumers wanting to recycle their mobile phones can simply stop by at any convenient Turkcell point of sale or communications center.
- 3 Turkcell in corporation with Superonline, a Turkish internet service provider, by inscribing the message "For the ones not contending with the best is the fiber internet in lightening speed" on 100.000 eco-friendly hangers and laundry bags composed of 100% recyclable material to be distributed via the well acknowledged Turkish dry cleaning companies have been reaching vast amount of consumers throughout Turkey.
- 4 Turkcell attempts to propagate energy saving conscience to not only within its enterprise but also throughout the group of its subscribers. Within this scope, e-bill application, an eco-friendly alternative that not only saves from paper consumption but also contributes to significant elimination of carbon emissions have been utilized and preferred by 2,4 million Turkcell subscribers. Through the means of e-bill utilization, in a single month, 28 tons less paper is wasted and 476 trees are prevented to be cut down. This amounts to preservation of 5 thousand 712 trees in a single year.
- 5 The establishment of 239 eco-friendly base stations across Turkcell network utilizes sun and wind power through the means of which 10 million kilowatt energy saving is earned in a single year. In other words, this number is the equivalent of a 4 member family's daily 46 thousand 521, or annual 127 electric consumption. The pioneers with respect to base stations combining network and wind energy have been globally first put into practice in Turkey thanks to the Turkish engineers' institutional and intellectual accumulation of knowledge.

*% 0,14 carbon emissions and %0.12 energy depletion across the world is generated by mobile communication networks. Similar in line, % 20 carbon emissions and %23 energy depletion is relinquished by traveling and transportation. The carbon emissions released by a single mobile phone user within a single year weighs up the emission generated by a car's average one hour drive at the highway. With respect to mobile communication, despite advances in technology and a raise in the number of subscribers, energy depletion did not escalate, on the contrary remained still around the numbers of the 1995. Advances in mobile communication led to a decrease in the need to commute, and contributed drastically to decreases in carbon emissions thanks to home and office smart environments it fosters. (Access on:10.04.2013, <http://www.mobiletisim.com/haberler/cevre-dostu-turkcell>)*

1 Acting on the basis of the cognizance to protect the environment, Northern Cyprus Turkcell, since the year 2000 to this day have been executing cleansing facilities across sea shores of Alagadi and Karpaz which are regarded to be one of the most vital shores hosting as the spawning grounds of sea turtles across the Aegean region. In advance to the executions, the volunteers, including the students are given in-depth inforamatory education on sea turtles. One of the founding members of Cyprus Turk Global Network, Northern Cyprus Turkcell, since the year 2007 have been executing sea shore cleansing with Partnership for the Future EU Funded Programme (UNDP-PFF). At the end of executions, various fun activities are held at the site of domain, and in corporation with Northern Cyprus Turkcell Environment Protection Department distribute books and brochures on sea turtles to the larger community. Additionally, with respect to the protection and preservation of olive trees which are regarded as the precious heritage of Aegean and Mediterranean regions, numerous projects are carried out.

- **Conclusion**

In the course of the past years while consumers in Turkey were particularly interested in exclusively buying and consuming, in contemporary years, sensible consumers are cognizant on subject matters such as the aftereffect of production systems, products and contaminants upon the environment at large generated by enterprizes along the course of utilizing scarce resources. As the number of green consumers is ever increasing, with respect to enterprizes, the significance to administer a business on the basis of green cognizance heightens as well. Similar in fashion across the globe, green environmental cognizance serving the role as the fundamental corner stone of many administrative and marketing facilities, has also been embraced across Turkey and adopted by numerous firms as the true marketing philosophy. Noting on the basis of the contemporary marketing mentality, brands in strict competition against one another strive to address the sentimental values of consumers by attempting to create brand value and instigating awareness.

This day, consumers are constituted of individuals who know exactly what they want, adapt and educated at differentiating, categorizing eco friendly products apart from their regular counterparts. Consequently, firms placing environmental consciousness at the heart of their brand policies have been striving to execute administrative and marketing operations accordingly. Subsequent to inducements, sanctions imposed by the media and the government, thanks to introductions on environmental consciousness and protection of the environment imposed at a very early age by integrating within the curriculum and making it compulsory throughout the Turkish primary school education, it can be observed among the green consumers who have incremented in number after the 90's of Turkey that environmental sensitivity is not by oneself a simple emotion but rather a life time philosophy governing consumer actions, decisions, behaviors and ideologies. Just like it would be wrong to refer an enterprize as a green business by taking into consideration its one single green application, it would be equally wrong to refer a consumer as a green consumer by taking into consideration individual's one single green purchase. Green consumption/preference is a life style, it is meaningful as long as it is sustainable. Turkish brands targetting to sustain and enhance their place within the market, acting on the basis of a green marketing understanding, have been supporting their sustainable green marketing operations with clear, factual and true executions with a long term outlook. With regards to acknowledging the public at large on green endeavours, businesses resort to incorporating mediums of

integrated marketing communications. In giving advertorials on green operations, businesses actively resort to integrated marketing outlets such as advertising, personal selling, sales development, direct marketing, point of sale communications and public relations marketing. It is evident that in Turkey various businesses carry out projects and operations within the scope of green marketing. While such operations cut back the extend of harm relinquished to the surroundings, they not only provoke consumers to be more environmentally sensitive but also boost a given firm's economic performance. For instance, Japanese technology giant Sony, launched out an operation called "Greenplus Project" through the means of which environmental performance of Sony products are targeted to be enhanced. Similar in line, in Turkey, Garanti Bank Bonus card owners, depending on monthly expenditures and the type of card they hold, contribute between %10 to %30 percent of the bonuses they earn to WWF, Turkey's projects on environment protection and preservation. Additionally, the card itself is easily disolluble in nature as the lowest amount of PVC possible is consumed in the making of the card. One of the fundamental players across the Turkish telecommunications sector is Türk Telekom acting within the framework of the sustainability principle when executing various marketing practices. Türk Telekom offers its clients product and service alternatives in order to support utilization of energy sources in a more effective and efficient manner. Within this scope numerous eco-friendly operations are executed, one of the fundamental of which is the launch of e-bill application that significantly cut down of paper usage. Türk Telekom as the first firm across Turkey in initiating the e-bill operation, with an objective to endorse and spread this eco-friendly conduct, to provoke the society at large to environmental consciousness, to spur firms of all kinds toward green marketing cognizance, gave out free minutes to its subscribers. In Turkey, the race to go green continues at an ever incrementing pace among enterprizes of all kinds. Numerous firms are investing to dwell at advancing assertive green business processes. Striving to establish sustainability now means not only to sustain the production of goods but also depleting the least amount of valuable resources at hand and setting a production system so as to relinquish the least harm possible to the surroundings. Earning to become a green brand is vital both for heightening reputation of a given company and for being rewarded by the customers in return. It is necessary to make reference to Prof. Vasanthakumar N. Bhat, the author of the book "The Green Corporation" who emphasizes that firms managing to reduce their carbon emissions by %1 percent can increase the value of their shares by %1,5 percent which amounts to a %1 percent reduction in carbon emissions equals to a boost of %5 in profit margins.

Having grasped the power of competitive advantage brought on by green marketing and to congrue with the global trend to convert businesses to green, Turkish brands employ green marketing strategies not only for efficient utilization of resources (less raw materials), and reduction of costs but also particularly to: make a difference by stressing on environmental values and executing complementary operations in order to be one step ahead of the game within a given sector, comply with inducements and enforcements imposed by the government and environmental organizations, earn grants from the government, avoid insecurities and loss of reputation that can be triggered by even a slightest harm given to the surroundings, acquire new advantages on market share brought on by implementation of green marketing strategies, create a green image and hence establish reputation, boost the trust of its employees and consumers by the extend of environmental consciousness communicated throughout its operations, cooperate with each and every departmental unit within its value chain so as to abate waste disposals, enhance interactive communication power by incorporating its consumers and suppliers on

the subject matter addressing environmental development, and to serve as a catalyst in generating less waste disposals by way of providing means to make recycling more convenient.

While environmental responsibility is not only the duty of the owner of a given brand/product/company and members within the value chain should all pitch in to fulfill the responsibilities imposed on them, brand owner companies are inflicted with the most responsibility. Brands with a well acknowledged identity and image in the eyes of a given society also tend to turn out to be the most potent representatives of green marketing. In this study, Turkish brands with a high brand equity are selected from diverse sectors operating in Turkey. The scope of this study is designed to thoroughly analyze green marketing sustainability operations executed by the Turkish brands mentioned in case studies and to assert critical evaluations with regard to green marketing conducts carried out across diverse sectors operating in Turkey. Within the scope of the analysis it can be concluded that not only the number of green Turkish brands is by each and every day incrementing at a rapid pace but also that the operations carried out are in line with protection of the nature and complementary to heightening the environmental awareness of the consumers. Subsequently, the rapid formation of a conscious consumer population which is more environmentally sensitive and pro green consumption can be observed. Green beseeching consumer population trigger green demand provoking brands strive to produce and achieve sustainability in order to attain this demand. Within the framework of green marketing, brands have been incorporating advertising, personal selling, point of sales communication, direct marketing and public relations marketing in a well integrated manner. Aside from communicating the consumer population regarding product or service attributes, brand's pro-environmental outlook, its eco-sensitive philosophy and nature compatible identity are also conveyed. Brands can be stated to be in fierce competition against one another particularly in developing as many green responsibility projects possible so as to establish brand image on firm grounds within the perception of the consumers. Aside from this, with an objective to further spread environmental consciousness, that was first introduced in Turkey following the 90's, and make it embraced as a life time philosophy, brands have been executing education programs for kids and the larger youth population. With the support of the government and pressure groups every year eco-awards, are given out so as to applaud eco-friendly brands and motivate all sectors toward adopting green marketing strategies. In Turkey, one comes across diverse green marketing strategies implemented throughout varying sectors. Compared to the times when businesses did not even attempt to take any proactive action against toxic gas emitted from factory pipes, today, businesses have converted to be green, marketing their products/services on the basis of an eco-friendly production system and investing on filtering systems, reformulating raw material usage and reutilizing recyclable materials.

Today, Turkey has been undergoing an evolution established on the basis of information and innovation, revolving around an environmentalist and strictly competitive, high employment proffering progression. Thanks to rising consumer awareness, now we come across a Turkey wherein consumers have started to favor products engineered by eco-friendly technologies and in return, actively reject the ones yielding harm to the surroundings. Across Turkish enterprises, while the prime cost often surfaces as an issue in achieving to abide by the EU standards regarding the execution of conducts encapsulating environmental issues, the cost benefit with regards to the advantages brought in by the compliance without doubt ends the matter of contention. EU environmental compliance cost for Turkey is about to be about 70 million euros. In Turkey, in the course of the recent years since the greatest endowment is

invested on democracy and the public, investment is directed towards matters on health and environment. As democracy gets stronger, environment sensitivity gets stronger as well. (“AB Çevre Mevzuatı”, Access on: <http://www.yesilekonomi.com/maliyetli-diye-ab-cevre-mevzuatina-uyum-saglamayacak-miyiz>)

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## **The Opinions of Individuals about Social Media Usage**

### **Abstract:**

Social media which is one of today's most widely used communication platform has changed the relationship between the audience and the media. Social media platforms cause a transformation in users' role by enabling them to become active contributors of the contents instead of just being passive consumers of information. In this context, to explore the reasons for using social media or the motivations behind social media usage gains importance.

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**The Effect of Demographic and Psycho-Graphical Traits on Consumers' Leisure Travel Behaviour, a Field Study from Eskisehir, Turkey**

**Abstract:**

This study intends to find out the relationship between leisure behavior and consumers demographic and psychographic traits where travel is asserted as the major expression of leisure behavior. A survey is applied to 815 respondents selected via stratified sampling from Eskisehir, a city of Turkey with 700.000 inhabitants.

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## **An Approach to Teaching Process of Written Expression Course**

### **Abstract:**

It is essential to give the necessary principles especially in order to write well after preparatory topics in the courses of written expression. The leading components of the topic are the period before the writing, the writing process, the period after the writing and the elements determining the process. One of the necessary conditions is also to observe.

## **Gimba Victor Kyari**

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### **Media Exposure and HIV/AIDS Eradication in Kastina and Sokoto State Towards Economic Growth in Nigeria**

#### **Abstract:**

Media exposure and HIV/AIDS and other STD'S eradication in Katsina and Sokoto States aims at generating information on major features of the target audience in regards to family planning & reproductive health and data on socio-economic and demographic indicators for radio listening audience in the North-Western zone of Nigeria. Two states were randomly chosen for the survey namely Katsina and Sokoto, Cluster sampling was employed in this survey. In each state five urban and five rural Local Government Areas (LGAs) were randomly selected. Each LGA was taken as a group or cluster from which 16 households were randomly selected as basis for selecting our respondents (9 females and 7 males). Overall, 200 respondents were randomly selected in each of the 2 states, giving a total number of 400 interviewees. The data collected in this study were analyzed using SPSS-x (Statistical Package for the Social Sciences). Summary statistics were obtained for the over 700 items on the questionnaires. Measures such as mean, mode and range were ascertained and correlation analysis was also done on selected variables. Knowledge of HIV/AIDS and STD'S fundamentals is appreciable in the study area. Both genders in all locations recognize that sex with prostitutes (and also with multiple partners), not using condoms, transfusion of infected blood and interaction with sharp objects are all avenues for contracting the virus. Our study shows that people have yet to imbibe the culture of going for the HIV test. It was recommended that in future, media should emphasize on the use of condom and should carry their campaign to rural areas of the Northern Nigeria.

**Keywords:** Media exposure, HIV/AIDS eradication, STD, SPSS, correlation and economic growth.

#### **1. Introduction**

The HIV/AIDS pandemic has been among the most serious natural disasters in recent centuries.

It has been the subject of immense and often distorted, indeed seriously misleading publicity. Wild and frightening accounts by the media have undoubtedly fanned the public hysteria surrounding HIV/AIDS and have encouraged prejudice against sufferers, their families, friends and the social groups to which they may belong. Prejudice and discrimination have been exacerbated by identification of many of those infected to date with stigmatized minority groups, undermining the precarious tolerance which society had accorded those groups for about two decades preceding the advent of the virus.

The irrational fears and negative discriminatory responses of the public, and tragically those of some health care workers and that of Employers plus colleagues also, present constant problems to patients, their families and those concerned with their care.

There are many other stresses and pressures which arise from the progressive disablement and debilitation resulting from HIV/AIDS. Green (1990), believes that the growing dependency upon others; from loss of social and occupational status, and loss of earning capacity; from abrupt revelations of a hitherto private sexual preference, or dependency upon drugs and from recognition that the patient engaged with a lifestyle incurring social disapproval.

Family, friends and lovers may be distressed by a conflict between their love of the patient and the humiliation and social embarrassment of being closely associated with them. Confusion about the risk of transmitting infection to others, and about precautions that has to be followed.

Indeed, it seems that every manifestation of the virus, directly and indirectly provides a set of problems from multidisciplinary psycho-social and medical care. An extraordinarily wide range of professions, charitable organization and volunteers are implicated. The needs are re-sounding and the opportunities are great. There is more than enough room for everybody to contribute. Failures of understanding, collaboration or harmonization of efforts would be tragic.

The aim of the study was to generate information on major features of the target audience as regards to reproductive health in the North-Western zone of Nigeria. Two states were purposefully chosen for the study, because of the high level of HIV/AIDS and STDs prevalence and the cosmopolitan nature of the states, namely Katsina and Sokoto. The overall objective is to determine the role of mass media in eradicating HIV/AIDS and STDs and to provide data on socio-economic and demographic indicators. The study would answer questions as what is the correlation between the level of education and frequency of listening to radio, age of the respondents and ideal age for marriage

Cluster sampling was employed in this survey. In each state five urban and five rural Local Government Areas (LGAs) were randomly selected. Each LGA was taken as a group or cluster from which 20 households were randomly selected as basis for selecting our respondents (12 females and 8 males). Overall, 200 respondents were randomly selected in each of the 2 states, giving a total number of 400 interviewees.

The data collected in this study were analyzed using SPSS-x (Statistical Package for the Social Sciences). Summary statistics were obtained for the over 20 items on the questionnaires. Measures such as mean, mode and range were ascertained and correlation analysis was also done on selected variables.

- **Literature Review**

Adeyi, et al. (2006) remark that, "in the worst affected regions, notably Sub-Saharan Africa, this steadily progressing catastrophe threatens to become a calamity of cataclysmic proportions." The author conducted a pilot study between 1990-1996 on public awareness of HIV/AIDS through two newspapers that were widely read in Nigeria (Komolafe 1999). The study revealed that with increase in frequency of reports, newspapers could be used as one of the many tools to educate the Nigerian populace (Helen and Latunde, 2008)

In Nigeria the HIV prevalence rate among adults ages 15-49 is 3.9 percent. Nigeria has the third-largest number of people living with HIV Keating et al (2006). The HIV epidemic in Nigeria is complex and varies widely by region. In some states, the epidemic is more concentrated and driven by high-risk behaviors, while other states have more generalized epidemics that are sustained primarily by multiple sexual partnerships in the general population. Youth and young adults in Nigeria are particularly vulnerable to HIV, with young women at higher risk than young men. There are many risk factors that contribute to the spread of HIV, including prostitution high-risk practices among itinerant workers high prevalence of sexually transmitted infections, clandestine high-risk heterosexual and homosexual practices, international trafficking of women, and irregular blood screening, UNDP(2008)

In Nigeria unprotected heterosexual intercourse that is penetrative sex without the use of a condom, accounts for about 90% of HIV infection among women and men. Most of the remaining 10% account through infected blood and a small proportion through homosexual intercourse (UNAIDS 1997). Sexual activity at an early age both within and outside of marriage exposes many millions of young people to the risk of HIV infection. Yet young people like adults are by no mean equally vulnerable to HIV. At one level our chances of avoiding or contracting HIV depend on a number of personal or international factors: our understanding of our own sexuality, our knowledge of HIV transmission, our values and religious beliefs, our relationship skills and our self esteem, young people who are well informed, are clear about their basic values and are also confident of themselves and comfortable in their relationships are more likely to be able to take care of their sexual health and to avoid HIV than those who are not (Stop AIDS, 1996).

Keating et al (2006) wrote on assessing effects of a Media Campaign on HIV/AIDS Awareness and prevention in Nigeria. To correct for endogeneity, two-stage logistic regression was used to investigate the effect of program exposure on 1) discussion of HIV/AIDS with a partner, 2) awareness that consistent condom use reduces HIV risk, and 3) condom use at last intercourse in three states, Bauchi, Enugu and Oyo. The study found that exposure to the VISION mass media campaign was high: 59%, 47%, and 24% were exposed to at least 1 VISION radio, printed advertisement, or TV program about reproductive health, respectively. The differences in outcome variables between 2002 baseline data and the 2004 follow-up data were small. However, those with high program exposure were almost one and a half (Odds Ratio [O.R.] = 1.47, 95% Confidence Interval [C.I.] 1.01–2.16) times more likely than those with no exposure to have discussed HIV/AIDS with a partner. Those with high program exposure were over twice (O.R. = 2.20, C.I. 1.49–3.25) as likely as those with low exposure to know that condom use can reduce risk of HIV infection. Program exposure had no effect on condom use at last sex.

The level to which Africans are vulnerable to HIV depends on political economical, social and cultural factors within our everyday environment, over which we may have little or no direct control. Young people who for example are not employed, and probably abuse by their parents or other family members, or who lived in situations of armed conflict and social disruption is obviously at high risk. Yet all young people whatever their backgrounds have to cope with obstacles and threats to their sexual and productive health, which also exposes them to the risk of HIV- infection (UNAIDS 1997).

- 1 ***Youth a Vulnerable Age:*** There is enormous diversity among youths, people of the same age depending on the individual's level of physical, psychological and sexual development, and on

factors such as economic circumstances, family situation, religious beliefs, cultural background and education. One feature common to many young people in many parts of the world however is their potential vulnerability to HIV and other sexually transmitted diseases (STDS). According to (UNAIDS 1997), states that in most parts of the world and Nigeria in particular, mid or late adolescence is a time for experimentation and risk taking often with little regard to the positive consequences. It is also the time of life when most people have their first sexual experiences – either within or outside of marriage. “In many developing countries young people are becoming physically and sexually mature at a younger age than in the past” and they marry at a later age. Traditional taboos against premarital sex are breaking down (CEDPA/UNFPA) 1997). One consequence of these changes is that more young people are becoming involved in premarital sex, usually without using a condom or any other form of contraception. In Nigeria for example, the average age for first sexual intercourse for girls is 16 years (National Guidelines Task Force, AHI, 1996). Although most Nigerians marry young 17 years is the average for first marriages, premarital sexual intercourse is common in most parts of the country.

Despite widespread sexual activity, many young people in sub-Saharan Africa are poorly informed about the facts of reproduction and are likely to be using any form of contraception. Many unmarried women became pregnant and turn to illegally induced abortion- with all the attendant health risks- in order to terminate the pregnancy. In Nigeria, two out of every five secondary school girls have had at least one pregnancy, and 60% of patients presenting at Nigerian hospitals for abortion complications are adolescent girls (Kuti, 1996).

2 **Women Vulnerability:** Girls and women in sub-Saharan Africa are at even higher risk of contracting HIV and other STDS than men. Researches in Nigeria found that 17% of young women aged between 15 -24 in the urban centres were HIV – positive, compared with only 5% of their male counterparts (Bordorff, et al, 1993). This is not because more young women are involved in high risk sexual behavior than young men. Surveys in many Africa countries have found that unmarried teenage girls are likely infected than their male counterpart who seems to be sexually active.

The high level of HIV infection in women is due to a combination of many factors which to a large extent, beyond their own control. For biological reasons, women are much more likely than men to become infected with much larger genital surface area and the female genital tract retains semen for a considerable period of time and due to the fragile membranes of the Vagina (Barongo, 1993). Another reason is that in some African cultures, women are introduced to drying or tightening agents into the vagina in order to increase male sexual pleasure. This customs increases the risk of abrasions during sex, which in turns heightens female vulnerability of HIV infection. Also in some African tradition, women have older men as their sexual partners. For a young woman, the risk of contracting HIV through unprotected sex is greater with older men who are more sexually experienced than with someone of her own age group. Who is likely to have had fewer sexual partners? (AIDS Net, 1998).

The institution of marriage, far from providing a young African woman with a degree of protection against HIV infection, often makes her even more vulnerable. Women’s lack of economic opportunity leads them to dependence on men. This in turns deprives a woman of her right to refuse sex or demand safer sexual practices such as condom use from her husband; even if she knows that he is involved in

high risk sex with other partners. In most African cultures, a woman has not legal basis to refuse having sex with her husband, and the concept of rape within marriage is unknown and unaccepted. According to Kiragu, (1995) a Kenya lawyer, she is of the view that violence against women by men is widely condoned by many African societies. “Women who are repeatedly beaten or threatening with beating live in fear in their own homes. They are not in a position to negotiate for safer sex or tell their partner they do not wish to engage in sexual intercourse, and are thus vulnerable to sexual abuse and possible infection with HIV or STDS.”

- 3 **Population Mobility:** Nigerians are generally regarded as African keenest travelers, domestically and internationally. Low gasoline prices within the country for the past 25 years have encouraged road travelling, and many inter-state expressways were built during the time of high oil booms. Similarly, Nigerians travel abroad in larger numbers. Market men and women travel by road to neighboring countries and by air as far as Brazzaville. Unemployed youths are hired to fly to Europe and Asia as smugglers of high values goods. Drivers and travelers indulge in the habit of having multiple sex partners, and this group of people has the tendency to spreading HIV from city to city and from one country to another as they travel along (Stop AIDS 1996).
- 4 **Drug Traffickers:** In Nigeria Lagos and Kano is the transit point on the African continent for hard drugs being flown from Asia to Europe and the Americas. The main collection point is Thailand-which itself has a high level of HIV infection. In recent years there has been as many as 300 Nigerians in Thai prisons at any time on charges of heroin smuggling. One third of female prisoners in Britain are Nigerians apprehended trying up to 80% cent of heroine found in the US East coast was supplied by Nigerians. It has been discovered also that most drug traffickers, drug addicts are involved in multiple sex and in sharing syringes used for intravenous drugs (African Analysis, 1996).

- **Methodology**

Essentially, this survey encompassed a quantitative research undertaken to measure, describe and analyze demographic features as well as reproductive health in the North-West geopolitical zone of Nigeria. Specifically, two states were selected for the study, namely Katsina and Sokoto. This is because the high HIV/AIDS prevalence and the cosmopolitan nature of the states.

**Sampling:** respondents for this research were drawn from both urban and rural areas of Katsina and Sokoto, respectively.

By simple definition, the rural areas are the villages and small towns located away from the cities; their infrastructural facilities are either elementary (as highlighted in Wikipedia encyclopedia), dilapidated or in a highly neglected state. Rural inhabitants are largely agrarian and operate in the cycle of low yields, low income, low savings and low investment. According to the Nigeria Demographic and Health Survey of 2004, the rural areas are also where the majority of Nigerians reside. In general, this is an accepted picture of a typical rural setting and it is so-recognized by several international funding and donor agencies.

The Food and Agriculture Organization (FAO), an agency of The United Nations, opines that the rural areas are where 70% of the world's poor and hungry people reside. Accordingly, these parts are far away from markets, employment, health services, education and infrastructure.

An urban area is typically defined as a place with a higher density of human-created structures, public transport, utilities and general economic activities. It is the opposite of a rural setting and both are so-recognized by the United States Census Bureau, (As it is in the baseline report).

**Sampling Plan:** Cluster sampling procedure was employed in this survey. All the two states were considered as the universal population to be surveyed while each individual state was taken as a sub-set.

Each Local Government Area (LGA) of a state was taken as a group or cluster from among which we randomly selected 20 households as basis for selecting our respondents (12 females and 8males). There were 5 urban locations and 5 rural locations per state, all selected at random to ensure a wide representation in forming our sample frame. Therefore overall, we had 200 respondents randomly selected in each of the two states.

We employed a randomization process that gave each and every respondent an equal likelihood of being selected. In each of the survey states, our selection was done on the basis of the following formula:

$P/g = (a/A)$ , where 'a' is the total number of LGAs picked and A represents the total number of LGAs in the state.

Based on our intention to interview a total sample consisting of a 60-40 ratio in favor of females, it implied that every respondent selected had a 60% likelihood of being a female and 40% likelihood to be a male. Therefore the final individual probability of the i-th respondent selected could be estimated as follows:

$P_i = (r_i/R)*0.4$  for a male respondent and  $P_i = (r_i/R)*0.6$  for a female, where r is the specific respondent and R stands for the total number of respondents selected in the LGA.

As regards to gender spread within the sample frame, we achieved a 60-40 ratio skewed in favor of female respondents. The total number of respondents interviewed is presented in the table below:

**Table 1: SUMMARIZED SAMPLING PLAN**

	<i>Kaduna</i>	<i>Kano</i>
1. Urban LGAs	5	5
2. Rural LGAs	5	5
3. Total LGAs	<u>10</u>	<u>10</u>
4. Male respondents	80	80
5. Female	120	120
6. Total respondents	200	200

**Data Analysis:** the data collected in this study were collated and analyzed quantitatively using SPSS-x (Statistical Package for the Social Sciences).

Summary statistics were obtained for the over 20 items on the questionnaires. From the summary data, measures of central tendency such as mean and mode were determined. We also worked out the range in many instances, in order to ascertain the extent of intra-variable dispersion.

Correlation analysis, which is essentially a procedure used in measuring the degree of association between any two variables was also done on selected variables in order to ascertain statistically, the extent of relationship between them. The variables selected for this analysis were level of education, age of respondents, age at first intercourse and ideal age for marriage. The selection was due to the fact that these are the only items that are quantitative enough to enable a meaningful correlation analysis.

Although there are so many statistics in this survey, we have nonetheless tried to ensure that the contents of this report are explanatory enough to make it interesting, readable and understandable. For the purpose of writing this report, some questions were selected from each thematic area which collectively should provide a birds view of the survey. The data relating to each aspect of the study areas are presented in summarized tables.

- **Discussion of the Results**

There is appreciable knowledge in the entire study area in regards to some fundamentals of HIV/AIDS. Over 93 -99% of all respondents have heard of AIDS and in all locations recognize that sex with prostitutes (and also with multiple partners), not using condoms, transfusion of infected blood and interaction with sharp objects are all avenues for contracting the virus. We got almost equally high response (78-97%) to whether or not AIDS could be transmitted through mosquito bites, to which the general answer was no, except for some few respondents who said yes and don't know.

Most persons (over 99%) said something could be done to avoid getting AIDS or the virus that causes the disease. (98.2-100%) of the respondents felt that people can reduce the chances of getting the virus by having just one sex partner who is not infected and who has no other partners. Most interviewees (95-100% in some locations) agreed that HIV/AIDS may be discussed in the electronic and print media.

There is little doubt that stigma and discrimination against people living with HIV/AIDS are commonplace in Nigeria. There is a tendency to see immoral behavior as being the cause of the HIV/AIDS epidemic. According to Engender Health (2004), this affects attitudes towards people living with HIV/AIDS (PLWHA) and HIV prevention. PLWHA often lose their jobs or are denied healthcare services because of the ignorance and fear about HIV and AIDS. They also opined that there is so much ignorance that 60% of healthcare workers think HIV positive patients should be isolated from other patients.

In our study, we discovered that on average, over 76% of persons would buy fresh vegetables from a seller who has the AIDS virus while about 20% of the people interviewed would not. This improvement is attributed to the daily campaign on the electronic and print media in recent years.

While over 33-48% of interviewees said yes they keep it secret if their family members were to be infected with the AIDS virus while 30-57% said no. and 9-21% want to keep the information secret if

their family member were to be infected with the AIDS virus. A higher proportion (up to 85%) would be willing to care for that victim in their own household. Our survey also showed that people in all surveyed areas would be more inclined towards leaving a virus-infected teacher who is not sick to continue teaching in a school.

Less than 7 years ago, Nigeria's President Olusogun Obasanjo launched the "Know Your Status" project of the country's AIDS control program, primarily to encourage voluntary testing in individuals. Our study tends to show that people have yet to take up the culture of going for the HIV test. More than on average, 40% of the respondents whom have had their test did that in the fewer 12 months in all the four states and most of the test was asked for by the respondents. In all respondents, knew where they can undergo the HIV test and 20% and 58.4% in Katsina and Sokoto respectively, knew a place, in this case they almost all mentioned government health institutions.

In the words of Ogunidipe, S. (2005) Nigeria has high levels of sexually transmitted infections (STIs) such as *Chlamydia* and *Gonorrhoea*. In the areas of our survey, 37.7% and 62.4% of the respondents in Katsina and Sokoto respectively, have heard about the STIs.

When asked if they had had STI in the last 12 months, affirmative but overall, 73.6%, 95.5% of the all respondents in Katsina and Sokoto respectively said no and nearly all of the few who had STIs obtained some kind of advice or treatment. Most of the respondents informed the partner with whom they were having sex; 50-93.7% did something to avoid infecting their partner, ranging from continuing sex and at the same time taking medication and using condoms. Very few respondents would agree to stop sex and be taking medication.

More than 8 out of every 10 respondents believed that a wife is justified in refusing to have sex with her husband when she knows (a) her husband has an STI and (b) her husband has sex with women other than his wives, has STIs, and recently delivered. When asked if a wife is justified in asking her husband who has an STI to use a condom, an average of 85% said yes. This is not totally unexpected, as condoms have become nearly universally available in Nigeria because of efforts to increase coverage and subsidize prices (Human Rights Watch, December 2004)

As earlier indicated under Methodology, we carried out correlation analysis in order to measure the extent of co-variation between sets of variables.

Appendices 1 shows a positive correlation between level of education and the interviewees' opinion of what the ideal age should be age for a female to get married, there is a negative correlation between level of education and age at first intercourse and there is also a positive correlation between the age of the respondents and age at first intercourse. This corroborates our summary statistics explained above, that irrespective of the level of education, more than 90% of all respondents opined that girls should marry at the age range of 15 – 20 years. On the other hand, there was a negative correlation between the age of respondents and the ideal age for marriage. The first statistic is significant at the 1% level, implying a 99% confidence interval. The second one is not significant at 1% and 5% level of significant. But the rest are significant at 1% and 5% level significant, there also a positive correlation between frequency of listening to radio and the age of the respondent, the statistic is significant only at 5% level of significant. On the whole, only the foregoing interrelationships had co-variation statistics that were significant, either at the 1% or 5% levels.

- **Conclusion**

The study shows that Human Immune-deficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) has been a special disease with great consequences on socio-economic, political and psychological well being of individuals in the society. The HIV/AIDS epidemic is complex and multifaceted. Groups and individuals must be ready to work together. The print and electronic media could do more in the awareness campaign against HIV/AIDS despite the fact there was a remarkable increase in the frequency of reports of HIV/AIDS between 2000-2006 compared to 1990-1996 in Nigeria (Helen and Latunde, 2008).

The consequences of this trend could be devastating for Africa's most populous country. The deaths of untold numbers of trained cadres and workers could cause incalculable loss to agriculture and industry. Furthermore, the direct health costs of an epidemic of this magnitude in a country the size of Nigeria would be enormous. Due to the long incubation period of HIV, most people who have already been infected but have not yet become ill. Since there is already a large pool of infected people, the number of cases of AIDS will increase in the coming years.

This survey has achieved its major objective of generating information on aspects of reproductive health behaviors of respondents in the two states enumerated. It has also obtained data on socio-economic and demographic indicators. This report is only intended to provide a bird's eye view of the findings further information requirements could be obtained from the SPSS data set of the survey which is with the researcher.

Poor response and refusal to be interviewed it was due to religious and cultural influence necessitates conducting a limited number of focus group discussions with key personalities in the areas enumerated. This tool would not only shed more light on some knotty questions but also serve to validate some assumptions.

- **Recommendation**

Since AIDS has no vaccine no cure, intervention programmed for HIV/AIDS inform of education should be intensified throughout the country. The programmed should adopt a community based oriented approach based on the people's culture on specific needs of targeted communities. Since most communities in Nigeria share similar socio-cultural characteristics, a proto-type approach could be adopted. Emphasis should be on the use of local community educators as disseminators of information. Since communities members are likely to believe information imparted to them by familiar influential others.

There is need for a dynamic and aggressive campaign by both the Nigerian National programmed for AIDS (NNPA) and the federal government. Nothing should be spared in this attempt to reduce the spread of the virus. The federal government should release enough funds to be spent on preventive measures through public education and enlightenment programmed on safe sex and making blood product safe. As a matter of urgency, resources should be made available by government, not only for the care of infected persons, but also to invest for intervention in time to prevent a future infection.

There should be collaboration between the federal government and international donor agencies and nongovernmental organization from industrialized nations to intensity research and target the

following, education and enlightenment awareness on the effect of the HIV/AIDS epidemics in Nigeria, through the mass media.

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**Appendices:****Appendices 1: CORRELATIONS AMONGST SELECTED VARIABLES**

	q1	q2	Q3	Q4	Q5
<b>q1</b> Level of Education Pearson Correlation Sig. (2-tailed) N	1	.001 .988 292	.112(*) .013 494	-.171(**) .000 506	.145(**) .001 517
<b>q2</b> Frequency of Listening to Radio Pearson Correlation Sig. (2-tailed) N	.	1 369	.012 .837 319	.093 .086 342	-.142(**) .007 363
<b>Q3</b> Age of Respondents Pearson Correlation Sig. (2-tailed) N			1 632	.147(**) .000 597	-.023 .573 602
<b>Q4</b> Age at First Intercourse Pearson Correlation Sig. (2-tailed) N				1 679	-.093(*) .018 646
<b>Q5</b> Ideal Age for Marriage Pearson Correlation Sig. (2-tailed) N					1 687

\* Correlation is significant at the 0.05 level (2-tailed).

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

**Appendices 2: ANALYSIS OF RESULTS**

QUESTIONS	KATSNA		SOKOTO	
	% Valid	Response	% Valid	Response
101 Ever heard of AIDS?	99.4 0.6	Yes No	93.2 6.8	Yes No
102 How can a person get AIDS or the virus?	50-71	Sex with prostitutes, with multiple partners, razor blade/barber clipper and sharp objects	>70	Sex with prostitutes and with multiple partners.
103 Anything one can do avoid AIDS or the virus?	99.4	Yes	98.1	Yes
105 Can people reduce AIDS chances by having just 1 uninfected partner who has no other partners?	100	Yes	98.2 - 1.8	Yes - DK/US
106 AIDS from mosquito?	3.0 97.0	Yes No	2.4 78.5 19.1	Yes No DK/US
107 can people reduce their chances of getting the AIDS virus by using a condom every time they have sex?	81.4 18.6	Yes No	82.7 5.6 11.7	Yes No Don't know

108 Acceptable to discuss AIDS on radio, TV etc?	100	Radio TV Newspaper School Place of worship Home	>95	Radio TV Newspaper Home Place of worship school
109 You'll buy fresh vegetables from seller with AIDS?	72.5 25.1 2.4	Yes No DK/US	76.3 20.7 3.0	Yes No DK/US
110 You'll keep secret the fact your family member is infected?	33.5 57.5 9.0	Yes No DK/US	48.2 30.5 21.3	Yes No DK/US
111 Will you care for your infected relative in your own house?	78.4 7.8 13.8	Yes No DK/US	85.9 4.3 9.8	Yes No DK/US
112 A male teacher infected but not sick be allowed to continue teaching in the school?	78.4 18.6 3.0	Yes No DK/US/Depends	76.1 16.6 7.3	Yes No DK/US/Depends
113 A female teacher as in 624 above be allowed to continue teaching?	79.6 18 2.4	Yes No DK/US/It depends	58.5 34.8 6.7	Yes No DK/US/It depends
114 Children age 12-14 be taught about using condom to avoid AIDS?		Not reliable	98.7	Yes No DK/US
115 You ever been tested for the AIDS virus?	49.4 50.6	Yes No	37.3 62.7	Yes No
116 When were you last tested?	37.5 51.5 11	<12 months ago 12 – 23 months > 24 months ago	37.3 26.9 35.8	<12 months ago 12 – 23 months > 24 months ago
116 You asked for test, was it offered to you or was it required?	41.5 55 3.5	Asked for it It was offered Was required	42.4 42.4 15.2	Asked for it It was offered Was required
117. Did you get the result?	100 -	Yes No	100 -	Yes No
118 Would you want to be tested for the AIDS virus?	42.9 39.2 17.9	Yes No DK/US	27.6 35.7 36.7	Yes No DK/US
119 Know a testing place?	20 80	Yes No	58.4 41.6	Yes No
120 Where can you go for the test?	Most	Government hospitals	Most	Government hospitals
121 Where did you go for the test?	Most	Government hospital	Most	Government hospitals
122 Your chances of getting AIDS small, great..	38.1 20.2 40.5	Small chance No risk at all DK/US	51.9 17.5 30	Small chance No risk at all DK/US
123 Since AIDS, have you changed behavior to prevent getting AIDS?	Most	Advised spouse to be careful and Restricted sex to one partner	Most	Advised spouse to be careful and Restricted sex to one partner and ensure injection with sterilized needles
124 From what info sources have you learned the most about AIDS?	97.6 76.2	Radio TV	96.2 82.5	Radio TV

	41.1	News paper	48.8	Poster
125 Heard of other STIs apart from AIDS?	37.7 62.3	Yes No	62.4 37.6	Yes No
126 You had STI in last 12 months?	26.4 73.6	Yes No DK	95.5 3.6	No DK
127 You had a bad-smelling genital discharge in last 12 months?	1.3 95.4 3.3	Yes No Not sure	94.5 4.8	No Not sure
128 Did you seek advice or treatment?	100 -	Yes No	50 50	Yes No
129 When you had the problem, did you tell the person with whom you were having sex?	93.7 6.3	Told the person Someone else	50 50	Told the person Did not tell
130 Did you do something to avoid infecting your sexual partner?	94.1	Did something	50 50	Did something Did not do
131 What did you do to avoid infecting him?	100 6.7 93.8	Used medication Stop having sex Use a condom when having sex	50	Yes used medicine
132 A wife justified in refusing to have sex with her husband if.....	87.1 86.4	She knows he has STI & Recent delivery Has sex with other partner	94.4 93.6	She knows he has STI Has sex with other partner
133 A wife justified in asking her STI-infected husband to use a condom?	79.3	Yes she is justified	87.2	Yes she is justified

Source: from the questionair

**Antonina Levatino**

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Spain

**Transnational Higher Education and Skilled Migration:  
An Empirical Analysis of the Australian Case**

**Abstract:**

Since the Nineties, the higher education sector of many countries has experienced a significant process of Internationalization, which includes not only the physical mobility of students, rather also the provision “offshore” of educational services. According to the Observatory for Borderless Higher Education (OBHE 2012), from the mid-1990s approximately 200 branch campuses have been established particularly by Australian, U.S. and British universities. According to a report by the German Service for Academic Exchange (DAAD), in 2003 more than 14.000 students were attending British universities abroad and 45.000 Australian ones. If the motivation of home institutions is to expand recruitments, the principal motivation for governments establishing higher education hubs is to increase enrollment in higher education in the country and, in this way, retain student outflows and the potential consequent brain drain.

The role of transnational education as a way to decrease skilled emigration from one country is however far to be clear. According to Levy (2002), transnational programs mainly limit their offers to first-level teaching and training. This means that those people who wish to pursue post-graduate studies have to emigrate. Nussbaum and Mollis (2007) are furthermore convinced that people trained within a foreign institution will be more projected in a foreign context, thus easily attracted by the perspective to emigrate. Thus, Stein et al. (1996) argues that the participation in international education and training “has stimulated, rather than diminish, the interest of young scientists to work abroad”.

Despite the interest devoted to the phenomenon of skilled migration by policymakers and scholars and the continuous increase of transnational education, the relationship between these two phenomena has not been empirically investigated yet. This study fills this gap using data on offshore enrolments in Australian offshore universities and skilled immigration to Australia.

**Keywords:** Internationalisation of higher education; brain drain; skilled migration.

**Fen Lin**

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**Three Stages of Imagination: Politics of Cultural Consumption of Ethnic Minority  
in China**

**Abstract:**

In recent years, the legends of the sixth Dalai Lama Tsangyang Gyasto, associated with the illusion of an idyllic, mysterious and spiritual Tibet, have fascinated Han Chinese. The Western imaginations of Tibet have been debated for decades. What about the Orient's imagery of the other Orient? The pleasant Tibet image did not emerge among Han Chinese until the post-Mao era and have gradually replaced the „hell“ image of Tibet.

## **Sharmishtha Matkar, Samadhan Borse**

Fergusson College, C.T.Bora College

India

### **Organic Farming: way to Sustainable Agriculture**

#### **Abstract:**

Organic farming has grown rapidly throughout the world in recent years. 1.8 million Farmers in 162 countries grow organically on more than 37 million hectares of agricultural land worldwide (2011). The global market for organic food reaches 62.9 billion US dollars, which is 4 billion more than reported for 2010. It is seen as a sustainable alternative to chemical fertiliser based farming system. Organic food now has become a viable alternative for an increasing number of consumers who are worried about the presence of chemical residues and the negative consequences on the environment caused by the intensive production methods.

Organic farming practice aims to protect human health and conserve natural resources, with the goal to preserve the quality of the environment for future generations while being economically sustainable. Organic farming has the potential to provide benefits in terms of environmental protection, conservation of non-renewable resources and improved food quality. Organic farming systems have attracted increasing attention over the last one decade because they are perceived to offer some solutions to the problems currently besetting the agricultural sector. To avoid negative consequences, like soil erosion, water pollution, increase in various diseases and adverse effect on environment, organic farming is an alternative method for chemical fertiliser based farming.

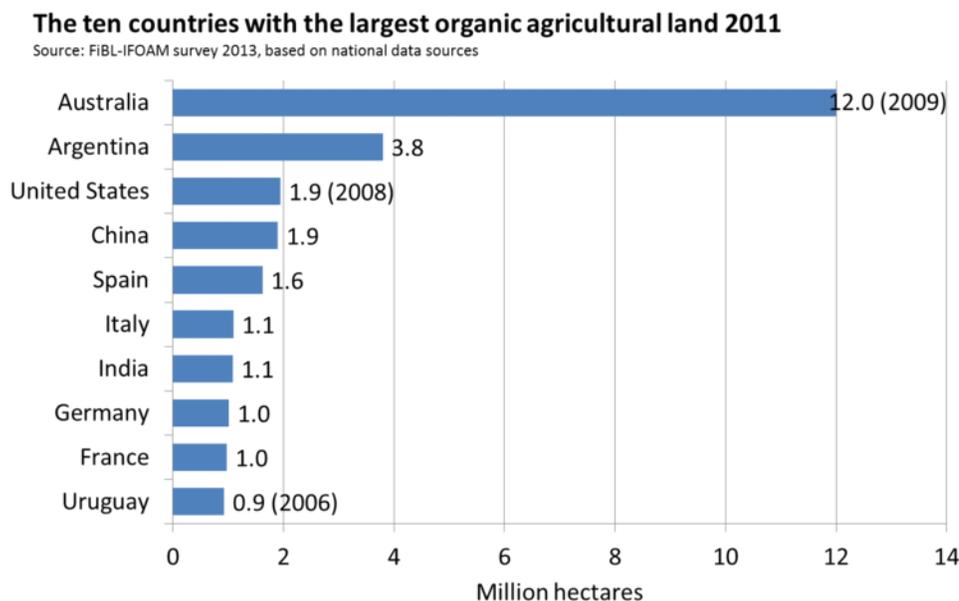
Consumers' attention to food safety issues and environmental issues have increased overwhelmingly in recent decades because of their increased concern about their own health, the environment's health and the crises and emergencies reported worldwide. In the present research paper, the researchers would like to collect the information about the food safety issues and organic food consumption at micro level that is in Pune and the sub-urban areas at Pune (Maharashtra State from India) and would prefer to highlight 'Organic Farming' as a sustainable alternative to chemical fertiliser based farming system. The researchers have suggested the model of the 'Youth Self Help Group' which promotes direct sales to the consumers with maximum reliance on self regulating agro-eco system of organic farming.

#### **1. Introduction**

Organic farming has grown rapidly throughout the world in recent years. 1.8 million Farmers in 162 countries grow organically on 37.2 million hectares of agricultural land worldwide (2011). The global market for organic food reaches 62.9 billion US dollars, which is 4 billion more than reported for 2010<sup>1</sup>. The market research company Organic Monitor estimated the global market for organic products in 2011 at almost 63 billion US dollars (up from 59 billion US dollars) or more than 45 billion Euros. The leading market is the United States with 21 billion Euros (29.4 billion US dollars). In Europe, where 21.5 billion Euros (30.1 billion US dollars) were spent, Germany leads at 6.6 billion Euros (9.24

billion US dollars) followed by France 3.8 billion Euros (5.32 billion US dollars). The countries with the highest annual per capita spending were Switzerland and Denmark with more than 160 Euros (224 US dollars)<sup>2</sup>.

Moving from consumers to producers, approximately 80 percent of a global total of 1.8 million farms that practice organic methods are located in developing countries. As in previous years, the countries with the most producers are India (547'591), Uganda (188'625), Mexico (169'570) and Tanzania (145'430)<sup>3</sup>. It is seen as a sustainable alternative to chemical fertiliser based farming system. Organic food now has become a viable alternative for an increasing number of consumers who are worried about the presence of chemical residues and the negative consequences on the environment caused by intensive production methods. Chemical residues have negative consequences on the environment. In 2010, 37 million hectares of land worldwide were farm organically. In those days share of organic land in total agriculture land was only 0.9 per cent<sup>4</sup>. The largest growth of organic agricultural land was in Asia, where an increase of 0.9 million hectares was noted. This brings the figure for organic farmland to 3.7 million hectares (+34 percent year on year growth).



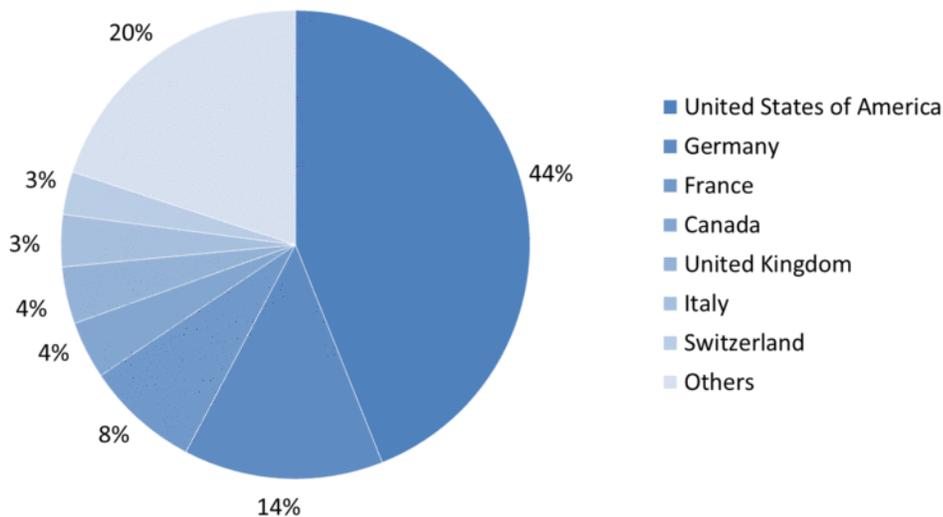
In Europe, organic farmland increased by 0.6 million hectares (+6 percent); 10.6 million hectares are now organic. The countries with the highest growth rates were: China (+510'000 hectares), India (+304'266 hectares) and Spain (+165'226 hectares). One third of all global organic agricultural land is in Oceania (33 percent), followed by Europe (29 percent), and Latin America (18 percent). Australia is the country with the largest organic agricultural area (12 million hectares, with 97 percent of that area used as grazing), followed by Argentina (3.8 million hectares) and the United States of America (1.9 million hectares). The countries with the largest share of organic agricultural land of all farmland are the Falkland Islands (36 percent), followed by Liechtenstein (29 percent) and Austria (20 percent). In ten countries more than ten percent of the agricultural land is organic<sup>5</sup>. These figures show that in countries, where organic agriculture is institutionally well embedded, there is constant market growth and expansion of the area under organic management. This is impressively shown in the case of Europe, where many countries provide a wide range of support measures such as direct payments,

advisory services, relevant research and marketing measures. This underpins the importance of National Action Plan development, as promoted by FiBL and IFOAM.

Market analysts predict that organic sales in Asia will grow by 20 percent over the next three years<sup>6</sup>. In the above pie diagram, the details of the global retail sales value by country are shown, United States of America tops the position and India does not rank in the list.

**Global market: Distribution of total retail sales value by country**

Source: FiBL-AMI-IFOAM Survey 2013



- **Background of chemical fertiliser based farming**

This farming uses manufactured chemical products as fertilizers, pesticides and herbicides. As the global economy around the world undergoes rapid changes, and uses chemical fertiliser based farming for relatively higher yield initially, the impact of these changes on the environment is not always considered. One reason is that policy makers were not aware of the real cost of the loss of soil fertility, depletion of resources and pollution due to chemical fertiliser based farming methods. According to experts, environmental cost is a difficult issue and hence, has been ignored for a long time. Chemical fertilizer based agriculture would not have been viable if the negative externalities (Pollution emitted by a factory that spoils the surrounding environment and affects the health of nearby residents) could be imputed, because chemical fertilizer based farming has proved to be unsustainable due to over capitalization, rising input cost, degrading of soil health and creation of social cost.

The fact is that heavy Government support was required to make chemical based farming economically viable. As the diminishing returns in chemical farming are becoming more and more intense, there is a great need for changing the current system for an alternative, which is more sustainable for long term productivity.

- **Alternative Method of Farming**

Organic farming seems to be the logical alternative and even if a fraction of the policy support that had gone in to chemical fertiliser farming had gone into organic farming, the picture would have been completely different today. However, this in no way means that there should be a sudden or complete

shift to organic farming. Chemical fertiliser based farming should be phased out gradually on the background of the ill effects of chemical fertiliser based farming. Organic farming has ecological benefits is a well-proven fact. However, its economic benefits are not so well established. Firstly, organic farming reduces the net financial outlay of the farmers, since most of the inputs are farm-derived. Increase in soil fertility and better quality of organic products is another important benefit of organic farming. When the conversion of land from chemical fertiliser based farming to organic farm takes place, generally, a drop in yield is seen in the early years of conversion, as the soil takes time to adjust to the new routine. The yield generally picks up in 3 years. However, even in those cases, where it does not pick up soon, the costs have gone down much more than the drop in yield and hence the farmers prefer to convert to organic farming. Organic farming in the long run is an economically viable, technically feasible and ecologically sustainable way of farming. It leads to long term productivity and economic viability.

- **Status of Organic Farming in India**

In India, businesses are turning towards organic farm products as their customers are exposed to the principles and practices which inspire the organic food movement. Organic farming and food has become the need of the hour today. According to the researchers and policy makers, organic farming is a viable method for attaining long term development farming with natural methods. It is a way to sustainable agriculture. Sustainable agriculture means agriculture in which the inputs, fertilizers are prepared on farm with the help of the farmers' livestock<sup>7</sup>. In this farm business chemical, fertilizers, pesticides, use of electricity, use of mechanical devices like tractors is reduced step by step and it is seen that the fertility of soil does not get eroded or is maintained intact. "Organic agriculture is a production system that sustains the health of soil, ecosystem and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions rather than the use of inputs with adverse effects, organic agriculture combines traditional methods of agriculture innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved"<sup>8</sup>.

Organic farming practice aims to protect human health and conserve natural resources, with the goal to preserve the quality of the environment for future generations while being economically sustainable. Organic farming has the potential to provide benefits in terms of environmental protection, conservation of non-renewable resources and improved food quality. Organic farming systems have attracted increasing attention over the last one decade because they are perceived to offer some solutions to the problems currently besetting the agricultural sector. To avoid negative consequences, like soil erosion, water pollution, increases in various diseases and adverse effects on the environment farmers prefers organic farming.

Organic farming helps to sustain the mineral resources of the soil. There has been an increasing demand for organic products world over. It is predicted that India will become a significant player in the next four years when production is expected to touch Rs. 4000 crore (\$ 73 crore) a huge leap from the current Rs. 675 crore (\$ 27 crore). By then the global trade is expected to cross US \$ 104 billion in 2015 at an estimated annual rate of 12.8 percent<sup>9</sup>.

In India data for organic product were as follows:

**Data for Organic Products (2010-11)**

Total production	3.88 million M.T.
Total quantity exported	69837 M.T
Value of total export	USD 157.22 million (Rs. 699 Crore)
Total area under Certification (including wild harvest)	4.43 million hectares
Total area under certified organic cultivation	0.24 million hectares
Share of Exports to total Production	4% approx.
Increase in Export Value over previous year	33% approx.

Source: - APEDA, 31 March, 2012.

In the researchers' opinion for the expansion of organic land and organic food consumption, Know Your Farmer and the Self Help Groups of farmer will play a major role in India. The leaders of Self Help Groups plan cropping pattern for the region, educate farmers, provide them training for the organic production, and make them available the organic seeds and manures. They arrange study-tours, organise workshops and provide them experts' guidance to produce the products at minimum cost. The transparency is maintained in the economic costing and account writing. Self Help Groups also create awareness among customers about the benefits of the consumption of organic farms products. The exhibitions like *Bhimathadi yatra*, *Pavana Yatra*, *Tapi yatra* are held at various places in the state of Maharashtra (India) to promote the sale of organic products.

- **Hypotheses**

- 1 Direct marketing through 'Self Help Groups' and 'Know Your Farmer' are important strategies facilitating organic farming as a way to sustainable agriculture.
- 2 Highly educated families have higher demand for organic products.

- **Objectives**

- 1 To create the awareness of organic food products among customers.
- 2 To find out the known merits and demerits of the organic farm products to the customers.
- 3 To understand the role of the 'Youth Self Help Group' in promoting organic farm practices.

- **Research Methodology and Model**

In India in the state of Maharashtra at a metropolitan city, Pune, and the sub-urban areas of Pune, the researchers have observed the market behaviour for organic products. The organic products are produced by the 'Youth Self Help Group' at *Pargaon a* village which is 35 KM away from Pune city.

The researchers have defined the ‘Youth Self Help Group’ for organic farming at *Pargaon* village as follows: ‘Youth Self Help Group’ is a small voluntary association of people of various age groups (whose mindset is young) preferably from the same socio-economic group. It’s a group of micro farmer entrepreneurs who have adapted organic farming. They voluntarily came together to produce organic farm products. This ‘Youth Self Help Group’ programme aimed at enhancing and sustaining the income of participating farmers through organic farming practices and appropriate marketing. The organisation of ‘Youth Self Help Group’ was successful, as this proved to be effective and boosted the confidence of the farmers who were able to fetch a fair price for their produce. They mutually agreed to contribute to common direct strategy of ethical trade. This has resulted in promoting all round inclusion of small and marginal farmers and has ensured their survival. The ‘Youth Self Help Group’ has promoted direct sales to the consumers with maximum reliance on self regulating agro-eco system of organic farming. As well as contributed to the development of the families of the farmers and built solidarity amongst farmers. Cohesion within a group provides them with a sense of identity, status, security and also provide them access to credit and institutional support services which otherwise might have denied to them. The ‘Youth Self Help Group’ is direct interface between farmers and consumers and eliminates middleman between them. They have successfully avoided the gender discrimination amongst themselves.

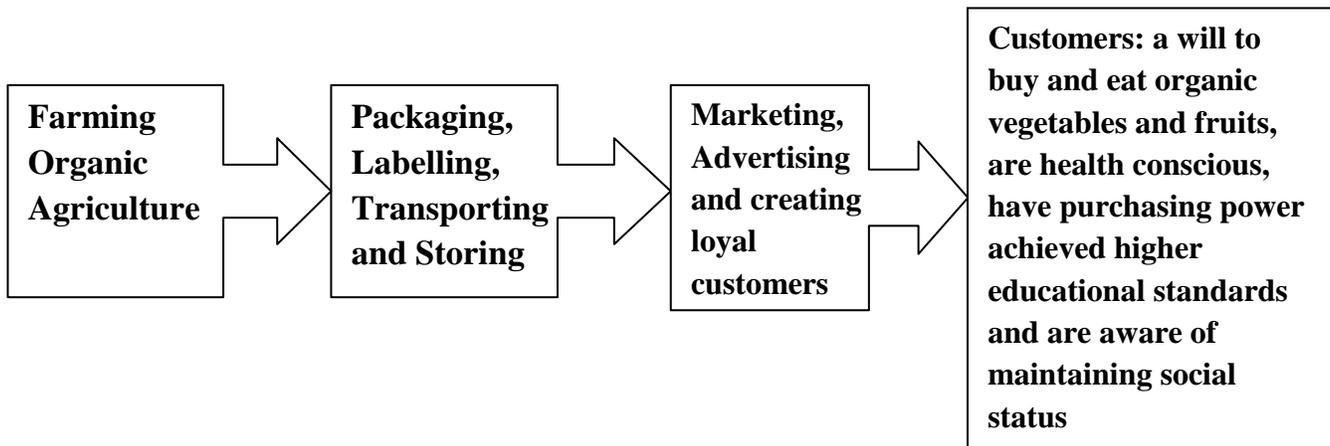
- **History**

The history of this model is as follows Mr. Sardar an engineer in Mumbai city was in ill health during 2000. The Doctor prescribed him a chemical free and nutritious diet. It was not possible to procure organic vegetables, fruits from the Mumbai city market in those days. Therefore, Mrs. Vasudha Sardar his wife took a bold step to leave Mumbai city, the capital of Maharashtra state (India) and settled at a village called *Pargaon* (near Pune from state of Maharashtra) where her father was a famous landlord. He was well known for his innovative ideas and experiments conducted in farming business and live stock management since 1960s. Mrs. Sardar daughter of this landlord, aimed at: farming with the ‘Youth Self Group’ themselves in organic farming business, development of peoples’ consciousness towards healthy food and, sustain health of soil and eco system. She was determined to avoid use of inputs which had adverse effects. She decided to educate and empower the farmers by providing them best water management techniques and developed suitable cropping pattern for the region. She has addressed the issues of rural development and nature conservation effectively. She has shown the way of commercial organic farming to the farmers at *Pargaon* and has developed the model of direct sale of organic products to the customers. The flow chart of the ‘Youth Self Help Group’ organic food direct sales model is as follows:

The ‘Youth Self Help Group’ and direct sale model was successful immediately after 2000 as the members of the family had come together and developed the work culture and had know labour issues. This group had set marketing linkages exclusively for organic products, and reduced the demand supply gap. This group had developed their own transporting system which was run by themselves and thus had reduced per unit cost of transportation. They had formed a group of growers who could grow the organic vegetables. The Youth Group has planed the cropping pattern for the group and had produced in close proximity to each other whose farming practices were uniform on the whole and were organised under same management and marketing system. Their growing interest was in organic

and the ethical production and trade. The ethical trading involves being people centred that means no child labour, reasonable and safe working conditions, gender equality in income and working conditions. They had freedom to organise environmentally focused and sustainable agricultural practices.

**Chart: 1 Organic Food flow chart**



- **Research Method**

The researchers have conducted a survey on awareness of food safety and consumption of organic vegetables at Pune city and in various sub-urban areas of Pune. The ‘Youth Self Help Group’ through their presentation on food safety issues and benefits of organic food consumption has tried to develop the mindset of customers for an alternative life style that take into account ecological and ethical perspectives. The group has prepared the presentation materials for demonstration and to attract customers towards organic farm products and presented them in front of the group of customers in Pune city and the sub-urban areas of Pune. The group also has assured fair price to the farmers and to the customers which was a fixed price clearing the fluctuations in prices through averaging the prices of vegetables and fruits in the market. As they have introduced cost effective method of organic farm production the price set by them was affordable to the customers and beneficial to the producers. The price setting behaviour does not fleece the customers.

The effect of demonstrations and presentations made by the ‘Youth Self Help Group’ differed according to demographic variables such as age, marital status number and age children, education, life style is economic variable such as per capita income, level of disposable income, standard of living, social and psychological variable in the society such as the residence ambience of the society, mindset towards healthy food habits and the effects like bandwagon effects or snob effect. The researchers have tried to collect the information about the sale or demand for organic products from the areas of Pune city mentioned above. Total 500 buyers at random were chosen from each market of the Pune city and the sub-urban areas and they were questioned about the food safety issues and organic food consumption. The questions were of close-ended nature.

I) Regarding awareness of organic products availability in the market.

- a) 3 percent of the sample households were aware of the organic products in the market and food safety issues and consume organic products.
- b) 18 percent were partially aware of the organic products available in the market and read about food safety issues but not bothered to buy them.
- c) 20 percent were not sure about the organic or chemical fertiliser based nature of the products and have argued that there is no difference between the two and never have given a thought to food safety issues.
- d) 59 percent were unaware of the organic products in the market and have reported that not food safety but survival was their prime need.

Then those 3 percent buyers who have responded positively of their awareness of the organic products in the market were interviewed and questioned and asked: about the merits and demerits of consumption of organic products.

i) The following were the responses of the respondents.

**Merits:-**

- a) They responded that the organic products are healthily, naturally produced.
- b) The products are chemical free, environmental friendly and tastier than chemical fertiliser based products.
- c) They have shown the willingness to pay premium price (10 percent) for organic products.
- d) These products are good from health perspective.

**Demerits:-**

- a) Not available regularly in varieties.
- b) Unsure about the proportion of nutrition benefits.
- c) No easy availability of organic products in ready to cook packages.
- d) No special restaurants are available for organic food consumption.

Organic Farming at *Pargaon* and the ‘Youth Self Help Group’ has proved to be a bridge between; rural-urban areas, and between the producers and customers of organic food products. The ‘Youth Self Help Group’ realized that if organic farming had to become viable, there was a need for planning of cropping pattern, collective and co–operative farming, as also proper marketing and distribution; in addition to proper cultivation and inter-cropping pattern . The ‘Youth Self Help Group’ started the organic farming activities with a group of 25 farmers. The leader Mrs. Sardar organized the farmers together, explained them the economic cost and benefits in the short run and in the long run associated with both, organic and chemical fertilizer based farming, and prepared a plan for mutually beneficial organic farming business. Each farmer in the group is given separate crops for cultivation, so that there is no internal competition amongst them. In fact, there is co-operation in the group. In addition, inter cropping is practiced on their farms, which not only keeps pests away, but the lands for grazing. Farmers get additional income from these crops. The natural cycle is maintained and as a result, birds are attracted due to a variety of crops being grown. The birds eat worms which would have destroyed

the crop. Secondly, beneficial micro organisms are retained, which also help in crop growth and pest resistance. Organic farming has a positive effect on the ecosystem, as it proves vital in supporting the survival of wildlife in the lowlands. It even provides safe pasture.

However, cultivation alone is not sufficient for sustaining a system. So Mrs.Sardar has also developed a marketing and distribution system. Her group has a section of regular consumers, who are acquainted with beneficial effects on health, of eating naturally grown food. Her group organizes delivery on specific days at specific areas, in rotation. This is already informed to the consumers, as well as the farmers. This has eliminated middle men and hence reduced the commission cost which would have normally gone to the middle men. This has naturally increased the net income of the farmers. But still she is disappointed with the dropout of few farmers from the group who were unable to cope up with the alternative method of farming as it is not economically viable in the short run and the most important problem they faced is about the **Labour inputs**: Labour is important to the production process, and an became an impediment to the adoption of organic agriculture. Compared to large-scale mechanized agricultural systems, organic farming appears more labour intensive. Many techniques used in organic farming require significant labour (e.g., strip farming, non-chemical weeding, composting) Even the family members later did not cooperate in term of labour inputs required on organic farm. Out of 25 farmers only 6 farmers continued with organic farming.

The ‘Youth Self Help Group’ of 6 households, in addition to organic fruits and vegetables, also developed their dairy. They have maintained indigenous cows in the dairy. From the dairy the special fertiliser called “Jeevamrutam” is prepared. “Jeevamrutam”, a liquid mixed with cow dung (5 liters), cow urine (5 liters), jaggary (1kg), flour of cereals (1kg) and water, feeds the plantations by drip after brewing in tanks for 7 days. The yield went up to 2.5 times more, besides the drop in cultivation cost on account of organic farming”. The ‘Youth Self Help Group’ reported that water evaporation levels came down drastically after this shifting from fertilizer-based farming to organic farming. Consequently, consumption of power for water exploitation for their orchards and vegetable farm land in 25 acres came down to 3 hours from 7 hours a day.

The ‘Youth Self Help Group’s dedication towards organic farming is an inspiration for other organizations. Although the enthusiasm and response of few farmers may have dwindled over the years, the ‘Youth Self Help Group’ has stood by their work in the field of organic farming, and has bettered the life of the farmers who have participated in the struggle of turning towards and alternative system of organic farming: way to sustainable agriculture.

Here the researchers would like to suggest few measures to avoid dropouts from organic farm business. The measures are to create supportive system to maintain the confidence of farmers. This system may include: credit availability, conversion support in terms of organic farm land, research and development activities based on the needs of the farmers, ensure the future of organic farm business: introduction of credit link crop insurance scheme. The researchers have given a serious thought to the issue of organic farming: way to sustainable agriculture. According to the researchers the food safety literate is as important as financially literacy in general. The organic food safety issue and the awareness of farm product need to be created at the primary level of education. In the over populated country like India, there is sheer negligence of food safety issues and consumption of organic products amongst the highly educated and affluent customers.

Like ‘Youth Self Help Group’ of sellers the ‘Youth Self Help Group’ of customers having awareness of food safety issues and organic product need to be created. The slogan should be Know Your Farmer, who produces organic products on organic certified land. Dr Felic Prinz zu Lowenstein, Chairman of Federation of Organic Enterprises in Germany, said organic farming can provide food security and feed the world. He said that India could show the way in organic products in 30 years, especially in sustainable agriculture and food safety<sup>10</sup>.

- **Conclusion:**

It has been observed that Non Governmental Organizations (NGOs), like the ‘Youth Self Help Group’ has been doing a lot of work in promoting and making the organic farming system self sustaining. Farmers have to co-operate with each other which will increase their mutual bargaining power. The number of organic retailers needs to increase. Self Help Groups of sellers and Self Help Groups of customers should establish a link amongst them and should produce and consume safe and organic food. Once the chain of activities like collecting the organic farm products from farm, transport to various market with the help of Self Help Groups is complete, the Self Help Groups of customers should spend more time to enlarge net-work of customers as well as producers to provide organic products and the mission by 2015 should be to create 100 percent awareness amongst the customers about the merits of organic products and consumption of safe food. The educated youth can come together and make this a sound system for a sustainable future. The expansion of such educated conscious enterprising ‘Youth Self Help Groups’ of farmer entrepreneurs and customers at the national level will bring about sustainable development of agriculture through organic farming business. The ecological benefits will last long and can prove Dr Felic Prinz zu Lowenstein words in near future. Thus, India will be able to figure in the world market for organic produce and will guide the followers that organic farming is a way to sustainable agriculture.

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<sup>6</sup>Organic Market Report 2012, Published by Soil Association, 2012.

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<sup>8</sup>International Federation of Organic Agriculture Movement (IFOAM)

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**Information Communication Technology in Education Administration**

**Abstract:**

Over the years management of educational institution has always been national issue. The effectiveness/efficiency level of any educational setting depends to some extent on the proper utilization of human and material resources and application of the right technology towards achievement of set goals. Information and communication technology (ICT) has become an indispensable tool for effective management and realization of educational goals.

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### Modelling the Digital Divide within the Educational Value Argument

#### Abstract:

With educational technology value arguments being pushed by government and community and coupled with the increasing rivalry provided by the global corporatisation of education there is an imperative to get greater outcome driven value from educational technology uptake. Educational technology uptake as described by Cuban, Somekh, Weston & Bain is a complex holistic issue with various stakeholder groups involved. The willingness of the teacher to effectively use new technology in his or her teaching is central to this. How this decision is affected by Prensky's inadequately empirically confirmed digital divide argument has not been sufficiently investigated. This paper seeks to review the digital divide in the modern context using the tools of technology uptake bringing new insight into the complex holistic educational technology acceptance decision.

**Keywords:** Digital Divide; Educational Technology Acceptance; Education Technology Value.

**JEL Classification:** I210 Analysis of Education

#### 1. Introduction

Prensky's 'Digital Native' (Prensky 2001) has spectacularly ingratiated itself into a post Y2k technology-rich society lexicon. The acceptance of this populist terminology, along with the accompanying terms 'Digital Immigrant' and 'Digital Divide', has been extensive but without the scrutiny and testing that empirical review brings. The unquestioned implications to student learning and education of the ideas that Prensky proposed are on the other hand profound.

This paper attempts to review the literature that has emerged critiquing the assumptions and implications of the Prensky mantra pointing to the need for empirical review which leads to the need for an empirical understanding and analysis of the holistic nature of technology usage within an educative context.

Prensky and others have variously described the digital native as proficient with the toys of the digital age, team-orientated, technically talented, effective, experiential, learners, readily multi-task, and are dependent on information access and mutual interaction. Prensky even proposes that "*...their brains are almost certainly physiologically different*" p.10. He then fairly emotively describes the plight of the Digital Immigrant teacher "*..our Digital Immigrant instructors, who speak an outdated language (that of the pre-digital age), are struggling to teach a population that speaks an entirely different language.*" p.2.

To many of the Digital Immigrants (and the Digital Ludites) this digital generation gap or 'digital divide' notion rings so true that the remaining claims of physiological change (of the brain) and the desperate need to bridge the digital divide seems a given. Scepticism and empirical scrutiny take a backward step.

Sheely (Sheely 2008) , on the other hand, evokes the socially constructed knowledge theories of Latour (Latour 1987) to debunk Prensky by noting that positive ideas can, with significant populist usage, often become 'facts' over time. Sheely further identifies that Prensky's use of only one study, a PEW Internet study (D. Oblinger & J. Oblinger 2005), and some dubiously generated 'factoids' constitute insufficient supporting evidence for the transformation of the 'Digital Divide' from idea to fact.

She points out that apparently many of the Prensky implications then follow, with the repercussions for current teaching practice being that traditional methods used by Digital Immigrant teachers are ill-equipped to deal with the impatient Digital Native student population. Hence the call by Prensky *"...for a radical review of teaching methodologies"* p.11.

Bennet et. al. (Sue Bennett et al. 2008) in their paper also question the notion of the Digital Native as being driven by an uninformed, post-Latourian, 'moral panic'. At the heart of their critique is the lack of evidence to support the Digital Native. A clear and decisive argument is the emerging substantiation that the Digital Native characteristics in the modern generation are not homogenously distributed, in fact there appears to be a significant lack of technological sophistication amongst the modern student - particularly in relation to using the newer technologies in their learning. Bennet et. al. sum up by emphasising an alternative measured, empirically-informed strategy; *"...rather than being empirically and theoretically informed, the debate can be likened to an academic form of a 'moral panic'.....a more measured and disinterested approach is now required to investigate 'digital natives' and their implications for education."* p.1 Hence Bennet et. al. characterise the Prensky view as being too simplistic and single-minded, rather indicating that the Digital Divide debate is more complex and diversified.

Rather than being merely a critique Bennet et. al.'s appraisal is based on a rarely conducted (within an Australian educational context) survey of technology usage within a population of Australian tertiary students. Namely, the relationship of student usage of technology for personal purposes, contrasted with the uptake of technology for learning purposes. It finds that students may be technologically conversant on a day-to-day, personal basis but not nearly as much in using technology for learning, particularly in relation to the newer Web 2.0 technologies. This is despite the students valuing the use of technology in their learning.

A further detailed analysis of the data set described by Bennet et. al. reinforces the view that Prensky's Digital Divide is over-simplistic and emotive with the call for radical change in the way students are taught which is also provided by Kennedy et. al (G. Kennedy et al. 2008) in their analysis of first year student technology acceptance. Applying the empirical blowtorch in investigating the (1) *"...the degree to which incoming first year students at a large Australian metropolitan university access and use an array of technologies and technology based tools."*, (2) *".... to determine the degree to which students themselves report wanting to use particular technologies to support their studies at university "* and, (3) *"... to determine whether the extent to which students use technology in their everyday lives is related*

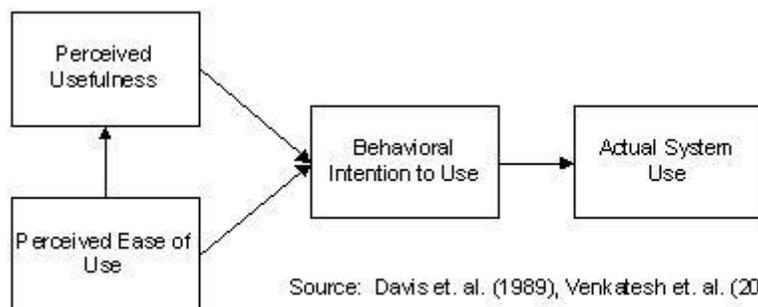
*to their preferences for their use at university.*" p.485. The analysis clearly provided sufficient evidence to negate the 'one size fits all' approach to the integration of ICTs into university curricula as well as the clear indications that students who use a particular technology in their everyday lives also want to use it in their studies.

An earlier paper (G. Kennedy et al. 2007) outlining preliminary findings from the same large multi-university study had challenged two key Prensky conclusions; that digital natives are very different to their predecessors in their expert use of technology, and, that their usage has effected physiological change in their brains resulting in a radical change to how they should be taught.

The evidence from the Australian multi-university study of Web 2.0 technology uptake indicated low web tool usage for learning purposes amongst the modern Australian student population surveyed concluding that, "*Further research is need to provide evidence of whether and how carious applications of emergent technologies and tools in higher education actually improve student learning outcomes and under what circumstances.*" p.524

The subsequent analysis of another similar dataset by Kennedy et. al. (G. E. Kennedy et al. 2008) questions the digital divide by investigating, through the analysis of survey data from a large multi-university Australian study using a factor analysis that extracted eight key factors, to compare the differences between the groups based on Role, Age and Gender. The results were surprising even though there was some evidence for the Digital Divide in non-educative technology use; in general there was little support for the Digital Divide in the university context where Role differences are small. In fact here too there were recommendations for the careful cost-benefit based implementation of technologies in the classroom, in particular, the use of non-education based applications.

The examination of the Digital Divide using Role differences is an interesting slant on the evidence gathering suggested by earlier studies. In Information Systems' research technology acceptance has been closely analysed over a significant period during the 1990s and 2000s. Much of this research is based on the use of the Technology Acceptance Model (TAM) and its variants. TAM was originally proposed by Davis (F D Davis 1989) who used a form of Roger's diffusion theory (Rogers 1995) . Davis studied ease-of-use and perceived usefulness determining that ease-of-use may be antecedent to perceived usefulness which both informed the intentions to use. This modelling had provided for a tight-knitted empirical understanding of technology usage and in particular, the drivers for technology acceptance/uptake.



Source: Davis et. al. (1989), Venkatesh et. al. (2003)

The model has been extensively modified and contextualised by various researchers including Szajna (Szajna 1994) culminating in a seminal study by Venkatesh et al., (Venkatesh & Fred D. Davis 2000)

which attempted to integrate the main competing user acceptance models, by formulating the Unified Theory of Acceptance and Use of Technology (UTAUT).

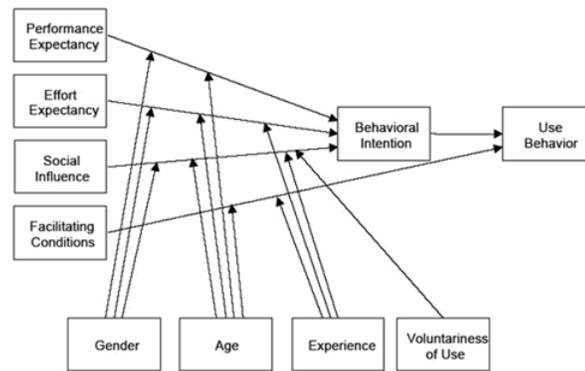


Figure 1 From Venkatesh, V., Morris, M. G., Davis, G. B., & Davis, F. D. (2003). User acceptance of information technology: Toward a unified view. *MIS Quarterly*, 27(3), 425–478.

This model was found to outperform each of the individual models. Much testing and contextualising of the model has been undertaken since. Contextualisation and testing of TAM has also been developed within education fields. Examples include (Holden 2011), (Moran et al. 2010), (Park et al. 2009), (Jan & Contreras 2011) to the extent that a recent study (Teo & Luan 2011) investigates the use of TAM in a cultural education context which might provide a useful lead into how empirically modelling technology usage in education.

In the pursuit of an understanding the basis for which technology is used for teaching there have been some very early debates around the usefulness of technology/media in learning. A discussion of Richard E. Clark's (R E Clark 1983) stands out as seminal commentary on the media's influence on the learning process. Clark's views, forthright as they were at the time (circa 1983), were based on a meta-analysis of the literature then available. His conclusion that "...consistent evidence is found for the generalisation that there are no learning benefits to be gained from employing any specific medium to deliver instruction." p.2 was in stark contrast to Marshall McLuhan's popular catchcry at the time - "The media is the message". Clark iterated that the change to learning, if it exists, comes about through the instructional design necessitated by the use of the media in learning activities. It is the method of instruction that leads to the learning not the medium. Quoting a Kulik, et. al. (J. A. Kulik et al. 1980) study that correctly designed step-by-step structured courseware has the same effect whether delivered in text form or via computer instruction, Clark was adamant that it is necessary to separate the method from the medium to truly test learning variance. The analogy used is one of the medium as the delivery vehicle and the instructional method as the product being delivered. Clark invokes Saloman (Salomon 1980) to add weight to the argument with evidence that students "...both high and low achievers gain greater results with structured instruction approaches but know that they need to invest less effort in the non-structured approaches" and with their teachers "...equally as capable of instructing as machines coded in hierarchical learning methods." p.13 Clark then concludes by recommending that the need to concentrate efforts on teaching media studies is pointless and that the effort should be directed at "...task, learner aptitude and attributions." p.14.

Needless to say the absoluteness of Clark's position would only require some contrary evidence of substance to place his stance into some significant jeopardy. Kozma (Kozma 1994) does exactly this by clearly identifying Clark's premises and then rightly says that we shouldn't be putting our head in the sand by not researching the effect of media on learning - quarantining media uptake research as a waste of effort. Instead, we should undertake research into first proving that a media learning effect doesn't exist (or does). Kozma points to Clark's limited use of behaviourist studies that lack "...*any mentalist notions or descriptions of the cognitive, affective, or social processes by which learning occurs.*" p.2 Kozma instead proposes the creation of a theory of media grounded "...*in the cognitive and social processes by which knowledge is constructed.*" p.2 In other words, the media isn't divorced from the instructional design, they go hand in hand. A number of example studies are referred to where Kozma seeks to debunk Clark's limiting assumptions; including the Microworld and ThinkerTools projects with which he was personally involved and studies from (Guttman 1971); (Duffy, Thomas M.; Jonassen 2013) and (Hlynka & Belland 1991). He then concludes by mapping out the need to do the empirical work towards answering questions such as "*Do media influence learning?*" to "*In what ways can we use the capabilities of media to influence learning for particular students, tasks, and situations?*" p.22 before the push to re-structure education would get underway.

Clark later (Richard E Clark 1994) tried to refute Kozma by (I think rather emotively) reiterating his earlier mantra that no learning benefits can be gained by introducing media into the classroom without the underpinning instructional design framework. Media platforms are merely vehicles with more than one media platform being able to achieve a similar learning effect. There are no learning benefits to be gained through the use of media alone. He quotes a number of previous studies that support his case (Lumsdaine 1963); (Mielke 1968); (Schramm 1977); (Dickie, Kenneth, W., Levie, Howard 1973) and (Clark, Richard E., Salomon 1986).

He then points out that the true test for his argument - the ability to interchange media to achieve the same effect on learning (which he calls the replaceability test). And, in so doing, the only issue needing consideration in selecting the type of media to use is one of economics. That is, which is the most cost-effective media vehicle capable of delivering the instructional design for the proposed learning outcomes.

Clark also dismisses any apparent (having a dig at Kozma) link between media and learning as a failure to control for the instructional method. He emphasises this point by challenging the apparent success of CBT as an example of the success already built into an underlying CBI framework. "*The technologies deliver the simulation method - it is the method that effects the change - the media deliver it. The media that does this in the most cost-effective manner is the one for which we should plug. And of the ease of use of the technology so that the delivery method is the one associated with the learning not because of the learning but because of the "wow" and ease of use.*" p.22.

These jousts are now steeped in the past where the notions of technology acceptance were not fully developed. There have been significant changes in the way technology is viewed as it has initially slowly, and then immersevely come into common usage (e.g. 50% Australians now have smart phones). The use of technology despite large amounts of public funding in the educational context has not been so forthcoming (Somekh 2006). Usage of technology at home has outstripped its usage for education purposes. Somekh, 2006 carries the debate started, somewhat simplistically in the 1980s, to

another level of sophistication. She recognises that widespread use of technology in the classroom is a significantly more complex matter. Somekh characterises school communities as holistic organisations with subliminal resistance to change. Teachers, parents and the school community, the students even, are complicit in the unreformed institution of the school. In contrast the technology enabled internet encourages multi-tasking, collaborative, anywhere, anytime, instant information access, and, a lack of order or structure - anathema to the ordered structured controlled school environment. Internet values and traditional school values are polar opposites (Sharpley 2002)

*"The circumstances, conditions and the very status of knowledge, learning, teaching and researching are currently in a state of profound upheaval under the double impact of rapid and far-reaching technological changes and the massive assault on longstanding narratives of foundation and legitimation."* p.1. (Lankshear et al. 2000)

Somekh's radical call is based on the understanding that schools need to be pro-active in acceptance of ICT. Recognising the difficulty in introducing technological change that can be accommodated within school values and mores. She identifies 4 implications, (1) ICT in schools is often a discrete subject, (2) teaching ICT in schools assumes no prior knowledge from the students, (3) teaching ICT in schools appears to widen the digital divide, and, (4) constraints on Internet access by schools. Somekh's countering of these issues is summarised by the need to reduce the isolation of ICT curricula by building an integrated approach that is based on a holistic paradigm (Lewin et al. 2003). This approach caters for a spectrum of ICT capability amongst a student population and calling for a wide usage of the internet in the classroom by recognising that the dangers of usage are small and taking on the Cuban, 2001 principles described in the NotSchool experiment and study.

McLuhan's (McLuhan 1964) call of the 60s "*the media is the message*" has therefore contemporaneously taken on new meaning and has the hallmarks of Illich's de-schooled society (Illich 1971) setting with ICT providing the fundamental personal and social enabler that may be the extension of the ideal of the digital native. (Turkle 1995) categorises the computer used in this context as a portal acting as bridge to the world through the screen.

Cuban (Cuban et al. 2001) also has reservations about the effect of new technology as reforming, in fact any implementation he says, is only successful when it is used to re-enforce existing practices without innovation. This goes to the essence of the matter, where any programs introduced into school systems imposed from external drivers alone have limited success. This is reinforced by the realisation that school culture is resistant to the acceptance of programs that don't reinforce established school practices. Very little can filter down to noticeably effect the routine practices of teachers and students. Innovative teaching on a pervasive scale is a myth. Cuban hence blames implementation policies with a significant lack of teacher expertise in using informed research to innovate within the classroom.

Weston & Bain (Weston & Bain 2010) consider the big questions of scalable and sustainable change which they claim needs to be looked at before any new vision of education can be fulfilled. In the professions technology becomes part of doing business but in education technology appears to merely automates the practices of the prevailing paradigm. Form and function of usage has driven access to computers, not vice versa. Educators need to change their acceptance practices to the ideal educative practice where computers are not thought of as being separate from the innovative teaching culture - but holistically integrated.

Weston & Bain implore educators and schools to become capable of sustaining and realizing the benefit of cognitive tools. They describe six necessary components:

- The school community must simply define rules describing teaching and learning
- Use the rules to holistically embed aims, operations and actions
- The whole school community commits to the embedded design of the school
- Continuous feedback from the whole school community determines its progress
- These dynamics form the school community's schema, a shared school charter for practise
- Finally, "*...guided by the use of their schema, community members demand systemic and ubiquitous use of technology, as opposed to idiosyncratic and sporadic use of technology described in the research on many 1:1 computing programs.*" p.1`2.

Clark's rigidity seems somewhat dated now as technology has increased in sophistication with the move away from away from a hardware and software focus where the separation of design and technology has accelerated. Even though elements of truth reside in what he says I would think that the modern view is more in tune with Kozma's stance where the design and technology are perceived to be in unison. In fact the recent views of Somekh, Cuban and Weston & Bain paint a landscape of educational technology implementation that is more complex, involved and requires adoption by whole of school communities. Communities which are more sophisticated in structure than those of the Clark era. They need to be, as holistic school communities, naturally and dynamically engaged with the teaching and learning task. In fact successful technology uptake is described as being a natural consequence of this holistic approach to implementation of new programs. A significant consequence of this approach is the need to have an informed understanding of the interplay between the various stakeholders despite the natural reluctance of the school to alter the traditional 'chalk and talk' teaching paradigm.

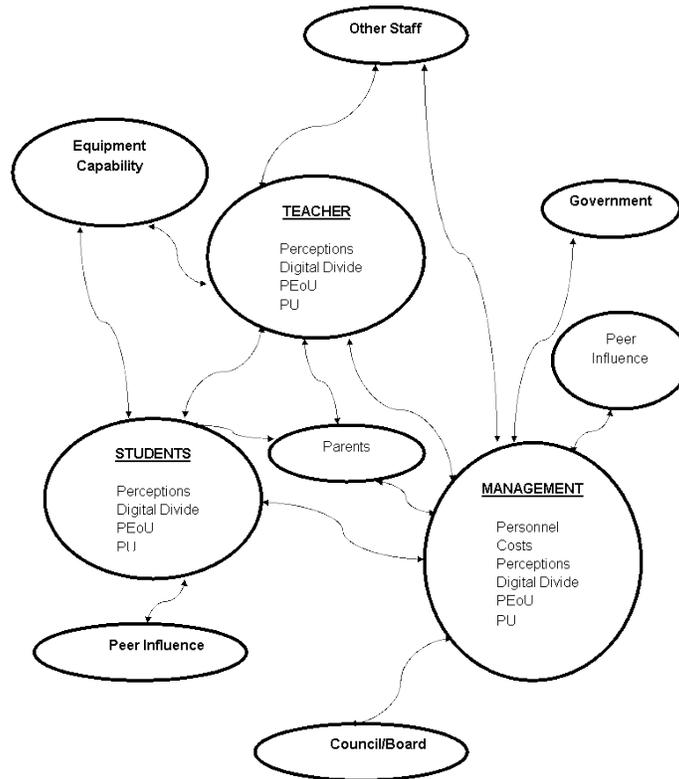
This interplay has at its heart the stance that the teacher takes in implementing new technology. Modelling the drivers from a teacher's perspective and then understanding the part this plays within the school's "*...explicit schema...*" will go a long way to defining the key organisational dynamics in making sure that the technology cost-benefit equation is minimised. In this modelling process much can be learned from the extensive research base that has been accumulated in attempting to understand the technology uptake in business environments.

In the discussion above the referred to authors indicate that technology uptake for the purposes of learning is significantly more complex than is suggested by research described by the TAM established by Davis, and more recently Venkatesh & others.

The Venkatesh model has been a culmination of significant research interest by the information systems community over time but is limited by the nature of the modelling designed for the general uptake of technology in a business orientated environment. In the teaching take up of technology the issues are more complex with the multi-stakeholder, holistic uptake in the learning context a very different proposition than a merely TAM adapted for a teaching context. In an intimate analysis to see how a 'Digital Divide' effect may come into play when new technology is being proposed for

education scenarios the teacher stakeholder perspective is crucial, and, in particular, modelling that reflects the ‘value’ of new technology in its ability to influence student learning. In the diagram below some of the possible stakeholder relationships identify the central nature of the teacher.

**Influences on Education Stakeholders  
Intending to Use  
Technology for Learning**



In education the issue of technology uptake cost effectiveness is just as important with spirited debate in justifying ICT usage. ‘White elephant’ cases litter the instructional technology landscape adding an unwarranted cost burden to an already tight education budget. The introduction of new instructional technologies needs to be scrutinised for the “value” they bring to student learning outcomes. Modelling the degree of potential usage by the teacher as one of the essential stakeholders, within educational user communities, would seem to be a very appropriate evaluative process. And, in particular, discovering the degree which the so called 'Digital Divide' affects the teacher's acceptance of new instructional technologies would seem to be essential.

At a macro level a study of this nature should be important for government education administrations who contemplate the introduction of new instructional technology programs that need to be assessed through cost versus benefit analyses.

At a micro level school administrations should be made aware of the factors that would contribute to a successful local technology implementation and providing a spring board for developing teaching

The literature points to a recognition of the importance of the teacher perspective in the uptake and sustained use of technology in the classroom. Drawing upon this discussion teacher efficacy has been seen as a key driver. Teacher efficacy is one of those concepts that have been hard to define.

(Tschannen-Morana & Woolfolk Hoy 2001) in their seminal paper trying to tie down the concept define it as "*...the ability of a teacher to bring about positive student outcomes on a number of factors including feedback-orientated student outcomes, motivation and classroom behaviour and to a lesser extent students' own sense of efficacy.*" p.785 The authors admit the difficulty in being able to measure the concept for empirical evidence purposes.

Attempts at empirical study of teacher efficacy, was first undertaken by the RAND Corporation which after analysing a Primary School survey based study data came up with the simple equation:

$$TE = GTE + PTE$$

where

GTE: Student's motivation and performance depending on other external factors i.e. General Teaching Efficacy (GTE)

PTE: Teacher's confidence in being able to deal with any adverse teaching situations i.e. Personal Teaching Efficacy (PTE)

The limitations of the 2-factor analysis were soon realised so new attempts at building instruments based on the RAND study included Guskey's (Guskey 1980) 30-item instrument used to show that teachers were more confident in their ability to influence positive outcomes than to prevent negative ones; and, Rose and Medway's (Rose & Medway 1981) 28-item measure called the Teacher Locus of Control (TLC) in which teachers were asked to assign responsibility for student successes or failures by choosing between two competing explanations for the situations described. Of these the TLC turned out to be a better predictor in teachers' willingness to implement new instructional techniques than earlier instruments.

A little later Bandura's social cognitive theory and his construct of self-efficacy added significant importance to the evolving empirical developments. Bandura (A Bandura 1977) defined perceived self-efficacy as "*...the ability to manage the actions needed for success*".

Gibson and Dembo (Gibson & Dembo 1984) developed the Teacher Efficacy Scale (TES), building on the formulations of the RAND studies whilst adding the Bandura developments. They used an instrument of 30 items on a 6-point Likert scale as a global measure of teacher efficacy which was derived from the sum of all TLC and Bandura items. Two redefined subscales emerged from the subsequent factor analysis - Personal Teaching Efficacy (PTE) and General Teaching Efficacy (GTE).

The Gibson and Dembo teacher efficacy instrument measuring teacher efficacy, popular as it had become, lacked clarity around the meaning of the two factors as well as exhibiting instability of the factor structure necessitated further evolution.

Attempts at clarity through contextualisation and specificity were undertaken in studies (Schunk et al. 2002) that had noted that the level of specificity as one of the most difficult issues to be resolved for cognitive or motivational theories that proposed domain specificity. A good example of this is the Enochs, et. al (Enochs et al. 1999) study comparing science versus chemistry teaching efficacy relating the teacher's experiences taking science courses with laboratory experiences and experience teaching science, while chemistry self-efficacy was related to chemistry course work involving lab experiences and chemistry teaching experience.

Recognizing that many standard efficacy instruments overlooked the specific teaching context, some researchers have modified the Gibson and Dembo instrument to test teacher efficacy within particular curricula. Emmer & Hickman (Emmer & Hickman 1991) adapted the instrument to include efficacy for classroom management (3 subscales) which correlated with preferences for using positive strategies for classroom management, that is, strategies aimed at increasing or encouraging desirable student responses through praise, encouragement, attention, and rewards.

Others used a combination of items from several instruments (Midgley et al. 1989), (Brookover et al. 1978). Bandura (Albert Bandura 1997) included seven subscales: efficacy to influence decision making, efficacy to influence school resources, instructional efficacy, disciplinary efficacy, efficacy to enlist parental involvement, efficacy to enlist community involvement, and efficacy to create a positive school climate. This is now clearly took on board a very holistic view of teacher efficacy providing a multi-dimensional view of teacher efficacy beliefs without being too restrictive.

The initial simple models based on the RAND studies created a vagueness and lack of clarity around the general teacher efficacy definitions. Poor correlations contributed to the lack of explanation. Ensuing attempts to produce more complex models lead to reliability and validity issues. The truth seemed to lie between with models needing to find the proper balance between specificity and generality. The PTE having to do with a teacher's feelings of competence are clearly understood but the external factors that are external to the classroom and are related influence, power and impact are much harder to identify, quantify and measure.

Closer analysis of GTE led Bandura (Albert Bandura 2001) to attempt this balance by recommending the inclusion of various levels of task demands.

But, after nearly a quarter of a century of work on teacher efficacy, it seems apparent that a new measure of teacher efficacy that is both reliable and valid was needed (Tschannen-Morana & Woolfolk Hoy 2001) despite the usefulness of Bandura's model with Pajares (Pajares 1996) noting that, *"...specificity and precision are often purchased at the expense of external validity and practical relevance"*. p.1.

The Tschannen-Moran et al. (Tschannen-Morana & Woolfolk Hoy 2001) model of teacher efficacy suggests that teacher efficacy must take into account personal competence and external influence factors. At the time, measures of teacher efficacy didn't include both.

To overcome these limitations they used a new measure, named the Ohio State Teacher Efficacy Scale (OSTES) (Suell & Piotrowski 2007) based on Bandura's work discarding Bandura's 30-item scale, 23 items were retained and 7 were discarded as not being representative of frequent activities within a teachers' work life. The construction of this scale attempted to build on earlier instruments and provide the balance between specificity and precision and external validity and practical relevance with a significant degree of success.

Others such as Mishra & Koehler (Mishra & Koehler 2006) in their article on educational technology uptake/usage attempt to address previous criticism of research in the area and its lack of theoretical grounding recognising that *"...technology integration into teaching is complex, multifaceted and situated."* p.1017 and through the lack of recognition of this complexity resulted in the shortfall in the expected dramatic changes in learning that the widespread introduction of digital technology into the

classroom was meant to effect. Subsequent government and community questioning of the investment in technology for teaching seems to have some validity.

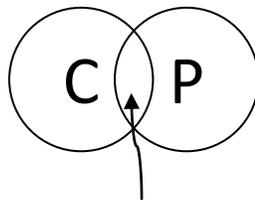
*"Part of the problem, we argue, has been a tendency to only look at the technology and not how it is used. Merely introducing technology to the educational process is not enough. The question of what teachers need to know in order to appropriately incorporate technology into their teaching has received a great deal of attention recently. It has become clear, however, that our primary focus should be on studying how the technology is used."* p.1018 (Mishra & Koehler 2006)

The problem in educational technology usage has been seen traditionally as a simplistic one with a greater monetary investment being the only driver to successful uptake and long term usage. Grounding educational technology usage in theory helps contextualises usage into a complex set of underpinning relationships that are organisationally holistic in nature. In so doing, a richer understanding of the usage and the consequent revelation of the drivers behind the uptake and long term usage of educational technology should lead to greater success in educational technology usage and better value for the community's tax dollar.

Mishra & Koehler (Mishra & Koehler 2006) in their attempt to develop a theoretical grounding framework propose the use of Design Experiments as a basis for providing a conceptual framework. They dub this the, Technological Pedagogical Content Knowledge (TPCK) which would *"... transform the conceptualization and the practice of teacher education, teacher training, and teachers' professional development."* p.1021

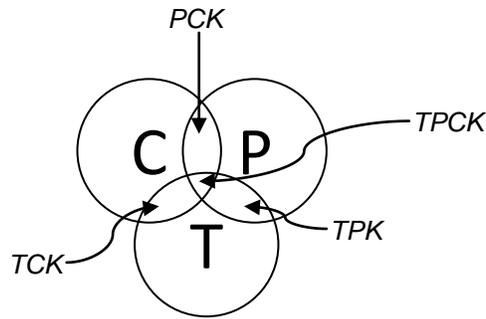
The framework describes teaching as a highly complex activity requiring a wide knowledge and skill set used in an ad-hoc structure. The expert teacher is then the best equipped practitioner within this scenario.

Based on Shulman (Shulman 1986) TPCCK combines both Content and Pedagogical Knowledge intersecting as Pedagogical-Content Knowledge.



*Intersection equates to subject matter being transformed for teaching*

Mishra & Koehler (Mishra & Koehler 2006) add a third knowledge element for technology usage creating a complex intersecting set of ideas.



where:

Content Knowledge (CK) = the actual subject matter that is to be learned or taught

Pedagogical Knowledge (PK) = deep knowledge about the processes and practices or methods of teaching and learning

Technology Knowledge (TK) = knowledge about standard technologies

Technological Content Knowledge (TCK)

= the manner in which technology and content are reciprocally related

Technological Pedagogical Knowledge (TPK)

= understanding of the capabilities of technology in learning settings

Pedagogical Content Knowledge (PCK)

= knowledge of what makes concepts difficult or easy to learn

and, the integrative nature of teacher knowledge culminating in the combination of all three forms:

Technological Pedagogical Content Knowledge (TPCK)

=

*"...model of technology integration in teaching and learning argues that developing good content requires a thoughtful interweaving of all three key sources of knowledge: technology, pedagogy, and content....." p.1025*

For the aspirational teacher this defines an expert teacher as one who would bring into play all of the integrated, dynamic elements of a TPCK knowledge base anytime they teach.

With this framework a different holistic curriculum design is possible. Mishra & Koehler (Mishra & Koehler 2006) call it - Learning Technology by Design - *"...affords students the opportunity to transcend the passive learner role and to take control of their learning. The move to design-based activities has implication for instructors as well. Design cannot be taught in conventional ways; design is experienced in activity, depends on recognition of design quality, entails a creative process, is understood in dialogue and action, and involves reflection in action...."* p. 1036.

Not content to define TPCK the authors then proceed to describe

(1) various teaching scenarios using TPCK learning by design:

- 1 Making Movies
- 2 Redesigning Educational Web Sites
- 3 Faculty Development and Online Course Design

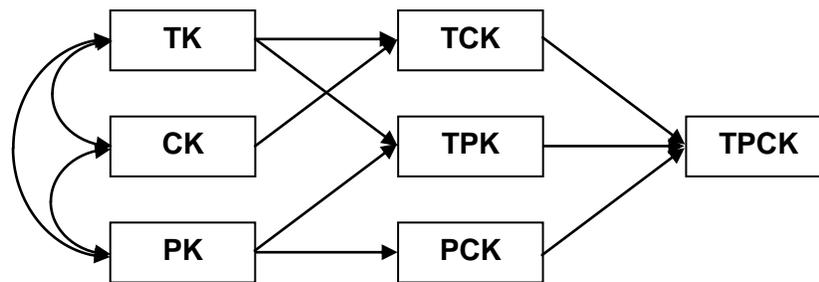
and;

(2) using TPCK as a framework for studying the development of teacher knowledge about educational technology by studying design teams as they worked on developing an online course:

- 4 a senior faculty member at a college
- 5 three master's students

(Koehler et al. 2004)

Attempts to verify the TPCK framework included Chai's (Chai 2013) survey of TPCK contextualisation and verification of all the 7 factors with CP, PK,TK indirectly via the TPK, TCK PCK factors.



Results indicated positive effects of the basic knowledge factors of CK, PK, and TK were indirect through the second layer of knowledge factors (TPK, TCK, and PCK).

The study used Asian pre-service teachers for cultural diversity, 550 from China, HK, Singapore & Taiwan. The survey instrument was adapted from an earlier Chai (2011b) study and had 36 items which were then subjected to expert review. Results provided good support for the TPCK model.

This enhanced the notion of complexity in technology usage with a need to reconsider what has to be taught and/or created, how it should be taught and how pre-service teachers' competencies should be assessed.

The discussion so far has concentrated on the precursors for teacher drivers in taking up technology in the first instance with some interest in how these might be of use initially. Too often though technology used in education, which may initially show some promise is found to be 'collecting dust' in the longer term. This is where there is a chronic disconnect between the sustainable use of educational technology and the uptake drivers. Recent research in this arena has looked at the notion of continued use with a distinctly different set of drivers than the antecedents to the drivers behind the teacher stakeholder uptake and initial use of teaching technology.

Bhattacharjee (Bhattacharjee 2001) looked at this issue in relation to a typical business environment and was motivated by the need to look at variables that drive the continued use of technology rather than just the initial acceptance as provided by earlier research based on modelling such as the TAM.

Many variables that underpin initial technology acceptance have been well researched but current acceptance models provide a limited explanation of and may sometimes contradict, continuance behaviour.

Bhattacharjee's model was based on Expectation-Confirmation Theory (ECT) and further refined using other Information Systems (IS) studies.

The ECT model is based on marketing theory and argues that continued usage is vital as it is five times cheaper to engage with existing customers than trying to pursue new initial usage (new customers). Using this Bhattacharjee's (Bhattacharjee 2001) research was then directed to answer the following two questions:

1. *What are the motivations underlying user intentions to continue using IT after its initial acceptance?*
2. *How do these motivations influence continuing usage intention?*

p.355.

To begin to answer these questions the author calls on marketing theory and consumer behaviour recognising the following stages that underpin ECT theory:

1. *Consumers form an initial expectation.*
2. *They accept and use the product or service and form perceptions about its performance.*
3. *Compare the performance against initial expectations for a degree of confirmation.*
4. *Build a satisfaction level based on 3.*
5. *Satisfied customers form a re-purchase intention while dissatisfied ones stop using the product or service.*

p.355.

The author then grounds information systems continuance into the ECT model recognising that it is widely used in consumer behaviour literature to study consumer satisfaction, post-purchase behaviour and service marketing as ECT has been widely confirmed and demonstrated over many different continuance contexts.

The basis of ECT is recognition that satisfaction is the key to customer loyalty by both changing initial expectation and providing a form of feedback for the continued usage of IT.

ECT also includes expectation as an initial determinant of satisfaction acting as a baseline from which to arrive at evaluative judgements. Modifying the ECT for information systems usage needs draws from TAM's Perceived Usefulness construct "*...is an adequate expectation in the IS continuance context because it is the only belief that is demonstrated to consistently influence user intention across temporal stages of IS use...*" p.355.

The author then draws on information systems continued usage research which is similar to a consumer's repurchase decision because it follows an initial purchase decision, is influenced by the experience (feedback), and, can lead to reversal of the decision.

A user's information systems usage continuance is then determined mostly by their satisfaction with prior information systems use. But in preliminary information systems adoption the PEU & PU constructs are important so should also be influential in continuance. Some studies show in fact that PU is whilst PEU drops off in effect over greater usage - to be expected. So combining these sets of possible influences creates a series of hypotheses:

*H1: Users' level of satisfaction with initial information systems use is positively associated with their IS continuance intention.*

*H2: Users' extent of confirmation is positively associated with their satisfaction with information systems use.*

*H3: Users' perceived usefulness of information systems is positively associated with their satisfaction with information systems use.*

*H4: Users' information systems continuance intention is positively associated with their perceived usefulness of information systems use.*

*H5: Users' extent of confirmation is positively associated with their perceived usefulness of information systems use.*

p.356.

So the continuance model is similar to TAM but different because it is richer by including extra factors associated with continued usage.

Bhattacharjee then used an Online Banking customer survey based on 1000 customers to test the hypotheses with the instrument constructs developed from previous surveys - Mathieson's Behavioural Intention scale, Spreng's Overall Satisfaction scale, Davis' PU scale and a new Confirmation construct. There was a 12% response rate from a well distributed sample of group types. Further analysis eliminated the problems with confirmation construct measures resulting in three distinctly created constructs that avoid the confusion and misunderstanding found in previous studies. Validity, reliability, goodness-of-fit analyses indicated the appropriateness of the scale items used with, notably, PEU still exhibiting robustness in relation to Continuance of Usage but with a declining effect over time.

The implications for firms included PU for acceptance intention is dominant but Satisfaction for continuance intention is also dominant which implies that *"...inform new (potential) users of the potential benefits of IS use and educate older (continued) users on how to use IS effectively so as to maximise their confirmation and satisfaction with IS use."* p.364.

Koufaris (Koufaris 2002) improves the modelling by comparing three models from different research arenas in an attempt to model online consumer usage as a prelude to continued usage modelling. These three models were:

1. TAM from adoption of new technologies in IS

2. Consumer Behaviour theory from Marketing
3. Flow Model from Psychology

Both TAM and Consumer Behaviour on the web had been adequately researched but as a basis of increased usage consumer behaviour this research indicated that there is clear difference between initial acceptance and continued usage. With loyalty online being very low, continued usage research particularly in relation to the "conversion" of Web surfers to Web customers had taken on added urgency.

By using Flow Theory's psychology basis Koufaris draws on the ideas around the sensation a user derives from a single-minded focus on a task, with the two variables used as the Flow instrument (in a web consumer experience context), being Pleasure and Dominance.

A Web bookstore was used as the test case with recruited customers to visit its website visiting twice to undertake two parts of a questionnaire. Results indicated that shopping enjoyment as the main link of intention to return, some relationship from PEU, but surprisingly there were no links to unplanned purchases raising some doubt about the effect of Flow variables. This put into question the use of Flow in the context of online shopping.

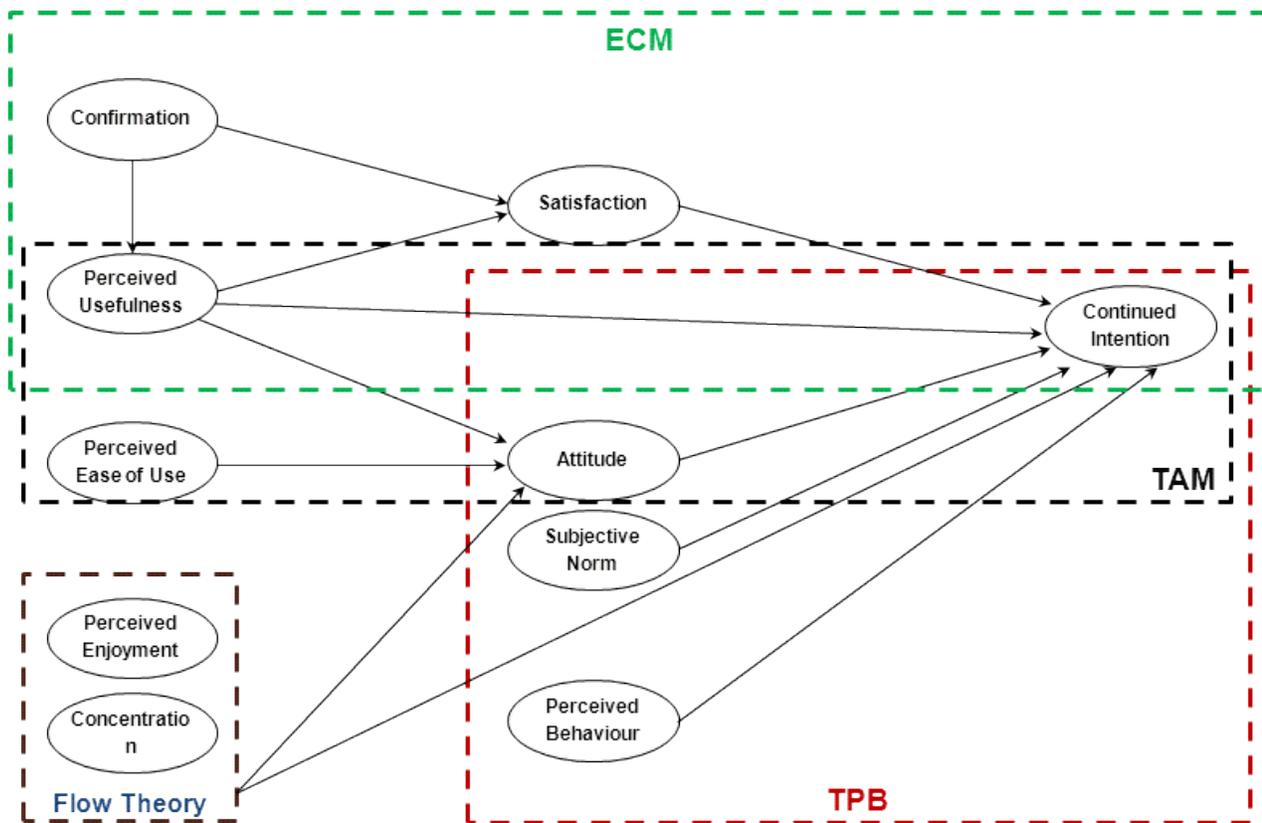
Lee's (Lee 2010) follow up study attempted to model online continued buyer behaviour by using three sets of previous research, TPB & TAM from IS, Consumer Behaviour from Marketing and Flow from Psychology. The author builds on the earlier work by Bhattacharjee and Koufaris to explain and predict a users' intentions to continue using e-learning. The hypothesized model was validated empirically using a sample collected from 363 learners of a Web-based learning program designed for continuing education.

The author recognised that much effort and large sums of money have been spent to develop e-learning programs for users which have generally resulted in very low continued usage (Chiu et al. 2007). They also recognised that users discontinue using e-learning after initially accepting it with continued usage being of great importance in an educational context.

The four models were used because even though ECM had proven to be a robust model for continued IT adoption, it employed only three variables to explain behavioural intention, namely satisfaction, confirmation, and post-adoption expectation whereas a user's behavioural intention toward adopting IT will also be affected by other factors, such as the opinions of important individuals (subjective norms). TPB addressed this gap. While TPB captured the roles of individuals, organizational members, and social influences on behavioural intention, TAM provided two attitudinal beliefs, namely perceived ease of use and perceived usefulness as two major antecedents of attitude, which make up the precedent factors of attitude for TPB. When combined, these theories may collectively provide an improved and more comprehensive understanding of the cognitive processes and behaviours related to IT usage than when each theory considered alone. Adding the flow theory allowed the capture of the elements of motivation related to fun and entertainment. (Koufaris 2002).

Lee's (Lee 2010) had gone further by integrating ECM, TAM, TPB and Flow theory in explaining long-term e-learning usage intention and an empirical evaluation of which factors were critical to

affecting this intention. The findings from this paper may therefore help bridge the existing gap between acceptance and continuance streams of e-learning usage research.



Chai, C.S., 2013. Validating and modelling technological pedagogical content knowledge framework among Asian pre-service teachers. *Australasian Journal of Educational Technology*, 29(1), pp.41–53

Where the hypotheses were:

*H1: Users' satisfaction with e-learning is positively related to their continued e-learning usage intention.*

*H2: Users' confirmation of expectations is positively related to their satisfaction with e-learning.*

*H3: Users' perceived usefulness of e-learning is positively related to their satisfaction with e-learning.*

*H4: Users' perceived usefulness of e-learning is positively related to their continued e-learning usage intention.*

*H5: Users' confirmation of expectations is positively related to their perceived usefulness of e-learning.*

*H6: Perceived usefulness is positively related to behavioural attitude toward e-learning.*

*H7: Perceived ease of use is positively related to behavioural attitude toward e-learning.*

*H8: Perceived ease of use is positively related to perceived usefulness of e-learning.*

*H9. Behavioural attitude toward e-learning is positively related to the continued intention to use e-learning.*

*H10: Subjective norm is positively related to the continued intention to use e-learning.*

*H11: Perceived behavioural control is positively related to the continued intention to use e-learning.*

p.507-509.

Each item corresponding to the constructs was measured using a seven-point Likert scale with the items for:

1. perceived usefulness and perceived ease of use were adapted from Davis (F D Davis 1989)
1. subjective norm, perceived behavioural control, and attitude adapted from Taylor and Todd, (Taylor & Todd 1995)
2. flow perceived enjoyment and concentration adapted from Moon and Kim (Moon & Kim 2001), and the continuance intention, satisfaction, confirmation adapted from Bhattacharjee (Bhattacharjee 2001)

The questionnaire was pilot-tested by convenience sampling. There were 150 responses, of which 123 were complete, giving a valid response rate of 82%

Reliability and a factor analysis indicated that the items had high loadings on their related factors and low cross-loadings on other factors, showing good convergent and discriminate validities.

Lee's model indicated that satisfaction had the most significant effect on users' continuance intention, with perceived usefulness, attitude, concentration, subjective norm, and perceived behaviour control as weaker predictors. The implications of these findings for e-learning practitioners include:

1. more use of rich multimedia
2. creative approaches to make learning 'fun'
3. use challenging tasks
4. foster student collegiality using collaborative media

As a basis for modelling teacher centric sustainable technology usage in the classroom for the purposes of positive student learning outcomes this model offers a lot of promise as it is complex, based on holistic notions, includes age specific variables and models continued intentions.

The basis for discussion in this paper is arriving at a way of modelling technology usage in the classroom noting that sustained continued usage drivers are different to those that deal with technology uptake. The teacher as key stakeholder in an educative community involved in various ways in the initial uptake decisions and less so in the continued usage is central to the successful long term implementation of technologies that build positive measurable student learning outcomes. Simple digital divide notions, made popular by Prensky, are insufficient in advancing the deep understanding required. Evolution of understanding that takes into account the complex nature of the use of technology in a holistic educative community requires grounding in related theories (TAM, ECM, TPB, TPCK, Flow Theory), recognises the central role the teacher, empirically tests representative hybrid

models and provides the measurable implications for practice that is needed to accurately drive successful technology usage.

Intentions from here on:

1. Further investigate empirical holistic empirical sustained usage models
2. Build hypothesised technology sustained usage model for the purpose of positive student outcomes
3. Place age within model to represent digital divide factor
4. Use questionnaire based on previous work to survey a stratified group of teachers – lecturers, sessional lectures, VET teachers, VET trainers

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### **Clustering Approach in Developing Countries in Globalization Process and Its Place in Turkish Economy**

#### **Abstract:**

The globalization process that is becoming widespread, forced countries to change their economic organizational styles. The countries that are not involved in this process and the entrepreneurs of those countries both fell behind in the competition process and caused “welfare loss”, by not using the resources they have in an efficient way.

Technological developments and economic and political conditions changing rapidly, enabled businesses market their products both in internal and external markets. While, these external market penetrations drive businesses to put better and cheaper products on the market in the growing competition environment, they also encourage them to develop new products. The reason forcing businesses to heading to international markets is, evaluating the new opportunities that are the basis of creating competitive advantage.

The concept of cluster, is one of the most important issues that will increase the competitive advantage of our country and businesses in our country in recent years, as is the case especially with many developed and developing countries in the world.

This study aims at examining what cluster is, how it supposed to be applied in developing countries and the problems that can be created by this application, in the framework of incentive system that has become effective in Turkish economy.

**Keywords:** Globalization, cluster, competition process, competitive capacity, external markets, incentive system, economic organization.

#### **1. Introduction**

World witnessed the economies of developed countries that had an important portion of the industrial output to concentrate on weapon industry during the World War II, and the same countries' efforts to transform their industries into post-war new order after World War II. The winner of this competition was definitely USA which had an important part of the industrial output. As a result of the marketing of this enormous industrial output to other countries, the international foundations established under the leadership of USA such as GATT, IMF, IRDB played a key role in meeting the capital need of West European countries and in removing the obstacles in front of the international trade. Following these developments that can be named as the globalization of trade, the transfer of the production of the developed countries economies to countries with comparatively lower labor costs constitutes the

production track of globalization. The globalization of production increased the importance of foreign direct investments for the economies of developed countries that had completed the process of capital accumulation. Foreign dependent growing strategies provided a basis for the concept of the financial liberalization becoming widespread especially in 1980s and completed the process of financial globalization.

These globalization movements in question, increased the social, political and economic dependencies of the societies on the earth. The developing countries having inadequate capitals compared to developed countries in the process of economic development caused the inefficacy of the resource allocation of the world economy (Ayaydın, 2010:133).

Industrial revolution can be defined as a huge advance in industry by means of the invention of steam engine and melting iron ore by using coal in the mid 18<sup>th</sup> century in England (Seyidoğlu, 2002, 540). Along with the industrial revolution, the production transformed into machine-powered style from human and animal powered style (Küçükkalay, 1997, 52).

Industrial revolution changed the function of labor in production process in economic system and mass production started in new period. This change experienced in production process had serious reflections on social life. Mass production that came up with machine production caused monopolization of production and producers that couldn't compete with new production system created a working class that forms the labor factor in the production of new system and this working class in question became an important social class in new socio-economic order. Huge immigrations in the production areas caused growth of cities and accumulation of population in certain areas and provided a basis for the formation of metropolises.

Industrial revolution is accepted as an important milestone in history of humanity. Along with the revolution serious changes were experienced in the lifestyle Western people and for the first time in the world history, growth in population occurred with increase in life standards simultaneously (Küçükkalay, 1997, 52).

Technology is a method of transforming inputs into outputs in production process (Jones, 2001, s.73). At this point, in general consent in the economic method, two inputs can be mentioned; labor and capital. As the effect of technology in socio-economic life increased, technology became an important production factor like labor and capital (İraz, 2010, s11). Economic growth is basically the increase in the labor efficiency with the affect of technologic developments. This change in the economic system changes the place of use and function of labor in the production process. Band production system that came up with industrial revolution, enabled the companies to pass to mass production and the place of labor shifted to departments such as managing, auditing, r&d. Ericsson company's employment of %10 less of its total employment in production is an important example in modern economic structure (Freeman, Soete, 1997, s.325). The increase in the efficiency of labor occurred with the industrial revolution is the main factor changing the place of use of labor in the production process.

Technologic development can be defined as developing new methods in production of existing products, producing products of new qualities and development and innovation in organizational structures and managing techniques. At this point, the concepts of invention and innovation which comes up when the invention in question becomes functional in economic life should be evaluated

separately (Yıldırım,1973,s.7). The demand-oriented market conditions come along with the demand pull innovations rather than science push innovations and created the concept of 'inventions arise from demands' (Freeman, Soete, 1997, s.233). Both opportunities created by the market and needs occurring in social life conceived many innovations in the social life.

Continental Europe countries, USA and Japan are ahead of other countries in terms of technology production in the historical process. This situation provided these countries with the competitive advantage on other countries as they could make use of the positive exteriority caused by technologic developments. Clustering approach is viewed as a point of origin for the competition of companies of developing countries with the international companies of developed countries and the shift of source accumulation of the world economy from economies of developed countries to developed countries.

- **Clustering and Concepts of Clustering**

Clustering concept became popular with the increase in the competition in the world and therefore the increase in the competitive companies since 1998 and revealed the important role of internal features of companies besides the environment they are in, in gaining competitive advantage. Clustering can be defined as network structures of parties related to the production of a product or service on the condition of these parties gathering on a common geography (Bulu, 2009:17). A more detailed definition of clustering is; network constituted by companies and/or businesses, universities, research establishments, establishments producing information such as engineering companies, agencies, consulting companies, banks, insurance companies and establishments supporting these and civil establishments supporting clustering, civil society organizations and local governments, sector directed media, customers, establishments arranging control and standards involving mutually dependent suppliers that are connected to each other with production chain that provides added value (Eraslan, 2009:24). Therefore, clustering is studies that aim at selecting sectors with high competition capacity, completing the missing players and empowering them by enabling communication between them and this way providing the sectors with more advantage in the international competition.

- **Clusters and Cluster Features**

Since 1990s, there have been different clustering approaches in EU countries, that can be used as a tool in increasing the competitive power. The purpose here is, to form sustainable and competitive sectors through creating “rising” sectors by innovation, trade and investment relations.

There are two important features differing clusters from industrial estates. The first of these is the tendency of local level production to international markets and second is innovation and creative capacity (Timurçin, 2010: 142). As stated above, clusters are businesses that are related in specific areas and intensifying of the establishments in a specific geography. Clusters develop in time and their evolution may take long time even decades. The clusters don't arise by themselves; and they are not temporary solutions to serious problems. Therefore, in-cluster relations, cultural norms and official or non-official organization are important.

Three phases in the development of clusters are examined in detail. (DTM, 2006:24). Pre-cluster phase is the location of various actors in a specific geography. In this phase, competitive studies has not formed yet. In the rising phase, some actors in the mass start to connect. In the cluster spread phase,

official or non-official co-operating establishments start to play a more-active role in the clustering process and via company establishments, joint ventures and spreads become the defining feature of the internal dynamic of the cluster of new company formations. In time, technologies and needs change and therefore the basic competencies of companies and clusters change.

#### ○ **Advantages Expected from Clustering**

The important advantages provided by being involved in a cluster are generally accepted. Companies involved in clustering, develops knowledge and skills and can apply a more flexible production system and therefore increase competitiveness with the world. Companies involved in clustering can catch up with the advantages of reaching the economies of scale. For example, collective input purchasing agreements, common marketing activities, more access to the specialized venture fund, the existence of specialized suppliers and other specialized support services are byproducts enabling companies involved in clustering to focus more on their own businesses and reaching higher levels of outputs (DTM, 2007:23).

Clusters ease the realization of efficiency growth by reducing transaction costs, increasing flexibility and providing access to specialized sources. Another important advantage is; clusters provide the canalization of direct foreign investments to their area by increasing the attractiveness and image of the area. As the incorporation is at a higher level in clusters, the companies starting from scratch are more dependent to external suppliers and partners. And all these can exist in a cluster. When the companies involved in the cluster interact, communicate and compete they can gain long term competitive advantages. So, as the micro level advantages and macro level level advantages come together, increasing competitiveness of the clusters contributes to the local competitiveness. These advantages in general can be listed as follows; (Kuşat, 2010: 174)

- Providing efficiency growth by increasing productivity
- Innovative activities resulting in occurrence of new products and processes
- Reduce in costs by enabling the access to modern information and technology
- Helping to reduce business costs by gathering qualified staff under the same roof
- Reduce in the costs with the use of local suppliers
- Gathering market, technology and competition information under the same roof
- Empowering the co-operation by gathering the universities, trade, government and civil defence establishments
- Supporting new work areas and employment
- Reducing risks on the companies

A good structured clustering, eases the production of SMEs (Small and Medium Sized Enterprises) and besides minimizes the marketing problems. The producer and the supplier being in the same area removes the time and cost problems that complicate the production in the production phase. This situation also removes the pecuniary and non-pecuniary problems experienced in finding the qualified labor that plays an important role in the quality of production and eases the access to all kinds of

technical and financial help provided by government. It enables sale of the product that is produced continuously with lower costs, newer information and higher quality, in the national and international markets continuously. This way, the synergy created by businesses in SME scale through co-operation contributes to the increasing of the competitive capacity (Kaplan, 2009:13). Besides these advantages, there are also some obstacles in the formation of clusters. These are;

1. The structural and cultural inconsistency of partner businesses
2. The inadequate legal and financial opportunities required for partnership
3. Lack of entrepreneurial spirit or competency
4. Lack of trust between partners and related establishments
5. Lack of information about the partners
6. Lack of contribution of partners and employees
7. Lack of informal communication network
8. Unrealistic expectations (Kaplan, 2009:14).

Besides these, the uncertainty in the world economy can be a compelling factor. This is an important factor for the local development and competitiveness of the clusters. Hence, awareness related to clustering can be perceived as a common view among policy makers. However, in order to increase the positive effects expected from this awareness, a common vision shared potentially should be accepted and for the application of this inter-establishments co-operation should be formed.

#### ○ **Clustering Approach in the Developing Countries**

Developing countries have two basic structural problems. The first of these is; inadequacy of capital accumulation and second is low employment caused by the first. A long and troublesome process is required for the capital accumulation in a country. As this process gets longer investments and therefore the employment become inadequate (Demirkan,2002: 35). Besides, it is a well-known fact that globalization that makes itself apparent intensively in recent years affects especially developing countries. Especially the existence of intensive competition caused by globalization direct developing economies to searching for new formations. Because, in today's world economy where capital movement is liberalized, international capital movements exceed trillion dollars, technologic developments in information and communication areas approximate markets to each other and alternative investment tools increase, intensifying of the competition becomes inevitable. Therefore, competition perception changed with the liberal approaches in world trade and competition intensified in parallel with the innovative market economy. On the other hand, factors such as wages, macro-economic stabilization, stabilized exchange rates and foreign trade balance are important indicators for encouraging foreign capital. Especially the foreign investors will compare the wages, social costs and economic conditions as they make decisions and they will prefer an environment where these factors are appropriate-stabilized (Temel, 2001).

Considering that the competitive capacity is dependent on such criteria as; factor endowment, wages, productivity, technologic structure and economic stabilization, companies should have flexible

production systems in order to catch up with the developments in the world economy under these conditions. Meeting these conditions is a great problems especially in developing countries. Because, these countries which don't produce technology and have qualified labor have almost no chance of existence in this intensive competition environment (Temel:2001). Another way of dealing with this is clustering process which is defined as the intensifying of the industries via specialization in a certain place.

The most important obstacle of developing countries is that isolated companies direct to clusterings and increase the quality and added values of the activities within the clusterings. Clustering approach should be of great importance especially in terms of gaining foreign investments to the country and the investments to be directed to the country should be of quality that will empower the levels of clusterings and add new values. As the clusters are limited to geographical areas, they require local decision making capacity. Development agencies bear great responsibility at this point. One of their basic aims should be clustering and make an attempt on value chain studies. Clustering and value chain analyses should be under the coordination of local development agencies but should be carried private sector intensive (Çağlar,2006:311).

- **Clustering in Global Competitiveness**

Competitiveness and making this competitiveness sustainable are among the leading purposes of establishing the clusters. But, the competitiveness here is international competition. The main factor here is export. The more a company comes into prominence in the international market with its products and services the more powerful it is. Another important issue at this point is the sustainability of this. The basic element of being sustainable and having competition advantage is producing quality products with low costs. In order for a good analysis of the competition advantage, comparative sectoral analysis of the country industry should be carried (Çakmak, 2009:3-12). No country or no region has neither the resource allocation nor the adequate specialized labor required to produce everything. So, in order to to have an efficient resource allocation and increase the total prosperity, they must carry clustering studies by canalizing their power, capacity, innovation researches to specific areas. This policy which increases competition and lowering costs should be perceived as the macro economic policy.

Besides this, expressing that only big companies or industrialized countries can have the competitive advantage and making this power sustainable is possible is equal to accepting underdevelopment in advance. Because being a developing country or a small scale business doesn't hinder gaining or sustaining competitive capacity. What matters at this point is that businesses should take the necessary steps in accordance with this purpose without giving up their own values. Because, to achieve this, high costs, long term endeavors or high risks are not necessary. The solution is regional clustering (Küşat, 2010:121).

Clusterings contribute to gaining competitive advantage by increasing the productivity, increasing the efficiency of the businesses involved and by supporting innovation via the creation of new products. On the other hand, they enable the businesses within to gain advantage without giving up on their flexibility as if they were businesses with official connections to the other large scale businesses. Being

a member of a clustering provide advantages in having inputs, accessing information, technology and necessary foundations and coordinating the related companies (Bulu, 2009:18).

All the information such as market and technology that can affect the competition accumulates in the clustering. Besides, clusters provides trust in personal relations and social bonds and accelerates information flow. This is an advantage the companies within the clustering have over the ones out of the clustering in being more competitive. Problems in entering sectors in clusterings are less than the others. Necessary assets, skills, input and staff stand by in the clustering ready to be mounted to the new business. Financial establishments and investors used to clustering take less risk (Bulu, 2009:19). Moreover, the clustering itself is already an important internal market. All these factors will reduce the risks causing the failure of the businesses within the clustering.

#### ○ **Success Conditions for Clustering**

There are some conditions in terms of production efficiency and technologic innovations in other words, some conditions clusters need to meet in order to be successful in terms of both hardware and software. These conditions are not about where the clustering will develop but about what type of economic activities are going to cluster (Küçüker, 2012). These conditions are as follows:

1. The applicability of alternative coordination styles should be implemented by dividing production process into separate stages via specialization. As a result of the existence of divisibility in terms of production technique and companies and labor volume that can form the critical mass, the division of the process will develop both competition and innovation dimensions.
2. The mobility of a product is important in clustering. If there are problems in the distribution of the ultimate product, the establishment location of the companies will be determined by the consumes as this location should be close to the market and this will bring along with a negation like lack of competitive companies. As a result, cluster membership and external economies like clubs will be impossible as there will be a identification problem for the clustering. Therefore, the mobility of the cluster products is an important condition (Küçüker,2012).
3. As the number of the supplementary elements requires to form the ultimate product increases, specialization and competition in this clustering will be increase as well. Therefore, the length of the value creation process has the necessary characteristics of a condition.
4. The similarity between economic activities plays an important role in clustering. If the features that take place in the production chain differentiate, the specialization in these activities will be difficult for the companies and this situation affects the inter-departments coordination problem and hence the specialization negatively. For this reason, the existence of the economic activities that are supplementary but not similar is a condition.
5. Innovation is one of the basic elements of clustering. As the number of units increases and the coordination time gets shorter in the contribution to this process, the success of the clustering will increase because the efficiency of the coordination increases (Çağlar,2006:309). Innovation; enables the perception of the opportunities that will increase the productivity in the

future and provide the creation of new products. The interaction between the companies enables them to see the needs and tendencies of the sector closer and in advance, the existence of many suppliers and establishments helps information production, comparative abundance of local resources lowers the costs of new products and trials (Küçüker, 2012). So, if there is no innovative tradition in an industry, there are no advantages to be gained. In this sense, the importance of innovation for an industry is a condition enough that accelerates the clustering formation.

- **Conclusion**

Borders between countries, cultural differenties are decreasing day by day and in the new economic structure, every firm can sell their products all around the world. Obviously, technological developments provide this new structure, and this situation increases competition between firms. Firms try to sell their products at all markets around the world in the demand side economic system.

In this competition atmosphere, developed countries' firms are better than emerging countries firms in terms of financial situation and technological level. This reason requires that the firms which originate from developed countries have a monopol power in this situation and they take bigger share in this system compared to developing country firms.

Especially the firms of developing countries should increase their share in the economic system in order to create a healthier income distrubiton around the world. Because of that, they have to compete against the developed countries' firms. For this built competition level, cluster approach is a crucial strategy for the developing countries firms in order to catch up with developed country firms.

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## **Ottoman Palace as a School of Culture and Poetry Assemblies Held in the Palace**

### **Abstract:**

As an indicator of high palace culture, poetry assemblies are councils of poems where traditional palace entertainments, whose roots are grounded in cultural centers such as Iran, Herat, Samarkand and Baghdad, are exhibited. It is known that poetry assemblies which have idiosyncratic processes, foremost elements such as wine, music and poem nourished by pre-Islam Turkish and Iranian cultures and some rules have a significant role in the formation of Turkish literature after XIII. century.

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## **The Determinants of Foreign Direct Investment: Models and Empirical Studies in Turkey**

### **Abstract:**

In this study, we first describe the historical development of inflows of foreign direct investment (FDI) to Turkey. Then, the place of Turkey in the international ranking in terms of the FDI is determined based on the performance and potential indexes. There is a significant amount of work that has been made on this subject in the literature. We review the empirical studies that consider specifically FDI for Turkey, and we summarize the basic determinants of direct foreign capital inflows and the models used to analyze FDI. Especially after year 2000, we observe a significant change in the international ranking of Turkey with respect to performance and potential indexes. We aim to determine which determinants caused this change based on previous empirical studies on this issue. A common finding of empirical studies on Turkey is that there exists a positive correlation between the FDI inflows and the variables growth, infrastructure investment and market openness while the correlation is negative for the variables exchange rates, interest rates and real treasure. Studies have also pointed out the importance of privatization for FDI inflows. Furthermore, it was found that political and economic stability and growth, effective tax rates are effective on FDI inflows.

**Keywords:** Money, fluctuations, inflation, taxation, growth, foreign direct investment.

**Jel Classification:** P40, P44, P45, H20, N10, N20

### **1 Introduction**

In the last 30 years, rapidly changing global economic and political developments have increased attention on Foreign Direct investment (FDI). In general, foreign people's or institutions' investments that made in another country except the portfolio investments are defined as FDI. FDI has increased worldwide since the early 1980s. Until the 1970s, most of the countries in the purpose of protecting their investors against foreign competition tended to limit FDI entries to their countries (Derek 2007). In 1970s, worldwide FDI was lower than \$40 billion. However, since the 1980s, with the worldwide changing economical phenomenon of globalization and liberalization, the fluidity of FDI between countries has been accelerated (Serin & Çalışkan 2010). In 2000, FDI reached \$1401 billion with an increase of 25 times since 1985 where it was \$55.8 billion. Even if this amount falls below this number between years 2000 and 2007, because of the world conjuncture, in 2007 it reached a record level of \$2100 billion. In the last 20 years, in spite of an increasing number of developing countries in FDI out-flow, the developed countries' FDI percentage remain over 90% of the total FDI outflows.

Similarly, in terms of FDI inflow while the developing countries have a significant share between years 1970-1980, coming to 1990s the share of developed countries has increased. During this period, the share of developed countries in terms of FDI inflows has been over 60%. For example, the developed countries like United States and France became one of the leading countries in FDI outflow and inflow (UNCTAD 2010). Even protective countries that were against FDI up to year 1980, had started to develop a variety of strategies to get a greater share of FDI flow after 1980.

In our study, we observe that especially the developing countries have the tendency to make some structural changes in the economy and politics in order to prevent obstacles against FDI inflow. The developing countries have some economic and social expectations from FDI inflow, which are development and acceleration of growth, resolving insufficient domestic savings, employment growth, utilizing natural resources, doing technology transfer, reducing trade deficit, having experience on management and production. We also focus on the benefits and costs of FDI to the economy of the developing countries in this study. Foreign investors mostly formed by the multinational companies target to be close to the market broadening investment places in order to benefit from the advantageous conditions such as the lower cost of production inputs, labor and raw materials in different countries.

In this area, during the last decade there is a rapid increase on scientific studies. An important part of these studies are about the relationship between investment decisions and determinants that may affect that decision. In these studies, we see that there are different results according to the different countries and also for the same country. Similar situation is observed in the studies on FDI in Turkey. The differences between the findings of these studies come from the different economic, social and political structures of the countries and also from the different research methodology, models and tools used. Economic, political and investment environment are the various determinants on FDI inflows. About these determinants, there are research studies done especially after 1970s such as the studies by UNCTAD and IMF (Bruce A. B 2005). After 1980s, there has been made economical, political and structural changes in Turkey in order to increase FDI inflows. Trade barriers, exchange rate regime, monetary policy, privatization policy, and tax policy issues such as changes to the incentive system are within this framework. The main purpose of this paper is to analyze previous published work on different academic studies concerning FDI determinants and models in Turkey.

- **Foreign Direct Investments in Turkey and Performance Scales**

In this section, we will focus on FDI inflows to Turkey over the years and its ranking in the world will be showed according to the international scales.

- **FDI inflows to Turkey and its progress**

The most important determinant affecting FDI is the country's key economic indicators and implemented policies. Public economics and political preferences of the market economy, industrialization strategy, opening to external economies, foreign trade policy and foreign exchange regime, import and export regimes, political and economic stability infrastructure are the main determinants of the flow of foreign direct investment. In pre-1980 period, the strategy of import-substitution industrialization is applied. In an industrialization model that was created in order to protect the domestic industry and was closed to a foreign competition, the environment was not suitable

for FDI inflows. During this period, FDI inflows in the country were in low levels. After this period, with the January 24 decisions in 1980 an economy model that is open to FDI inflows is adopted. In this economic model based on the free market and private enterprise, an open economy is predicted with public sector downsizing, privatization, and interest rates, foreign trade (import and export regime) and foreign exchange regime liberalization (Kazgan G.1988).

In years 1980-1994, in order to reduce foreign trade barriers and customs duties, some arrangements have been made. Adopting crawling peg application, Turkey left the fixed exchange rate regime and transitioned to the flexible exchange rate regime, which resulted in the convertibility of Turkish Lira. In the framework of liberalization program, the Capital Markets Board of Turkey and the Istanbul Stock Exchange were established. During this period, the administration of export incentive system was also established. In 1994 it was also established the privatization agency. In this period, various applications of adjustable exchange rate system have continued. After 1995 which was a most intense period of foreign trade, Turkey participating in the EU customs has been exempted from tax. According to the law of FDI which was adopted in 2003, foreign investors can act freely and they are treated equally with domestic investors, investments cannot be publicized before the investment fees are not paid, their profits can be freely transferred and also in case of conflicts, international dispute resolution are included as legal security.

**Table 1:** Share of Turkey In Global Foreign Direct Investment

Year	Inflow (Milyar \$)	Share in world percentage(%)	Share in developing countries percentage(%)
1970s	0,1	0,2	0,9
1980s	0,2	0,2	0,8
1990s	0,8	0,2	0,7
2000	1,0	0,1	0,4
2001	3,4	0,4	1,6
2002	1,1	0,2	0,7
2003	1,7	0,3	1,0
2004	2,8	0,4	1,0
2005	10,0	1,0	3,2
2006	20,2	1,4	4,7
2007	22,0	1,1	4,2
2008	18,2	1,1	2,9
2009	7,7	0,7	1,4
2010	9,2	0,9	1,7
2011	15,6	1,0	2,5

Source:UNCTAD,world Investment Report 2010-11,YASED

In Turkey the average amount of FDI inflows reached to around 0.2 billion dollars/year until 1980s. The investment amount in Turkey was around 0.2% of the total FDI inflows over the world. During

this period, there was a favorable environment for foreign investment in the result of implemented economic policies protecting domestic production and import substitution.

Despite of the adopted January 24 decisions in 1980, between the period of 1980-2000 the average annual inflows of FDI increased only up to \$1 billion and the share in the world declined to 0.1%, and in 2000, FDI inflows to Turkey remained at the level of 0.4% of the total share of the developing countries. In this period, the share of Turkey was below the world average and the average of developing countries because of Turkey's economic instability, high inflation, exchange rate constant changes, public sector borrowing requirement and increased debt burden and economic crisis (Table 1). In 1994, there has been an economic crisis that resulted from the internal reasons and the economy contracted by 6.1% in this crisis. In another economic crisis in 1999 resulted from the external reasons which in turn contracted the economy to the same extent (Egilmez & Kumcu 2011).

In 2001, there has been another economic crisis resulting from the internal reasons and the economy is contracted by 9% in this crisis. In the same year, an economic program supported by IMF was developed and put into practice for the process of transition to a strong economy. During this period, inflation slowed down towards the year 2010 in which it reached a single digit value, which in turn increased the value of Turkish Lira and accelerated hot money flow and a significant increase in the current account deficit was observed. After the acceleration of the privatization in 2001, FDI inflows have increased significantly. Especially after 2005 FDI inflows reached to over \$ 10 billion and in 2007 with an amount of \$ 22 billion, it reached its highest level, which is mostly due to privatization. The economic crisis that occurred worldwide in 2008 affected FDI inflows to Turkey and a reduction has occurred. Despite all these developments, FDI inflows to Turkey as well as its share in total developing countries decreased. Moreover, due to the decline of the privatization, FDI resources have gained importance in the course of future development.

○ **Ranking of Turkey FDI Inflows according to UNCTAD Inward FDI Performance Index and Inward FDI Potential Index**

UNCTAD developed the FDI inflow indexes that depend on current and future expectation performance of 140's countries. The first of these indexes is the performance index on FDI inflows (Inward FDI Performance Index). Performance index shows the relative ranking of a country. We can demonstrate this calculation as below:

FDI inflows in the country =  $FDI_i$

World FDI inflows =  $FDI_w$

GDP in the country =  $GDP_i$

World GDP =  $GDP_w$

Inward FDI performance index of country =  $IND_i$

$$IND_i = \frac{FDI_i / FDI_w}{GDP_i / GDP_w}$$

The index that is greater than 1 show that the share of the country is higher than the share of the world and the performance is enabled. If its index is less than 1, this means that the country has a small share.

Countries are ranked according to their degree index (UNCTAD 2012). The second index of FDI inflow is FDI potential index (Inward FDI Potential Index). This index is the one measuring the degree and potential of international attractiveness of a country's in terms of FDI inflow based on an unweighted average of the set of variables determined by UNCTAD (UNCTAD 2012). These variables are GDP per capita income, real GDP growth from fort the past year, exports as a percentage of GDP, number of telephone lines per 1000 inhabitants, commercial energy use EPERM capita, R & D expenditures / GDP, higher education, student in tertiary education / total population, political and economic risk and FDI stock, electronics and auto parts imports and other variables related to the service sector. Table 2 shows the global ranking's of Turkey according to Inward FDI Potential and Performance Index between the years of 1990-2010:

**Table 2:** The Global Ranking's Of Turkey Depending To Inward FDI Potential And Performance Index Between The Years Of 1990-2010

Index	YEARS								
	1990	1995	2000	2005	2006	2007	2008	2009	2010
<b>FDI performance Index</b>	78	110	126	89	71	91	94	102	108
<b>FDI Potential Index</b>	63	76	72	68	72	73	75	80	-

Source: UNCTAD world investment report 2012

FDI inflow performance and potential indexes of Turkey between the period of 1990-2011( table 2) show a consistency with FDI inflow (table 1). The ranking of Turkey according to FDI performance index has worsened during years 1995-2000. It ranked in 78<sup>th</sup> place in 1990, which fall down to 110<sup>th</sup> in 1995 and to 126<sup>th</sup> in 2000. Between years 2005-2007, Turkey reached to 89<sup>th</sup>, 71<sup>th</sup> and 91<sup>st</sup> rank among 144 countries, then felt down to 108<sup>th</sup> rank in 2010. Outside of the specified years, Turkey compared to other countries in terms of FDI entry has been among the low-performing countries (UNCTAD 2012). However according to the potential index of 144 countries, Turkey take place in 70<sup>th</sup> rank and have a rank higher than the performance index.

### • Literature Review

Numerous scientific studies and empirical research exist on FDI. Most of these are about the determinants affecting the FDI inflows. In the empirical studies done in different countries, the factors affecting FDI are determined using various methods and models. In this subject, there exists a state of the art published by Blonigen (Blonigen B.A 2005). UNCTAD has identified the host country determinants that affect FDI inflow under three headings in 1998 World Investment Report (UNCTAD 1998) that we can see in table 3.

According to the host country, there has been done various empirical research to determine at what level the determinants listed in table 3 affected FDI inflows. Different conclusions due to different conditions of the country in question are accepted natural. It is also observed that there have been different results in the same period of a country. This is due to the differences in the research methodology and model as well as the differences in the measures used for the same determinants (Chakrabarti A. 2001).

**Table 3:** The UNCTAD's Classification Of FDI Determinants

BASIC DETERMINANTS	HOST COUNTRY DETERMINANTS
I. POLICY FRAMEWORK FOR FDI	Economic, political and social stability, Rules regarding entry and operations, Policies on functioning and structure of markets, Competition policies, International agreements on FDI, Privatization policy, Trade policy (tariffs and NTBs), Coherence of FDI and trade policies Tax policy
II. ECONOMIC DETERMINANTS	<b>A. Market-seeking:</b> Market size and per capita income, Market growth, Access to regional and global markets ;Country-specific consumer preferences ; Structure of markets <b>B. Resource/ asset-seeking:</b> raw materials, Skilled labour, Technological, innovatory and other created assets <b>C. Efficiency-seeking;</b> Cost of resources, Productivity for labour resources, Other input costs, Membership of a regional integration
III. BUSINESS FACILITATION	Investment promotion; Investment incentiv, Hassle costs (corruption etc.), social amenities, After investment services

Source: UNCTAD, World Investment report 1998, pp.91

According to the host country, there has been done various empirical research to determine at what level the determinants listed in table 3 affected FDI inflows. Different conclusions due to different conditions of the country in question are accepted natural. It is also observed that there have been different results in the same period of a country. This is due to the differences in the research methodology and model as well as the differences in the measures used for the same determinants (Chakrabarti A. 2001).

For this reason in this paper, the emphasis will be on the empirical studies on the determinants of the FDI inflow and the models used in the literature. One widely used determinant is the market size. GDP or GDP per capita, the width of hypotheses and future developments in the market are also considered to be among the most powerful reflecting determinants (Chakrabarti A. 2001). The width of market considers GDP as an independent variable that affects the country to be invested. However, in the literature we see that there exist also studies which consider the population scale along with the width of market (Banga R 2003, Travis G. C. & Tadeusz K., 2008, Kitonakis N & Kontis. A 2008). In these studies, it is assumed that the population indicator of the market is a complement to the width of the supply of goods, and therefore it affects the profitability of the investors. In an empirical study (Çeviş & Çamurdan 2009), the growth rate has been used as a measure of the size of the market affecting the flow of FDI for developing and transition economies. In this study, inflation and interest rates and also trade rates considered as measures of growth and openness are the main economic determinants of FDI inflow. In a study about the determinants of FDI in Bulgaria (Hadjit & Browne 2006), they determined that low corporate tax rates, market openness, low labor costs and privatization process affect positively FDI inflow. However, they concluded that a negative impact on FDI inflow is created by the country's bureaucracy and illegal transactions. In his research (Montero A.P. 2008) about FDI determinants in Latin America for the period of 1985–2003, concluded that the political and economic risks are the major determinants of FDI for foreign investors. In addition to this result, he found that the current account deficit and inflation factor have negative impact of FDI inflows. In their research (Artige L. & Nicolini R. 2010) of FDI inflows realized in three European regions, used GDP as indicator, market openness measured by GDP per capita and market potential also labor cost. In this

study the conclusions reached are that there are positive and statistically significant relationship between the regional scale of FDI per capita and market openness. At the same time, labor costs that are considered as a measure of productivity are an important determinant of regional FDI. In their research (Serin & Yuksel 2005) they made an empirical survey on FDI inflows in Kazakhstan. In this study, the growth rate was negative until 1996, although FDI inflows are positive, and therefore concluded that there is negative relationship between both of them. In his study (Uygur E. 2005) on FDI concluded that in Turkey, the privatization, real interest rates and consolidated budget deficits are the main determinants. Another empirical study (Karagoz K. 2007) covering the period 1970-2003 concerns the factors affecting FDI inflows in Turkey. They conclude that the previous foreign investment level has been the major determinant of the economic and political stability.

- **The trend of the determinants in the FDI classification of the UNCTAD in Turkey**

In this section, the main determinants in the classification of UNCTAD on FDI in Turkey will be considered. Table 4 includes the numerical data regarding the main determinants between 1998-2011.

**Table 4:** Determinants for Quantitative Trend

<b>Determinants</b>	<b>1998</b>	<b>2000</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2011</b>
Per capita income(USA dollars)	8573	9159	8667	10177	12885	14631	15287	15392
Growth(%)	3,90	6,3	7,9	9,9	6,1	0,7	9	8,5
The ratio exports plus imports to GDP(%)	6,70	7,80	9,30	10,20	10,70	11,30	10,20	12,10
Foreign-trade deficit (Billion dollar USA)	-14038	-22057	-6390	-22736	41056	-53021	56445	-89400
Effective Exchange rates 1995=100	109,7	114,4	116,4	132,3	141,6	153,1	159,4	140,6
Real labor costs indeks	105,9	140,8	108,9	111,1	114	113,1	121,7	123
corporation tax%	33	33	33	33	30-20	20	20	20
Consumer price index	1165	2970	6648	9236	11222	13467	15535	16122
Privatizasyon	1100	2500	536	1280	8096	6260	3084	1360

Sources: Turkish Statistical Institute, Central Bank of Republic Ministry of Turkey, Republic of Turkey Ministry of Development, UNCTAD statistics data

Some of the determinants of FDI inflows in Table 4 affect positively and some others negatively during years. As the increase in income per capita affect the openness in the market, this determinant will affect positively FDI inflows. In Turkey the income being \$8573 in 1998 increased to \$ 15,000 in 2010s. The determinant of growth is also related to market openness. In this regard, the growth rate has a positive relationship with FDI inflows. Looking at the data in Table 4, Turkey has a large growth rate except for three years. In this respect, we can conclude that growth rate has a positive effect on the FDI inflows to Turkey.

Increase in the Openness (exports plus imports to GDP, the ratio) affects positively FDI inflows. This rate in Turkey was 6.7% in 1998 and then it reached 12.1% in 2010s. For this reason, we can say that the openness has a positive impact on FDI inflows. The determinant of foreign-trade deficit has a negative effect on the FDI inflows. As the external deficit increases, it is clear that there will be a negative effect on future returns. In Turkey in 1998, the external deficit which was 89 billion dollars rose to 14 billion dollars in 2010. Therefore, we can accept that the deficit can be considered to adversely affect FDI inflows. Effective Exchange rate is considered to be a measure of stability in terms of FDI inflows. The stability of the exchange rate has a positive relationship between FDI inflows. As can be seen from Table 4, until mid-2000s there was no stability on the exchange rates. After mid-2000s, we can say that the Effective Exchange rates affect positively FDI inflows. As Real labor costs index is directly related to the increase of investors' cost, in other words, related to their profitability, an increase in this index affects negatively FDI inflows while the stability affects positively. In table 4, we can see a small increase in the index except two years. Therefore, real labor costs can be hypothesized to have a positive influence. In the case of tax rates, we can say that there is a negative relationship between FDI inflow and rates. In Turkey, the corporate income tax rate and the effective tax burden in Turkey have been reduced over the years. In 2006, it has decreased to 20%. It can be considered that this improvement in the tax rates may have positive impact on FDI inflows. Consumer price index is considered to be a measure of stability. There is a positive relationship between price stability and FDI inflows. As can be seen in Table 4 until the mid 2000s there has been a high inflation in Turkey and after this year, the stability is obtained. This development can be considered until 2000s a negative relationship between the price index and FDI inflows and after that date it can be considered positively. Privatization is an important determinant in FDI inflows. Naturally, there is a positive relationship between privatization and FDI inflows. In Turkey, in 2000s there has been a large amount of privatization, which resulted in a significant increase in FDI inflows. Therefore, we can say that there is a strong positive relationship between privatization and FDI inflows. However, this relationship is limited to the resources that can be privatized. All of these hypotheses can be verified by empirical studies. Below there are some empirical studies that have been made in this context in Turkey.

- **Empirical Studies of FDI Inflows In Turkey: Variables, Model And Results**

In empirical studies, FDI inflows are considered to be a dependent variable of the models used. FDI inflows in USA dollar over the years in Turkey are included in the models. The variables used in the models are the determinants related on political, economical and investment environment that belong to the UNCTAD FDI classification that are shown in Table 2. The independents variables and indicators are explained below:

#### **A-Per capita GDP**

As an independent variable, GDP per capita, has been considered as the basic variable in almost all empirical studies. GDP per capita is regarded as one of the most powerful variable reflecting the market openness and future developments (Chakrabarti A., 2001). In table 4, it has been shown the national income per capita according to Turkey's purchasing power over the years.

## **B-Growth**

The economic growth rate is one of the economic determinants related to market openness. In most of the empirical research papers, this determinant is used for foreign investors to decide whether or not to invest in a country. The rate of growth with the increase in the demand for profitability and productivity is regarded as one of the indicators to reflect the change of demand in goods and services (Walsh J.P& Jiangyan Yu,2010).

## **C- Openness (The ratio exports plus imports to GDP)**

A country's degree of openness to international trade is an important indicator for FDI.

The total import and export volume of foreign trade of the countries (volume of foreign trade) are considered to be an important indicator in this regard and often used as independent variables. In a number of studies over the years, changes in the volume of foreign trade are included directly in the model. In other studies, the total sum of export import/Gross Domestic Product is used as a variable. On the other hand, there are many factors in determining the rate of openness. For example, the countries' foreign trade regime, investments, number of bureaucratic procedures, its duration and obstacles are used as independent variables. However, because their measurement requires a separate study, the most important indicator used as an independent variable is the volume of trade openness ratio (Lionel A.&Rosella N.2010).

## **D-Foreign-trade deficit**

Many empirical studies on this subject consider the foreign trade deficit as an important variable. This indicator is considered to be an important variable because it reflects the dynamic and healthy nature of the export potential.

## **E-Effective Exchange Rates**

The effective exchange rate is one of the important variables of FDI. The effective exchange rate is an indicator of the economic stability of the country to be invested. The empirical studies found a negative relationship between effective exchange rate and FDI (Chakrabarti A. 2001).

## **F-Real labor costs index**

One of the economic determinants of FDI is about costs. Real labor costs are often used in empirical studies. A number of empirical studies used real wage as an indicator. However, the real labor costs do not cover only wages but also cover the social security contributions and the wage taxes. Therefore, the real labor costs reflects the actual costs index (Lionel A.&Rosella N.2010).

## **G-Tax rates**

Another determinant is about tax policies. The investors are also interested in tax policies. The foreign company is expected to pay the corporate tax rate in the country so for them, this rate will be a determinant of FDI inflows. In some models, corporate tax rate changes are used. However, the foreign institutions are more interested in effective tax rate rather than the statutory corporate income tax (Giray F.2010). Statutory rate applied in arriving at the tax base of the country, the laws of the various expenses deductible from the proceeds of the institution, such as the exception and exemption of tax expenditure is defined as the various deductions to be made. The statutory rate of corporate income tax base in line with the expansion of the discounts are reduced and hence the effective tax burden is

reduced. There are various definitions of the effective tax burden (Devereux, 2004). Average effective tax burden of the corporate income tax payable is the actual rate divided by corporate earnings before taxes. As the exemption granted by law expands, the effective tax rate decreases. Therefore instead of statutory corporate income tax rate, the foreign institutions dealt with an effective tax rate. Certainly not only the corporate income tax for foreign investors is important but also the income tax, value added tax (VAT) and excise duties.

### **I-Consumer price index**

One of the determinants that encourages the FDI inflows is the economic stability. Consumer price index is an indicator of the economic stability. In particular, foreign investors are interested in the price stability of countries to invest.

### **J-Privatization**

In the last thirty years, there have been important developments about privatization in the world. With the outward oriented policies in Turkey since 1980, the issue of privatization has risen. However, in the 2000s the most significant privatization transactions occurred. Therefore, after that time, privatization becomes an important determinant of FDI inflow. The models and findings of empirical studies related to FDI determinants in Turkey are shown below:

#### **Empirical studies**

İsmail Çevik and Burak Çamurdan(2009)

#### **The Determinants of FDI and using models**

From the classical regression model, panel data analysis, the panel unit root tests applied to tests used in the model autocorrelation and heteroscedasticity

*Results:* Growth (growth), Aperture (openness), Labor costs, Real interest rates, inflation rates and domestic investment  
FDI inflows effective

Nihat Batmaz and Halil Tunca(2007)

The unit root test, Granger causality test, Johansen co-Integration (cointegration) analysis, a VAR model is discussed.

*Results:* in terms of FDI inflows, growth, infrastructure  
Positive variables Yatırımları and openness, exchange rate,  
Fees and interest rates, a negative relationship was discovered

Murat Çak and Mehmet Karakaş(2009)

In the study involving eight countries, including Turkey, pooled cross-sectional time-series (pooled cross-section time series) model is created, unrelated regression (SUR Seeming Unrelated Regression) model was used;

*Results:* Per capita GDP growth rate, rate of increase in national income per capita, unemployment rate, openness (aperture), corporate income tax rate and the total tax burden, determinants of population and the increase in inflation effective

Kadir Karagöz(2007)

Augmented Dickey-Fuller test, Granger causality test, unit root test, the empirical study, the following conclusions were reached: Prior Period FDI inflows, inflation, economic and political stability determinants of FDI inflows has established effective.

Ercan Uygur (2005)

Time series for the unit root test (Unit Root Test), Granger causality test (Granger Causality test), VAR analysis (VAR analysis) techniques applied study, the following conclusions were reached: FDI inflows and the real treasure is the active interest and consolidated budget balance has been pointed out the importance of privatization .

- **Conclusion**

According to UNCTAD's performance and potential indexes in terms of FDI inflows, for a long time Turkey was one of the low-performing countries. However, since the early 2000s, especially between the years of 2005-2008 according to the concerned indexes, Turkey ranked in top positions among the countries of the world. But in recent years there has been a decline again. A common finding of the empirical studies on Turkey is that for FDI inflows, growth, infrastructure investment and openness variables have a positive correlation while with exchange rates, interest rates and real treasure there is a negative correlation. Studies have also pointed out the importance of privatization in FDI inflows. Furthermore, it was found in the empirical studies that political and economic stability and growth, effective tax rates are effective on FDI inflows.

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**Protected and Provided For: Women, Property Ownership and Inheritance in Turkey**

**Abstract:**

Property relations are one area in which it is possible to trace the interplay of law, traditions and an Islamic worldview, and women's empowerment. Our research explores the ways in which Islam informs the practice of property ownership and inheritance among observant women in Turkey. For some self-identified Islamic women in Turkey, the logic that guides them regarding issues of property ownership and inheritance is deeply informed by Islam and Islamic law.

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### An Investigation into the Correlation between Emotional Intelligence and Problem-Solving Skills in Nurses

#### Abstract:

This study aims to investigate the relationship between nurses' emotional intelligence and their problem solving skills. The study was carried out using a survey administered to 399 nurses working in four different hospitals in Konya, Turkey. To measure the participants' emotional intelligence levels, "Emotional Intelligence Scale," developed by Bar-On (1997) and in order to measure the level of problem-solving skills the "Problem Solving Inventory" developed by Hepner and Peterson (1982) were used. Descriptive statistics, t-test, one-way analysis of variance and correlation analysis were carried out to analyze the data in SPSS. The mean emotional intelligence score of nurses was calculated to be  $3.74 \pm 0.43$  and the mean problem-solving score was calculated as  $67.1 \pm 17.2$ . A result of the correlation analysis between the scores for emotional intelligence and those for problem-solving, statistically significant negative correlation was found between these two variables ( $r = -0.561$ ,  $p < 0.01$ ).

**Keywords:** Nurses, intelligence, emotional intelligence, problem solving.

#### 1. Introduction

In recent years, there have been rapid changes in the health sector, and people have begun to have more expectations from health institutions. In these institutions which continue their activities in an environment with fierce rivalry, a number of issues including patient/employee satisfaction, prevention of medical mistakes, quality, and efficiency have been seen as the main elements of success. Today hospitals are able to compete with their rivals if they are aware of their patients' expectations, address their emotions and solve their problems in an efficient manner.

A number of experts, a great majority of whom are nurses, work in hospitals. Nurses come to the fore during the whole process of curing the patient. Therefore, nurses with a high level of emotional intelligence play a significant role in the success of health institutions because they are able to solve the problems of patients and understand their emotional needs. It is essential that these people be aware of the emotions of people whom they interact with and control their emotions to prevent problems before they emerge or solve them before they get too complicated to be solved.

Today human beings and institutions cannot work efficiently and productively without establishing firm relations and interacting with one another. In this process, the continuity and variability of

emerging problems and their solutions make it essential that employees develop and change continuously. Institutions are always in need of creative employees who are able to think analytically and solve the problems that they encounter (Hurst et al., 1991:1). This in turn indicates the importance of problem-solving and emotional intelligence skills in institutions.

○ **The Notion of Emotional Intelligence and its Significance**

Scientists have not attached importance to the emotions until recently; mostly they have carried out studies on cognition. In the past, emotions were seen unimportant; it was even thought that they had a disruptive effect on humans' decisions and behaviours (Salovey and Mayer 2000). However, the failure of people with high levels of cognitive intelligence both in business and social lives in contrast with the existence of astonishing success of people with average cognitive intelligence have caused researchers to challenge the notion of cognitive intelligence and focus their attention to emotional intelligence (Canbulat 2007:49).

The notion of emotional intelligence was proposed by Salovey and Mayer in 1990 for the first time (Goleman 1995:7). They defined emotional intelligence as "observing the feelings of the self and others to regulate them and using them in a way to guide thoughts and actions" (Goleman 1998:393-394). Salovey and Mayer also note that emotional intelligence expresses not only a single property or skill, but also a combination of a number of skills that enable the individual to control his/her or others' emotions and to use the emotions that unearth success and motivation (Salovey and Mayer 1990:185). According to Salovey and Mayer (1990), emotional intelligence is composed of three categories of skills that facilitate adaptation: These are the individual's assessing his/her and others' emotions, regulating such emotions and using them in problem solving (Salovey and Mayer 1993-433).

Emotional intelligence came to the fore all over the world after the publication of Goleman's book "Emotional Intelligence" in 1995 (Akin 2004:41). In this book, Goleman defined emotional intelligence as "the combination of various skills such as being aware of one's emotions, managing these emotions, feeling self-confident, activating of oneself, being aware of others' emotions, managing their emotions and activating them" (Goleman 1998:393). Goleman categorized the dimensions of emotional intelligence in five headings (Goleman, 1998:394).

- 1 *Self-awareness*: It is being aware of what you feel at the moment and recognizing an emotion while it's emerging. It is the act of using this skill in a way to guide our decision-making processes and a realistic assessment of our skills and a feeling of self-confidence built on strong bases.
- 2 *Self-regulation*: Managing our emotions to facilitate what we do rather than hindering it, being conscientious, delaying satisfaction to reach objectives and getting rid of emotional problems
- 3 *Motivation*: The act of using our deepest preferences that direct us to our objectives and guide us, help us take initiation and struggle for development and persevere in coping with the feeling of being defeated and hindered.
- 4 *Empathy*: Perceiving what others feel, viewing things from their perspective, establishing friendships with different people and adapting oneself to the environment.
- 5 *Social skills*: Managing emotions well in relations, perceiving social situations and networks of relationships accurately, establishing smooth communication, persuading others and guiding them,

facilitating negotiation and working out solutions in disputes and being involved in cooperation and teamwork

One of the leading modes of emotional intelligence is the model suggested by Bar-On. Bar-On defined emotional intelligence as a series of personal, emotional and social competencies and skills that help an individual cope with the pressures and demands from the environment. Cooper and Sawarf define emotional intelligence as the ability to perceive, understand and efficiently practice the power and sensibility of emotions as a source of human energy, knowledge and source of impact. They think that human emotions are a common ground for core emotions, instinctive impulses and emotional preferences. When people trust and respect these, emotional intelligence enables us to understand ourselves and others more deeply and comprehensively (Cooper and Sawaf 2010:377). According to Konrad and Claude (2001:11), the components of emotional intelligence are knowing who you are, being aware of your emotions and knowing how to use them to reach desirable results. Moreover, emotional intelligence includes a number of such skills as managing emotional and spiritual states such as fear, depression and anger, motivating oneself, staying positive and optimistic in the case of frustration, empathy; that is, viewing things from the perspectives of others and social ability in relations.

#### ○ **Problem-Solving Skills**

There are quite a few definitions the notion of problem in the literature. For example, Heppner (1982) defines "problem" as a person's response to an obstructive situation in line with internal or external desires. According to Cüceloğlu (1999:219), a problem is a barrier that prevents a person's from reaching his/her target. Similarly, Bingham (1998) notes that it is an obstruction that confronts the available power that a person produces to reach a particular purpose. Another person to define the notion of problem is Huilt (1992), who notes that a problem is the gap where you are and where you want to be; in other words, it is the difference between the ideal and the present situation.

The notion of problem brought forth the issue of problem solving. Problem solving, according to Oğuzkaan (1989), is a process that includes a series of struggles with cognitive and psychological dimensions that are intended for eliminating difficulties to reach a particular objective. Cüceloğlu (1999) defines problem solving as "eliminating barriers that prevent a person from reaching his/her target (Cüceloğlu 1999:219). Heppner (1982) uses problem-solving synonymously with coping with problems (Cited in Keleş 2002). Davidson et al., (1994) define the process of problem solving in the effort put in getting rid of the problematic situation and reaching the desired one.

The first significant aspect both in personal and organizational problem solving is being aware of the problem-solving process. Even though behavioral categories entailed by problem-solving processes change from one individual to another, there are common and basic steps to problem-solving processes (Güçlü, 2003). When the models in the literature about problem-solving are examined, it is observed that these are slightly altered variations of the one developed by Dewey in 1910. The steps to problem solving are as follows: feeling the need for problem-solving, defining problems, looking for solution options, deciding on the action, putting decisions into practice and evaluating the solution (Sungur 1992:132).

The three-step problem-solving model developed by D’Zruilla and Goldfried (1971) is the most famous example of process-oriented problem-solving model. According to this model, the steps of this problem-solving process are as follows:

- *Defining the problem:* It is the process of defining the problem specifically and concretely. The problem is defined from the perspectives of every person in the process of interaction. The purpose and acceptable results can be defined.
- *Working out alternative solutions:* The people are asked to produce alternative solutions through brainstorming. In this step, all suggested solutions are taken into consideration.
- *Deciding on the best solution (Decision-making):* The cost and rewards of every potential solution are assessed. The solution with the best cost/reward rate is chosen and planning for application starts.
- *Evaluation:* The plan is put into practice and assessed. If the desired outcome is not reached, the process starts from the beginning.

#### ○ **Correlation between Emotional Intelligence and Problem-Solving in Nurses**

Current research shows that there is a significant correlation between emotional intelligence and problem-solving skills. That is, as the level of emotional intelligence increases, problem solving skills of individuals develop as well. For example, in a study on school administrators, Azeez et al., (2010) found a positive correlation between problem solving and emotional intelligence, and they note that as the level of emotional intelligence increases, so do problem-solving skills. In another study, Jordan and Ashlea (2004) found that there was a positive correlation between emotional intelligence indicators and problem-solving skills in teams and team performance. In a study on high school students, Zhang et al., (2012) found a significant correlation between emotional intelligence and problem solving skills. The findings obtained indicate that as the level of emotional intelligence increases, so do problem-solving skills.

It is commonly stated that emotional intelligence is essential for success in nurses' professional life. The studies carried out on emotional intelligence in nursing suggest that emotional intelligence skills positively affect patient care and well-being of the employee, increased job satisfaction and contributes to the fight against stress. In order for nurses to establish good relations with patients, they have to be individuals with a high level of emotional intelligence; that is, they have to be aware of their own feelings, empathize with others, motivate themselves and establish effective communication (Karabulutlu et al., 2011: 76)

Professional nursing practices are connected with such emotional intelligence skills as being aware of one's emotions, understanding others' emotions, managing emotions, adapting to the environment, conditions and optimism (Kooker et al., 2007). Landa et al., (2007) found that the nurses with high levels of emotional intelligence established positive interpersonal relations, had higher levels of problem solving skills and used appropriate strategies to alleviate stress (McQueen 2004, Despande & Joseph 2009). Therefore, the development of emotional intelligence is undeniably significant in terms of nurses' physical and psychological health, professional productivity and effective problem solving skills (Acar 2001, Freshman & Rubino 2002).

Nurses work in a busy, stressful and tiring workplace environment. This in turn negatively affects their physical and psychological health and leads to burnout. While doing their job in such a context, they have to give close attention to patients, establish efficient communication with them and possess the skills of solving patients' and their own problems. In other words, they should be able to use emotional intelligence and problem solving skills to preserve their own physical and mental health in such stressful environments, meet the expectations of patients and cope with problems efficiently.

- **Methodology**

The purpose of this descriptive study is to examine the relationship between emotional intelligence and problem-solving skills in nurses. The population of the study was composed of 900 nurses working in 4 different hospitals in Konya, a province in Turkey. 399 nurses that volunteered to take part in the study were included in the study sample. The data were collected by using "Personal Information Form," Bar-on's "Emotional Intelligence Scale" and Heppner and Peterson's "Problem-Solving Inventory."

The data collection tools were piloted by administering them to 10 nurses. The results of the piloting revealed that all the questions were comprehensible. Then the data collection tools were administered in a face-to-face manner between September, 2011 and January, 2012 after the necessary permissions were obtained from the management of the hospitals. The collected data were analysed by calculating descriptive statistics and carrying out several statistical procedures; that is, t-test, one-way ANOVA and correlation.

The emotional intelligence scale used in the study was developed by Bar-on (1997), and it was adapted into Turkish by Acar (2001). The scale is composed of 87 five-point items with ratings ranging from 1 to 5, which respectively refer to "I strongly Disagree," "I Disagree," "I am Undecided," "I Agree" and "I Strongly Agree." A high score obtained from the Emotional Intelligence Scale indicates that the individual has advanced emotional intelligence skills (Acar 2001). Table 1 presents the sub-scales of the scale and Cronbach Alpha coefficients for these sub-scales.

**Table 2.1. Cronbach Alpha Coefficients for the Sub-Scales of Emotional Intelligence Scale**

<b>Emotional Intelligence and Its Sub-Scales</b>	<b>Cronbach Alpha Coefficient</b>
Personal Skills	,868
Interpersonal Skills	,865
Rapport	,689
Stress Management	,718
General State of Psychology	,800
<b>Total</b>	,940

When the intelligence scores were obtained using the Emotional Intelligence Scale, the range of the values in Table 2.1 was used, and the emotional intelligence levels of the participants were calculated.

**Table 2.2. Evaluation Scores for Emotional Intelligence Scale**

<b>Total Score Range</b>	<b>The Level of Emotional Intelligence</b>
1,00 – 1,80	Very Low
1,81 – 2,60	Low
2,61 – 3,40	Average
3,41 – 4,20	High
4,21 – 5,00	Very High

In this study, to investigate the problem-solving skills of nurses, the researchers used the Problem Solving Inventory, developed by Hepner and Peterson (1982) and adapted into Turkish by Şahin and Hepner (1993). This inventory is used to assess how the individual perceives behaviours and attitudes regarding problem-solving. It is composed of 35 items with six-point ratings ranging from 1 to 6 (Ünüvar, 2003). The total score that can be obtained from the scale ranges between 32 and 192. A score between 32 and 80 shows higher-order problem-solving skills, whereas the one between 81-192 shows low-level problem-solving skills (Üstündağ and Beşoluk 2012:3). A higher score obtained in the scale indicates that the individual views him/herself inadequate in terms of problem-solving skills. The sub-scales in the inventory are hasty approach, reflective approach, avoidance, evaluative approach, self-confidence approach and planned approach (Ünüvar 2003:61-62). Table 2.3 presents the sub-scales of the scale and Cronbach Alpha coefficients for these sub-scales.

**Table 2.3. Cronbach Alpha Coefficients for the Sub-Scales of Problem-Solving Inventory**

<b>Problem-Solving Inventory and Its Sub-Scales</b>	<b>Cronbach Alpha Coefficiency</b>
Hasty Approach	,792
Reflective Approach	,738
Avoidant Approach	,661
Evaluative Approach	,779
Self-Confidence approach	,736
Planned Approach	,751
Total	,924

When the scores obtained using the emotional intelligence scale, the values in Table 2.4 were used and the emotional intelligence levels of the participants were calculated.

**Table 2.4. The Evaluation Scale for Problem-Solving Inventory**

Total Score Range	Perception of the Level of Problem-Solving Skills
32-80	High
81-192	Low

The main hypothesis of the study is as follows:

*Hypothesis 1:* There is a correlation between emotional intelligence and problem-solving skills in nurses.

- **Findings**

The findings of the study are presented below.

**Table 3.1. Socio-Demographic Characteristics of the Study Sample**

<b>The Distribution of the Nurses According to their Work Place</b>	<b>Frequency</b>	<b>(%)</b>
Konya Education and Research Hospital	226	56,6
Selçuk University Medical Faculty Hospital	114	28,6
Private Medline Hospital	32	8
Private Farabi Hospital	27	6,8
<b>Total</b>	<b>399</b>	<b>100</b>

<b>Age</b>	<b>Frequency</b>	<b>Percent (%)</b>
18-24	124	31,1
25-31	156	39,1
32-39	96	24,1
40+	23	5,8
<b>Total</b>	<b>399</b>	<b>100</b>

<b>Gender</b>	<b>Frequency</b>	<b>Percent (%)</b>
Female	256	64,2
Male	143	35,8
<b>Total</b>	<b>399</b>	<b>100</b>

<b>Educational Background</b>	<b>Frequency</b>	<b>Percent (%)</b>
High School	122	30,6

College	80	20,1
Undergraduate	189	47,4
Master's Degree	8	2,0
<b>Total</b>	<b>399</b>	<b>100</b>

As Table 3.1 shows, 226 (56,6%) nurses from Konya Education and Research Hospital, 114 (28,65%) nurses from Selçuk University Medical Faculty Hospital, 32 (8%) nurses from Private Medline Hospital and 27 (6,75%) nurses from Private Farabi Hospital participated in the study. 124 (31,1%) of the participants were between 18-24 years old; 156 (39,1%) of them were between 25-31 years old and 96 (24,1%) of them were between 32-39 years old. 256 (64,2%) of these nurses were males and 143 (35,8%) of them were females. When the participants' educational background is examined, it is seen that 122 (30,6%) were high school graduates; 80 (20,1%) had a college degree; 189 (47,4%) had an undergraduate degree, and 8 (2,0%) had a master's degree.

**Table 3.2. Workplaces and the Length of Service of the Nurses**

<b>Department</b>	<b>Frequency</b>	<b>Percent (%)</b>
Surgical Units	162	40,6
Internal Disease Units	211	52,9
Other Units	26	6,5
<b>Total</b>	<b>399</b>	<b>100</b>

<b>How long have you been working as a nurse?</b>	<b>Frequency</b>	<b>Percent (%)</b>
0-11 months	43	10,8
1-5 months	170	42,6
6-10 months	79	19,8
11 years or more	107	26,8
<b>Total</b>	<b>399</b>	<b>100</b>

<b>How long have you been working at this hospital?</b>	<b>Frequency</b>	<b>Percent (%)</b>
0-11 months	164	41,1
1-5 years	174	43,6
6-10 years	35	8,8
11 years or more	26	6,5
<b>Total</b>	<b>399</b>	<b>100</b>

As Table 3.2 shows, 162 (40,6%) of the nurses that took part in the study worked in surgical units; 211 (52,9%) of them worked in the units for internal diseases and 26 (6,5%) of them worked in other units. When the data about the length of service are examined, it is seen that 43 (10,8%) of the nurses had worked less than a year; 170 (42,6) of them had worked 1 to 5 years; 79 (19,8%) of them had worked 6 to 10 years; 107 (26,8%) of them had worked 11 years or more. In terms of the length of service in the hospitals where the participants worked at the time of the study, it was found that 164 (41,1%) of them had worked less than a year; 174 (43,6%) of the nurses had worked between 1–5 years, 35 (8,8%) of them had worked between 6–10 years, and 26 (6,5%) of them had worked 11 years or more.

As seen in Table 3.3, 6 (1%) of the nurses that took part in the study had low-level intelligence; 70 (17.5%) of them had average-level intelligence; 271 nurses (67,9%) had high-level of intelligence and 54 (13,5%) had very high-level intelligence.

**Table 3.3. The Classification of the Emotional Intelligence Levels of the Participants**

<b>Emotional Intelligence Level</b>	<b>Frequency</b>	<b>Percent (%)</b>
Emotional Intelligence Level (Low)	4	1
Emotional Intelligence Level (Average)	70	17,5
Emotional Intelligence Level (High)	271	67,9
Emotional Intelligence Level (Very High)	54	13,5
Total	399	100

**Table 3.4. Descriptive Statistics for the Sub-Scales of the Emotional Intelligence Scale**

<b>Sub Scales</b>	<b>Mean</b>	<b>Standard Deviation</b>
Personal Skills	3,77	0,48
Interpersonal Skills	4,01	0,54
Rapport	3,65	0,45
Coping with Stress	3,27	0,54
General Psychological State	3,88	0,57
Total Emotional Intelligence	3,74	0,43

Table 3.4 shows that the emotional intelligence scale used in the study was composed of five sub-scales. The mean emotional intelligence score of the participants was calculated to be  $67,1 \pm 17,2$ . The mean scores for the sub-scales were as follows:  $3,77 \pm 0,48$  for personal skills,  $4,01 \pm 0,54$  for interpersonal skills,  $3,65 \pm 0,45$  for rapport,  $3,27 \pm 0,54$  for coping with stress and  $3,88 \pm 0,57$  for general psychological state.

**Table 3.5. Scores for Problem-Solving Skills**

<b>A Classification of Problem-Solving Skills</b>	<b>Number</b>	<b>Percent</b>
Perception of the Level of Problem-Solving Skills (Low)	309	77.4%
Perception of the Level of Problem-Solving Skills (High)	90	22,6%
<b>Total</b>	399	100%

As seen in Table 3.5, it was found that of the 399 nurses that took part in the study, 309 (77,4%) possessed the perception of high-level and 90 (22,6%) had the perception of low-level problem-solving skills.

**Table 3.6. Descriptive Values about the Six Sub-Scales in the Inventory**

	<b>Mean</b>	<b>Standard Deviation</b>
<b>Hasty Approach</b>	64,4	22,6
<b>Reflective Approach</b>	72,1	26
<b>Avoidance</b>	61,5	16,6
<b>Evaluative Approach</b>	63,3	21,2
<b>Self-Confidence Approach</b>	70,2	25,1
<b>Planned Approach</b>	69,6	27,8
<b>Total Problem-Solving</b>	67,1	17,2

Table 3.6 illustrates that the problem-solving scale used in the study was composed of 6 sub-scales. The mean score for the perception of problem-solving skills was calculated to be 67,1±17,2. When the sub-scales are examined, it is seen that the mean scores for the sub-scales are as follows: 64,4±22,6 for hasty approach, 72,1±26 for reflective approach, 61,5±16,6 for avoidance, 63,3±21,2 for evaluative approach, 70,2±25,1 for self-confidence approach and 69,6±27,8 for planned approach.

**Table 3.7. The Examination of the Correlation between Emotional Intelligence and Problem-Solving**

<b>The Level of Emotional Intelligence and Problem-Solving Skills</b>	$\bar{x}$		<b>Emotional Intelligence Level</b>	<b>Problem-Solving Skills</b>
<b>Emotional Intelligence Level</b>	3,7427	r	1	-0,561**
		p		0,000
<b>Problem-solving Skills</b>	67,1	r	-0,561**	1

		p	0,000	
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The Pearson correlation coefficient was calculated to analyse the relationship between the level of emotional intelligence and problem-solving skills in nurses. The results of the analyses revealed that there was a statistically significant negative correlation between emotional intelligence level and problem-solving skills in nurses ( $r = -0,561$ ;  $p < 0,001$ ). This finding implies that as the level of emotional intelligence increases, so do problem-solving skills. As noted earlier, lower scores in the Scale for Problem-Solving Skills indicate higher levels of problem-solving skills.

## • Results

In the present study, which investigates the correlation between emotional intelligence and problem-solving skills in nurses, it was found that 4 (1%) of the nurses had low-level emotional intelligence, 70 (17,5%) had moderate level of intelligence; 271 (67,9%) had a high-level emotional intelligence, and 54 (13,5%) of them had very high-level emotional intelligence. The mean emotional intelligence score was  $X = 3,74 \pm 0,43$ . When the sub-scales are examined, it is seen that the mean scores are as follows: Personal skills ( $X = 3,77 \pm 0,48$ ), interpersonal skills ( $X = 4,01 \pm 0,54$ ), rapport ( $X = 3,65 \pm 0,45$ ), coping with stress ( $X = 3,27 \pm 0,54$ ) and general psychological state ( $X = 3,88 \pm 0,57$ ). These results indicate that the nurses had powerful personal skills, established strong interpersonal relations and rapport with others, were able to cope with stress and had a healthy general psychological state.

The mean problem-solving perception score was  $X = 67,1 \pm 17,2$ . Of the 399 nurses that participated in the study, 309 (77,4%) had a high-level problem-solving perception, while 90 (22,6%) of them had a low-level problem-solving perception. The mean scores for the sub-scales are as follows: hasty approach ( $X = 64,4 \pm 22,6$ ); reflective approach ( $X = 72,1 \pm 26$ ), avoidance ( $X = 61,5 \pm 16,6$ ), evaluative approach ( $X = 63,3 \pm 21,2$ ), self-confidence approach ( $X = 70,2 \pm 25,1$ ) and planned approach ( $X = 69,6 \pm 27,8$ ). These findings indicate that nurses have advanced problem-solving skills.

The correlation analysis was carried out to find out the strength and direction of the correlation between emotional intelligence and problem-solving skills. The analysis revealed that there was a statistically significant negative correlation with moderate strength ( $p \leq 0,001$ ). The findings indicate that as the level emotional intelligence increases, so does the perception of problem-solving (Lower scores in problem-solving scale indicate an increase in problem solving power, while higher scores in emotional intelligence scale imply a high level of emotional intelligence).

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### **A Study Intended for the Determination of the Relevance between Organizational Downsizing and Organizational Commitment in the Industrial and Service Enterprises**

#### **Abstract:**

The purpose of this study is to investigate to determine the relevance between the employees' downsizing perceptions and their organizational commitments, and whether such a relevance vary up to the industrial and service enterprises. The hypotheses having been developed in order to achieve this goal are as follows;

- 1 There is relevance between the employees' downsizing perceptions and with the levels of their organizational commitments.
- 2 There is relevance between the industrial enterprise employees' downsizing perceptions and with the levels of their organizational commitments.
- 3 There is relevance between the service enterprise employees' downsizing perceptions and with the levels of their organizational commitments.

Population of the research is comprised with a private casting enterprise, and a software company, which are operating in Konya (Turkey), which have been found to go downsizing in the near future.

Questionnaire method has been used as the tool for collecting data in the research. According to the outcome of the research, while 1<sup>st</sup> and 3<sup>rd</sup> hypotheses have been refused, the 2<sup>nd</sup> hypothesis has been accepted.

**Keywords:** Organizational Downsizing, Organizational Commitment, Industrial Enterprise, Service Enterprise.

**JEL Classification:** L53

#### **1. Introduction**

Downsizing is a concept being mentioned, and discussed mostly at times of crisis. Organizations make various strategic decisions in order to struggle against economical uncertainties, crisis, against their rivals and ever-increasing costs in the ever-escalating competitive environment, to cope with the ever-changing environmental conditions (such as technological environment), and finally to endure their existence. Among these critical decisions is the “organizational downsizing” (Öztürk & Tengilimoğlu, 2006: 35).

Downsizing is defined as “a comprehensive strategy, which is realized by way of reducing the ranks in the enterprises, restricting the fields of operation, and resorting to subcontractors in a series of operations, and which involves any change, or improvement in the amount and dimensions of the manpower, as well as in the modes and processes of the operations within the enterprises” (Zehir, 2000: 9).

According to Koçel (2011: 422-423), the objectives of the downsizing, which is meant to be “the reduction of the number of personnel, costs, operations, and processes by means of the decisions being made, and strategies being implemented consciously by the business management” are as follows:

- 1 Reducing the costs
- 2 Accelerating the process of decision-making
- 3 Increasing the flexibility in the competition with the rivals
- 4 Maintaining a more effective communication environment
- 5 Focusing on the customer needs
- 6 Accelerating the personnel empowerment
- 7 Increasing the productivity
- 8 Causing the new applications implemented rapidly
- 9 Raising the synergy, and
- 10 Easier monitoring of the personnel

Having been included within the strategic management literature in the 80’s, so as to realize the aforementioned objectives, the concept of organizational downsizing then regained a widespread use after the 90’s. It is the enterprises, which plan, and implement the downsizing in an effective manner, and which also take the employees into consideration in this process may fulfill their objectives (Öztürk & Tengilimoğlu, 2006: 35). On the other hand, the downsizing applications being implemented not onto rational grounds may not only block the organization’s way to reach its objectives, but also cause negative outcomes. Downsizing to occur in the organization al commitments of the personnel, who have retained their positions, is among such negativities (Leung & Chang, 2002).

Organizational commitment is defined as the employees’ adopting the objectives and values of the organization, endeavoring for the achievement of these objectives, and as their desire to furthering their affiliation with the organization (Hartman & Bambacas, 2000: 91). This concept is described by O’Reilly & Chatman (1986) as the psychological bond between the person, and the institution he/she works in.

Conscious managers endeavor to raise their employees’ organizational commitment. They are aware from the fact that, the higher their commitment is raised, the higher their performance is to rise, and the better their communication with the other employees will become, and that their organization will thereby continue its existence (Obeng & Ugboro, 2003: 83).

Organizational commitment is classified variously by various researchers. The mostly used among those is of Allen & Meyer (1991), whose classification is in the form of emotional commitment,

dependence commitment, and normative commitment. Emotional commitment reveals that, the employees are committed to the organization emotionally, and that, they wish to stay in the organization by their free will (Allen & Meyer, 1991: 67). This is the type of commitment that the organizations seek the most. Because the employees, feeling themselves emotionally committed to their organization, are those, who are expected to display the highest performance (Özler, 2010: 5). Another type of commitment, namely as the dependence commitment, is the one, in terms of which the employees are bound to the organization, while keeping the things they would otherwise lose in their minds (Obeng & Ugboro, 2003: 84). This is somewhat a compulsory commitment. In terms of normative commitment, employees feel themselves committed to their organization in their belief that, staying in the organization is right and ethical (Çetin, 2004: 59). This type of commitment depends to the culture of the society in which being lived.

Organizational commitment, which is deemed of critical importance for the organizations, is under the influence of numerous factors. Employment status, sort of the work, wage, participation in management, role ambiguity/conflict, organizational justice, level of the organizational communication, leadership styles, organizational support, career opportunities, alternative job opportunities, etc. may be referred among the aforementioned factors (Özler, 2010: 8). In this study, perceptions of organizational downsizing have been focused on as being the indicator of the organizational commitment.

- **Methodology**

What is intended in this research is to determine the relevance between the employees' downsizing perceptions and their organizational commitments, and whether such a relevance vary up to the industrial and service enterprises. The hypotheses having been developed in order to achieve this goal are as follows;

H1: There is relevance between the employees' downsizing perceptions and with the levels of their organizational commitments.

H2: There is relevance between the industrial enterprise employees' downsizing perceptions and with the levels of their organizational commitments.

H3: There is relevance between the service enterprise employees' downsizing perceptions and with the levels of their organizational commitments.

Population of the research is comprised with a private casting enterprise, and a software company, which are operating in Konya (Turkey), which have been found to go downsizing in the near future. While the industrial enterprise was employing 250 employees prior to the downsizing process, the same figure has dropped to 52 after the organizational downsizing. While the enterprise operating in the service sector was employing 142 employees prior to the downsizing process, the same figure has dropped to 72 after the organizational downsizing.

Questionnaire method has been used as the tool for collecting data in the research. Organizational downsizing scale, among the scales in use, has been adapted from the earlier works of Savery (1998), Williams (2004), Knudsen (2003); while organizational commitment scale has been developed by Meyer & Allen, and both two scales have been used commonly within Turkish literature since then.

Upon examining the reliability levels of the scales, and having the Cronbach Alpha values thereof found as 70% more, it may be said that, the scales in question possess statistically acceptable reliability levels.

During the course of the research, 122 out of 124 employees, who comprised the universe of the research, could have been contacted, and 108 of the distributed questionnaire forms were returned. This shows the achievement of a feedback ratio by 89% in practice.

The data, having been collected in compliance with the intended purpose of the research, were analyzed via SPSS program. While the characteristics of the employees within the scope of the research were examined via such descriptive statistics as frequency, percentage distribution, the relevance between the employees' organizational downsizing perceptions and the levels of organizational commitment thereof, the relevance between the industrial enterprise employees' organizational downsizing perceptions and the levels of organizational commitment thereof, and the relevance between the service enterprise employees' organizational downsizing perceptions and the levels of organizational commitment thereof were examined via correlation analysis.

- **Findings**

**Table 1. Findings with Regard to the Personal and Occupational Features of the Participants**

	Service Sector		Industrial Sector		Service and Industrial Sector	
	n	%	n	%	n	%
<b>Gender</b>						
Female	30	47,6	7	15,6	37	34,3
Male	33	52,4	38	84,4	71	65,7
<b>Marital Status</b>						
Married	33	52,4	32	71,1	65	60,2
Single	30	47,6	13	28,9	43	39,8
<b>Age</b>						
20-35	50	79,4	35	77,8	85	78,7
36-45	12	19,0	10	22,2	22	20,4
46 and above	1	1,6	0	0,0	1	0,9
<b>Education</b>						
High School	19	30,2	13	28,9	32	29,6
Associate's Degree	19	30,2	9	20,0	28	25,9
Under-Graduate	20	31,7	23	51,1	43	39,8
Postgraduate	5	7,9	0	0,0	5	4,6
<b>Year at Work</b>						
Less than 1 year	15	23,8	13	28,9	28	25,9
1-3 years	23	36,5	10	22,2	33	30,6
4 years and longer	25	39,7	22	48,9	47	43,5
<b>Total</b>	63	100	45	100	108	100

In this section, the findings in relation with the outcomes of the research have been examined.

As being seen from the table 1, out of the participants of the questionnaire, 34.3% thereof are females, and 65.7% thereof are males, and among this population, 60.2% thereof are married, and the remaining 39.8% are single. In view of the age dispersions, 78.7% thereof are in between the range of age from 20 to 35, 20.4% thereof are in between the range of age from 36 to 45, and those from the remaining 0.9% are at the age range of 46 and above. Most of those who responded to the questionnaire are graduates from university. Out of the whole, it has been found out that, 25.9% of the participants have been working at their current workplaces for no longer than 1 year of time, 30.6% thereof have been working at their current workplaces for 1 to 3 years, and the remaining 43.5% thereof have been working at their current workplaces for 4 years and longer.

**Table 2. Results from the Correlation Analyses between the Downsizing Perceptions and Organizational Commitment Levels of the Employees**

		Organizational Downsizing	Organizational Commitment
Organizational Downsizing	Pearson Correlation	1,000	,051
	Sig. (2-tailed)	.	,604
	N	108	108
Organizational Commitment	Pearson Correlation	,051	1
	Sig. (2-tailed)	,604	.
	N	108	108

According to the research findings, the correlation coefficient of the downsizing perceptions and organizational Commitment Levels of the Employees was found as 0.051 Due to having not ascertained a meaningful relation between the two variables, while the sigma value was bigger (0.604) than 0.05, 1st hypothesis therefore could not have been verified.

**Table 3. Results from the Correlation Analyses between the Downsizing Perceptions and Organizational Commitment Levels of the Industry Enterprise Employees**

		Organizational Downsizing	Organizational Commitment
Organizational Downsizing	Pearson Correlation	1,000	,344(*)
	Sig. (2-tailed)	.	,021
	N	45	45
Organizational Commitment	Pearson Correlation	,344(*)	1,000
	Sig. (2-tailed)	,021	.
	N	45	45

\*Correlation is significant at the 0.05 level (2-tailed).

According to table 3, a positive-directional, and statistically meaningful relation ( $p < 0,05$ ) has been ascertained between the organizational downsizing perceptions and organizational commitment levels of the industrial enterprise employees. In other words, positive perceptions of the industrial enterprise employees on downsizing positively affect their organizational commitment. Accordingly, the 2nd hypothesis has been approved.

**Table 4. Results from the Correlation Analyses between the Downsizing Perceptions and Organizational Commitment Levels of the Service Enterprise Employees**

		Organizational Downsizing	Organizational Commitment
Organizational Downsizing	Pearson Correlation	1,000	,009
	Sig. (2-tailed)	.	,942
	N	63	63
Organizational Commitment	Pearson Correlation	,009	1,000
	Sig. (2-tailed)	,942	.
	N	63	63

The results of the correlation analysis, having been conducted so as to ascertain the relation between the service enterprise employees' organizational downsizing perceptions and the organizational commitment levels thereof, are given in table 4. Accordingly, no statistically meaningful relation ( $p < 0,05$ ) has been ascertained between the variables in question. That is why the 3rd Hypothesis has been rejected.

- **Conclusion and Suggestions**

While it has been intended herein to determine the relevance between the employees' downsizing perceptions and their organizational commitments, and whether such a relevance vary up to the industrial and service enterprises, and out of the respective analyses, a positive-directional, and statistically meaningful relation has been ascertained between the organizational downsizing perceptions and organizational commitment levels of the industrial enterprise employees. Accordingly, positive perceptions of the industrial enterprise employees on downsizing positively affect their organizational commitment. On the other hand, no meaningful relation has been ascertained between the same variables in view of the service enterprise employees.

Taking the respective studies into consideration, in Cingöz's (2006) research, having been conducted at 5 private-sector enterprises in Kayseri for the purpose of determining the effects of the positive perceptions of those who were staying towards downsizing and disemployment on the types of organizational commitment, yet another positive-directional relation was ascertained among the variables in question. Spreitzer & Mishra's (2002) research revealed that, there was a positive relation between the fairly perceived process of downsizing and the organizational commitment of the personnel, who had stayed.

Demir (2010), in his study having been conducted among the white-collar employees at 5 enterprises from the automotive sector, which were resorting to downsizing, found the employees speaking of themselves as finished, as they were undergoing “the rest syndrome”, and as they were feeling committed towards their organization compulsorily. In Ergeneli & Arı’s (2005) study, having been conducted in Ankara, organizational commitment of the managers of the banks, in which disemployment had been resorted to at times of crisis, was found lower than those of the managers of the banks, in which disemployment had not been resorted. Öztürk & Tengilimoğlu (2006) concluded from their study, having been conducted among 100 employees of the Turkish Telecommunication Institution, that downsizing was deemed as a factor negatively affecting the employee commitment. Leung & Chang (2002) pointed out the fact in their study that, downsizing was causing job insecurity and stress among the staying personnel, and that such a state of mind lowered their emotional commitment, but raised their dependence commitment.

As a consequence of this study, and of the other related researches, organizations should resort to disemployment as their last option, and should reveal this attitude to their employees. Downsizing process should be planned, and executed correctly. It should always be reminded that, the human source is the most important factor throughout this process. Because despite cost-saving is seemingly advantageous for the short-term, such negativities as the human source undergoing stress, decreases in their organizational commitment and reliability, decreases in their motivation, etc. may affect the organizations negatively in the long-term. That is why, both the disemployed personnel, and those who stay should be caused to perceive that disemployments were a must, that the respective process was conducted fairly, and objective criteria were resorted at the times of respective decision-making. Because the organizational commitment of the personnel, who perceive this process as a just one, will not lower. Throughout this process, the staying personnel should be granted with job security, if possible, and all the personnel should be informed accurately in a way the communication techniques are utilized effectively.

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### **The Impact of Mnemonic Devices on Attainment and Recall in Basic Knowledge Acquisition in Nursing Education**

#### **Abstract:**

The purpose of this study is to investigate the impact of letter/phonetic method on attainment and recall of basic knowledge about healthcare system, health teams and the roles of nurses taught in “Introduction to Nursing” lesson in freshman students studying at nursing department at the faculty of health sciences.

Therefore, the present study was carried out with 76 freshman students in two classes with almost the same knowledge level in the Department of Nursing at the Faculty of Health Sciences at KafkasUniversity in 2012-2013 academic year. Before the instructional period, one of these classes (39) was assigned as the treatment group, while the other (37) was assigned as the control group. Both groups were given a test on Health care system, health teams and the role of nurses. The participants were given the same test after the study as well. Three weeks after the instructional period, the attainment test was given as the recall test. The test scores were analyzed using t-test. The analysis of the t-test scores indicated that there was a significant difference between the attainment scores of the groups. Similarly, when the recall test scores of the groups were compared, it was found there was a significant difference between the groups in favor of the treatment group in terms of recalling what was learnt. The findings of the study indicated that letter/phonetic method implemented in the study was highly effective in boosting learners’ success and recall.

**Keywords:** Nurses, Health Care System, Health Teams, the Role of Nurses, Mnemonic Devices, Letter/Phonetic Method, Attainment, Recall.

**JEL Classification:** I20

#### **1. Introduction**

The purpose of nursing is to develop the health of individuals, families and society throughout human life, to prevent illnesses and to provide patients with better health care and to alleviate the agony of patients. The basic roles of nurses determined by International Union of Nurses are advocacy, developing a safe environment, doing research and contributing to the formation of health policies, managing the patients and the health system and carrying out educational activities (The ICN Definition of Nursing, 2011). Nursing is a scientific field that entails expertise. The knowledge that nurses possess play a significant role in providing patients with the health care that they need (Çetin,

2008: 108). A major purpose of nursing is to teach existent knowledge, skills and values; validate, renew, develop and generalize and make them perfect (Altun 2010: 237; cited in Çınar et al., 2013: 2)

The basis of nursing education is to ensure competency in knowledge and skills. Therefore, both theory and practice are equally important in nursing curricula (Gannon et al., 2001:534; cited in Ay, 2007: 58). From a global perspective, nursing education is a training process that includes theoretical and practical instruction and learning experiences. During this educational process, learners are given theoretical knowledge to help them establish and maintain effective communication with healthy/ill individuals within the family/the society and develop and express themselves well, along with turning knowledge into behaviour (Taşocak 2003: 1; Keçeci, 2007:3).

In Turkey, nursing education is basically provided at the undergraduate level. During the four-year educational period, learners are provided with lessons such as introduction to nursing that represents clinical information, nursing for internal diseases, surgical nursing, women's health nursing, public health nursing and psychiatric nursing along with lessons concerning basic medical sciences (anatomy, physiology, pathology, biochemistry, histology, nutrition, etc.) and lessons in social sciences (sociology, psychology, management, professional communication, educational methodology, etc.). Introduction to Nursing among these lessons is one of the most significant lessons that helps learners get acquainted with the nursing profession, change their perspectives about nursing and understand this profession. This lesson includes such subjects as introduction to nursing, health-care system, the roles of health teams and nurses, establishing communication with patients, healthy environments in hospitals, patient admission and discharge, the process of nursing, ethical issues in nursing and others related with basic nursing (Kaya and Akçin, 2002: 6).

Nursing education is an educational system that encompasses cognitive, affective and psycho-motor learning domains. The cognitive domain is concerned with the classification of instructional objectives based on thinking, and the affective domain encompasses behaviours that include the human emotions, whereas the psycho-motor domain studies behaviours that emerge as a result of the cooperation between the senses, mind and muscles (Mete, 2009: 115). Since nursing as a significant health education program encompasses a number of concepts, principles and symbols, various significant problems emerge in terms of learners' success and behavioural objectives. The quest for effective strategies in concept instruction is one of the significant problems of health education. In this context, it is significant that mnemonic devices should be included in nursing education.

#### ○ **Mnemonic Devices in Education and the Letter-Phonetic Method**

Mastropieri and Scruggs (1998) defined mnemonic devices as strategies that help code relationships and associations that are not a natural part of the subject to be learned. Mnemonic strategies are an artificial network of relations that pair up semantically unrelated components with similar or different properties. That is, mnemonic devices make the piece of information to be learned more meaningful and facilitate retention. They are supportive methods that make the mind more powerful and facilitate recall (Bourne, Dominowski, Loftus and Healy, 1986). Sweda et al., (2000) noted that mnemonic devices are instructional strategies, intended for the memory that establishes links between old and new information with the help of visual and auditory cues.

Since mnemonic devices facilitate learning activities, they help increase the amount of information learned during the educational period. Arends (1997) stresses that mnemonic strategies help individuals form schemata for the information that they learn. In this process, learners develop problem-solving skills which are efficient in analytical thinking, reasoning as well as retaining information in the memory for a long time (Marschark and Hunt, 1989; Levin et al., 1990). In this regard, Eysenck and Keane (1995) stress that mnemonic devices facilitate deeper thinking in learners that lack such a skill. In conclusion, no matter how mnemonic devices are defined, the purpose of such strategies is to support the process of retaining information in the mind (Zimbardo, Johnson and Weber, 2006).

The use of mnemonic devices in nursing education is a relatively new practice (Schumacher, 2005). Various studies focusing on the effectiveness of mnemonic devices suggest that they are effective in increasing learner's success and boosting retention (Schunk, 2004; Schumacher, 2005; Heather and Gibson, 2009). While the letter-phonetic method helps learners acquire the objectives of the unit focusing on the health-care system, health teams and the roles of nurses, it might also lead confusion in the mind of the learners or result in forgetting. Furthermore, this method facilitates systematic recall of the newly learned information.

**Table 1. The Acronym of "Cats PRRR"**

TABLE DO YOUR CATS PRRR? MNEMONIC DEVICE		
Before You Hang or Push That Medication, Ask Yourself:		
C	COMPATIBILITIES	Is the drug that I am going to hang or push compatible with the fluid currently infusing?
A	ALLERGIES	Does the patient have drug allergies? Remember to Always Ask Patient About Allergies!
T	TUBING	Do I need to change the tubing? Is it the correct tubing for the drug I am going to administer? Apply sticker to new tubing? Is the tubing kinked?
S	SITE	Is this site safe for drug administration? Does it appear infiltrated? Does it look inflamed?
P	PUMP: The 4 P's of pump safety!	<ul style="list-style-type: none"> <li>• Programmed precisely? Is the tubing in the correct chamber and is each chamber programmed correctly?</li> <li>• Personality? Is the pump on the correct "personality" for this drug I am going to give? Is this a "high-alert" drug? If so, MUST have an RN peer double check the set-up!</li> <li>• Pumping? Is the pumping mechanism working correctly with the number of drops flowing? Are the alarms working?</li> <li>• Plugged in? Is the pump plugged in? Keep the pump plugged in whenever possible.</li> </ul>
R	RIGHT RATE	Do I have the right rate programmed into the pump for this drug? If an IV push drug, do I know the right rate/time to push the drug over?
R	RELEASE.....	CLAMP ON PIGGYBACKS!! Regret not that you left before the drips dropped!
R	RETURN & REASSESS	<ul style="list-style-type: none"> <li>• How did the patient tolerate the drug?</li> <li>• Is the drug helping? How do you know?</li> <li>• Remember to chart your findings!</li> </ul>

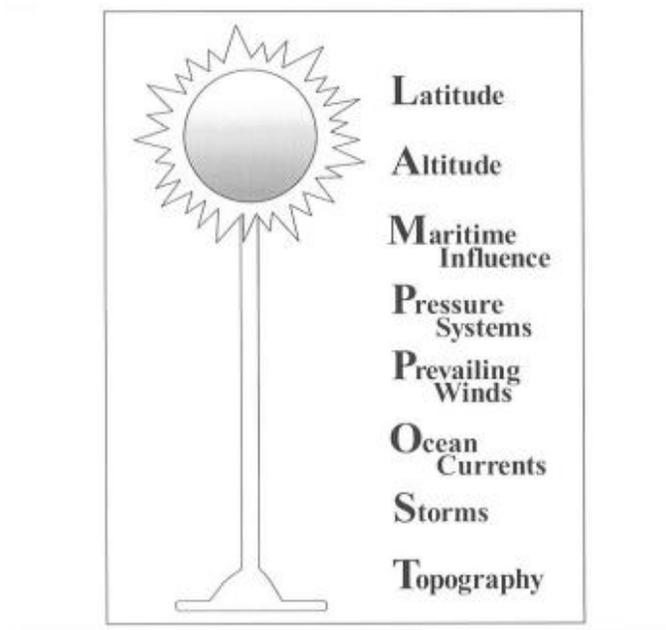
The letter-phonetic method involves creating a meaningful word or a sentence by using the initial letters of the items to be learned. This facilitates retention and recall. The letter phonetic method is composed of 2 techniques; namely, the acronym and acrostic technique. In the former, the initial letters of the words to be learned are combined and a new word is created (Kleinheksel and Summy, 2003; Köksal, 2013). On the other hand, in the latter, the initial letters of the words to be learned are taken

and meaningful sentences are created using words beginning with these letters (Mastropieri and Scruggs, 1998; Schunk; 2004; Kondu, 2011)

The acronym technique used in this study is particularly effective in remembering information in a certain order. Schumacher (2005) coded what nurses have to do in health security controls by using an acronym that he developed: "CATS PRRR?" In this acronym, each letter stands for the steps that have to be followed (See Table 1).

Similarly, Fahrer and Harris (2004) used the acronym technique to teach climatic changes in geography lesson. They inserted what they want to teach in the acronym LAMPPOST (Köksal, 2013). In this acronym, the letters stand for the following: L: Latitude, A: Altitude, M: Maritime influence, P: Pressure systems P: Prevailing winds, O: Ocean Currents, S: Storm and T: Topography. Figure 1 demonstrates the Lamppost variables created by the researchers. As a result of the research study the researchers stated that this method contributed to learning and retention to a significant extent.

**Figure 1. LAMPPOST Acronym**



Köksal (2013) notes that a new acronym was created in the course titled "instructional principles and methods" in the form of the Turkish word "KEBAB," meaning cooked meat, to code reinforcement principles suggested by Skinner. This word is an acronym for the principles of programmed learning. The letters and what they stand for are given below: K: Küçükadımlarilkesi (The principle of small steps), E: Etkinkatılım (Effective participation), B: Başarıilkesi (Principle of success), A: Anındadönütiklesi (The Principle of instant feedback), B: Bireyselhız (The principle of individual pace). It is essential that the learners should know the relationship between the acronym "KEBAB" and Skinner's reinforcement principles. If they do not learn reinforcement principles well, they will not remember what each of the letters stands for in the acronym. If the principle of "efficient participation" is not fully learned, the learner will not be able to make meaning out of the letter "E". Mastropieri and Scruggs (1998) stated that when the acronym technique is used, what each letter stands for should be

learned well (Cited in Köksal, 2013). Sometimes it is not possible to form a meaningful word or a sentence using the initial letters of the words that students are supposed to learn. In such a situation, the students might rearrange the acronym by adding other letters into the word (Korkmaz, 2007). For example, the acronym FıSTıKÇıŞaHaP, meaning a man called Şahap, who sells nuts, is widely used in Turkish language lessons to help learners remember stop sounds in the Turkish language. As it is seen in the example, vowels are inserted within consonants to make a meaningful acronym (Korkmaz,2007; Akt; Köksal,2013). The present study aims to investigate the impact of the letter-phonetic method as a mnemonic device on the attainment and retention in freshman nursing students in the unit about health-care system, health teams and the role of nurses in the lesson titled "Introduction to Nursing and Rapport" in the first year of the nursing department in the faculty of health sciences.

- **Purpose of the Study**

The purpose of the present study is to investigate the impact of letter-phonetic method as a mnemonic device on the attainment and retention in freshman nursing students in the unit about health-care system, health teams and the role of nurses in the lesson titled "Introduction to Nursing and Rapport" in the first year of the nursing department.

- **Research Questions**

1. Is there a significant difference between the post-test attainment scores of the treatment group which received instruction using letter-phonetic method as a mnemonic strategy and the control group, which was instructed traditionally to help attain the objectives in the unit, health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" in the first year of the nursing department?
2. Is there a significant difference between the pre-test and post-test attainment scores of the treatment group which received instruction using letter phonetic method as a mnemonic strategy to attain the objectives in the unit, health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" in the first year of the nursing department?
3. Is there a significant difference between the mean pre-test and post-test attainment scores of the control group, which was instructed traditionally to help them attain objectives in the unit, health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" in the first year of the nursing department?
4. Is there a significant difference between the retention test scores of the treatment group which received instruction using the letter-phonetic method as a mnemonic strategy and the control group, which was instructed traditionally to help attain the objectives in the unit, health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" in the first year of the nursing department?
5. Is there a significant difference between the post-test and retention test scores of the treatment group which received instruction using letter phonetic method as a mnemonic strategy and the control group, which was instructed traditionally to attain the objectives in the unit, health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" in the first year of the nursing department?

- **Method**

This study adopts an experimental method with a pretest, posttest and control group. The experimental method is a type of research in which the data to be observed are created to explore the causality of relations between the variables that are taken under control by the researcher (Karasar, 2007). This study was carried out using two randomly assigned groups. One of these was the treatment group (letter-phonetic method), while the other one was the control group (traditional learning). The learners were tested before and after the instruction in both groups. The present study was carried out on nursing students in the Department of Nursing at the Faculty of Health Sciences at Kafkas University in Kars, an eastern province in Turkey.

The study aimed to test whether there was a statistically significant difference between late post-test scores of the control group instructed traditionally and the treatment group which received instruction through letter-phonetic method as a mnemonic device to acquire the objectives of the unit titled "Health-care system, health teams and the roles of nurses." The study lasted for 8 sessions in 4 weeks. During this period the instructor taught issues regarding the health-care system, health teams and the roles of nurses in the lesson "Introduction to Nursing and Rapport" Class 1/A was assigned as the treatment group, while 1/C was assigned to be the control group before the instruction. 39 students in the treatment group and 37 students in the control group, totally 76 students, took part in the study. The learners in the treatment group received one-hour instruction about the letter-phonetic method. Moreover, the instructor was informed about the method and how to implement it. During the instructional period, the treatment group was taught using the letter-phonetic method as a mnemonic device, while the control group was instructed using traditional methods (such as lecturing).

- **The Application of Letter-Phonetic Method Used in The Study**

First, the instructor gives information to the learners about preventive health services in the health-care system.

*"...Now, the scope of health services is to help the society, family and individuals, reach a certain level in terms of health services and to do this in an organized, planned and coherent way. Today, health-care services are presented in "three steps" to every member of the society. Possible losses, if preventive health-care services are not provided in the health-care system, are as follows:*

1. *Loss of human health*
2. *Loss of lives*
3. *Loss of production and productivity*
4. *Meaninglessness in life*
5. *Economic loss*

*It is possible to create an acronym (ÜYECİ) by using the letter-phonetic method as a mnemonic device to help learners remember the aforementioned losses easily.*

*Ü: Üretimveverim kaybı (Loss of production and productivity)*

*Y: Yaşamın anlamını yitirmesi (Meaninglessness in life)*

*E:Ekonomikkayıp (Economic loss)*

*C: Can kaybı (Loss of lives)*

*İ:İnsansalığınıkaybı (Loss of human health)”*

After this presentation, the instructor wants the learners to tell him what each letter stands for.

He says, "Now, let's repeat the information that we coded using the initials." The learners, together with the instructor, repeat the information several times.

The instructor moves onto the roles of nurses after giving the learners the information mentioned above.

*"...Nurses significantly contribute to the health-care system. This contribution is ensured through the use of the functions and the methods to put these roles into practice. Nurses assume roles that of a/n*

1. *Practitioner*
2. *Administrator*
3. *Educator*
4. *Creative person*
5. *Researcher*
6. *Professional.*

*The information can be coded using the letter-phonetic method as "Beniderneğe UYE YAP", meaning "Register me as a member of the association" to facilitate recall. The acronym "UYEYAP" helps remember the roles of nurses in the health-care system.*

*Ü:Uygulayıcı (Practitioner)*

*Y:Yönetici (Administrator)*

*E:Eğitimci (Educator)*

*Y:Yaratıcı (Creative)*

*A:Araştırmacı (Researcher)*

*P:Profesyonel (Professional)*

After this presentation, the instructor wants the learners to tell him what each letter stands for.

He says, "Now, let's repeat the information that you coded by using the letters." The learners repeat the information together with the instructor a few times.

At the end of the lesson, the instructor gives the acronyms to the learners and tries to get feedback from the students to test whether they remember the content.

## **SAMPLE EVALUATION QUESTIONS**

1. Write what each letter in the following acronym stands for.

<b>Ü:</b>	<b>Ü:</b>
<b>Y:</b>	<b>Y:</b>
<b>E:</b>	<b>E:</b>
<b>C:</b>	<b>Y:</b>
<b>İ:</b>	<b>A:</b>
	<b>P:</b>

2. What does the acronym “Beniderneğe UYE YAP” stand for?

3. What does the acronym “ÜYECİ” stand for?

**SAMPLE ACRONYMS USED IN THE STUDY:**

The acronym " <b>KaTaR</b> " used to teach the three-step health-care services:
<b>K:</b> KoruyucuSağlıkHizmetleri (Preventive Health Care Services)
<b>a:</b>
<b>T:</b> TedaviEdiciHizmetler (Remedial Services)
<b>a</b>
<b>R:</b> RehabilitatifveSosyalHizmetler (Rehabilitative and Social Services)

The KaYGı acronym used to teach prior objectives of nursing with respect to individual and public health as a health discipline:
<b>K:</b> Koruma (Protecting)
<b>a</b>
<b>Y:</b> Yardım Etme (Helping)
<b>G:</b> Geliştirme (Development)
<b>I</b>

The HABER acronym used to teach the independent roles of nurses:
<b>H:</b> Hasta haklarınınsavunma (Advocating patient rights)
<b>A:</b> Araştırma (Research)
<b>B:</b> Bakım (Care)
<b>E:</b> Eğitim (Education)
<b>R:</b> RehabilitEtme (Rehabilitation)

- **Data Collection Tools**

### Attainment Test

In order to collect data about the dependent variable in the study, an attainment test was developed and piloted. The objectives in the unit "health-care system, health teams and the roles of nurses" were identified to prepare the material to be used in the course called "Introduction to Nursing and Rapport." A test form with 30 questions was prepared. To do so, items that cover each issue in the unit to be studied were constructed in line with the scope of each subject to ensure content validity.

In this step, the opinions of testing and evaluation experts were sought. Before the test was administered as the pretest, it was given to supposedly two equal groups. After obtaining the results, item analysis was carried out for each item. After the item analysis, those items with item facility ( $P_j$ ) between 0,40 and 0,60 and item discrimination ( $r_{pb}$ ) over 0,30 were directly included in this test. In this way, a test that was composed of 20 items with average item facility and high discrimination index was created. KR20 internal reliability coefficient of the resulting test was calculated to be 0,82. The pretest helped the researchers to observe the extent to which the learners had the objectives of the unit covered in the study. The attainment test was administered to both groups as the posttest to find out whether the learners reached the objectives of the unit.

The attainment test developed in the study was also used as the retention test to calculate the retention scores of the learners.

- **Findings and Interpretations**

This section elaborates on data collection and analysis. The data collected before and after the instruction were analyzed using appropriate statistical techniques, and they are presented in tables.

The first research question of the study is: "Is there a significant difference between the posttest attainment scores of the learners in the control and treatment group?"

In line with this purpose, the data were analyzed using independent sample t test, and the results are presented in Table 2.

**Table 2: A Comparison of the Post-test Attainment Scores of the Learners in the Treatment and Control Group**

	Group	N	x	sd	t	p
Attainment (Posttest)	Treatment	39	78,21	9,56	9,35	,000
	Control	37	57,70	9,55		

When Table 2 is examined, it is seen that the mean post-test scores of the learners in the treatment group was  $\bar{X} = 78,21$ , while that of the learners in the control group was  $\bar{X} = 57,70$ . Therefore, there was a significant difference between the mean post-test scores of the treatment and the control group in favour of the former. This finding suggests that the letter-phonetic method used in the treatment group as a mnemonic device is highly effective in boosting retention.

The third research question of the study was "Is there a meaningful difference between the pre-test and post-test attainment scores of learners in the treatment group?"

In line with this purpose, the data were analyzed using independent sample t test, and the results are presented in Table 3.

**Table 3: A Comparison of Pre-test and Post-test Attainment Scores of the Learners in the Treatment Group**

	Treatment Group	N	x	sd	t	p
Attainment Test	Pretest	39	45,26	9,73	-20,75	,002
	Posttest	39	78,21	9,56		

Table 3 demonstrates that the mean pre-test scores of the learners in the treatment group was  $\bar{X} = 46,26$ , while their post-test scores was  $\bar{X} = 78,21$ . This finding suggests that the letter-phonetic method used in the treatment group is highly effective in boosting learners' success.

The third research question of the study was "Is there a meaningful difference between the pretest and post-test attainment scores of learners in the control group?"

In line with this purpose, the data were analyzed using independent sample t test, and the results are presented in Table 4.

**Table 4: A Comparison of Pre-test and Post-test Attainment Scores of the Learners in the Treatment Group**

	Control Group	N	x	sd	t	p
Attainment Test	Pretest	37	44,59	10,63	-2,85	,000
	Posttest	37	57,70	9,55		

Table 4 illustrates that the mean pre-test scores of the learners in the control group was  $\bar{X} = 44,59$ , while their mean post-test score was  $\bar{X} = 57,70$ . This finding indicates that the traditional method used in the study increased the learners' success. However, when the increase in the scores of the treatment and control groups are compared, it is seen that the increase in the former is higher than that in the latter (See Table 3).

The fourth research question of the study was "Is there a meaningful difference between the retention scores of learners in the treatment and control groups?"

In line with this purpose, the data were analyzed using independent sample t test, and the results are presented in Table 5.

**Table 5: A Comparison of the Retention Scores of the Learners in the Treatment and Control Group**

	GROUP	N	x	sd	t	p
Retention Test	Treatment	39	73,85	8,47	12,73	,000
	Control	37	45,68	10,75		

Table 5 indicates that the mean retention test score of the treatment group is significantly higher than that of the learners in the control group ( $p < .001$ ). This finding suggests that the letter-phonetic method used in the treatment group is highly effective in boosting retention.

The fifth research question of the study was "Is there a meaningful difference between post-test and retention scores of learners in the treatment and control groups?"

In line with this purpose, the data were analyzed using independent sample t test, and the results are presented in Table 6.

**Table 6: A Comparison of Post-test and Retention Test Attainment Scores of the Treatment and Control Group**

Test	GROUP	N	POSTTEST		RETENTION TEST		DIFFERENCE		t	p
			x	sd	x	sd	x	sd		
Attainment Test	Treatment	39	78,21	9,56	73,97	9,98	3,72	4,55	-6,85	0,00
	Control	37	57,70	9,55	45,68	9,54	11,90	5,82		

According to Table 6, a comparison of the post-test and retention test scores of the control and treatment group shows that there was a slight decrease in retention scores of both groups. When the decreases in the mean scores of the learners are examined, it is seen that the decrease in the control group's mean score is statistically significant ( $p < .05$ ). This finding supports the finding of the previous research question. In other words, the activities carried out using the letter-phonetic method in the treatment group was more effective in helping learners reach the objectives in the lesson in comparison with the traditional activities in the control group.

## Results and Discussions

1. There was not a statistically significant difference between the pre-test scores of the control group which received traditional instruction and treatment group which was instructed using the letter-phonetic method. This finding indicates that the groups were equal in terms of their scores before the instruction.

2. After the instruction, there was an increase in the scores of both groups. However, there was a significant difference between the mean post-test score of the control and that of the treatment group in favour of the latter. In line with this finding, we can conclude that the use of the letter phonetic method as a mnemonic device in teaching basic knowledge in the lesson "Introduction to Nursing and Rapport" helps increase learner success. Similarly, in a number of other studies, it was found that mnemonic devices as strategies were more effective than the traditional methods. This finding lends support to some other studies carried out in Turkey (Senemoğlu, 2007; Korkmaz, 2007; Göl, 2010; Kondu, 2011; Köksal, 2013). Moreover, these findings concur well with those of some other studies (Mastropieri and Scruggs, 1998; Kleinheksland Summy, 2003; Fahrer and Harris, 2004; Schunk, 2004; Schumacher, 2005; Heather and Gibson, 2009). As a conclusion, the use of the letter phonetic method in the lesson "Introduction to nursing and Rapport" increases the learner's success.
3. There was a significant difference between the retention scores of the control and the treatment groups. According to this finding, in comparison with traditional methods, the letter phonetic method used to teach basic knowledge in the treatment group was more effective in boosting retention. When the literature on this issue is examined, it is seen that there are quite a few studies that confirm the findings of the present study.

The learners retained what they learned for longer periods of time in the treatment group in which the letter phonetic method was used in comparison with the learners in the control group (Olçum, 2000; Carlson, Buskist and Martin, 2000; Kirk, 2003; Rummel, Levin and Woodward, 2003; Schunk, 2004; Schumacher, 2005; Korkmaz, 2007, Heather and Gibson, 2009).

### **Recommendations**

The following recommendations can be made under the light of the findings of the present study carried out to investigate the impact of mnemonic devices on attainment and retention in learners.

1. The letter-phonetic method can be used in different lessons in the department of nursing.
2. Prospective studies might focus on the impact of learner generated letter-phonetic coding on learners' attainment.
3. The present study was limited with the unit "Health-Care System, Health Teams and the Roles of Nurses" in the course "Introduction to nursing and Rapport." This method can be used in all other units in the aforementioned lesson. What the present research study tries to achieve is to demonstrate that this method can be used throughout the course "Introduction to Nursing and Rapport."

New studies can be carried out to focus on the use of other mnemonic devices.

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### **Researching the Efficiency Level of Family Health Centres With Data Envelopment Analysis: Example of Konya**

#### **Abstract:**

Efficiency evaluation has been done by means of Data Envelopment Analysis. Data were evaluated using Frontier Analyst Method. In this program, variable returns to scale (VRS) and BCC (maximize output) models were used. Input variables of DEA models are the numbers of general doctors, number of registered population, as for that, output variables of DEA models are the numbers of consultation, vaccination and following of pregnant and child.

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**Uncertainty around the Incremental Cost Utility Ratio Accounting for Mapping  
Prediction: Application to Hepatitis C and Tobit model**

**Abstract:**

Background: In cost-effectiveness analysis (CEA), one or more medical treatment(s) were compared with a standard treatment on the two-fold basis of cost and medical effectiveness by decision-makers. Only recently, the utility has been taken into account instead of the sole effectiveness. Since the utility measure is not necessarily available for the sample, the utility measure is often extrapolated from a technical questionnaire.

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### **The Impact of Europeanization on the Judicial Reforms in Republic of Macedonia**

#### **Abstract:**

The case study of Macedonia is used to examine the impact of Europeanisation process and its interrelation with the democratization accomplishments of the country. The analysis focuses on the judicial system through political conditionality of the Republic of Macedonia. The paper advances the view that Europeanisation through political conditionality is an integral but not all encompassing factor for fostering genuine democratization as exemplified by the Macedonian judicial system. Europeanization affects changes in the judicial system in Macedonia. It recognizes the scope of the changes and reshapes the domestic political picture occurred under the influence of the EU as an integrated set of institutions, norms, values and ways of doing politics. The process of Europeanization is pronounced because they are subject to the principle of conditionality, meeting the political criteria specified, adjustment of legislation and adherence to the principles of good neighborly relations and regional cooperation. The EU has a strong influence precisely because of their aspiration to join the EU.

Macedonia harmonized Macedonian laws with the *acquis communautaire* and improved capacity building of the institutions but the judiciary is still under political pressure and therefore not independent. Considering the above reform framework of the judicial system, having in mind/starting from the standpoint that the reforms of the judicial system proved difficult in transitioning countries, the rest of this paper assess and comments the progress in the judicial reforms in Macedonia.

**Keywords:** Europeanisation, judicial system, democracy, laws, reforms, Macedonia.

#### **1. Introduction**

Tamara Radovanovik-Angjelkovska is enrolled on PhD at the Institute for political, legal and social issues, University of Cyril and Methodius, Skopje, Republic of Macedonia and will get a degree this year. The topic of the PhD thesis is "The impact of the European integration on the candidate countries: case studies Republic of Macedonia and Republic of Slovenia. She finished Master of Science of Political Science-international relations 2001-2002, on Faculty of Political Science -International relations at the University of Bologna, Italy and Bachelor of Political Science - international relations, 1995-2000, of Faculty of Political Science -International relations at the University of Bologna, Italy. Currently is working at the International Balkan University, Skopje as Lecturer for the following subjects: European politics and Globalization, European Politics and Theory of Society. The area of interest and published research are the topics of European politics, European integration, and the

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- **What is europeanization?**

The term "Europeanization"<sup>1</sup> began to be used in the social sciences in the nineties of the last century in the context of changes in the political field, which were mainly caused by the Cold War and the pressures arising from the process of European integration. In the last decade, we can observe an increase in the use of the term in different scientific fields like policy, international relations and European studies. The term was first mentioned in France, and defines Europeanization as "the process of reorganization the direction and shape of politics to the extent that political and economic dynamics of the European Union becomes part of the organizational logic of national politics and policy."<sup>2</sup> It is claimed that the organizations that respond to changes in the perception of interests and values that occur in the principles, norms and institutional design of the regime in which they are incorporated.<sup>3</sup> Diverting of domestic organizational logic is characteristic of Europeanization, but harmonization of domestic practices in Europe is no real expectation. Instead, existing domestic structures and internal events can have a large effect on the mediation of "external" pressures. "Bottom-up" approach is used to understand the effects of Europeanization, which focuses on "specific national adaptation to external pressures".<sup>4</sup>

Europeanisation as a scientific discipline unlike integrative theories have not yet produced their own theory of Europeanization but very ambitious deals with the application of the answer to impact of institutionalized and non institutionalized EU policies on reshaping the domestic politics of its member States and in countries outside the EU. Europeanization steps out outside the framework of theories of European integration taking realized integration of the EU as a category that continues to be observed

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<sup>1</sup> Ladrech, R., (1994) 'Europeanization of Domestic Politics and Institutions: The Case of France', *Journal of Common Market Studies*, Vol. 32, No. 1, pp. 69-88.,

<sup>2</sup> Bache Ian, (2003) *Europeanization: A Governance Approach*, Department of Politics University of Sheffield Elmfield, England,

<sup>3</sup> Ladrech, R. (1994) 'Europeanization of Domestic Politics and Institutions: The Case of France', *Journal of Common Market Studies*, Vol. 32, No. 1, pp. 69-88.,

<sup>4</sup> Bache Ian, (2003), *Europeanization: A Governance Approach*, Department of Politics University of Sheffield Elmfield, England,

as a major source in the process of Europeanization. So Europeanization is a consequence of European integration. Therefore the main question is no longer why European countries unite and diverge part of their sovereign powers to common institutions within the EU, but what happens on the relation EU-national state after establishing of the European institutions? Briefly Europeanization deals with the study of the changes that EU action causes on the domestic politics of a country. Then mechanisms in the process of Europeanization are analysed and are given answer to the questions: Who Europeanizes?, Who is Europeanized? And to what scale? It explores the impact of the EU on reshaping political institutions and administrative apparatus, the national parliaments, the national parties, the relationship between central and local government. Yet most studies of Europeanization are committed to the impact that EU policy exercise on shaping and changing national policies.<sup>1</sup>

Although there are different approaches and conflicting views about the scope of Europeanization still one of the most widely accepted definition is described as: "the process of a) creation, b) diffusion and c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ways doing things and shared beliefs and norms which are first defined and consolidated in the making of public politics and political life of the EU and then incorporated in the logic of domestic performance, identities, political structures and government policies "<sup>2</sup>

The process of Europeanization is identified by the scope of the changes and reshaping the domestic political picture occurred under the influence of the EU as an integrated set of institutions, norms, values and ways of doing politics. It is understood that the state which is in the process of Europeanization should be either an EU member state or is strongly related to the political dynamics of the Union. So it is a process that occurs in the candidate states where the process of Europeanization is pronounced because they are subject to the principle of conditionality, meeting the political criteria specified, adjustment of legislation and adherence to the principles of good neighbor and regional cooperation. The EU has a strong influence precisely because of their aspiration to join the EU.

In any case, the extent and dynamics of Europeanization depends on previous noncompliance of internal standards with European standards (the larger the discrepancy is the Europeanization is more visible), but of course it depends on the size of the country, on the strength of EU pressure, of the ambition to become part of the EU, the development of political awareness of the EU and the political culture. The Europeanization is not just a result of pressure, but is a result of voluntary adaptation and rational political choice made between calculation of the benefits that a politician or a political party will have and the benefit of that the state would have from Europeanization.

In terms of impact on European policy literature is mostly concerned with the impact of the EU on public policy at the national level, changes in instituiite and legal system and how and whether the EU

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<sup>1</sup> Radaelli Claudio, (2003), The Europeanisation of public policy, in K. Featherstone and C.M Radaelli The poltics of Europeanisation, Oxford, Oxford University Press, , pp27-56

<sup>2</sup>Radaelli Claudio, (2004), Europeanisation solution or problem?, Europian integration online Papers, vol. 8, n.16, <http://eiop.or.at/eiop/texte/2004-016a.htm>

requirements are integrated into national policies.<sup>1</sup> The perception of the consequences for Member States differ. On the one hand the EU requirements can contradict the traditional national procedures and policies. Policymakers may be forced to implement EU policies without national support. In this respect, Europeanization can be understood as a loss of national sovereignty. On the other hand, Europe can become an opportunity for the government of a Member State to shift the blame for unpopular policies at EU level. However, national governments may express their stance on European policies. At the same time the EU can be seen as a new political opportunity as the different interest groups. The impact of the EU can be considered to strengthen the local level. All in all, the judgment of the effects of European influences depends on the adopted perspective. Harmsen probably best summed up by stating "Europeanization is a problem and an opportunity for domestic political management."<sup>2</sup> Besides the scientific use of the term "Europeanization" has become a common term in everyday language. In this context, its meaning usually involves not only a change of the national situation due to EU policies, as well as the assumption that national differences will be replaced with the European model.

In the paper Europeanization will be understood as national adaptation due to the impact of the EU as the basis of the concept of most studies. If you look closely other definitions of Europeanization are defined according to that it is expanding the EU will see that this definition is also included national adaptation. Another example of a very complex definition of the concept of Europeanization is given by Radaelli, which includes various aspects related to the understanding of Europeanization "process of a) creation, b) diffusion and c) institutionalization of formal and informal rules procedures, policy paradigms, styles, ways of doing things and shared beliefs and norms which are first defined and consolidated in the making of public politics and political life of the EU, and then incorporated in the logic of domestic performance, identities, political structures and government policies."<sup>3</sup> This definition suggests the multifaced concept of Europeanization that should be taken into account. For the purposes of this paper this approach to Europeanization is most appropriate because it emphasizes the various aspects involved in the process.

There are two approaches for the analysis of Europeanization: Top-Down and Bottom-Up.<sup>4</sup> When the starting point of the research is always at the national level, the outcome under investigation is located in the EU politics. This approach is called Bottom-Up. Top-Down approach is when changes at the national level are occurring because of European influences.<sup>5</sup> Usually when Europeanization is analyzed approach Top-Down is used, and European integration is analyzed Bottom-Up approach is used. As noted above, the focal point of research on Europeanization by definition relevant to this

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<sup>1</sup> Sittermann Birgit, *Europeanisation –A Step Forward in Understanding Europe?*, Westfälische Wilhelms-Universität Münster Nachwuchsgruppe Europäische Zivilgesellschaft und Multi-Level Governance, Munster 2007, <http://nez.uni-muenster.de>, (20.1.2012)

<sup>2</sup> Harmsen, R. and Wilson, T. M., (2000), 'Introduction: Approaches to Europeanization', *Yearbook of European Studies* 14: 13-26., (20.1.2012)

<sup>3</sup> Radaelli Claudio, (2004) *Europeanisation solution or problem?*, *European integration online Papers*, vol. 8, n.16, 2004, <http://eiop.or.at/eiop/texte/2004-016a.htm>, (20.1.2012)

<sup>4</sup> Börzel, T. A. and Risse, T. , (2003), 'Conceptualizing the Domestic Impact of Europe', in K. Featherstone and C. M. Radaelli (eds) *The Politics of Europeanization*, OxfordUniversity Press, Oxford, (20.1.2012)

<sup>5</sup> Börzel, T. A. and Risse, T. , (2003), 'Conceptualizing the Domestic Impact of Europe', in K. Featherstone and C. M. Radaelli (eds) *The Politics of Europeanization*, OxfordUniversity Press, Oxford, (20.1.2012)

paper is the impact of the EU on the national level and, consequently, at the EU level will be treated as a starting point for the study of Europeanization. National level changes that occur due to European influence will be objects of this research.

- **Pre-contractual relations and strategy of the Republic of Macedonia for the European integration**

In 1993 in Maastricht, EU set criteria to meet all aspirant countries if they want to be part of Europe. Conditions that must be met are:

- Candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union.
- Membership presupposes the candidate's ability to assume the obligations of membership including adherence to the aims of political, economic and monetary union.
- The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries. "<sup>1</sup>

Copenhagen criteria of 1993, are a positive stimulus for states, having in mind that membership is offered on an individual basis. That puts the responsibility for "European fate" in the hands of the candidate and encourage individual advancement in adapting its system of EU requirements. It gives each candidate motivation and time to move at their own speed.

European Council in Feira in June 2000 confirmed the purpose of the full integration of the Western Balkans in the political and economic mainstream of Europe and recognized as potential candidate countries for EU membership.<sup>2</sup> European Council in Copenhagen in December 2002 confirmed this perspective.<sup>3</sup> Council also stressed the commitment of the European Union to continue to support them in their efforts to realize their European aspirations. Brussels European Council in March 2003 that "the future of the Western Balkans is within the EU" and invited "the Council and the Commission to examine ways and means, based on the experience of enlargement process, to further strengthen the Union's policy towards the region. "According to the European Commission the preparation of the Western Balkan integration into European structures is a major priority for the European Union. Unification of Europe will not be complete until these countries join the European Union."<sup>4</sup>

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<sup>1</sup> European Council in Copenhagen, Conclusions of the Presidency, (21-22 June 1993, SN 180/1/93) 12., [http://ec.europa.eu/bulgaria/documents/abc/72921\\_en.pdf](http://ec.europa.eu/bulgaria/documents/abc/72921_en.pdf), (12.3.2012)

<sup>2</sup>European Council, Conclusions of the Presidency of Santa Maria Da Feira European Council,19 AND 20 JUNE 2000, [http://www.europarl.europa.eu/summits/fei1\\_en.htm](http://www.europarl.europa.eu/summits/fei1_en.htm), (30.1.2013)

<sup>3</sup> European Council, Copenhagen European Council Presidency Conclusions, 12 and 13 December 2002 [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/73842.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/73842.pdf), (10.2.2013)

<sup>4</sup> European Commission, Communication from the Commission to the Council and the European Parliament, the Western Balkans and European Integration, 21.5.2003, [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=506DC0027&lg=en](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=506DC0027&lg=en) (10.2.2013)

Membership of the European Union's is strategic interests of the Republic of Macedonia since its independence. Since the establishment of diplomatic relations with the EU in December 1995, the Republic of Macedonia itself is a reliable partner and ally of the European Union. Republic of Macedonia signed the Cooperation Agreement in 1997, the Stabilization and Association Agreement in 2001. In December 2005, the acquisition of the status of candidate country for EU membership, the Republic of Macedonia entered the crucial stage of the process of European integration. The European Council decision to grant candidate status represented a political recognition of the progress made by Macedonia in the implementation of the reform process and in building an open, democratic society.

The objective of the Republic of Macedonia is to fully meet European standards for functional democracy and prosperous market economy capable to assume the obligations of EU membership. The country's accession agenda is reflected in the National Programme for the Adoption of the Acquis (legislative changes and measures for institutional strengthening in the short and medium term), Pre-Accession Economic Programme (measures to meet the Copenhagen economic criteria) and the National Development Plan (investment priorities for achieving the development goals of the country). The short-term goal of the Government is to achieve tangible results in the implementation of the European reform agenda that will allow the opening of negotiations for membership in the European Union as soon as possible. Since then Macedonia intensively implement the necessary measures to fulfill the Copenhagen political conditions, and any other specific requirements of the European institutions in order to obtain the desired date and take the key phase of EU accession. The basic document of the European Union priorities of the accession of the Republic of Macedonia is the Accession Partnership signed in 2007. The main priorities of the Accession Partnership are set by the European Commission as a condition of obtaining a date for negotiations with the European Union. Since November 2008 the government in consistently implementing action plans for implementing the recommendations of the regular EC progress reports on Macedonia.

It is assumed that the start of negotiations for membership in the European Union to the Republic of Macedonia will mean adopting of European values and benefits and approaching even closer the EU. Besides the full adjustment of Macedonian institutions to the functioning of the institutions of the Union, negotiations would also mean creating foundations and preparing for future successful functioning of the Republic of Macedonia as a member of the Union. The prospect of EU membership is a motivating factor for systemic transformations and structural reforms needed for stabilization and democratization of the region. A basic problem of this research is the relationship and interaction between the processes of integration of Macedonia into the EU and strengthening its institutions, especially the judicial system.

- **Approximation of the laws of the Republic of Macedonia to the European Union law**

Harmonization of domestic legislation with the EU is one of the basic requirements for Macedonia's integration into the EU. Stabilisation and Association Agreement does not define a detailed plan of action for compliance, but provides a global framework for development of the process of approximation of legislation:

1. Under the conditions specified in Stabilisation and Association Agreement, provided a period of 10 years to establish an association between the EU and the Republic of Macedonia.

2. Pursuant to Article 68, of the Stabilisation and Association Agreement gradual approximation of legislation will be implemented in two phases.
3. With the entry into force of the Stabilisation and Association Agreement in April 2004, the periods of different stages are determined of approximation of legislation with EU.<sup>1</sup>

The first stage, in accordance with Article 68 of the Agreement, has already begun on the date of signing the Agreement and will last, as explained further in Section 5 four years after the entry into force of the Stabilisation and Association Agreement.<sup>2</sup> At this stage of bringing the legislation applies to certain fundamental elements of internal market legislation, and other trade-related areas, in accordance with the program defined in coordination with the Commission of the European Communities. In coordination with the Commission of the European Communities, the Republic of Macedonia also define modalities for monitoring and implementation of approximation of legislation and the activities of law enforcement to be taken, including judicial reform. In this phase, determine deadlines for competition law, intellectual property law, law and accreditation standards, public procurement law and the law on data protection. Approximation of the laws in other sectors of the internal market will be an obligation that should be fulfilled at the end of the transitional period.

During the second phase of the transition period described in Article 5, the approximation of legislation will be extended to elements of the legislation that are not covered in the previous stage.<sup>3</sup> Thus, the purpose of the process of harmonization of national legislation can be defined as follows:

- 1- Establish a consistent and transparent legal system of the Republic of Macedonia in accordance with the Constitution of the Republic of Macedonia
- 2- Approaching the legal system of the Republic of Macedonia to all the legal instruments of the European Union, as well as the policy and practice of the legislation contained in the union of primary and secondary sources of law of the European Communities (*acquis communautaire*).
- 3- Develop a comprehensive legal framework as one of the prerequisites for the implementation of sustainable market-oriented economic system, open to Europe and promotion of the Republic of Macedonia welfare state as a principle grounded in the rule of law.

Harmonization of legislation of the Republic of Macedonia with the EU means aligning the national legislation with EU law. Given the numerous international conventions in various areas, particularly in the area of human rights, it can be said that the harmonization of law is a general tendency in modern law. Within the EU harmonization, unification and the law should allow the realization of a single area of freedom, security and justice, as well as a single market in which will smoothly realize the economic and other functions of the union. An important step towards the harmonization of legislation of the Republic of Macedonia is that when new laws are adopted it is taken into account their compliance with EU legislation. The governmental book of rules introduced a requirement for all new laws and legal acts which are proposed to be followed with a review of their compliance with EU law. This is

<sup>1</sup> Stabilisation and Association Agreement, Official Journal, Republic of Macedonia, Skopje 2001, (23.4.2012)

<sup>2</sup> Stabilisation and Association Agreement, art.68, Official Journal, Republic of Macedonia, Skopje 2001, (23.4.2012)

<sup>3</sup> Stabilisation and Association Agreement, art.5, Official Journal, Republic of Macedonia, Skopje, 2001, (23.4.2012)

especially important if you bear in mind that the Government is authorized dominant initiator of laws passed by the Parliament of the Republic of Macedonia.

- **National structure of the courts in the Republic of Macedonia**

The judicial system in Macedonia is organized hierarchically in three levels. Basic, first instance courts are established in the area of one or more municipalities. The Republic of Macedonia has 27 courts which act as courts of first instance. They rule in the first instance for criminal offenses, commercial disputes, the disputes of personal, family, work, property and other civil relations etc. Since 1996, these courts have general jurisdiction, which means that they do not specialize in civil, criminal, commercial and family law, but in general each court can hear any type of case. This can affect the efficiency of the judicial system and the consistency of judgments, and in the context of the reform of the judiciary to discuss ways to reintroduce departments with special powers in courts. Investigative judges are responsible for pre-trial proceedings in criminal cases. The judicial power is exercised by courts, appellate courts, the Administrative Court and Supreme Court of the Republic of Macedonia.

Judicial Council is the body that is responsible for proposing the appointment, dismissal and disciplinary decisions of the judges, which decisions are adopted by Parliament. It is composed of seven lawyers elected by the Parliament. Judges and prosecutors are elected by the Parliament. There are 635 judges and 193 prosecutors and deputy prosecutors. Furthermore, 2 301 employees are employed in courts and in the Public Prosecutor's Office. Judicial officers are civil servants whose status is regulated by the Law on Civil Servants.

- **Changes in the justice system as a result of Europeanization**

Copenhagen criteria clearly define the conditions for membership in the European Union, particularly emphasizing the stability of institutions guaranteeing democracy, the rule of law, protection of human rights and minority rights. The overall transitional changes in the country have putted the third power - the judiciary - in front of significant requirements for compliance to new legal issues which arise from the fundamental change of the system. This process took place simultaneously with the process of positioning the judiciary as special internal power and deep institutional changes. Such circumstances resulted with growing challenges posed before the judiciary in the exercise of its key functions in protecting the rights and freedoms of citizens and guarantee the rule of law. The main objective of the judiciary reform is to develop European standards in the field of justice.<sup>1</sup> They are improving the quality of justice and efficiency of the judiciary, strengthening and protection of judicial independence, responsibility and accountability. The reform of the institutions in the system of justice has meant the following principles:

- 1- Rule of Law;
- 2- The principle of separation of powers into legislative, executive and judicial;
- 3- Ensuring the independence of the judiciary;

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<sup>1</sup> European network of Councils for the judiciary, The judicial Reform in Europe Report, 2011-2012, <http://www.encj.eu/>, (10.3.2013)

- 4- Protect the rights of citizens;
- 5- Ensuring equal access to justice;
- 6- Acceptance of all relevant European standards in the field of justice
- 7- Enabling institutions of the justice system for the application of European law and European Union law.<sup>1</sup>

According to initial reports of the European Council on Republic of Macedonia the recommendations for the judiciary system were: improving operational efficiency of law enforcement, judiciary should apply the law in accordance with international standards, strengthen the training of judges and prosecutors in EU law. The actions were taken to strengthen the institutional capacity of law enforcement and the judiciary, implementation of the strategy for computerization of the judiciary, redrafting of legal regulation of the training center for judges and prosecutors. Regarding the recommendation to reduce the politicization of the judiciary were made constitutional changes to strengthen the independence of the judiciary, the law on judicial budget was enacted, law for establishment of Juridical council was enacted and amendments to the relevant laws were made.

#### ○ **Current position of the judiciary**

The position of the judiciary and the status of judges in the country have undergone considerable transformation. There are only courts of general jurisdiction (no specialized courts) - 27 courts, three courts of appeals and the Supreme Court of the Republic of Macedonia. Under Article 32 of the Law on Courts (Official Gazette no. 36/95) 16 basic courts have increased responsibility.<sup>2</sup>

Judges are appointed and dismissed by the Parliament of the Republic of Macedonia at the proposal of the National Judicial Council. National Judicial Council is composed of seven members elected by the Parliament from among the prominent lawyers for six years, with the right to a choice. Two members of the National Judicial Council are nominated by the President of the Republic, and the other five proposed by the Commission on elections and appointments in Parliament. Constitution and the law accurately determine requirements for the selection and dismissal of judges. The judges have life tenure and immunity.

In 1996, following the adoption of the Law on Courts and establishing life tenure of judges are judges in the Republic Macedonia where reelected. Although the Constitution and laws basically provide institutional and functional guarantees of independence and impartiality of the judiciary, the manner of selection of judges is an issue that is subject to public criticism and extensive analysis, as an opportunity for political influence over the selection of judges.

Macedonian Parliament in 2003 passed the Law on the Judicial budget that governs the preparation, adoption, and enforcement of the judicial budget, and the establishment and operation of the Court Budget Council. Court Budget Council started to function and is composed of the President of the

<sup>1</sup> Влада на Република Македонија, Национална стратегија за интеграција на Република Македонија во Европската Унија, Скопје, септември 2004, [http://www.sobranie.mk/WBStorage/Files/Nacionalna\\_strategija%2006.09.04.PDF](http://www.sobranie.mk/WBStorage/Files/Nacionalna_strategija%2006.09.04.PDF), (10.3.2013)

<sup>2</sup> Law on Courts, Article 32, (Official Gazette no. 36/95), Republic of Macedonia

Supreme Court (Chairman), Minister of Justice, the Presidents of the three appellate courts and three presidents of courts, elected by rotation. The Council establishes the criteria and methodology for preparing the judicial budget, performs the allocation of funds to the courts and takes measures for timely execution of the budget, approves funding for new hires within the specified ceiling, and appoints the internal auditor. Allowing predominantly influence of the judiciary in handling the judicial budget is a significant step towards strengthening the independence of the judiciary.

Macedonian courts are faced with the problems of long hearings and backlog of cases. This mainly refers to the first instance courts, while appellate courts during the year to settle most of the cases.

These data undoubtedly indicate an urgent need to redefine the organization of courts in the country and their powers through changes in organizations, material and procedural laws. Calculations that on average to complete a civil case requires one and a half to two years. Basic Courts have the largest backlog of enforcement cases and misdemeanor cases, which in itself indicates the priority areas of action. The inefficiency contribute some solutions in procedural laws, which provide delay the proceedings. In addition, undue burden is assigned to cases by courts or judges, and the important issue is the distribution and productivity of non-judicial personnel. The absence of the system of case management, and inadequate information support for the functioning of the courts further contributes to the lack of efficiency of the judiciary. The problem of improper service of court notices directly affect the delay of the proceedings and inefficiency in solving court cases.

#### ○ **Reforms of the Macedonian judiciary**

Ministry of Justice within their jurisdictions provides general conditions for the judiciary, care for professional development of staff, providing material, financial, security, space and other conditions of the courts, following the implementation of legislation in areas that is responsible, in order to meet obligations for achieving the strategic priorities set out in the Programme of the Government, the Agreement on Stabilization and Association, National Programme for the Adoption of the EU priorities of the European Partnership, the National Strategy for European Integration of the Republic of Macedonia in 2004, the Strategy for the reform of the judicial system of the Republic of Macedonia to the Action Plan (2004-2007), the Strategy for Reform of Criminal Law and Strategy for Information Technology in the judiciary.<sup>1</sup>

In the period 2006-2009, the Ministry of Justice developed a more than 70 laws, 60 laws, established and start functioning more than 10 new institutions: Judicial Council of the Republic, the Council of Public Prosecutors, the Public Prosecutor's Office for Organized crime and corruption, Administrative Court, Appellate Court Gostivar, Gostivar Higher Public Prosecutor's Office, Agency for management of confiscated property, proceeds and items seized in criminal and misdemeanor proceedings within the court system, intensive efforts were made to strengthen existing and new institutional and human capacities.

Comprehensive strategy to reform the judicial system was ready in 2004 drafted by the Ministry of Justice with the involvement of all stakeholders in the field of judiciary with key challenge to increase

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<sup>1</sup> Министерство за правда, Стратегија за понатамошно спроведување на реформата на правосудниот систем, РМ, Скопје, 2009, (29.3.2012)

the legal security of citizens and strengthen their confidence in the judicial system. The findings of the present functioning of the judicial system in the country, determined to focus on priority areas where significant changes are necessary:

- 1- Strengthening the independence and impartiality of the judiciary;
- 2- Improving efficiency;
- 3- Improvement of human resources;
- 4- Improving the system of financing of the judiciary;
- 5- Strengthening of information supporting the work of the judiciary;
- 6- Anti-corruption policy<sup>1</sup>

**1. Strengthening the independence and impartiality of the judiciary** - Consistent implementation of the commitment to an independent judiciary questioned the need for changes in the recruitment and selection and composition of the National Judicial Council, in order to ensure the dominant role of judges in selecting members the National Judicial Council, and thus to propose the election of the judicial function. To this end, changes were made to the Constitution and the relevant laws in 2006. Along with these changes, the commitment to eliminate political influence in the selection of judges was confirmed. The strategy identifies a range of measures which include changes in the selection and training of judges, allowing professional system and based on merit selection and career development (eliminating the role of Parliament in the election and dismissal of judges and prosecutors). The strategy includes the reform of the Judicial Council and the creation of a special supervisory body to monitor the work of judges. At the same time, by establishing objective criteria and standards by the National Judicial Council in proposing the appointment and dismissal of judges, as well as taking responsibility measures will significantly contribute to the objectification of the selection procedure of judges. The Law on the Judicial Council, which began to be implemented from September 1, 2006 operationalized the constitutional amendments of 2005, redefined and changed competence in the appointment and dismissal of judges, to guarantee judicial independence.

Judicial Council of the Republic of Macedonia was completed in 2007 and works at full capacity. During 2007 all bylaws stipulated by the Law on Judicial Council in 2008 adopted the Rulebook on the criteria for qualitative and quantitative assessment of judges. More precise definition of the disciplinary responsibility of judges, the role of court presidents, the National Judicial Council, to promote the Code of Ethics for judges and introduce anti-corruption procedures in courts are measures that will contribute to strengthening the position of the judiciary's independence and impartiality, and the strengthening of trust in the judiciary. Positive progress is the existence of Judicial Council as a separate and independent body whose for the election and dismissal of judges, but extremely negative impact caused problems for its fully functioning - passed nearly ten months after the body began operation (first 10 members were appointed in January and the other in October 2007). After establishment, the Council also elected more than 70 judges, 10 court presidents, resolved 5 judges; adopted the form to assess the

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<sup>1</sup>Министерство за правда, Стратегија за понатамошно спроведување на реформата на правосудниот систем, РМ, Скопје, 2009, (29.3.2012)

quantitatively and qualitatively performance of judges, opened new premises which are technically equipped and provide transparency in the proceedings of the Council.

The reforms also include ways to ease the workload of the courts, through changes in the internal organization of courts (dual system of trial courts and higher courts, and the establishment of specialized departments within the basic courts ), transferring responsibility for managing cases of Supreme Court to lower courts, and the transfer of responsibility for violations of administrative bodies.

**2. Enhancement of the courts efficiency** - for this purpose many changes were made in the legislative framework. In 2004 were amended the Criminal Code and the Criminal Procedure Code, to shorten litigation and limit the scope for abuse of the rights of the parties and their lawyers. In May 2005, a new law on enforcement was adopted, repealing the separate motion for enforcement of judgments and creating a privatized system for bailiff under the control of the Ministry of Justice. The same applied in 2006, after the adoption of bylaws and the necessary preparatory measures for the establishment of the system. In September 2005 a new Law on Civil Procedure introduced changes that will improve the efficiency of court procedures. After adoption, the implementation of the measures set out in the Strategy for the reform of the judiciary, will require significant efforts by the authorities. This must include a substantial increase in the budgetary funds (approximately 20.1 million euros for the judiciary and 3 200 000 for the Public Prosecutor).

In the area of legislation on criminal procedure there is a positive progress. Strategy for reform of the criminal law which was adopted by the Government in July 2007 and the new Law on Criminal Procedure, by whose decision will undergo significant changes over laws including: laws for public prosecution, law on courts, police law, the law of the financial police. Changes in the Law on Criminal Procedure will affect cooperation on justice and human rights, in terms of the identified need for harmonization of legislation and drafting a new law on international legal assistance in criminal matters, important negotiations with Eurojust and which concentrate on issues like the transfer of the accused and convicted, recognition and enforcement of foreign court judgments, recognition and calculation of fines and facilitating and speeding up the extradition.<sup>1</sup>

Also to simplify and speed up litigation the Law on Civil Procedure was amend, and the the new Law on Enforcement was adoption, which derogates the law on law enforcement proceedings. At the same time, was amended Act for court procedure in 2005. With these changes is ensured the realization of the principle of reasonable time, by setting deadlines for taking certain procedural actions and strengthening the instruments for its implementation and control. In civil procedure it provides time limit to the possibility of giving evidence, establishing the new position of the court which would mean reducing the use of remand and lift the principle remedy "legality" that the prosecutor can go into private legal relationships between individuals. The Law Amending the Law on Civil Procedure ("Official Gazette" br.110/08) adopted on 01.09.2008, bring solutions to accelerate judicial procedures in order to improve the efficiency and accuracy of courts, governing the provision of legal possibility for broader application of the procedure in cases of small value and the procedure for issuing a

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<sup>1</sup> Бужаровска Гордана, (2008), Напредокот во спроведувањето на судските реформи, Soros Open Society, [http://gg.org.mk/index.php?option=com\\_content&task=view&id=118&Itemid=99999999](http://gg.org.mk/index.php?option=com_content&task=view&id=118&Itemid=99999999), (20.3.2012)

payment order, such special procedures under general litigation and provides legal option for delivery of writs and electronically .<sup>1</sup>

Law on courts is applied from 1 January 2007, introduced changes in organizational structure and effective and territorial jurisdiction of the courts. It provided full functionality of the new Court of Appeal in Gostivar and the Administrative Court, which began operating in December 2007. In March 2008, were adopted amendments to the Law on Courts pursuant to which the Basic Court Skopje 1 formed specialized forensic department for organized crime and corruption in the territory of the Republic of Macedonia and edit the question to the Supreme Court decision on a request for protection of the right to trial within a reasonable time.

Efficient supervision over the duration of the proceedings will be provided by introducing special mechanisms within the courts themselves, as such instrument supervisory complaint in the Law Courts. At the same goal directed and preciseness of the provisions of the jurisdiction of the National Judicial Council in the exercise of control over the judges and the introduction of a list of sanctions that the authority may impose against judges of unethical and unprofessional behavior lead to unjustified delays in court procedures. The establishment of an effective system in this area is strongly correlated with constitutional changes in the position of the National Judicial Council. However, within the current efforts to improve oversight of the duration of court proceedings are provisions in the Law on Ombudsman, adopted in 2003, which specified its jurisdiction to take measures to prevent undue delay in judicial proceedings or a reckless irresponsible and doing things the court services.

Improving the efficiency of delivery of court documents is an urgent priority. On one side is taking measures within the existing legislation in order to stimulate the productivity of the personnel for delivery, its training and control over work and efficient organization of the work. On the other hand, the provision of legal assumptions delivery can be performed by specialized legal entities with public authority.

Exemption of offenses from the jurisdiction of courts-resolving outstanding misdemeanor cases, exclusion of offenses from the jurisdiction of courts and simplify the legal proceedings were part of the necessary reforms in the short term. The Law on Misdemeanors operationalize constitutional amendment XX, under which the state administration bodies, organizations and other bodies exercising public powers are given responsibilities for keeping separate infringement proceedings and impose misdemeanor penalties and exclusively in the domain of supervision on implementation of laws, which determine violations. Committees have been established in most violations of administrative bodies, before which the proceedings have been initiated to address the misdemeanor and subjects. By April 2009 by the courts Decisions for obsolescence for all misdemeanor cases where obsolete.

Introducing a system of alternative dispute resolution contributed to the relief of the judiciary. In 2006 the law was drafted on legislation on mediation as alternative dispute resolution, particularly in the area of family law, labor law and consumer protection, as well as a code of ethics for mediators. The establishment of the system will be supported by providing training for mediators. In order to

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<sup>1</sup> Законот за изменување и дополнување на законот за парничната постапка, “Службен весник на РМ” бр.110/08, (20.3.2012)

implement the law on 15 August 2007, started functioning Chamber of Mediators. 98 selected mediators and opened the first Center for Mediation in Skopje.

Introducing a system of management of cases - court rules apply from 1 January 2008 and regulates the internal organization of the courts, keeping records and other books, documents and administration forms, administering statistics and testimonials, profession realistic training of staff . Introduced innovations for improved management of court cases through mandatory electronic recording of cases and their electronic distribution, a random selection of judges. In order for effective enforcement of court rules, it is implemented a program for training of judicial administration and trained 270 officers keeping registers in electronic form.

**3.Capacity building of human resources.** For this purposes the following activities were undertaken:

(1) completion of the training system, and the system of recruitment, promotion and evaluation of the work of judges and court staff are set as a priority in the short term. The system of training of judges should be based on principles of obligation and stimulation or results of training can affect the progression and remuneration of judges.

(2) Continuous training of judges, prosecutors and associates provides a center for continuous training of judges, which works since 1999 as part of the Association of Judges of Macedonia. The topics of the training programs in criminal, civil, administrative and commercial law and EU law and international law, regional cooperation, courses and languages. Training programs in the EU acquis began in early 2003. Envisaged two percent of the total budget of the judiciary is spent on training. Reforming the training of judges and prosecutors is a major component of the ongoing reform of the judiciary and the establishment of an academy for the initial and continuing training (before entering on duty and during the term) is discussed in Parliament. It is necessary to strengthen the training of court officials and administrative staff, which has so far benefited from some training courses. The establishment and functioning of the Academy for Training of Judges and Prosecutors in 2007, has made the selection and training of judges and prosecutors objective as well as given the criteria for admission of new judges can be evaluate as real progress.

(3) Priority in the development of curriculum for training of judges: the application of common standards in the administration of justice, in particular the provision of human rights convergence with European or international standards, providing depth knowledge in the areas of law that ensure the functioning of a market economy and the single European market, introduction and training on the application of the *acquis communautaire*, based on the principle of supremacy of Community law as well as general training in courts, running court cases and using appropriate information systems. In this framework, programmed performance study visits in EU Member States are a useful tool in strengthening the professional capacity of judges and the establishment of permanent cooperation at a professional level.

(4) Improving the efficiency of judicial administration presumed consistent application of the established system of recruitment, performance evaluation and promotion of non-judicial personnel as part of the state administration. Reallocation of resources and other measures to increase productivity application under the current management system in the courts. As a short-term priority is imposed and the establishment of a system of continuous training of non-judicial personnel, profiled to suit different

categories of staff and areas that need immediate improvement of the courts. The Law on Judicial Service, which is applied from 2009, is regulating the status, rights and obligations as well as the salaries of judicial officers.

**4. Enhancement of the system of funding of the judiciary**-with the introduction of an independent court budget to create the basis for a greater impact on the judiciary in the distribution and use of funds for the courts. Therefore, a priority is placed on consistent and effective implementation of the Law on Independent Court Budget and establishment of criteria for funding of the judiciary. Within the budget possibilities, increased the salaries of judges as one of the most important elements in determining the position of the judiciary as a whole in society. The Law amending the Law on Judicial Budget, adopted in August 2008, the management of the funds of the Supreme Court of the Republic of Macedonia goes to the Judicial Council of the Republic of Macedonia where the formation and adoption of the budget of the judicial branch is performed according the needs of all courts, in order to enable them to properly perform their functions.

**5. Strengthening the IT support of the judiciary**-project for computerization of the judiciary is a priority. It ensures application of software solutions already prepared, after several pilot projects in all courts. Now there is operation of the IT system in the courts which will ensure proper compatibility and connectivity of the system with other relevant institutions as public prosecutors, correctional institutions, lawyers, notaries, the Ministry of Justice and Ministry of Interior. In this framework includes activities to develop standards for the exchange of information between various entities in the justice system; preparation of a uniform system of data collection, keeping statistics and management of the objects, and the project for construction and putting into operation of the public Web based trade Register..

**6. Anticorruption policy** - international reports and surveys indicate that corruption is a serious and widespread problem that affects many aspects of social, political and economic life despite intensified efforts to combat the increased awareness of its negative impact on the successful transition of the country. The causes of corruption are rife. They include the often arcane administrative procedures for different cases of citizens and enterprises with state administration, lack of transparency and compliance with these procedures, complex and non-transparent system of issuing licenses and permits for various activities, discretionary rights of certain government officials, lack of good defined rules on conflicts of interest and still opaque management of state assets (including state-owned land, concessions and public procurement).

Initial recommendations for Macedonia were to start fighting corruption through the adoption and implementation of a comprehensive strategy in line with international and European standards and practices including the establishment of appropriate bodies to prevent, investigate and punish corruption, increased transparency and objectivity of the various procedures pursue enforcement authorities, greater clarity in the funding of political parties, the full implementation of the legislation on public procurement. According to the Action Plan of the Republic of Macedonia to implement the recommendations made in the Stabilisation and Association Agreement should be adopted following strategies and laws: the adoption of a government strategy to combat corruption, National Programme for Prevention and Repression of Corruption and amendmend of the Criminal Code, The Criminal Procedures was enacted and the law on Public Prosecution, Law on financing of the political parties,

strengthen supervision and the role of the audit and the independence of the state auditor in conducting anti-corruption measures, adopting a law on public procurement.

Republic of Macedonia has ratified the Criminal Law Convention on Corruption and Civil Convention on corruption of Council of Europe and the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. It was signed and ratified the Additional Protocol to the Convention on corruption in the area of criminal law. It was signed the UN Convention against Corruption, but it has not yet been ratified, and in the future need to sign the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The country is a member of the Group of States against Corruption (GRECO) since October 2000. The 17 recommendations made by GRECO in 2002, 15 were partially or fully implemented. Current proposals to the Government provide the necessary constitutional changes. Macedonia has adopted various anti-corruption measures. Besides indirect criminalization of corruption through a series of inter-related offenses in the Criminal Code, the 2002 law was enacted to prevent corruption. According to the law, in November 2002 established the State Commission for Prevention of Corruption and preventive consultative body. In 2003, the Commission adopted a National Programme for Prevention and Suppression of Corruption in June 2005 and an annex on measures to prevent corruption at the local level. Under this law, a number of officials and elected representatives are obliged to submit a declaration of assets to the State Commission when they are appointed or elected. The law was amended in 2004 to extend the obligation of public officials in the administration.

#### ○ **Remaining reforms**

According to the European Council progress report on Macedonia in 2012 there has been little progress regarding the independence and impartiality of the judiciary. Although basic precautions are applied, including the role and composition of the Judicial Council in practice require further efforts to guarantee quality and independent decision-making by the courts. Improvements are needed in the system to improve and enhance, where the emphasis on quantitative rather than qualitative criteria for assessing a risk of formalistic decision making. Existing criteria for dismissal of judges is unclear what could be a potential threat to judicial independence. Length of proceedings is still a problem.<sup>1</sup> The situation in the judiciary is a reflection of the overall relations in social and political life and this approach must be taken into account in the analysis and assessment of the real situation, the problems and progress in justice. It must be noted that the judiciary, at least so far, failed to impose itself as a sovereign and independent power, from the two other authorities.<sup>2</sup>

As for the efficiency of the judiciary greater efforts are needed to collect and monitor accurate statistical data as rate of completed items and time of the courts. Judicial budget is 29 million euros of which 85% was spent on salaries of judges and administrative staff. It is about 50% higher than the European average per capita should therefore rationalize judicial network.

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<sup>1</sup> European Commission, The Former Yugoslav Republic of Macedonia 2012 Progress Report, {COM(2012) 600 final}, 10.10.2012, Brussels [http://ec.europa.eu/enlargement/pdf/key\\_documents/2012/package/mk\\_rapport\\_2012\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/mk_rapport_2012_en.pdf)

<sup>2</sup> Бужаровска Гордана, Напредокот во спроведувањето на судските реформи, Soros Open Society, 2008, [http://gg.org.mk/index.php?option=com\\_content&task=view&id=118&Itemid=99999999](http://gg.org.mk/index.php?option=com_content&task=view&id=118&Itemid=99999999), (20.3.2012)

There is insufficiently developed cooperation with the courts in the EU Member States, and regional cooperation, particularly regarding the strengthening of professional capacities in Macedonian courts to apply European standards in the administration of justice and the application of European law. By establishing the notary in 2005 and the successful operation of this service, courts are freed from administrative tasks without judicial nature.<sup>1</sup>

Information technology is not yet a reality in all courts, networking does not work on judicial bodies (courts, public prosecutor, Attorney, Public Attorney's Office), hence the conclusion is that it is incomplete coverage of the judiciary with information technology.<sup>2</sup>

Fight against corruption - remains an open question whether the recent and planned changes to the Law on financing of political parties in order to realize all GRECO recommendations third round of evaluation, especially incrimination and transparency of funding, there will be changes in practice. This skepticism stems from the fact that this law has undergone many changes, yet its implementation remains a problem. However, this activity is included in the program of the Government ("the recommendations will be implemented in the Republic of Macedonia GRECO Third Round Evaluation Report"), and numerous other activities. The fight against corruption will follow within the accession dialogue between Macedonia and the European Union.

Expectations are rising from one of the most important state institutions - the National Audit Office, which according to the amendments to the Law on financing political parties gained new responsibilities for overseeing the financial operations of political parties, authority to request the initiation of a criminal investigation or charges to the public prosecutor within 30 days of the determination of irregularities, as well as auditing of political parties in terms of implementation of the recommendations.

- **Conclusion**

Europeanization affects changes in the judicial system in Macedonia. It recognizes the scope of the changes and reshapes the domestic political picture occurred under the influence of the EU as an integrated set of institutions, norms, values and ways of doing politics. The process of Europeanization is pronounced because they are subject to the principle of conditionality, meeting the political criteria specified, adjustment of legislation and adherence to the principles of good neighborly relations and regional cooperation. The EU has a strong influence precisely because of their aspiration to join the EU.

In any case, the extent and dynamics of Europeanization depend on previous noncompliance home with European standards (the larger the discrepancy is visible Europeanization), but of course depend on the size of the country, on the strength of EU pressure, the size of the ambition to become part of the EU, the development of political awareness of the EU and the political culture. The Europeanization is not just a result of pressure, but is a result of voluntary adaptation and rational political choice is between calculation of the benefits that it will have a politician that is political party and the benefit of

<sup>1</sup> Бужаровска Гордана, 2008, Напредокот во спроведувањето на судските реформи, Soros Open Society, 2008, [http://gg.org.mk/index.php?option=com\\_content&task=view&id=118&Itemid=99999999](http://gg.org.mk/index.php?option=com_content&task=view&id=118&Itemid=99999999), (20.3.2012)

<sup>2</sup> European Commission, The Former Yugoslav Republic of Macedonia 2012 Progress Report, {COM(2012) 600 final}, 10.10.2012, Brussels [http://ec.europa.eu/enlargement/pdf/key\\_documents/2012/package/mk\\_rapport\\_2012\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/mk_rapport_2012_en.pdf)

Europeanization would have acquired state. In theory Europeanization are monitored several aspects: as a way of governance, institutionalization, such as socializing and political discourse. Europeanization in Macedonia undoubtedly create new institutions rules, procedures and standards in order to comply with European rules.

Yet, despite the obvious positive impact of the Europeanization framework, deficiencies can still be spotted. The reforms continue, but the judicial system is still inefficient and not fully independent. As a consequence the inefficient judicial system together with the public administration reform is pillar factor in inhibiting progress in most aspects. These reforms are first and foremost necessity for the citizens in the country in order democratically proclaimed governments to provide actual democratic environment where citizens' rights and liberties are practically protected. Only this will create security in which the Macedonian citizen and voter will truly feel the benefits of the rule of law.

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**Exploring Teachers' Pedagogical Content Knowledge in Teaching Cell Biology:  
Case Studies of Vhembe District in Limpopo Province**

**Abstract:**

This paper reports preliminarily on the main study for Doctoral study. The study is a descriptive qualitative study that seeks to explore pedagogical content knowledge of experienced teachers in teaching Cell Biology. Two experienced Life Sciences teachers from two schools in different circuits were the subjects of the study. In order to solicit pedagogical content knowledge of the teachers, this qualitative study was carried out in four stages.

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**Does Green Matter? A Study of Perception of Manufacturers and Consumers in a Developing Country about Green Supply Chains**

**Abstract:**

Green supply chain management (GrSCM) has received increased attention from both academia and industry in recent years in the developed nations. It focuses on reducing the adverse impact of business processes on the environment. These business processes include product design, material sourcing and selection, manufacturing processes, product delivery and end-of-life management of the product.

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### **An Indigenous Approach to Entrepreneurship: The Indian Model**

#### **Abstract:**

The term “economic growth and development” describes the features of economic well-being; but are the benefits of this growth being distributed equitably? One of the most effective tools of promoting distribution of wealth is entrepreneurship. It is the small scale sector which guards against inequitable distribution of national income and regional imbalance in growth. In a developing country like India, poverty needs to be addressed by redistribution of wealth.

#### **1. Introduction**

The term “economic growth and development” describes the features of economic well-being; but are the benefits of this growth being distributed equitably? One of the most effective tools of promoting distribution of wealth is entrepreneurship. It is the small scale sector which guards against inequitable distribution of national income and regional imbalance in growth. In a developing country like India, poverty needs to be addressed by redistribution of wealth and by increasing the productive capacity of the poor. Recent marketing literature is questioning the relevance of extant theories taught in business schools to entrepreneurial firms. These firms employ strategies, which are described as innovative and risky from the point of view of conventional wisdom. Managers of small and medium-sized enterprises operate within the constraints of limited resources and market information. Marketing theory was developed mainly from studies of large corporations, and many textbooks still reflect these origins in the concepts and cases they present. Most marketing theories appear to be more suited to large companies than to small enterprises. In India, both business education and the small scale sector represent growing trends; yet they have failed to supplement each other. Small scale units have not taken advantage of formal business education; management schools have failed to cater to the specific needs of the small scale sector. MBAs can expertly handle problems faced by multinational companies, but are at a loss when confronted with the problems of a garage-hut operator. A spirit of entrepreneurship is not being developed in these schools. The result is unemployment. What is required is a reorientation of the management course with a focus on certain areas of particular relevance to entrepreneurs such as opportunity recognition, risk taking, innovation, low-budget strategies etc. In the 1950s and 60s, protagonists of Max Weber’s Protestant ethic argued that Hindu religious values were incompatible with the spirit of entrepreneurship. The Hindu religious philosophy of resignation based on the doctrine of karma, the rigid caste structure and the joint family system were said to have hindered the growth of industrial capital. As a result Indian spirit remained un-entrepreneurial if not anti-entrepreneurial. This paper on the contrary argues that it is the very spirit of Indian philosophy that encourages entrepreneurial spirit. By ignoring the indigenous philosophy and turning blindly to

Western management principles, we have killed this spirit among our educated youth, particularly those availing of management education. Business requires a keen understanding of indigenous culture and tradition. With globalization, managers need to understand different cultures preceded by an understanding of one's own culture. Managers need to break away from the tendency to stereotype management styles and practices. This paper briefly examines management styles functional in certain regions of the world and then goes on to examine an indigenous management style developed in India, the Indian Ethos in Management, tracing its roots to the ancient scriptures. The author shows the inappropriateness of applying Western management techniques in an Indian context and looks at different models in the ancient Indian books of wisdom which are being applied to modern business organizations. The author aims at developing a model of entrepreneurial marketing based on Indian scriptures and applicable to the contemporary socio-economic context.

- **Importance of entrepreneurship**

Over the last five decades, India's small scale industrial sector has spearheaded the country's economic growth. This sector accounts for 95% of the industrial units of the country, more than 40% of value added in the manufacturing sector and about 40% of the country's exports. Next to agriculture, the small scale sector in India creates the largest employment opportunities. It has been estimated that a lakh rupees of investment in fixed assets in the small scale sector produces 4.62 lakhs worth of goods or services and generates employment for 4 persons. Following "liberalization" of the economy, while employment in the organized manufacturing sector remained stagnant, employment in the small scale sector continued to increase. It is the small scale sector which guards against inequitable distribution of national income and regional imbalance in growth.

In a developing country like India, rural poverty needs to be addressed not only by redistribution of wealth but also by increasing the productive capacity of the poor and enabling them to participate in the development process. Based on the concept of group entrepreneurship, it has been observed that the recipe for poverty alleviation is "micro-enterprises organized by self-help groups supported by micro-credit". Mahatma Gandhi has taught us that the most important duty of independent India is to enable every woman and man to earn her or his daily bread, through technologies based on the principle of production by masses. It becomes very important to support such activities in these days of free trade and globalization where outputs from mass production are pitted against the products from masses i.e. micro-enterprises.

- **Approaches to the study of entrepreneurship**

The academic approach to entrepreneurship in India can be divided into two phases. In the 1950's and 60's, the dominant approach was the cultural perspective based on Max Weber's Protestant ethic. Protagonists of this school argued that the Hindu religious values were incompatible with the spirit of entrepreneurship. The Hindu religious philosophy of resignation based on the doctrine of karma, the rigid caste structure and the joint family system were said have hindered the growth of industrial capital. As a result the Indian spirit remained by and large un-entrepreneurial if not anti-entrepreneurial.

From the 1970's onwards, this cultural perspective was attacked by the structural perspective. These studies, based mostly on theoretical Marxist views, focused on the exploitative relations between developing countries and the economically advanced countries. Contrary to the cultural analyses, the structural perspective related variations in entrepreneurial development in India to the broader politico-economic and historical context, particularly to the experience of colonialism and neo-colonialism. In these studies, the emphasis was no longer on the values and social prerequisites of industrialization, but shifted to socio-economic structures and the relations of exploitation embodied in these structures. The idea was that these structural factors had impeded the creation of indigenous industrial capital or had thrown up aberrant types of entrepreneurship in India.

This paper adopts a cultural perspective, albeit with a significant difference. The author argues that it is the very spirit of Indian philosophy which encourages entrepreneurial spirit. By ignoring the indigenous philosophy and turning blindly to Western management principles, we have killed this spirit among our educated youth, particularly those availing of management education. Indian Ethos in Management (Indian Management) is developing principles of management derived from the ancient Hindu scriptures to foster the growth of entrepreneurship among today's youth.

- **Entrepreneurship and management education**

Management education started in India in the 1950s, and since then it has grown in leaps and bounds. Today there are over 1500 business schools in the country churning out around 40,000 management graduates every year. India has the distinction of producing the second largest number of management graduates in the world each year. Yet there seems to be little or no correlation between management education and employment generation. Studies conducted reveal that out of the total number of MBA students produced in India, only 2% became successful entrepreneurs in 1970 and 1980 and this figure dropped to 1% in 1990. MBA's leave the campus with a "job" mentality, averse to the risks associated with entrepreneurship. Besides, the social stigma attached to entrepreneurship is another deterrent in this regard. Parents would rather get their daughter married to a petty clerk with a "safe" job than to a successful entrepreneur. Entrepreneurship is usually seen as a last resort when one fails to find a job, or loses his or her job in the volatile job market, or after retirement.

Both business education and the small scale sector represent growing trends. Yet the two trends have till now failed to support or supplement each other. The small scale units have not taken advantage of formal business education. They are shunning professional management and restricting decision-making to the close family circle. On the other hand, the management schools have failed to cater to the specific needs of the small scale sector. They are producing MBAs who can expertly handle the situation faced by a multinational company, but are at a loss when confronted with the problems faced by a garage-hut operator. A spirit of entrepreneurship is not being developed in these schools. The result is unemployment. What is required is a reorientation of the management course with a focus on certain areas of particular relevance to entrepreneurs such as opportunity recognition, risk taking, innovation, strategies based on low budgets etc.

- **Culture specific management**

There is a growing agreement among industrialists and academicians alike that the most important factor in any organization is human resource. Hence, management primarily deals with human behaviour and requires a strong grounding in behavioural sciences. This makes a culture-specific approach increasingly important. There may be a globalization of physical goods, quality control, manufacturing process, technology, systems application and so forth, but the people to whom the organization is catering and the people with whom the organization is running still belong basically to their own specific culture. Hence, judging the needs and wants of the consumers and motivating the employees require culture-specific models based on an understanding of the local psyche and ground-realities.

There is a growing awareness of the role played by tradition and culture in shaping management practices in different parts of the world. The following section briefly compares the management styles of Japan, Russia, China and Africa with those of the West. This is followed by an overview of certain theories of management developed exclusively in an Indian context.

- **Japanese Management**

In his recent book which won the 2000 John Whitney Hall Prize of the Association of Asian Studies, William M. Tsutsui has traced the roots of Japanese management styles to the theories propounded by Frederick Winslow Taylor. However, according to Tsutsui, Japan's industrial success lay in adapting these American theories to the Japanese context. Japanese managers aimed at welfare of workers in order to gain their commitment to corporate goals. Hence, the impersonal regimentation of scientific management and the American assembly line were sought to be humanized in Japan. Tsutsui cites the example of the national library's circulation desk. Here, several librarians each perform a single repetitive task, as in an American assembly line. However, after every 30 minutes, each librarian is rotated from one job to another. This multifunctional approach reduces the tediousness of the job and increases efficiency and productivity. In this case, the standard routines are typically American, but the task rotation is uniquely Japanese.

- **Russian Management**

Snejina Michailova of the Centre for East European Studies of the Copenhagen Business School made a study of management attitudes in a comparative Russian and Western perspective. In the case which was examined, a Western multinational acquired a stake in a Russian organization and assigned foreigners to work in the management group of that organization. The author identified certain differences between the attitudes of the two groups within the management team – Russian and Western. The Russian part was characterized by “bureaucratic culture” with a focus on functional positions while their Western counterparts emphasized teamwork. In contrast to the Western “bottom-up” approach, the Russians preferred a “top-down” approach. The Russian staff attached great importance to formal hierarchy with one-way communication extensively through written instructions and commands. The Russian employees perceive the management to be the collective guardian of the organization. This leads to the principle “Nachal stwo znaet lutche” (i.e. superiors know better).

Hence, the author concludes that Russian and Western managers exhibited behavioural differences because of differences in fundamental attitudes rather than differences in economic situations.

### ○ **Chinese Management**

A study of 67 Sino-foreign joint ventures by Lu et al. has identified the differences in management styles as the main cause of perceived difficulties. Western concepts of motivation are not relevant in a socialist country where people have been motivated to do what was best for the country with little reflection in industrial productivity. Maslow's theory of motivation, with its focus on individual goals, is irrelevant in a culture which places high value on self actualization in terms of service of the community. Similarly, Herzberg's theory of hygiene factors needs to be redefined in the Chinese context where "belongingness" belongs to the set of hygiene factors. In McClelland's view, achievement is the key to economic development; but in China, this achievement is more in the form of output quotas rather than any intrinsic satisfaction. McClelland's power motive is also not a very strong motivator in China where the distance between the middle and high ranks is huge whereas advancing to the middle levels does not bring increased power of any significance.

### ○ **African Management**

One of the most notable proponents of the African school of management is Lovemore Mbigi. Drawing on his own career, he shows how, as a young salesman, he was taught by his grandmother to associate between the roles of the rural hunter and the business entrepreneur. The spirit of the hunter was developed into the enterprising restlessness of a confident entrepreneur. He demythologizes the religious phenomenon of the spirit possession and shows how it is utilized as a motivation for human resource management. Ubuntu, a management jargon, can be traced back to a Xhosa proverb which reads, "A person is a person through other people". Based on this, the key to managing people in Africa is participatory leadership, consultation and mutual respect. Personnel managers in Africa have eagerly coalesced capitalist managerial philosophy with African Religion. The brochure of the 40<sup>th</sup> Annual Convention of the Institute of Personnel Management at Sun City in October 1996 read: "Celebrating the South African soul. Harnessing the Madiba Magic in Organizations."

### • **Indian Management**

Indian organizations, unfortunately, are yet to wake up to the need for an indigenous school of management. We are still teaching and practicing management practices borrowed from America and Japan with little or no modifications to suit the Indian psyche. Fortunately, a handful of management consultants, academicians and researchers are waking up to the need for our own management practices. The result is what is called Indian Ethos in Management (IEM). Indian Management traces its roots to the Bhagavad-Gita and imbibes management theories based on the Vedic scriptures. The principles of Indian Management are based on an understanding of the Indian psyche.

### ○ **Exploding the Myths Regarding Entrepreneurship**

#### **Capital or human resources?**

Certain prevalent ideas are not conducive to entrepreneurship. One such idea is that capital is the most important thing in business. If that is so, how did Peerless start with only Rs. 300 and Reliance with a

mere Rs. 17,000 and yet reach the status of 2 of India's leading organizations? Loans were given liberally at the loan fairs, but only 2% of those who took loans turned out to be successful businessmen or industrialists. Japan lacks in coal, petroleum and mineral resources while Bihar, one of India's most poverty-stricken industrially backward states, is one of the most mineral-rich regions of India. Yet look at their respective positions in the world economy today.

Indian management lays more emphasis on 'sukshma', or inner resources than 'sthula', or external resources. External, or 'sthula' resources in the context of business would include such factors as machine, material and money. These factors are important but not predominantly so. What is more important are the inner, or 'sukshma' resources such as courage, vision, emotional stability, a healthy philosophy of life and social awareness. These have been described by Lord Krishna in the Bhagavad-Gita as divine qualities ('daivi sampad').

An entrepreneur must have the courage ('abhayam') to take risks. She must have the vision regarding the future. She must develop foresight, like the third eye ('trinetra') of the Hindu goddess. Even Western literature talks of the need for a Janusian leader with the ability to look forward with vision and backward to learn from experience, like the two-headed deity Janus.

Another important inner resource is emotional stability ('sthita prajna'). A manager must maintain a cool mind and be emotionally stable in order to take the correct decisions. Western management lays great emphasis on the objective aspect of decision making with a focus on decision making tools and techniques. However, we must bear in mind that whereas the data required for decision making is objective, decision making itself is a subjective process. The decision is being taken by a human being and depends on the quality and state of her mind. If she is perturbed, she will be unable to take an objective decision. In order to take an objective decision, she must make her mind calm, go beyond her ego, focus on the area of common interest to all parties concerned and develop foresight. Hence, for decision making, Indian management focuses on developing foresight and long-term vision and controlling the mind.

Above all, to be successful, an entrepreneur must have a healthy philosophy of life ('darshana'). If she uses the organization for her own petty interests, the organization will not succeed in the long run. The focus must be on serving society. An entrepreneur's mission must be to solve the problems of society rather than serving her own needs. The greatest power of an individual is people's power. Money is a power, but not the ultimate power. If knowledge was the ultimate power, then computers would have beaten humans in terms of power any day. What ultimately counts is how many people are with you. Between the helper and the helped, it is the helper who ultimately stands to gain. An entrepreneur who solves people's problems wins over people to his side. The more and more people he helps, the more is his number of supporters. This is the ultimate test of the health of a company – the number of customers it serves. Ogilvy and Mather started off in 1949 with \$6000, no clients and a motto which ran as follows: "The primary objective...must be to provide the best possible service to the customer. Profits are necessary, but they are a by-product of the services rendered". Today Ogilvy and Mather ranks as one of the largest advertising agencies in the world.

### **Competition or cooperation?**

Another idea detrimental to entrepreneurship is that competition is a must. Indian management talks of co-operation ('sahanabhavatu') as opposed to competition. Competition is for mediocres. Where is competition leading the companies to today? It is a dog eat dog situation. There is the story of the crabs that stopped each other from escaping from a drum by pulling down whichever crab tried to climb up the side of the drum. Instead, if they had helped the first crab to climb up, that crab could have pulled up the next one and all of them could have escaped. If there are two shops selling textiles in the locality and I open a third such shop, perhaps I might get one-third of the market share. Instead if I open a tailoring shop there is a chance of winning 100% market share. Today, quality guru Deming himself has denounced competition and said: "We must throw overboard the idea that competition is a necessary way of life. In place of competition we need co-operation".

### **Focus on strengths or weaknesses?**

Another myth detrimental to entrepreneurship is that small companies cannot succeed against large multinationals. Yet we find Nirma, a detergent powder aimed at the poorer sections of society with production starting in a tiny garage, throwing a challenge to Surf produced by the multinational giant Hindustan Lever! Indian Ethos in Management refers to the Kurukshetra War between the Pandavas and the Kauravas. At the start of the war, Lord Krishna placed Arjuna's chariot between the 2 armies and asked him to survey the scene. The lesson here is to consider the positive and negative points in any situation and then use the former to remove the latter. Small Indian companies have several advantages over the large multinationals. They already have their own local network which foreign companies lack. The latter do not know Indian buying habits. Production costs are much higher for large companies, given their huge overheads. Small companies can change their structure easily in response to changing needs. They also enjoy several benefits such as tax exemptions etc. and other support structures from the government.

### **Market saturation or untapped market?**

The myth of market saturation has been vehemently attacked by Indian Ethos in Management. Probably the greatest benefit working in favour of small companies is the nature and size of the Indian market. The large multinationals primarily target the high and middle income groups which constitute a very small portion of the total Indian population. On the other hand, though selling to the low income groups might mean lower profit margin, the sales volume will be huge. If a company can make its products affordable to this huge untapped section of the Indian market constituting the low income group, it need not fear the myth of market saturation. Nirma, which started in 1969 as a cottage industry, aimed at producing low cost good quality detergent for the poorest sections of society. The result was an increase in production from 12 tons in 1972 to thousands of tons in 1986 with a turnover of Rs. 250 crores. The Grammen Bank of Bangladesh targeted the poorest section of society for giving loans and built up a huge customer base with a repayment rate of almost 100%.

#### **○ The Indian Psyche**

A leader can be successful only when he understands his subordinates well. In India, this entails an understanding of the Indian psyche. Certain characteristics of the Indian psyche, relevant to the business organization, are as follows:.

- 1 Culture and tradition
- 2 Hard, not necessarily smart, workers
- 3 Educated, not necessarily literate
- 4 Emotional, common sense
- 5 Accommodating
- 6 Family attachment
- 7 Personalized relationships
- 8 Averse to hierarchy
- 9 Natural leaders
- 10 Leader role model and father figure

○ **Basic Principles of Indian Ethos in Management**

Indian Management is based on 3 basic principles, as follows:

**Tat-Tvam-Asi**

This, when translated, reads “You are the Supreme”. This implies that each one of us have immense potential. It is up to us to fully realize that potential. Netaji Subhash Chandra Bose, Gary Sobers, Pandit Ravi Shankar, Bill Gates, Jamshedji Tata are examples of those who realized their potential. The implication of this principle has led to a redefinition of management. Management, according to Indian Management, is not “getting things done by others” but “helping ordinary people to produce extra-ordinary results” based on the perception that human productivity is more important than plant productivity. At a small unit in Thane producing metal plates, the average production was 62 plates per hour with a machine capacity of 70 plates per hour. The workers undertook to increase the production to 80 per hour in the face of managerial scepticism. Working by themselves without any help from the managers, the workers, who had studied only upto middle school, changed the gear of the machine to increase the speed, the belts were synchronized to the new gear and the machine started producing 92 plates per hour. In the switchover to electronic telephone exchange in an alloy steel plant in West Bengal, three workers were explained the task and given independent charge to execute it without any help from managers or supervisors. Given the considerable amount of cable dressing and laying and on-line connections without shutdown of the existing exchange, 5% error was permissible. The task was completed with zero error. At Dewas, in Kuber Lighting, the workers themselves had developed a machine which costs one-twelfth of the German machine which was being used. In all these cases the difference between men-capacity and machine-capacity was proved.

**Advaita**

Advaita means non-dual. In management, this implies a holistic approach. A manager integrates various roles in his life – that of a manager, a father, a husband, a son and so forth. What is required is a balance between the different roles. If he is disturbed at home then it is reflected in his work and vice versa. The same person may be demotivated in office but highly motivated when caring for his family.

The following figure shows the difference between a typical individual’s behaviour at home and at work.

**Fig. 1: Differences in Human Behaviour**

<b>9 A.M. TO 5 P.M. BEHAVIOUR (at office)</b>	<b>5 P.M. TO 9 A.M. BEHAVIOUR (at home)</b>
<ul style="list-style-type: none"> <li>• Calls it “work”</li> </ul>	1. Calls it “home life”, “play”
<ul style="list-style-type: none"> <li>• Suffers burden</li> </ul>	2. Enjoys
<ul style="list-style-type: none"> <li>• Limits the role to the position description</li> </ul>	3. Expands the role when required
<ul style="list-style-type: none"> <li>• Limits the output to “safe” level</li> </ul>	4. Finds new ways of increasing output
<ul style="list-style-type: none"> <li>• Quality as per specification</li> </ul>	5. Continuous improvement in quality and service
<ul style="list-style-type: none"> <li>• Tends to delay matters to last possible moment</li> </ul>	6. Prepares in advance; starts early
<ul style="list-style-type: none"> <li>• Demanding</li> </ul>	7. Sacrificing
<ul style="list-style-type: none"> <li>• Looks for “rules”</li> </ul>	8. Ready to break new ground
<ul style="list-style-type: none"> <li>• Avoids additional load</li> </ul>	9. Volunteers to help others
<ul style="list-style-type: none"> <li>• Refers to “formula” and “theory” for problem-solving</li> </ul>	10. Does the obvious
<ul style="list-style-type: none"> <li>• Takes care of waste-management, quality, cost etc. when instructed and taught</li> </ul>	11. Does this spontaneously
<ul style="list-style-type: none"> <li>• Is provided comforts of a son-in-law but feels like a slave</li> </ul>	12. Has to carry out all kinds of work; yet feels like a king

In the Gita, Sri Krishna taught Arjuna “sthita-prajna” (emotional stability) and “darshana” (a healthy philosophy of life). Unless the manager is emotionally stable, he cannot take proper decisions. Without a healthy philosophy of life he may use the organization to serve his petty interests. So managers require both functional skills and life skills. A manager works with data which is objective, but the decisions which he takes on the basis of this data is subjective. So unless his mind is under control and he is emotionally stable, his decisions will suffer.

### **Sukshma**

According to Indian Management, subtle intangible forces (sukshma) are more important than objective tangible forces (sthula). The manager must develop inner vision, like the third eye of the

Devi, to gain foresight and insight. Inner resources (sukshma) are more important than external resources (sthula). In the managerial context, external resources would be money, machines, capital etc. If capital is the most important thing in business, then it doesn't explain the failure of the loan fairs to generate entrepreneurs or industrialists. Bihar is rich in mineral resources whereas Japan has a paucity of the same. Yet consider the relative position of the two regions in the economic map of the world. What counts are inner resources like courage and vision. These are described by Sri Krishna as "daivi sampad" (divine qualities) which include "abhayam" (courage, fearlessness) and "sattva-samshuddhi" (a clear mind), amongst others. Nirma, which started in 1969 as a cottage industry, aimed at producing low cost good quality detergent for the poorest sections of society. The result was an increase in production from 12 tons in 1972 to thousands of tons in 1986 with a turnover of Rs. 250 crores. The Grameen Bank of Bangladesh targeted the poorest section of society for giving loans and built up a huge customer base with a repayment rate of almost 100%. Lijjat Papad started in 1959 with all the workers as shareholders in the company. By the mid 1970s sales had reached Rs. 2 crores. Ogilvy and Mather started off in 1949 with \$6000, no clients and a motto which ran as follows: "The primary objective...must be to provide the best possible service to the customer. Profits are necessary, but they are a by-product of the services rendered". Today Ogilvy and Mather ranks as one of the largest advertising agency in the world. Today, even Western authors are talking of the need for the Janusian leader (from the ancient Roman deity Janus with two faces) with a capability to look forward with vision and backward to learn from experience.

#### ○ **Some Models from the Scriptures**

Indian Management draws examples and develops models based on the ancient scriptures. Some such models are as follows:

##### **Vision**

Queen Kaikeyi wanted to send her stepson, the heir apparent, Rama to the forest for 14 years so that her son Bharat could become king. The long period of Rama's exile would give Bharat the time to consolidate his position. So she had a long term vision. However, her plan failed. This was because she could not go beyond her own petty interests. Hence, a manager must have long term goals and a vision, but he must transcend his own ego so as to take the right decisions.

##### **Mission**

When Duryodhona charged Bhisma with being soft on the Pandavas, the latter felt humiliated and promised to kill 10,000 Pandava soldiers everyday. In retaliation, Arjuna started to kill 20,000 Kaurava soldiers daily. Finally Krishna intervened and reminded Arjuna that his task was not to kill soldiers but to target the commanders. A manager must not get bogged down by routine jobs and lose sight of the real purpose of his job. The manager's task is to produce performers and create value. This target must not be lost sight of.

##### **Quality Control**

When Rama and Lakshmana visited Shavari, a tribal lady, she offered them fruits. However, before offering the fruits to her guests, she herself first tasted each fruit and gave them only those which she

was perfectly satisfied with. This was the ultimate in quality check. The manager should offer that product to the buyer which he himself will be ready to accept as a consumer.

### **Scope and Flexibility**

Hanuman, the monkey god, can jump from one tree to another. He extended this prowess to jump from one country to another when he went to Lanka to save Sita. Similarly, people in an organization can extend their skill to new areas. Instead of restricting themselves to their routine jobs, they should find out new areas where they can apply their skills. Even in dealing with routine jobs, new ways should be devised to tackle the same task. This will lead to innovation and improve efficiency.

### **Uniqueness**

Krishna was offered the throne of Emperor twice – first by the kings defeated by Kangsha after the latter's death, and next after the Kurukshetra war by Yudhisthir. On both occasions, Krishna declined the offer. Although he remained king of only a small kingdom, Dwarka, yet he remained the most influential king of his time. An organization should aim not at being the market leader of a particular product but at becoming a key player. A conventional market leader can lose its position to an organization which comes up with a new or better product. But if an organization can give a new direction in its trade or industry, it remains ahead of others.

### **Management by Strategy**

When both Duryodhona and Arjuna approached Sri Krishna to join their respective armies, Sri Krishna offered 2 alternatives – either the active assistance of his own army, the Narayani Sena, or his own presence, although he would not touch arms. Duryodhona opted for the Narayani Sena. Arjuna preferred Sri Krishna's presence as a strategist. In industry, strategy is the most important element. Management by Objective aims at setting up realistic goals. According to Indian Management, even apparently unrealistic goals can be achieved through the right strategy because man has immense potential. Before starting the Kurukshetra war, Sri Krishna placed his chariot between the two armies and told Arjuna to see the Kauravas and Pandavas. Before starting a project, one should study the positive and negative elements in the situation and adopt the right strategy to overcome the latter.

### **Involvement of all the Personnel**

An organization must grow with, and not at the cost of, its personnel. This will lead to a sense of belongingness and motivation. All employees must be involved in goal-setting and implementation, in decision-making and planning. Workers often feel that decisions are imposed on them and resent this. Indian Management talks not of external motivation but inspiration from within which can come only from a sense of involvement and identification with the organization.

### **Shreyas-Preyas-Swadharma**

A company's starting point must be mission (Shreyas) or social responsibility. The goals (Preyas) must be compatible with the Shreyas. The goals must be achieved by emphasis on the special strength (Swadharma). Shreyas, Preyas and Swadharma must be integrated in effective planning.

## **Money – Time Schedule**

In the folk tales of Panchatantra, a father gave each of his 3 sons a gold coin and one year's time to see what they could achieve with those two resources. This is what the entrepreneur interprets as costing and time scheduling.

## **Leadership**

In answer to Theory X and Theory Y, Indian Management has evolved the Theory P (read Parent) of leadership. Theory P follows the Bhakti-Yukti-Mukti path to leadership, as opposed to the Shakti path where the relationship between leader and subordinate is based on a power tussle. In the Bhakti stage, the relationship between the leader and subordinate is that between the mother and child, with the former providing physical and emotional support to the latter. In the Yukti stage, the relationship is that between a teacher and student with the former providing intellectual support to the subordinate. Finally in the Mukti stage, the relationship evolves into a grandfather-grandson relationship with the leader empowering the subordinate, but there to provide support in the form of advice as and when required.

At Menon Pistons Ltd., Kolhapur, an ISO 9002 company, the contractor running the canteen chose to walk out suddenly, unable to meet the rising costs and faced with a declining income. Since the factory was situated away from the town, it was difficult to run the factory without a canteen. The HRD manager put to test the Bhakti – Yukti – Mukti model. He spoke to the canteen employees and encouraged them to start running the canteen on their own. When confronted with their lack of confidence in themselves, he pointed out to them their immense potential as human beings and promised to give the support required (emotional and physical nurturing). He helped them to make an estimate of the resources required, arranged for a 2 year loan from the company and helped them to form a partnership (intellectual nurturing). The canteen workers–turned–entrepreneurs began to run the canteen successfully on their own (empowerment) and cleared the loan in less than a year.

## **Ashtanga–Yoga Path**

Indian Management has shown how the entrepreneur can apply the 8-fold path of Yoga to the business organization.

*Yama* – conservation of energy

Resource mobilization

*Niyama* – self discipline

Laying down the basic framework or ground rules

*Asana* – settling down

Building up infrastructure

*Pranayama* – regulating the life force

Starting a pilot project or experimentation

*Pratyahara* – withdrawing the mind from distractions

Removing the blocks from the process

*Dharana* – concentration

Concentrating on the key points of the project

*Dhyana* – meditation

Taking a holistic approach of the process

*Samadhi* – realization

Achievement of the goal

○ **Problem Solving**

When an organization is running smoothly, leadership is not required. A leader is needed when there is a problem. A problem is nothing but an opportunity to show one’s excellence. Problem solving techniques devised by Indian Management are based on two sutras of Patanjali’s Yoga Sutra. Interpreted by Swami Vivekananda, they are as follows:

“Ignorance is the productive field of all those that follow....”.

“The water for irrigation of fields is already in the canal, only shut in by gates. The farmer opens these gates and the water flows in by itself by the law of gravitation. So all progress and power are already in every man; perfection is man’s nature, only it is barred in and prevented from taking its proper course. If anyone can take the bar off, in rushes nature”.

In terms of solving a problem, this implies that a problem must be first understood, and then the blockage must be analyzed and removed. Vedanta identifies 5 areas of blockage.

- Anna (food) – materials blockage. This may be related to manpower, machinery or money.
- Prana (life force) – information blockage. This could be due to inadequate and improper information.
- Mana (mind) – psychological blockage. This could be due to a manager or one or more workers.
- Vijnana (awareness) – power-related blockage. This could be caused by a power tussle between departments or individuals.
- Ananda (happiness) – flow or process blockage. This could be due to lack of proper coordination.

Having identified the blockage, the following steps may be undertaken to analyze the problem:

**Fig. 2: Problem Analysis**

FACTOR ANALYSIS (What is the exact factor?)
GOAL ANALYSIS (What do we want to achieve & why?)
BLOCKAGE ANALYSIS

(In which area is the blockage?)
PHASE ANALYSIS (In which sub-area is the blockage? E.g. If it is a material blockage, is it related to raw materials or money?)
FUNCTION ANALYSIS (How is the factor blocking the smooth functioning of the system?)
PEOPLE ANALYSIS (Who is the main person behind the problem?)
MOTIVE ANALYSIS (Why is he behaving this way?)
GAP ANALYSIS (What is the gap between his motive & organization's motive?)
INTEREST ANALYSIS (What are the common interests between him & the organization?)
SOLUTION ANALYSIS (What are the alternative paths, arranged from easiest to most difficult, to bridge the gap & what steps should be taken?)

#### ○ **NAMASKAR MODEL OF ENTREPRENEURSHIP**

Indian Management has developed certain models of entrepreneurship including the Namaskar model. “Namaskar” is the Hindu form of greeting. Each syllable of the word is used to denote a step in the process of setting up a business as denoted below:

- N: Nutanatwa (newness) Offer something new to the market
- M: Manushya (human being) Decide on your target group
- S: Samasya (problem) Offer a solution to your customers' problems
- K: Kaal (future) Plan for the future growth of your organization
- R: Ratha (chariot) Take your solution to your target group

#### • **Conclusion**

Our Indian scriptures provide us with certain basic principles necessary for a successful entrepreneur. 'Tattvamasi Ahambrahmasi' implies that we have immense power. Human capacity is infinite. What prevents us from translating this capacity into action is a lack of self confidence. We do not have faith in our own capabilities. A sense of 'Advaita' or oneness will help us to identify ourselves with the organization. This will change our very attitude and behaviour vis-à-vis the organization as we identify our own interests with those of the organization. A realization that salvation lies in service, or 'Atmano mokshartha jagat hitaya cha', will allow the organization to grow. When the organization seeks to serve people, as in the case of our earlier example of Ogilvy and Mather, people will come to the organization, leading to growth.

Business education is necessary for growth of entrepreneurship, but such education must not lose sight of the culture and tradition of the society to which it is catering. Blind importing of management ideas will not necessarily lead to success. Such business education should encourage risk-taking ('Abhayam') and foster a spirit of entrepreneurship. Growth of entrepreneurship will lead to employment generation and equitable distribution of growth, given the spatial dispersion of the small scale units. The B-schools should tailor-make their education keeping this in mind and the SSI units should take full advantage of this. If business education and the SSI sector complement and support each other, the result will be a growth of the economy at the grassroots level.

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## İlker Sakinç

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### **Women on Corporate Boardroom and Firm Financial Performance: Evidence from Turkey**

#### **Abstract:**

Traditionally as is shown by researchers corporate boardrooms are predominately made up of male directors with a distinct minority of female directors. However, women have been playing an increasingly important role in the marketplace for business. According to corporate governance literature, women on board are expected to affect firm performance. This paper examines the relationship between women on corporate boardroom and financial performance of corporates. We conduct a cross sectional regression analysis based on all “Corporate Governance Index” firms listed on Istanbul Stock Exchange (ISE). The results indicate that ratio of female directors is negatively related with firm financial performance variables.

**Keywords:** Women on board, gender diversity, corporate governance, firm performance, corporate boardroom, firm performance.

**JEL Classification:** G10, G30, G32.

#### **1. Introduction**

Although the number of women pursuing managerial career also significantly increases, the presentation of women holding seats on the board is generally low. This situation also does not change in the developed countries. According to the Credit Suisse report (2012) the percentage of companies which have more than three women corporate board member is % 18,7 in North America and %27,6 in Europe. In developed Asia and Latin America this percentage declines %2,8 and %2,4, respectively. A similarity in almost all country is the sense of superiority in men, resulting in male societies (Mirza et al. 2012). This unequal condition leads to increasingly attempts to promote equal opportunity among women and men. For this reason, the Norwegian and Swedish governments have imposed gender quota the boards of directors. In Norway, the percentage of women on corporate boardroom must be at least %40. In Sweden, companies must reserve a minimum %25 of their board seats for women directors. Another country, Spain has promulgated a similar legislation. This legislation requires companies to increase the proportion of women directors to %40 by 2015 (Medland, 2004). Iceland government requires companies with more than 50 employees to have board representation of least %40 for each gender. Similar legislations are also intensely debated in the Netherlands, France, Belgium and Germany. All these kind of legislations’ aim are to create more gender equality and to increase companies’ profit (Storvik, 2011).

In capital markets institutional investors and ethical funds are playing closer attention to the governance and top management of listed companies (Francoeur et al. 2008). The need for an effective and functional board of directors is fundamental to the success of the company. In addition to this success, it is essential to good corporate governance and investor relations. By means of good corporate governance, investors want to be sure investing the right company (Lincoln and Adedoyin, 2012).

The term of “Gender Diversity” on the board of directors has attracted the interest of scholars in the past two decades. Krishnan and Parsons (2008) and Ye et al. (2010) have point out the association between gender diversity and accounting earnings quality. Adams and Ferreira (2009); Farrel and Hersch (2005); Francoeur et al. (2008); Gallego et al. (2010); Marinova et al. and Smith et al. (2005) have studied the impact of gender diversity on firm profitability or financial performance. Those studies are conducted in the context of a few developed economies, such as the US, US, Canada, Spain, the Netherlands and Denmark, Denmark, respectively. However, studies in the context of developing countries are very limited. Hence, this study contributes to the literature by examining the link between gender diversity and financial performance for a developing country, Turkey.

In this study, we analyze whether women on boards of directors have any significant effect on firm performance measured by Return of Assets, ROA. The study examines the relationship between gender diversity and firm performance for the 40 Turkish firms in the Corporate Governance Index in 2011. Our empirical evidence reveals that the number of women on corporate boardroom is negatively related to firm financial performance.

This study is structured as follows. Section 2 reviews prior studies and develops hypotheses. Section 3 presents the data and methodology we use. Our empirical results are explained and discussed in section 4. Section 5 concludes the study.

### • Literature Review

Krishnan and Parsons (2008) have addressed the relationship between gender diversity of top management team and accounting aspects of the firms. They find that gender diversity in senior management is positively associated with reporting quality of accounting earnings.

Carter et al. (2003), Erhardt et al. (2003), Krishnan and Park (2005) and Shrader et al. (1997) find that the proportion of women on the board or in the management teams is positively related to the performance measurements. In contrast to these studies, Adams and Ferria (2009); Darmadi (2010); Mirza et al. (2012); Bohren and Strom (2007) find that female representation on the board has a negative relationship with performance measurements.

Some of the studies could not find a significant association between women on board and firm performance. Hussein and Kiwia (2009); Randoy et al. (2006); Eklund et al. (2009); Marinova et al. (2010); Rose (2007) indicate that the proportion of women on the board has no significant relationship with performance measurements.

Claessens et al. (2000) state that in Southeast Asian emerging market, the listed firms are mainly family controlled. Similar to Southeast Asian firms, the ownership of Turkish companies is family. Thus, women who can be the members of corporate board are partly the due to family ties with the controlling shareholder instead of professional expertise and experience. Ranft and O’Neil (2001)

reveal that in start-up firms the founder often serves as chair and CEO and they tend to have weaker boards. Especially, they are the only person who determine the corporate boardroom members. They do this due to manage the firm by their own.

We predict that the proportion of women on corporate boardroom is negatively related to firm performance due to the lack of professional expertise and experiences. As a result, our first hypothesis is as follows:

H1: There is a negative relationship between the proportion of women on the board and financial performance.

Some researchers employ the dichotomous variables to indicate the presence of women on the board. Carter et al. (2003) find that firms at least one female board member have significantly higher performance compared to their counterparts. On the other hand, other researchers do not identify significant relationship between women on board and financial performance. Marinova et al. (2010) and Rose (2007) conclude that firms at least one woman board member perform neither significantly better nor worse than firms with no female board members.

We expect that the presence of women board member has a negative relationship with financial performance. Hence, our second hypothesis is stated as:

H2: There is a negative relationship between the presence of women on the board and financial performance.

In our regression model we consider some aspects of firm characteristics, corporate governance and ownership structure as control variables. Those variables are firms size (LNASSET), debt ratio (DEBT), the number of independent commissioners (INDEP), largest shareholder ownership (LARGEST).

- **Data and Methodology**

The sample of our study consists of 40 firms, the total number of firms listed on the Corporate Governance Index on the Istanbul Stock Exchange, as at 31 December 2011. All the data are obtained from the Public Disclosure Platform.

In this study we use cross-sectional regression models to explain diversity of corporate boardroom, along with the control variables on firm financial performance. Since, two different proxies are used in this study:

$$\text{PERF} = \beta_0 + \beta_1 \text{PWOMEN} + \beta_2 \text{LNASSET} + \beta_3 \text{DEBT} + \beta_4 \text{INDEP} + \beta_5 \text{LARGEST} + \varepsilon \quad (1)$$

$$\text{PERF} = \beta_0 + \beta_1 \text{DWOMEN} + \beta_2 \text{LNASSET} + \beta_3 \text{DEBT} + \beta_4 \text{INDEP} + \beta_5 \text{LARGEST} + \varepsilon \quad (2)$$

Where PERF is measured by ROA, the ratio of the firm's net income to its book value of assets, as a financial performance; PWOMEN is the proportion of women on corporate board; DWOMEN is a dichotomous variable that equals 1 if the firm has at least one women on the board and 0 otherwise; LNASSET is the natural logarithm of total assets as the proxy for firm size; DEBT is the ratio of total debt to total assets; INDEP is the number of independent members on the board; LARGEST is the proportion of shares owned by the largest shareholder.

Gender diversity is the explanatory variable in this study. Two different proxies are used for the gender diversity. Firstly, we employ the proportion of women on the management board, calculates as the the ratio of the number of women to the total number of corporate boardroom members. This proportion is used to test whether higher percentage of female directors on the board would lead to better performance. Secondly, the dichotomous variable is used to capture the presence of women on the board. It equals 1 if the firm has at least one woman on the board and 0 otherwise. This variable enables us to suggest whether the presence of female directors on the board has a significant impact on corporate performance.

- **Results**

Statistics including different issues of results are summarized as follows. Table 1 provides an insight on descriptive statistics of the data used for this study.

**Table 1: Descriptive Statistics of Firms**

Variables	N	Mean	Std. Dev.	Min	Max
ROA (Percent)	40	0,767	8,3221	-28,087	21,7989
Proportion of Women (PWOMEN)	40	0,086	0,1352	0	0,5
Presence of Women (DWOMEN)	40	0,425	0,5006	0	1
Log of Total Assets (LNASSET)	40	21,299	2,0391	16,4909	25,3901
Debt Ratio (DEBT)	34	184,37	171,04	1,6615	757,567
Independent Commissioner (INDEP)	40	0,425	0,9578	0	4
Largest Shareholder Ownership (LARGEST)	40	45,750	20,292	10,99	83,75

Table 1 shows descriptive statistics of selected variables. The average ROA is 0,76. The average proportion of women is 8,6 percent. From 40 firms about %43 percent of them have female members of their corporate board. The mean of the number of independent commissioner is 0,43. The average proportion of shares owned by the largest shareholder is %21.

Table 2 gives correlations among dependent variable ROA and independent variables PWOMEN, DWOMEN, LNASSET, DEBT, LARGEST, INDEP. This correlation shows association between these variables. From this table it is clear that in Turkey the performance of firm and proportion of female board members have negative association. Although there is a negative relationship between DWOMEN and ROA, the correlation is not significant. Furthermore, PWOMEN has a significant association with largest shareholder. Higher proportion of women employed by largest shareholder may be due to family ties with the founder or the controlling shareholder. It can be seen that PWOMEN is positively correlated to DEBT, implying that higher proportion of women is more like to belong high debt.

**Table 2: The Correlation Matrix of the Variables**

	ROA	PWOMEN	DWOMEN	LNASSET	DEBT	LARGEST	INDEP
ROA	1.000						
PWOMEN	-0,379**	1,000					
DWOMEN	-0,090	0,745***	1,000				
LNASSET	0,223	0,092	0,091	1,000			
DEBT	-0,222	0,338**	0,006	0,464***	1,000		
LARGEST	0,027	0,317**	0,267*	0,187	0,326*	1,000	
INDEP	-0,347**	0,051	-0,012	-0,025	0,097	-0,247	1,000

\*, \*\*, and \*\*\* indicate significance (one-tailed) at the 0.10, 0.05, and 0.01 levels, respectively.

Table 3 reports the regression of ROA on the representation of women. Multivariate regression analysis is conducted to examine whether female board member has significant impacts on financial performance. We specify two models based on equations (1) and (2). The proportion of women on the corporate board is significantly and negatively associated with ROA, marginally at the 1 percent level. Hence this finding supports Hypothesis 1. This suggest that higher proportion of female board members is associated with lower level of performance. Additionally, the presence of women on management boards is found to be insignificantly related to firm performance.

**Table 3: Regression of ROA on the Representation of Women on Management Boards.**

Independent Variables	(1)	(2)
Proportion of Women (PWOMEN)	-27.49 *** (-2.87)	
Presence of Women (DWOMEN)		-3.44 (-1.17)
Log of Total Assets (LNASSET)	2.34 *** (3.05)	2.33** (2.71)
Debt Ratio (DEBT)	-0.01* (-1.91)	-0.02** (-2.36)
Independent Commissioner (INDEP)	-2.50* (-1.89)	-2.80* (-1.92)
Largest Shareholder Ownership (LARGEST)	.08 (1.08)	-0.05 (0.56)
Number of Observation	34	34
R <sup>2</sup>	0,47	0.35
F Statistic	5.04	3.03

The dependent variable is return on assets. Robust t-statistics, based on heteroskedasticity consistent standard errors, are in parentheses. \*, \*\*, and \*\*\* indicate significance (one-tailed) at the 0.10, 0.05, and 0.01 levels, respectively.

Among the control variables, apart from LNASSET, DEBT and INDEP and are found to be significantly and negatively related to firm performance. Our results are similar to the findings of

Adams and Ferreria (2009) and Krishnan and Park (2005). The results imply that larger firms tend to have significantly higher ROA than their smaller counterparts. On the other hand, debt and the number of independent commissioner have a negative impact on the firm performance. Although there is a positive relationship between the ownership proportion of the largest shareholder and firm performance, the findings are insignificant. Overall, our models explain from %35 to %47 variability in ROA at 5 percent level. We test to identify our model whether they suffer from multicollinearity and heteroskedasticity. By means of Variance Inflation Factors (VIF) and correlation coefficients, we conclude that our models do not suffer from multicollinearity problem. In this study, VIF value is 1,31. This value proves that our model fulfill the assumption of regression model and have no effect of multicollinearity as it is value is closer to 1.

- **Conclusion**

In this study, we search the relationship between gender diversity and financial performance of firms listed on Corporate Governance Index in Istanbul Stock Exchange. The sample of our study consists of 40 firms. The firms are both financial and non-financial. ROA is used as a financial performance variable. To examine the influence of the representation of women on financial performance, we conduct a cross-sectional regression analysis. Two variables are used in separate regression models to indicate the presentation of women on corporate boards. These variables are proportion of women PWOMEN (indicated using a percentage) and the presence of women, DWOMEN (indicated using a dichotomous variable). Empirical evidence obtained reveals that the proportion of women negatively and significantly influences firm performance. Although the presence of women influences firm performance negatively, the results are insignificant. This implies that higher proportion of female board member tends to belong to low performing firms. Women holding seats on the boards of this type of firms may be partly due to family ties with the founder or the controlling shareholder. The positions held in the boardrooms may be partly based on family relationships rather than occupational expertise and experiences. Hence, family relationships in the corporate boardroom is unlikely to improve firm performance. Women corporate boardroom member's lack of expertise and experience affect firm financial performance negatively.

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### Importance of the Appraisal in Real Estate Market and Valuation Methods in Turkey

#### Abstract:

Real estate market offers alternative tools for investors to assess their savings directly or indirectly. The most critical issue in both of investment type is to be determined correctly the values of the properties in which they will invest. Value determination is a process that requires expertise and time. If there is a wrong appreciation in the process of property valuation people meet with serious financial loss due to the mistake made in determining the value of the property.

For example, in a direct investment done by credit, valuation of the creditor is important not only for the determination of properties but also the loan amount.

The increase in investment volume in this market depends on reducing the loss of the investors by making the necessary arrangements by the competent authorities. The purpose of this study is to how to find the value of the investment property and to examine the importance of the correct valuation for this market.

In the study, it is firstly emphasized the importance of the valuation and its methods then the correct valuation for this market.

**Keywords:** Real estate market, real estate appraisal methods, importance of real estate valuation.

**JEL Classification:** R30, R31, R32, R38

#### • Introduction

The real estate market is an important resource of employment for economies. The development of this market heavily relies on the investment to be made on this market. Practically, there are two kinds of investment to be made in the real estate market. One is called direct and the other one is called indirect investment.

As the amount of capital necessary in direct real estate investment is high, the financial resources investors possess usually are not sufficient. In this case, in order to overcome this, banks loans are seen as a solution by the investors. With the declaration of the “Law of Amendment to the Housing Finance System Numbered 5582”, some necessary regulations have been implemented to the loans. In such loans, the appraisal expert performs the required analyses and completes the evaluation report for the real estate under consideration. In accordance with the report, the amount of the loan is determined by the value appraised in the report.

Since direct real estate investment requires huge amount of capital, the rate of risk is high for the investors. The investors who do not want to take high risks in the market pave their way to real estate investment companies and real estate investment funds, which make it possible for indirect investment. Real estate investment companies are the capital market institutions which can invest in real estates, capital market instruments based on real estates, real estate projects within the frame of Capital Market Law and can start up ordinary partnerships to carry out projects and can operate in other businesses permissible in the Capital Market Law. By means of the partnerships, businesses and shopping centres requiring big capital are able to obtain the necessary financial tools. Real estate investment companies, by law, have to get real estates in their portfolio appraised by licensed appraisal firms. The real estate appraisal firm chosen should be listed by the Board of Capital Markets and be independent (SPK, 2010)

Direct real estate investment requires higher capital and there may be deviations between the portfolio value of the real estate investment company and the share price, which makes real estate investment funds, another instrument of indirect investment, attractive to investors. The property established to manage a portfolio of capital market instruments, real estate, gold, or other precious metals by funds collected from the public in return for participation certificates issued in accordance with the provisions of this Law, on the account of the holders of such certificates under the principle of distribution of risk and fiduciary ownership is called mutual fund. The real estates in the fund are subject to appraisal by the appraisal firms as in real estate investment companies (Capital Market Law)

While individuals perform purchase of real estate in person in direct investment, this is not the case for indirect investment. In this market, concerning both direct and indirect investment, the price appraisal is the key factor. It is of great significance that the appraisal method should be appropriate and be performed by specialists in the field. In this way, the trust of the investors in the market will increase and hence the volume of investment alike.

Real estate appraisal, in general sense, is the evaluation of a real estate project or rights, responsibilities and limitations of a real estate by independent, objective and impartial criteria. (Taşkın and Girgin, 2008)

Real estate appraisal might be a necessary procedure for a variety of transactions. Generally, when purchase, selling, insurance or construction issues are under consideration, it becomes obligatory that the value appreciation of the real estate should be performed. Besides, real estate appraisal is also implemented for market capital, banking, credit facilities, insurance procedures as well as public procedures like taxing, state confiscation, nationalization, privatization, land regulations. Hence, real estate appraisal is a crucial field of specialization in terms of protecting the rights of public and individual alike. (Açlar, Demir and Çağdaş, 2003)

Especially in recent years, the ever increasing popularity of capital market instrument based on real estate makes it compulsory that the assets should be valued in objective and scientific manners, which makes standardization of reference for appraisals with respect to expertise and valuing methods obligatory.

In order to determine the value of real estates in indirect real estate investment, the companies serving this purpose have been listed by the Board of Capital Market. The authority of the Board of Capital

Market is confined to the companies that will offer the service of real estate appraisal in accordance with the capital market regulation. The board inspects the real estate appraisal firms as may be required and has the right for asking information and documents from the firms under consideration.

In accordance with the Market Capital Law, the field of operation of real estate appraisal firms is the appreciation of an expectancy value of real estates, real estate Project or rights and benefits stemming from real estates in an independent and objective manner on a given date. Within the frame of Capital Market Regulation issued in 2001, there are legal arrangements related to real estate appraisal in the annunciation of the Principles Related to the Putting the Appraisal Firms in List by the Board. According to the annunciation, in order to perform appraisal of real estates, real estate projects or rights and benefits stemming from real estates, it is compulsory that a contract should be signed that will determine the right and obligation of the parts involved.

The appraisal specialist employed in these firms are defined in the law as “the person employed full time by the appraisal firm or offering appraisal service without a full time status with a contract, graduate of a 4-year university and experienced for at least 3 years in the field of real estate appraisal and holding “Real Estate specialist Licence” (SPK, 2012)

According to the above-mentioned annunciation, appraisal specialist has to apply and abide by the International Appraisal Standards. The code of conduct in these standards mentions the ethical and vocational proficiency requirement in Professional applications. The standards make sure that the appraisal is reliable, consistent and objective. According to the standards, appraisal is performed by the market and non-market based value of the real estate. In order to estimate the market value, among the most commonly implemented approaches are sales comparison method, income capitalization and cost method. Data and criteria used in each of the methods should be obtained from the real estate market. In the non-market appraisal, there are methods considering the economic benefits or functions of real estate’s such as use value, enterprise value, investment value, and insurance value, salvage value, liquidating value or exceptional value.

The responsibilities and limitations for the appraisal specialists have been determined in the annunciation of the Principles Related to the Putting the Appraisal Firms in List by the Board. According to this, appraisal specialist cannot be employed more than one firm at the same time, cannot act as a real estate broker, cannot exert behaviour out of the profession ethics. Besides, they are not allowed to accept jobs in which their vocational competence is not adequate, and cannot be employed in partnerships they offer service to under any title unless 2 years have passed. Appraisal specialists cannot reveal any information about their appraisal jobs, and cannot use the information directly or indirectly in order to gain advantage for themselves or for the third parties or to cause economic loss. Their liability persists even after they leave their jobs.

In an appraisal process where a great deal of authority and responsibility are given to the appraisal specialists, the value judgement, experience, objectivity and appreciation competence gain importance. In order to reach an accurate conclusion, it is required that appraisal techniques should be implemented in line with the regulation as well as possessing adequate information and equipment related to real estate and environment under consideration. It is only possible though such implementation that accurate appraisal process could be possible (Güngör,1999).

Being knowledgeable about the basic principles that underlie not only the theoretic but also practical methods developed by the specialists is among the fundamental features of the appraisal specialists. A specialist is trained to seek the explicit reality, to relate among the facts and to present the conclusion to the client in an appraisal report format. Real estate appraisal not only provides information on the value but also includes thoughts and elements that support the value obtained. The process of appraisal is designed to reach a conclusion, not to reach “a pre-considered” estimation.

There are certain steps to be followed in the process of appraisal. To start with, the nature of the job should be well defined. In this very first step the physical and legal conditions of the real estate are explicitly defined. These conditions involve the legal rights of buyer and the seller of the real estate and environment (location, surrounding, closeness to shopping centres, downtown, hospitals etc...). This step is the process in which the conditions under consideration are analyzed in a detailed manner and the objective of appraisal is stated clearly.

Following the initial step, there is pre-analysis and data analysis step. In this step, supply and demand analyses are performed under three main headings. To start with “General data” are analyzed. What is actually meant by general data is the analysis of such factors as social, economic and politic elements. Secondly, “Exclusive Data” are analysed. Exclusive data are about the physical conditions of the real estate. Among these elements are the construction quality of the real estate, the material quality, the quality of market the real estate is located. The third and the last step is the determination of supply and demand towards competition. This process is completed through an analysis of the future and present competition conditions of the real estate by an appraisal specialist.

The third step is the phase of the analysis of the alternatives and reaching conclusion. Up to this phase, appraisal specialist, having obtained a variety of factors and facts, reaches conclusion by means of a general analysis of the facts and factors obtained. The data are collected for the appraisal report by choosing the most appropriate results. In this step, the objective of the appraisal is very clearly stated and its feasibility is tested.

The next step is the report writing phase. Following all the steps mentioned above, “A Final Appraisal Report” is created by the appraisal specialist. The results of the all analyses are clearly stated in the report.

There are varieties of methods in appraisal process to be followed. (Gmport, 2012)

The first of these methods is called Market Approach Method. This method is based on comparison. When this method is implemented, the real estate appraisal specialist considers similar cases of the real estate in terms of location, date of selling, construction quality.

The second method is Income Capitalization Method. In this method an estimated economic life is set for the real estate and all the cash flows that could occur over the real estate are computed and the price of the real estate is set based on the rate of discount that that reduces the cash flow to the current value.

The third method is called Cost Method. In this method, the real estate under consideration is estimated to be reconstructed and the evaluations and calculations are performed according to the estimation.

In addition to these, a fourth approach has been used since the 1990s. This technique is known as Mortgage Equity Theory or Ellwood Technique. This technique analyzes the behaviour of real estate investors and tries to find out the realities of the markets considering the points given below (Güngör,1999).

10.1 Generally five or ten years of expected net income and short-run projections of the property.

10.2 Mortgage by value, loan rate, interest rate, duration and improvement in the position of equity capital as the mortgage balance becomes less.

10.3 Value rise or depreciation sum of the real estate at the end of the projection period

Ellwood Technique is a very useful technique that will rationalize the markets and reveal reliable results in case of lack of principal proof, for in this technique the required estimations could be performed in a more sensible manner and be more closely related to the market conditions. Market conditions and procuring could have substantial effect on the market value and in the face of changes in the Money market; it enables an appraisal specialist to be more conscious.

Whether it is direct or indirect investment in the real estate market, the most significant information in the eye of the investor is the report prepared by the appraisal specialist. Hence, there are set standards for the report that will be prepared and the appraisal specialists. Individuals with a 4-year degree and with enough experience take an exam, administered by the Board of Capital Market, which cover areas such as principles of real estate appraisal, vocational regulations and ethical codes, construction and real estate accounting, basic finance mathematics and the taxation regulation and in the event that they become successful, they are entitled the Appraisal Specialist licence. There are six sections in the report prepared by the appraisal specialists (DUD, 2012)

In the first part there is such information as the date of the report, number and kind. In the second part, there is information on the client and the firm. In the third part, there is information on the location, title deed and legal status of the real estate under appraisal. In the fourth part, the data set used for the appraisal and analyses performed with the data set. The fifth part, there are projections on the results of the analyses for the real estate. The sixth and the last part is the section in which the final value appreciation is stated by the real estate appraisal specialist. There is also the section of appendix in which there are documents such as the photos of the real estate and title deed.

The keystone of the real estate market is appraisal operations. The volume of investment in a market where quality and reliable appraisal is performed will increase. With this increase, the contribution rate of real estate market to the economy of the country will increase as well. The standards and liabilities of the appraisal specialists will determine the quality of the appraisal. For an effective appraisal result, it is of great importance that the liabilities of the appraisal specialists and the appraisal firms should be regulated by the authorities. When individuals and firms take on responsibility for the report prepared as a result of the appraisal process, the reliability of the report will increase. In our country, in accordance with the Law of Capital Market, appraisal specialists employed at appraisal firms have to pay strict attention and rigour in the phases of planning the appraisal process, implementation and conclusion, preparation of the appraisal report. Appraisal firms and appraisal specialist whose signature is found on the appraisal report are jointly responsible to the clients and the third parts for the inadequate standards in the report, the use of erroneous data and their faults in the report. The criminal

liability of the shareholders of the firm, managers and the employees is reserved. Due to the criminal liability, the appraisal processes becomes more rigorous and in comply with the standards. When the rules are applied in our country, the trust in the real estate market will increase and the amount of investment will go up. In order to establish an international real estate market, the standards and the liabilities of the appraisal firms and specialist should be determined and be implemented in the countries across the world.

- **Conclusion**

The most important factor for the real estate market, which has an important share in the economy of a country, is the appraisal of the assets. The execution of appraisal process in a reliable manner in the eye of the investors will revitalize the markets on the whole. The process of appraisal heavily depends on the competence, experience and skill of the appraisal specialist. While performing an appraisal process, the appraisal specialist employs Ellwood Technique, Market Approach, Income Capitalization and Cost Approach methods. The legal liabilities of the firm and the appraisal specialist in the preparation of the report enhance the quality and the reliability of the report. Wide scale legal regulations by the Board of Capital Markets towards the appraisal process firms and the appraisal specialist are remarkable. Appraisal specialists in our country have to act in accordance with the International Appraisal Standards. The regulation by the Board of Capital Market currently covers only investment companies and mutual funds. The standards that will be set for the appraisal process and appraisal firms will make the market more reliable, effective and respectable. When the standards set by the Board of Capital Market are implemented in the whole real estate market, the standards covering the whole market in a general sense will have been established. Similarly, standards that will be set for the appraisal firms and specialists in the international context will secure the increase of international investments.

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2499 Sayılı Sermaye Piyasası Kanunu

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Sermaye Piyasasında Uluslararası Değerleme Standartları Hakkında Tebliğ (Seri: VIII, No: 45)

Sermaye Piyasası Mevzuatı Çerçevesinde Deęerleme Hizmeti Verecek Őirketlere ve Bu Őirketlerin Kurulca Listeye Alınmalarına İliŐkin Esaslar Hakkında Teblię(Seri: VIII, No: 35)

TAŐKIN, Filiz, GİRGİN, Sadık Can; İpotekli Konut Finansman Sisteminde Gayrimenkul Deęerleme Uzmanlıęı ve Deęerlemeyi Etkileyen Mühendislik Uygulamaları, Ankara, TMMOB Bülten, Yıl:23, Sayı:142, 2008

## **Gábor Béla Süveges**

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### **The Key Factors of the Application for the Activity-Based Costing in Projects Financed by the European Union**

#### **Abstract:**

In recent years more and more studies have dealt with the practical usage of activity-based costing. During the last three decades the area of the application became wider and wider. This type of costing system was first recommended to production companies, but after some years it became obvious that it could also be widely used by both service companies and financial institutions. Both academics and practitioners find activity-based planning a good tool for the budgeting and the coordination of projects. The aim of this study is to draw attention to a new possible application of this type of costing in special type of projects: EU applications. Several plans are needed for an EU application, but there is no requirement to show the connection between the costs and the indicators/outcomes. The first part of the paper shows how prevalent activity-based budgeting was in Hungary in case of EU grant applications in the period 2007-2012, and the main part of the paper introduces a model to adopt activity-based costing in these types of projects. The research question is what the key factors are for application the method in this new area. The research work based on previous studies of the adoption of the method in different sectors.

**Keywords:** Activity-based costing, EU application, activity-based cost plan, business process analysis, resource drivers, activity drivers.

**JEL Classification:** M4.

#### **1. Introduction**

In accordance with The New Hungary Development Plan, Hungary was eligible for a development fund of EUR 22.4 billion between 2007 and 2013, so that it could re-align itself with advanced countries (National Development Agency, 2007). The financial framework for projects must be used as efficiently as possible in order to achieve these targets. The study evaluating the impact of the National Development Plan (running from 2004 to 2006) operative program points out that, although the effectiveness was measured using the indicators of the operative program, the aspect of efficiency however was not among the factors examined. As a result, “the different indicators were not able to highlight the source of the different output results and effects, and how effectively were the available financial resources used (the specific costs of new jobs created, the average cost of reconditioning a road per km, or the average cost of qualification)” (Rechnitzer et al., 2007, p.15). Therefore the study

commissioned by The National Development Agency offers recommendations with regards to indicators for a more direct detection of relationships and influences.

This decision, however, could only be achieved partially during the period 2007-2013, since “it is difficult to identify a direct relationship between the different level indicators, i.e. conclusions regarding the overall program effectiveness using performance data taken from the projects can be limited. The reason for this is that the indicators are often by nature (for example, some impact indicators) not capable of separating the effects of the interventions from the outside influence of socio-economic events on the Operative Programme” (KPMG, 2011).

Because of the lack of direct relationships the practical application of “the value for money” principal that ensures efficiency and efficacy can be difficult. According to this principle, during the implementation of projects the use of resources efficiently, effectively and in line with ethical standards and the development of transparent selection policies with set accountabilities have to be continuously and increasingly enforced. In order to achieve this, the project must demonstrate, among other things, that the calculation of the contractual prices is transparent and reflects the normal remuneration in the market, and also that the relationship between the amounts paid and the performance is clear (National Development Agency, 2008). Since the relationship between indicators and actions is not in all cases direct or clear, proving what the usual market prices are may not be possible.

My assumptions is that with the application of management accounting tools, the relationship can be established between the results of projects, actions and costs. One of the most important areas of management accounting is cost allocation and cost calculation/management. In recent years various innovative methods have been developed in this regard, which may be used by various companies.

Judgement of accountancy is not unified; it is handled differently by different economic actors. There can be conflicting viewpoints even within the profession as well. Some opinions attribute too big and too important a role to the accountancy and they tend to regard it as an objective to reach. The real objective is, of course, to give the most accurate picture of the pecuniary, financial and profitability situation of the company on the level of activity-doers. Thus, accountancy can be an instrument which helps in achieving company objectives, and in this way it can contribute to the creation of value and the fruition of a company’s vision and mission (Pál, 2003).

Primarily, financial accounting is for external economical participants, it serves their interests, providing them with information and for the sake of comparability its content and functional elements are regularized on the level of law (Kardos et al., 2007). By management accountancy we mean users inside of an economic unit and the methods and procedures used to satisfy their information demand and help in decision making. “The role of management accounting differs from another field of accounting and because that management accountants work at the “beginning” of the value chain, supporting decision making, planning and control” (Alnajjar & Siam, 2011, p. 139).

The present study aims to demonstrate how management accounting tools can be used to determine the specific costs of program results implemented using EU funds, and to highlight key issues in this area. The study is based on primary research that introduces methods to combine activities with costs, and seeks an answer to the question of whether it is possible to determine the direct sources of the results and effects.

- **Literature Review**

- **Theoretical Background**

Since in the case of projects a bottleneck is created by the establishment of the relationship between activities and costs, this review focuses on key moments when allocating indirect costs. The problem of cost allocation arose first in the second half of the 19th century. The early cost allocation systems did not deal with assigning general costs to products, the costs of locking-up of capital. At that time the tracking of direct use of labour and material was in the centre of cost calculations (Musinszki & Pál , 2010).

After World War II significant changes occurred in the economic processes. Due to the spread of mechanisation, mass production and automated systems, the cost structure of companies changed. While earlier the direct costs made up the majority of expenses, in a couple of decades the largest amount of the expenses was comprised of general costs (general costs can amount to 500-1,000% of the direct wage costs) (Kaplan & Cooper, 1987).

The traditional costing systems worked well for the entrepreneurs so long as direct costs comprised the biggest part of the costs. The general costs were divided between the cost units by a special calculation; however, the new circumstances tended to cause misleading results (Körmendi & Tóth, 1999).

Although the changing circumstances were obvious to nearly all economic parties, it was only later that they were built into economic calculations when planning, dividing and predicting costs. In the 1980s many researchers worked on developing costing and performance evaluating systems that suited the new circumstances. Kaplan and Cooper (1987) excelled by introducing their new activity-based costing system.

Kaplan and Cooper – in their Four-Stage Model of Cost System Design – sorted the costing systems in accordance with their temporal development and differentiated them into four levels. The systems were analysed by several criteria:

13. the quality of the analysed data,
14. the method of outward accounting,
15. how the attribution of costs to products and customers is carried out, and
16. how supportive is it to the operative and strategic control.

Kaplan and Cooper regard the fourth level to be ideal for entrepreneurs, as it is comprised of connected databases and systems and is suitable for operational and strategic performance measurement. They found that most of the companies investigated – at the time of the analysis – were on the second level. These entrepreneurs are able to make a complete accounting at the end of the accounting period and meet the requirements of financial reporting. However, these systems were not adequate to identify the costs to customers or to monitor the costs of the services.

There are further problems for entrepreneurs associated with the second level systems:

1. There are no reporting requirements for the specific and general costs of services and customer orders,

2. There is no financial system that would measure the cost of the centres responsible,
3. They do not know the costs of the specific products, services, or costs to the customers, or the costs of activities and processes. (Kaplan & Cooper, 1987)

Based on a critical evaluation and analysis of application systems mentioned in the introduction, it can be established that the current systems bear the characteristics of the second-tier/level cost accounting systems; although the costs of processes are known, the relationships between individual or general costs and the customers are not established.

The first- and second-level systems worked very well until the end of the 1950s, as up until then the proportion of indirect costs were insignificant in the cost structure. Kaplan and Cooper (1987) considered the appropriate processes to be Activity-Based Costing (the third level) and other integrated systems, such as Activity-Based Management (the fourth level).

Activity-based methods are based on cause-and-effect relationships and use two steps – resource and activity-based cost drivers – to connect costs to cost bearers. ABC can be defined as a mathematical model in a narrow sense of the word, the main aim of which is to attribute costs to objects and help the analysis of correct profitability (Körmendi & Tóth, 1999).

Applying this method, activities which use the resources of the company can be identified, and the prices of activities and business processes can be calculated. It can be found why certain activities and processes should be executed and which of these are unnecessary (Sebestyén, 2003).

Forming the ABC system can be carried out through four connective steps (Kaplan & Cooper, 1987):

1. Catalogues of activities should be formed, that is, indirect and additional activities should be defined.
2. Costs of resources should be allocated to activities. Resource-based resource drivers connect the costs with the activities carried out.
3. Identification of products, services and customers of the company and examining of the given activity.
4. Choosing resource drivers that connect the cost of activity to the products, services and customers of the company.

Practical experience proves that using the ABC method may result in more effective company and cost management.

In addition to activity-based costing, of course, there are other types of cost calculations in existence; these include, for instance, Kaizen Costing (Cooper & Slagmulder, 1997), the American system of Continuous Improvement (Kaplan & Sweeney, 1997) or the Quasi profit system (Cooper, 1994); however further parts of this study will only deal with activity-based costing from the viewpoint of business applications.

#### ○ **Previous studies**

Both academics and practitioners have been intensively interested in activity-based costing/cost management since the late 1980s, as the 404 papers published between 1987 and 2000 show well

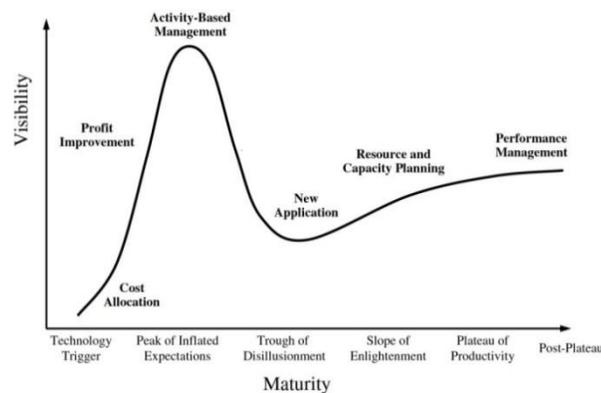
(Bjorneneak & Mitchell, 2002). Another study examining the topics of the papers published between 1997 and 2007 showed that “ABC was primary used to

1. enhance productivity and efficiency in the business process,
2. help create budgets and set prices,
3. identify customer costs and improve customer relations,
4. make decisions on strategic issues, and
5. address external negotiation issues” (Chung & Khan, 2008, p. 4385)

During the last three decades the area of the application has become wider and wider. This type of costing system was first recommended to production companies, but after some years it became obvious that it could also be widely used by both service companies and financial institutions. In a short time ABC systems have been implemented by banks (Cross & Majikes, 1997) healthcare organisation (Baker, 1998), airlines (Alnajjar & Siam, 2011), government organisations (Carter et al., 1998), telecommunications organisations (Hobdy et al., 1994) and insurance firms (Turney, 2008).

Turney identified five phases in the popularity, or hype, of the ABC method. The last one is the so-called “Post-Plateau”, where the interpretation expands and ABC becomes part of Performance Management.

**Figure 1: The ABC hype cycle**



Source: Turney, P. B., 2008.

In his opinion “ABC supports the preparation of budgets and long-term plans that are logically derived from strategic goals and consistent with the relationship between goal achievement and resource intensity” (Turney, 2008, p. 10).

Other experts support this view: “a company which works primarily on projects (or unique rather than routine tasks), needs a Project Management Information System”, which is part of an ABC analysis (Roztock, 2001, p 1454). Other authors have proposed using ABC especially for projects (Raz and Elnathan, 1999). These studies show that important changes have been happening in the adoption of the activity-based costing in the last decade or so. The budgeting function supplements the allocation function and ABC has become a tool of Performance/Project Management.

The following parts of the study are based on primary research, describing how the linking of activities and costs of a specific type of project is realised in the case of applications in the EU during the period 2007-2012. First the identification of the ABC's four steps for projects is presented, including the limitations in this area. The basic hypothesis is that with the application of the appropriate management accounting tools a relationship can be established between the funding sources, the activities and the outputs.

- **Presentation of research**

- **Description of Methodology**

The novelty in activity-based costing was, in contrast to the simple, traditional methods, that for companies with high overall costs it accurately determined the costs of the outcome of corporate actions – goods and services. In some applications the outputs of the projects are unequivocal and clearly visible even for the external observer. In these cases, when examining the overall budget of the project it is relatively easy to assign each output. However, in the case of projects where the results are relatively diverse, or cannot be identified immediately, it is especially important to ensure transparency. Therefore the research focused on applications that funded knowledge-intensive, innovative or R&D activities. Within these projects 10 higher education institutions in Hungary assumed key roles, having received the title of research-intensive university or University of National Excellence in April 2010. Thus the basis of the analysis and the elements of the sample were made up by the projects and applications submitted by these institutions. For the data collection the Application Offices of the Institutions and the open information of the National Development Agency was the base.

- **Data analysis, results**

Based on the available data, the institutions handed in 150 applications between 2007 and 2012. As it was possible for more than one university to be involved in one project proposal, the duplication had to be filtered, therefore 84 different applications remained. These applications belong to different Operational Programmes, as shown in Table 1.

**Table 1: The number and type of investigated applications**

<b>Description</b>	<b>Hungarian Description</b>	<b>Acronyms / additional reference</b>	<b>Qty</b>	<b>Division</b>
Social Renewal Operational Programme	Társadalmi Megújulás Operatív Program	TÁMOP	53	63.10%
Environment and Energy Operational Programme	Környezet és Energia Operatív Program	KEOP	9	10.71%
Social Infrastructure Operational Programme	Társadalmi Infrastruktúra Operatív Program	TIOP	8	9.52%
Central Hungary Operational Programme	Közép-Magyarországi Operatív Program	KMOP	7	8.33%

Economic Development Operational Programme	Gazdaságfejlesztés Operatív Program	GOP	3	3.57%
North Hungary Operational Programme	Észak-Magyarországi Operatív Program	ÉMOP	1	1.19%
North Great Plain Operational Programme	Észak-Alföldi Operatív Program	EAOP	1	1.19%
South Transdanubia Operational Programme	Dél-Dunántúli Operatív Program	DDOP	1	1.19%
South Great Plain Operational Programme	Dél-Alföldi Operatív Program	DAOP	1	1.19%
Total			84	100%

The applications were analysed to determine at which level the costs, actions and results were assigned. This took place in two dimensions:

1. First, in which part of the applications can the specification of assignment be found?
  - a. Project data sheet
  - b. Detailed budget
  - c. Feasibility study
2. 21 of the 84 applications partially included an assignment plan of the cost, actions and results, however in some of these cases no such assignment specification was required.

The second dimension was the assignment depth, and in this category I specified three different levels, as follows:

1. Level 1: Hungarian entrepreneurs must register costs by cost items in accordance with the Act on Accountancy and might choose registration by cost centers and cost bearers as well. In case of applications the applicant organisation has to plan its costs by cost bearers and cost centers too. In one part of the detailed budget a table must be filled in to allocate the cost to the following activity categories:
  1. preparation costs
  2. costs of the project management
  3. costs related to the technical realisation
  4. costs of services related to realisation
  5. costs of other services
  6. support for the target groups
  7. cost of procurement of the assets

8. other costs For this level can be added those plan tables that include the time dimension as well.
2. Level 2: In some of the applications, some of the categories had to be detailed as determined in the guidelines for the proposal, so they had to highlight the other potential supportive activities they had chosen within the main categories and determine what the cost was for the future.
3. Level 3: The highest level of the costs, activities and results assignment plan were those applications where they tried to assign indicators to the activities and thus they tried to determine the cost of the activities.
4. Level 0, no cost assignment required; in some of the applications there was no cost-activity assignment at any level.

**Table 2: Linking levels of cost, activities and results based on the project datasheets of the examined applications**

	TÁMOP		KEOP		TIOP		KMOP		GOP		ÉMOP		EAOP		DDOP		DAOP		Total	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
0	3	5.66	4	44.44	1	12.50	1	14.29			1	100					1	100	11	13.1
1	50	94.34			7	87.50	3	42.86	3	100			1	100	1	100			65	77.38
2			5	55.56			3	42.86											8	9.52
3																			0	0
Total	53		9		8		7		3		1		1		1		1		84	

Based on Table 2, we can conclude that in the project sheets the first level of assignment happens in most cases, so there is no link between activities and results. A slightly more detailed activity-based breakdown (Level 2) was observed in case of the applications of KEOP and KMOP.

Table 3 shows the results of the results of the detailed budget.

**Table 3: Linking levels of cost, activities and results based on the project datasheets of the examined applications**

	TÁMOP		KEOP		TIOP		KMOP		DAOP		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
0												
1	49	92.45	1	16.67	8	100	3	60	1	100	62	85
2			5	83.33							5	7
3	4	7.55	0								4	5
Total	53		6		8		5		1		73	

We can see that all of the applications contained detailed budgeting. In most of the applications the first level is the most typical assignment form. The KEOP applications, where they were expecting a deeper, activity-level breakdown (as explained in the invitations to apply), exceed the average,

An important detail is that 4 TÁMOP projects included the highest level of cost, activities and results assignment. In these plans there were activities assigned to results.

**Table 4: Linking levels of cost, activities and results based on the feasibility studies of the examined applications**

	TÁMOP		KEOP		TIOP		KMOP		Total	
	No	%	No	%	No	%	No	%	No	%
0	1	4.76	4	100	1	33.33	2	50.00	8	25.00
1	1	4.76					2	50.00	3	9.38
2	19	90.48			2	66.67			21	65.63
3										
Total	21		4		3		4		32	

Based on the analysis, a feasibility study was a requirement in 38% of the applications. The majority of the feasibility studies required cost allocation based on the eligible activities to be determined by the applicants.

Based on the examined applications, the statement quoted in the introduction that “the indicators used were not adequate to show what resources were directly available to conclude a variety of outputs, results and impacts” is judged to be true for the period of 2007-2013 as well.

Furthermore, the study shows the key questions and possibilities for more efficient assignment of the costs, outputs and results.

- **Possibilities for the Assignment of cost, activities and results**

- **Review**

In the above examinations mainly the TÁMOP projects were shown, as the role of the detailed budgeting and feasibility studies was largest for this group of the Operational Programme. During the evaluation of detailed budgets, in 4 cases efforts were seen to link costs, activities and results. These 4 applications had similar topics and were in the same group. The link of the mentioned factors took place in the plan of the detailed budget titled “Activity based cost plan”. The name of this plan is very similar to the Kaplan and Cooper kind of activity-based costing.

This part of the research investigates the similarities and differences between the methods found in the literature and the action-based plan that was found in the applications. The aim of the research is to present how feasible the steps of Kaplan and Cooper’s “action based cost-accounting” can be for

applications of this type. For the comparison the example of a concrete application (TÁMOP 4.2.1. B) will help.

The project, entitled “Improving the Quality of Higher Education on the Basis of the Development of Centres of Excellence in Strategic Research Fields of the University of Miskolc”, was launched on 3 March 2011. Its total budget is 2,140,096,850 HUF (7,133,656 EUR, based on the rate of 300 HUF/EUR), 95% of which comes from grant funds. The objective of the project is to increase the attraction of the University of Miskolc to potential students, employers and industrial players through improving quality and aiding the economic and social modernisation of the region. In order to achieve this aim the University of Miskolc intends to build up the intellectual potential necessary to carry out international-level R&D&I (innovation) activities in strategic research fields of primary social and economic importance. The objective of the project can be described by four strategic aims: development of intellectual potential, development of research infrastructure, quality improvement of strategic research fields and improvement of the institutional network. These aims are to be achieved by four Centres of Excellence of strategic importance.

- **Key factors to use the activity-based methods in EU applications**

### **Step 1: Activity catalogue configuration**

As the first step of the activity based cost-calculation, the activities were performed with the direct and incidental resources needed to be defined, so they built an activity catalogue that enumerates and defines every activity that was carried out in the production unit (Kaplan & Cooper, 2001). The first big difference between the applications and the ABC division can be seen at this step.

While in the case of the application there is an activity identification, a division, here it is not only about the direct activities but also about the overall application goals. Figure 2 depicts the first step.

The definition of the basic objective and sub-objectives to be achieved is obtained from the invitation to apply. Activities for the purpose of research can be defined as a list of eligible activities.

The next step was to divide the activities into sub-activities in an appropriate way. They should be detailed, and costs, amounts, indicators and activity benchmarks should be attributed to them (Mabberley, 1996). The applicants need to take this step in their applications and in accordance with their strategies.

### **Step 2. Determining the cost of activities**

It is important that the applicants understand the activities and the exact content of the sub-activities. This means that they need to know in detail what the activity is, what parts it is divided into, which cost elements are added and what the results are. The application contains a detailed financial plan whose written justification enumerates the cost elements able to be planned for the exact activity. Determination of the costs of the activities – and based on this, the cost elements – can be described as task assignment.

This is important because in the second step the costs of resources must be connected to the activities done and the resource-based resource drivers. When planning the costs it was estimated what kind of resources can be attributed to different activities. In most cases this attribution was obvious, which

means that it was easy to identify the costs and expenses of a given activity. (Interestingly enough – due to the type of application – the most obvious correspondence was in case of costs which are usually considered as indirect: management, publicity and information.) However, in some cases the activities overlap and are built on each other so it was planned how much time the project participants would spend on each activity and ratios were set up. The Accountable Costs project document had to take into consideration the definitions concerning the costs which can be accounted for different groups of Activities for Development Purposes.

**Figure 2: Identification of the activities, the costs and the indicators in the application**

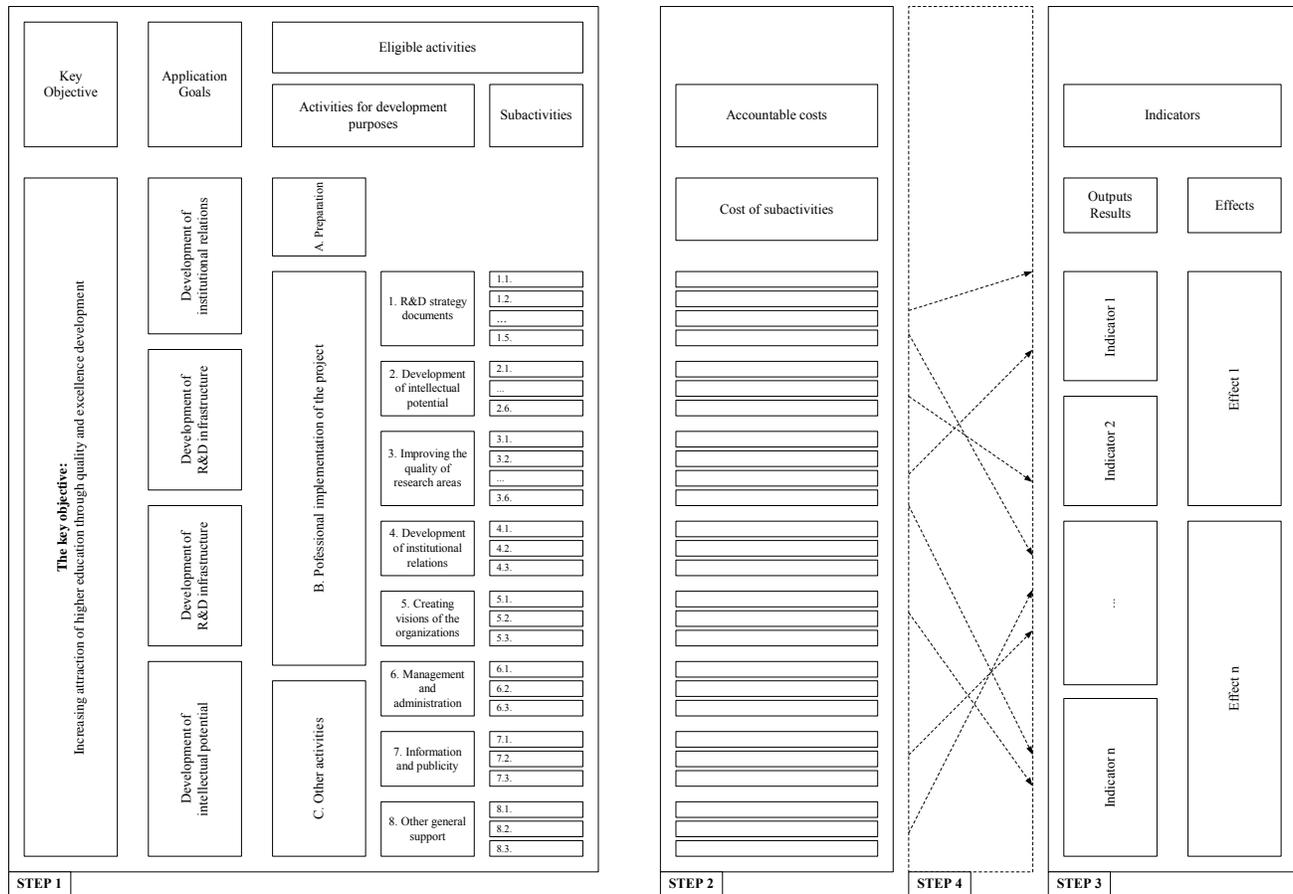


Figure 2 shows the interconnection depth of the above-mentioned cost, activity and result levels, as well as level differences. (For the second level, costs have to be distributed for the sub-activity levels that were implemented by the applicant, while on the first level it was adequate to assign for the overall activity levels.)

**Step 3: identification of the organisation's products, services and customers**

In this step all of the organisation's products, services and customers have to be identified. This step can be interpreted as a symbolic question, whether we need to perform the activities or the processes. We can get the answer for this question if we assign the activity costs for the products, services and customers (Kaplan & Cooper, 2001).

This step was found in a limited level only in those four applications that were judged to be on the 3rd level. In the cost plan that was found in the four applications, every single activity had to be assigned an indicator that was also used for the measurement of results. However, this type of assignment was not clear, nor was it fully reflected in the final price of the project results, as it was not determined how the indicators impact each other, whether one activity could belong to several indicators or whether one indicator could contain several activities.

For applications, a key factor is the identification of the products, services and customers, thus, by extension, identifying the outputs. These final outputs can be found in the proposal indicators.

The output side indicators can be categorised into three types:

1. The output or output indicators relate to activities as they quantify the direct results of operations. They typically measure physical elements, the resources used in the program flowing to the program show the almost automatically expected outputs. Output indicators therefore take into account the activities carried out as "products." However, these are not the actual objectives of the program, but the devices to achieve the goal.
2. The scorecards relate to the immediate and direct effects of the project. They provide information about the changes related to the direct participants and recipients. These can be either physical indicators or financial indicators (e.g. reduction of travel costs).
3. Impact indicators refer to the consequences of the project, which typically occur both immediately and longer term. Indicators help to measure at what level the test program achieved its aims. The occurrence of effects almost exclusively depends on factors irrespective of the project (FMM).

For projects there must be clear definitions of the indicators and it should be possible to show their impact on each other as well.

#### **Step 4: activity cost link to the organisation's products, services and customers**

In activity-based costing's last and key step, the activity costs and results proper linking will happen with the use of a causal relationship. This clear linking did not happen in the applications, which probably was caused by the lack of the indicators effect mechanism.

The applicants must find clear answers to the following questions:

1. Which indicators' performance contributes to the activity?
2. What actions are necessary to create the indicator unit?
3. What is the relation among the output, outcome and impact indicators?

To clarify the questions, the description of application goals and indicators are needed from the applicants, as well as the understanding of the strategic goals, activities and results, in which the Logfram (logical framework) can be useful.

As soon as the references are clearly understandable, it becomes possible to use different methods for the unit cost calculations, which concerns the following sections:

8. The unit cost of the output indicators,

9. The unit costs of effect outcome indicators,
10. The unit cost of feasibility impact indicators.

The different unit costs demonstrate the results of the project cost, and the unit of the project implementation cost.

- **Conclusions**

The purpose of the study was to analyse the main factors in connecting the charges, the activities and the measureable results in grant applications. From the analysed sample it can be said that basically the costs are assigned to activities in grant proposals; however, the results of the activities are not assigned to activities. In this case the bottleneck can be the identification, explanation and the determination of the matching connection points of the indicators. This can be resolved primarily from the side announcing the grant.

In the analysed proposals the activity-based spending plan is not equal to the showcased ABC of Kaplan and Cooper – on the one hand because there is no actual unit costing, on the other hand because the grant proposals aim to divide all the activities, direct and indirect, while Kaplan and Cooper concentrate on the indirect charges.

In analysing the proposals it can be shown that the requirements for exterior data retrieval comply with the traditional types of management accounting tools (for example the attribution of the charges to the activity branches or the activity approach planning) or rather with the perspective or approach of these conventional methods. So the sharp lines between the functional collateral sections of accounting become fuzzy and judgement of them is not homogenous, so that in many cases the expectations define whether the given tool can be considered a financial or a managerial approach.

At the same time we can determine that the theory and the practice of management accounting do not overlap completely, the practice does not follow the theoretical examples in many cases, and the level of actual usage lags behind that of the theoretical models. From this, it follows that the development of management accounting does not mean the theoretical creation of new tools, but rather the adoption and use of the extant tools in practice.

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### **Neck & LB Pains as Predictor of Psychological Stressors among UCAS Professional Workers**

#### **Abstract:**

#### **Background**

Objectives. This study aims at realizing the prevalence of neck & LB pains among UCAS professional workers. It also investigates the level of psychological stressors that raised due to neck & LB pains among UCAS professional workers. Further, it inspects the difference between male & females in psychological stressors among the professional workers.

The study revealed that there is a high prevalence of Neck & LB pains amongst Workers in secretarial and administrative occupations. In addition, there is a high prevalence of psychological stressors raised due to neck & LB pains among UCAS professional workers in the sample of the study. Evidence suggests that these conditions are related.

#### **Methods**

A random sample of (95) administrators and secretaries of both sexes was selected. The researcher prepared and applied a measure of psychological stress on the sample. The study provided descriptive cross-sectional design.

#### **Results**

The researcher found that there is a high prevalence of Neck & LB pains amongst workers in secretarial and administrative occupations in the UCAS; in addition, there is a high prevalence of psychological stressors that raised due to neck & LB pains among UCAS professional workers in this population. Evidence from other researches suggests that these conditions are related to both males & females which conforms with the results in our study sample

#### **Conclusions**

These findings strongly support the need to consider both psychological and pain symptoms when providing assessments and treatment for adolescents. Further research is required to inform causal models.

#### **Introduction**

Neck & LB pain is a common global problem, and may constitute a significant source of psychological stressors. Musculoskeletal disorders in general have become increasingly common worldwide during the past decades. It is a common cause of work-related disability among workers with substantial financial consequences due to workers' compensation and medical expenses (Andersson, 1999). A study of 5424 children and adolescents by Perquin and colleagues (Perquin et al., 2000) found that over 50% had experienced pain in the last 3 months and that for a quarter of the sample the pain was

chronic. The most common types of pain reported by adolescents are headaches, stomach, back, and limb-musculoskeletal pain with much comorbidity (Fichtel & Larsson, 2002). This study seeks to extend earlier findings by examining the relationship between psychological stressors and the experience of back and neck pain in UCAS professional workers.

### **Research problems**

Workers in secretarial and administrative occupations exposed to sitting in front of computer screens for long hours every day. Risk factors include repetitive work, prolonged periods of the cervical & back spine in flexion, high psychological job strain, which may lead to exposure to neck & LB pain and may have a negative impact on the psychological state of UCAS professional workers.

### **Study aims**

This study aims at realizing the prevalence of LB & neck pains among UCAS professional workers. It examines the level of psychological stressors that raised due to neck & LB pains among UCAS professional workers. Further, it explores the difference between male & females in psychological stressors among the professional workers.

### **Study Question**

1. What is the prevalence of LB & neck pains among UCAS professional workers?
2. What is the level of psychological stressors among UCAS professional workers?
3. Are there statistically significant differences between males & females in their exposure to psychological stressors that raised due to neck & LB pains?

### **Operational definitions**

**Neck pain:** is a common complaint. Neck muscles can be strained from poor posture — whether it is leaning into your computer at work or hunching over your workbench at home. Wear-and-tear arthritis also is a common cause of neck pain. (MFMER, 1998-2013)

**Low Back Pain (LBP):** affects most every one at one time or another; up to 85% of people suffer at least one bout of LBP during their lifetime. (Lively MW, 2002)

### **Psychological stressors:**

It is a feeling of strain and pressure. Excessive amounts of stress may lead to many problems in the body that could be harmful. Stress could be something external and related to the environment.

### **Literature review**

Korhonen et al., (2003) had investigated work related factors and individual factors as predictors for incident neck pain among office employees working with video display units (VDUs). The results demonstrate 34.4% annual incidence of neck pain. Additionally, they reported that Poor physical work environment and poor placement of the keyboard increased the risk of neck pain. Among the individual factors, female sex was a strong predictor. Smoking showed a tendency for an increased risk of neck pain. There was an interaction between mental stress and physical exercise, those with higher mental stress and less physical exercise having especially high risk. In addition, they concluded that in the prevention of neck disorders in office work with a high frequency of VDU tasks, they recommended

that attention should be given to the work environment in general and to the more specific aspects of VDU workstation layout. Moreover, they suggested that physical exercise might prevent neck disorders among sedentary employees.

Cagnie et al., (2007) have studied individual, work related risk factors for neck pain among office workers, and the result was that 12-month prevalence's of neck pain in office workers was 45.5%. Multivariate analysis revealed that women had an almost two-fold risk compared with men (OR = 1.95). The odds ratio for age indicates that persons older than 30 years have 2.61 times more chance of having neck pain than younger individuals (OR = 2.61). Being physically active decreases the likelihood of having neck pain (OR = 1.85). Significant associations were found between neck pain and often holding the neck in a forward bent posture for a prolonged time (OR = 2.01), 21 often sitting for a prolonged time (OR = 2.06) and often making the same movements per minute (OR = 1.63). The results of this study indicate that physical and psychosocial work factors, as well as individual variables, are associated with the frequency of neck pain. These association patterns suggest also opportunities for intervention strategies in order to stimulate an ergonomic work place setting and increase a positive psychosocial work environment.

Siivola et al., (2004) estimated the prevalence and incidence of neck, shoulder pain in young adults, and tried to identify the associated and predictive factors of neck and shoulder pain based on 7-year follow-up. The result was in 7 years, the prevalence of weekly neck and shoulder pain increased from 17% to 28%. Among those who were asymptomatic at baseline, 6-month incidence of occasional or weekly neck and shoulder pain was 59% 7 years later. In an adjusted model, psychosomatic symptoms remained an associated factor for prevalent neck and shoulder pain 7 years later for both females and males. In females, neck and shoulder pain in adolescence was associated with prevalent neck and shoulder pain in adulthood, and sports loading dynamically in the upper extremities were an associated factor for a low prevalence of neck and shoulder pain 7 years later. In separate analyses of incident neck and shoulder pain, psychosomatic stress symptoms predicted neck and shoulder pain in adulthood. They concluded that in young adults, the incidence of neck and shoulder pain is high, and the associated factors of neck and shoulder pain are already multifactorial in a young population.

The 1-year prevalence of neck pain and possible risk factors among university academic staff were investigated by Chiu et al., (2002) using self-administered

questionnaires were distributed to all the full-time academic staff in one of the universities in Hong Kong. The 1-year prevalence of neck pain was investigated. The relationship between individual factors, job nature, psychosocial factors, and neck pain were also analyzed. The 1-year prevalence of neck pain among an academic staff was 46.7%. A significant association was found between gender and neck pain ( $p = 0.02$ ).<sup>22</sup> The percentage of female academic staff with neck pain (62%) was higher than that in male staff (38%). This matched the results of other studies, which demonstrated that neck pain was more prevalent in women. There was a significant association between head posture during computer processing and neck pain ( $p = 0.02$ ). Among those with neck pain during computer processing, 60.5% had a forward head posture. However, a low correlation between psychosocial factors and neck pain was demonstrated ( $r = 0.343$ ). Academic staff in tertiary institutions could be considered as a high-risk group of job-related neck pain.

Barnekow-Bergkvist, (1998) studied the determinants of self-reported neck/shoulder and low back symptoms in general population and reported that in a 16 year follow up that high performance in bench press at the age of 16 was associated with a significant decrease in risk of neck/shoulder symptoms at the age of 34 in men, but not women. Women attain 50–80% of the neck strength of men.

A study conducted by Ostergren, (2001) concluded that job related mechanical exposure in both sexes, and psychosocial factors in women, seem independently of each other to play a part for development of shoulder and neck pain in vocationally active people. The effect of psychosocial factors was more prominent in women, which could be the result of biological factors as well as gender issues. These results suggest that interventions aiming at reducing the occurrence of shoulder and neck pain should include both mechanical and psychosocial factors

The experience of physical pain is also a common problem in this age group. A study of 5424 children and adolescents by Perquin and colleagues (Perquin et al., 2000) found that over 50% had experienced pain in the last 3 months and that for a quarter of the sample the pain was chronic. The most common types of pain reported by adolescents are headaches, stomach, back, and limb/musculoskeletal pain with much comorbidity (Fichtel & Larsson, 2002). Low back pain is very common in adolescence (up to 46% by the age of 14 years) (O'Sullivan PB, 2008) and an organic cause is rarely found. The presence of this disorder in adolescence increases its risk for chronicity in adulthood (Hestbaek L, et al 2006). In children and adolescents, neck and shoulder pain is also common (Murphy S, et al 2007) and there is significant co-morbidity with back pain, especially in adolescents (Vikat A, et al 2000). As with mental health problems, sex differences in reports of pain become apparent around puberty (Fillingim RB, et al 2009). The study by Perquin and colleagues (Perquin CW, et al 2000) found that girls tended to report more chronic and severe pain than boys, particularly girls aged between 12 and 14 years. A study by Roth-Isigkeit, Thyen, Raspe, Stoven, and Schmucker (Roth-Isigkeit A, et al 2004) found the 3-month prevalence of any pain amongst adolescents aged 13-15 years or 16-18 years was significantly higher for girls than for boys. Sundblad, Saartok and Engstrom (Sundblad GMB, et al 2007) conducted a study of Swedish students and examined the seven day prevalence of headache, abdominal and musculoskeletal pain. The authors found no difference in the prevalence of musculoskeletal pain between boys and girls but found that girls were twice as likely to report headache and abdominal pain. An earlier study by Mikkelsson, Salminen and Kautiainen (Mikkelsson M, et al 1997).

A local research studied the occupational hazards among governmental healthcare workers in Gaza strip, it reported that slightly less than half of the study population (45.9%) complained of myalgia and arthralgia where female workers were affected three times more than male (Jouda, 2006).

### **Theoretical framework**

**Neck pain:** is the sensation of discomfort in the neck area (Med Terms, 2008).

### **Epidemiology of neck pain:**

Patient with neck pain represent the second largest population seeking manipulation or manual therapy (Muye et al., 2003). Neck pain is commonly encountered in clinical practice. The prevalence of neck pain with or without arm pain is approximately 13% of females and 9% of males in the general population. One out of every three individuals can recall an incidence of neck pain at least once in their lifetime. This percentage is greater in work place, where 51% to 80% of laborers can recall an episode

of neck and arm pain. The frequency of neck complains increase with age in the workplace. In the 25 to 29 age group, 25% to 30% complain of neck stiffness and 5% to 10% complain of pain radiating into the upper limb. In those over 45 years old, 50% complain of neck stiffness and 25% to 40% complain of pain radiating into the upper limb. Over all, 45% of working men have experienced at least one episode of neck discomfort (Randall et al., 2000).

### **Causes of neck pain:**

Neck pain may originate from any of the pain sensitive structures in the neck include the vertebral bones, ligaments (anterior and posterior longitudinal ligaments) the nerve roots, the particular facets and capsules, muscles, and dura. Other structures of the neck region, visceral and somatic structures are encountered (Delisa et al., 1988).

### **Major and severe causes of neck pain include:**

- Spondylosis: degenerative arthritis and osteophytes
- Spinal stenosis: a narrowing of the spinal canal
- Spinal disc herniation: protruding or bulging discs, or if severe prolapse.

### **The more common and less sever neck pain causes include:**

- Stress: physical and emotional stresses can cause muscles to tighten and contract, resulting in pain and stiffness.
- Prolonged postures:- many people fall asleep on sofas and chairs and wake with sore necks.
- Poor posture: prolonged use of a computer keyboard.
- Minor injuries and falls:- car accidents, sporting events and day to day minor injuries.
- Referred pain: mostly from upper back problems.
- Over-use: muscular strain is one of the most common causes.
- **Obesity:** - weak abdominal muscles often disrupt the spine's balance, causing the neck to bend forward to compensate. Although the causes are numerous, most are easily rectified by either professional help or using self help advice and techniques (wikipedia, 2007).

### **Symptoms may include:**

Neck soreness on one or both sides, burning pain, tingling sensations, stiffness, pain around the shoulder blades, Arm complaints (pain, numbness, or weakness), pain that moves around the body, dizziness and headache are the common symptom. Trouble walking or writing, trouble swallowing or talking, nausea, blurred vision, fever, night sweats, tiredness and unintentional weight loss are the less common.

(Spine universe, 2007)

### **Warning Signs:**

Neck pain is one of the symptoms of meningitis, a relatively rare but very serious contagious infection; need urgent medical care if neck pain present with high fever, Sensitivity to light, irritability, and severe tenderness with neck movement.

Neck pain also can be due to injury. A severe neck injury could be life-threatening; may need medical treatment if neck pain present with numbness, weakness, and tingling symptoms (Spine universe, 2007)

### **Treatment of neck pain**

Neck pain is treated by numerous physical therapies. They range in complexity depending on the severity and underlying causes of the pain. Treatment is administered by chiropractic, osteopathic and physical therapy. All of these specialties treat neck pain issues. The benefit of mobilization and manipulation is not clear (Gross et al., 2004).

Neck pain can also be eased via many self help techniques such as stretching, strength building exercises. Non-traditional methods such as Acupressure, Reflexology and therapeutic massage are commonly used as well (Hoving et al., 2002).

### **Neck pain and work related factors:**

Almost two thirds of EU workers report being exposed to repetitive hand and arm movements and a quarter to vibrations from tools; significant risk factors for work-related neck and upper limb disorders. Many workers, in a wide range of jobs, develop work related upper limb disorders WRULDs and they are the most common form of occupational disease in Europe, accounting for over 45 % of all occupational diseases

(OSHA, 2007).

### **LB pain**

**low back pain** (LBP) affects most everyone at one time or another; up to 85% of people suffer at least one bout of LBP during their lifetime. (Lively MW,2002)

### **Causes of lower back pain:**

Back pain is a symptom. Most back pain is musculo-skeletal in origin. Pain arising from other organs may be felt in the back. This is called referred pain. Many intra-abdominal disorders - such as appendicitis, aneurysms, kidney diseases, bladder infections, pelvic infections and ovarian disorders, among others - can cause pain referred to the back. Your doctor will consider this when evaluating your pain.

1. Musculo-skeletal lower back pain is the most common cause of back pain. It is commonly caused by poor posture, twisting awkwardly, or incorrect lifting techniques.
2. Nerve root syndromes are those that produce symptoms of nerve impingement (a nerve is touched), often due to a herniation (or bulging) of the disc between the lower backbones. Sciatica is an example of nerve root impingement. Impingement pain tends to be sharp, in one spot (or can radiate to other parts of the body as in the case of sciatica where pain may be felt

down the leg) and associated with numbness in the area of the leg that the affected nerve supplies.

1. Herniated, or slipped, discs are produced as the spinal discs degenerate or grow thinner. The jelly-like central portion of the disc bulges out of the central cavity and pushes against a nerve root. Intervertebral discs begin to degenerate by the third decade of life. Slipped discs are found in one-third of adults older than 20. However only 3% of these produce symptoms of nerve impingement.
  2. Spinal stenosis is an abnormal narrowing of the spinal canal. It can occur as intervertebral discs lose moisture and volume with age, which decreases the canal space. This coupled with disease in joints of the lower back, causes spinal canal narrowing. These changes in the disc and the joints produce symptoms and can be seen on an X-ray or scans. A person with spinal degeneration may have morning stiffness or pain while standing for a long time or walking even short distances. Even minor trauma under these circumstances can cause inflammation and nerve root impingement, which can produce classic sciatica without disc rupture.
  3. Cauda equina syndrome is a medical emergency. Disc material expands into the spinal canal, which compresses the nerves. A person experiences pain, possible loss of sensation and bowel or bladder dysfunction. This can include inability to control urination, causing incontinence, or the inability to begin urination.
3. Musculoskeletal pain syndromes that produce lower back pain include myofascial pain syndromes and fibromyalgia.
1. Myofascial pain is characterized by pain and tenderness over localized areas (trigger points), loss of range of motion in the involved muscle groups and pain radiating in a characteristic distribution but restricted to a peripheral nerve. Relief of pain is often reported when the involved muscle group is stretched.
  2. Fibromyalgia is a poorly understood condition defined as causing pain and tenderness on 11 of 18 ‘tender points’ when touched, one of which is the lower back area, as described by NHS guidelines. Generalized stiffness, fatigue and muscle ache are reported.
4. Other skeletal causes of lower back pain include osteomyelitis, sacroiliitis, and osteoporosis vertebral fractures. This pain is often worse at night and when sitting or standing for a long time.
5. Tumours, possibly cancerous, can be a source of skeletal pain in the back.. (Rob, 2011)

### **Symptoms of Low Back Pain:**

Symptoms of low back pain depend on the cause.

### **Back sprain or strain:**

Symptoms generally include:

1. Muscle spasms, cramping, and stiffness.
2. Pain in the back and buttocks. It may come on quickly or gradually. It most often occurs in episodes. Certain movements make it worse, and resting makes it feel better. The worst pain usually lasts 48 to 72 hours and may be followed by days or weeks of less severe pain. It is very easy to reinjure your back during this time.

### **Nerve-root pressure:**

Symptoms generally include:

1. **Leg pain.** If pain extends below the knee, it is more likely to be due to pressure on a nerve than to a muscle problem. Most commonly, it is a pain that starts in the buttock and travels down the back of the leg as far as the ankle or foot. This pain pattern is known as sciatica (say "sy-AT-ih-kuh"). For more information, see the topic Sciatica.
2. **Nerve-related problems,** such as tingling, numbness, or weakness in one leg or in the foot, lower leg, or both legs. Tingling may begin in the buttock and extend to the ankle or foot. Weakness or numbness in both legs, or loss of bladder and/or bowel control, are symptoms of cauda equina syndrome, which requires immediate medical attention.

### **Arthritis of the spine:**

Arthritis of the spine usually causes pain that:

1. Is worse in the back and hip region.
2. Starts gradually, gets worse over time, and lasts longer than 3 to 6 months.
3. Is generally worse in the morning or after prolonged periods of inactivity. Arthritis pain gets better when you move around.

### **Other conditions:**

Symptoms of diseases that affect the spine depend upon the disease. They may include:

1. Pain that is worse in the affected part of the spine (for instance, if there is a compression fracture, tumor, or infection).
2. Pain that starts gradually, is constant, and may be sharp or a dull ache. Bed rest doesn't help and may make it worse (tumors on the spine often cause night pain). The pain lasts longer than 2 to 3 weeks.
3. Fever.
4. Sensitivity of the spine to touch and pressure.
5. Pain that wakes you up from sleep. (Healthwise,1995-2012)

### **Prevalence**

Low back pain is second only to upper respiratory illness as a cause for visiting a physician. (Andersson GBJ,1999) Up to two thirds of the population has low back symptoms at some time in their lives. In 1995 there were about two worker's compensation claims for low back pain for every 100

workers. Seventy-five percent of patients with acute low back pain are back to work within 1 month of the onset of symptoms, and only 5% are disabled for more than 6 months( Carey TS, et al1995) However, among those with continuing pain 6 to 10 weeks after onset, most still have some symptoms at 1 year (Wahlgren, 1997)

Among persons with chronic low back pain without neurologic deficits, a number of factors play a role in the length of disability. Recurrent low back pain and prolonged disability tend to correlate with prior history of low back pain, advancing age, job dissatisfaction, emotional distress, heavy or repetitive lifting and physical work, prolonged sitting or standing, and the presence of a worker's compensation claim or pending litigation (Shakelle,1977).

Lumbosacral radiculopathy and radicular low back pain are less common than nonspecific low back pain. L5 radiculopathy is the most common lumbosacral radiculopathy, usually produced by disk herniation between the fourth and fifth lumbar vertebral bodies. S1 radiculopathy is the next most common, followed by L3 to L4 radiculopathy.

### **Examination**

A general examination should be performed to identify potential systemic disorders, such as rheumatologic disease, skin disease, or bone deformities. The spine should be inspected for alignment, curvature, range of motion, focal tenderness, and overlying skin abnormalities such as a tuft of hair or pore. Mechanical maneuvers to elicit radicular and hip-joint symptoms should be considered, including straight-leg raising, reverse straight-leg raising, Patrick's test, and Lasègue's sign.

A careful neurologic examination should be undertaken to exclude motor and sensory deficits. Muscle strength in the L2 through S1 myotomes should be examined. The sensory examination should include soft-touch and pain sensation in the same segmental distributions. Muscle stretch reflexes should be elicited at the knee for the L3 to L4 segment and at the ankle for the S1 segment, and they can also be performed in the posterior thigh at the tendinous insertion of internal hamstrings for the L5 segment.

Waddell and colleagues have also described a number of findings on the physical examination that point to nonorganic causes for low back pain, predicting delayed recovery and suggesting the need for a multidisciplinary approach to treatment (Waddell G,1980)

### **Acute Low Back Pain**

Acute spine pain is very common, and the likelihood of spontaneous recovery is in the range of 80% to 90%. Prolonged inactivity prolongs recovery. Because there is seldom a recognizable structural cause, treatment regimens tend to be nonspecific.

Patient education is important, and part of the therapeutic effort should include patient education about the nature of the condition, the likelihood of a good outcome, and the approach to be taken to speed recovery and minimize the risk of recurrence. Once these approaches to management have been undertaken, if there is no meaningful response to treatment, it is necessary to explore the possibility that psychosocial issues underlie the symptoms.

### **Acute Nonspecific Back Pain**

There is general agreement that patients with acute nonspecific spine pain or nonlocalizable lumbosacral radiculopathy (without neurologic signs or significant neurologic symptoms) require only conservative medical management. Patients should abstain from heavy lifting or other activities that aggravate the pain. Bed rest is not helpful and has been shown to delay recovery. (Malmivaara A,1995) Bed rest may be recommended for the first few days for patients with severe pain with movement. Recommended medications include nonsteroidal anti-inflammatory drugs such as ibuprofen or aspirin. If there are complaints of muscle spasm, muscle relaxants such as cyclobenzaprine may be used in the acute phase of pain. Narcotic analgesia should be avoided, in general, but it can be prescribed in cases of severe acute pain.

A study by Cherkin and coworkers compared standard physical therapy maneuvers and chiropractic spinal manipulation for the treatment of acute low back pain and found that both provide small short-term benefits and improve patient satisfaction, but they increase the cost of medical care and do not decrease the recurrence of back pain. (Cherkin DC, 1998) Although patients were somewhat less satisfied with reassurance and an education booklet (the third group in that study), this group fared no worse than the groups receiving therapy

### **Chronic Low Back Pain**

When symptoms of spine pain extend beyond 4 to 8 weeks, the condition has moved from the acute to the chronic phase. At this point it is appropriate to reassess the patient's symptoms and examination. If no neuroimaging was performed in the acute phase of the illness, the need for studies at this time should be reassessed. In the face of true radiculopathy with new or worsening neurologic deficits, a surgical opinion should be considered. Depending on the full clinical picture, a number of alternative nonsurgical approaches may be considered at this point, although in general their efficacy has not been proved.

### **Chronic Nonspecific Back Pain**

The standard approach to the patient with nonspecific chronic spine pain is physical therapy. By 3 to 4 weeks after onset of symptoms, unless there is serious underlying structural disease, there is no reason the patient should not be enrolled in an aggressive program of mobilization, postural improvement, and increased endurance. Yoga techniques provide useful stretching maneuvers that the patient can learn by video instruction. In the treatment of subacute and chronic spine pain, osteopathic physicians and chiropractors provide spinal manipulation techniques, such as thrust, muscle energy, counter-strain, articulation, and myofascial release. A study by Andersson and associates in patients with nonradicular lumbar spine pain of 3 to 26 weeks' duration compared a medical program that included physical therapy with a program that included active spinal manipulation. (Andersson GB,1999) At 12 weeks, there was no significant difference in the degree of improvement between the two groups, although the group that received manipulation required significantly less analgesia, anti-inflammatories, and muscle relaxants, and they used less physical therapy. More than 90% of the patients in both groups were satisfied with their care.

### **Summary**

1. Low back pain is usually caused by mechanical disorders of the spine, with or without involvement of the spinal nerve roots, but it may be a result of nonmechanical causes or may be referred from retroperitoneal sources.
2. Diagnosis starts with a careful examination, followed by consideration for neuroimaging studies and electrodiagnostic studies.
3. Specific management decisions are based on the duration of symptoms and the presence or absence of neurologic deficits.
4. Chronic pain syndromes are often perpetuated by nonmedical factors. Treatment requires a multidisciplinary approach.

### **Psychological stress**

**In psychology, stress is a feeling of strain and pressure. Symptoms may include a sense of being overwhelmed, feelings of anxiety,** overall irritability, insecurity, nervousness, social withdrawal, loss of appetite, depression, panic attacks, exhaustion, high or low blood pressure, skin eruptions or rashes, insomnia, lack of sexual desire (sexual dysfunction), migraine, gastrointestinal difficulties (constipation or diarrhea), and for women, menstrual symptoms. It may also cause more serious conditions such as heart problems.

Small amounts of stress may be desired, beneficial, and even healthy. Positive stress helps improve athletic performance. It also plays factor in motivation, adaptation, and reaction to the environment.

Excessive amounts of stress may lead to many problems in the body that could be harmful. Stress could be something external and related to the environment (Fiona Jones, 2001) but also may not be directly created by external events, but instead by the internal perceptions that cause an individual to have anxiety/negative emotions surrounding a situation, such as pressure, discomfort, etc., which they then deem stressful.

### **Stress responses**

In terms of measuring the body's response to stress, psychologists tend to use Han Selye's general adaptation syndrome. This model is also often referred to as the classic stress response, and it revolves around the concept of homeostasis. According to the concept of homeostasis, in response to stressors the body seeks to return to its equilibrium state, or the normal level of stress resistance. During the alarm phase, the body begins to build up resistance to the stressor beyond normal resistance levels. Gottlieb, (Benjamin,1997)

During this phase the body mobilizes the sympathetic nervous system to meet the immediate threat. The individual's body reacts by releasing adrenal hormones that produces a boost in energy, tense muscles, reduced sensitivity to pain, the shutting down of digestion, and a rise in blood pressure. In the resistance phase the individual's body attempts to resist or cope with a persistent stressor that cannot be avoided. The physiological responses of the alarm phase continue and make the body much more vulnerable to other stressors. (Benjamin,1997)

The body continues building up resistance throughout the stage of resistance, until either the body's resources are depleted, leading to the exhaustion phase, or the stressful stimulus is removed. This three

phase response is designed to help humans in life or death situations, but all types of stressors can trigger this response. A stress response results in elevated physiological arousal, often associated with the release of stress hormones such as cortisol. The physiological arousal in response to stressors is designed to help the body adapt quickly in order to survive and rid itself of the stressful stimuli. (Foley DL, et. al 2006)

This physiological stress response involves high levels of sympathetic nervous system activation, often referred to as the "fight or flight" response. The response involves pupil dilation, release of endorphins, increased heart and respiration rates, cessation of digestive processes, secretion of adrenaline, arteriole dilation, and constriction of veins. This high level of arousal is often unnecessary to adequately cope with micro-stressors and daily hassles; yet, this is the response pattern seen in humans, which often leads to health issues commonly associated with high levels of stress. (10)

### **Stress and health**

As seen in the previous section, the physiological response to stress demands much of the body's energy and resources. This often has a great impact on disease and risk for disease. When the body's energy is used to respond to minor (or major) stressors, the immune system's ability to function properly is compromised. Ogden, J.(2007). This makes the individual more susceptible to physical illnesses like the cold or flu. Stressful events, such as job changes, (Greubel, et al 2007):

Chronic stress and a lack of coping resources available or used by an individual can often lead to the development of psychological issues such as depression and anxiety (W, 2011)

Studies have also proven that perceived chronic stress and the hostility associated with type A personalities are often associated with much higher risks of cardiovascular disease. This occurs because of the compromised immune system as well as the high levels of arousal in the sympathetic nervous system that occur as part of the body's physiological response to stressful events. (Margaret E. Kemeny, 2003)

### **Stress prevention & resilience building**

Although many techniques have traditionally been developed to deal with the consequences of stress considerable research has also been conducted on the prevention of stress, a subject closely related to psychological resilience-building. A number of self-help approaches to stress-prevention and resilience-building have been developed, drawing mainly on the theory and practice of cognitive-behavioral therapy. (Robertson, D: 2012).

Biofeedback may also play a role in stress management. A randomized study by Sutarto et al. assessed the effect of resonant breathing biofeedback (recognize and control involuntary heart rate variability) among manufacturing operators; depression, anxiety and stress significantly decreased. (Sutarto, AP; 2012)

### **Types of stressors**

**A stressor** is any event, experience, or environmental stimulus that causes stress in an individual. (Collins English Dictionary, 2012) These events or experiences are perceived as threats or challenges to the individual and can be either physical or psychological. Researchers have found that stressors can

make individuals more prone to both physical and psychological problems, including heart diseases and anxiety. (Pastorino, E. & Doyle-Portillo,2009)

Stressors are more likely to affect an individual's health when they are "chronic, highly disruptive, or perceived as uncontrollable". (Pastorino, E. & Doyle-Portillo, 2009) In researchers generally classify the different types of stressors into four categories: 1) crises/catastrophes, 2) major life events, 3) daily hassles/microstressors, and 4) ambient stressors.

### **Crises/catastrophes**

This type of stressor is unforeseen and unpredictable and, as such, is completely out of the control of the individual (Pastorino, E. & Doyle-Portillo,2009)Examples of crises and catastrophes include: devastating natural disasters such as major floods or earthquakes & wars etc. Though rare in occurrence, this type of stressor typically causes a great deal of stress in a person's life. A study conducted by Stanford University found that after natural disasters, those affected experienced a significant increase in stress level. (Pastorino, E. & Doyle-Portillo,2009)

### **Major life events**

Common examples of major life events include: marriage, going to college, death of a loved one, birth of a child, etc. These events can be either positive or negative. Research has found major life events are somewhat rare to be major causes of stress, due to its rare occurrences. (Pastorino, E. & Doyle-Portillo,2009)

The length of time since occurrence and whether or not it is a positive or negative event are factors in whether or not it causes stress and how much stress it causes. Researchers have found that events that have occurred within the past month generally are not linked to stress or illness, while chronic events that occurred more than several months ago are linked to stress and illness.( Cohen S, 1997)

Additionally, positive life events are typically not linked to stress—and if so, generally only trivial stress—while negative life events can be linked to stress and the health problems that accompany it. (Pastorino, E. & Doyle-Portillo,2009)

### **Daily hassles/microstressors**

This category is the most commonly occurring type of stressor in an individual's everyday life. This includes daily annoyances and minor hassles(Pastorino, E. & Doyle-Portillo,2009)Examples include: making decisions, meeting deadlines at work or school, traffic jams, encounters with irritating personalities, etc. Often, this type of stressor includes conflicts with other people. Daily stressors, however, are different for each individual, as not everyone perceives a certain event as stressful. For example, most people find public speaking to be stressful, nevertheless, a seasoned politician most likely will not.

There are three major psychological types of conflicts that can cause stress. First, the approach-approach conflict occurs when a person is choosing between two equally attractive options, i.e. whether to go to see a movie or to go see a concert. (Pastorino, E. & Doyle-Portillo,2009) The second type is the avoidance-avoidance conflict, where a person has to choose between two equally unattractive options, for example, to take out a second loan with unappealing terms to pay off the mortgage or to face foreclosure on one's house. (Pastorino, E. & Doyle-Portillo, 2009)

The third type is an approach-avoidance conflict. (Pastorino, E. & Doyle-Portillo, 2009) This occurs when a person is forced to choose whether or not to partake in something that has both attractive and unattractive traits—such as whether or not to attend an expensive college (meaning taking out loans now, but also meaning a quality education and employment after graduation).

### Stressors

As their name implies, these are global (as opposed to individual) low-grade stressors that are a part of the background environment. They are defined as stressors **Ambient** that are "chronic, negatively valued, non-urgent, physically perceptible, and intractable to the efforts of individuals to change them". (Campbell, Joan, 2013) Typical examples of ambient stressors are pollution, noise, crowding, and traffic. Unlike the other three types of stressor, ambient stressors can (but do not necessarily have to) negatively impact stress without conscious awareness. They are thus low on what Stokols called "perceptual salience". (Campbell, Joan, 2013)

A literature review found that epidemiological research has shown a link between low back pain and psychological factors. Depression and anxiety are thought to be the most common psychological conditions associated with low back pain. The three components of low back pain are described as the somatic, the depressive and the social aspects. In relation to low back pain, depression is often described as being atypical as it takes the form of a so-called masked depression, often following a traumatic event. Individual psychological intervention is recommended as the primary treatment, with medical treatment secondary. Different theories have been developed to explain the connection between chronic low back pain and depression, but none is comprehensive.

A study of Gestalt therapy and chronic pain reported that the most significant issue for the patient was to be understood. Individual psychotherapy was recommended with a view to understanding the patients' subjective experiences, since everyone experiences illness differently. The study showed, furthermore, that responses depended on the severity of the illness, family background and history, networks, social class and economic situation. Furthermore, the best results were seen in those who were willing to work with their own psychological process.

Given the substantial rates of mental health problems and the common experience of pain in this age group, and the possibility of a shared pathway for these disorders (Gatchel RJ, 2007), the relationship between them has already been the subject of considerable research. A study by Larsson and Sund (Larsson B & Sund AM, 2007) found that pain frequency was strongly related to levels of both internalising and externalising problems among adolescents irrespective of pain location. There are also sex differences in the experience of pain and associated mental health problems. In epidemiological studies, depressive and anxiety disorders have been associated with recurrent headaches and stomach aches in girls but not boys, while musculoskeletal pain has been related to depression in both sexes (Egger HL, et al 1998). It is surprising that neck pain has not received the same amount of research attention as low back pain, given its high prevalence in the general population and in adolescent cohorts (Perry MC, et al 2008). Hogg-Johnston and colleagues (Hogg-Johnson S, et al 2009) conducted a best evidence synthesis of the burden and prevalence of neck pain and reported studies showing that poor psychological health both predicts and coexists with the experience of neck pain. In addition to this there is evidence that neck pain is specifically associated with depression (Carroll LJ, 2004).

Furthermore, higher levels of distress are associated with stress biomarkers which are known to be related to spinal pain (Schell E, et al 2008) and muscle tension (Marras WS, et al2000).

### Methodology:

The researcher used descriptive analytical cross sectional study to collect the data

### Study Population:

The study population consists of all workers in occupation offices administrators and secretaries at the University College of Applied Science's of Gaza, The total number of the administrative and secretaries employees is 142 persons.

### Study Sample:

A random sample was selected and consists of (95) of both sexes which work as administrators and secretaries, (67 males, 70.5%) and (28 females, 29.5%), and most of the employees spent on there offices duration (6 – 8) hours.

### Study tool:

#### Psychological stressors scale:

The researcher applied the instruments of this study on a 22 pilot sample from the original population of the study sample, and they excluded from the study sample, where this technique used to estimate and discuss the validity and reliability of the instruments used in this study.

**Table 1: Internal consistency of Psychological stressors scale items with its dimensions**

Dimensions of psychological stressors	R. value	P. value
Psychological stresses	0.701	0.001***
Body stresses	0.790	0.001***
Social stresses	0.684	0.001***

\*p< 0.05

\*\*p< 0.01

\*\*\*p< 0.001

### Reliability of the scale

To test the reliability of the Psychological stressors scale, the researcher used the following two methods: Split half method were reliability coefficient was (0.83), and by using Cronbach's alpha equation where alpha coefficient was (0.86). The Psychological stressors scale measurement device is valid and reliable for data collection from the study sample.

### Study results:

The researcher used some statistical equations to investigate and answer the study questions as the following:

**Table 2: Prevalence of Neck pain and Low Back pain among the study sample**

Variable	Response	No	%
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Neck pain	Yes	77	81.1
	No	18	18.9
Low Back pain	Yes	77	81.1
	No	18	18.9

The prevalence of neck pain among the UCAS workers, the results indicated that UCAS workers with neck pain because of long sitting in front of computer screens represented 77 (81.1%).

The prevalence of LB pain among the UCAS workers , the results indicated that UCAS workers with LB pain as a result of long sitting in front of computer screen represented 72 (75.8).

Distribution of study population by average of number hours they work, showed that: nearly about half of study population 41 (43.3%) work for 7 hours.32 persons (33.7%) work for 8 hours ,while 8 (8.4%) persons work for 6 hours,4 (4.20) person work for 5 hours. 4(4.2%) persons work for 3- 4 hours, 4(4.2%)worked for10- 11 hours and 1 (1.1) work for12 hour

**Table 3: means and stander deviation and ratio scale of the psychological stressors**

N	Items	Mean	SD	Ratio scale	Rank
6	I wait eagerly for Vacations.	3.69	1.158	73.8	1
4	Pressures and burdens associated with neck and back pain make me feel upset	3.57	1.078	71.4	2
5	I feel distressed when I deal with the problems of neck and back pain	3.55	0.931	71.0	3
10	Neck or back pain caused me a lot of psychological pressure.	3.43	3.267	68.6	4
3	I feel tired when I wake up in the morning.	3.33	1.026	66.6	5
12	I feel frustrated because of the routine work I do every day.	3.15	1.203	63.0	6
7	I have a strong feeling that I am on the verge of collapse.	2.96	1.311	59.2	7
9	I have a desire to sleep in order to dispose of the problems of neck and back pain.	2.95	1.133	59.0	8
11	I feel upset when I talk about neck or back pain in front of others.	2.95	1.179	59.0	9
1	The activities which I do cannot achieve my ambitions and desires	2.88	0.966	57.6	10

15	I feel bored as long as I am in the same place	2.86	1.179	57.2	11
2	I feel that I am unable to remain in the activity that I do any longer.	2.82	1.072	56.4	12
14	I feel that the neck or back is the cause of my problems.	2.72	1.182	54.4	13
13	I feel that I couldn't improve my performance	2.61	1.179	52.2	14
8	I have no motivation to accomplish and improve my professional level	2.52	1.295	50.4	15
	Total	3.065	0.744	61.3	

As shown above in table 3 that the ratio scale of the total degree of psychological pressure is located at the level of 61.3 and stress levels ranged between ratio scale 50.4 to 73.8%. Paragraph 6 came in the top rank with ratio scale 73.3%, followed by 4 with relative weight 71.4%. In the third place came paragraph 5 with the ratio scale of 71%. The researcher found that the administrative work contributes to the kind of pressure as they exposed to sit for long hours every day in front of computer screens.

Our findings support those of Murphy and colleagues (Murphy S, et al, 2007) who found that low back, upper back and neck pain were all associated with emotional problems. Importantly, our findings also support and extend those of Watson and colleagues (Watson KD, et al 2003) who found that the experience of low back pain was strongly related to a variety of emotional and behavioral problems in a similar sized cohort of 11-14 year olds

**Table 4: Body stressors**

N	Items	Mean	SD	Ratio scale	Rank
2	I feel that I have a headache.	3.02	1.167	60.4	1
4	I feel that the burdens of life are beyond my endurance.	2.74	1.135	54.8	2
5	When I have a problem, I feel my blood pressure is rising.	2.72	1.173	54.4	3
7	I suffer from sleep disorders symptoms.	2.67	1.230	53.4	4
6	I have no ability to perform daily life skills	2.62	1.150	52.4	5
3	I get so tired quickly even when doing minor activities.	2.60	1.134	52.0	6
1	I feel that I have got a pain in my stomach.	2.59	1.195	51.8	7

8	I feel difficulty in moving.	2.47	1.114	49.4	8
	Total	2.68	0.817	53.6	

As shown above in table 4 that the ratio scale of the total degree of psychological pressure is located at the level of 53.6, and the body stress levels ranges between ratio scale 49.4 to 60.4. The item “I feel that I have a headache” comes at the top rank ratio scale of 60.4%, followed by “I feel that the burdens of life are beyond my endurance” with the ratio scale 54.8. In the third place comes the item number 5 with a ratio scale of 54.4.

The researcher thinks the neck or back pains and administrative work leads to headache and to the feeling of high blood pressure. In addition, this implant the feeling that the burdens of life are above their endurance.

This results agree with Watson and colleagues found associations between LBP and emotional, conduct and somatic complaints on the SDQ. For example, elevated scores on the Internalizing/Emotional problems scale of the SDQ is made up of five items (often complains of headache; often worries; often unhappy/tearful; often nervous/clingy; often fearful)

**Table5: social stressors**

<b>N</b>	<b>Social stresses</b>	<b>Mean</b>	<b>SD</b>	<b>Ratio scale</b>	<b>Rank</b>
5	I doubt my abilities in different social situations.	2.72	1.277	54.4	1
4	I feel discomforted when my friends do not co-operate with me.	2.61	1.661	52.2	2
3	I feel upset about not being able to fulfill my personal needs.	2.54	1.257	50.8	3
1	It worried me that others can achieve their work faster than I can.	2.39	1.164	47.8	4
2	I feel comfortable when I stay alone instead of being with others.	2.28	1.109	45.6	5
6	Direct contact with others causes me a sense of psychological tension.	2.22	1.231	44.4	6
7	I try to stay away from group sessions.	2.22	1.150	44.4	7
8	I feel turbulence because of the problems that others face.	2.20	1.251	44.0	8
	Total	2.43	0.795	48.6	

As shown above in table 5 that the ratio scale of the total degree of social stresses is located at the level of 48.6 .The social stresses levels ranges between ratio scale 44.0 to 47.8 came The item “I doubt my abilities in different social situations” comes at the top rank with the ratio scale 54.4%.It is followed by “I feel discomforted when my friends do not co-operate with me” with a ratio scale of 52.2. The item number 3 comes in the third place with a ratio scale of 50.8.

**Table 6: Prevalence of neck pain among male and female**

Variable	Male		Female	
	No	%	No	%
Yes	56	83.6	21	75.0
No	11	16.4	7	25.0

As we shown in table 6, **8 83.6%** males suffer from neck pain while 75% females suffer from neck pain.

**Table 7: Prevalence of Low back pain among male and female**

Variable	Male		Female	
	No	%	No	%
Yes	53	79.1	19	67.9
No	14	20.9	9	32.1

The above table shows that 79.1% males suffer from back pain while 67.9% females suffer from neck pain.

The researcher thinks that both males & females are nearly the same in the prevalence of neck pain, its likely to occur as they are suffering from neck and back pains which is a key factor in the presence of stress.

**Table 8: T tests and differences between male and female in stressors**

Variable	Sex	N	Mean	SD	T value	P. value
Psychological stresses	Male	67	46.04	11.121	0.173	0.863
	Female	28	45.61	11.468		
Body stresses	Male	67	23.31	7.256	0.821	0.414
	Female	28	24.64	7.041		
Social stresses	Male	67	19.01	6.623	1.234	0.220
	Female	28	20.82	6.213		
Total scores	Male	67	88.37	22.057	0.551	0.583

of stresses	Female	28	91.07	21.085		
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As shown in the table 8, there were no statistically significant differences in total scores of stress and its dimensions according to the sex in the study sample.

The researcher found that the working methods for both sexes are the same and they also suffer from neck and back pains which is a key factor in the presence of stress so the result was that there was no statistically significant differences among members of the sample.

These results comply with another study which found no difference in the prevalence of musculoskeletal pain between boys and girls but found that girls were twice as likely to report headache and abdominal pain. (Mikkelsen, Salminen and Kautiainen (Mikkelsen M,1997)

### **Recommendation:**

1. providing range of advices and guidance for administrative and secretary workers to make them avoid neck and low back pain LBP problems
2. Attempt to modify the physical environments for the UCAS workers
3. Provide cognitive behavioral heuristic program to reduce the pressure arising from neck and back pain
4. Practice a daily exercise program, specially walking because of its effects in reducing the factors causing neck and back pain,

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### **A Smaller Step: Tests of Microeconomic Foundation of a Scandinavian Common Currency Area**

#### **Abstract:**

When the euro bloc was formed, among the European Union members not to join were Denmark and Sweden. These two countries did not join the euro bloc after “no” votes in referendums in each country. Perhaps the people of these countries felt the euro bloc was too large a step. A smaller step would be a Scandinavian common currency area. In this paper we present estimates of transactions costs savings associated with such a common currency and results from revealed preference tests of microeconomic foundations of an Scandinavian common currency area. Our results can be viewed as broadly favorable toward the formation of an Scandinavian common currency area.

**JEL Classification:** F33; C14

#### **• Introduction**

When the euro bloc was formed in 2002, Denmark and Sweden were among the European Union members who did not join the euro bloc. Denmark and Sweden did not join after voters in each country voted against joining the euro bloc in separate referendums. While a new referendum is pending in Denmark, perhaps what the voters of these countries were telling their leaders is that they considered the euro a step too far. A smaller step that might be more in line with the preferences of voters in this area is a Scandinavian common currency area composed of Denmark, Iceland, Norway and Sweden.<sup>1</sup>

There are several reasons to suspect that Scandinavia might form a common currency area. The four countries have strong trading relationships with each other. Each country already uses a similarly named decimal based currency.<sup>2</sup> The four countries are geographically relatively close to each other and have a relatively large volume of trade between each other.<sup>3</sup>

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<sup>1</sup> There are various definitions of Scandinavia including some that include the parts of Finland populated by ethnically Swedish people. For this paper we are defining Scandinavia to include Denmark, Iceland, Norway and Sweden.

<sup>2</sup> The Danish currency is called the kroner, in Iceland the currency is known as the kronur, in Norway the currency is called the kroner and the Swedish the currency is the kronor.

<sup>3</sup> These countries have other interaction. As suggested above, Denmark and Sweden belong to the EU while Iceland and Norway do not. Also Denmark, Iceland and Norway belong to NATO while Sweden does not.

The formation of a common or optimal currency area provides several benefits to the people of the prospective countries. One benefit is the complete elimination of transaction costs, because with a single currency there are no exchange rate conversions. Having a single currency also removes the risk of economic exposure because there are no currency fluctuations. Another benefit to the formation of a common currency area is the characteristic of price transparency associated with having a single currency. With price transparency consumers will be able to comparison shop easily because all goods in both countries will be priced in the single currency. In addition, based on gravitational model results, Rose and Wincoop (2001) argue that national money seems empirically to act as a significant barrier to international trade. This would mean that the gains from reduced transactions costs would be greater than those implied from merely looking at the current size of international trade among the potential members of a common currency area.

While many of these benefits from forming a common currency area are difficult to measure, we can estimate the transactions costs savings that the people of the Scandinavian countries would realize from adoption of a common currency. The Bank for International Settlements (2007) conducts a triennial survey of world central banks with respect to turnover in foreign exchange markets. Turnover is a measure of the volume of foreign exchange trading in a specified market, and is defined as the absolute gross value of all new deals entered into during the year and is measured in terms of the nominal amount of the contracts completed in the market.<sup>1</sup> Direct cross-country transactions are counted as single transactions, and not double counted.

In Table 1 we present total annual foreign exchange turnover among Denmark, Iceland, Norway and Sweden for 2007 in US dollars. Foreign exchange trading between the Scandinavian currencies averaged US\$ \$8.35 billion per day, and was “steady” over the year.<sup>2</sup> A lower bound of potential cost savings from a Scandinavian common currency area in US dollars was \$23 billion in 2007.

We can bound the present value of future transactions cost savings for a Scandinavian common currency area. We find the present value of these cost savings is between \$353.8 billion and \$515.5 billion.<sup>3</sup>

Costs of forming a common currency area also come from several sources. One cost is the transition cost from changing from domestic currencies to a common currency. If a Scandinavian common currency is viewed as a intermediate step before joining the euro bloc, then the transition costs

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<sup>1</sup> No distinction is made between sales and purchases (i.e., a purchase of 7 million Icelandic kronur and a sale of 12 million Icelandic kronur against Danish kroner amounts to gross turnover of 19 million Icelandic kronur.)

<sup>2</sup> Bank for International Settlements, (2001), pp. 13, 65. “Steady” is the BIS description of the Icelandic, Norwegian and Swedish foreign exchange market over the year, as contrasted with the BIS description of increasing for the Danish foreign exchange market.

<sup>3</sup> The current forecast LIBOR rate over the coming year averages at least 2 percent. The current forecast 30-year U.S. bond rate averages around 5 percent. Transactions costs were discounted over a 30 year period using these two rates to bound the present value.

associated with this intermediate step are avoidable. A second cost is the loss of domestic monetary control and seigniorage for each country.<sup>1</sup>

**Table 1: Denmark, Iceland, Norway, and Sweden Cross-Border Foreign Exchange Turnover and Transactions Costs for 2007<sup>2</sup> (Millions of U.S. Dollars)**

Country Pairs	Daily Total Turnover	Annual Transactions Costs
Danish Krone/Swedish Krona	\$3,891,660,000	\$10,725,410,000
Danish Krone/Norwegian Krone	\$2,669,640,000	\$7,357,530,000
Danish Krone/Icelandic Kronur	\$543,100,000	\$1,496,780,000
Swedish Krona/Norwegian Krone	\$547,220,000	\$1,508,140,000
Swedish Krona/Icelandic Kronur	\$301,140,000	\$829,940,000
Norwegian Krone/Icelandic Kronur	\$399,550,000	\$1,101,160,000
Total	\$8,352,310,000	\$23,018,960,000

Following Mundell (1963) and McKinnon (1963), previous discussion on the existence of an optimal or common currency area concentrates heavily on the macroeconomic foundations that affect the formation of such areas. More specifically they consider mostly the political criteria that influence monetary policy. The direction of this thinking runs opposite to the idea that the determination of what actually constitutes money depends on the decisions of the people of a particular nation or nations. True to this line of thought, Swofford (2000) proposed microeconomic foundations for the existence of a common currency area and tested the Euro area for consistency.<sup>3</sup> The basis for these microeconomic foundations is that for a common currency area to exist, the people included in the area must use the same assets as money.

<sup>1</sup> Seigniorage will of course exist for the region as a whole. The cost is in deciding how much seigniorage to seek and how to divide it up among the countries.

<sup>2</sup> Daily average spot, outright forward and foreign exchange swap transactions, adjusted for local and cross-border inter-dealer double-counting. Because two currencies are involved in each transaction, the actual total turnover comes to twice the total reported turnover.

Daily average total net turnover (all currencies) in U.S. dollars: Denmark: \$86,062,000,000; Sweden: \$42,150,000,000; Norway: \$31,919,000,000; Iceland: \$7,399,000,000.

Source: Turnover rate: (Denmark, Norway, and Sweden) Bank for International Settlements, *Triennial Central Bank Survey, December 2007*. (Iceland) Central Bank of Iceland, *Interbank Market for Foreign Exchange, September 4, 2008*. Transactions costs: See Appendix.

<sup>3</sup> Other potential common currencies tested include North America, Swofford (2005), Australia and New Zealand, Swofford, Birkelöf and Filer (2007) and East Asia, Swofford (2008).

- **Existence of an Optimum Currency**

As Swofford (2000) discussed, a common currency area is any area in which the economic agents treat the same asset or group of assets as providing monetary services.<sup>1</sup> For example, if the people of Sweden use currency as money and the people of Denmark use currency and checkable deposits or some additional assets as money, then the two countries do not form a common currency area. However, if the people of the two countries use only currency and checkable deposits as money, then the two countries can form a common currency area.<sup>2</sup> Even if the people of Scandinavia use currency and checkable deposits as money and can form a common currency area, but the criteria of Mundell (1961) and McKinnon (1963) are not met, then the gains from forming a common currency area may not be large enough to offset the costs. In such case a political consensus to form a common currency area may not develop.<sup>3</sup>

The microeconomic content of this definition of a common currency area requires that the common currency be an asset or assets in economic agents' optimizing function. If this common money is held by consumers for the liquidity services it provides, then it can be modeled in the consumer's utility function:

$$(1) \quad U = U(\mathbf{x}, \mathbf{m})$$

where  $U$  is a well-behaved utility function,  $\mathbf{x}$  is a vector of nonmonetary goods and assets, and  $\mathbf{m}$  is a vector of the asset or assets that provide liquidity services.<sup>4</sup>

If more than one asset is held as money, then a common currency area must have a common economic monetary aggregate.<sup>5</sup> For an economic monetary aggregate to exist, the assets combined into the aggregate must be at least weakly separable from all other items in the objective function. In monetary economics this criteria means that a monetary aggregate can be formed including only those financial assets that are at least weakly separable from all other goods in the agent's preferences. Thus, if a common money of more than one asset is to exist it must be composed of assets at least weakly separable from all other goods. This restricts  $U(\ )$  to be at least weakly separable in the monetary assets:

$$(2) \quad U = U(\mathbf{x}, V(\mathbf{m})).$$

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<sup>1</sup> The research by Patterson (1991) on the United Kingdom and the papers by Swofford and Whitney (1986 and 1990) on the United States suggest that money is likely composed of more assets than just currency.

<sup>2</sup> Machlup (1977) pointed out that a common currency area is not the same thing as a fixed exchange rate regime unless the exchange rate were fixed at a ratio of one to one.

<sup>3</sup> Of course as discussed above, Rose and Wincoop (2001) have found national currencies act as significant barriers to trade and the gains from forming a common currency area are greater than that indicated from the current level of trade between countries.

<sup>4</sup> Feenstra (1986) shows that the liquidity costs and the utility of money approaches to modeling money demand are functionally equivalent.

<sup>5</sup> Barnett (1980) originated the concept of an economic monetary aggregate.

When a weakly separable subutility function such as  $V(\mathbf{m})$  exists, then the marginal rate of substitution between any two monetary goods in  $V(\mathbf{m})$  is independent of the level of consumption of any good in  $\mathbf{x}$ .<sup>1</sup> Less formally, the weak separability criteria for aggregation is a way to identify money as whatever people in the hypothesized optimum currency area treat as money.  $V(\mathbf{m})$  will contain currency and all other assets the agent treats in a similar manner. If the common currency of an optimum currency area is thought of as including both currency and other near monies, then the weak separability restrictions in equation (2) must obtain. If this criterion is not met, then monetary policy in the hypothesized common currency area may be unstable due to the lack of a reliable monetary target.

If more than one person is in a hypothesized optimum currency area, then (1) or (2) is restricted further by the conditions for aggregating over agents. The restrictions for aggregation over agents are more stringent than those for aggregation over goods. As Deaton and Muellbauer (1980) point out, aggregation over agents requires that the preferences of each agent be at least quasi-homothetic. Thus, quasi-homothetic representations of  $U(\cdot)$  and  $V(\cdot)$  are required for aggregation over agents.<sup>2</sup> Still the quasi-homothetic restrictions are very stringent and often times are finessed by assuming a representative agent.<sup>3</sup>

A common currency area still requires a political decision by the people within the hypothesized area. Thus the existence of a well-behaved utility function with an at least weakly separable subutility function containing money and other monetary assets can be viewed as a sufficient condition for the existence of a common money within an area. Approaches for testing for the existence of such a common currency area are discussed next.

- **Testing for the Existence of a Common Currency Area**

Revealed preference tests are used to test for the existence of an Scandinavian common currency area. The revealed preference tests do not require the assumption of a particular functional form, and they can be used with limited data observations. However, revealed preference tests do not include random behavior. A detailed discussion of these nonparametric tests is presented in Varian (1982 and 1983).

Let  $p^i = (p^i_1, p^i_k)$  be the  $i$ th observations for the prices of some  $k$  goods and assets and  $x^i = (x^i_1, \dots, x^i_k)$  denotes the corresponding quantities of the  $k$  goods and assets. Varian (1982) developed the generalized axiom of revealed preference, henceforth GARP. GARP can be stated:

$$\text{If } x_i R x_j \text{ then } p_j x_j \leq p_j x_i \text{ for all } i, j = 1, \dots, n.$$

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<sup>1</sup> See Deaton and Muellbauer (1980) concerning aggregation over goods.

<sup>2</sup> Quasi-homothetic preferences imply that each agent's Engel curves are linear. While quasi-homothetic Engel curves are linear, they need not pass through the origin as is the case for homothetic preferences.

<sup>3</sup> The assumption of a representative agent is necessary unless micro or panel data exist.

If the data satisfy GARP there exists a nonsatiated, continuous, monotonic, concave utility function that rationalizes the data.<sup>1</sup>

Further if the data are partitioned into two sets of goods and associated prices  $(p_i, x_i), (r_i, m_i), i = 1, \dots, n$ , then a utility function is weakly separable if a subutility function  $V(\mathbf{m})$  and a macro-utility function strictly increasing in  $V$  such that  $U(\mathbf{x}, \mathbf{m}) = U(\mathbf{x}, V(\mathbf{m}))$  can be found. In this vein Varian (1983) showed,

*The following conditions are equivalent:*

1. *There exists a weakly separable nonsatiated continuous, concave, monotonic utility function that rationalizes the observed data.*
2. *There exist utility indices  $U_i, V_i$  and marginal utility indices  $\lambda_i > 0, \mu_j > 0, i = 1, \dots, n$  that satisfy the following Afriat inequalities:*  

$$U_i \leq U_j + \lambda_i p_j (x_i - x_j) + \lambda_j / \mu_j (V_i - V_j)$$

$$V_i \leq V_j + \mu_j r_j (m_i - m_j), \text{ for } i, j = 1, \dots, n.$$
3. *The data  $(r_i - m_i)$ , and  $(p_i, 1/\mu_i, x_i, V_i)$  satisfy GARP for some choice of  $(u_i, V_i)$  that satisfies the Afriat inequalities.*

To meet condition (3) the entire data set and any hypothesized weakly separable subgroup must satisfy GARP. Thus, consistency with GARP is a necessary condition for weak separability. The sufficient conditions checked for in this paper are that the data satisfy GARP when the subutility function is calculated using the Afriat inequalities. That is, using the observed prices and quantities, the Afriat inequalities in (2) above are solved for utility levels,  $U_i$  and  $V_i$ , and marginal utilities,  $\lambda_i$  and  $\mu_j$ , and used to construct an aggregate good for those in the hypothesized subutility function. This aggregate good is then included in the hypothesized overall utility function which is tested for consistency with GARP. If the data set including the aggregate good for the subutility function is consistent with GARP, then the original data are consistent with a well-behaved utility function weakly separable in the assets in the hypothesized subutility function. Hereafter, these sufficient conditions for weakly separable utility will be referred to as the Afriat sufficient conditions.

The necessary test, consistency with GARP, and the Afriat sufficient test for a well-behaved utility function at least weakly separable in monetary assets collectively are a sufficient condition for the existence of a common monetary aggregate. If these conditions hold, then a common monetary aggregate exists in an area whether or not the people in the area politically decide to adopt a common currency. The data set used for these revealed preference tests is discussed in the next section.

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<sup>1</sup> Thus, a violation of GARP happens when for some  $x^i R x^j$ , the condition  $x^j S x^i$  is true or a violation of GARP happens if  $x^i$  is shown to be revealed preferred to  $x^j$  but  $x^j$  is directly revealed preferred to  $x^i$ .

- **Data**

The data used for this paper are from the International Monetary Fund (2007). These data are annual and quarterly observations for the period 1995 to 2006. From this source annual data were gathered for Denmark, Iceland, Norway and Sweden. The series of data taken for these four countries include population, private consumption (C), the consumer price index (P), money (M), quasi-money (Q), the deposit rate (r), a benchmark interest rate (R), the lending rate, r, and the dollar exchange rate.<sup>1</sup>

The money series consist of currency and demand deposits. The quasi-money series is made up of savings and time deposits. The consumer price index is used as the price of a unit of consumption in each country. To convert the consumption, money, and quasi-money series into real terms the consumer price index and population series were used.<sup>2</sup> To construct data series on areas broader than one country, the exchange rate is used to convert each series to United States dollars.

The appropriate price for each category of financial assets is its user cost (Barnett, 1980). The user cost is a discounted interest rate differential,  $(R-r)/(1+R)$ . The differential is the opportunity cost of holding a particular asset rather than the bench mark asset and the bench mark asset is further used for discounting the differential back to the beginning of the period when the choice to hold assets is made.

These data were converted into five twelve-yea annual time-series. These time-series are for each individual country both quarterly and annually as well as for Scandinavia aggregated. The aggregates are a weighted average of the data for each country that comprises the respective area. The results from checking these data for consistency with the microeconomic criteria for the existence of a common currency area are presented in the following section.

- **Results**

The data described in section IV above were checked for consistency with the microeconomic criteria for the existence of common currency using Varian's (1985) three-step revealed preference test for weak separability that was described in section III. Consistent with the modeling in section II above, the specification check was:

$$(3) \quad U = U(C, V(M, Q)).$$

That is the data for a representative agent in each individual Scandinavian country, Denmark, Iceland, Sweden and Norway and the Scandinavian area were checked for consistency with the microeconomic foundations of an optimum currency area.

As presented in Table 2, for the Icelandic, Norwegian and Swedish individual annual data sets both the necessary and the Afriat sufficient conditions obtain. The Danish data do not meet these microeconomic foundations due to two small violations of GARP for the monetary sub-utility function. Collectively the aggregate representative Scandinavian data meet the necessary and Afriat sufficient

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<sup>1</sup> These are series 96f, 64, 34, 35, 60P, 60L and ae. For the first five years the series on M and Q for Sweden the values were approximately calculated from other series. For a very few other missing values, data from closely related series were taken.

<sup>2</sup> The population series used is 99z.

conditions. This suggests that people in Scandinavia treat currency, demand deposits and quasi-money in a similar way in their preferences. Thus, these annual results are consistent with a common currency for Scandinavia.

**Table 2: Reveal Preference Test Results<sup>1</sup>**

Area	Utility Function	Subutility Function	
	GARP	Necessary	Afriat Sufficient
Denmark	Y	N(2)	-
Iceland	Y	Y	Y
Norway	Y	Y	Y
Sweden	Y	Y	Y
Scandinavia	Y	Y	Y

Thus, overall, the data indicate that the Scandinavian countries Denmark, Iceland, Norway and Sweden might form a common currency area. That the data are consistent with a common currency area does not overcome various macroeconomic and political issues that might arise within the individual countries. For example seigniorage and control of central banking institutions would need to be allocated between the two countries in such a common currency area.<sup>2</sup>

- **Summary and Conclusions**

A hypothesized Scandinavian common currency area would result in substantial transactions costs savings. Such a common currency area would remove national currencies that might act as implicit barriers to trade.

We also have found that annual data for Iceland, Norway, and Sweden are consistent with the necessary and sufficient conditions for the microeconomic foundations of a common currency area. The data on Denmark had only two violations of one condition. Further we found that data for the Scandinavian countries together are consistent with the necessary conditions and sufficient conditions for a common currency area. These results can broadly be taken as supportive of a Scandinavian common currency area.

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<sup>1</sup> Note Y implies the condition is met and N means a condition is not met. The reader is reminded that the Afriat sufficient condition is not necessary and that other sufficient conditions might hold.

<sup>2</sup> Clearly seigniorage could be allocated by population in the countries, but such an agreement would need to be reached.

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### **Improving L2 Student Writing by Integrating Computer Aided Instruction with Face-to-Face Pedagogy**

#### **Abstract:**

English language acquisition is crucial to the success of Middle Eastern and, in particular, Kuwaiti students' success in obtaining university credentials, especially for those wishing to pursue graduate studies. This study investigates the efficacy of online differentiated computer-aided instruction in enhancing reading and writing proficiency of students in Academic English and Composition courses. Student gain scores and CAI usage are examined using pre- and posttest Lexile scores.

#### **1. Introduction**

Six instructors teach Academic English and Freshman Composition I at Gulf University for Science and Technology (GUST) in Kuwait. Although all students are required to score at least an IELTS 5.0 in order to be accepted into the university's credit-bearing courses, for nearly all students Arabic is the native language and students struggle to succeed in the all-English courses. Prior to the spring of 2012, the curricula of these two courses included limited essay writing (students wrote only three in-class essays) and no required reading. Beginning in the spring of 2012, the Academic English course was changed to include 40 required essay readings using the online computer-aided instructional program, Empower 3000. Written responses to aspects of these 40 essays were also required. Students also wrote and revised six in-class essays of varying rhetorical styles. Students in Composition I were also required to read and respond to 40 Empower articles but instead of having to write six essays, they were taught to write two research papers. Student pre- and post- Lexile (reading) levels were assessed using the computer-aided instructional program, Empower 3000.

#### **2. Literature Review**

Computer Assisted Instruction (CAI) is used in many areas of education. This study focuses on the effects of a particular CAI program, Empower 3000, which provides reading and writing instruction and interactive activities to enhance students' reading and writing. Many studies have been conducted to investigate the effects of CAI on reading and writing. Results demonstrate a positive effect of CAI on students' reading and writing proficiency (Fenfang, 2003; Chikamatsu, 2003; Schweinhorst, 2002). CAI literacy research has been ongoing for decades globally and in several contexts (Robert, 2002; Peterson, 1998). Kulik and Kulik, (1991) showed, in a meta-analysis of 254 studies, that CAI usually produces positive effects on students. These studies covered learners from kindergarten to adult learners. Initially CAI consisted of drill and practice programs, but recent programs have become more sophisticated (Cushion & Dominique, 2002).

Using CAI in language instruction has been studied extensively in Japan (Peterson, 1998) and it has been investigated in the Middle East, in the United Arab Emirates, in particular (Abdurrahman, (2006), but no studies exist which investigate the effects of CAI on reading and writing proficiency of students studying in the Middle East at the university level. Writing teachers need to be aware of benefits and pitfalls of utilizing CAI. Furthermore, the methods instructors use to incorporate CAI into their writing classroom can affect students' reading and writing gains. This study investigates the effects of a specific reading and writing CAI program, Empower 3000, on university students' literacy in Kuwait whose first language is Arabic.

Passively listening to audio tapes, and repeating after the teacher have become things of the past now in EFL classes. Computers and the Internet have changed foreign language learning for good. Information communication technologies, an umbrella term for using computers, software, or Internet for instructional purposes (Hew & Brush, 2007, p. 225), refer to the use of technology by teachers for instructional preparation, instructional delivery, and technology as a learning tool for students (Inan & Lowther, 2010). ICT has been integrated into many aspects of education, and particularly into English language curricula providing learners and teachers with a broad spectrum of resources for higher language achievement. The use of ICT in language teaching and learning, which is also referred to as computer-assisted language learning (CALL) developed from audio tapes, word processing, and CD-ROM to Internet, whiteboard, social networking sites, email and other forms of technology including PowerPoint presentations.

Keeping students engaged in an activity may be a challenge for ESL/EFL teachers, and CALL provides new possibilities for assisting teachers to successfully meet this challenge. CALL can energize the students (Lee, 2000), and offer some advantages such as the reduction of long-term costs, and increased opportunities for access to various sources of information, increased opportunities for communication and personalization of the teaching process. By using authentic materials with visuals and animations, posting and replying to messages, writing and replying to emails, learning is no longer restrained in time and space; rather, through the internet, learners are offered opportunities to communicate and learn collaboratively whenever and wherever they want. The students display an enhanced sense of achievement and an increase in self-directed learning, with the ability to communicate, conduct research and present ideas effectively beyond the confines of the class (Shetzer & Warschauer, 2000).

The fields of ICT and Computer Assisted Language Learning are highly eclectic and these diverse activities of CALL represent a variety of ways that support learning (Levy, 1997, p. 41). As there is no one single method, technique, approach, or course book that works well perfectly in every context, a single type of CALL may not correspond to all needs and learners' preferences. Evaluation consists of getting a clear understanding of what the tool actually offers in terms of input and interaction, and then judging how closely it fits learner's needs as determined by their preferences and learning objectives.

In order to maximize the effectiveness of using ICT it must be carefully integrated into the language learning curriculum. Albirini (2004) expresses that as a recent educational innovation, the computerization of education is a complex process where many agents play a role. Many factors should be considered for a successful implementation of CALL, such as students and teachers' attitudes, expectations and needs, as well as technological and organizational infrastructure, and the curriculum.

The online tool, Empower 3000, is used in two consecutive courses, with the main focus on Academic English skills. According to the course descriptions, the courses aim to develop students' writing and reading skills, and both courses involve critical reading and thinking skills and emphasize writing as a process.

EAP - English for Academic Purposes – refers to the language and associated practices that people need in order to undertake study or work in English medium higher education. The objective of an EAP course is to help students learn some of the linguistic and institutional and disciplinary practices involved in studying or working in English. EAP teaching is task based, and it uses the types of academic task commonly found in higher education. Writing classes are usually based on some kind of authentic extended writing task that the students do in their own time, with the help of in-class teaching and individual tutorial support. Reading is similar with students doing large amounts of in-class and out of class reading - usually of authentic texts, as well as the lecturer helping the students to be more aware of typical language used in academic texts, text structure and strategies for reading critically and dealing with difficulties (Clark, 1993; Cobb & Horst, 2001). In this population, however, the prior curriculum included little required reading.

The Empower 3000 learning program provides web-based, differentiated instruction solutions designed to reach a school's entire student population: Mainstream, special needs, and gifted. Students who have a subscription to the web page receive daily content and, with the guidance of their instructors, they proceed along five steps. This five-step routine hones language skills, activates background knowledge, focuses on vocabulary and explicitly teaches reading strategies (Achieve3000, 2012). The five steps of Empower 3000 are as follows:

- Email. Each student is sent an email containing a stimulating question and a poll question to stimulate their interest in the non-fiction article which is sent to them each day. A link to the article is provided them which leads to the article. The poll question brings students' background into the classroom as they make connections to the topic of the day.
- Article. Students derive information from non-fiction articles differentiated to their level. Repeated exposure to grade-level text complexity and vocabulary, and embedded strategy support for the reading, enables all students to participate in classroom discussions
- Activity. Students complete a set of activity questions to demonstrate close reading of text by responding to literal and analytical items
- Poll. Students express their opinions around real-world events. Teachers facilitate discussion and debates, having students apply content and language knowledge. At the end of each article's activities, students are given the results of the poll question they and thousands of others students answered that day.
- Thought Question. After demonstrating mastery of concepts and vocabulary, students apply these skills in writing, giving them the opportunity to master language skills in authentic writing

By analyzing the reading, writing and sentence structures this study seeks to determine the efficacy of the five step routine, as part of a solution for teaching Academic English to second language learners. Task-based instruction, integrated with authentic texts with both in and out of class options, and

authentic extended writing tasks which lend themselves to process writing are the strengths of the online instruction tool.

Empower 3000 has been used by the English Department since February 2011.

At the beginning of every semester faculty members receive in-service training through video conferencing, and are encouraged to send their questions and concerns by e-mail to the professional development staff of Empower3000 located in New Jersey, USA.

This is an innovative approach in English composition instruction in Kuwait. Despite the abundance of research on teacher and student attitudes and perspectives towards computer, use of ICT and CALL in class, studies regarding the use of Information and Communication Technologies in teaching Academic English in higher education are scarce. In addition, studies within the context of Gulf countries, in particular, Kuwait are very rare and this research is the first that is carried out for writing courses in a Kuwaiti higher education institute.

Major problems remain in GCC education systems and some indicators, such as the mean number of years of schooling (6.1 years in Kuwait) and high dropout rates are a serious issue in the GCC region. According to a survey conducted in 2010 (AlMunajjed & Sabbagh), when participants were asked the reasons of their discontent with their education system, 63% listed traditional methods of teaching as the main reason. Traditional teaching methods in the GCC countries emphasize repetition and memorization rather than skills highly valued in the modern workplace, such as creative thinking, brainstorming, problem solving, and personal initiative. Outmoded curricula and textbooks were mentioned as another source of dissatisfaction because they are not preparing students to succeed in rapidly changing societies that aspire to become knowledge-based economies in competitive global markets. These deficiencies require a commitment by Gulf societies to address curricula, teaching methods, and the use of information and communications technology (ICT) in schools (AlMunajjed & Sabbagh, 2010).

- **Research Methodology**

Ten instructors teach Academic English and Freshman Composition I at Gulf University for Science and Technology (GUST). Prior to the spring of 2012, the curricula of these two courses included limited essay writing (students wrote only three in-class essays, and there was no required reading). Beginning in the spring of 2012, the Academic English course was changed to include 40 required essay readings using the online computer-aided instructional program, Empower 3000. Twenty written responses to aspects of these 40 essays were also required. After students completed the pretest Levelset during the first week of classes, they were required to bring their laptops to class and log in to Empower3000, open their email, read articles, answer the multiple choice questions and Thought questions (short essay responses to the reading) and submit them. Instructors were able to see student work and progress online. For the first two weeks, students worked on Empower articles in class as instructors helped students acclimate to the program and teach lessons using the article of the day. The following weeks of the semester, instructors required students to bring their laptops to class and work on Empower3000 reading and writing activities only once per week and required them to read a total of four articles per week for homework. Students also wrote and revised six in-class essays of varying

rhetorical styles. During the first and last weeks of classes, student reading levels were assessed using the computer-aided instructional program, Empower 3000.

Preliminary results of student reading (lexile) levels have shown gains according to pre- and posttest measures were performed.

- **Subjects**

Empower 3000 pretest Lexile scores of students enrolled in Academic English (n=219) at Gulf University for Science and Technology (GUST) were compared to their posttest scores at the end of the spring 2012 semester. This course bears three credit hours and meets 150 minutes per week. Instructors were trained for 90 minutes in the use of Empower3000 according to the following training outline:

**Goals:**

After completing this workshop...

1. Within one week—teachers administer LevelSet™ to all students, and check LevelSet results
2. Within one to two weeks—teachers model the Five-Step Literacy Routine to students
3. Within two weeks—students complete 3 to 4 activities; teachers check the weekly usage report to ensure students are using the program appropriately, and determine if reading levels need to be adjusted
4. Within three weeks—teachers provide feedback to students based on reviewed student work
5. Within 2 months—teachers participate in another Achieve3000 workshop

**Objectives:**

Teachers will:

6. Understand the Achieve3000 pedagogy
7. Recognize how the solution develops student literacy skills
8. Recognize how the Common Core standards are supported in the Five-Step Literacy Routine
9. Replicate the student's experience with the Five-Step Literacy Routine
10. Identify additional differentiation features in Special Editions
11. List key steps and considerations for administering LevelSet
12. Ensure class setup is complete
13. Locate reports to monitor student work
14. Explain how to award achievement points and badges
15. Use Search and Assign to customize content
16. Locate the Content Preview e-mail for pre-planning
17. Attend Online PD

## **TREATMENT**

For the spring semester of 2012, students enrolled in Academic English at GUST worked through the following syllabi including readings, Activities and Thought Questions from Empower3000 as well as essays and research papers:

### **ACADEMIC ENGLISH**

18. Daily readings from Empower3000 (40)
19. Activities (multiple choice questions)
20. Thought questions
21. Compare and Contrast Essay #1
22. Compare and Contrast Essay #2
23. Cause and Effect Essay #1
24. Cause and Effect Essay #2
25. Persuasive Essay #1
26. Persuasive Essay #2
27. Final Examination

### **MEASURE**

Students in composition courses at GUST took the online Levelset test from Empower 3000 during the first and last week of the semester. The Levelset measures

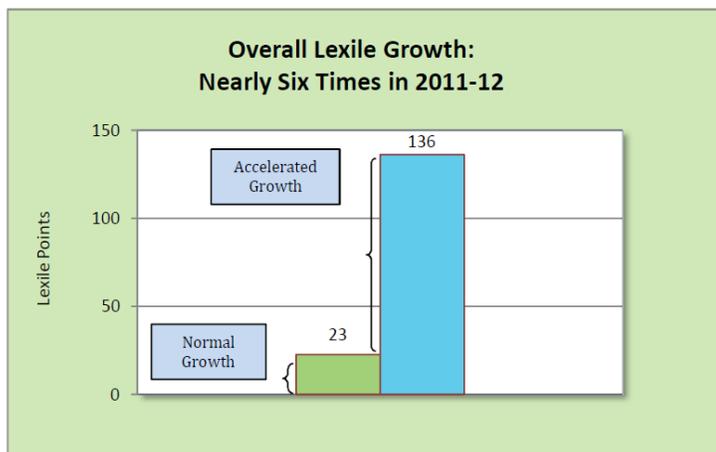
28. Lexile reading levels which can be converted into a grade-level score. Instructor and student usage as well as Lexile gains were calculated and are presented in the Results section.
29. Lexile reading levels are measures ranging from 0L to 2000L. A Lexile reader measure, like a Lexile text measure, is reported on the same scale; they can be used together to predict how well a reader will likely comprehend a text at a specific Lexile level. If a reader has a Lexile level of 1000L, he will be expected to be able to comprehend approximately 57 percent of a book with the same Lexile level (1000L). The Lexile Framework has become the most widely adopted reading measure in use today.

- **Results**

### Gulf University of Science & Technology Usage: February 2, 2012 – May 21, 2012 (means are per active user)

School	5-Step Routine				Reading Connections		
	Active Users This Year	Program Hours (Mean)	Completed Multiple Choice Activities (Mean)	Completed Writing Assignments (Mean)	Summarizations (Total)	Generating Questions (Total)	Setting the Purpose (Total)
Gulf University Of Science & Technology (GUST)	219	43.5	39.5	25.0	863	577	329

Empower3000 students within the Gulf University for Science & Technology achieved **nearly six times** the normal reading performance growth as measured by Lexiles.



*Students exceeded their “expected” Lexile gains by **113 points.***

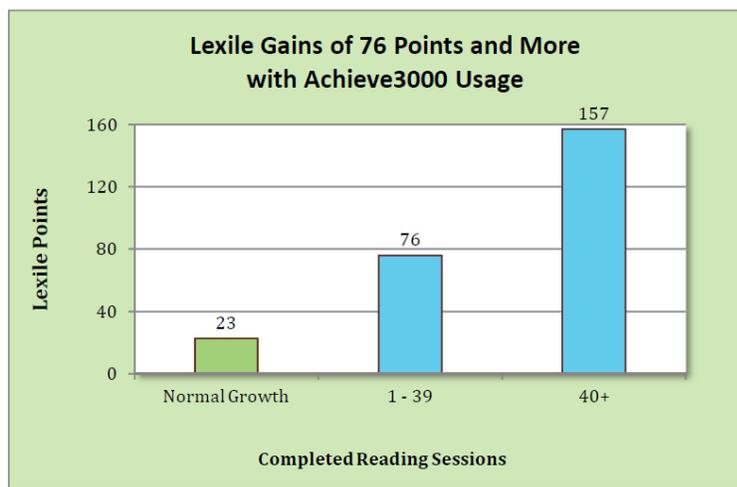
**Key Findings:**

- Students made significant gains compared to gains expected with “normal” instruction, **nearly six times the expected growth norms.**
- Students who completed at least two reading sessions per week made the highest Lexile gains on average, **nearly seven times the expected growth norms.**
- The quality of the work that students submit on Achieve3000 is a significant predictor of their Lexile performance gains.

## Gulf University of Science and Technology Teacher Usage February 2, 2012 – May 21, 2012

School	Teachers with Achieve3000 Accounts	Teacher Logins (Total)	Program Hours (Total)	Student Work Assigned & Graded (Total)
Gulf University Of Science & Technology (GUST)	10	1,227	513.6	4,357

### Frequency of Usage Results for Gulf University for Science & Technology Students



#### Students using program less than twice weekly:

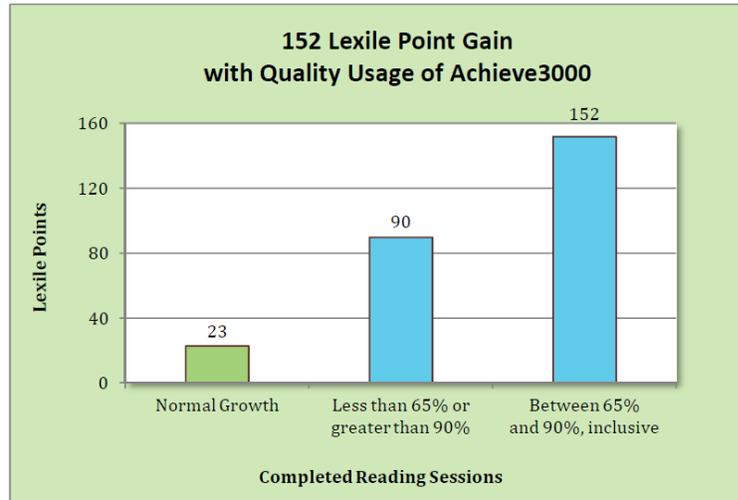
- ❖ Average Lexile gain of **76 points**
- ❖ 53-point Lexile gain above the average expected growth; this is **nearly three-and-a-half times** the expected growth

#### Students using program at least twice weekly:

- ❖ Average Lexile gain of **157 points**
- ❖ 134-point Lexile gain above the average expected growth; this is **nearly seven times** the expected growth

## Effect of Quality of Program Use on Lexile Gains

### Quality of Usage Results for Gulf University for Science & Technology Students



#### Students averaging less than 65% or greater than 90%:

- ❖ Average Lexile gain of **90 points**
- ❖ 67-point Lexile gain above the average expected growth; this is **nearly four times** the expected growth

#### Students averaging between 65% and 90%, inclusive:

- ❖ Average Lexile gain of **152 points**
- ❖ 129-point Lexile gain above the average expected growth; this is **more than six-and-a-half times** the expected growth

## Usage and Lexile Summary

(data reflects usage from February 2, 2012 through May 21, 2012)

School	Usage Data		Lexile Data			
	Active Users This Year	Users Who Have Completed 40+ Activities	Users with Valid Test Scores	Expected Lexile Gain (Mean*)	Actual Lexile Gain (Mean*)	Completed Multiple Choice Activities (Mean*)
Gulf University Of Science & Technology (GUST)	219	134	179	23	136	47

\*All Lexile means are based on the number of users with valid test scores.

- **Results and Conclusions**

Students following the prior curriculum were not assessed on any readings, but with the use of CAI, students completed an average of 39.5 multiple choice assessments, indicating they read an average of 39.5 articles (the multiple choice questions are counted only if students score a 75% or better). In addition to writing the required six in-class essays, students wrote an average additional 25 writing assignments using CAI. Expected reading growth for an entire year is 23 Lexiles. GUST students, reading an average of 40 articles in one semester, gained, on average, 136 lexiles, or six times the expected gains for a full academic year. Students who score between 65% and 90% on the multiple choice questions which assess student comprehension of the articles, gain an average of 62 more Lexile points than students who score either lower or higher than this range indicating that it is best to tailor the articles for students such that they are neither too easy nor too difficult. This is done automatically through intermittent adjustments of the Empower program.

The study showed that the use of differentiated CAI can improve student reading comprehension and increase the amount of writing students do in Academic English classes. This investigation will be expanded to include secondary testing, using the Accuplacer test to assess reading comprehension, sentence structure, and writing to glean more meaningful measures of writing and to determine if the lexile measures correlate with other reading measures. Variation in average student scores occurred by instructor. A future study is being designed with a qualitative component to determine which specific practices and implementation designs utilizing CAI result in the best outcomes for student literacy.

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**Bonferroni and Gini Indices and Recurrence Relations for Moments of Progressive Type-II Right Censored Order Statistics from Marshall-Olkin Exponential Distribution**

**Abstract:**

We derive explicit expressions for Bonferroni Curve, Bonferroni index, Lorenz Curve and Gini index for the Marshall-Olkin Exponential (MOE) distribution, which concern with some aspects like poverty, welfare, decomposability, reliability, sampling and inference. We establish several recurrence relations satisfied by the single and the product moments of progressive Type-II right censored order statistics from MOE distribution.

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### Quering the Exports of Turkey within the Process of Accession Negotiations for Full Membership of the European Union

#### Abstract:

Turkey has peculiar and prominent relations with the European Union (EU) for years which could be referred as *sui generis*. Alongside of the well-functioning customs union, the accession negotiations for the full membership of the EU started in 2005 after arduous debates and discussions and then suspended in 2006. Despite the fluctuations within the relations between the parties, the EU, following the Organization for Economic Cooperation and Development (OECD) countries had been the main trading partner of Turkey until 2000s. Nevertheless, there has been a steady decrease in the share of the EU within the total exports of Turkey since 2008. The decrease was very tremendous in 2012. The reason of this significant decrease could be either the global financial crisis or the consequence of Turkey's initiatives in order to possess new alternative trading partners after the suspension of the accession negotiations for the full membership of the EU. This paper examines the grounds of the conspicuous decrease in the share of the EU within the total exports of Turkey and reveals the new partner countries which replace the EU.

**Keywords:** Turkey; European Union; Turkey and European Union relations, exports of Turkey; Turkey's full membership for the European Union; Turkey and organization for Islamic cooperation relations.

**JEL Classification:** F13; F15

#### • A General Outlook of the Exports of Turkey

Turkey, within the last two centuries gave privileged importance to build up strong relations with the West and tried to affiliate its politics and economics to the West known as the Westernization process. Thus and since then, the Western countries namely the OECD and EU countries have been the main export partners of Turkey. Nevertheless, this paper does not analyze the exports of Turkey during this very long period of the Westernization process of Turkey but only the period of 2004-2012. Analyzing the period of 2004-2012 will enable to conceive the changes in the exports and export partners of Turkey within the process of accession negotiations for full membership of the EU that started on 3 October 2005.

As we see from Table 1.1, the total exports of Turkey are more than doubled during 2004-2012, constituting 152.5 billion dollar in 2012. According to the Table 1.2, the main export partners of

Turkey have been the OECD and the EU though a remarkable decrease in their shares within the total exports of Turkey. On the other hand, there has been an outstanding increase in the share of the Organization of Islamic Cooperation (OIC) and the Economic Cooperation Organization (ECO). These data entail further inquiry of the exports of Turkey to its main export partners. Nonetheless, it would be helpful to examine the relations between Turkey and its main exports partners before analyzing the exports of Turkey in order to evaluate the changes properly.

**Table 1.1: Exports of Turkey by Main Country Groups (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total</b>	<b>152 560 775</b>	<b>134 906 869</b>	<b>113 883 219</b>	<b>102 142 613</b>	<b>132 027 196</b>	<b>107 271 750</b>	<b>85 534 676</b>	<b>73 476 408</b>	<b>63 167 153</b>
OECD	66 346 441	67 113 921	61 491 606	55 832 408	70 471 749	65 674 811	54 480 970	47 325 438	42 648 300
European Union	59 240 765	62 347 441	52 685 304	47 013 415	63 390 419	60 398 502	47 934 746	41 364 962	36 580 859
Org. of Islamic Coop.	55 249 177	37 325 434	32 469 556	28 626 586	20 867 277	20 310 574	15 007 499	13 061 019	10 214 345
Org. of Black Sea Economic Coop.	18 799 063	17 767 964	14 456 173	12 272 591	20 867 277	16 784 102	11 583 697	8 619 516	6 778 995
Economic Coop. Organization	16 569 471	9 291 735	7 617 077	5 948 111	6 247 706	4 700 072	3 340 996	2 669 869	2 206 321
Commonwealth of Ind. States	15 083 415	13 376 636	10 288 272	7 957 492	13 938 226	10 088 000	6 992 529	5 056 779	3 961 619

Source: Turkish Statistical Institute

**Table 1.2: Share of the Main Country Groups in the Total Exports of Turkey (%)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
OECD	43,4	49,7	53,9	54,66	53,37	61,2	63,7	64,4	67,5
European Union	38,8	46,2	46,2	46	48	56,3	56	56,3	57,9
Org. of Islamic Coop.	36,2	27,6	28,5	28	15,8	18,9	17,5	17,7	16,1
Org. of Black Sea Economic Coop.	12,3	13,1	12,7	12	15,8	15,6	13,5	11,7	10,7
Economic Coop. Organization	10,8	6,8	6,7	5,8	4,7	4,4	3,9	3,6	3,5
Commonwealth of Ind. States	9,9	9,9	9	7,8	10,5	9,4	7,8	6,8	6,2

Source: Calculated on the basis of Turkish Statistical Institute data

- **The Relations between Turkey and its Main Export Partners**

Turkish politics and foreign policy have been exposing to essential and structural transformations since the end of the Cold War. After the end of the Second World War, Turkey designated its foreign policy together with its Western Allies. Turkey took part in most of the international organizations like United Nations, OECD, Council of Europe and NATO in this context. However, next to its longstanding and substantial ties with the West, it has started to develop political, economic and strategic relations with its neighbors from Middle East, Balkans, and Caucasus and even from Africa since the end of the Cold War. In 2000s, Turkey began to refresh its relations with the Arab League, the Non-Aligned Movement, the Gulf Cooperation Organization and African organizations (Özkan, Akgün, 2010, 526). In other words, Turkey has given a new impetus to its foreign policy playing a more active role in mediation and resolution of the conflicts. Turkey gives precedence to improve cooperation and friendships between nations based on a *win-win* principle rather than ongoing problems and threats (<http://www.mfa.gov.tr/synopsis-of-the-turkish-foreign-policy.en.mfa>).

### ○ **The Relations between Turkey and the OECD**

The OECD is built upon on the institutional structure of the Organization for European Economic Cooperation (OEEC). The OEEC established in 1948 to manage the European economic recovery after the Second World War and to monitor the implementation of the Marshall Plan. The OEEC was a donor-recipient model that regarded the industrialized countries as the donors while the developing countries as the recipients. In 1959, the USA proposed to upgrade model where the industrialized countries could meet as equals and would respect and support for the necessities of the developing countries. Ultimately, the OEEC was transformed into the OECD in 1961 including the transatlantic and economic development dimension.

The OECD membership has grown in time. The founding members of the OECD were USA, Canada United Kingdom, Denmark, Iceland, Norway, Turkey, Spain, Portugal, Ireland, France, Belgium, Germany, Greece, Switzerland, Sweden, Austria, the Netherlands, Luxembourg and Italy. In 1960s, Japan and Finland and in 1970s Australia and New Zealand became members. Mexico, Czech Republic, Hungary, Poland and South Korea accepted as the new members in 1990s. The members of the OECD increased to 34 in 2000s by the acceptance of the Slovak Republic, Chile, Slovenia, Israel and Estonia.

The OECD has been generally considered as a rich men's club (Ohlin, 1968, 243). Yet, the OECD sometimes regarded as an international organization with vague aims and purposes subjecting to pool the ideas and expertise to tackle the economic, social and governance challenges of the new century (Woodward, 2004, 114). Despite this unfavorable reputation, the OECD still constitutes as a convenient forum in which the world's leading actors can meet to discuss and try to solve the global issues on an informal and ongoing basis (Woodward, 2011, 20).

The relations between Turkey and the OECD date back to 1960s. Turkey is one of the founding members of the OECD. In the early years, the framework of the relations was contributing to Turkey financially in order to restructure and strengthen the Turkish economy. However, the relations gained a momentum within the new century parallel to the starting of the accession negotiations of Turkey for full membership of the EU. It should be noted that 21 OECD countries out of 34 are also the EU member countries.

### ○ **The Relations between Turkey and the EU**

The relations between Turkey and the EU constitute as the very substantial part of the Westernization project of the Republic of Turkey. The relations have a long and strong history, dating back to 1950s. One and a half years later the entering into force of the Treaty of Rome which established the European Economic Community (EEC), in July 1959 Turkey applied for an association partnership to the newly established EEC. The EEC<sup>1</sup> welcomed Turkey's application and the parties agreed upon an association agreement, namely the Ankara Agreement on 12 September 1963. The Ankara Agreement which

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<sup>1</sup> From now on, the term EU will be used in identifying the EEC because today EU which has a single legal identity, represents the founding communities, namely the EEC and the European Atomic Energy Community (EURATOM).The Treaty of Paris that established the first founding community, the European Coal and Steel Community expired in 2002. Thus, the EU represents the EEC and EURATOM from 2002 on.

entered into force on 1 September 1964 foresaw a customs union for the industrial products between the parties. The Ankara Agreement envisaged three stages for the completion of the customs union, namely the preparatory stage, the transitional stage and the final stage.

According to the Ankara Agreement, the preparatory stage would be a stage for Turkey to prepare its economy for the customs union. The preparatory stage started in 1964 and ended at the end of 1972. During this stage, the EU contributed Turkey's preparations via modest financial support and unilateral trade concessions. At the end of the preparatory stage, the EU unilaterally abolished the trade restrictions on the Turkish exports except textiles which were the main products within the total exports of Turkey or in other words the products that Turkey had a comparative advantage in those years.

The transitional stage started in 1973 with the envisagement of the completion of the customs union at the end of the stage. During this stage, Turkey abolished the trade restrictions on the imports from the EU and adopted the common customs tariff of the EU towards the third countries that are out of the customs union. Moreover, Turkey applied for full membership of the EU in 1987 but the decision for full membership postponed until the completion of the customs union. The application for full membership in 1987 considered as an early and extemporaneous initiative. The answer of the EU was very explicit: First aim was the completion of the customs union and then the possibility of a full membership of Turkey. The transitional stage ended at the end of 1995 with all the preparations and adoptions for a well-functioning customs union but without full membership.

The final stage started with a functioning customs union and the expectations of Turkey for full membership of the EU depending on the Ankara Agreement. Article 28 of the Ankara Agreement gives Turkey the right to accede to the EU as a full member. The Article 28 of the Agreement states that, *as soon as the operation this agreement advanced far enough to justify envisaging full acceptance by Turkey of the obligations arising out of Treaty establishing the Community, the contracting parties shall examine the possibility of the accession of Turkey to the Community.*

Eventually, Turkey acquired the candidacy status for full membership with the Helsinki Presidency Conclusions in December 1999. Following the Helsinki Presidency Conclusions, a new era started for the relations between Turkey and the EU. Turkey began to fulfill the accession criteria and the EU kept on monitoring Turkey's efforts.

Accession criteria, mostly known as the Copenhagen criteria consist of three criterion namely the political, economic and acceptance of the *acquis*. Political criterion is about the stability of the institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Economic criterion foresees the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the EU. Acceptance of the *acquis* criterion requires ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The EU with the Brussels Presidency Conclusions in December 2004 affirmed Turkey's fulfillment of the political criterion sufficiently and announced to open the accession negotiations with Turkey on 3 October 2005. The negotiations opened on 3 October 2005 as it was planned.

Before the opening up the accession negotiations, the Additional Protocol extending the Ankara Agreement to the new members of the EU concluded by exchange of letters among Turkey, the EU

Presidency and the European Commission. Nevertheless, Turkey explicitly stated in a declaration that by signing the Additional Protocol, she did not recognize the Republic of Cyprus by any means.

In the meantime, the EU Council decided in December 2006 to postpone the accession negotiations at 8 chapters, namely Free Movement of Goods, Right of Establishment and Freedom to Provide Services, Financial Services, Financial and Rural Development, Fisheries, Transport Policy, Customs Union and External Relations. Moreover, the chapters which were opened for the negotiations cannot be provisionally closed on the grounds that Turkey does not fulfill its obligations stemming from the Additional Protocol.

Additionally, France declared in 2007 that it will not let the opening of the five chapters namely, Agriculture and Rural Development which was already blocked by the EU Council decision in 2006, Economic and Monetary Policy, Regional Policy and Coordination of Structural Instruments, Financial and Budgetary Provisions and Institutions. In addition to France, Greek Cypriot Administration unilaterally declared in 2009 that it would block the opening of 6 chapters namely, Freedom of Movement of Workers, Energy, Judiciary and Fundamental Rights, Justice, Freedom and Security, Education and Culture and Foreign, Security and Defense Policy.

As February 2013, 13 chapters, namely Free Movement of Capital, Company Law, Intellectual Property Law, Information Society and Media, Food Safety, Veterinary and Phytosanitary Policy, Taxation, Statistics, Enterprise and Industrial Policy, Trans-European Networks, Science and Research, Environment, Consumer and Health Protection and Financial Control, out of 35 have been opened and only Science and Research has been provisionally closed (<http://www.mfa.gov.tr/relations-between-turkey-and-the-european-union.en.mfa>).

Apart from the full membership discussions, the customs union between Turkey and the EU and its economic effects on the Turkish economy has always been a controversial issue. In the study of Harrison, Rutherford and Tarr (1996), the gains of Turkey from the customs union is estimated between 1 – 1.5 percent of its GDP per year depending on the complementary policies adopted by Turkey. According to Bekmez (2002), the imports and exports of Turkey have changed in favor of the EU under tariff reduction policies. The world's trade with Turkey also tends to increase due to the preferential trade agreements signed with the non-EU countries as an outcome of the customs union. On the other hand, the same study foresaw a 2 percent decrease in the GDP and an 8 percent decrease in the government revenue.

Akkoyunlu-Wigley *et al.* (2006) found out that increased trade volume with the EU created a positive effect upon the Turkish economy through the channel of imports. Their results suggest significant welfare gains because of the changes in the pricing behavior and the market structure.

Lehmann-Nowak *et al.* (2007) investigated Turkey's sectoral trade flows to the EU based on panel data for the period of 1988-2002. According to them an improvement in Turkish price competitiveness led to a significant enhancement of Turkish exports in almost all sectors. Nevertheless, ameliorated price competitiveness of Turkey's competitors hampered Turkey's export performance in various sectors. Their simulations suppose that strengthening and expanding the customs union to the products excluded so far like the agricultural commodities would lead to a significant increase in the exports of Turkey.

Neyaptı *et al.* (2007) found out that the customs union between Turkey and the EU has contributed to the increasing volume of trade of Turkey, coupled with a decline in the income elasticities of trade over the customs union period. On the other hand, Turkish exports to the EU have become more responsive to the real exchange rate misalignments during the same period.

○ **The Relations between Turkey and the OIC**

Turkey is a member of the OIC embracing 57 states since its establishment in 1969. The aim of the Organization is to strengthen solidarity and cooperation among Islamic states in the political, economic, cultural, scientific and social affairs. The center of the Organization is in Saudi Arabia and the current Secretary General of the Organization is from Turkey.

In order to coordinate and unify its standing points and position on the above-mentioned affairs, the OIC established three Standing Committees, namely Standing Committee for Economic and Commercial Cooperation, Standing Committee for Information and Cultural Affairs and Standing Committee for Scientific and Technical Cooperation. The chairman of the Standing Committee for Economic and Commercial Cooperation is the President of Turkey ([http://www.mfa.gov.tr/the-islamic-conference--\\_oic\\_.en.mfa](http://www.mfa.gov.tr/the-islamic-conference--_oic_.en.mfa)).

In order to address the challenges of the 21st century, the OIC laid down the blue print called the Ten Year Program of Action which envisages joint action of the Member States in promoting tolerance and moderation, extensive reforms in all spheres of activities including science and technology, education and trade enhancement. The so-called Program anticipates good governance and promotion of human rights in the Muslim world, especially with regard to rights of children, women, elderly and the family values enshrined by Islam ([http://www.oic-oci.org/page\\_detail.asp?p\\_id=52](http://www.oic-oci.org/page_detail.asp?p_id=52)).

The OIC has given a special attention on trade in order to increase the intra-OIC trade. The OIC as a whole accounts for one fourth of the total land area of the world and more than one fifth of the total world population (Alpay, Atlamaz, Bakımlı, 2011, 145-146). Nevertheless, the OIC countries are not homogenous in terms of economic development. Some of them are accepted as developed while most of them are clustered as least developed or developing economies.

Though a number of measures have been undertaken to enhance the economic cooperation especially the trade relations the volume of intra-OIC trade is still far from its potential. The OIC decided to establish a Trade Preferential System to be implemented in 2009. The System aims to increase the volume of trade among the OIC countries through the trade preferences. The Trade Preferential System considered as an important step towards increasing the intra-OIC trade as a mechanism to establish a free trade area that would eventually transform into an OIC common market (Amin, Hamid, 2009, 134). Even though some important steps have been taken, the Trade Preferential System has not entered into force yet.

○ **The Relations between Turkey and the ECO**

The ECO with its strategic natural resources like oil and gas has been considered as an important actor in world economics and politics. Essentially, the ECO is the successor of the Regional Cooperation Organization that was established by Turkey, Iran and Pakistan in 1962 with the aim of increasing trade by the elimination of trade barriers and by the cooperation in the areas such as tourism, transportation.

Despite some modest initiatives, the ECO was inefficient until 1990s because of the political instabilities in Iran and Pakistan (Bahae, Saremi, 2002, 15). It accepted Afghanistan in 1985 and Kazakhstan, Azerbaijan, Turkmenistan, Kryrgyzstan, Uzbekistan and Tajikistan in 1991 as new members. Turkey is a founding member of the ECO since its establishment in 1962 as the Regional Cooperation Organization.

**Table 3.1: Exports of Turkey to the OECD (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total</b>	<b>152 560 775</b>	<b>134 906 869</b>	<b>113 883 219</b>	<b>102 142 613</b>	<b>132 027 196</b>	<b>107 271 750</b>	<b>85 534 676</b>	<b>73 476 408</b>	<b>63 167 153</b>
Australia	421 847	410 549	336 484	304 983	367 316	291 834	289 008	227 523	226 777
Canada	1 058 394	875 221	479 505	338 193	501 428	369 870	378 542	364 786	346 557
Chile	174 998	130 616	81 222	37 435	150 267	41 843	34 788	24 959	24 529
Iceland	15 996	13 746	7 454	6 246	11 122	10 653	21 671	17 788	9 812
Israel	2 330 448	2 391 148	2 080 148	1 522 436	1 935 235	1 658 195	1 529 158	1 466 913	1 315 292
Japan	332 301	296 413	272 219	232 841	330 462	246 910	263 084	234 227	190 117
Korea	528 027	528 507	304 301	234 609	271 254	152 311	155 966	99 761	79 623
Mexico	205 999	144 986	145 500	93 023	152 166	196 750	140 778	163 682	150 608
New Zealand	67 914	67 787	64 153	56 591	63 655	50 942	38 012	42 961	34 889
Norway	450 711	379 523	343 911	388 950	391 174	375 340	260 896	245 165	206 258
Switzerland	2 124 734	1 484 320	2 056 860	3 935 122	2 856 787	935 150	900 958	553 457	445 983
Unites States	5 614 819	4 584 029	3 762 919	3 240 597	4 299 941	4 170 688	5 060 854	4 910 715	4 860 041
France	6 202 267	6 805 821	6 054 499	6 211 415	6 617 511	5974 462	4 604 349	3 805 760	3 668 418
Netherlands	3 248 414	3 243 080	2 461 371	2 127 297	3 143 835	3 018 878	2 539 246	2 469 482	2 138 004
Germany	13 132 322	13 950 825	11 479 066	9 793 006	12 951 755	11 993 232	9 686 235	9 455 050	8 745 282
Italy	6 375 826	7 851 480	6 505 277	5 888 958	7 818 988	7 480 060	6 752 346	5 616 755	4 648 475
United Kingdom	8 700 534	8 151 430	7 235 861	5 937 997	8 158 669	8 626 776	6 814 301	5 917 163	5 544 303
Ireland	347 650	354 004	339 765	294 769	663 903	637 455	575 374	404 607	433 559
Denmark	984 796	880 920	765 081	690 864	953 437	1 008 508	827 061	733 233	637 306
Greece	1 402 549	1 553 312	1 455 678	1 629 637	2 429 968	2 262 655	1 602 590	1 126678	1 171 203
Portugal	441 256	445 740	465 228	408 920	540 744	550 527	562 721	395 538	401 998
Spain	3 721 369	3 917 559	3 536 205	2 818 470	4 047 267	4 579 995	3 720 458	3 010 857	2 619 784
Belgium	2 368 000	2 451 030	1 960 441	1 795 682	2 122 434	1 735 798	1 381 104	1 292 264	1 183 181
Luxembourg	51 881	53 757	25 758	19 458	56 388	73 870	23 549	27 733	19 547
Sweden	1 187 119	1 183 041	946 866	748 741	918 787	882 761	787 315	661 535	560 610
Finland	302 036	352 886	296 774	196 465	367 188	412 410	359 279	296 561	256 331
Austria	1 001 112	1 052 932	835 181	807 146	990 956	844 006	709 855	659 097	561 041
Estonia	168 713	132 005	90 324	105 984	239 707	81 762	74 755	57 256	35 521
Czech Republic	786 395	888 387	694 077	489 014	700 824	577 605	377 710	290 110	222 264
Slovakia	392 043	402 151	454 744	217 408	306 631	284 205	170 167	122 712	108 605
Hungary	518 031	508 648	440 766	445 669	684 088	775 656	486 440	379 092	349 938
Slovenia	548 395	617 476	356 502	595 004	648 705	486 766	417 729	332 410	188 559
Poland	1 854 447	1 758 252	1 504 280	1 322 218	1 586 772	1 436 402	1 060 078	830 483	697 677
<b>Total OECD</b>	<b>66 346 441</b>	<b>67 113 921</b>	<b>61 491 606</b>	<b>55 832 408</b>	<b>70 471 749</b>	<b>65 674 811</b>	<b>54 480 970</b>	<b>47 325 438</b>	<b>42 648 300</b>

Source: Turkish Statistical Institute

The efforts to refresh the relations among the ECO have gained momentum during 1990s. One of the leading reasons of the motivation was the turning of the ECO members toward more open economic regimes that had implemented restrictive economic policies during the postwar period. Moreover the evolution of the regionalism among the industrialized countries might have an accelerating effect on the activation (Achakzai, 2010, 28).

The organizational structure of ECO comprises a Secretary General and seven Directorates whose management are distributed among the member states. Turkey manages the Directorate of Agriculture, Industry and Tourism. Moreover, almost one fourth of the budget of the Organization is financed by Turkey ([http://www.mfa.gov.tr/turkey-and-the-economic-cooperation-organization-\\_eco\\_.en.mfa](http://www.mfa.gov.tr/turkey-and-the-economic-cooperation-organization-_eco_.en.mfa)).

- **The Evolution of the Exports of Turkey to its Main Partners**

**Table 3.2: Exports of Turkey to the EU-27 (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total</b>	<b>152 560 775</b>	<b>134 906 869</b>	<b>113 883 219</b>	<b>102 142 613</b>	<b>132 027 196</b>	<b>107 271 750</b>	<b>85 534 676</b>	<b>73 476 408</b>	<b>63 167 153</b>
France	6 202 267	6 805 821	6 054 499	6 211 415	6 617 511	5 974 462	4 604 349	3 805 760	3 668 418
Netherlands	3 248 414	3 243 080	2 461 371	2 127 297	3 143 835	3 018 878	2 539 246	2 469 482	2 138 004
Germany	13 132 322	13 950 825	11 479 066	9 793 006	12 951 755	11 993 232	9 686 235	9 455 050	8 745 282
Italy	<b>6 375 826</b>	<b>7 851 480</b>	<b>6 505 277</b>	<b>5 888 958</b>	<b>7 818 988</b>	<b>7 480 060</b>	<b>6 752 346</b>	<b>5 616 755</b>	<b>4 648 475</b>
United Kingdom	8 700 534	8 151 430	7 235 861	5 937 997	8 158 669	8 626 776	6 814 301	5 917 163	5 544 303
Ireland	<b>347 650</b>	<b>354 004</b>	<b>339 765</b>	<b>294 769</b>	<b>663 903</b>	<b>637 455</b>	<b>575 374</b>	<b>404 607</b>	<b>433 559</b>
Denmark	984 796	880 920	765 081	690 864	953 437	1 008 508	827 061	733 233	637 306
Greece	<b>1 402 549</b>	<b>1 553 312</b>	<b>1 455 678</b>	<b>1 629 637</b>	<b>2 429 968</b>	<b>2 262 655</b>	<b>1 602 590</b>	<b>1 126 678</b>	<b>1 171 203</b>
Portugal	<b>441 256</b>	<b>445 740</b>	<b>465 228</b>	<b>408 920</b>	<b>540 744</b>	<b>550 527</b>	<b>562 721</b>	<b>395 538</b>	<b>401 998</b>
Spain	<b>3 721 369</b>	<b>3 917 559</b>	<b>3 536 205</b>	<b>2 818 470</b>	<b>4 047 267</b>	<b>4 579 995</b>	<b>3 720 458</b>	<b>3 010 857</b>	<b>2 619 784</b>
Belgium	2 368 000	2 451 030	1 960 441	1 795 682	2 122 434	1 735 798	1 381 104	1 292 264	1 183 181
Luxembourg	51 881	53 757	25 758	19 458	56 388	73 870	23 549	27 733	19 547
Sweden	1 187 119	1 183 041	946 866	748 741	918 787	882 761	787 315	661 535	560 610
Finland	302 036	352 886	296 774	196 465	367 188	412 410	359 279	296 561	256 331
Austria	1 001 112	1 052 932	835 181	807 146	990 956	844 006	709 855	659 097	561 041
Malta	918 675	899 715	410 433	664 109	956 354	620 669	226 760	279 338	98 543
Estonia	168 713	132 005	90 324	105 984	239 707	81 762	74 755	57 256	35 521
Latvia	127 437	115 955	65 958	64 952	104 295	105 390	77 390	81 390	38 366
Lithuania	276 226	274 194	208 277	151 505	231 397	236 479	167 388	149 315	122 531
Poland	1 854 447	1 758 252	1 504 280	1 322 218	1 586 772	1 436 402	1 060 078	830 483	697 677
Czech Republic	786 395	888 387	694 077	489 014	700 824	577 605	377 710	290 110	222 264
Slovakia	392 043	402 151	454 744	217 408	306 631	284 205	170 167	122 712	108 605
Hungary	518 031	508 648	440 766	445 669	684 088	775 656	486 440	379 092	349 938
Romania	<b>2 497 200</b>	<b>2 878 760</b>	<b>2 599 280</b>	<b>2 201 936</b>	<b>3 987 476</b>	<b>3 644 162</b>	<b>2 350 474</b>	<b>1 785 409</b>	<b>1 235 485</b>
Bulgaria	<b>1 682 095</b>	<b>1 622 777</b>	<b>1 497 384</b>	<b>1 385 544</b>	<b>2 151 534</b>	<b>2 060 171</b>	<b>1 568 006</b>	<b>1 179 313</b>	<b>894 236</b>
Slovenia	548 395	617 476	356 502	595 004	648 705	486 766	417 729	332 410	188 559
South Cyprus	3 977	1 303	628	1 245	7 841	7 841	12 066	5 721	n.a.
<b>Total EU 27</b>	<b>59 240 765</b>	<b>62 347 441</b>	<b>52 685 304</b>	<b>47 013 415</b>	<b>63 390 419</b>	<b>60 398 502</b>	<b>47 934 746</b>	<b>41 364 962</b>	<b>36 580 859</b>

Source: Turkish Statistical Institute

The examination of the evolution of the exports of Turkey to its main partners started with the Turkey's main export partner, the OECD. When the Table 3.1 is examined, it is explicitly understood that the EU countries hold almost 90% of the exports to the OECD. Among the OECD countries, USA, Israel and Switzerland have been the main non-EU export partners of Turkey. According to the Table 1.2, there has been a steady decrease in the share of the OECD within the total exports of Turkey since the global financial crisis year, 2008. However, the reason of this steady decrease is the decrease in the exports to the EU countries of the OECD. When the exports to the non-EU OECD countries are examined the increases in the exports to these countries are evident.

According to the Table 3.2, the main EU export partner of Turkey has been Germany, constituting 22% of the total exports to the EU. United Kingdom, Italy and France have been following Germany with shares of 15%, 11% and 10.5% respectively. The exports of Turkey to the EU have increased 62% during 2004-2012. However, the exports of Turkey to the EU, especially to Italy, Ireland, Greece, Portugal, Spain, Romania and Bulgaria have decreased after 2008. It is worth stressing that these countries are the most severally affected countries from the global financial crisis. Greece, Spain, Portugal had experienced negative growth rates after 2008 while Italy, Ireland, Romania and Bulgaria had negative or very lowered rates (Eurostat, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115>). Thus, the decreases in the exports to the above-mentioned EU countries can be explained by the economic slowdown in these countries.

The OIC has been the third biggest export partner of Turkey, following the OECD and the EU. According to the Table 1.1, the exports of Turkey to the OIC increased five times during 2004-2012 and the increase was very remarkable in 2012. Though the OIC has 57 member countries, the main trading partners of Turkey were Iran, United Arab Emirates, Iraq, Libya, Egypt, Saudi Arabia, Algeria and Azerbaijan. Table 3.3 exhibits that Iran, United Arab Emirates and Iraq have the biggest shares among the exports of Turkey to the OIC. In 2004, the share of the exports to Iran, United Arab Emirates and Iraq within the total exports of Turkey to the OIC was 37 %. In 2012, their share increased to 52.4%. The exports to Iran increased almost three times in 2012 compared with the previous year while the exports to United Arab Emirates increased almost two and a half times.

**Table 3.3: Exports of Turkey to the Main Partner Countries of OIC (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Iran	9 922 688	3 589 635	3 044 177	2 024 546	1 441 190	1 441 190	1 066 902	912 940	813 031
United Arab Emirates	8 177 299	3 706 654	3 332 885	2 896 572	3 240 940	3 240 940	1 985 696	1 675 187	1 143 728
Iraq	10 830 199	8 310 130	6 036 362	5 123 406	3 916 685	2 844 767	2 589 352	2 750 080	1 820 802
Libya	2 140 416	747 629	1 932 370	1 795 117	1 074 288	643 150	489 261	384 167	337 204
Egypt	3 681 477	2 759 311	2 250 577	2 599 030	1 426 450	902 703	709 353	687 299	473 145
Saudi Arabia	3 679 381	2 763 476	2 217 646	1 768 216	2 201 875	1 486 918	938 227	962 156	768 519
Algeria	1 813 721	1 470 547	1 504 590	1 777 198	1 613 644	1 231 725	1 020 696	807 138	806 115
Azerbaijan	2 587 465	2 063 996	1 550 479	1 400 446	1 667 469	1 047 668	695 287	528 076	403 942
<b>Total OIC</b>	<b>55 249 177</b>	<b>37 325 434</b>	<b>32 469 556</b>	<b>28 626 586</b>	<b>20 867 277</b>	<b>20 310 574</b>	<b>15 007 499</b>	<b>13 061 019</b>	<b>10 214 345</b>

Source: Turkish Statistical Institute

The exports of Turkey to its fourth biggest export partner, the ECO have increased almost eight times during 2004-2012. When Table 3.4 is examined, one can notice that the main export partner of Turkey among the ECO countries was Iran. Because of the remarkable increase in the exports of Turkey to Iran, the total exports to the ECO almost doubled in 2012 compared with the previous year.

**Table 3.4: Exports of Turkey to the ECO (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Iran	9 922 688	3 589 635	3 044 177	2 024 546	1 441 190	1 441 190	1 066 902	912 940	813 031
Pakistan	276 457	213 672	248 147	162 514	155 065	157 038	129 598	187 554	86 400
Kazakhstan	1 069 372	947 822	818 900	633 417	890 568	1 079 887	696 823	459 946	355 590
Azerbaijan	2 587 465	2 063 996	1 550 479	1 400 446	1 667 469	1 047 668	695 287	528 076	403 942
Turkmenistan	1 480 534	1 493 336	1 139 825	945 655	662 933	339 989	281 325	180 635	214 848
Afghanistan	290 048	275 969	259 791	235 203	136 982	109 270	91 106	113 401	70 945
Kyrgyzstan	257 519	180 241	129 202	140 002	191 351	181 311	132 172	89 529	74 702
Uzbekistan	450 365	354 490	282 666	279 964	337 130	225 612	175 995	151 071	145 226
Tajikistan	235 038	172 575	143 890	126 364	176 448	118 107	71 787	46 717	41 637
<b>Total</b>	<b>16 569 471</b>	<b>9 291 735</b>	<b>7 617 077</b>	<b>5 948 111</b>	<b>6 247 706</b>	<b>4 700 072</b>	<b>3 340 996</b>	<b>2 669 869</b>	<b>2 206 321</b>

Source:Turkish Statistical Institute

- **The Evolution of the Exports of Turkey by Chapters**

**Table 4.1: Exports of Turkey by Chapters (000 dollar)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total	152 560 775	134 906 869	113 883 219	102 142 613	132 027 196	107 271 750	85 534 676	73 476 408	63 167 153
Precious stones and metals	16 327 698	3 738 763	3 747 222	5 929 000	5 383 129	2 623 772	1 824 830	1 325 764	1 063 946
Vehicle other than railway or tramway rolling stock parts thereof	15 150 505	15 803 438	13 812 677	12 251 734	18 326 711	15 903 675	11 886 092	9 566 435	8 288 799
Boilers, machinery and mechanical appliances	12 014 824	11 560 990	9 413 411	8 132 787	10 258 590	8 781 251	6 516 726	5 246 419	4 125 934
Iron and steel	11 341 502	11 225 329	8 740 067	7 641 000	14 946 358	8 372 266	6 273 353	4 973 475	5 359 512
Electrical machinery and equipment	9 380 333	8 874 013	7 530 130	6 630 700	7 971 713	7 422 515	6 327 750	5 423 346	4 790 306
Knitted and crocheted goods and articles thereof	8 427 821	8 385 636	7 731 212	6 925 548	7 826 732	8 022 000	6 938 274	6 590 352	6 259 222
Mineral fuels, mineral oils	7 707 120	6 539 000	4 469 479	3 921 300	7 531 776	5 148 000	3 567 425	2 641 145	1 429 186
Not knitted and crocheted goods and articles thereof	5 435 938	5 124 460	4 636 123	4 294 831	5 326 729	5 445 000	4 710 984	4 862 376	4 536 829
Plastic and articles thereof	5 015 511	4 580 258	3 716 500	3 093 759	3 563 000	2 822 051	2 214 266	1 722 748	1 323 732

Source:Turkish Statistical Institute

After examining the exports of Turkey by main partners, it would be significant to concentrate on the evolution of the exports of Turkey by chapters during 2004-2012.

Table 4.1 allows an examination of the evolution of the exports of Turkey by chapters. According to the Table, the exports of vehicles had been the leading chapter within the total exports of Turkey, followed by boilers, machinery and mechanical appliances and iron and steel until 2012. Then with a tremendous increase, the exports of precious stones and metals replaced them in 2012. The increase in the export of precious stones and metals is 337% when compared with 2011. The share of precious stones and metals within the total exports which was 2.77% in 2011 increased to 10.7 % in 2012 while the export of them increased almost 16 times in the period of 2004-2012. Nevertheless, it is worth noticing that the exports of clothing (chapters of knitted and not knitted and crocheted goods and articles thereof) still constitute one of the leading exports of Turkey, representing 9% of the total exports of Turkey in 2012.

The total exports of Turkey increased 17 653 906 billion dollar in 2012 compared with 2011. Within the increase in the total exports, 12 588 935 billion dollar belongs to the increase in the exports of precious stones and metals, while 3 033 363 billion dollar belongs to the increase in the exports of main leading chapters examined in the Table 4.1.

- **Conclusion**

This paper signifies that the shares of the exports of Turkey to the OECD and the EU decreased within the process of accession negotiations for the EU. The decrease is very significant after 2008. When the decrease in the share of the OECD is examined profoundly the main reason of this decrease is appeared as the decline in the exports to the EU. The exports of Turkey to the EU especially to Italy, Ireland, Greece, Portugal, Spain, Romania and Bulgaria have decreased after 2008. As it is widely known, these countries are the most severally affected countries from the global financial crisis. Thus, the decrease in the exports to the EU can be explained by the global financial crisis.

Nevertheless, it should be kept in mind that Turkey began to re-launch and give precedence to its relations with the other export partners after the postponement of the accession negotiations for full membership of the EU in 2006. The remarkable increase in the exports of Turkey to the OIC can be interpreted in this respect. Especially the tremendous increase in the exports to Iran and United Arab Emirates in 2012 should have a special importance to focus on. The increase in the exports to Iran helped in the doubling of the exports to the ECO in 2012 compared with the previous year.

On the other hand, the examination of the evolution of the exports of Turkey by chapters displays that the exports of vehicles had been the leading chapter within the total exports of Turkey, followed by boilers, machinery and mechanical appliances and iron and steel until 2012. Then the exports of precious stones and metals replaced them in 2012.

As a conclusion, 2012 could be regarded as an exceptional year for the exports of Turkey. Apart from the minors, the paper has two main findings. The first main finding is about the change in the export partners of Turkey. The exports to Iran increased almost three times in 2012 compared with the previous year while the exports to United Arab Emirates increased almost two and a half times. According to the 2012 data, Iran constituted the third biggest export partner of Turkey after Germany

and Iraq while United Arab Emirates constituted the fifth following the United Kingdom. The second main finding of the paper is about the change in the export commodity chapters. It is worth to stress on that 71.3% of the increase in the total exports of Turkey in 2012 compared with the previous year belongs to the exports of precious stones and metals. Admittedly, it is hard to give a definite reason for the decrease in the exports of Turkey to the EU without an empirical estimation. However, this paper can lead to further researches with its evaluations. Thus, the evaluations within this paper together with the developments in the medium term would lead to detailed empirical studies on the reasons of the change in the exports and the export partners of Turkey.

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**Small Scale Industries in Nigeria:  
Their Features, Contraints and Challenges**

**Abstract:**

The small scale industries (SSIs) as distinct from Small and Medium Enterprises (SMEs) are believed to have possessed the greatest potential to the promotion of sustainable economic growth and development. A number of problems are, however, militating against their operational sustainability, growth and development in Nigeria. The return to current civilian administration in Nigeria has seen the introduction of various policies towards promoting small scale businesses in general and small scale industries in particular. This paper examines the key features of the SSIs in Nigeria and their major constraints and challenges with a view to determining why dozens of promotional policies introduced by the government did not had much impact on their economic performance. The main sources of data for the study are primary and secondary. Primary data for the study were obtained through the use of structured questionnaires and interview guide while the secondary data were obtained from Central Bank of Nigeria (CBN), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), World Bank and other scholarly journals and publications. A total of two hundred and thirty six questionnaires were administered to key personnel operating SSIs in Nigeria. The main finding of the paper is that the failure of the Nigerian government's SSIs industrial promotion policies are generic SMEs promotion policies rather than specific to the SSIs based on their identified key features. It is recommended that the design and implementation of promotional policies should factor in the basic features of the SSIs and the peculiarities of their owners so as to make them more effective and also to achieve the government set objectives of poverty reduction, employment generation and GDP growth.

**Keywords:** Small scale industries, economic growth, operational sustainability, promotional policies.

**1. Introduction**

Prior to colonisation, there were traditional indigenous industrial activities in African countries. During the colonial era, the developments of these industrial activities were severely truncated in order to create market for the colonial companies or those of the white settlers. After independence, governments in these newly independent African countries like Nigeria did not pursue policies that would ensure that their local industries were placed on the path to catch up with developments that Europe and North America had once experienced (Schatz, 1965; Ikpe et. al., 2002). This could have been achieved by reviving what was already in existence and building it up and expanding it from

bottom up to ensure that, it is placed within the context of the development of other sectors of the economy. But instead, Import–Substitution and Large Scale Industrialisation policy was pursued.

The apparent failure of the Import Substitution and Large-scale Industrialisation policies of the post-independence era, however, led to the growing acceptance of the central role of the small scale industries in the industrial development of developing nations, and Nigeria in particular (Amakom, 2008). Their importance, particularly looking at their growth and experience over the last few decades and especially considering the rise of the Chinese economy, prior to that, that of Japan, was attributed to the complementary role of small scale industries (Obadan et.al, 2009).

Studies have indicated that small scale firms provide an effective means of stimulating indigenous enterprise and enhancing greater employment of local technology (World Bank, 1999; CBN, 2005; Leegwater, 2008; Uzor, 2010). The development of small scale industries (SSIs) has, therefore, become an essential element in the growth strategy of most economies and holds particular significance for Nigeria.

The first major attempt at creating a foundation for the industrial development of Nigeria was through the first National Development Plan (1962-1968). The focus of the industrialisation policy then was towards the production of made in Nigeria consumer goods through import substitution industries (Bachama, 2010). Lack of capital was identified as the main inhibition factor to the growth and development of small scale industries. To address that problem, the Federal Loans Board was established to provide revolving facility to cater for capital needs of small scale industrialist. The second national development plan (1968-1973) continued the government policy of giving financial support to the promotion and the development of small scale industries in Nigeria. However, the revolving loan scheme of the Federal Loans Board (FLB), though sustained in the second development plan, failed mainly due to misconception that finance was the only problem of the small scale entrepreneurs (Schatz, 1965; Bachama, 2010).

Successive development plans up to the 1980's continued with the same policies with some modifications and introduction of new policies with little or no success at industrializing the country beyond mere production of consumer non-durable goods. Even the consumer goods production was at a heavy foreign exchange cost to the country. This is because the large scale industries promoted for the purpose were heavily dependent on foreign raw materials and spare parts to operate (Uzor, 2010).

Thus, the 1988 Industrial Policy of Nigeria did not only recognize the pivotal role of the private sector but shifted industrialization strategy from large scale industries to small and medium industries. Government's main efforts therefore, became directed towards the promotion of a conducive environment for the growth and development of the sub-sector (Philips, 1991). Since the present civilian administration in Nigeria came in 1999, it has put in place policy measures, schemes and support systems to develop the small business sector and to make its products more competitive. Through the development of the small scale firms, government intended to achieve the main objectives of industrial growth and self-sufficiency; create employment; enhance sustainable livelihood and reduce poverty; promote entrepreneurship, encourage transfer of technology and utilization of local resources and talents; mobilize savings and encourage capital accumulation; and integrate Small Scale Industries (SSIs) with large Scale Industries (LSIs) and create linkages with other sectors of the economy (Udah, 2010).

It has been estimated that the small scale industrial sector constitute about 95%, of the organized manufacturing establishments in the country (Bachama, 2010; Fatai, 2010). However, in contrast to the situation in industrialized and some developing economies, the contribution of SSIs to the Nigerian economy, in terms of output, exports and employment, is relatively low. Thus, in spite of the various efforts and incentives of Government to improve industrial output and productivity, the performance of the sub-sector, vis-à-vis other sectors, do not meet the expectation of policy-makers, industrialists and analysts. The National Association of Small Scale Industrialists (NASSI) is of the view that the contributions of the manufacturing sector to the GDP has declined from 9.9% in 1981 to about 5.7% in 2003, while capacity utilization averaged between 30-35% annually during the years 2005- 2007 (Umar, 2008).

Small scale industries do not only contribute significantly to improved living standards, but also bring about substantial local capital formation and achieve high level of productivity and capability. Small scale industries are increasingly recognized as the principal means for achieving equitable and sustainable diversification and dispersal and, in most countries, they account for well over half of the total share of employment, sales and value added (Udechukwu, 2003). Any government policy that seeks to target poverty reductions, food security, and industrialization as well as mitigate rural-urban migration should be hinged on the development of small scale industries. According to Ochejele (1989) there is a substantial body of opinion which holds that the main objective of industrial development in the less developed countries should be the encouragement of variety of small scale industries to develop and thrive. The objective of this paper is therefore to identify the key features of Nigeria's Small Scale Industries and analyse reasons why they failed to industrialise the country despite successive governments support programmes to the sub-sector.

## **11 The concept of small scale industries**

Definition is one of the debatable issues about Small and Medium Scale Enterprises (SMEs). Attempts to define SMEs has led to diverse definitions and unresolved debates. Policy makers, researchers, and others involved in the promotion and development of the small business sector use different terms such as micro enterprises, informal sector, small businesses, small enterprises, small scale industries, small and medium sized enterprises etc. to define/describe SMEs. Generally, there is no universally agreed definition of micro, small and medium scale enterprises (MSMSEs). Due to this, lack of standardization, countries and agencies have adopted their own working definitions (Gebrehiwot, 2006; Assan, 1999).

The absence of consistent and universally acceptable definition of the MSMSEs has evidently led to confusion and failure to distinguish among different segments and has significant implications on the structure of interventions and promotional supports that could be provided to a certain specific segment of the sector. It is, however, not possible or even desirable to provide a universally acceptable definition of small enterprises. The generally held view is that the scale of the business needs only to be defined for the specific purpose that it is intended to be achieved and be appropriate to the context to which it is to be applied in the country's development process (Gebrehiwot, 2006; Leegwater, 2008). It is, therefore, reasonable, for each country to have clear and agreed national definitions that would guide discussions on the sector and for research purposes and, most importantly, for facilitating appropriately tailored supports and promotional packages to the sector.

Definitions of MSMEs have usually been based on either quantitative or qualitative characteristics of enterprises. Nonetheless, many developed and developing countries apply the quantitative definitions. Quantitative definitions are based on specific parameters which include factors such as the number of employees, assets, capital, sales turn over, etc. (Gebrehiwot, 2006). This kind of definition is mostly preferred because it enables the design of target specific policies and programs to the various segments of the sub-sector. There are, of course, other definitions based on the size of the market, value-added, profits, type of ownership, etc. (Leegwater, 2008).

In Nigeria however, different institutions have adopted different definitions to suit their purpose. In the 1990 Federal Military Government budget, SMEs were defined for the purpose of bank credit as those enterprises with capital investment not exceeding N10.0 million. The National Association of Small Scale Industrialists (NASSI) defines small scale industries as an industry with labour size of 3 – 35 workers or a total paid-up capital of not more than N40 million excluding the cost of land. However, in 1992, the National Council of Industry (NCI) streamlined the definition of industrial enterprises with a view to unifying the various definitions. The definition that was adopted in 1992 was reviewed in 2001 to reflect current realities (Udechukwu, 2003). The current definition for small scale industries in Nigeria is any industry with a labour size of 11 – 100 workers or a total paid up capital of not more than ₦50 million, including working capital but excluding value of land.

The criteria that have been used in the definitions include capital investment annual turnovers, gross output, and employment etc. (Sanusi, 2003). This paper therefore, adopts the definition provided by the National Council on Industry (NCI), because it is more relevant to the objective of this study.

- **Basic features of small scale industries in Nigeria**

Despite differences in definitions of small scale industries both within and outside national boundaries of countries, one of the distinctive features of SSIs is that they are sole proprietorships, partnerships or limited liability companies. But even where they are registered as limited liability companies, this is merely on paper as their true ownership is either one man or partnership (Udechukwu, 2003).

Most SSIs are labour intensive companies having centralized and or personalized management and have limited access to long term capital. And even where they have access to short term financing it is usually at a penal rate of interest and other conditionalities. Because of its nature of ownership and management there is flexibility in decision making and often informal employer-employee relationship. Usually partners in most SSIs pursue individualistic goals at the expense of the overall interest of the business. Consequently, mortality rate among SSIs is very high as a result of mistrust that often develops among owners (Udechukwu, 2003)

Another distinct feature of the SSIs in Nigeria is their relative dependence on imported raw materials and spare parts. They also suffer from the lack of inter and intra sectoral linkages and therefore miss the benefits of economies of large scale production (Onugu, 2005).

Lack of adequate skills and technical know-how, capital inadequacies or sheer ignorance on the part of most of the promoters and founders of SSIs led them to purchase obsolete and inefficient machinery and equipment thereby setting the stage ab-initio for lower levels of productivity and poor product quality with serious consequences on product quality, output and market acceptability (Mambula,

2002). It is therefore not surprising that many of them had to either close down completely or scale down their operations at the expense of labour.

Because of their distinctive features as highlighted above, the SSIs sub-sector is facing quite a number of problems militating against its growth and development. This is despite the promises made by small scale industry proponents who include accelerated employment creation, income generation for the poor, dispersal of economic activity to the hinter-land and mobilization of latent entrepreneur talent. The failure of the SSIs sub-sector to achieve expected goals in Nigeria within the context of those expectations forms the basis of this work.

- **Small scale industries' constraints and challenges**

Developing countries are generally characterized by small domestic market, inadequate infrastructure and high transportation costs, shortage of capital and foreign exchange, weak currency, lack of access to technology and foreign markets as well as surplus low quality labour (Hallberg, 2006). Brunton (1986) observed that most small scale manufacturing industries operate in an environment that exhibits characteristics which potentially at least constrained their survival and growth prospects. These include limited access to credit and other forms of institutional support, marketing constraints and raw materials procurement problems, frequently exacerbated by the internal problems of a small production base and technical and organizational inefficiencies. Aware of these problems constraining the SSIs, policy makers in Nigeria had at various times come up with institutional arrangements and programs to assist the SSIs to overcome the problems so as to grow and mature in to large scale establishments. However, most of these programs and incentive schemes for promoting industrial development have failed (Mambula, 2002; Sunusi, 2003; Fatai, 2010).

Due to their characteristics, SSIs suffer from constraints that lower their resilience to risk and prevent them from growing and attaining economies of scale (Mambula, 2002; CBN, Baseline Study, 2004). The challenges are not only in the areas of financial investment and working capital but also in human resource development, market access and access to modern technology and information (Onugu, 2005). Access to financial resources is constrained by both internal and external factors. Internally, most SSIs lack credit worthiness and management capacity, so they have trouble securing funds for their business activities such as procuring raw materials and products and investing in plant and equipment (Ogboru, 2007). From the external perspective, SSIs are regarded as unsecure and costly business to deal with because they lack required collateral and have the capacity to absorb only small amount of funds from financial institutions (Ogboru, 2007). So they are rationed in their access to credit because of high immediate costs, including the cost of monitoring and difficulties in enforcing loan contracts (Onugu, 2005).

Although SSIs in developing countries are regarded as the engine of economic growth, they face enormous challenges in attracting investors and accessing modern technology. Barriers which SSIs in developing countries face include the lack of effective investment and technology promotion policies, inappropriate legal and regulatory frameworks, inadequate capabilities of investment promotion and technology support institutions and the lack of access to potential investors and sources of new technology, limited technical and managerial skills, difficulty in obtaining financing and insufficient knowledge about laws and regulations (Aftab et. al. 1989; Akamiokor, 1983). Others are inability to

achieve economies of scale through integrations or linkages, problems of size and relative isolation such as the difficulties in entering into national and global value chains driven by large multinational corporations (Onugu, 2005).

Government policies seem to have constituted a serious problem area for SSIs. Harsh and unfavourable government policies towards the SSIs sub-sector can be traced back to stabilisation and austerity measures introduced by the Shagari Administration in 1982 (Ekpenyong et. al. 1992). This policy brought about severe import controls and drastic budgetary cuts in response to the collapse in the international crude oil demand and prices leading to a sharp drop in the country's oil cash flow. The budgetary cuts affected government subvention to the financial institutions established to provide support to the small business sector of the economy (Akamiokor, 1983).

The stabilisation and austerity measures of 1982 failed to halt the deteriorating state of the economy, which partly led the Military administration of General Babangida to introduce the Structural Adjustment Programme (SAP) in 1986. The implementation of SAP's strategy of liberalisation and deregulation of interest rates, made the interest rates to rise very high thereby, making it almost impossible for the SSIs to borrow funds from the formal financial sector (Ekpenyong, et. al., 1992). Prior to SAP the small business sector were given concessionary interest rates and favourable sectoral credit allocation by the CBN (Onugu, 2005).

Frequent and sometimes conflicting government policies have tended to hurt the small business sector in Nigeria. One of the objectives of the National Economic Empowerment and Development Strategy (NEEDS) of the Federal Government of Nigeria is the eradication of poverty through the creation of an environment in which small business can thrive. This was to be realized through encouraging people to take advantage of the new opportunities it offers (NPC, 2004). However, since the exit of the Obasanjo led administration and that of Soludo from the CBN, implementation of the NEEDS policy document was abandoned by the successor regimes of Yar'adua and that of Jonathan. The government now talks of Vision 20:2020 as the main economic transformation policy document. In the same vein, when entrepreneurs were getting acquainted to the requirements for accessing SMIEIS funds, the scheme was suspended by the CBN. Reason for the suspension was the consolidation of the Nigerian Banking industry and the emergence of mega banks which were expected to invest in various sectors of the economy as "those banks that refused to invest would be forced by their customers who would leave them for other performing banks". This seemingly, implausible argument convinced the Bankers Committee to agree to suspend the Small and Medium Industries Equity Investment Scheme (SMIEIS) in 2008 (Adamu, 2009). SMIEIS was designed to compel all operating banks in Nigeria to set aside 10% of their pre-tax profit for investment in real sector Small and Medium Industries (SMIs).

But by far the biggest challenge to Nigeria's industrial development is that of infrastructure deficiencies. There is an acute infrastructure shortage of any kind in Nigeria. By infrastructure we mean those structures and networks that frame and bind together modern cities and metropolitan areas and make it possible to undertake social and economic activities (Jhingan, 2000, Ijaiya et. al., 2009). This definitions mean that infrastructural services includes roads network, mass transportation, water supply schemes, electric supply installations, telecommunications, municipal waste management, etc.

Oshikoya, et.al, (1999), opined that infrastructure is not only a causal mechanism to industrialisation but it is the major factor that drives economic growth by providing a necessary support for sustaining

economic activities and increased competition. As a driving factor for economic activities, infrastructural services provision have a strong correlation between Gross Domestic Product (GDP) growth and the growth of economic infrastructure which tends to work both ways.

As we have stated earlier infrastructure deficiency is very acute in Nigeria and epileptic power supply problem is the biggest challenge to the manufacturing sector of the economy. Every business that requires electricity to operate in Nigeria is adversely affected by the power supply shortages been experienced in the country for a long time now. World Bank's World Development Report 2005, states that, the problem of business losses due to inefficient electricity supplies is especially severe in Nigeria and cites a survey that shows that small firms lost 24% of their output due to outages, medium firms 14% and large firms 17%. To further corroborate this ugly reality of power supply in Nigeria, the United Nations Economic Commission for Africa's Economic Report on Africa 2004, ranks Nigeria 28th out of 30 African countries in its Infrastructure Index.

Ndebbio (2006) also argued that electricity supply drives industrialization process. He submitted that one important indicator whether a country is industrialized or not is the megawatt of electricity consumed and a country's electricity consumption per-capita in kilowatt hours (KWH) is proportional to the state of industrialization of that country. The work of Ekpo (2009) also elaborated on the folly of running a generator economy and its adverse effects on investment. He strongly argued that for Nigeria to jump start and accelerate the pace of economic growth and development, the country should fix power supply problem. Udah, (2010) also concludes in his paper that "however novel an industrial policy may be, without fixing electricity supply problem in Nigeria, the country may not be able to drive economic development to the desired threshold". Aigbokan (1999) in the same vein argued that fixing the energy sector is tantamount to shifting the production possibility curve of the country's economy.

Adenikinju (2005) provided a strong argument to support the importance of energy supply. The poor nature of electricity supply in Nigeria, he argued, has imposed significant cost on the industrial sector of the economy. This result corroborates the survey of the Manufacturers Association of Nigeria (MAN) 2005. In that survey MAN indicated that the average energy supply from PHCN to manufacturing establishments in Nigeria is about 43.69% of their requirement while these industries were forced to source alternative power for the remaining 56.31% supply requirements. The costs of generating this unmet requirement for power constitute about 36% of production cost according MAN.

It is obvious therefore, that despite numerous policies and strategies designed and implemented with a view to helping SSIs in Nigeria, they will continue to face problems unless the chronic infrastructure deficiencies are sufficiently addressed at all levels of government.

- **Methodology**

Both descriptive and quantitative methods were used in the analysis of data collected for the study. The descriptive technique includes tables, frequencies and percentage distributions. For the inferential statistics techniques, logistic regression model and ratio analysis were used. The Statistical Package for Social Sciences (SPSS) version 17 was used for the study's analysis while the researcher did the interpretations. Content analysis was adopted for the follow-up interview.

The population of the study is the registered existing/operating small scale manufacturing firms spread across some States in Nigeria. However, it was not possible to cover the entire population because of their number, geographical spread and time constraints. Therefore, a fair representative sample of the population was selected using Yamane sampling technique. The sample size for the study was arrived at using the Yamane (1967) sampling model as adjusted by Smith (1983) and we arrived at 118 firms.

The focus of the study is the small scale industries employing 11 – 100 workers and with a maximum total investment of not more than N50 million. Consequently a total of 236 copies of the questionnaire were administered to the small scale industries on the basis of 2 questionnaires per company, out of which 157 were retrieved and analyzed. Proportional sampling technique was used to determine the number of questionnaires to be administered to each industry groups that make up the small scale industries in the States covered by our survey. The questionnaire administered to the target SSIs elicited information that was used to assess the constraints and challenges that militates against the SSIs ability to operate efficiently and promote industrialisation of the country. Data collected were analyzed using simple descriptive statistics such as tables and percentages with the aid of Statistical Package for Social Sciences (SPSS) version 17 software.

- **Results and discussions**

In the course of this research work, certain features were identified as typical of the small scale industries in Kano State. Some of these features are the ownership structure of the SSIs, years of experience of the respondents in the business, products being manufactured as well as problems and constraints of the SSIs.

**Table 1: Ownership Structure**

	Frequency	Percent	Valid Percent	Cumulative Percent
SOLE PROPRIETORSHIP	97	61.8	61.8	61.8
LIMITED LIABILITY	34	21.7	21.7	83.4
PARTNERSHIP	26	16.6	16.6	100.0
<b>Total</b>	<b>157</b>	<b>100.0</b>	<b>100.0</b>	

Source: Computed from author's field survey, August, 2011

In the survey, 25 (16%) of the surveyed firms are partnerships. The majority of the firms, 97 (62%) belongs to the sole proprietorship category, while 34 (22%) are limited liability companies. The predominant pattern of ownership was the sole proprietorship with all its disadvantages. This invariably means that major decisions are unilaterally made without the need for much consultation. It also implies that the financial capacity of the owner determines the size of the business and the ability to raise needed funds depends so much on his personal integrity and goodwill.

**Table 2: Working Experience of the Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
NOT INDICATED	2	1.3	1.3	1.3
1-10YRS	122	77.7	77.7	79.0
11-20YRS	31	19.7	19.7	98.7
21-30YRS	2	1.3	1.3	100.0
<b>Total</b>	<b>157</b>	<b>100.0</b>	<b>100.0</b>	

Source: From author's field survey, August, 2011

Table 2 looks at the years of experience of the respondents to our questionnaires. Majority of them 122 (78% respondents) have been in the business for between 1 – 10 years. Those with between 11 – 20 years-experience are about 31 (20% respondents), while only 2 (1% respondents) that have more than 20 years- experience in the business. The implications of this result are that most of the respondents came into small scale manufacturing business within the current civilian administration in the country and the target years for our study.

**Table 3: Type of Products Manufactured by the Surveyed Firms**

	Frequency	Percent	Valid Percent	Cumulative Percent
NOT INDICATED	4	2.5	2.5	2.5
FOOD BEVERAGES AND DRINKS	25	15.9	15.9	18.5
TABLE WATER AND YOGHURT	27	17.2	17.2	35.7
FOOTWEAR AND LEATHER PRODUCTS	3	1.9	1.9	37.6
PLASTIC AND POLYMER PRODUCTS	45	28.7	28.7	66.2
OIL MILLING	26	16.6	16.6	82.8
OTHERS	27	17.2	17.2	100.0
<b>Total</b>	<b>157</b>	<b>100.0</b>	<b>100.0</b>	

Source: From author's field survey, August, 2011

The survey report on the SSIs revealed the distribution of the responding SSIs with respect to their line of business (Products manufactured). Top among the line of business is Plastics and Poly products with 45 firms representing about 29% of the respondent firms. Others are Food, Beverages and Drinks 25, representing 16%, Table Water and Yoghurt 27, representing 17% and Oil Milling 26, representing 17% of respondent. Footwear and Leather products has only 3 respondents representing 2% while others constituted the remaining 27 firms representing 17%, with only 4 not indicating their line of business.

**Table 4: Operational Constraints**

Variable	Frequency	Percent	Not indicated	Percent
Inadequate Raw materials	32	20.4	125	79.6
Lack of Spare Parts	14	8.9	143	91.1
High Production Cost	24	15.3	133	84.7
Ineffective Demand	41	26.1	114	72.6
Lack of Govt. Support	45	28.7	112	71.3
Irregular Power Supply	123	78.3	34	21.7

Source: From author's field survey, August, 2011

Table 4 represents the most critical distribution of the problems identified by the responding SSIs as responsible for their low production capacity. The table also shows the intensity of the identified problems by the frequencies of the respondents.

Lack of Spare parts has the lowest frequency of 14, representing 8.9%, with 143, representing 91.1% not indicating lack of spare parts as major problem militating against operating at full capacity. Inadequate raw materials have a frequency of 32, representing 20.4%, high production cost 24, representing 15.3% of respondents. A total of 125 (79.1%) and 133 (84.7%) of respondents did not indicate inadequate raw materials and high cost of production as a problem of low capacity production respectively. Lack of government support 45, representing 28.7% and ineffective demand 41 representing 26.1 of respondents, constitute significant hindrances to the SSIs operating full capacity. By far the most important problems identified by the surveyed small scale industries is irregular power supply 123, representing 78.3% of respondents. Out of the 157 SSIs that participate in our study only 34 respondents, representing 21.7% that did not indicate power supply as a major problem affecting their operations.

Epileptic power supply problem in Nigeria affects all segments of the society. Every business that requires electricity to operate in Nigeria is adversely affected by the power shortage experienced in the country for a long time now. The result displayed on table 4.4 above justifies that feeling among Nigerians. More than 78% of the respondents identified electricity supply as a major hindrance to their operational performance. During the course of our interviews with the respondents we discovered that some of them improvised the use of generators to support their operations. Those that cannot afford the required capacity of generators to power their machines, have to shut down and wait endlessly for

PHCN to supply. Aside from irregular supply we also found that regular power outages caused severe damages to plant and equipment and personal injuries.

This result is in line with the findings of a World Bank's World Development Report 2005, which states that, the problem of business losses due to inefficient electricity supplies is especially severe in Nigeria and cites a survey that shows that small firms lost 24% of their output due to outages, medium firms 14% and large firms 17%. This result has also corroborated the survey of the Manufacturers Association of Nigeria (MAN) 2005. In that survey MAN indicated that the average energy supply from PHCN to manufacturing establishments in Nigeria is about 43.69% of their requirement while these industries were forced to source alternative power for the remaining 56.31% supply requirements. The costs of generating this unmet requirement for power constitute about 36% of production cost.

With regards to government support to the operations of small scale industries in Nigeria, analysis of the result shows that, it is almost non-existent. This is because even though, only about 29% of the respondents, considers lack of government support as one of the problems militating against their sound operational performance, it is still a significant figure considering the fact that the remaining respondents did not disagree but rather did not indicate whether it is a problem or not. Again during the course of the questionnaire administration, we noticed that at the Dakata Small Scale Industrial Area in Kano State, there was no infrastructure of any kind as the roads were completely bad, electricity supply was quite epileptic and there was no pipe borne water.

Another important factor affecting operational performance of small scale industries is that of ineffective demand for some of their products. About 26% of the respondents saw lack of effective demand for their products as another key factor negatively impacting on their operational performance. But from the interviews we had with the respondents, we found that the problem has to do with the company's products and its seasonality. For instance, Oil Millers were off season at the time of our survey and that prior to the off season, the market has been quite low with heavy stock holding. This seasonality also affects polythene bag manufacturers during the rainy season or harmattan. During any of these seasons, the demand for certain types of polythene bags slows down. This result is in line with the nature of most businesses in Kano State, where at certain seasons the market for certain products slows while that of others rises.

One of the objectives of government industrialization policies with regards to small scale industries is to utilize abundant local raw materials within the locality of the firms, generate employment and reduce poverty (Nigeria Industrial Policy, 1988). According to the results on table 4 above, only about 20% of the respondents said raw materials availability is inadequate and therefore constitute a problem to their operations. The problem of raw materials inadequacy can also be analysed from the perspectives of seasonal variations. For instance, majority of the small scale vegetable oil processing industries in Nigeria close down their operations due to unavailability of Ground Nut and cotton Seed (their major raw materials) during the rainy season. This is also true for agricultural products processing small scale companies. To overcome this problem, affected industries must have the financial muscle to stock enough raw materials to support their operations through-out the year. Many if not all do not have the kind of money required and have also little or no access to funding sources as highlighted earlier in this report.

One of the expected benefits of promoting small scale industries in Nigeria is the development of local technology for fabrication of machinery and equipment for use by the micro and small scale industries (Nigeria Industrial Policy, 1988). Availability of local machinery and equipment will guaranty the availability of adequate sources of spare parts that are crucial to the maintenance of existing plants and equipment for the smooth operation of the SSIs. The issue of spare parts is crucial in the sense that available spare parts may not be adequate for the operations of the firms. In situations where an industry relies mostly on imported spare parts, its operations may be hampered by its non-availability due to a number of reasons, cheaply amongst which is high cost of foreign exchange and delay in getting supplies (CBN Baseline Survey, 2004).

The result from table 4 indicated that only 8.9% of the respondents consider lack of spare parts as a problem to their smooth operational performance. It is also interesting to note that 143, representing (91.1%) of the respondents did not indicate lack of spare parts as problem to their operations. During our interview with respondents, we discovered that even though almost all the SSIs use imported machinery and equipment, there is however, adequate local skill for fabrication of critical spare parts. This we also discovered was due to the long industrial activities that have been taking place in some of the industrial layouts we visited. The interview also enabled us to find out that most of the machinery and equipment used by the respondent SSIs are imported from China and the technology for the machines is very simple and therefore easily adaptable.

- **Conclusion and recommendations**

This study began on the premise that SSIs have a critical role to play in the industrialisation of Nigeria, but they are however, hampered by many negative factors some of which are internal to them due to their characteristics and some are external to them. The external factors have to do with the general macroeconomic environment and official policy regimes. Unfortunately government economic policies seem to have constituted a serious problem area for the SSIs. Harsh and unfavourable government policies towards the SSIs sub-sector have been on since the introduction of stabilisation and austerity measures by the Shagari Administration in 1982. Subsequent policies like Structural Adjustment Programme (SAP) have also further worsened the operating environment of the small scale industries in Nigeria.

In response to daunting challenges facing the SSIs sub-sector, Federal and State Governments have at various times designed and implement policies and support mechanisms to uplift the SSIs sub-sector to make its contributions towards employment, wealth creation and poverty alleviation more meaningful. The return to civilian administration in the country has also brought about a number of policies and programmes to support and promote the small business sector generally in Nigeria. However for the past 10 years since the beginning of these policies not much progress have been achieved in terms of growing up the sub-sector.

This study has been able to unravel some of the causes of the failure of the SSIs to have the desired impact on the Nigerian economy. Cheaply amongst which is the peculiar characteristics of the firms in the sub-sector that create a situation of disconnectivity between the SSIs and the requirements for participating and benefiting from government support schemes and programmes. It was also discovered that SSIs in Nigeria are more informal and therefore not able to key-into and benefit from

federal government policies and programmes designed to support them. This peculiarity has also denied them access to finance from formal financial institutions.

The concept of SME is different from that of SSI. SME comprise of all small and medium businesses spread across all sectors of the economy, while SSI is limited to the real sector small scale businesses only. Lack of clear demarcation between micro, small and medium enterprises created the problem of the missing middle as propounded by the World Bank. The missing middle refers to the small scale businesses/industries whose characteristics and peculiarities are often not reflected in policies and programmes of the government. This study has brought out the characteristics of the missing middle as reflected in their legal status, ownership structure type of industry they belong as well as management structure. It is clear that they are not in a position to benefit from the package of incentives provided by government industrial promotion schemes and programmes.

There is therefore the need to rethink policy design and implementation by the government at both the State and Federal levels. The apparent disconnectivity between policy formulators and the intended beneficiaries should be redressed for the policies to have the desired impact on the SSIs. This is about the only way that the resources that are being committed to the promotion of the SSIs will be meaningful and helps realize the goals of industrialisation of Nigeria.

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**Elderly Clubs in Thai Society: A Research Review**

**Abstract:**

This paper reviewed the previous researches that focused on elderly clubs in Thailand during the years 1991-2009. The purpose of this review was twofold: First, to summarize the current scientific knowledge related to elderly clubs in Thai society. Second aim is to identify the problems in the operational management.

**John Walliss**

Liverpool Hope University

United Kingdom

**Dying Guilty and Penitent: The ‘Lesson of the Scaffold’ in the Norfolk Chronicle,  
1800 – 1867**

**Abstract:**

In this paper, I am going to look at two forms of popular culture; one of which, for better or worse is no longer with us, and the other, for better or worse which is - namely public executions and the local press. Since the 1990s, historians of crime have examined representation of crime, criminals and criminality in newspapers from the 18th and 19th centuries, focusing on topics such as the role of the press in creating moral panics, and the representation of particular forms of criminality.

**Min-Ren Yan**

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Taiwan

**An Assessment of the Risk Factors in the Project-based Business Alliances**

**Abstract:**

Construction industry has characteristic of capital-intensive and labor-intensive and many projects can not be completed by a single company alone. While the international marketplace is getting open to world-wide participation, the business environment is fiercely competitive and various strategic alliances become critical business solutions to obtain competitive advantages for survival.

## **Tülay Yıldırım**

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### **Globalisation and Regional Development: The Case of Turkey**

#### **Abstract:**

The new world order has caused dramatic changes in the composition of economic actors through globalisation politics. Globalisation politics has affected countries with integration of regions and sub-regions in the world system through technological development, increased capital, and labor and finance mobility. Urban centers and regions turn into competition units with global competition conditions that include developmental processes as part of strategies that evaluate their dynamics and potential. Countries have to give attention to new investments and adjust their policies economically and politically in order to keep themselves alert in the competitive global environment. In the process of globalisation, regional development and competition are very significant. New economic actors are needed in regional development, as well.

The purpose of this study is to examine the transformation of regional policies in parallel to trends of globalization and localization. In this context, it is aimed to reveal the effects of these changes on regional policies in Turkey's Development Plans.

**Keywords:** Regional planning, transformation in regional policies, globalisation development plans.

#### **1. Introduction**

Today, regional development policies are being reshaped by the globalisation process, technological developments and new production processes. In this process, where regions not only became actors in the global economy but act as determining factor for national development, the objective of the regional policy is not limited to decreasing regional disparities but covers differentiated policies for all of the regions to ensure maximum contribution to the national development and competitiveness. In this context, covering the new objective of enhancing regional competitiveness, the regional policy approaches gained a new vision, scope and content. Moreover, new regional development instruments, based on knowledge and innovation, have to be developed and implemented in order to ensure regional competitiveness. In this context, firstly, a literature review was carried out regarding the development of regional competitiveness concept, regional competitiveness factors and its measurement; then the evolution of the regional policy with reference to the regional competitiveness concept was evaluated, new and diversified regional policy instruments, based on knowledge and innovation, contributing to the high road competitiveness were analysed.

Consequently, in the framework of above mentioned approaches in theory and practice, the transformation of Turkish regional policy and instruments was evaluated; the importance of reinforcing

regional policy instrument with regional innovation strategies, clusters, technology and innovation development centers and competitiveness poles was emphasized. In the last part of the study, the differences among competitiveness levels of the regions were determined, through applying principle component analysis technique, and recommendations were made with a view to improve competitiveness levels of the regions.

### • **Regional Developments Politics in the Process of Globalization**

In the present global world, national government has lost its old importance. Instead, regions play the main role in economic activities<sup>1</sup>. In fact, in terms of coordinating economic policies, regions appear to be of significant importance. In developed countries and especially from a geographical point of view, creating a decentralized infrastructure in the context of the national system is believed to be more useful and a country's economic operational in development than traditional national government<sup>2</sup>. But at this point, we must lay out some conditions as to why regions and regional policies are preferable to other policies. They are<sup>3</sup>:

- Delivering details of planning and execution to regions due to increased operational costs of central executions
- Delivering some decisions to regions to reduce the problems resulting from regional managers' personal understandings of the high-level political executions
- Applying encouragement and sharing plans at the regional level due to problems resulting from attempting to execute them beyond regional levels
- Taking regional values for granted to utilize them in the most effective way.

During the 1980s especially, when economists began to recognize the successes of some regions in innovation activities and the institutional origins of such innovations, regions began to be accepted as suitable for the coordination of economic activities. As a result of the convergence of innovation

Investigations and developments in economic geography, issues like learning, innovation and regional development of the evolutionary economy<sup>4</sup>. became important; beside that, innovation investigators concentrated on the special aspects of technological change, which caused "region" as a concept to gain a new importance and higher image. Despite large globalization trends, the big successes of some regions, and subsequent efforts to explain these successes, approaches designed to realize the success and development of regions through the agglomeration of organizational and technological training also drew big attention<sup>5</sup>. While old approaches reasoned for the concentration of establishments in the

<sup>1</sup> Kenichi OHMAE, *The End of the Nation-State: The Rise of Regional Economies*, Free Press, New York, 1995, p.19

<sup>2</sup> Ayşegül YILMAZ, *Regional Innovation Systems: Literature Review and the Picture for Turkey*, ODTÜ Sosyal Bilimler Enstitüsü Yayınlanmamış Yüksek Lisans Tezi, 2001, Ankara, pp.26-27.

<sup>3</sup> Metin DURGUT ve Müfit AKYOS, "Bölgesel İnovasyon Sistemleri ve Teknoloji Öngörüsü", *Teknoloji Öngörüsü ve Stratejik Kalkınma Planlama Toplantısı*, 24-26 Mayıs 2001, Sabancı Üniversitesi, p. 14.

<sup>4</sup> Richard R. NELSON ve Sidney G. WINTER, *An Evolutionary Theory of Economic Change*. Harvard University Press, 1982.

<sup>5</sup> Metin DURGUT ve Müfit AKYOS, a.g.e., p. 5.

same area with the necessity of reducing operational costs resulting from geographical distances<sup>1</sup>, the new approach defined concentration's durability by technological externality, labour market, and local traditions, norms and values; as such, "region" gained a new theoretical status from capitalist developmental points of view<sup>2</sup>.

Theoretical discussions about regional development uncover some regional issues. First, innovation happens in institutional, political and social contexts. For innovation and economic interaction, regions appear to be the best option<sup>3</sup>. Secondly, innovation takes place more easily with geographical concentration and proximity. Concentration plays a critical role in this process, as well. Close concentrations can result in the overproduction of knowledge. Innovation activities are positively affected by the increased economic activities of concentrated companies<sup>4</sup>. Many authors agree that successful regional economies offer specified common features.

The most important of these common features are agglomeration economies, institutional learning, contributor authority, proximity capital and interactive innovation<sup>5</sup>. In today's world, the global competition process utilizes local and regional potential and expertise based on the acquisition of comparable advantages and competition among nations; this means that the gradual turn is indeed to competition among regions. In this process and with new forms of competition based on knowledge economies, competition power is indicated as the main prerequisite of survival, and regions are the main actors in this process<sup>6</sup>.

From historical perspective, the theoretical evolution of regional planning and development is categorized into four periods:

1. Early approaches toward environmental protection and expansion of resources (1920-50)
2. Welfare regio-centrism targeting a fair and affective economic development at the national level (1950-80)
3. High-level competitive interventional regio-centrism based on neoliberal ideas since the 1980s.
4. Development of a new regio-centrist concept as foundation of a new approach to the theory of regional planning and development<sup>7</sup>.

<sup>1</sup> Fiorenza BELUSSI, "In Search Of A Useful Theory Of Spatial Clustering: Agglomeration Versus Active Clustering" içinde *Clusters and Regional Development*, Routledge Taylor&Francis Group, USA, 2006, pp.69-89, p.72.

<sup>2</sup> Metin DURGUT ve Müfit AKYOS, a.g.e., p. 5.

<sup>3</sup> Michael STORPER, *The Regional World*, Guilford Press, New York, 1997; David DOLOREUX, "What We Should Know About Regional Systems of Innovation?", *Technology in Society: An International Journal*, Vol: 24, 2002, pp.243-263.

<sup>4</sup> Anders MALMBERG, "Industrial Geography: Location and Learning", *Progress in Human Geography*, Vol :21 No: 4, 1997, pp.553-558.

<sup>5</sup> Philip COOKE, "Regional Innovation Systems: General Finding and Some New Evidence from Biotechnology Clusters", *Journal of Technology Transfer*, Vol.27, 2002, ss. 133-145, p. 134.

<sup>6</sup> Yunus Emre ÖZER, "Küresel Rekabet-Bölgesel Kalkınma Ajansları ve Türkiye", *Review of Social, Economic and Business Studies*, Vol: 9/10, 2007, p. 393.

<sup>7</sup> Edward W. SOJA, "Regional Planning and Development Theories", *International Encyclopedia of Human Geography*, 2009, ss. 259-270, p. 259.

New regional concepts emerged as large government aids and state run policies became unsuccessful in developing underdeveloped regions. Previous generations of regional development policies had targeted their regional development goals by using methods such as large-size infrastructure development and absorbing investments into the region. Despite allocating considerable public funds, underdeveloped regions couldn't reach the others and such policies were not successful in reducing regional differences. So a new approach was needed.

Traditionally, a region is a unit formed by gathering local units together whose borders are under state governance and are closed beyond the national state. But new regio-centric concepts spurred by globalization redefine the region as a unit created by localities specified by relations networks without spatial continuity—and open to international relations<sup>1</sup>. Therefore, local dynamics push economic development, and as such, regional developments are given the first priority.

In today's world, the emphasis is on a regional development concept that is based on regional development, SME (small and medium-sized enterprise), and local entrepreneurship. This concept promotes local growth through provoking local potential, aims to absorb foreign investments, takes advantage of the global economy, and underlines the private sector and local entrepreneur rather than central policies. This regional development concept primarily concentrates on “provoking local and regional resources”. In other words, in the new concept, instead of depending on national transfers and encouragements to reinforce growth, regions invest in their own growth by provoking their own identity. In this way, resources utilize their own competitive advantages<sup>2</sup>. According to a study run by OECD (Organization for Economic Co-operation and Development), this regional development concept has three key specifications<sup>3</sup>:

1. Less stress on foreign investments and transfers; concentration on inner capabilities instead
2. Highlighting opportunities instead of disadvantages
3. Less central government intervention; the use of a collective/pro-negotiation approach with the participation of regional/local governments and other partners instead

These progresses in regional development have secured the establishment of regional development policies in many countries. The EU countries are on top, as new regional development political executions based on regio-centric priorities have been put into practice in many countries. Monitoring these progresses in regional policy, Turkey is heading toward the implementation of new regio-centric concepts and is applying regional policies concentrated on realizing AR-GE (research-development), technological progress, innovation, cooperation, and regional dynamics. In this regard, changes in Turkey's regional policies and its experience in this field will be discussed in the next chapter.

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<sup>1</sup> DPT, Sekizinci Beş Yıllık Kalkınma Planı Bölgesel Gelişme Özel İhtisas Komisyonu Raporu, Ankara, 2000, p. 7.

<sup>2</sup> Carlos QUANDT, Developing Innovation Networks for Technology-Based Clusters: The Role of Information and Communication Technologies, *Prepared for the International Workshop on Techno-Regions: Science, Technology and Regional Development Past, Present and Future Challenges*, Rio de Janeiro, June 8-12, 1998.

<sup>3</sup> OECD, *Regional Development*, a.g.e., p.1.

- **The Effects of Globalisation on Regional Policy in Turkey**

Despite the Turkish economy's progress in structural changes and integration with international markets, regional development differences still exist. Long term economic growth in Turkey has not resulted in the expected positive impact in eliminating regional developmental differences. Besides income, there are regional imbalances in Turkey in population structure, physical and social infrastructure, entrepreneurship, human resources, education level, access to health services, environment quality, employment and women's roles<sup>1</sup>. During the process, policies have been formed and tools have been used aiming to eliminate regional differences, but the imbalances between regions still exist<sup>2</sup>.

From a historical point of view, regional policies in Turkey can be studied in three periods. The first is from the formation of the Republic of Turkey until 1963. During the first period and until 1963 when planned development began, regional development was not given much importance and it's been viewed as a construction tool rather than a development one. Planning and its main purpose were interpreted to form a physical settlement plan which resulted in concentration of industry and service sectors in some cities in western Turkey. The second period of regional development began in 1963 during the planned development era. Starting with planned development, this period stretches to the 1999 Helsinki Summit in which EU membership status was given to Turkey. During this period, together with the period of planning, the concept of regional planning started to change and became a priority.

In fact this has also been seen in 5-year development plans. During the planning period, taking physical, social and economic aspects into account, integrated plans were executed<sup>3</sup>.

In the third period of regional development plan with EU membership status given to Turkey in 1999 and to undertake the acquired rights, many legal and organizational arrangements were done. Regional policies are one of them. Turkey applied different arrangements to adapt the existing regional policies to EU regional policies.

Since the 1960s, a stable regional development policy has been carried out in Turkey. The main tools of the executed development policies are 5-year Development Plans, Regional Integrated Development Plans, Rural Development Projects, Investment Encouragements, Regions of Development Priority, Organized Industrial Regions and Small Industrial Sites. In the framework of goals and strategies of development plans, regional plans have been prepared to reduce regional development differences by

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<sup>1</sup> ARSLAN, K. (2005), "Bölgesel Kalkınma Farklılıklarının Giderilmesinde Etkin Bir Araç: Bölgesel Planlama ve Bölgesel Kalkınma Ajansları", İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi, Yıl:4 Sayı:7 Bahar , pp. 275-294

<sup>2</sup> DPT, Türkiye Cumhuriyeti Ön Ulusal Kalkınma Planı (2004-2006), Ankara, Aralık-2003, p. 126.

<sup>3</sup> Cansel Seymen OSKAY ve Yeşim KUBAR, "Avrupa Birliği'ne Uyum Sürecinde Türkiye'de Bölgesel Kalkınmanın Finansmanında Kalkınma Ajansları", *Selçuk Üniversitesi Karaman İİBF Dergisi*, Yerel Ekonomiler Özel Sayısı, Mayıs 2007, pp. 204-214, p. 204-205.

integration of special aspects and sector priorities; province development plans have also been applied to different provinces<sup>1</sup>.

The most popular one among the tools discussed above is a different encouragement system designed for sectors and regions. This encouragement system is applied at different levels according to the development level of the provinces. Another popular tool is public investments. Investing in public services and infrastructure is an effective device for economic development.

Along with the liberalization process starting since 1980s in Turkey, regions were affected by critical impacts. First of all, continuance of policies based on identical supports and center-based management of regional imbalance and generating enduring impacts was not possible.

In less-developed regions during the period in which the manufacturing system was not open to the outside, applied encouragements didn't realize the goals of durability and strengthening economic activities. The desired results were not reached again as the liberalization process increased the manufacturing powers and life quality expectations of the consumers and as non-selective encouragements were not taken into account in an integrated context. Secondly, the changing role and effectiveness of the Government's Planning Organization in planning along with liberalization and in regional policies resulted in some regions to be passive and others to be active. Consequently, some regions were affected by more negative impacts. From regional development and a political point of view, Turkey has passed the stage of learning/articulation of liberalism and has suffered a lot during this period. The third critical impact is that, as economic stability is main part of economic management, economic growth and its macro-economy relation gained the most attention and micro-development policies were considered to be less important<sup>2</sup>.

In Turkey's regional policies outlook, the 2000s are accepted as the first step. Since the 2000s with beginning of adaptation process toward EU membership, like all other fields Turkey has undergone a series of responsibilities and has executed the necessary legal-organizational arrangements. Leaving its regional development policies based on an encouragement system, Turkey has entered a new stage adapted to all member states by EU in which investment, private sector and regional competition draw the most attention. The basic element of this new approach is the RDA<sup>3</sup>. Targeting elimination of regional development differences, the main goal of the RDA is to provide those who want to invest in the region with information, transfer of technology to region or vice versa, and consultation services to companies located in the region that play an active role in infrastructure building projects like road, water, sewage and garbage collecting systems. Offering such services, RDAs can refresh the regional economy, increase investments and help people contribute to region's development.

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<sup>1</sup> Yaman, Ahmet - Murat Kara, (2008) "Türkiye'de Bölgesel Gelişme Politikasının Dönüşümü Sürecinde Kalkınma Ajanslarının Kuruluş Çalışmaları: Son Durum ve Değerlendirmeler", Bölgesel Kalkınma Ajansları, İstanbul, Friedrich Nauman Vakfı, p.4.

<sup>2</sup> Kahraman ARSLAN, "Bölgesel Kalkınma Farklılıklarının Giderilmesinde Etkin Bir Araç: Bölgesel Planlama ve Bölgesel Kalkınma Ajansları", *İstanbul Ticaret Üniversitesi Sosyal Bilimler Dergisi*, Yıl:4 Sayı:7 Bahar 2005/1 pp. 275-294, p. 288-289.

<sup>3</sup> Regional Development Agency

Structural adaptive policies generated by globalization made development of creative processes and tools in many fields necessary. In negotiations for EU full membership and because of the new understanding that regional planning and RDAs are its most effective tools, these were included among mid-term tasks in the Accession Partnership Document. In this context and based on the cabinet members' decision dated 22 September 2002, Statistic Regional Units (IBB-NUTS) categorization was created in three levels with the aim to prepare regional socio-economic analyses, specifying regional policies and creating a data base comparable with the EU Regional Statistic System<sup>1</sup>.

In the third level, 81 IBBs have been defined and each province identifies with an IBB. The number of IBBs in the second level resulted in the classification of neighbour counties of level 3, is 26. Also, the number of IBBs in level 1 resulted in classification of level 2 IBBs is 12. Establishment of RDAs is directed toward determining classification potential<sup>2</sup>. RDAs in Turkey have been established on a national level in coordination with Organization of Planning and based on Level-2 regions determined by IBB classification. They have corporate identity and are subject to special legal provisions according to rule 5449. Concentrated on economic/social development, they are development units, not executive but supportive, and function as coordinator and catalyst. RDAs have their own technical and financial mechanisms, do not seek profit, and have dynamic and flexible structures in terms of budget consuming and recruitment. They enjoy technically high capacity outside of central and local administrations and bring private/public sectors and NGOs together. However, while in the EU and other parts of the world “regional” is added to the name of these agencies, in Turkey they're simply known as “Development Agencies”.

According to rule 5449, the purpose in establishing development agencies is to develop cooperation among public sector, private sector and NGOs, guaranteeing the proper utilization of resources along with effective ways to spur local potential. This way, in line with national development plans and foreseen policies and principles, accelerating regional development, securing its endurance and reducing development differences between regions and inside them is targeted. The duties of development agencies are<sup>3</sup>:

1. Preparing planning activities for local administrations with technical support.
2. Supporting activities and projects to ensure execution of regional plans and programs, and monitoring and evaluating such activities/projects and delivering the results to Organization of Planning.
3. Taking part in region's rural and local development based on its plans and programs and supporting projects in this regard.

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<sup>1</sup> ÖZER, Y.E. (2007), “Küresel Rekabet-Bölgesel Kalkınma Ajansları ve Türkiye”, Review of Social, Economic and Business Studies, Vol: 9/10, p. 389.

<sup>2</sup> Tutar, Filiz - Mehmet Demiral, (2007), “Yerel Ekonomilerin Yerel Aktörleri: Bölgesel Kalkınma Ajansları”, Eskişehir Osman Gazi Üniversitesi İİBF Dergisi, Eskişehir, p.71.

<sup>3</sup> Resmi Gazete, 08 Şubat 2006, Sayı 26074 (Kalkınma Ajanslarının Kuruluşu, Koordinasyonu ve Görevleri Hakkında Kanun).

4. Performing research and supporting research of other people, foundations and institutions to recognize a region's resources and capacities, accelerating economic/social development and increasing the region's competitiveness.
5. In collaboration with related foundations, introducing a region's work and investment capabilities both nationally and internationally.
6. In collaboration with related foundations, supporting small and mid-size enterprises and entrepreneurs in fields like management, production, presentation, marketing, technology, finance, organization and workforce education, introducing activities of Turkey's joint programs with one or more partners in the region and contributing to project development regarding these programs.

As a tool for directing investments, Development Agencies are being utilized as helpful mechanisms for distinguishing a region's global competitiveness by collected investments and acquisition of competitive power. Because in today's world, competitive power is a result of modern technology, innovation and production of science, the necessity of these kinds of investments in regions are being considered. Also for development agencies, determining a region's potential and strengthening tendencies toward knowledge-intensive or distinction-creative sectors to launch suitable strategies are being contemplated.

- **General Assessment**

Globalization and growing international trade have made it more necessary for companies to be competitive and to seek the global world as well as local regions, both developed and non-developed. Therefore, redefining the theoretical fundamentals of regional development became a necessity, and new approaches to explain economic development turned up, followed by changes in regional goals and activities. The central point of change is the necessity to gain global competitive advantages. With more importance given to regions, and their becoming the main actor in global competition, elements like information technology and cooperation/coordination between inter-regional actors draws the most attention.

The regional development concept has been subject to a disciplined assessment in a changing process and attempting to understand regional particularities. In industrial economies, some regions have rapidly reached high levels while others can't achieve such a performance. There are considerable inequalities among regions in social, environmental and cultural fields. Therefore arose the need to execute suitable policies to tackle these inequalities.

To ensure development along with globalization, the need to focus on the regional and local level was implemented into policies. Another important part of this era is innovation, of which it's possible to evaluate through the creation of new approaches and assessment of different alternatives at both the regional level and within the field of production. Trying to expand local potential and building networks of related units by securing their coordination and setting activities for economic expansion are characteristics of the new concept.

By evaluating Turkey's view of regional development and its nine development plans executed between 1963 and 2013, it's clear that up to the 1990s the first five development plans were executed

based on the traditional regional development concept. They have the same concept, goals and tools. “Regional planning” was stressed in these plans, and the main regional policy aimed to eliminate regional inequalities and to build stable regional development. The tools to achieve these goals were traditional regional development tools directed by central government and based on large-scale public investments. For example, in the second Five-Year Development Plan (FYDP), utilizing public investments with the purpose of directing economic activities to less-developed regions were openly expressed. In addition to this, in the period after the third FYDP, Regions of First Priority were defined; and since the fourth FYDP began, regional projects (Southeast Anatolia Project etc.) started to be executed. Different from the previous three plans, in the 4th FYDP, emphasis was put on spatial organization. Moreover, in the fifth FYDP, discussions on sector/province-based encouragements were seen for the first time.

The sixth FYDP, implemented between 1990 and 1994, for the first time took into account the theoretical and practical experiences of other countries’ regional policies. Taking EU regional policies as an example was announced for the first time in this plan. Owing to this, it can be mentioned that the first transition in regional policies was implemented in the 1990s during the sixth FYDP. In the seventh FYDP (and different from other plans) regional development projects “considering regional resources” began to be recognized for the first time as an indicator of a new regio-centric approach instead of “regional planning” and “regional development”. It was during the eighth and ninth FYDPs that new regio-centric approaches dominated completely and stressed concepts from a tools/goals point of view.

In a general assessment, from the 1990s until the present, a new regional paradigm has emerged in which dynamics of global competition are highly emphasized and innovation/knowledge-based competition has replaced classic competition factors. Efforts to increase competitiveness began to be the core of regional development policies. In the new era, increasing competitiveness and reducing regional inequalities are two basic strategic goals of regional policies. In this regard, regional policies have not only been directed toward non-developed regions but developed regions, as well. Formed by new regio-centric concepts, implementations like the AR-GE (research-development centers), innovation and technological development, the establishment of cooperation and partnerships, new industrial centers, attraction centers, conglomerations, networks, university-industry cooperation, the support of entrepreneurship and its strengthening through supportive tools, the implementation of enterprise investment, the development of local dynamics and inner potential, and the enhancement of local potential have all been added to the aforementioned plans in the context of regio-centrism.

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**Critical Success Factor of ISO 9001 Quality Management Certification  
Implementation among Small and Medium Enterprise In Malaysia**

**Abstract:**

The study attempts to predict the relationship between critical success factors (CSFs) and adoption of ISO 9000 and to identify which CSFs play the main role in achieving ISO 9000 standard. A survey using structured questionnaire was employed. A total of 155 respondents from 970 small and medium enterprises participated in this study.



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