



# Masters International R&D Center

MIRDEC 2019

MIRDEC-12th  
International Academic Conference  
Multidisciplinary and Interdisciplinary Studies on Social Sciences  
(Global Meeting of Social Science Community)

## CONFERENCE PROCEEDINGS ROME 2019

Full Paper Series

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Kemal Cebeci  
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Antonio Focacci

University of Washington Rome Center  
Rome, Italy  
02-04 April 2019

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## Editors

### **Kemal Cebeci**

Marmara University, Turkey

Dr. Kemal Cebeci is a senior lecturer at Marmara University in Turkey and at the same time the director of Masters International Research & Development Center. He obtained his PhD degree with his thesis on the topic of corporate income tax and tax competition. He had publications and presentations in various journals and international conferences with his researches on; tax policy, tourism, corruption, debt crisis, corporate income tax, etc.

### **Joaquim Ramos Silva**

University of Lisbon, Portugal

Dr. Joaquim Ramos Silva is Full Professor at the Lisbon School of Economics and Management, University of Lisbon. Head of the Economics Department in 2014-2018. His research interests fall in a broad range of subjects, particularly international economics, and among others, the process of firms' internationalization, interaction between the private sector and public policies, sustainable development, international organizations. The author of four books and the editor or co-editor of eight, published around eighty scholarly papers in peer-reviewed journals and edited books, including *Business Process Management Journal*, *Journal of Business Economics and Management*, *Journal of Economic Studies*, *Tourism Management*, and *WMU Journal of Maritime Affairs*. He has actively participated in numerous international activities of research such as scientific events, editorial boards and commissions, projects, reviews, etc. A researcher of SOCIUS/CSG (Research in Social Sciences and Management), ranked as "Excellent" by FCT, the main Portuguese body that supports science.

### **Tamer Budak**

Inonu University, Turkey

Dr. Tamer Budak is a full professor of tax law at the Faculty of Law, Inonu University, Malatya, Turkey. He has taught modules related to domestic and international taxation for many years. His area of research relates to tax administration and compliance, tax simplification, tax theory, and behavioral taxation. He was a visiting fellow Levin College of Florida University (2009), Business School of University of Exeter UK (2013-2014), and Max Planck Institute for Tax Law and Public Finance, Germany, (2017). He has been an editor of Inonu University Law Review since 2014, co-authored in many publications, and member of scientific committee of various academic journals.

### **Antonio Focacci**

Bologna University, Italy

Dr. Antonio Focacci is a senior lecturer at Bologna University in Italy. He has publications and presentations in various international journals and conferences. He is invited member of two international Journals Editorial Boards and served as a referee for many others. His research interest have covered different fields in economics and in management with specific reference on: sustainable economics, economics of commodities, economic cycles, investment assessment, energy and renewables, models for evaluating CSR and strategic positioning of business, etc.

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**Business & Enterprise:** Business cycles, business planning, supporting SME, policies to promoting SME, e-commerce, women entrepreneurs education and development, strategic integration between innovation & entrepreneurship, entrepreneurship in developing countries, corporate and social entrepreneurship, leveraging digital skills for innovation in the society, high-tech, R & D, enterprises.

**Demography & Population:** Migration studies, demography, population studies.

**Economics:** Microeconomics, macroeconomics, economic growth, fiscal and monetary policy, finances, public regulations, sustainable development, agro-economics, climate change.

**Environment:** Environment economics, fiscal policy for protecting environment, green production, sustainable growth, natural resource, management, climate change, macro-micro issues in environment studies.

**Education:** Research & development in education, technology and education, education strategies for different age groups, life time education, pedagogy, learning and teaching, educational psychology, curriculum and instruction, e-learning, virtual learning, global internet courses, blended learning, flipped, pathway, enabling, work integrated learning, executive training, training and development, educational leadership.

**Entrepreneurship:** Product, innovation, social, political, knowledge, corporate venturing, digital media.

**European Studies:** EU crisis, monetary union, enlargement process of EU, tax harmonization in EU, fighting with tax competition in EU, EU energy policy, competitiveness, EU social policy, Fighting unemployment, income distribution, EU migration, understanding migrants and asylum in European Union, European migrant crisis, refugee crisis, social reflections of Syria crisis to EU area, cooperation for improving EU, Brexit, future projections, EU environment policy and resource efficiency, EU relations with third party countries, climate change and EU, integration, culture.

**Finance:** Corporate, international, green finance, financial reporting, public finance, financial markets, financial services, financial instruments, capital movements, government budgeting.

**Globalization studies:** Framework of globalization, history of globalization, economic globalization, cultural globalization, political globalization, globalization and international law, globalization and arts, globalization and conflicts, globalization and new world order, sustainable growth and development, globalization and climate change, regional integrations, human rights and globalization, migration, global institutions, technological platform for globalization, national boundaries, globalization and internet, globalization and sports, globalization and free trade

**International Business:** Culture and business, regional-global business, entry modes, strategy, expansion, mergers & acquisitions, trade, franchising strategies.

**Internet & Social Media Studies:** Social media, internet, future of communication.

**Management:** Human resources, cultural problems in labor mobilization, international human resource, mobility of human resource, business, cross cultural, corporate governance, financial resources, gender issues, technological resources, natural resources, knowledge.

**Marketing:** New media, social media marketing strategies, international, consumer research, market research, policy research, sales research, pricing research, distribution, advertising, packaging, product, media.

**Philology, Language & Translation Studies:** Historical study of language, aspects and research of speech production, transmission reception, linguistics, translation studies.

**Social Business:** Socially responsible enterprise, environmentally conscious enterprise, non-government institutional activities, globalization and social business, care programs.

**Social Sciences:** Anthropology, communication studies, new communication in new world order, demography, development studies, information and communication studies, international studies, journalism, library science, human geography, history, law, political science, public administration, psychology, sociology.

**Tourism:** Developing sustainable tourism destinations, tourism and heritage preservation, tourism economics, tourism policies, hospitality, tourism management and marketing, tourism planning and regional development, protected areas and tourism.

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ANTONIO FOCACCI<sup>1</sup>

## A MULTIBREAKPOINT ANALYSIS OF CRUDE OIL PRICES

### Abstract

Investigation of economic data is often a posterior analysis. Clearly, among applied techniques the main difference is between methods able to (reasonably) capture past issues in inherent modeling approach or not. In the present contribution, a quite recent multibreakpoint analysis of time series is proposed with the aim to overcome traditional constraints the researcher has to face. As a matter of fact, common applied methods are able to identify one (or at best two) structural break(s) in time series. By investigating oil crude prices, we propose a quite different approach applying a not (at the moment) widespread econometric technique to detect more than a single structural break in empirical data analysis. Hence, a brief discussion is developed to compare resulting outcomes with real historical facts. The aim is to test endogenous capability of the technique in pairing changes in statistical properties of oil price time series with salient chronological events.

**Keywords:** Multibreakpoint analysis, oil prices, structural change, time series, Bellman principle

**JEL Codes:** C01, C13, C22

### 1. Introduction

Statistical and econometric procedures are widespread in quantitative economics as methods to investigate and verify hypothesis and theories. As every technique, they have relative merits and shortfalls. Some of them are more accepted (hence widely adopted by scholars), while others are less employed (with a lower degree of acceptance by the majority of academics). In order to gaining proper approval, methods must be previously known, implemented, applied, discussed and validated in their specific research boundary. Despite the relevant efforts and important contributions found in literature, reliable time series forecasting is still currently a very complex field of research even if properly and professionally managed. Whoever in empirical time series approaching forecasting methods faced relevant issues in results for medium-long exercises. A wealth of techniques have been developed also in describing, representing and modeling the past. Obviously, past (descriptive) and future (forecast) needs in research activity are characterized by proper requirements. Following this reasoning, the efficiency of an econometric method to analyze past must be assessed taking into consideration relative “ability” to fit the phenomenon is asked to depict and explain. In the present contribution a relative new methodology is presented to detecting multiple breaks in time series. To the best of our knowledge, and without pretension to exhaustion, this is probably one of the very first attempts adopting such a technique in the literature on economics of commodity markets (oil in our case). Honestly speaking, it is already possible to find in empirical literature contributions pertaining structural break point analysis. On this point we cite two recent cases as merely examples, and without pretension to exhaustion. In their paper, Mayer et al. (2017) analyzing the metal markets process a rolling three-years window within the whole time frame without addressing a specific statistical approach. In further interesting literature on financialization of commodity markets, Adams and Glück (2015) employ the Galeano and Wied (2014) two steps-algorithm to identify a substantial single “cut-off” division between the pre- and the post-financialization period. Without entering into the merits of the above mentioned contributions, the common feature of available literature focused on the topic (what is technically labeled as a “breakpoint”) is that main binding constraint lies in the inner procedure able to detect and process one single structural change within the time series object of investigation. Also the Galeano and Wied (2014)

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<sup>1</sup> University of Bologna, Italy, antonio.focacci@unibo.it.

algorithm has the aim to detect possible multiple breaks in time series, but its application is devoted to the analysis of the correlation structure of the random variables to verify its substantial constancy over time. Therefore, only when such a constancy is not present the method tends to estimate the number and the timing of possible breaks. Thus, to be successful, it has to process almost two series. For this reason is neither chosen nor adequate for our case given that a single time series is investigated. The task of the present work is to apply the multiple break detection procedure to oil prices to verify whether changes in statistical properties are located in the near presence of significant historical facts affecting the chronological sequence of data. Relevant information to retrieve will be the statistical impact such an event exerted on prices. Thus, a good detection may be evaluated as an encouraging premise for further research implementations.

## 2. Methodology and data

With the aim to deeply analyzing behavior, and hence possible changes in statistical properties, of oil prices, we apply a quite recent (and interesting) statistical technique developed to dating multiple structural changes (aka breakpoints, i.e unexpected shifts) in time series data as proposed by Bai and Perron (2003 and 1998). Estimation applied in the present work considers general forms of serial correlation and heteroskedasticity in the errors, lagged dependent variables, trending regressors, different distributions for the errors and the regressors across segments. Thus, the multiple break detection is endogenously derived from data by applying least-squares method to a linear model. The main feature of such a framework lies in the approach the researcher proposes in the analysis. Considering more than one single endogenous break when actually more than one change exists is a need well outlined by several studies Lumsdaine and Papell (1997). Statistical and econometric literature propose a wealth of work concerning typical designed (also at unknown date) single or, at most, double change tests (for example and without pretension to exhaustion: Lütkepohl et al., 2004; Lee and Strazicich, 2003; Papell and Prodan, 2003; Ohara, 1999; Clemente et al., 1998; Lumsdaine and Papell, 1997; Perron, 1997; Banerjee et al., 1992; Zivot and Andrews, 1992; Brown et al., 1975).

A further widespread procedure was proposed by Chow (1960), but its implementation steps require an exogenous specification by the researcher of the null hypothesis for (also in this case for just) one structural change in data, and then perform the test. Instead, and this is the main difference, to identify and locate the structural changes in time series, the present method leaves the statistical procedure to endogenously detect the unknown dates where they could be present. This is a non-subjective and mathematically supported choice, and is less open to critics by skeptical readers. The method here briefly summarized starts from the standard linear regression model, and proceeds in determining  $m$  breakpoints within dataset (and  $m + 1$  partition segments), where the coefficients of the regression relationship shift from one stable relation to a different one. For interested readers, proofs and formal developments can be found in Bai and Perron (2003 and 1998) as well as in Zeileis et al. (2003) for computing details. Hence, having the linear regression model expressed as:

$$y_t = x_t \beta_t + \varepsilon_t \text{ with } (t = 1, \dots, n), \quad (1)$$

where at time  $t$ ,  $y_t$  is the observed dependent variable,  $x_t$  is a vector of regressors ( $k \times 1$ ), and  $\beta_t$  is the corresponding  $k \times 1$  vector of regression coefficients varying over time. The hypothesis of the constancy of regression coefficients holds whether:

$$H_0 : \beta_t = \beta_0 \text{ } (t = 1, \dots, n),$$

and  $m$  reasonable breakpoints lead to  $m + 1$  segments wherein the model (1) can be re-written as:

$$y_t = x_t \beta_j + \varepsilon_t \text{ with } (t = t_{j-1} + 1, \dots, t_j, j = 1, \dots, m+1),$$

having  $j$  as the segment index and  $T_{m,n} = \{ t_1, \dots, t_m \}$  as the set of breakpoints (or  $m$ -partition) by convention represented with  $t_0 = 0$  and  $t_{m+1} = n$ .

Within the  $m$ -partition, the least-squares estimate of the  $\beta_j$  leads to the Residual Sum of Squares ( $RSS$ ) as:

$$RSS = \sum_{j=1}^{m+1} rss(t_{j-1} + 1, t_j)$$

with  $rss(t_{j-1} + 1, t_j)$  is the minimal residual sum of squares in the  $j_{th}$  segment of the partition.

Dating and locating structural changes, it is necessary to identify the breakpoints  $t'_1, \dots, t'_m$  resulting from the minimization the objective function over all partitions with  $t_j - t_{j-1} \geq n_h \geq k$ :

$$(t'_1, \dots, t'_m) = \underset{1 \leq t \leq m}{\operatorname{argmin}} RSS \quad (2).$$

Solutions to obtain global minimization of the objective function in (2) are computationally burdensome for all  $m > 2$  (even in the hypothesis to have a reasonable sample of size  $n$ ). The order of the grid search would be  $O(n^m)$ . Hence, hierarchical algorithms have to be applied to do recursive portioning or joining sub-samples. Segment sizes are determined with  $h \times n$  observations, where  $h$  is a bandwidth parameter chosen to include 15% ( $h = 0.15$ ) of observation  $n$  within each segment. However, it is possible to selected another trimming value to refine the analysis. Some examples of such applications can be found both in Bai (1997) and Sullivan (2002). Nonetheless, such algorithms will not necessarily find the solutions in terms of global minimizers. Otherwise, applying an approach in dynamic programming of order  $O(n^2)$  for each  $m$  time a change occurs is much easier to implement. Bai and Perron (2003) calculate a dynamic algorithm fit for pure and partial structural change models within an Ordinary Least Squares (OLS) regression context. Such a proposal is able to obtain an optimal time-segmentation by the recursive solution of the problem following the Bellman's principle (1952), wherein the stochastic event is analyzed by adopting a recursive calculation strategy where each obtained result is applied to the determination of the subsequent one. Hence, in achieving the optimal segmentation the algorithm is derived from:

$$RSS(T_{m,n}) = \min_{mn_h \leq t \leq n - n_h} [RSS(T_{m-1,t}) + rss(t + 1, n)].$$

The same procedure applied for  $RSS$  can be implemented for the Schwarz Bayesian Information Criterion ( $BIC$  or  $SIC$  by various authors) (Schwarz, 1978):

$$BIC = \ln \left( \frac{\sum_{t=1}^n \varepsilon_t^2}{n} \right) + \frac{p \ln(n)}{n} .$$

Thus, it is possible to count on fitting criteria to evaluate multi-breakpoint detection procedure. Finally, as far as treatment and possible outliers are concerned, no specific formal theoretical evaluation is conducted both to detect and model them. Outlier analysis within intervention models framework is a common econometric technique to analyze special events. Usually such procedures are implemented through iterative calculations for the case of changes in conditions occurring at unknown points of times. Nevertheless, proper cautions are needed with regard to the appropriateness of the general model specification and the inherent possibilities for over specification in the number of outliers (Box et al., 2016). Generally consisting in specific adjustments, whatsoever modeling technique -even if correctly applied- could be evaluated by critics as an artificial adjustment to induce or emphasize specific results. Yearly and monthly WTI quotations data in their nominal prices are processed in the present work. Despite its argued traditional regionalization (Weiner, 1991), for depicting the unified worldwide oil price/market, WTI price is a world benchmark (Kuck and Schweikert, 2017, Ghassan and Alhajhoj, 2016, Chevallier and Ielpo, 2013 and Kaufman and Ullman, 2009). For what concerns data, yearly prices cover the period 1861-2017, and are retrieved from Quandl (2018). Monthly quotations cover a more recent period from 1986:01 to 2018:05, and are gathered from Datastream (2018). Periods are not exactly overlapping because the attempt wishes to test the procedure in a long-term and a medium-term context as well. Additionally, it is not possible to find monthly figures starting from 1861. The longer monthly WTI price series is available from 1986 onwards. Considering the present work as an explorative one, it must pointed out that different time frequencies could also be selected for dedicated research needs.

### 3. Elaborations and findings

Processing the series with trimming parameters equal to  $h = 0.15$  and  $h = 0.10$ , we obtain the following results resumed in Table 1 (where yellow cells indicate the minimum  $BIC$  for various  $m + 1$  partitions). In the subsequent Table 2 the exact identification of breakpoints is summarized, and in Fig. 1 to 4 are visually indicated by arrows. The first thing to note is that -as could be reasonable to expect- the lower the window trimmer  $h$  the higher the number of structural changes detected. Such an outcome is coherent with the fact that algorithm is forced to fine-tuning the process more times within its recursive procedure. This is resolved through a higher number of segments and partitions. Another feature to point out is that the longer the time series analyzed the lower is the overall precision of the whole calculation. As a matter of fact, only 2 and 4 statistical meaningful breakpoints are detected respectively with  $h = 0.15$  and  $h = 0.10$  in the 1861-2017 yearly time-frame. In the monthly series 3 (for  $h = 0.15$ ) and 5 (for  $h = 0.10$ ) breakpoints are present. Further to calculation, as previously stated, the main goal of the work is to understand the ability of the method to help researcher in highlighting statistical price movements coherent with historical facts exerting a relevant driving effect on recorded quotations. In pursuing such a task, we firstly analyze yearly elaborations. Chronological real oil facts to check are taken from BP (2017) and McGuire (2015). Interested readers can easily verify on their own. The yearly analysis of breakpoints with  $h = 0.15$  identifies only two relevant points. The first (1970) is not well-focused considering that the main event occurred in 1973 with the Yom Kippur war, as it well recognized also in economic literature. Also the second in 1993 is subsequent, and hence quite not well defined, to the 1990 Iraqi invasion of Kuwait. As far as the more fine-tuned yearly analysis with  $h = 0.10$  is concerned, we found four points. The 1877 is coherent with Rockefeller's Standard Oil Company market dominance position (more than 95% of all refineries in the USA). The 1972 is just preceding the Yom Kippur war. The third point in 1987 is quite important considering that Saudi Arabia decides to regain its share of the global market by increasing production in the face of crashing prices. The OPEC leader went from 3.8 million barrel a day in 1985 to more than 10 million barrels a day in 1986. This behavior has surely

affected crude quotations through market demand-supply balance interplay. The last point, identified in 2002, is located beyond the September 11<sup>st</sup> 2001 Twin Towers event that characterized a period with a great concern about the stability of Middle East's production because of subsequent invasion of Iraq.

**Table 1. Optimal partition with BIC and RSS**

$m$ ( $h = 0.15$ )	Yearly (1861-2017)		Monthly (1986:01-2018:05)	
	<i>BIC</i>	<i>RSS</i>	<i>BIC</i>	<i>RSS</i>
0	1,425	79,267	3,756	345,008
1	1,305	34,454	3,252	91,429
2	1,286	28,548	3,216	80,908
3	1,296	28,517	3,190	73,331
4	1,306	28,506	3,201	73,277
5	1,316	28,502	3,215	73,580
$m$ ( $h = 0.10$ )	<i>BIC</i>	<i>RSS</i>	<i>BIC</i>	<i>RSS</i>
0	1,483	109,210	3,756	345,008
1	1,438	76,696	3,252	91,429
2	1,396	55,069	3,090	58,585
3	1,383	47,502	2,973	41,982
4	1,369	40,850	2,939	37,307
5	1,374	39,562	2,905	33,197
6	1,384	39,475	2,914	32,944
7	1,394	39,399	2,923	32,657
8	1,404	39,325	2,935	32,648
9	1,414	39,325	3,004	37,815

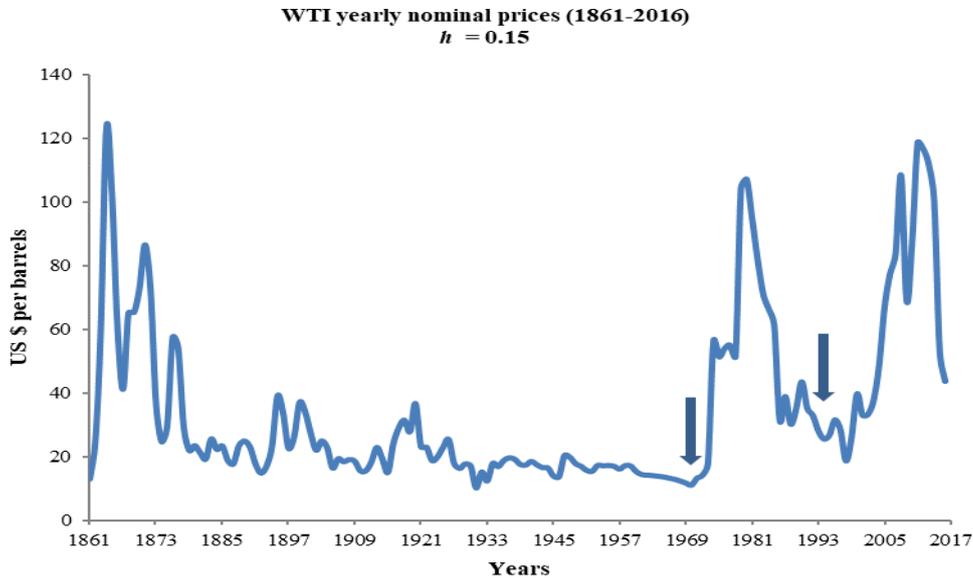
Source: Personal elaboration on Datastream (2018) and Quandl (2018).

**Table 2. Identification of breakpoints**

$m (h = 0.15)$	Yearly (1861-2016)	$m (h = 0.15)$	Monthly (1986:01-2018:05)
2	1970	3	1999 (11)
	1993		2005 (6)
			2013 (7)
$m (h = 0.10)$	Yearly (1861-2016)	$m (h = 0.10)$	Monthly (1986:01-2018:05)
4	1877	5	1999 (11)
	1972		2004 (7)
	1987		2007 (9)
	2002		2010 (12)
			2014 (11)

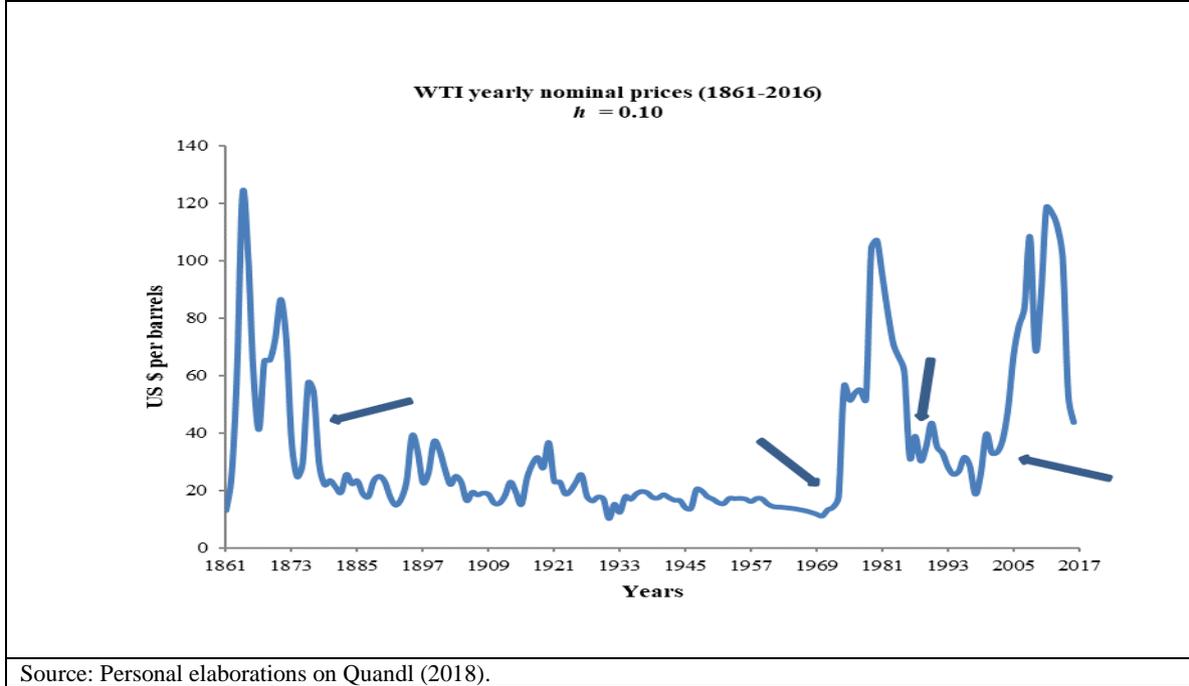
Source: Personal elaboration on Datastream (2018) and Quandl (2018).

**Figure 1. Breakpoint visual identification within yearly WTI nominal prices ( $h = 0.15$ )**

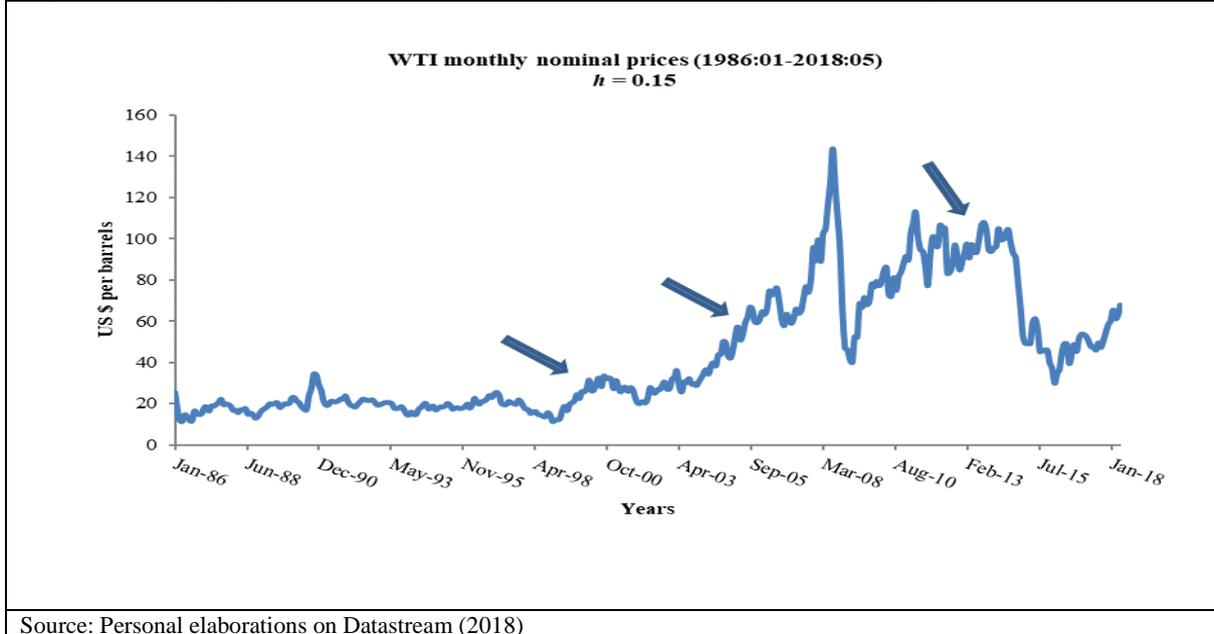


Source: Personal elaborations on Quandl (2018).

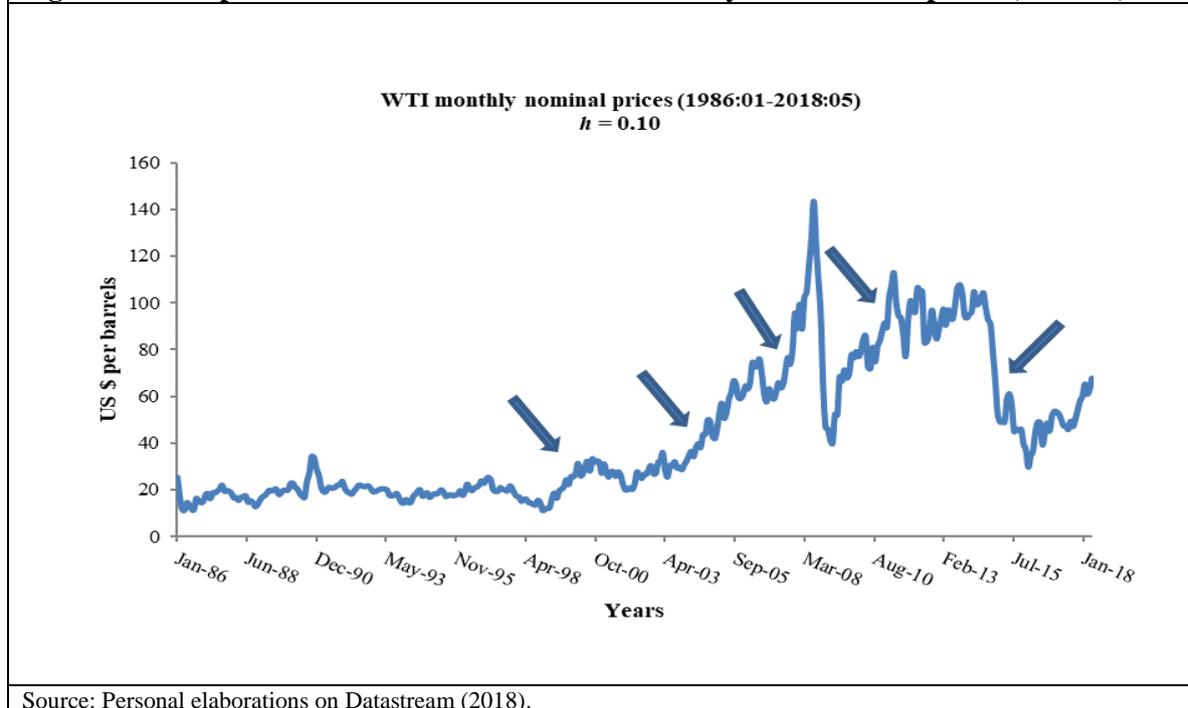
**Figure 2. Breakpoint visual identification within yearly WTI nominal prices ( $h = 0.10$ )**



**Figure 3. Breakpoint visual identification within monthly WTI nominal prices ( $h = 0.15$ )**



**Figure 4. Breakpoint visual identification within monthly WTI nominal prices ( $h = 0.10$ )**



For what concerns the medium-term analysis (1986-2018) analyzing monthly quotations, it is possible to note the followings. For the  $h = 0.15$  derived values, the first identified change in statistical properties is dated in 1999:11. Obviously even if not on a monthly exact/corresponding basis, this is recorded by chronological sources as a perceived crucial moment in oil market due to the end of the 1997 financial crises for the Far East Tigers (Indonesia, South Korea and Thailand) and the inherent oil demand resurgence. The second point located in 2004:7 is quite close to the mid-2000s, where the combination of declining production and soaring of Asian demand forced prices to peak. The subsequent 2007:9 point -also in this case not exactly centered- can be (widely) encompassed in the global financial international 2008 crisis period. The fourth point located in 2010:12 can be coupled with the riots and protests from the so called “Arab Spring” and the Libyan civil war. Finally, the last individuated break point in 2014:11 may be coupled with the oil prices crash due to the contemporary high crude production from USA and Russia jointly with OPEC’s November decision to maintain the rate of production.

Overall, as it is reasonable to expect, a long-term analysis is more hard to compel with a general fitting statistical model. Considering the presence of unit roots in the series (even if not formally tested for brevity reasons, a visual inspection can be of easy help in the right perception), it is much better to adopt a more frequent trimming window. As a matter of fact, outcomes calculated by  $h = 0.10$  are more significant than corresponding by  $h = 0.15$ . Also the monthly derived structural breakpoints follow such considerations crediting the more frequent parameter.

#### 4. Conclusions

From the previous discussion, we can get some insights about the proposed methodology implemented in the case of WTI oil prices. The applied method seems to have good potential for further empirical investigations within (but not with limitation to) economics of commodity markets analysis. In the case of oil monthly data and selecting the more frequent trimming windows it can be possible to get a certain effectiveness in identifying periods where statistical properties of the series change in a meaningful manner. These points fit with an acceptable correspondence with real events. The main pros lie in the

fact that intervention models techniques (usually) follow the inverse track. In fact in these cases the researcher must count on proper knowledge and sensibility to analyze data. A whatsoever degree of gained experience and judgement has to be put into practice. Such needs could be considered as issues in empirical econometric investigation of time series. Through the proposed method the very opposite holds, and a reverse path is to follow. Structural breaks are endogenously derived and, at this point, the research could feedback to the chronological events in order to understand their relevance in the analysis. We do not affirm that this approach is necessarily the best track, but surely it widens the opportunities acting in helping research work from a complementary perspective.

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**SHIRLEY JOSEPH<sup>1</sup>**

## **ACHIEVING HIGHER LEVELS OF STUDENT ENGAGEMENT IN THE CLASSROOM THROUGH THINKING ROUTINES**

### **Abstract**

Research has shown that the teacher's ability to structure the classroom through relevant activities that stimulate thinking is one of the strongest predictors of student engagement. Student engagement refers to a "student's willingness, need, desire and compulsion to participate in, and be successful in, the learning process promoting higher level thinking for enduring understanding" (Bomia, Beluzo, Demeester, Elander, Johnson, & Sheldon, 1997, p. 294). Visible Thinking may be described as clearness and transparency in one's thinking processes (Hull, Balka & Miles, 2011). This clarity is made possible through Thinking Routines, which focus on the setting up of structures that integrate thinking into classroom activities (Perkins, 2003). These routines also act as tools to activate thinking and are useful to both teachers and students (Ritchhart, Church & Morrison, 2011). Thinking Routines, which are a linchpin for promoting greater student engagement and participation in classroom activities, were used to create a student-driven curriculum for the subject, Organizational Communication. This subject is designed for second-year engineering students to prepare for workplace communication challenges.

Ninety second-year students participated in a pilot study to determine whether the use of Thinking Routines increased their engagement in the learning process. Thinking Routines were incorporated for the first time in the following modules: Email Writing, Meeting Skills and Minutes Writing, in addition to Interpersonal and Intercultural Communication Skills. Classroom observations were conducted, and student and tutor surveys administered to elicit students' feedback on the use of the Thinking Routines, levels of engagement, and teaching effectiveness.

Results show that the students were enthusiastically engaged in the learning process. The online teaching effectiveness feedback summary, indicate that the activities stimulated thinking and created greater awareness of the relevance of the subject. Moreover, the use of the Thinking Routines in the classroom, made it easier for the tutor to address misconceptions in understanding of content taught, and give meaningful feedback; it also provided the tutor with a platform to evaluate the students' reasoning ability and comprehension of the subject content (Ritchhart, et al., 2011).

**Keywords:** Student-driven pedagogy, thinking routines, visible thinking, student engagement

**JEL Codes:** I00, I20, I21

### **Introduction**

Much research places teachers at the heart of student engagement. "Teachers need to create rich educational experiences that challenge students' ideas and stretch them as far as they can go" (Zepke & Leach, 2010, p.171). When learning takes place in an authentic and a meaningful context, teachers act as facilitators or guides, and students drive the knowledge acquisition process. When the primary objective is to cover the curriculum, the probable result is teachers covering more content and engaging less (Ritchhart, 2002). Keeping students engaged is recognised as one of the most critical considerations of an educator (Marzano, 2007). When students are involved in the learning activities, they take ownership of their learning, retain what they have learned, and enhance their student-teacher relationship, which helps in classroom management (Riggs & Gholar, 2009; Wolfe, 2001).

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<sup>1</sup> Temasek Polytechnic, Singapore, josephs@tp.edu.sg.

## **Student engagement**

The Glossary of Education Reforms defines student engagement as the degree of attention, enthusiasm, curiosity, interest, optimism, and passion that students show when they are learning (Student engagement, n.d.). These qualities are demonstrated through students' high levels of energy, keenness, readiness to ask or answer questions, explore alternatives, and apply cognitive or metacognitive strategies. Students also make connections to their prior knowledge or experiences (Silver & Perini, 2010; Chapman, 2003; Darling-Hammond, 2008). In other words, learning is enhanced when students are curious, focused or cognitively challenged.

Cognitive or intellectual engagement is evident when students muster their mental effort to understand complicated ideas and grasp tough concepts. When thinking is stimulated, and when students are able to justify their responses with evidence, and relate to what is being taught, they are likely to be less bored and disengaged (Fredericks, Blumenfeld & Paris, 2004; Akey, 2006). Moreover, making connections to students' everyday lives, social and personal issues or concerns, through relevant examples are profoundly more successful in engaging students in the lesson (Heller, Calderon & Medrich, 2003). Therefore, teachers need to ensure that their lessons incorporate activities that include asking questions, thinking, and constructing meaning, exploring, communicating, reflecting and, connecting to real life (Gholam, 2018). This student-driven curriculum reflects greater communication and consultation among learners and educators, who study and consider content collaboratively. In this case, the teacher often models learning, instead of furnishing students with answers or dictating what the outcomes should be (Claxton, 2007; Taylor & Parsons, 2011). To put it succinctly, teachers create opportunities for students to be actively engaged and build their knowledge. Furthermore, teachers are instrumental in promoting student engagement as they interact daily with their students, and are naturally the most powerful influencers in the student's learning journey. As such, a large toolbox of activities is required to engage a wide variety of learners (Akey, 2006; Garcia-Reid, Reid & Peterson, 2005). Effective teaching in this context means, deliberating carefully and designing intellectually challenging classroom activities. It also means instilling deep thinking, connected to real-life issues and involving meaningful conversation and thoughtful reflection. These elements of effective teaching allow students to succeed both in schools and beyond them. (Willms, Friesen & Milton, 2009; Kridel & Bullough, 2007).

## **Needs of learners today**

Today's learners prefer lessons that enable them to search for solutions and answers for themselves (Windham, 2005). This generation of students is keen to propose suggestions and give their opinions readily, as they are used to posting their thoughts on social media all the time. Unlike the traditional notion that teaching is based solely on content delivery, and learning is just acquiring content, this type of active engagement stimulates thinking and cognitively engages students in managing the content they discover (Lang, 2015). Furthermore, the relevance of the subject matters a lot to present-day learners. They want their learning to apply to real-life scenarios whenever possible rather than acquiring theoretical or text-based knowledge. These students wish to do tasks or activities that are intellectually engaging and relevant to their lives.

## **Theoretical framework: Visible thinking**

Visible Thinking (VT) is an extensive and flexible framework for enriching classroom learning in the content areas and cultivating students' intellectual development at the same time (Visible Thinking, n.d). VT emanated from Harvard's Project Zero research initiative. It is a versatile approach or structure to augment classroom instruction and learning. VT offers a variety of tools so that students can see their thinking as well as the thoughts of their peers and teachers. At the same time, it increases student

involvement and engagement. It comprises two goals. The first objective is to develop the students' thinking competence, through engaging activities, while enhancing participation. The second objective is to deepen content acquisition and strengthen students' comprehension ability (Project Zero, n.d). VT assists in cultivating students who are unbiased, inquisitive, analytical, and sceptical. All these qualities are the essence of good thinking. In short, it is a teaching method that enables teachers to observe the students' thinking processes and find out their related experiences, learning obstacles, struggles, and challenges. It is a formidable gateway to help students advance their intellectual growth (Tishman & Palmer, 2006; Perkins, Tishman, Richhart, Donis & Andrade, 2000). This intellectual growth is made possible through learning routines that are thinking rich.

### Thinking routines

The VT Project Zero research initiative (Project Zero, 2009; Ritchhart, 2002) created a set of **Thinking Routines**. These are brief, easy-to-use, simple structures by which students collaboratively or individually discover, navigate, talk about, record, and control their thinking. Thinking Routines urge students to be actively involved in the subject content by telling them to think beyond what they already know – through asking questions, acknowledging prior knowledge, questioning the validity of ideas, and connecting new knowledge to old in a visible manner. These routines are beneficial. For instance, students become autonomous and teachers observe that students display greater thoughtfulness and engagement in lessons (Ritchhart, Palmer, Church & Tishman, 2006).

Teachers appreciate Thinking Routines and find that they create opportunities for positive, engaged learning, simultaneously, unveiling the students' thought processes (Ritchhart, 2015). Such routines comprise questions that activate divergent levels of thinking. They can also be used as instruments to help students link to their prior knowledge about the subject matter and delve deeper into content. Questions are a powerful vehicle for student engagement as they stimulate thinking, reveal misconceptions, deepen comprehension, and encourage exploration of alternative views and connections. Students grow as thinkers and are more engaged when they are required to support their opinions with factual evidence, instead of giving superficial responses (Ritchhart, 2015; Salmon, 2010; Walsh & Sattes, 2011; Wassermann, 2009). Thinking Routines are grouped into three major categories – *Introducing and Exploring Ideas*, *Synthesizing and Organising Ideas*, and *Digging Deeper into Ideas*. This paper will focus on the second and third categories of Thinking Routines.

### Communication skills courses at the School of Engineering

In the School of Engineering, Temasek Polytechnic, all engineering students have to complete compulsory communication skills subjects as part of the prerequisites for graduation. The Year 2 curriculum covers soft skills such as interpersonal and intercultural communication, email and report writing as well as meeting and minutes writing. These modules have been developed to prepare students for workplace communication challenges during their Student Internship Program (SIP).

### The Context: Organisational communication

In the School of Engineering, all diploma students have to complete a minimum 16-week graded SIP with an external or overseas organization in the second or third year of their diploma. At the end of the internship, they are appraised on both soft and hard skills. These include **knowledge and skills** (*i.e., problem-solving skills, spoken and written communication, application of theory to practice*), **team effectiveness** (*i.e., service excellence, interpersonal and intercultural communication skills*), and **workplace effectiveness** (*i.e., personal qualities such as responsibility, quality of work, and adaptability*).

In 2014, the Communication Skills subject team conducted an extensive subject review. Under review were the existing topics, theoretical framework, the currency of skills taught, types of activities used, and the appropriateness of assessments to prepare students for workplace communication challenges and practices during their SIP.

Qualitative feedback on key workplace communication challenges (i.e., both verbal and non-verbal communication) was obtained from the SIP Supervisors and student interns. One of the salient findings indicated that the existing Communication Skills modules needed more examples and activities that mirrored authentic workplace communication situations.

As engineering students prefer a hands on approach to learning (Driscoll & Carolyne, 2000), it was decided that some critical tenets of Constructivism be used as the theoretical framework for the curriculum revision, and Active Learning strategies employed to engage them. The aim was to enable the students to pursue their interests, enhance their abilities, tap on prior knowledge, and develop life-long learning skills (Christie, 2005). Active Learning is generally defined as any teaching method that engages students in meaningful and authentic activities (Papert & Harel, 1991), and helps to develop higher-order thinking skills (e.g., *analysis, synthesis, evaluation*) (Bonwell & Eison, 1991).

For *Interpersonal & Intercultural Communication (IPIC)*, the module duration was extended from two to 10 hours to give students practical and genuine experience in collaboration and teamwork (Scott, 2015).

In the revised *Email Writing module*, students were challenged to rewrite original workplace emails which were impolite and unprofessional in tone. They were also asked to justify the effectiveness of their revised emails.

Lastly, for *Meeting Skills and Minutes Writing*, more workplace scenarios describing employer expectations of student interns were used for meeting demonstrations. This was to replicate workplace meetings.

Based on the subject reviews and student survey feedback, the revised curriculum and assessments were well-received by the students. However, it was perceived that **greater intellectual engagement** could be fostered through the use of **Thinking Routines** in the classroom. It was also to understand the students' thought processes better, uncover misconceptions in understanding of content, and address these promptly.

## Methodology

### *Participants*

Five classes, comprising 90 students from the diplomas in Aerospace Engineering, Clean Energy and Mechatronics participated in a pilot study in August 2018. The purpose of the study was to determine whether the use of Thinking Routines engaged students in the learning process.

### *Modules selected for incorporation of Thinking Routines*

Thinking Routines were incorporated in the following modules: *Email Writing, Meeting Skills and Minutes Writing, and Interpersonal and Intercultural Communication Skills*. Classroom observations were made, students' written and oral reflections were studied, and the quantitative data from the 90 students surveyed were assessed. Furthermore, the tutor's online student feedback on teaching

effectiveness was reviewed. These evaluation methods were used to measure the levels of student engagement and teaching effectiveness.

### Thinking routines to organise and synthesize ideas

#### *Headlines & Email Writing*

This routine taps on newspaper type headlines as an avenue for students to summarise and highlight the main idea of an event, a concept, topic, and others. It also helps to clarify where each student is in his/her understanding of the main/central idea of the topic. This routine aims to get students to develop the habit of looking for deeper meaning in the topic or subject matter (Visible Thinking, n.d.).

After the students completed the email writing module, they worked in groups to answer two questions:

1. If you were to write a headline on **email writing** right now that captured the most important part that should be remembered, what would it be?
2. How has this headline differed from what you have said before our lesson on email writing?

#### *"I Used to Think... However, now I think..." & Meeting Skills & Minutes Writing*

This routine is designed to make students reflect on their thinking about a topic or issue and discover how and why that thinking has changed. It is useful to consolidate new learning as students unveil their understandings, opinions, and beliefs. By assessing and elucidating how and why their thought processes have changed, students cultivate their ability to rationalize and identify cause-effect relationships. Also, this routine develops the students' metacognitive skills – the ability to connect to and discuss one's thinking itself (Ritchhart, et al., 2011). For the Meeting Skills & Minutes Writing modules, students were asked to synthesize what was learnt through the following statements: "*I used to think that meetings are...; however, now I think that meetings are....*"

#### *Connect-Extend-Challenge & Interpersonal & Intercultural Communication (IPIC) Skills*

For the IPIC module, students were tasked to complete a project requiring a problem analysis of real conflicts at the workplace. Groups comprising different ethnic backgrounds and nationalities were instructed to collaborate and conduct research on IPIC concepts/theories. After that, they were to deliver a group presentation of the problem analysis and proposed solutions (*focusing on verbal, non-verbal communication and intercultural errors and solutions*) as well as produce a video of the problem and solution enactments. In the last part of this assessment, students had to present an individual oral reflection using the Thinking Routine – **Connect-Extend-Challenge**.

The Connect-Extend-Challenge routine helps students to tie new ideas acquired with what they already know. It also encourages them to take stock of ongoing questions, puzzles, and challenges as they reflect on what they are learning (Project Zero, n.d.). By getting students to make both connections and extensions, the teacher conveys a significant message to the students that ideas, perceptions and thoughts evolve, deepen and grow over time (Ritchhart, 2011). For this routine, students were asked to reflect on the following questions:

#### **Connect**

1. What are some of the ideas and information on IPIC that you have discovered through this project? How are these connected to what you already knew? (Share personal experiences which you observed or were involved in.)

## Extend

2. What new ideas did you get that extended your knowledge of IPIC and pushed your thinking in new directions? “It has made me realize that...”

## Challenge

3. What are some IPIC issues that still pose a challenge or seem confusing to you?

## Thinking routines to dig deeper into ideas

*“What makes you say that?” & Intercultural Communication Skills*

The “*What makes you say that?*” routine helps students to justify their thinking by asking them to expand on the thinking that explains their responses. It encourages evidential reasoning and creates an opportunity for students to consider viewpoints from multiple perspectives. By doing this, discussions move from a peripheral to a deeper level (Ritchhart, 2011).

To introduce the concept of stereotyping, a Nike commercial produced in 2004 by an American advertising agency, Weiden & Kennedy was shown to the students. Called “The Chamber of Fear”, it featured LeBron James in the “36 Chambers of Shaolin”. This commercial was banned in China.

Students were then asked two questions:

1. Why do you think the Chinese government banned this ad?
2. What makes you say that?

*Circle of Views & Intercultural Communication Skills*

It was noticed that students made hasty generalizations sometimes; therefore, it was essential to make them understand that intercultural communication issues can be very complex. For this purpose, the students were shown a YouTube video, which featured two American Presidents greeting Emperor Akihito, when they visited Japan. They were then tasked to focus on the manner in which Presidents Obama and Trump greeted the Japanese Emperor, Akihito, ferret out their unstated assumptions, and discuss this issue from multiple perspectives (e.g., *American citizens, American government, Japanese government, intercultural communication experts, Japanese and American news media, political opponents of Presidents Trump and Obama.*)

## Results & discussion

*Headlines & Emails*

Initially, the students shared very generic and unrelated headlines that did not capture the essence or central idea of the lesson on email writing. This lack of clarity was a similar trait in all five classes. These were some of the headlines: “*Informative emails*”, “*Writing an email is easy or is it?*” “*Rewrite everything*”, “*Email writing is complex*”, “*Important email skills to not write at work*”, “*Importance and benefits of email writing*”, “*Memorable Email Writing*”, “*Writing is crucial*”, “*Everything that is important about email writing*”, “*Constructive Emails*”, “*Email Writing is More Fun Than You Think*”, “*New Information about Email Writing Learnt*”, “*Email Writing with a Bam!*” and others.

The tutor then instructed the students to revisit the email writing module. Next, they were told to work in small groups again to rewrite their headlines to capture the most crucial part that should be remembered about email writing. The students were then directed to write their headlines on the whiteboards and share their reasoning, as well as identify common themes related to email writing.

Table 1 presents some samples of the students' revised headlines that were shared. These samples were culled from the five classes.

<b>Table 1. Headlines written for email writing</b>
<p><b>Q1. If you were to write a headline on email writing right now that captured the most important part that should be remembered, what would it be?</b></p> <p><b>Q2. How has this headline differed from what you have said before our lesson on email writing?</b></p>
<p>Q1 <b>"Emails must be written clearly, briefly and respectfully."</b></p> <p>Q2 "This headline has differed as after our lesson, I learnt that emails should not be full of details and be very long."</p>
<p>Q1 <b>"Professionalism in emails is very important."</b></p> <p>Q2 "This headline has differed because I realise that emails must have a structure and need to be formal to project professionalism."</p>
<p>Q1 <b>"Tone is critical in emails."</b></p> <p>Q2 "The headline has differed as I now understand that email writing is not like writing a composition in school. I need to address the key points in the right tone."</p>
<p>Q1 <b>"Language and tone are key in an email."</b></p> <p>Q2 "The headline has differed as I now feel that emails when not written properly can harm our relationships with people at work."</p>
<p>Q1 <b>"Do not write emotional emails at work!"</b></p> <p>Q2 "The headline has differed as it has reminded me to always be polite with our email replies."</p>
<p>Q1 <b>"Email Writing - the Good, Bad &amp; Ugly!"</b></p> <p>Q2 "The headline has differed because I am now confident that it does not pay to use an aggressive tone when writing emails at work, even for unpleasant moments."</p>
<p>Q1 <b>"You will not believe how important tone is."</b></p> <p>Q2 "It has differed as after the lesson, I learnt that emails can have a big impact at the workplace. For example, emails are used to communicate with our bosses and colleagues."</p>
<p>Q1 <b>"Filtering is necessary when writing emails that give bad news."</b></p> <p>Q2 "It has differed as I have learnt that it takes much effort to write positively especially when giving bad news."</p>
<p>Q1 <b>"Never discuss a conflict online because it is not professional."</b></p> <p>Q2 "It has differed as I now understand that it is best to discuss a conflict face-to-face and better to avoid email warfare at work."</p>
<p>Q1 <b>"You must write emails that are positive in tone!"</b></p> <p>Q2 "It has differed as now I know that replying emails in a positive way is more likely to bring positive results."</p>
<p>Q1 <b>"Buffer statements are important."</b></p> <p>Q2 "It has differed because now I have come to realise that when you use buffer statements, you appear tactful. People prefer to read something positive rather than negative first."</p>
<p>Q1 <b>"Think before you send an email!"</b></p> <p>Q2 "It has differed, as I now believe that email writing is not like social media. You cannot simply write anything you like, especially at the workplace."</p>
<p>Q1 <b>"There are different structures and format for written communication."</b></p> <p>Q2 "My thinking has differed as email writing is not like sending text messages, where you can type what you wish without care for formality."</p>
<p>Q1 <b>"Write emails that are polite in tone."</b></p> <p>Q2 "After the lesson, I have learnt that emotions could affect the tone of an email."</p>
<p>Q1 <b>"Keep emails short and don't be rude."</b></p> <p>Q2 "My thinking is different now because I never knew that there is such a thing as tone in email writing."</p>
<p>Source: Students' Responses.</p>

With reference to the students' responses in Table 1 on page 21, it appears that the big ideas that resonated with the students were that language and tone are critical in email writing. Furthermore, the need for professionalism and politeness especially when replying to negative emails was highlighted. An analysis of the initial and revised headlines, and how the headlines differed from what the students had said before the lesson on email writing was done. The analysis confirmed that the students were able to capture the central idea – the importance of language and tone in email writing effectively. This awareness is vital as the module is designed to prepare students for workplace communication challenges both spoken and written. Email is no longer just a tool to communicate over long distance. Business deals are closed by email, and a major part of the communication even with colleagues in proximity takes place online (Renaud, Ramsay & Hair, 2006).

*"I used to think... However, now I think..." & Meeting Skills & Minutes Writing*

Table 2 on page 23 shows sample reflections from the five classes.

**Table 2. Sample Reflections on: "I used to think...However, now I think..."**

<b>"I used to think that meetings are..."</b>	<b>"However, now I think that meetings are..."</b>
"I used to think that meetings are a waste of time."	"However, now I think that meetings are an opportunity to recall the main points and ensure everyone stays on track."
"I used to think that meetings are only held for every single detail discussed."	"However, now I think that meetings are more than just your presence. There must be proper preparation with a clear agenda. This is to keep the meeting on track to meet the stated objectives."
"I used to think that meetings are situations where everyone communicates and shares ideas."	"However, now I think that meetings are situations where I have to listen carefully, clarify ideas by asking relevant and useful questions."
"I used to think that meetings are fun and games. There is no need to record what happened."	"However, now I think that meetings are serious, and you need to prepare for it, and everything is recorded down."
"I used to think that meetings are held anytime to discuss the workplace problems instead of having a fixed agenda."	"However, now I think that meetings are organised by having an agenda that we need to follow and prepare beforehand."
"I used to think that meetings are something you can learn from experience."	"However, now I think that meetings are formal and professional. There are important tasks to do based on the roles you are assigned for the meeting."
"I used to think that meetings are controlled by a single person."	"However, now I think that meetings are very structured and collaborative."
"I used to think that meetings are held without any specific order to it."	"However, now I think that meetings are largely structured and require a good amount of organisation to deliver the most productive exchange of ideas."
"I used to think that meetings are simply presentations, where one person would present his/her topic and the rest will listen and comment."	"However, now I think that meetings are brainstorming sessions, where ideas that members have, can be improved upon, and prior preparation is required to do so."
"I used to think that meetings are routine and normal speech exchanges between people without proper objectives."	"However, now I think that meetings are formal and well-organized beforehand to make efficient use of limited time. People in the meeting must also contribute to achieving the purpose of the meeting."
"I used to think that meetings are very long and pointless sometimes, and they have no structure."	"However, now I think that meetings can be productive when we prepare well before the meeting with reference to the agenda. It means that everyone is contributing and carrying out their roles in the meeting."
"I used to think that meetings are controlled by the boss and only his/her opinion matters."	"However, now I think that meetings are dependent on everyone's inputs before final decisions are made."

Source: Students' Responses.

With reference to the student responses in Table 2, it seems that the students have realised the importance of preparation, purpose, responsible behaviour, organisation, active listening, and participation in meetings. In contrast to their initial perceptions, the students' post-lesson thoughts on Meeting Skills & Minutes Writing show an awareness of a cause-effect relationship and their application of metacognitive skills, the ability to identify and talk about one's thinking itself (Ritchhart, 2011).

*Connect-Extend-Challenge & Interpersonal & Intercultural Communication (IPIC) Skills*

Table 3 shows sample reflections from the five classes.

<b>Table 3. Sample Reflections for Connect-Extend-Challenge</b>		
<b>Connect</b>	<b>Extend</b>	<b>Challenge</b>
<p>1. <i>What are some of the ideas and information on IPIC that you have discovered through this project? How are these connected to what you already knew? (Share personal experiences which you observed or were involved in.)</i></p>	<p>2. <i>What new ideas did you get that extended your knowledge of IPIC and pushed your thinking in new directions? It has made me realize that...</i></p>	<p>3. <i>What are some IPIC issues that still pose a challenge or seem confusing to you? What new questions do these challenges pose to you now?</i></p>
<p><b>High Power Distance</b>          “I worked as a part-time waiter at Starbucks during my school holidays. I simply took instructions from my supervisor, who was not open to any suggestions from me. Based on my part-time working experience, I know that in some organizations, power is in the hands of a few people and communication is only one-way.”</p>	<p>“It has made me realize that by positively reframing a negative statement, we can save face and minimize conflicts at the workplace.”</p>	<p><b>IPIC issues that pose a challenge or seem confusing...</b></p> <ul style="list-style-type: none"> <li>▪ “Context Orientation”</li> <li>▪ “Power Distance”</li> <li>▪ “You” statements</li> <li>▪ “Job vs. Relationships – where to draw the line?”</li> <li>▪ “I am still confused about signs and symbols of power.”</li> <li>▪ “I cannot understand how task-minded and individualistic people can work together.”</li> <li>▪ “Tone and body language, and how these can be misinterpreted and cause miscommunication at work.”</li> <li>▪ “Body language is a challenge for me because it is hard for me to monitor my body language when interacting with someone.”</li> <li>▪ “Reacting with appropriate body language when someone asks me to do more work when I already have a lot to do.”</li> <li>▪ “I am unable to relate to the Politeness Principle – Sympathise.”</li> <li>▪ “I am confused between sympathy and empathy.”</li> <li>▪ “Power distance and uncertainty avoidance pose a challenge for me.”</li> <li>▪ “The use of fillers as a face-saving strategy.”</li> <li>▪ “Working with passive communicators is a challenge for me.”</li> <li>▪ “Different types of gazes (business, social, intimate) and when to use them.”</li> </ul>
<p><b>Politeness Principle –Generosity</b>          “My Team Leader for my Drama Club in Secondary School fixed meetings based on his schedule and expected everyone to be available. This attitude was very damaging as it affected our team communication. The club members were very frustrated as we had to make sacrifices to fit his schedule. This experience reminded me that some people like to do things to suit their convenience without considering the needs of others.”</p>	<p>“It has made me realize that how we act or what we say can harm others.”</p>	
<p><b>“You” Language &amp; Aggressive Communication Style</b>          “In my part-time work as a sales assistant, I encountered a colleague who always blamed her peers when sales targets could not be met. Her tone was threatening, and she used her index fingers to point at her colleagues. I also heard the word “you” used many times. I noticed from the reaction of her colleagues that this form of communication does not result in a positive outcome.”</p>	<p>“It has made me realize that building rapport and positive relationships with those we work with are important at the workplace.”</p>	

<p><b>Face-saving strategies</b>                  “In my first year of study, I had a classmate who refused to complete his work on time. I shouted at him in front of the class. I embarrassed him and made him lose his face. It reminded me of a time when my primary school teacher did something similar to me and I felt terrible in front of my classmates.”</p>	<p>“It has made me realize that I need to think first before I talk, and put myself in other people’s shoes. I have to understand their feelings and emotions too.”</p>	<p><b>What new questions do these challenges pose to you now?</b></p> <ul style="list-style-type: none"> <li>▪ “When is it appropriate to assert one’s rights? Can I be assertive in meetings?”</li> <li>▪ “Should we assert our rights, when we interact with our supervisors during our student internship?”</li> <li>▪ “When I am working with someone with low context orientation, do I have to adapt to him or her?”</li> <li>▪ “Does high power distance mean that the person has less power?”</li> <li>▪ “How do I get along with a person who focuses more on the job than relationships?”</li> <li>▪ “How and when do I use “I” and “You” language?”</li> <li>▪ “I am an individualist. How do I work with someone who is collectivistic in orientation?”</li> <li>▪ “Will individualism affect group work?”</li> <li>▪ “How can I express my opinions with more confidence without sounding forceful?”</li> <li>▪ “What if my internship supervisor is rude and offensive though I apply the Politeness Principle rules and face-saving strategies?”</li> <li>▪ “How do low and high uncertainty avoidance affect teamwork?”</li> <li>▪ “What are some ways passive and assertive communicators can work together?”</li> <li>▪ “How do I give feedback to someone about his/her mistakes without using “You” language?”</li> </ul> <p><b>What new questions do these challenges pose to you now?</b></p> <ul style="list-style-type: none"> <li>▪ “Can fillers be used in a formal context to hedge opinions?”</li> </ul>
<p><b>Body language – Facial expressions and posture</b>                  “One of my camp leaders attended a Student Club meeting and slumped in her chair. She kept texting and appeared very distracted throughout the meeting. From what I noticed, and the unpleasant reactions of the other club members, I know that our body language sends signals to others – it can be both positive and negative.</p>	<p>“It has made me realize that gestures, posture, facial expressions can hinder or enhance communication.”</p>	
<p><b>Politeness Principle – Empathy</b>                  During my part-time work experience at Harvey Norman, I observed that one of the retail staff was quite rude to customers and used vulgarities. Later, I found out that he could not handle his work pressure, and he was taking it out on his customers. When he spoke to his supervisor about his workload, the response was, “It is a job. Just do it!” If only the retail staff had someone who could listen and connect with his feelings, maybe, he could have handled his stress better.”</p>	<p>“It has made me realize that we have to consider the feelings of others when we say something. Sometimes, we unintentionally offend people and must be aware of how we say something.”</p>	
<p><b>Individualism vs. Collectivism</b>                  “For one of the school projects in Secondary School, two of my team members asked the group leader to tell them what to do. They added that they will complete the work given according to the deadline set, and would prefer not to have group meetings. The other team members disagreed, saying all decisions should be made together as a team. From here, I already gathered that we all have different working styles. Some of us prefer to do things individually rather than in groups.”</p>	<p>“It has made me realize that differences in working styles can cause conflicts. Also, we need to understand the differences in interpersonal and intercultural communication to work well with others. Despite our cultural differences, we can still work together.”</p>	
<p><b>Politeness Principle – Agree rather than disagree</b>                  “When we did the video recording for our IPIC Project, we had to do several takes. Some of the team members disagreed on the location of the shoot, character roles, and offered their suggestions. Some others insisted that their ideas were the best and should be</p>	<p>“It has made me realize that conflicts at work can be quite complex. It is best to resolve conflicts face-to-face as you can observe the body language of the person too. This form of communication can help to build camaraderie and minimize conflict at work.”</p>	

<p>used. Much time was wasted as we focused on disagreeing rather than looking for common themes in the suggestions.”</p>		<ul style="list-style-type: none"> <li>▪ “How do I manage my body language to avoid giving the wrong information?”</li> <li>▪ “How much does paralanguage affect working relationships?”</li> <li>▪ “What happens if I give praise and approval at the wrong time?”</li> </ul>
<p><b>Paralanguage – Sarcasm</b>              “One of my close friends is hard to understand. Once I asked him to help me with my homework although he was very busy. He smiled and said: “Sure, I can help.” However, the tone of his voice did not match his facial expressions. On the one hand, he appeared to be willing to help; however, he sounded frustrated judging from the tone of his voice. I was quite confused by his mixed signals.”</p>	<p>“It has made me realize that action speaks louder than words. It is not what we say, but how we say it that matters.”</p>	<ul style="list-style-type: none"> <li>▪ “Can I be seen as being fake and sarcastic when applying the Politeness Principle rules?”</li> <li>▪ “Which is better? Collectivism or Individualism?”</li> <li>▪ “Can we fake body language, like actors?”</li> </ul>
<p><b>Low Context vs. High Context Orientation</b>              During my part-time work as a waiter at Sushi Tei, I had a supervisor who spoke directly to me without filtering. I knew he meant what he said. However, after work, he was friendly and jovial. I found it hard to understand why he operates this way.”</p>	<p>“It has made me realize that differences in working styles can cause conflicts at work. No one style is better than another, and I need to adapt and accommodate sometimes.”</p>	
<p>Source: Students’ Responses.</p>		

With reference to Table 3 on pages 24 to 26, the student responses give the impression that they could connect the IPIC concepts learnt to their previous experiences that they were involved in or observed. This connection implies that the students were cognitively engaged. Akey (2006), argued that students learn more and retain more when they actively participate in the learning process and when they can relate to what is being taught. Moreover, based on their reflections, the students appeared to be more aware of interpersonal and intercultural communication differences and ways to manage them. This awareness could mean that the students obtained a deeper understanding of interpersonal and intercultural communication – a vital skill, highly valued by employers. For the IPIC issues that were still confusing, FAQs were prepared by the tutor for the students’ reference. The students were also pointed to useful literature and video resources to enhance their comprehension of challenging IPIC concepts.

### Thinking routines to Dig Deeper into ideas

*“What makes you say that?” & Intercultural Communication Skills (Chamber of Fear Video)*

Initially, the students were negatively stereotyping and labeling the Americans. Some of the negative stereotypes mentioned were: “insipid”, “entitled”, “arrogant”, “ignorant about the world”, “tend to criticize the local culture”, “patriotic”, “think too much of themselves” and others. The students were questioned if these stereotypes were justified and encouraged to think deeper by identifying factual evidence from the video to support the ban. They were then posed this challenging question: *“What could have angered the Chinese government to impose the ban? Convince me with factual evidence from this ad.”* The students were urged to study the ad from different perspectives. Some of them re-focused the discussion on cultural symbols that are valued and cherished by the Chinese. The discussion deepened when the issue of cultural superiority was raised. Many students highlighted that LeBron James was portrayed as superior as he could be seen defeating Kung Fu masters, two women in traditional Chinese attire and a pair of dragons.

Others added that these traditional cultural symbols in the commercial were projected as obstacles to his victory, which the Chinese might find insulting.

For this Thinking Routine, it was observed that the students were highly energized and participated actively by agreeing or disputing pieces of evidence identified by their peers. It could also be seen that the students were very engaged and enthusiastic during this activity in the class. In the student survey administered at the end of the Semester, **100% of 90 students strongly agreed and agreed with the statement: “This video activity made me realize that I should support my thinking with evidence on why China banned the ad.”**

#### *Circle of Views & Intercultural Communication*

It was noticed that students took their roles seriously and articulated their viewpoints energetically and forcefully. They were curious about the perceptions of their peers who took on other roles and were engaged in heated debate about the differing perspectives. Some of the students’ responses include:

**Table 4. Sample responses for Circle of Views**

<b>Perspectives presented</b>	<b>Student roles</b>
“President Trump should have bowed as it is an important sign of respect in Japan.”	<i>Japanese media</i>
“President Obama should not lower his head to a foreign emperor because America is a superpower.”	<i>American news media</i>
“President Obama should not bow and give a handshake. This is very strange and not done in Japan.”	<i>Intercultural communication experts</i>
“President Obama should not bow to anyone.”	<i>American citizens</i>
“President Obama should not bow his head so low. Looks like he is apologizing to the Japanese emperor.”	<i>Obama’s political opponents</i>
“President Trump did the right thing. Why should America lower its position? He is the people’s President.”	<i>Trump’s political supporters</i>

Source: Students’ Responses.

Based on the quantitative findings from the student survey, **97.8% strongly agreed and agreed that this video activity made them realize that intercultural communication can be complex.** Questions are engines to intellectual growth and learning involves uncovering complexities (Ritchhart, et al., 2006). **Also, 98.8% felt that the authentic video scenario made them discern that intercultural problems should be perceived from multiple perspectives.** As Johnson (2009) contended, this intellectual conflict spurred student interest in the topic and provided an excellent opportunity to explore different perspectives. Furthermore, disagreement can be seen as healthy and gets students to build their thoughts (Sam & Daves, 2004).

*Online teaching effectiveness feedback summary*

60 students were randomly selected to complete an online teaching effectiveness survey administered for all lecturers in the School of Engineering. 57 students (95%) completed the survey. **98.3%** (71.9% - 41 students) strongly agreed and (26.3% -15 students) agreed that **“my lecturer stimulated my thinking in this subject.”** Some of the qualitative comments are captured in Table 5 below.

<b>Table 5. Qualitative feedback from students</b>
“This lecturer used many ways to make the class interested in learning. This lecturer also taught us many life application skills that made this module interesting. She made all the students want to attend her class.”
“She has made the class very interesting and exciting to learn.”
“The activities were fun, and the atmosphere of the class was mostly very open and the tutor made us talk to each other for the various activities.”
“She let us interact a lot, like in the first lesson where we had to do a debate. This activity got us thinking, engaging all of us. We had fun and were able to learn through this effectively.”
“Very engaging lessons and my tutor always ensured students participated in her class.”
“She engaged us to answer questions using a very interactive application.”
“She could catch the attention of the students by showing videos, playing games and doing activities that allowed us to think.”
“Enjoyable and engaging lessons! I found her lessons relevant and it prepares us for our future careers.”
“Fun and interesting class with great learning.”
“She used many interesting activities to teach instead of relying on slides or books. Lessons had a gradual build-up from activities, to finally teaching the skill we were expected to learn.”
“She stimulated our thinking by doing hands-on activities in class. Her teaching method is effective.”
“Classes were very engaging as there were many group discussions.”
“Activities helped to make classes more interesting and allowed for better understanding and retaining of information.”
“She provided real-life examples, which we could easily relate to when she was teaching. Such examples aided us in understanding of the subject matter.”
Source: Online Teaching Effectiveness Survey.

## Conclusion

It can be concluded that based on the tutor's classroom observations, student responses and reflections, evaluation of tutor and student feedback, the Thinking Routines employed challenged and engaged students cognitively. Dunleavy & Milton (2008) have identified several characteristics of curriculum that are designed to promote intellectual engagement. Firstly, students are given authentic ideas or problems and in the process of analysis, uncover misconceptions and learn new ideas. Secondly, the classroom activities provide a platform for high levels of student participation and comprehensive work. Thirdly, students engage with material that is relevant, captivating, arouses curiosity, and connects with their experiences. Besides these, it allows them to think like professionals and invests both intellectually and emotionally in learning. Fourthly, students take ownership of learning and are encouraged to express their thoughts or opinions, make mistakes, and ask questions. Lastly, an intellectually engaging curriculum helps students to develop their competencies in critical thinking, reasoning, problem-solving, and analysing. As Brown (2000) says, "Learning becomes a situation in action; it becomes much social as cognitive, it is concrete rather than abstract, and it becomes intertwined with judgment and exploration" (p.6). Furthermore, the Thinking Routines used, allowed the tutor to address misconceptions in understanding of the content taught, and make timely interventions. Teachers discover that VT routines fit seamlessly in their curriculum and they provide for active, engaged learning while helping to uncover the students' thinking (Ritchhart, 2015). Although the focus of this paper was on a Communication Skills subject, Thinking Routines can also be applied to the engineering subjects to promote intellectual engagement and growth.

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ANDREA RÁCZ<sup>1</sup>

## ZOOM IN AND ZOOM OUT: REFLECTIONS AND EVERYDAY ROUTINES OF THE CHILD PROTECTION PROFESSIONALS

### Abstract

The research examines how the routines of child protection professionals in child welfare services and centers, institutions and foster care system reflect on professional work. What kind of dysfunctions are identified in the field work of child protection, how social work training and child protection (territorial work) can be solved to satisfy the needs of families with complex problems and enforce children's rights. In general, how do professionals zoom in into casework? How and when do they zoom out from the whole profession? From the client system on the level of the child protection system, what kind of development is expected from the system criticisms?

In this presentation, I try to find the answer to these questions: how the pervasive nature of social work can be interpreted in the practice of the Hungarian child protection. Also, I try to find out how it can be interpreted along professional treatments, reflections and everyday routines. I investigate what constitutes the barrier and ground for the fulfillment of the social profession's value system and knowledge base.

**Keywords:** Child protection, professional mentality, children's rights, system criticism, social work training

**JEL Codes:** I31, I38, I23

### 1. Introduction

The present study attempts to interpret the pervasive nature of social work within the practice of the Hungarian child protection, in the light of professional treatments, reflections and everyday routines. Along the interpretation of *the concept of the family*, it examines those factors, which hamper, respectively allow for the prevalence of the set of values and knowledge of social profession. The study also provides an overview of the development trends in child protection.

The study is based on closely connected researches in terms of issues, which examine the view on the child protection profession of certain child protection actors (child welfare services and centres, employees of service provision and foster parents) and of future professionals; they inquire their notion of family; the way of approaching case management of professionals already working in the field, how and when they detach from the profession and thus from the client system, and what kind of role can training and professional socialization in general play in this process. A further aim of the researches was to reveal the system critics underlying development needs, formulated by leaders and employees of child protection regarding the future of Hungarian child protection.

The thematically interrelated researches are built on quantitative and qualitative methodology. Within this framework, an online national survey was conducted among the representatives of the family and

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<sup>1</sup> Eötvös Loránd University, Department of Social Work, Hungary, raczrubeus@gmail.com.

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child welfare service and centre, and of the child protection institutions and networks,<sup>2</sup> in order to reveal the attitudes of managers, their views on the families of children at risk, included in the child protection and child care system, and certain child protection terms. Besides this, individual interviews were conducted with professionals working in various segments of child welfare and child protection, with decision-makers, and people involved in trainings. Finally, focus group interviews were organized with professionals working in child welfare and child protection, children, young people, their parents, and with people participating at various levels of training.

In what follows I will highlight a few dimensions of the research on the basis of the results deduced from the survey with managers and individual interviews with professionals.

Professionals working with families with children included in the child protection system deal with individuals living in a social environment, who have a mutual influence on each other. This is expressed by the holistic approach of social work, the human ecosystem theory. Social work and child protection are activities implying intervention, characterized by a constant oscillation between individual help and care, and community tasks. It is a process during which problems of the private sphere are transposed to the public sphere. (Katz 2009; Johnsson-Svensson 2005) Its central term is empowerment, targeting above all to increase the ability to self-determination of the individual and to allow them to have an increasing control over their lives.

In Foucault's conception, power is a real system of relations, where central power is able to adapt to the needs of its citizens, while the individuals are able to integrate into power as acting subjects, that is they are able to influence power relations. One of the basic values of child protection is normalisation, therefore it is important to examine the nature of power and the attitude of professionals and clients toward it. The *government of complex systems* implies that the child protection system calls for the close cooperation of multiple actors and several sub-systems, and its functioning is embedded in the social system. It can be regarded successful if the system protects the child in accordance with the rights of the child, while the state basically respects the family and considers that the place of any child is with their family, which is supposed to protect them. The structure of the child protection system determines the way how the basic elements of the system (the services) are interconnected, and the range of the available material and HR capacities. The examination of the outcomes, therefore financial accountability are also important requirements, alike accountability in political terms, that is whether the government represents the interests of the citizens and responds to social needs. (Foucault 1980; Rácz 2016; Wulczyn et al. 2010)

## **2. Typology of child protection professionals on the basis of the analysis of professional mentalities**

The typology of professionals was carried out according to variables regarding professional mentalities and attitudes based on 3 issues: 1) The child protection system is ready to address the problems of children and their parents on individual and systemic level. 2) At present the child welfare service and the child protection service are lacking methodological tools, which would be suitable to adequately address the complex problems of families with children. 3) In the field of family and child welfare and child protection, burn-out and professional isolation are extremely characteristic of professionals. The values of the dummy variables creating the groups show statistically significant correlation.

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<sup>2</sup> Within the framework of the research, online surveys were effectuated on three areas of care, in 2017. There are a total number of 197 family and child well-being centres in the country; in these, 51 questionnaires were filled in, representing a 26% return rate. The total number of family and child well-being services is 749; a number of 244 filled in the questionnaire. The return rate is 33%. Due to the centralization of the child protection service in 2014, the questionnaire targeted only central bodies, namely the top management, despite the fact that regarding the local establishments, there are much more managers. 87 questionnaires were sent back from the centralized organisations of the child protection system, the return rate being 68%. Among the child protection institutions, there are institutions supported by the state, the church and by non-governmental organisations as well. I performed the analysis together with my colleagues László Kiss, Karolina Balogh and Péter Gregoritis.

The distribution of the answers allowed for the setting up of 7 groups, from which the second and third group, respectively the fourth and fifth group have similar views, and their difference is given by the systemic appraisal of child protection.

**Table 1. Types of professionals on the basis of professional mentalities**

Groups	Distribution of professionals (persons)
Disillusioned	153
Burn-out, positive	47
Burn-out, negative	45
Dedicated	11
Dedicated, disillusioned	14
Satisfied	37
Incoherent	70

Source: Author.

The *first* – and most numerous – *group* includes those, who think that child protection is not sufficiently elaborate in order to be able to address the problems of children and their parents, the system does not ensure adequate methodological tools to address issues, and professionals show symptoms of burn-out and isolation.

The *second* and *third group* includes those who think that although the system ensures the proper working tools, the professionals within the system are burn-out and deserted; yet, while according the second group, the child protection system is able to carry out its tasks, the third group considers that the child protection system is unable to function efficiently.

The *fourth* and *fifth group* includes those who think that the child protection system does not ensure adequate methodological tools, yet they do not find the professionals working in the system burn-out. The difference between the two groups is given again by the different appraisal of the functioning of the child protection system. The dedicated are those who declare that despite insufficient tools, the child protection system is able to fulfil its tasks, while the dedicated, though disillusioned consider that the system functions improperly.

The *sixth group* includes the satisfied professionals. In their view, the child protection system functions satisfyingly, and provides proper tools for carrying out the various tasks; burn-out is not necessarily a typical phenomenon among professionals either.

The *seventh group* includes inconsistent respondents; they either think that the system functions adequately, although the necessary methodological tools are not ensured, and professionals are burn-out and isolated; or they consider that child protection system functions deficiently, although it does provide proper tools for addressing problems, and they do not think that professionals working in various institutions are burn-out either.

The way how the child protection system is viewed is closely connected to the extent to which the professional considers their colleagues competent.

### 3. Views about the family in child protection

In recent years, social trends affecting family structure are well-known. These are:

- The fertility rate fell below the reproduction rate;
- First childbirth is postponed.
- The age of marriage is also delayed.
- Relationships are more fragile.

All this lead to increasingly varied family settings, as there are more and more types of families and relationships. Gender roles are changing as well, first the economic role within the family of women, then the role of men in the upbringing of children and in family life. (Oláh et al. 2018) All this have an impact on services consisting in support activities as well.

The research examining the views on the profession and family aimed at unveiling the way how managers in the child protection system determine the term of family. The respondents typically see the family as a complex unit, as determined by the conditions prevailing at present in Hungary. The intricacy of certain answers indicates that the leaders in child protection system have a rather nuanced view of the role, task and functioning of the family, as a social unit, and simplistic and schematic answers are rare. Nevertheless, the answers collected in various fields of child protection are extremely varied, as the respondents define the concept of the family in relation to many fields and along many functions.

The analysis of the answers reveals that the respondents approached and determined the notion of the family on one hand from the perspective of the functions of the family, on the other hand from the perspective of the character of the relation which makes the individuals composing the family belong to each other. The most frequent functional elements of the term are family, as a social unit, family, as an economic unit, and family, as a consumer unit. Terms designating the possible types of family bonds are an extremely important element of the answers: family, as a social unit built on emotional attachment; family, as a social unit built on blood relationship/kinship; but we can refer here to the notion of family as a household as well.

Relatively a few respondents mentioned family as a legal unit, and marriage, as a precondition to family was also sparsely indicated. It seems unambiguous that the concept of family among respondents, as they project it to the Hungarian context, is not exclusive. Nevertheless, the association of family and children is important in their thought: extremely typically, the interviewed managers conceive the family as the background of raising the children, as the primary field of socialization, and as the guarantee of the safe upbringing of children.

Thus, the definitions formulated by the professionals can be sorted in three main groups. Respondents emphasizing the household based on blood, legal or economic relations attempted to determine the members of the family: mother/father/children/grandparents/people living together, and they highlighted the blood or legal relationship between them: own children/adopted children/spouses etc.

Respondents stressing upon the mental need and emotional attachment identified family with the protection, safety and community based on love ensured by the family. The social role was emphasized by those who determined the family for example as a field of the socialization of children.<sup>3</sup>

**Table 2. The definition of the family according to the views of managers**

Groups on the basis of the definition of family	Distribution of professionals (persons)	Distribution of professionals (%)
Emphasis on household based on blood, legal or economic relationships	149	45.4
Emphasis on mental need, emotional attachment	101	30.8
Emphasis on social function	78	23.8

Source: Author.

During the individual interviews, the interviewed managers (8 persons) all agreed that since 1997, when the Child Protection Act was issued, the pace of social changes significantly accelerated, therefore the term at the core of the law and of the entire child protection system, namely the term of the family needs reconsideration. As one of the interviewees put it:

<sup>3</sup> The fact that a significant number of answers were overlapping regarding the categories, made the coding more difficult. Our methodological decision was to rank the answers into the 3 categories in each case on the basis of the most emphasized element or the statement primarily defining the issue.

*“[...] child protection has to react to what happens to the children and to their families. And what is happening to the children and their families is that huge changes are occurring constantly in their everyday lives, in their relationships, culture, thought, and during the last 20 years all this speeded up at an astonishing level. [...] compared to this, our child protection system is a very nice creation from the 20<sup>th</sup> century [...] the ideal family as conceived by the child protection law [...] is the family of parents with fixed working time, having one, two or several children, where parents go to work in the morning. Children leave as well, or are taken to kindergarten, crèche, school, then at around 5 pm, the family gets together, and they all have a certain time together, until dinner, when they can discuss the events of the day. They play together, they spend some time outdoors, at least one hour and a half with the children, then, in the evening, everybody is performing the tasks assigned to them regarding housekeeping. Daddy takes out the garbage, mummy makes the dinner, children are lining up things or whatever, they are dusting, it depends how work is divided. Then they take dinner, still have some time to watch cartoon, then everybody is slowly settling down, the kids go to take a bath, the good-night-kiss follows, and a short tale, after that the couple can engage in a more intimate talking, while the kids are reassuringly breathing next door.”* (Child protection professional)

Professionals think that even if we conceive an ideal family, as a basic concept, this family model certainly cannot be regarded as general. On one hand, the timetable and working hours of the parents radically changed during the last few decades, the daily routine as described above is rare in contemporary families; on the other hand, communication channels and norms are entirely transformed as well. Furthermore, the structure and composition of the families can be described with totally different features than a few decades ago, since stepfamilies are much more frequent.

A further aspect raised by the professionals is that the application of a concept of family – in fact irrelevant of its actual content – is relative in itself. The application of the criteria referring to the ideal family is much more consistent and rigorous from the part of professionals working with clients, if they need to formulate their expectations towards the clients during case management, and it is significantly more flexible and permissive, if they attempt to define these criteria not as child protection actors. As the segment of an interview reveals, this is partially due to the excessive expectations towards the professionals, the restrictions on their professional freedom, and their sense of threat. Relativity, the flexible application of criteria in many cases depends whether the professional engaged in case management is willing to take risks. At a systemic level, it is not encouraged that a professional ponders over the decision possibilities and the timely application of the available tools at a relatively large scale, taking into account the actual circumstances and the specificities of the family.

*“So deep down inside there is that image of the ideal family, but when he/she sees, so gets to know that family, and realizes that it would never be up that scale, then he/she is more permissive with that family. But whenever a conflict occurs, [...] inclusion into the child protection system, or a child is removed from the family, this ideal model of a family would hang over our head [...] when we remove the child from the family, we’re overwhelmed by a strong sense of fear too, that I won’t leave the child there, because if I do, and something happens to that child, I would be deemed responsible. Therefore I would remove the child, and the reason for that is that ideal model of a family, because that’s what they would make me account for [...].”* (Methodological expert)

When addressing the issue of the concept of family, the answers of the professionals and decision-makers were determined by the idea that normality cannot be regarded as some sort of incontestable value in child raising, in the structure of the family, in the responsibilities assumed by the parents, in general in the reflections about the family, in the sense that there isn't one single, clearly defined norm or normality, therefore one cannot deduce from the notion of norm or normality a single notion of family, which could be described with clear-cut boundaries and features. However, this relativity prevailing in the thought about the notion of family, moreover, which is the basic condition of the authenticity of the definition of the term, is entirely alien from the actual functioning of the child protection system. The professionals think that the primary solution to this contradiction, especially which can be immediately applied, is to build up case management always from the perspective of the concrete case, the choice for the services being possible following the thorough assessment of the life conditions of the child and of the family – however, in lack of a systemic support (methodology, tools), and if resources and capacities are deficient, in most cases this cannot be achieved.

According to the opinion of the professionals, the problems of the families which came into the attention of the child protection system are so intricate and in almost all cases so multi-layered, that the definition of the types of problems – in conclusion the working out of the methods to address or solve these – can be conceived only with serious reservations. The key of a successful functioning and of efficient child protection thus can be addressed rather from the perspective of the assessment of individual needs.

To sum up, in the opinion of the professionals, the reaction of the system to the problems of children growing up without a family can be regarded as obsolete. It attempts to be in line with an interpretation of *family*, which does not exist in today's society; it endeavours to provide functions, services and conditions replacing the family, while it does not take into account, or does so only to a small extent, the expectations of clients regarding the family, most importantly the changes in these expectations, and the radically new features of these compared to the former ones. Besides, the pace and extent of the systemic reflections determining the philosophy of care upon these expectations lags far behind the pace and extent of the changes in social processes.

In the view of the professionals, it is important that on the level of the entire society, the concept of the family is increasingly lacking content related to blood relationships and kinship; the attempts to define or interpret the term are increasingly appealing to informal relations, connections established within the social network shaped in space and time, which are based most of all on similarities of life situations, their basic value being not the origin, but the relationship. The analysis of the attitudes of children and young people allows us to conclude that being in a family can be described much better as the multi-layered, complex network of affection relationships, than by applying the rigid categories and labels of deterministic relations. Yet these relationships – contrary to the categories and connections applicable in case of blood family – are definitely determined by volatility, they are dynamic instead of being static; thus, they bear the marks of an approach, which is not built around the actors, but around the ever changing relations and connections.

#### 4. Development needs according to the views of managers and professionals

The open questions applied during the survey included one referring to the definition of the concept of the “*child protection, as service*”. We asked the representatives of centres, services and care centres alike what this concept meant for them.

*The relevant answers focused around the following main issues:*

**a) *Improvement and enlargement of services, quality improvement***

*“Acknowledging the need for support prior to the escalation of the problem, addressing it on a systemic level, healing the physical and mental injuries.”* (Manager of foster care network)

*“Providing service through mapping the needs of families.”* (Manager of a child welfare centre)

**b) *Supporting children, ensuring priority to the protection of children***

*“The service, as an approach and operational modus enables to adapt to the individual needs of children, thus it can provide help and support more efficiently.”* (Manager of a specialist child care centre)

**c) *Supporting families, paying attention to families***

*“It means the maintaining and supporting of the FAMILY, the most important group for socialization within society. It directly fosters social integration and the improvement of the possibilities of the family.”* (Manager of family support and child welfare service)

*Related to developments, the interviews with professionals point out the following aspects:*

On conceptual level, the professionals do not call into question the appropriateness of the transformation trends in basic care; yet, several respondents pointed out that the legal and operational framework is not able to solve the problems in itself, as it relies on the service provider applying the provisions and on the professionals and managers carrying out professional work whether they are familiar with the problems faced by the clients, their specificities, and whether they can find the proper, efficient services and methods.

A further problem is caused by the fact that in many cases alternative solutions are not available besides services within the institutional framework. In order to ease this deficiency, many respondents call for the enhancement of service providing, ensuring it more freedom and flexibility within the legal framework, and which can adapt more efficiently to needs.

The professionals interviewed within the research agree that child protection work can be efficient and progressive both in basic and specific care only if organized and performed within the framework set by the legislation, along the comprehensive methodological guidelines, but expressly adapted to the actual conditions. When carrying out professional tasks, material and human resources and applicable services need to be mapped, and clear and detailed view needs to be shaped regarding the target group, the families, children within the sphere of clients, their social, material situation and relationships, their specificities, which are changing both in space and time. The work of providing support, case management and the selection of services can start only when the implied professionals are familiar with all these factors, and can be carried out only on the basis of the distinct features of the concrete case.

*“I believe in minor things, in the methodology of tiny things [...] So I make an assessment concerning my colleagues [...], my families, my children, how I can intervene with these colleagues in the case of these children, which results I can achieve, which not. This has to be done consciously, and registered, there are documents available for this as requested in basic care too, and the same thing goes for specialist care, nothing more. Thus there wouldn't be any exaggerated expectations, and a conscious social work is carried out on one side, meaning in basic care. And on the other side a conscious educational work is performed.” (Methodology expert).*

Professionals engaged in training highlight that professional socialization is a long process, training being an important part of it, but professional personality development has to be continued in field work as well, since this relates to the ethical attitude, protection of values, the conscious use of intervention models of various levels, and results in the professional being able to act as “the agent of change” in the work with the client.

*“Three or five years pass, well, if all was set from the start, then what training is good for, then it's only a transmission of knowledge, nothing more, I can send the materials within a distance learning framework, they would read it, and that's all. But much more happens during our trainings; knowledge transfer is important, yes, but the professional personality, the ethics, the confrontation with professional dilemmas, community work, the constant questioning of concepts, and the convincing. So this is a process, one develops a professional personality not only in relation to the client, but in relation to themselves as well, they need to understand the institutional system, the social task developed by social work during 300 years. What our oath is about is that I would tell those who have the power that we have a problem, that I rise against inequalities, that the vulnerability of a distinct community matters to me, and that's what I'm talking about. [...] I need to show up in the media, in the parliamentary legislation, at the local council, even if it's not a single person, because one person can't do everything, but as a profession, because that's why we created professional associations, to be able to do all this.” (Director responsible for trainings).*

## 5. Conclusion

The findings of the research show that the managers and professionals of various segments of the child protection system consider the family as a complex unit. They assign multiple functions to the family, which can be seen as positive aspects from the perspective of case management as well.

Based on their views, it is important though to emphasize that while the functioning and philosophy of child protection is grounded in a much valued, functional, yet 20<sup>th</sup> century legislation, the families and children targeted by the child protection system (alike the entire society) are basically different from many aspects, they belong to the 21<sup>st</sup> century. The Child Protection Act and the related legislation tried to follow these social changes during the last two decades, but the pace and significance of the changes are vast, and the adjustment of the system through minor corrections is not sufficient. Time has come to redefine the concept of the family, which is of central importance from a child protection aspect. New social challenges require that the profession reinterprets the term of the family, as it is a basic concept of social work and child protection, maps the actual features of the client (and which are relevant in their relationships), and restructures its tools and methods applied in basic care services.

In order to render child protection successful, basic and specialist care efficient, social and cultural processes need to be mapped and interpreted; nevertheless, the quest for adequate answers and relevant reactions from the part of the system are indispensable as well.

The results of the research undoubtedly indicate the structural deficiencies of child protection, but addressing these deficiencies is closely related to the issue of professional mentalities. When determining the development and advancement possibilities, an important consideration is that transformation has to take into account the present condition of the system, specifically the features of the professional attitudes of those working in the system; for example, one needs to take into account that a large-scale awareness-raising cannot be carried out in a short time, in a forced, up-to-down manner. It is possible to introduce new concepts through a bottom-up approach, by implementing new perspectives (the elucidation of the basic issues of care philosophy, the definition of purposes free of any uncertainty, the real participation of clients etc.) gradually into an organic system, followed by abstracting these considerations towards theoretical syntheses.

The most important feature of an ideal child protection system is that it removed a child from the family only if such intervention is unavoidable. For this unambiguous expectations need to come from the part of the society, respectively, from the state representing social expectations, that is: it has to be clearly determined what outcomes and results are expected from the functioning of the child protection system. When setting the goals, besides ensuring the framework and the resources, it is necessary also to determine which is the operational model which would become the basis of the functioning of the system. Besides, the expectations towards people working as helpers have to be real and achievable.

*“[...] the duty of the state would be to make it clear what it is expected. When it is unambiguous, it can be fulfilled in various ways. It can be done in a system operated by the state, [...] saying that here it is the task, we have jobs, you can apply for [...], just as when an investor has to be convinced [...] The same should be done by the service providers, since this way one had to pay attention to the service users [...] it's just that this approach should pass over the head of the colleagues too, and this vision should be affordable. So it's wrong when the expectation is that no problems should occur in child protection, it must not happen that a child is starving, we mustn't allow a child to be hurt, not a single tragedy should occur. They would occur. Of course, we attempt to avoid it, but it's bloody stressful to raise such an expectation towards professionals. One need to set as an expectation to do everything to avoid any such event. If you've done everything you could, still it happens, then you can be certain you wouldn't be hanged for that.” (Methodology expert).*

It is an important challenge for Hungarian child protection to ponder what the real reasons for doing social work with families with children are. It is a known phenomenon in international child protection discourse as well that professionals typically are focused on “what and when” should be done, and less on “why and how”. (Wilkins – Whittaker 2018).

Managers are typically aware of the deficiencies of the system, of the goals of the child protection work; however, there are many unanswered questions, like how could goals be rendered operational, and which are the professional, methodological tools, the application of which would allow for achieving these goals.

Child protection faces a conceptual turn, during which we should debate again the way how we think about families in trouble or facing multiple problems. Views about families are typically negative, thus, even the fairest child protection intention is at place – according to which the goal is to ensure support and to strengthen families in a difficult life situation –, we should reconsider at macro level (system level), mezzo level (the range of services within an institution) and micro level (actual intervention) what the real targets are, and how we can achieve them while preserving the basic professional values, and taking into account the social embeddedness of child protection. (Rácz 2016) One might ask what social work represents in society, how social worker is helping families, when, due to the managerial and risk management endeavours, the contradiction between theory and practice, control functions, and exaggerated administration are discernible. (Papp – Rácz, 2014).

Related to participation, as a value and as a basic right, more inclusive and supportive approaches are needed in professional and legal procedures which prepare and perform the removal of a child from the family. Such an approach is the empathic approach, that is the understanding of the situation and of the context, the acknowledgement of the reactions to the situations, of the emotions and behaviours. Following the removal of a child, we need to organize in the shortest possible time the meeting of the child and the parents, thus facilitating the dialogue between them. It is important to describe the removal to the child as an open and hopefully short term option at an early stage, and we should not suggest that this would be the definitive situation, when time frames are not known. Regarding parents, it is an important requirement to inform them regarding the expectations related to them, the reasons of the removal of the child, what the parents should change, and what kind of help is available for the efficient solving of their problems. (Ross et al. 2017) As we look at the everyday routines and rituals of child protection from the parents' perspective, we realize that this should be a two-directional process. The power (government) frames this process as a real system of relations, adapting to the needs of the citizens – in its dual meaning: to the needs of the system of clients (the cared) and of the employees (the service providers). In turn, the individuals, as acting subjects are able to integrate into the power relations, that is they are able to shape them: the client, by taking control over their lives, the professional, by standing up for the powerless, as the member of a professional community, guided by the vision of a good quality society.

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TAMER BUDAK<sup>1</sup>, SERKAN BENK<sup>2</sup> AND BAHAR OCAL APAYDIN<sup>3</sup>

## RELIGIOSITY AND PUBLIC PERCEPTION OF CRIMES SERIOUSNESS IN TURKEY

### Abstract

This paper presents the results of a study that investigated the roles of both individual level of religiosity and religiosity dimensions play in perceptions of seriousness of different types of crime (violent, property, white-collar, and moral) in Turkey. A questionnaire survey was administrated to 545 Turkish respondents. Ordinary least squares regression methods were used for data analyses. The results of the study illustrate that individual level of religiosity has a statistically positive impact on perception of crimes severity.

**Keywords:** Religiosity, perceptions, crimes, seriousness

**JEL Codes:** K14, C92

### 1. Introduction

The relationship between religiosity and crime has been a topic of research for social scientists and religious practitioners for more than 50 years (Elifson et al. 1983). Generally, many sociological and criminological theories (*e.g., of functionalism, social control, and differential association*) predict that religiosity can contribute to social conformity, deterring criminal behavior (Tittle & Welch 1983). In the framework of this research, *most recent studies have found such a relationship*. However, these empirical studies have concentrated mainly on the behavioral aspect of crime; thus, they were mostly based on self-reported measures of criminality. Relatively little systematic research has been conducted on the potential influence of religiosity on other issues related to crime.

The present study attempts to expand the subject by focusing on the relation between religiosity and personal perceptions of the seriousness of a variety of criminal offenses. The results of the study illustrate that individual level of religiosity has a statistically positive impact on perception of crimes severity.

### 2. Literature review

Despite the wide diversity of research in the area of perceived crime seriousness, findings report broad consensus in the relative rankings of the seriousness of crime among different groups and populations (Levi and Jones 1985; Rossi et al. 1974). Generally, violent offenses are graded as the most serious, and after them come property, white-collar, and moral crimes. However, religious beliefs influence perceptions on many political and social issues, including those related to crime (Al-Thakeb and Scott 1981; Evans and Scott 1984)

Religious people tend to base their perceptions on absolute moral principles so they tend to have little sympathy for attitudes and behaviors differing from what they define as acceptable (Finlay, 1985). Accordingly, religious people have traditionally more conservative and serious perceptions of these moral issues than non-religious people (Curry, 1996). This finding is also supported by the literature on crime seriousness. Although different groups of respondents tend to agree on the relative seriousness of

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<sup>1</sup> Inonu University, Turkey, tamer.budak@inonu.edu.tr.

<sup>2</sup> Inonu University, Turkey, serkan.benk@inonu.edu.tr.

<sup>3</sup> Inonu University, Turkey, bahar.apaydin@inonu.edu.tr.

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offenses, they tend to disagree, sometimes significantly, as to the concrete values they assign to each offense.

In this context, Al-Thakeb and Scott (1981), Evans and Scott (1984), and Newman and Trilling (1975) found religiosity is to be one of the best predictors of perceived crime seriousness.

### **3. The Present study**

#### **3.1. Sample**

In this study, respondents were randomly selected from self-employed taxpayers, from the city of Malatya, Turkey. Researchers visited the taxpayers in person and conducted the survey questionnaire. Participations in this study were voluntary and they were assured that their answers would remain confidential. In total, 550 of the 1500 questionnaire forms distributed to the self-employed taxpayers were returned and the response rate was 36.66 %. During the analysis, 545 responses were retained and 5 responses were omitted because the missing data in these responses was 95 % or more. It is worth noting that this is a relatively high response rate compared to prior studies.

<b>Table 1. Demographics</b>		
<b>Respondents Characteristic</b>	<b>Sample Size</b>	<b>%</b>
<i>Education level</i>		
Primary School	109	20.40
High School	143	26.80
Associate degree	48	9.00
Graduate degree	213	40.00
Postgraduate degree	20	3.80
<i>Gender</i>		
Male	329	60.40
Female	216	39.60
<i>Age</i>		
Under 19	14	2.60
20-29	243	44.60
30-39	135	24.80
40-49	78	14.30
50-59	49	9.00
60 and over	26	4.80
<i>Annual Income</i>		
10.000 TL and below	14	3.70
10.001 TL-30.000 TL	226	59.00
30.001 TL-50.000 TL	105	27.40
50.001 TL and over	38	9.90
Source: Authors.		

Table 1 shows the demographics of the study participants. The majority of the respondents (40.00 %) had a graduate degree, followed by 26.80 % who had a high school education. The highest level of completed education is a postgraduate degree (achieved by 3.80 % of the respondents). The sample included 39.60 % females and 60.40 % males. The sample was divided into six age groups: (1) under 19 (2.60 %); (2) 20 to 29 (44.60 %); (3) 30 to 39 (24.80 %); 40 to 49 (14.30 %); 50 to 59 (9.00 %) and (3) 60 and older (4.80 %).

The annual income level of the respondents varied as well. Most (59.00 %) respondents' income ranged between TL 10.000 and TL 30.000 per annum. 3.70 % of the respondents had an income of less than TL 10.000, 27.40 % earned in the range of TL 30.000 - TL 50.000 and 9.90 % earned more than TL 50.001.

### 3.2. Measurements

The survey consisted of 3 parts: Part 1 looked at demographics, that is, educational background, gender, age and income levels. Part 2, dealt with the perception of Turkish respondents in relation to the seriousness of 28 different offences including some serious crimes. Respondents were asked to indicate their opinion on the seriousness of 4 different groups of offences (*violent crimes, white-collar crimes, property crimes and moral crimes*) on a five-point Likert-type scale ranking from “not serious” to “extremely serious”, where 1 represented “not serious” and 5 represented “extremely serious” (Al-Thakeb and Scott, 1981). Table 2 shows the descriptive statistics and reliability estimates.

**Table 2. Descriptive statistics and reliability estimates**

Variable	Mean	Item	Mean	Std. Dev.	Alpha
Violent Crimes	4.772	Child Molestation	4.933	0.3473	0.640
		Extortion	4.735	0.6153	
		Kidnapping	4.900	0.3603	
		Violence against women	4.552	0.8836	
		Violence against children	4.489	0.8495	
		Terrorist attack	4.839	0.5314	
		Rape	4.873	0.4662	
		Murder	4.856	0.5537	
Property Crimes	4.096	Bike theft	3.159	1.3124	0.722
		Shoplifting	4.143	0.9382	
		Arson	4.551	0.7872	
		Damage to public property	4.209	0.8974	
		Carjacking	4.418	0.7889	
White-Collar Crimes	4.176	Accounting Fraud	4.341	0.7958	0.830
		Minimum wage	3.965	1.0695	
		Tax evasion	4.317	0.9156	
		Bribery	4.304	0.9089	
		Embezzlement	4.475	0.7644	
		Insurance fraud	3.933	1.0826	
		Welfare fraud	4.130	0.9997	
		Insider trading	4.128	1.0018	
Child labor	3.990	1.0045			
Moral Crimes	4.014	Prostitution	4.522	0.9962	0.691
		Drug selling	4.803	0.6007	
		Buying stolen goods	3.724	1.2490	
		Gambling	3.702	1.2932	
		Drug using	4.137	1.1294	
		Homosexuality	3.191	1.7085	
Religiosity	3.537	The Religious Commitment Inventory (RCI-10)			0.811

Source: Authors.

Part 3, included the religiosity scale. In this study was respondents' religiosity, as measured by The Religious Commitment Inventory (RCI-10) (Worthington et al, 2003). - The RCI-10 does not delve directly into the potentially sensitive and contentious theological religious realm, thus eliminating any

possibility of offending participants or provoking their sensitivities (Safiek, 2009). The RCI-10 consisted of 10 items on a 5-point Likert scale (1 = not at all true of me, 5 = totally true of me).

The inter-item reliability estimates were above the recommended level of 0.60, indicating acceptable convergent validity (Carmines and Zeller, 1979). In addition, it was observed that none of the variables have a negative relationship with the total correlation. Thus, this finding has shown that the internal consistency of the data is considerably high.

#### 4. Results

In this study, ordinary least squares (OLS) regression analyses were separately used to analyze data with respect to religiosity as *independent variable*, and violent crimes, white-collar crimes, property crimes and moral crimes as *dependent variables*.

In order to examine the relationships between independent variable and dependent variables, 4 separate regressions analyses were run. We also used demographics (education level, age, gender (0 = female, 1 = male) and annual income) as control variables. So both independent and control variables were analyzed by OLS regression. To avoid the problem of heteroskedasticity, we estimated the regression coefficient by using the Newey-West estimator. This estimator can be used to improve the OLS regression when the residuals are heteroskedastic and/or autocorrelated (Newey et al., 1994).

**Table 3. Regression analyses**

Variables	Violent Crimes		Property Crimes		White-collar Crimes		Moral Crimes	
	<i>Standardized</i>		<i>Standardized</i>		<i>Standardized</i>		<i>Standardized</i>	
	<i>Beta</i>	<i>Sig.</i>	<i>Beta</i>	<i>Sig.</i>	<i>Beta</i>	<i>Sig.</i>	<i>Beta</i>	<i>Sig.</i>
Religiosity	0.125	0.016	0.249	0.000	0.234	0.000	0.330	0.000
Education	-0.044	0.462	-0.068	0.254	-0.020	0.741	-0.198	0.001
Gender	-0.165	0.001	-0.011	0.834	-0.052	0.304	-0.048	0.318
Age	-0.015	0.796	-0.024	0.668	0.017	0.770	0.013	0.811
Annual Income	0.047	0.389	0.011	0.841	0.045	0.403	0.101	0.049
R <sup>2</sup>	0.042		0.068		0.056		0.149	
Adjusted R <sup>2</sup>	0.029		0.055		0.043		0.137	
F-value	3.245		5.372		4.366		12.941	
P-value	p<0.007		p<0.000		p<0.001		p<0.000	

Source: Authors.

Table 3 reports the results of these regression analyses. Regarding to analyses, religious values held by respondents have a positive significant influence in all groups of crimes. In other words religiosity influenced responses' perceptions of crime seriousness in the whole sample: their coefficients showed statistical significance.

Regarding to control variables, only two control variables were significant:

- (i) The coefficients of the respondents' gender variable was significant in violent Crimes. This significant coefficient shows that females were perceived the violent crimes more serious than males.
- (ii) The coefficients of the respondents' education level variable was significant in moral crimes. This significant coefficient shows that respondents with low education level were perceived the moral crimes more serious than respondents with the high education level.

## 5. Conclusions

The findings of this study/project support the relevance of religiosity as affecting individual perceptions of crime seriousness. This study also supports the relevant literature (Al-Thakeb and Scott, 1981; Elifson et al. 1983; Herzog, 2003).

It is important to continue research on the effect of religiosity on attitudes toward crime, focusing more sharply on other Religiosity and Crime Seriousness religiosity measures, religions, and offenses, by other survey methods and in other contexts.

This study has several limitations. The main limitation arises from the sampling process used. The sample was drawn from only one city (Malatya, Turkey). The random selection of participants alleviates this concern to a significant degree, but does not completely remedy that shortcoming. The second limitation is related to the possibility of participants misunderstanding the questions and terminology used in the survey. The third limitation is in relation to moral values. This paper did not separate between religious attitudes and ethical values in measuring the source of respondents' inner values; there was a possibility that the respondents' inner values may be derived from both sources.

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MARIA ELENA ESPIN OLEAS<sup>1</sup>

## THE ECUADORIAN BANKING INDUSTRY FACING THE NEW FINTECH BUSINESS MODELS

### Abstract

The banking sector is in a continuous process of transformation that does not cease to be a reflection of the profound changes that occur continuously in society as a consequence of new technologies. Today banks are fighting for the client not only with other banks, but with all kinds of non-traditional financing companies such as the Fintech business models. These startups form the so-called "Fintech" sector, and are playing an exciting challenge to the established power of banking. Fintech are those financial technology startups that propose competing in a product or service with traditional banking. Fintech have been successful, being faster than banks when it comes to taking advantage of technological innovation to develop more user-focused banking products, at a lower cost or with a better customer experience, taking into account that potential customers they mostly belong to the Z and millennials generation, so digital channels are always optimized. Among the most important characteristics of this industry is that each of them has focused on a specific product or banking service. Its value proposal has been to radically improve the proposal of traditional banks in a given vertical, either in their costs, or in the user experience, or both at the same time. These new companies have been much faster than banks in taking advantage of the advances of digital technology to develop banking products that were more user-friendly, cost much less and were optimized for digital channels. For this reason, this research is aimed at the development of the Fintech industry in Ecuador, determining its risk and the potential actions of traditional banking against this disruption.

**Keywords:** Finance, technology, Fintech, finance system

**JEL Codes:** G20, G28, G29

### Introduction

The global financial system, and especially the banks, are going through a wave of changes that not only go through the technological, but also the operational (Prado, 2016). In this context of technological innovations, financial services move within a changing era, adapting continuously with a view to offering quality services and expanding coverage in various countries and regions. The transformation of traditional banks into banking ecosystems should allow financial institutions to strengthen and then re-expand their position in the competitive environment (Dapp, 2015).

In the last decade, the increase of the use of the internet, as well as the use of smartphones or other mobile devices has had a significant growth. According to the report "Digital in 2017: global overview", half of the population worldwide uses internet and 50% of web traffic comes from mobile devices, with a growth of approximately 30% compared to 2016. For 2020, more than 80% of smartphone users will have access to 3G connection or higher.

While banking has evolved rapidly in its digital transformation, the pace of change and the needs for continuous innovation go beyond the areas of technology and even the ecosystem of companies that provide technological services to banks. Faced with this context, the question arises whether banks and fintech must compete or cooperate. So far, Fintech and Banca have used their own tools to develop their clientele, competing and accusing each other: the Fintechs have accused the banks of monopolizing

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<sup>1</sup> Escuela Superior Politécnica De Chimborazo, Ecuador, helenmaryesp@yahoo.es.

services and being bureaucratic and the banks have accused the Fintechs of being on the edge of the market. legality and breach basic security measures.

However, the emergence of new collaborative ecosystems determines environments where both actors can join, not only to expand the range of services, but to significantly improve the user experience and promote financial inclusion. Achieving a close and effective relationship between traditional banking and fintech - through open ecosystems that concentrate the supply and demand of development of applications and services - makes it possible for banks and startups to become customers or suppliers, according to their needs.

The origin of the word 'fintech' is in the contraction of the English words 'finance' and 'technology', and refers to those financial services companies that use the latest technology to offer innovative financial products and services. Understanding that this financial technology aims to provide new ideas for this sector thanks to new information technologies, mobile applications or "big data". Fintech represents an opportunity to improve financial markets, since its application allows offering business models more oriented to the final investor and increasing the efficiency and competitiveness of financial markets.

It can be said that the Fintech boom began in 1967, when, after the efforts of developed countries to implement communication infrastructures through transoceanic wiring networks (Fintech 1.0), an important evolution was generated in the sector of financial services with technology, called Fintech 2.0. This era is marked by two important milestones: 1) the establishment of the first ATM (Automated Teller Machine) made by Barclays Bank and, 2) the launch of the first hand calculator, by Texas Instruments, which changed the way of relationship between banking and its customers, as well as how to do business in markets and finance.

According to Douglas Arner, Professor at the University of Hong Kong (HKU), FinTech involves the use of information technology to transform the way in which finance is carried out in the world markets, developing countries and business enterprises. new creation and technology (HKU, 2018).

Since 2008, when the international financial crisis broke out, Fintech allowed to cover the needs of several sectors of the population to access financial services quickly and with lower transaction costs for both the client and the industry. According to Henry Arslanian, this tool not only transforms the financial services industry, but also allows financial inclusion and helps more than 2 billion people around the world who do not have access to financial services today (HKU, 2018).

This industry brings with it innovative instruments and innovative business models in order to reach those sectors that the traditional industry left aside. Its main qualities are due to the streamlining of traditional services, which reduces costs while ensuring a maximum level of security in the processes.

In Latin America, the leading countries in terms of the creation of these Fintech companies are Brazil, Mexico, Colombia, Argentina and Chile, in that order, respectively, according to the number of ventures they provide. The Inter-American Development Bank (IDB) identified around 703 ventures and the aforementioned countries account for 90% of Fintech operations in Latin America. Many of these companies were established between 2014 and 2016 and this shows the value that these entrepreneurs give them. However, the study by the IDB mentions that these ventures are still in the early stages and still need to strengthen their business models before they are truly sustainable. According to the report, one in four Fintech operate as alternative financing platforms, offering loans, collaborative financing (crowdfunding) or financing through the intermediation of invoices. Another quarter operate as payment companies, and from the remnant there are segments such as business and personal finance management, asset management, insurance and digital banks.

There are several factors that differentiate these alternative financing organizations. Each has its own conditions, but among some of those differences are the speed with which the money is delivered, the fact that no guarantee is needed, that everything is carried out online, that loans are made in small amounts of money, and that traditional financial organizations are not necessary.

Although technology has maintained a close relationship with banks for at least 40 years, the tendency to look for alternatives that provide a better consumer experience has caused the term fintech to be heard in recent years. The concept, in spite of not being registered in the Royal Academy of the Language, is as extensive as variable. The entrepreneurial movement, without a doubt, has been the main engine of innovation in this field.

A tour of the conditions that this segment presents in Ecuador and on a global scale, together with the details of the new players that drive the economy and the rules that regulate the market, will help to understand the importance of disruptive projects. Welcome to the era of digital finance.

As these companies develop their activities, a sector of the population that is very interested in this type of services is that of the "millennials" or born between 1981-2000. This generation lived closely the era of information and have a very good management of technology, just because they grew with it. Although many of them are very well prepared academically, not all of them still have the financial stability that traditional banking organizations require.

The services that fintech usually offer are varied and depend on the ability of entrepreneurs to develop innovative solutions according to the needs of the industry. In Latin America, one in four fintech operate as alternative financing platforms, that is, they offer loans or crowdfunding. While a quarter of fintech work as payment companies, allowing automated payment processes. In addition, this type of companies offer financial management solutions services both business and personal.

The explosive emergence of these new financial companies in Latin America, is then the reflection of what has been happening worldwide in other regions. This was demonstrated by the Emprendimientos Fintech report in Latin America, which identified 703 ventures in 15 countries. Mexico is the country that leads the Fintech revolution in the region, displacing Brazil that headed the ranking and there are 238 startups that cover 11 different areas. Among the causes that allowed the development of this sector, is the high penetration of the Internet and mobile devices, a consolidated ecosystem of entrepreneurs and low bancarization among others. In this way, Brazil lost its leadership, although in the country 230 startups were identified. The third place is Colombia with 84, followed by Argentina with 72 and, finally, Chile with 65.

Between these five countries, 90% of the activity in the region is concentrated. Coincidentally, these countries are the ones that obtained a better position in the ranking of the most innovative countries in the region.

In this context, the following is a vision of the situation of Fintech in Ecuador and how the banking industry has reacted to this phenomenon. From infección, will be established the barriers, ones that face the sector in the country, as well as the risk that it presents.

## **2. Methodology**

This research is based on the qualitative-quantitative approach, descriptive exploratory levels with a methodology of analysis and synthesis that allows to identify Fintech companies in the country, the services they offer and the services that users prefer. At the same time, the level of risk of this type of startups is identified.

In Ecuador, 31 Fintech startups with a high technological component have been identified, which indicates that the country is moving towards the financial innovation that other countries in the Latin American region are going through. Below are the segments where the Fintech startups are located:

Sector / Segment	N° of Companies	%
Business Finance Management	10	32%
Business Technologies for Financial Institutions	5	16%
Payments and Remittances	5	16%
Crowdfunding	4	13%
Investment Management / Patrimonial	2	6%
Personal Finance Management	1	3%
Loans	1	3%
Commerce and Markets	1	3%
Digital Banks or Neo-banks	1	3%
Insurance	1	3%
<b>Total</b>	<b>31</b>	<b>100%</b>

Source: Finovinsa, Banco Central del Ecuador (BCE), author surveys.

It was established the considerations to prefer fintech services, through the survey directed to users of financial services, with a population of 1000 people.

Preference for Fintech	
Considerations	Percent
Ease to open and manage an account	43%
Fees and commissions more attractive.	15%
Variety of products	12%
Better quality of online experience	10%
Loss of trust in traditional financial institutions	20%
<b>Total</b>	<b>100%</b>

Source: Author surveys.

In the preference for services, a majority percentage is reflected in the facility to open and manage an account with 43%. However, the loss of confidence in the traditional financial sector is reflected with 20%, which allows the development of the sector.

**Table 3. Transactional media**

<b>Ecuadorian Banking in Cipher</b>		
	N° of Transactions (millions)	Percent
Immediate Media	743	46.90%
Electronic media	841	53.10%

Source: Banco Central del Ecuador (BCE).

It is identified that electronic means represent 53.10%.

**Table 4. Ecuadorian banking in cypher. Featured Channels**

<b>Ecuadorian Banking in Cipher</b>	
<b>Featured channels</b>	<b>N° of Transactions (millions)</b>
Cellular Banking	46
Telephone banking	3
ATMs	266
Internet	386

Source: Banco Central del Ecuador (BCE).

The risks identified are based on the perception of the fintech companies consulted.

**Table 5. Identification of risks**

<b>RISKS PERCEIVED BY FINTECH</b>		
<b>Type of Risk</b>	<b>Detail</b>	<b>Porcentaje</b>
Operational risk	It can cause losses due to the failure or error of the personnel of the company, of inadequate or defective internal processes, failures in the systems and as a consequence of external events. To the Cybernetic Risk that it finds as a subgroup and depends on external users of the platform.	95%
Model risk	Most of the Fintech is based on the possibility that one of the models or algorithms used in the company for the exercise of its activity work incorrectly or is outdated. This risk has gained importance with respect to risk management in banking entities, mainly due to the Fintech's dependence on the correct functioning of these models.	88%
Reputational risk	Reputational risk can be defined as the risk that an action, situation, transaction, or investment can reduce confidence in the integrity and competence of customers, shareholders, employees or the public in general.	94%

Source: Fintech companies consulted by the author.

### 3. Results and discussion

In Ecuador, according to the Central Bank, 40% of the population accesses banking services. The 'fintech' "can more easily reach those customers (unbanked), mainly from suburban areas, where people may not use the services of a bank, but are familiar with the use of cell phones and the Internet", Other Strength is the young population, which prefers to replace the experience of going to an office and looking for lower rates in services. According to the INEC, 23.2% of the population of the country is millennial, with ages between 20 and 36 years, so they are familiar with the cell phone and the Internet to use the alternatives 'fintech'.

Traditional banking, by allowing the participation of new players -like fintech-, improve the standard of living of societies and the development of countries; they induce an acceleration of the economy; However, the Fintech sector has entry barriers that must be overcome. The first of them are the competitors of the sector, which vary depending on the niche of the market in which we find ourselves. The second is competitors apparently outside the sector, such as traditional banks that have not yet defined their position on FinTech startups or banks that identify themselves as direct rivals of companies operating in the FinTech sector.

Within the Fintech product range, there are also socially responsible investments such as:

Ethical investment and pension funds: they have an Ethics Committee made up of independent specialists, which establishes the Fund's ideology where the criteria and filters to be applied are defined and then analyzes the possible companies to invest in and selects those that meet the criteria established for Finally, evaluate the results obtained and inform its participants in a transparent manner.

Revolving funds: its purpose is to grant loans to people or groups normally excluded from access to credit, the results obtained apply to new applicants.

Guarantee funds: they fulfill the function of guaranteeing small companies that do not have enough guarantees for accessing credit.

Microcredits: granting small credits to people with few resources for small productive projects.

Capital-Risk Companies: they participate in the social capital of SMEs in a minority manner and once the project is consolidated they sell their participation.

Socially responsible deposits: the money from them is used to finance projects that meet ethical criteria and yields a percentage of interest.

Banca Ética: financial institution in which the most comprehensive form of the ISR is specified, since its entire business invests it with criteria of economic profitability and with social and environmental criteria under total transparency.

However, developing a fintech company will have to go through funding to develop the different phases of the business model. Financing the business project with personal capital is sometimes unfeasible due to the high amounts, for this reason should be considered more popular financing options, among which can be cited the following:

Business Angels or Venture Capital Funds. Private investors that invest large sums of money in startups in the phase of raising financing in exchange for a percentage of the shareholding of the company.

The FinTech sector in the initial phase of business, unlike traditional banks, has a serious problem in attracting qualified personnel. Uncertainty and instability about the future of the company, as well as the inability to offer competitive salaries, equivalent to those of large companies to attract human talent, are the main determinants that explain the difficulty of forming a team composed of the best professionals in the business sector.

The challenge for the Region, and particularly for Ecuador, should be oriented to understand the rapid change that the Fintech bring to the market and take into account the risks faced by the economies and the new responsibilities that central banks could assume.

The challenge for the central bank is to determine the regulations that allow strategically, to address such dynamic technological changes in the economy and the market, in accordance with its objectives as monetary authorities, within the framework of "... maintaining the value of the currency, the efficiency of the financial system and the proper functioning of payment systems. Central banks with mandates to encourage financial inclusion or promote economic development have room to be more proactive." (CEMLA, 2017).

- Competition and development of the financial sector, in order to preserve the equality of conditions between the actors (traditional and new) that are part of the ecosystem.
- Prudential regulation, which includes aspects such as prudential supervision, market and competition, financial education, telecommunications, etc.
- Consumer protection and education, which goes hand in hand with financial education processes for the population.

On the other hand, the risks identified and perceived in Fintech companies focus on materialization. In the case of materialization of reputational risk, it usually results from the occurrence of another financial

risk, for example, if a Fintech suffered a problem in its computer system preventing its use by users, this would have reputational consequences as many clients would lose confidence in the company and they may not demand your service again. The degree of vulnerability of these companies with respect to customer confidence reaches the point of being affected by criticism and comments on social networks, that is, a negative comment in a social network can lead the company to bankruptcy in the worst of cases.

#### 4. Conclusions

Technological finance companies represent a great opportunity for SMEs, since they provide different services such as collective financing, loans and digital payments. In this way, they allow SMEs to access loans and financing in an easier way, improving the opportunities offered by the traditional banking sector. They also allow to digitize and automate systems, improving the processes of small businesses. It is estimated that one in four fintech in the region, has as its main client an SME.

Although the specialists speak of a revolution in the regional financial market thanks to the fintech, there is still a great difference between the situation of the countries of Latin America and those developed. This similarity is based on the fact that in Latin America, 49% of the population still does not have access to traditional financial services. This represents a challenge for Fintech companies when it comes to operating, as well as an obstacle to the development of innovations in the region.

The financial technology industry continues to record a great growth, especially thanks to the popularity that the different trends that burst in the sector. From these new practices, new products emerge that determine the relationships between consumers and banks, who now seek technological solutions to improve the user experience.

The Fintech companies in Ecuador make available to the population and companies alternative solutions to those offered by traditional financial institutions. It was determined that the vast majority are focused on the Business Finance Management segment (32%) offering technological innovations for the implementation of best practices in business development, in this case it can be mentioned companies dedicated to the replacement of paper invoices by digital (mobile billing).

Despite offering similar or almost identical services, the financial risks in banks and Fintechs should not be taken into account in the same way. In banking entities, risk management has focused mainly on credit, market and liquidity risks; while the Fintech must attend to other risks that have been a great threat to this type of companies, such as cyber risk, model risk and reputational risk, and legal risk. This is why risk management should not be the same for both entities, but that each should focus on mitigating the risks to which they are most exposed.

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ADAM MODU ABBAS<sup>1</sup>, KOLAWALE SAID<sup>2</sup>, BIBI UMAR MOHAMMED<sup>3</sup> AND AYENI BASHIR<sup>4</sup>

## AN ASSESSMENT OF THE SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACTS OF FUEL WOOD EXPLOITATION ON THE SUPPLY AREAS AND LOCAL VICINITY IN GOMBE STATE, NIGERIA

### Abstract

Fuel wood extraction and its implication for the environment and development have been on increase worldwide. It is a known fact that the utilization of fuel wood in Nigeria contributes greatly to desertification, deforestation and consequently has implications with regard to climate change. Very little is however known on the situation in Gombe State, more especially the extent of the impact. This study focuses on the assessment of socio-economic and environmental impacts of fuel wood exploitation in Gombe state. This was achieved through examining the patterns, levels and temporal variation of fuel wood supply between seasons; the empirical estimate of daily harvest and supply of fuel wood to various parts of the country from the sources in Gombe state, Nigeria. Two forest reserves were selected and five sites and communities in each of them were picked based on a checklist. Determinants of fuel wood such as quantity of fuel wood per kilogram per week were observed. Interview, focus group discussions (FGD) and questionnaire surveys were used to generate data from the respondents on the impacts of the exploitation on the socio-economy settings of the source areas. The environmental impact was assessed by conducting time-series analyses of satellite imageries such as LANDSATs over a period of ten years (2016-2017). The results show that there are more negative impacts and the destruction was caused more by land clearing for agricultural production. Recommendations were made at the end of the study, based on the findings. Keywords: Environment, Forest reserve, Fuel wood, Satellite Imageries.

**Keywords:** Environment, forest reserve, fuel wood, satellite imageries

**JEL Codes:** A10

### 1. Introduction

Wood energy has been used for thousand of years for cooking, baking and heating and it remains the primary source of energy throughout much of the world (FAO, 2010). Over two billion people (40%) of the total world population depend on firewood and charcoal as their primary source of energy (Haruna, 2006; FAO, 2010). Of this, three-quarter (1.5 billion) do not have an adequate, affordable supply. And particularly many people are facing daily struggle to find enough fuel for heating and cooking. The cooking problem is intensifying because rapid growth of population in many developing countries create increasing demands for firewood and charcoal due to high cost of conventional source of energy.

It has been estimated that about 1,700 million tonnes of fuel wood is now harvested each year globally. There is at least 500 million tonnes less than what is needed. By 2025 the world wide demand for fuel wood is expected to be about twice the current harvest rates, while supply will not have expanded much beyond current levels, some places will be much worse than the average (Maryam, 2012). In Africa, fuel wood accounts for about 90% of the total energy use and two-third of this consumption is household energy for the most part procured by women (FAO, 2010). The major reason for deforestation in Africa is the fuel wood collection by the poorer section of the population. Fuel wood use exceeds 1.6 metric

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<sup>1</sup> Federal University Kashere, Gombe State, Nigeria, dradamabbas28@gmail.com.

<sup>2</sup> Federal University Kashere, Gombe State, Nigeria.

<sup>3</sup> Federal University Kashere, Gombe State, Nigeria.

<sup>4</sup> Federal University Kashere, Gombe State, Nigeria.

cubes per capita per year in Nigeria, Kenya, Sudan, Tanzania, Serra Leone, Liberia and Cameroon (Ayuba, 2004). In some countries particularly developing countries, fuel wood use per capita is on the increase. The story is not different in Nigeria where as high as 86% of low income earners are primarily dependent on fuel wood as their source of energy (Ayuba, 2004). A biomass fuel has remained the commonest source of household energy in Nigeria. In 1992 alone, firewood and charcoal production were estimated at 55 million tones (Obueh, 2000 quoted in Nura, 2001).

Fuel wood is a vegetal resource which provides the main source of domestic fuel for the rural and urban households. In many rural regions in the tropics, fuelwood is the most important energy source (Broadhead et al, 2001) and many people rely on fuelwood extraction from natural forests for cooking and heating (International Energy Agency, 2002). Often the amount of wood harvested for fuelwood greatly exceeds harvested volumes for industrial and other purposes. Its utilization as a source of fuel is as old as man's invention of the use of fire and the development of art and cultivation (Carlos and Khang, 2008). In the past the source of fuel wood was simple and the ecological impacts were minimal due to low human population. As the human population continues to increase rapidly, man's dependence on fuel wood as a source of fuel and energy started showing sign of inadequacy. Fuelwood extraction and its implication for the environment and development have been on increase worldwide.

Today, the level of inadequacy is reflected in the rate at which deforestation is taking place as a result of man's attempt to have a regular supply of fuel wood and other vegetal resources. As firewood becomes increasingly scarce, women and children (even those close to the source areas before), now spend more and more hours searching for fuel wood. In some places it takes eight or more hours just to walk to the nearest fuel wood supply and even longer to walk back with a load of sticks and branches that will last for a few days.

Over the years, there is compelling evidence which suggests that firewood demand is increasing in Gombe State. To cope with this growing demand, numerous firewood selling points have emerged, leading to systematic destruction of the State's forest reserves (Bashir, 2015). Some of the firewood and the charcoal are even transported to other states like Bauchi, Jigawa and Kano. Presently, all the State's forest reserves are heavily encroached. Illegal cutting of trees for firewood were the major disturbance/challenges observed in all the forest reserves in Gombe state. Undoubtedly, such an overwhelming and persistent dependence on biomass fuels for household energy has given rise to development concerns on several fronts and has become a serious issue to many developing countries.

Various studies looked at the economic systems that perpetuate consumption and exploitation of fuelwood that lead to deforestation in Nigeria, including the northern region, The available works include: Cline-Cole et-al, 1987; Nura et-al 2011; Haruna, 2006; Ebe, 2006; Yusuf, 2006; Ikerekong et-al 2009; Cooke et al., 2008; Ndaghu, Taru, Tizhe and Tizhe, 2011; Naibbi, 2015; Abui, Shat Augustine, Na'o'mi & Obassi, 2014. Unfortunately even the few studies that covered Gombe State such as Bashir, 2015; Maryam, 2012; Mbaya and Hashidu, 2017; Yahaya, 2017; Ahmad, Yahaya & Ahmed, 2018 researched into demand and supply of fuelwood, its socio-economic intricacies and environmental implications among others. In view of this, this study is vital and timely especially in this period of environmental challenges and the global focus on sustainable development. Against this background, this study determines the pattern of fuel wood supply in Gombe urban area and its socio-economic and environmental implications on source areas. This aim will be achieved through: identifying and mapping the fuelwood exploitation patterns and levels in the supply areas (in to urban Gombe) of the study area; estimating the daily forest degradation and fuel wood exploited at the source areas over the last 20 years (i.e. 1996-2016), finding out the dominant tree species felled in the study area in the examining the implications of the exploitation on the socio- economic and physical environment.

## 2. The Study area

### 2.1. Location, position and size

Gombe State occupies a total land area of about 20,265 sq. km. It is made up of eleven (11) local government areas, located between latitudes  $9^{\circ} 30'$  and  $12^{\circ} 30'$  North and longitudes  $8^{\circ} 45'$  and  $11^{\circ} 45'$  East. It shares boundaries with Yobe in the north, Borno State in the east, Adamawa and Taraba States in the south and Bauchi State in the west (fig. 1).

Based on the 2006 national population census, it has a total projected population for 2011 of 2,753,806 which comprises of 1,448,146 males and 1,305,661 females (National Population Commission, 2006).

**Figure 1. The Study Area (Gombe State)**



Source: Authors.

**Table 1. Major forest that supply fuelwood to Gombe Urban Area**

Local Govt. Location	Name of Forest	Distance from Gombe (km)	Latitude	Longitude	Altitude(meters)
<b>Akko</b>	Tukulma forest	35	10°08'05.2"	10°58'53.7"	393
	Lambo Daji	32	10°14'43.0"	10°52'38.5"	469
	Kulum forest	39	10°08'72.4"	10°53'53.7"	370
<b>Dukku</b>	Bojude forest	46	10°34'38.4"	11°00'05.5"	481
	Lungun Maizare	48	10°37'03.0"	10°57'45.9"	537
	Bozon Shilwa	58	10°39'53.0"	10°53'48.9"	532
	Bano forest	76	10°47'13.6"	10°48'08.9"	496
	Dirri forest	118	10°49'27.5"	10°39'05.0"	382
	Galuchi forest	109	10°49'06.5"	10°47'34.3"	457

Source: Field work, 2014.

## 2.2. Relief and drainage

The topography of the State is mountainously undulating and hilly to the south but flat open plain to the north. The Gongola River traverses the State with numerous streams that are mostly seasonal and also serve as tributaries to it. For instance, Rivers Nafada and Dadin-kowa serve as the tributaries and also cross a large territory. The Gongola River plays an important role in the socio-economic and political life of the area.

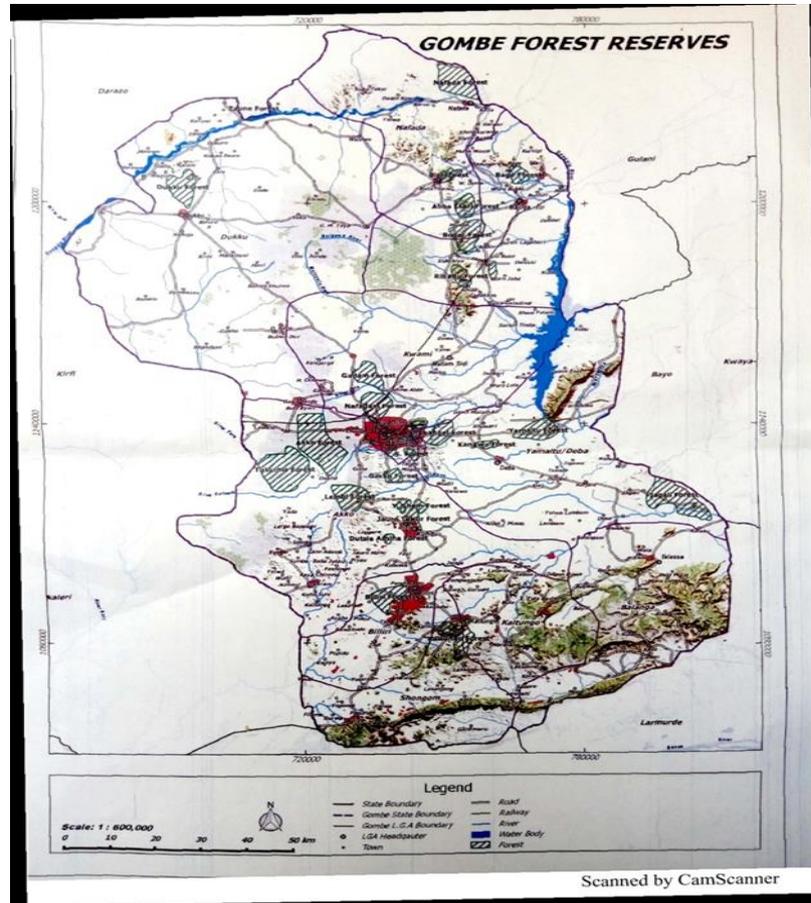
## 2.3. Climate, soils and vegetation

The weather of Gombe state is characterized by two seasons, the dry and wet seasons. The life span of these climatic conditions can be seen in the following four stages. The seasons are characterized by cold dry season starting from December to February.

This is followed by hot, dry season from March to May, then the wet season lasting from June to September. There is rising temperature (decrease in rainfall) from October to November.

The soil in Gombe State is classified into four broad zones. These are wawa soil type, the mixed farming soil, black cotton soil and rocky hills. The wawa soil is a loamy red soil, covers the western half of the Nafada LGA, the whole of Dukku LGA, part of Kwami LGA and a small section of north-east Akko LGA. As the soil type covers large part of the state, one would appreciate the predominance of livestock rearing and the cultivation of cotton, peanuts and cereals (Abba, Shehu & Abba, 1999). There are gazetted forest reserves in the state, which were either tempered with or completely taken over by urbanization process (fig. 2).

Figure 2. Gombe forest reserves and areas of coverage



Source: Authors.

#### 2.4. The People's Demographic and Socio-Economic characteristics

The people of Gombe State could be said to be diverse in terms of different languages spoken, the customs, religious beliefs and traditions being practiced. The most dominant linguistic group to be found in the area belongs to Afro-Asiatic and Niger-Congo family of languages (Greenberg, 1966). Gombe State is characterized by mixed ethno-linguistic composition which includes amongst others, the Fulani, Tangale-Waja, Terawa, Kanuri, Bolewa, Jukun, Pero, Shonge, Tula, Cham, Lunguda, Dadiya, Banbuku and Hausa. Igbo, Yoruba, Igbira, Ibibio and Edo groups are also present especially at the State capital. In addition to the use of various languages, the Hausa language serves the purpose of commerce, interaction, and of education at the lower levels of the school system. English is the official language just like any other state in Nigeria. The 2006 Population and Housing Census indicated that there were more males than females in terms of their population sizes..

The State is nationally known for its agricultural potential and some 80 percent of the population is rural and engaged in farm work. After agriculture, commerce is the next most important economic activity. Only a relatively small proportion of the population engages in manufacturing.

### 3. Materials and method

A reconnaissance survey was conducted from 26<sup>th</sup> March to 2<sup>nd</sup> April, 2017; the survey was done in two phases. The first phase was to identify the major sources of fuel wood along the five routes into Gombe metropolis while the second phase involved the recording of geo-coordinates measurements, taken of quadrants, identification of tree species cut/fell for fuel wood and piloting/pre/trial test administration of the questionnaires on fuel wood cutters, vendors and suppliers as well as Focus Group Discussion (FGD) with the communities close the sources for the fuelwood. The third phase is to use satellite images to assess the amount of fuelwood fell over the period of twenty (20) years.

The materials for the study include, the use of hand held Global Positioning System (GPS) receiver to take the coordinates in terms of latitudes and longitudes of the source areas. A digital camera was used to take the photographs of the vegetation cover, the fell trees, loaded trucks, piled up lots and the cleared farmlands. The ranging poles and measuring wheels were used to establish the quadrants of the areas in order to identify the predominant trees fell for fuel wood. A quadrant measuring 50 square meters was taken at 10 sample plots in each of the identified fuel wood sources to determine the number of individual species. Okafor and Onyekwelu (2006) opined that 100, 50 and 25 square meters quadrants can be used in vegetation studies of woodland trees and shrubs.

The structured questionnaires were administered among the fuel wood operators of the cutters and the vendors. A total of 30 questionnaires were administered among the cutters, 50 for the vendors, 50 fuelwood end users and 20 for other stakeholders, all using accidental sampling method. Focus Group Discussion (FGD) was also organized among the rural dwellers at the source regions to examine the effect of feeling trees on biosphere (environment). In each of the sampled areas three groups of nine to fifteen community members were involved in the FGD.

**Table 2. Sample size**

Categories of respondent	Sampled size
Fuelwood cutters	30
Fuelwood vendors	50
Fuelwood End Users	50
Stakeholders	20
Total	150

Source: Authors.

The inflow of fuel wood into Gombe was taken along the five routes of Kano – Gombe Road, Bauchi – Gombe Road, Yola – Gombe Road, Maiduguri –Gombe Road and Biu – Gombe Road. Along each route research assistance stationed at the entry of Gombe to take the record of inflow of fuel wood into the town between time periods of 6am – 12noon and 2pm – 7pm from Monday – Sunday 21<sup>st</sup> -26<sup>th</sup> May, 2017.

#### 4. Results and discussion

The results of the reconnaissance shows that from all the routes that enter Gombe metropolis fuel wood sources were identified. The identified settlements along Kano – Gombe routes are Dukku, Kwami, Gadam, Dawo and Bojude. The real cuttings are done outside the identified settlements along the main road of Kano – Gombe. The settlement of Dawo on coordinates of 10<sup>0</sup>.13’N and 10<sup>0</sup>9’E about 7.91km from Bojude settlement is identified as the main source of fuel wood cutting in the Gadam area. The identified settlements around the source areas along Kumo route are Tukulma, Futuk and Yelwa.

##### 4.1. Identification and Mapping of the Fuelwood Exploitation Patterns and Levels in the Supply Areas

The processes of fuel wood cutting are classified into two types of nearby and distance felling. Those felled within the settlement vicinity are classified as nearby which is usually done by farmers during farm clearance not purposely for fuel wood fetching, although trees felled are assembled and sold to the wholesale fuel wood traders at relatively cheaper price than the full time fuel wood cutters.

The fuel wood cutters that operate at distance from the settlements are also divided into three categories of the commissioned wood cutters, the voluntary fuel wood cutters( main fuel wood private biz) and the timbers wood cutters. The commissioned wood cutters are from all parts of Gombe state and some from neighboring countries of Chad and Niger. These groups of wood cutters are selective and have a preservative mechanism of cutting tress for fuel wood; their selection is based on strongest and softness of the trees. The major trees cut by this group are *Taura*, *Daniyah*, *Kukoki*, *Katakara*, *marke* and *Butum Tubule*.

Other predominant tree species consist of fine leaf, thorny trees such as *Balanite aegyptica* (*Aduwa*) *Sclerocarya birrea* (*Danya*) *Sieberiana* (*Farar Kaya*) and *Bombar castatum* (*Gurjiya*). The *Acacia* spp include *Albedo* (*Gawo*) *Nilotica* (*Gabaruwa*), *Polyacantha* (*Karo*), the fruit trees include *Parkia buglungosa*, *parkia clappertonia* (*Daurowa*), *Adansonia degitata* (*Kuka*) and *Tamarindus Indica* (*Tsamiya*). Also in the study area there are some perennial and annual shrubs, herbs and grasses.

The voluntary fuel wood cutters that are those that are fully into fuel wood business are mainly from the identified settlement of Dukku, Bojude, Kwami, Gadam and other nearby settlements. These groups of cutters felt the trees indiscriminately, they are not selective in term of types and size of the tree cut for fuel wood and the only trees exempted from their activities are the Baobab tree, Neem tree and the locust beans tree which are regarded as economic trees. Their activities are not restricted to any particular location it can either be nearby or distance points from the main settlement, the availability of trees in an area determined their activities. After cutting the reasonable amount of trees that can make a full load of the truck they invite the fuel wood vendors to come and buy the cut and tied in bundled fuel woods. The third categories of tree cutters identified are those that cut the timber mainly for construction purposes. Their activities are restricted to areas of economic trees and matured trees characterized by wide girths.

The quadrant analysis conducted revealed that Eighty five (85) trees were cut within a quadrant of 50meter square and 35 trees left standing, the frequency shows that *marke* and *Butum Tubule* range the highest of the trees cut for fuel wood. The standing tree within the quadrant has *Taura* and *Kukoki* as the highest frequency of the trees cut for fuel wood due to their softness. Other trees found within the quadrant not cut but also dominant are Neem trees, Locust bean tree.

The result from the Focus Group Discussion (FGD) with people within the fuel wood sources shows that there are various problems created in the environment where trees are felt for fuel wood or other

activities. Some of the enumerated problems facing the settlement around the vicinity of fuel wood fetching includes; soil degradation of high gully erosion, evidence of loose soil fertility. Vanished of some wild fruit for example wild yam, disappearance of bush animals' for example grass cutter, antelopes and birds, drying of rural water sources and depopulation of the settlement due to stream and rivers drying up.

In this study, Landsat data encompassing the period between 1991 and 2015, collected using TM, ETM, OLI, and TIRS sensors, had been used in the analysis. The data was downloaded from the USGS Earth Explorer data portal. The Landsat series of sensors are radiometers that record electromagnetic energy in the visible, infrared, and thermal portions of the electromagnetic spectrum. The visible portion of the spectrum primarily comprise of the solar energy reflected from the different objects on the Earth's surface along with the signatures from the atmosphere, whereas the thermal sensors onboard measure the emitted radiations (Schowengerdt 2007) of the objects that hinged on the thermal characteristic of the emitting body and encompassed their heat capacity, thermal diffusivity, and thermal inertia.

There is a long term impacts of different fuelwood extraction harvesting scenarios. Our simulation results revealed that even at low levels of harvesting forest structure became more homogeneous in the long term.

#### **4.2. Sources of Fuelwood: Vegetation**

The natural vegetation cover consists of complex, composite of thick Acacia shrub and open grassland. However, the vegetation has been altered by several human activities such as urban expansion, cultivation, livestock grazing etc. In the 1960, there were 39 forest reserves in Gombe state but due to human impact they have been turned to what is called parkland vegetation (Abba et-al. 1999) below is the list of forest reserves.

The report further projected that by 2020, "oil is deemphasized and the demand for renewable natural resources including wood and non-wood forest products is on the increase." In addition, Nwafor (2006) asserts that during the period from 1981-1990, the rate of deforestation in Nigeria was 0.7 percent, and Okafor (1990) indicates that this rate was further exacerbated by the fuelwood extraction rate, approximately 3.85 times the rate of re-growth and almost 10 times the rate of regeneration. Empirical evidence indicates that this unfortunate scenario persists across the forest reserves of Nigeria located in Kogi, and five other states (Ayotebi, 2000). The findings of the African Institute of Applied Economics, (2005) demonstrate that real fuelwood prices in various parts of the country were doubling in the last two decades. Despite the uncertainty as to what could be responsible for such a harsh environmental scenario, Botkin & Keller (1997) and Cooke, Köhlin & Hyde (2008) stress that an economic analysis can help us understand why and how environmental resources of forests are being utilized and conserved.

Understanding the fuelwood situation has always been hampered by a lack of reliable information as only a small portion of fuelwood production is recorded (Arnold and Persson, 2003). This may be due to the fact that a large portion of fuelwood consumption is by poor households and their use is seldom reported or documented. The largest sources of fuelwood are annual bushes and private farms lands (Cline-Cole, 1990; Silvi Consult 1999). More than 1,200 million m<sup>3</sup> of wood are used annually by developing countries for fuel virtually all of this wood comes from wild trees and shrubs, only a negligible proportion currently coming from plantations, (Heltberg, 2000). For resident of the Indian state of Gujarat, it was observed that fuelwood from forest reserves accounted for only 200,000 tons of the 4.8 million tons consumed in 1975. The rest of wood comes from community lands from other state, Eckholm et-al (1984). In Kwazulu villages (South Africa), good quality fuelwood is freely obtainable nearby and is the sole fuel for cooking. (Wood 1990), noted that women on heads to their various homes

for cooking, it has been shown by (Kansa, 1985 and Chidumayo, 1983, quoted in Cline-Cole, 1990) that 11 million hectares of tropical forests disappear every year.

Nura et-al (2011) suggests that since fuelwood is gathered free in most places, its consumption is not monitored or recorded by authorities. Reliably assessing fuelwood consumption is difficult (Arnold and Persson, 2003). In fact, annual fuelwood consumption data for most of Southeast Asia and the Asia-Pacific region are unavailable. Estimates of fuelwood consumption are provided by FAO and are based on estimates of per capita energy consumption which have not changed in over 30 years (FAO, 1997). Thus, the reliability of these data is dubious.

On a global basis, most fuelwood is produced and consumed locally and since much of that is gathered and consumed by private households or traded informally, it is difficult to collect good country-level data (FAO, 2009). Furthermore, empirical studies of fuelwood have focused primarily on consumption. Much less is known about fuelwood supplies (i.e., standing biomass) or growth and yield (i.e., annual growth increments). Despite the tremendous importance of fuelwood, particularly among poor and vulnerable populations, surprisingly little is known about the supply, harvesting, trade, consumption and management of this resource (Samuelson and Nordhas, 2004). There is a clear need for site-specific studies of fuelwood supplies and forest resource extraction and management.

#### **4.3. Volume of Fuelwood from the Sources**

The study discovered that an average of 136 trips of vehicles of different sizes carrying different quantities of fuelwood entered into Gombe Urban centre on daily basis during the dry season period (Table 2). Most of the fuelwood were from the lands cleared for agriculture during the dry season. But during the rainy season the number of trips is expected to drop sharply due to some factors such as abandonment of fuelwood business by many for farming activities, inaccessibility of some routes leading to the woodland areas, lack of farm clearance as well as rainfall disturbance among others.

The study further revealed that, apart from the ones conveyed to urban Gombe mainly in Pick-up Vans, big and long trucks carry large lots from virgin lands and forests of Gombe to Kano region. Other fuel wood taking places in the source and impacting on the environment include, production of charcoal which involves burring full trees in ditches by first fire on them and burring.

This action is contrary to Cline-Cole (1990)' expression that a wood surplus is generated and marketed through a commercial sub-sector whose operations are fully consistent with this objective. The fuelwood system operates within the overall framework of agro-forestry in which multiple use objectives govern the planting, protection and management of individual trees. The diversity of species and the high degree of substitution practice among fuelwood, guarantees the system's survival in the face of expected tree mortality or changes in consumer demand (FAO, 1997).

The rate of fuelwood supply is increasing with an estimated average of 39,156 tonnes imported annually into Gombe urban, excluding the unrecorded ones from the surrounding communities. As it continues over time, the forest reserves in Gombe State might all get exhausted (Bashir, 2015).

The players of fuel wood in Gombe state cut trees indiscriminately. Observation made and data collected revealed that some of the wood cutters used to select particular species of trees at the beginning of the business but could still either come back the remaining ones or due to scarcity of their choice of trees for fuel wood they travelled long distances to obtain these wood. Sometimes those trees left behind and those cut half way are cleared for farming activities. The dominant trees felt for fuel wood and their biological names are given in Table 4 below.

#### 4.4. Estimates of Daily Forest Degradation and Fuel Wood Exploited at the Source Areas

		DUKKU		BAUCHI		KUMO	
		Trips	Tonnes	Trips	Tonnes	Trips	Tonnes
Monday	6/3/2017	71	142	28	56	13	26
Tuesday	7/3/2017	81	162	30	60	14	28
Wednesday	8/3/2017	63	126	24	48	13	26
Thursday	9/3/2017	70	140	27	54	16	32
Friday	10/3/2017	51	102	31	62	15	30
Saturday	11/3/2017	70	140	28	56	17	34
Sunday	12/3/2017	82	144	27	54	17	34
		488	956	195	390	105	210
Mean		69.71	136.57	27.86	55.71	15	30
S.D		10.61	18.54	2.27	4.54	1.73	3.46
C.V		15.22	13.57	8.14	8.14	11.55	11.55

Source: Field work, 2017.

Table 3 gives a summary of daily import of fuelwood for seven consecutive days from various sources during dry season and different routes. The drop in supply during rainy season led to scarcity of the product. This is manifested in the way retailers are going to fuelwood depots and entry routes to wait for suppliers which is contrary to what is happening during the dry season.

		DUKKU		BAUCHI		KUMO	
		Trips	Tonnes	Trips	Tonnes	Trips	Tonnes
Monday	5/8/2017	38	76	11	22	9	18
Tuesday	6/8/2017	40	80	10	20	10	20
Wednesday	7/8/2017	41	82	12	24	9	18
Thursday	8/8/2017	47	94	15	30	8	16
Friday	9/8/2017	28	56	9	18	7	14
Saturday	10/8/2017	41	82	11	22	8	16
Sunday	11/8/2017	40	80	13	26	10	20
		275	550	81	162	61	122
Mean		39.29	78.57	11.57	23.14	8.71	17.43
S.D		5.71	11.41	1.99	3.98	1.11	2.23
C.V		14.53	14.53	17.18	17.18	12.77	12.77

Source: Field work, 2017.

Some of the volumes of fuelwood in tonnes imported on daily basis into Gombe urban area in two different seasons (wet and dry in 2017) have been recorded and presented on tables 2 and 3. Dukku road carries the largest percentage of supply (62%) of fuelwood followed by Bauchi road (19%), Kumo road (15%) and lastly Mallam sisi road with 4%. Dukku road carries the largest percentage of fuelwood supply to Gombe urban area because of huge existing woodland areas, accessibility and proximity to Gombe by motorists. Conversely the problem of accessibility and low forest reserves made Kumo, Mallam sisi and Bauchi road sources supply less than Dukku area source. Fuelwood from Kumo road source are sometimes conveyed to Gombe through Bauchi road. Pick up vans are main transporters. From the Dukku road source especially within the wawa-zange forest long trucks and lorries are often seen carrying full loads of fuelwood to Kano.

#### 4.5. The Implications of the Exploitation on the Socio- Economic and Physical Environment

**Figure 3. Pick-up Vans loaded with fuelwood at selling point and a bundle of being measured**



At times as revealed by this study, people move from the urban areas to stay at the rural areas for the purpose of this activity. Some of them stay there for a number of days or months with food and water brought to them by the fuelwood vendors. That gives rise to urban to rural migration.

The affected population is socially cut from the other societies, in terms of acquiring both formal and informal education. They get drinking water with hardship because the water table is too low as result of the deforestation process. The wells are so deep that a long rope is tied to a donkey and the container. To draw water from the well, the donkey is push to a far away before the container is drawn.

Economically, the people at the vicinity of the source areas, buy everything including water at exorbitant prices and they don't have other means of livelihood apart from the tree cutting and selling of the fuel wood.

Physically, the environment is so much affected just like in the words of Adegoke (2002 as quoted in Abebaw, 2009). He pointed out that, Nigeria consumes about 80 million m<sup>3</sup> of fuelwood annually. He stressed that the forest of developing countries are been consumed at over 10-15 million hectares a year. The latest sources according to him are communal bushes and private farms. He further emphasized that the increase in demand over supply of fuelwood has lead to the corresponding increase in time required and distance travels to find a fixed unit of wood. Adegoke's view is supported by Ehiemere (1997), who observed that the search for fuelwood, which was once a simple work has turned to a day's labor as women and children as well as men are forced to travel a long distance for search of fuelwood,

Adegbuyi et-al (1996 as quoted by Abdulrasheed 2009), pointed out that the largest sources of fuelwood are the communal bushes and private farms where fuelwood is freely fetched after paying a token fees to farm owners. Forest regeneration in the communal bushes is by natural means. Fast urbanization by many areas continues to diminish the supply potential of this source. Studies have shown that densely populated rural areas near Kano are self sufficient in fuelwood though natural woodland and shrubs land have nearly disappear (Silvi-Consult, 1991). Four major sources of obtaining fuelwood have been suggested by Cline-Cole, (1990) which includes; plantation, natural forest, farmed parkland and fallows. He further said that in the foreseeable future metropolitan Kano may be expected to import an increasing proportion of its fuelwood from outside its borders.

## 5. Conclusion

According to some studies, deforestation expands at the rate of about 1 km per year in the northern part of the Nigeria which causes irreversible damage to the environment thereby leading to desert encroachment and poverty. Hence, the need for extra attention to avert it even though, it is not simply a recent phenomenon, and the history of deforestation represents an important avenue of study if we are to understand its causes and consequences. Notwithstanding this, deforestation rates are currently higher in Gombe and environs than what was obtained in the past. However, one can conclude that deforestation is a product of economic crises and population pressure on the vegetation resources of the area. In addition to that, the risk of deforestation is too numerous and hard to bear.

## 6. Recommendations

- i. Economic empowerment and provision of other alternative sources of energy such as nuclear, solar, kerosene, wind and electric cookers etc at cheaper rates and affordable rate to divert people from over dependence on fuel wood consumption which is environmental –friendly by the government is absolutely necessary.
- ii. Education on environmental issues for younger generations, adults as well as the underprivileged and the vulnerable should be given utmost priority. That would broaden the bases for an enlightened opinion and responsible conduct by individuals, enterprises and communities in projecting and improving the environment in its full human dimension.
- iii. It is also essential that mass-media be fully involved in public re-orientation towards conserving natural vegetation in all respects.
- iv. Legislation also should be re-enforced to curtail unnecessary bush burning and tree cutting. This can be done successfully through the use of forest guards.

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Yunana Mba Abui, Shat Augustine. T. Galadimawa Na'o'mi, H. & Mercy, Obassi Environmental Implication Of Fuelwood Consumption In Gora Area, Kaduna State. Nigeria.

KAMILA TUREČKOVÁ<sup>1</sup> AND JAN NEVIMA<sup>2</sup>

## SMART APPROACH IN REGIONAL DEVELOPMENT

### Abstract

SMART is typical for its highly sophisticated analytical methods, attitudes, communications and technologies used for projecting the aims, procedures and planning, and it applies to the entire discipline of transfer of smart solutions into the material and immaterial innovations. In the context of the regional development, the word SMART in its narrow sense is usually connected with the word City, i.e. Smart City, which represents a concept of the developed city based on a sustainable economic development and a quality of life based on efficient utilization of human and social capital and modern information and communication technologies. In this article, the SMART concept will be presented in its broad sense from the perspective of the regional development, the objective being to delimit and identify the regions, elements and processes in which the SMART concept can be appropriately applied and developed in such a way that it promotes a general development in the regions in a positive sense and at the same time, it contributes to the increase of the standards and the quality of life of its population.

**Keywords:** Business environment, civil society, development, public administration, region, SMART

**JEL Codes:** O31, P25, P48, R11

### Introduction

The economic growth is accompanied by a range of interconnected and simultaneous processes such as the deepening globalization tendency and production-technological specialization, digitalization, the development of information and communication technologies, the accentuation of the developing and source sustainability, and changes in the social structure based on the consequences of migration. A range of attitudes of the organization of civil society on the regional level is based on the reflection of these international trends in the context of the acceptance and emphasis of the local specifics (Cvik and MacGregor Pelikánová, 2015), relying on the direct interaction with the population of the region, and participates in the common cooperation and fulfilment of the collective and individual interests with the aim to increase the living standards of its population through activities in the regional development with the participation of the local corporate sector in the context of corporate social responsibility (Pakšiová, 2016). The regional development thus represents an interconnected, synergetic and dynamic complex of processes, elements and relations characteristic and unique for the given region, which transforms this region through the interaction with the outside environment as the society demands. The development, in a positive sense, does not damage its own resource base, is sustainable and primarily focused on the activation of inner resources that get transformed into the developing potential. For that reason, the Smart concept is related to terms such as the shared economy, circular economy, sustainable economy, etc. The Smart concept emphasises the implementation of highly sophisticated methods, procedures, techniques and ways of communication into the various forms of practices and actions following the aim to improve the present condition and increase the acceptance of the performances of all involved subjects.

The abbreviation SMART itself used to be related to the setting of the aims and the metrics in the control and planning of the management, and it is an acronym composed of the capital letters of individual English names for the attributes of the aims as follows: (1) Specific, (2) Measurable, (3) Acceptable/Achievable, (4) Realistic/Relevant and (5) Timely/Time-related. Recently a range of new

<sup>1</sup> Silesian University, Czech Republic, tureckova@opf.slu.cz.

<sup>2</sup> Silesian University, Czech Republic.

alternatives of the expression SMART are used, for example, SMARTER or KARAT, or the capital letters are used for expressing further semantic content. To accentuate the abbreviation of SMART, the English translation of the word is suitable, meaning clever or intelligent. When attaching the word SMART to any other word, an elaborated and innovative attitude towards the given problems is thus emphasised. In connection with the above mentioned it is necessary to say that the “smart” activities are not a new thing. Plenty of ongoing or finished activities fulfil or have fulfilled the attributes of the SMART concept, they have not just been named and labelled like that.

### **The SMART concept in the regional development**

The SMART concept is a rather new applied approach in individual regions of the regional development based on both technical and non-technical innovations, through which we want to emphasise specific attributes that define such approach in general. Among these attributes of the Smart concept belong:

- emphasis on an innovative solution,
- maximum exploitability of resources without waste,
- responsibility towards surroundings,
- consideration towards the environment,
- dynamics and the ability to respond to new impulses quickly,
- and, looking for sophisticated ways how to solve the “challenges” in regard to the society development.

It is not possible to set an unambiguous definition of the Smart concept as it always reflects the concrete situation and the sphere of concerned activities. In general, it can be stated that it is:

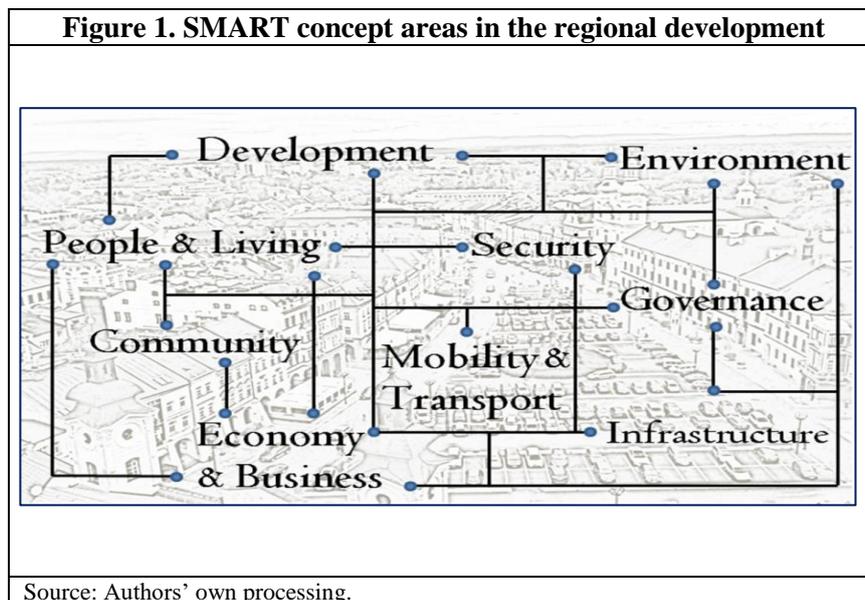
*„an innovative and functional approach that deals responsibly with situations and with a positive impact on the society“.*

The focal point of the Smart concept are people, i.e. involved subjects of the given region that are interested in the application of the Smart concept when solving the given local issue. The ability to interconnect conceptually all these spheres of the population, business units and representatives of public administration depends on the level and methods of their mutual communication, sharing of information and experience, the courage to do things differently and innovatively and face the usual routine. The output of the Smart approach should be to make a Smart Decision and find Smart and functional Solution for the stipulated issue. The main tool of the Smart approach is then a transparent and open information platform, and the principal means is an open and highly effective communication on the level of the social dialogue across all involved actors of the regional development (MacGregor Pelikánová and Cvik, 2015). The Smart approach applied in the activities related to the regional development should positively influence not only the people of the given region, but also entrepreneurs and visitors. A well-applied Smart approach in any activity thus:

- improves the living standard of the population,
- improves the quality of the business environment,
- improves the satisfaction of the visitors.

According to the economic terminology, when the Smart approach is applied suitably it increases the social surplus. Using the Smart approach is limited by the adsorption and adaptation ability of the socioeconomic environment of the given region, and at the same time, the social and behavioural aspects and needs of the involved subjects must be taken into consideration.

The projects related to the SMART approach regarding cities and regions (Smart City a Smart Region) may be financed from different levels and with different effectiveness and efficiency (Cvik and MacGregor Pelikánová, 2015). The most frequent and appropriate is (1) financing from regional (local) resources, next from (2) the interregional level, (3) national (state) and (4) international level. The logic is that the narrower the relation between the object of the SMART approach and the financial provider is, the more motivated and responsible is the application process. This is then intensified by the rate of the involvement of the application guarantors of the SMART approach. We may add that the SMART projects in the regional development are usually financed from public or mixed resources, only rarely they are financed entirely from private sources. This is due to the fact that the outputs of the SMART solutions in our case are of public or mixed values, rarely of purely private values.



In our SMART concept in the regional development, nine more or less independent regions were defined (see Fig. 1) that are distinctive with their mutual interaction and synergetic effect. The key spheres in the Smart concept in the regional development are: (1) Development, (2) Environment, (3) People and Living, (4) Security, (5) Community, (6) Mobility and Transport, (7) Governance, (8) Economy and Business, and ultimately (9) Infrastructure what is more than traditional “smart” areas which are: (1) Smart economy, (2) Smart people, (3) Smart governance, (4) Smart mobility, (5) Smart environment and (6) Smart living (Giffinger and Haindlmaier, 2010). Nam and Pardo (2011) divided concept of “smart” into tree segment: (1) technology, (2) institutions and (3) people.

The most important spheres where the Smart concept is applied directly and is presently most frequently associated with are transport and technical, energetic and knowledge-based infrastructure (Schindlerová and Šajdlerová, 2017). An effective and content significant application of the Smart concept in one sphere should function as an accelerator of the regional – integrated development (it concerns a progressive regional development that relies on an application of the most effective cross-section solutions) that reaches into other spheres and strengthens the competitiveness of the region and its quality of life.

It is evident from what was mentioned above that the Smart concept may be considered as a new economic category. Within the defined spheres where the Smart concept is applied as a part of the regional development, we can discern specific, or rather concrete subspheres– elements. The selected elements in the stated spheres are mentioned in the following text. It is both combined, or rather

accentuated in the concepts of Smart City and Smart Region. Concept of Smart City is not dealt with more closely here.

The first compact sphere of the Smart concept in the regional development is the sphere of the Development, which includes such activities in the regions that are intended to improve the original condition or transform it from the broadest point of view concerning the development in the given region.

The elements that are involved in the development of the region and that may be connected with the Smart concept, are for instance:

- the issue of sustainability, i.e. searching for such a behaviour of subjects that is not contrary to the inherent ability of natural and social environment to sustain the present system for the future, including fulfilment of the social needs alongside with the sustainable utilization of the cultural landscape (Gehl, 2010),
- an innovative city planning and the so-called Smart Growth which is connected with the reutilization and regeneration of brownfields in response to the issue of suburbanization, development in the greenfield and Urban Sprawl (undesirable spreading of cities and municipalities into the surrounding landscape), creating conceptual tools and methods of landscape planning, etc.
- or, the issue of recycling when it is essential to search new, more effective and environment-friendly ways of waste recycling with the aim to conserve both renewable and non-renewable resources (Goodland, 1995 or Moldan et al., 2012).

The sphere of Environment is closely related to the sphere of the Development, and it includes especially spheres concerning the natural resources and technological processes related to the waste handling and recycling, the environment in its strict sense, or landscape utilization.

Here we can search for opportunities to support the diversity of the environment trying to preserve the natural populations, reduce the pollution and limit the emissions of contaminants, protect the biological diversity and take such measures and methods in urban, agricultural, water and forest ecosystems in order to strengthen the natural functions and services of the landscape and environment, or as a protection against the risks resulting from the climate change and transforming into extreme meteorological phenomena such as extreme dry and hot periods, wildfires, windstorms, torrential rain, floods, heavy snowfalls, etc. Adaptation measures reduce these climate changes, and special landscape maintenance and changes are part of the application of the Smart concept. The quality of life reflects the feeling of life satisfaction and social stability, which is influenced by a range of material and non-material factors, such as living, services for citizens (mainly public services in the sphere of education system, health service, social service, etc.), the level and the possibility to deepen the social and human capital, leisure time facilities (sports, culture or creative facilities, tourism, natural environment), etc.

The sphere of People and Living can be extended by features such as the Internet of Things, IoT, or the issue of acquiring, processing, storing and handling with personal data. This sphere is closely connected with the sphere of Community and civil society, where the emphasis is put on a community of people identified with the concrete ideas. These people – active citizens show interest in the public life and are motivated to share their opinions and advance their attitudes in communal and regional space. An ideal mature, modern, cosmopolitan society searches the ways how to secure the social and ethnic plurality, how to support equal opportunities and prevent the social exclusion, how to prevent the deprivation, exclusion and segregation. The key part when fulfilling the objectives in these two spheres is sharing the ideas and mutual and open Smart communication among all involved subjects, which is the basis for searching material innovative solutions and outputs.

Security is a broad sphere concerning the securing the systems against the threats and risks. In regards to the concrete systems (social, technical, information, natural, and others) securing the safety is specified in individual measures. A complex approach towards securing the required level of safety and justice is stipulated in the legislative standards and other relevant documents, and is enforced and secured by security services (police, army). At present, ways of protection against criminality, extremism and terrorism are searched for to secure the general safety, and new defensive and safety systems and structures are developed. Alongside with the expansion of data use and information and communication networks, it is possible to search for possibilities how to improve the reliability and safety of network systems, and improve the data protection in the dynamic environment.

The sphere of Mobility and Transport is one of the most potential spheres in which the Smart concept can be applied, predominantly in the technical and technological sector. A general requirement of all subjects is to secure the required accessibility of places. For this reason, it is essential to constantly innovate organisation, information and operating systems of transport and create conditions for the development of integrated mobility based on intelligent and secure transport systems with elements of autonomous operation that respect the protection of the environment and sustainability (Slavík, 2017). New modern trends in transport rely on searching for alternative means of transport based on ecological and renewable energy resources, and are nowadays projected in the development of electromobility or hydrogen drive. The innovative approach in transport and mobility not only concerns the means of transport or systems, but also the transport networks, their operation securing, the quality of used material, management of their repairs or building of new ones, etc.

Another essential sphere contributing to the regional development and coordination of public activities is the transparent Governance. This sphere is significantly determined by the level of participation of the population in the decision making, administration and governance, in regards to the stipulated political strategies. Self-government and general governance should be in charge of the given region and control it sustainably with respect to the required quality and accessibility of the public goods and services. As it was mentioned above, the cooperation and collaboration (involvement) of citizens with the representatives of the self-government and government is fundamental, including the so-called Public Private Partnership (PPP), which is typical for its active partnership between the public and private sector and information transparency. At present, this sphere is connected with processes of de-bureaucratization on one hand and digitalization, eGovernment and open data on the other hand. Smart concepts applicable in the regional processing of administration are usually related to the communication across the involved subjects when deciding, choosing and securing the public goods and using information and communication technologies in order to reach the citizens faster and more cheaply.

Economy and Business is a primary sphere that creates conditions for economic development in the regions, which is then reflected in the regional competitiveness and determines the living standards of the local population. The Smart business environment is typical for its innovative and creative spirit, flexibility and adaptability, initiative and entrepreneurial spirit (transferring ideas into practice), investments into human capital and production of the processes and procedures that are effective and socially responsible. The production of safe and reliable products is supported, and their utility characteristics or their versatility is strengthened. Successful companies are open to new trends and cooperation, they benefit from sharing information, experience and skills and profit from the cooperation across sectors and institutions (especially through technological parks, incubators, branch clusters, technological platforms, etc). The cooperation with universities and research institutes is also significant.

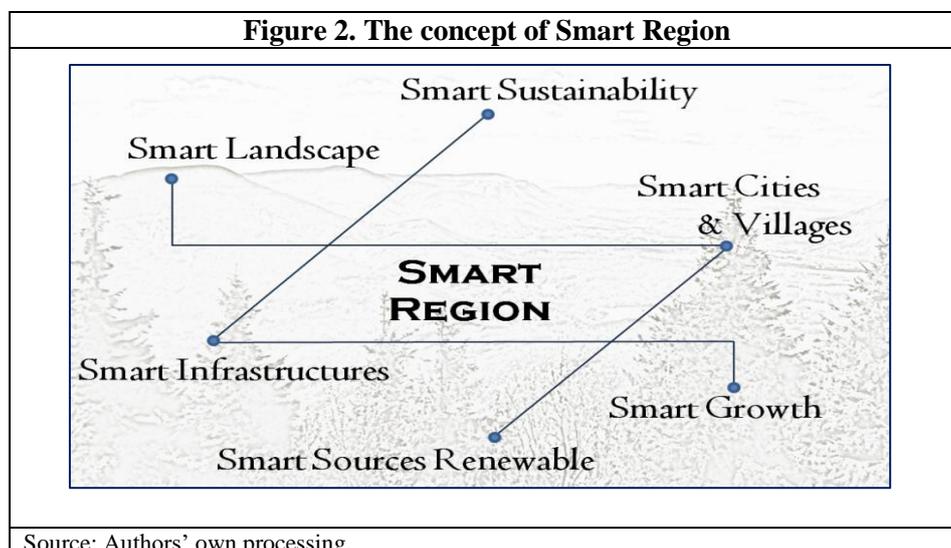
An equally important sphere is Infrastructure in its broadest sense. Apart from the standard transport, energetic, water and sewage system, its subject of interest is nowadays information, communication and

knowledge infrastructure. Reliability, safety and resistance (lifespan) of distribution networks and service systems is nowadays a priority for all types of infrastructures, or rather the protection of critical infrastructures and securing of required capacity of backbone transmission networks, mainly of the power industry. This is reflected in creating new intelligent network systems that rely on the development of information and communication technologies and in applying technological innovations regarding the materials and procedures used. Administration and management of infrastructure networks, their diagnostics and continuous inspection leading to the increase in reliability, safety and lifespan of infrastructure systems is an important activity.

### Smart Region

If we assess the Smart Region from the geographical-spatial point of view, we approach the concept more broadly than with the Smart City where the concept is primarily focused on the settlement areas with a high population density and extensive infrastructure of offered services. Smart Region then represents a larger region where cities and municipalities are concentrated and where the Smart approach is applied for their management and solving of economic-social issues.

The concept of Smart Region supports (1) the existence of Smart Cities and Smart Villages, (2) innovative (interdisciplinary) approach regarding the landscape and its maintenance in order to preserve or enforce its natural functions and services (Smart Landscape), (3) an application of sustainability in all spheres of the region in order to secure the permanence and diversity of systems, resources and processes in the region (Smart Sustainability), (4) creation and enforcement of conceptual tools of planning urbanistic settlements and landscape with respect to the support of the regeneration of brownfields against the undesirable housebuilding on the green field (Smart Growth), (5) creation of smart, secure, reliable systems with enough capacity, using solar, wind, water, geothermal and other alternative renewable resources (use of waste and biomass), mainly energetic, including the enforcement of utility values of products (Smart Sources Renewable), and finally (6) it is a sphere of technical and non-technical infrastructure (Smart Infrastructures) which generally interconnects various structural material and non-material elements. Most often it is technical (water lines, sewage systems, etc.), energetic or transport infrastructure that are all connected to information and communication technologies, adaptation or change of technological processes and input materials, while with non-technical infrastructure (entrepreneurial, infrastructure of research and development, infrastructure of public facilities and others) the innovations regarding communication and information sharing, cooperation and partnership are crucial as far as Smart concept is concerned (see Figure 2)



The above mentioned six spheres of Smart region mutually overlap and are interconnected in a range of details, and it is not possible to define the boundary where the one sphere finishes and the other begins. Generally, we can perceive Smart region as the one in which the subjects actively and responsibly approach the solution of the local issues and needs, and search for new and effective ways how to overcome the undesirable condition with respect to the sustainable regional development (Sucháček, 2013), sustaining or improving the natural functions and services of the landscape, continuity in the society development including permanent deepening of the quality of infrastructure networks, always with regard to the environment and social stabilization of the given region. Just as in case of Smart City, Smart Region is also a place where all generations of people like to live as they can feel here an above-standard quality of life, both knowingly and unknowingly.

## Conclusion

The level of progressiveness and smart-readability belongs to important indicators influencing the socio-economic development and other processes taking place in the social and economic realm (Staničková, 2017). The social development in the last decades has been closely related to the transition from industrial economy to modern economy associated with a prevailing proportion of services, and recently also to knowledge economy based on the development and utilization of knowledge, skills and innovative potential. The knowledge economy is just based on the knowledge society, uses its predominantly non-material assets to increase the productivity and creating social benefits across all spectra of economic activities and social life, and is thus a significant source of competitive advantages in all spheres of economy and a quality of life for the citizens of its country. It is the concentration of economic, social and cultural activities that, together with a creative and knowledge potential of the residents of the cities and regions, represents the driving force for the development of innovations, new technologies and overcoming of challenges (mainly of environmental character) that the present society is confronted with.

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**CHENG TE CHENG<sup>1</sup>**

## **USING CUMULATIVE PROSPECT STOCHASTIC DOMINANCE METHOD TO EXAMINE ANOMALIES OF BRIC STOCK MARKETS**

### **Abstract**

For the study of market efficiency is generally use the Mean-Variance model to explore. In recent years, some scholars have all the assets of the portfolio risk as the research object, the use of stochastic dominance criteria to test anomalies stock market rate of return. In this study, the China stock markets as the research object, and incorporate risk-free assets to a portfolio, using the cumulative prospect stochastic dominance criteria to verify monthly effect and size effect on stock market rate of return. The results show that the China stock markets monthly effect and size effect widespread phenomenon. The study also compares the present study, with the Mean-Variance model, and the general stochastic dominance model of difference of the results, the findings as market investors as a reference for investment decision.

**Keywords:** Stochastic dominance, Cumulative prospect theory, Cumulative prospect stochastic Dominance criteria, monthly effect

**JEL Codes:** G11

### **1. Introduction**

In order to pursue higher investment returns, investors will find various ways or opportunities to obtain excess returns in the financial market. Fama (1970) pointed out that if the stock market meets the efficient market hypothesis (EMH), the investors will have no excess returns in the long-run. Therefore, many investors hope to find a stock market that violates the efficiency market hypothesis in order to obtain higher returns. For the study of market efficiency, most of the past studies used the mean-variance model, but because the assumption of the mean-variance model is too strict, some scholars have used the first- and second-order stochastic dominance criteria to take a full risk portfolio to examine the anomalies in stock market returns, but practitioners may simultaneously hold risky and risk-free assets.

In recent years, investors have gradually shifted their investment stock market to emerging countries, expecting high growth rates in emerging countries to bring higher investment returns. Therefore, this study uses China stock market as research object. The object, combined with portfolio risk and risk-free assets, the cumulative prospect stochastic dominance criterion is used to verify the abnormal phenomenon of stock market remuneration, and the detection of market anomaly items includes size and monthly effects, which are used as market investors' decision-making reference in investment.

### **2. Literature review**

The main purpose of this study is to use the cumulative prospective stochastic dominance theory to verify whether the Chinese stock market has scale and monthly effects, and compare it with the mean-variance model to provide investors with the best choice for portfolio selection. Therefore, the literature of this study includes efficiency market hypothesis, mean-variance portfolio theory, stochastic dominance rule and cumulative prospect theory, size effect and monthly effect.

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<sup>1</sup> Far East University, Taiwan, nike@mail.fe.u.edu.tw.

## 2.1. Efficient market hypothesis (EMH)

Efficient market hypothesis (EMH) indicates that investors will not be able to obtain abnormal return in the stock market for a long time (Fama, 1970). Past research has shown that there are some anomalies in the stock market that violate the efficiency market hypothesis, such as the January effect, the firm size effect, and the day-of-the-week effect. Investors can use these market anomalies as a reference for investment strategies to help investors get higher returns. As a result, many scholars have had very big doubts about the efficiency market hypothesis, and they have sought explanations from other fields.

## 2.2. Mean-Variance Portfolio Method

In the past, most of the validation of the efficiency market hypothesis was based on the mean-variance portfolio method proposed by Markowitz (1952) or the capital asset pricing model (CAPM) proposed by Sharpe (1964), Lintner (1965) and Mossin (1966). The mean-variance model is popular with financial scholars and many empirical studies support CAPM, such as Fama and MacBeth (1973), Miller and Scholes (1972), Amihud, Christensen and Mandelson (1992), Jagannathan and Wang. (1996), Levy (1997), Singh (2014), and Vatrushkin (2018). However, Fama (1976), Roll (1992), Levy and Levy (1982), and Fama and French (1992) questioned the theoretical framework and empirical results of the Capital Asset Pricing Model (CAPM). Meyer, Li and Rose (2005) pointed out that the mean-variance model limits the risk appetite pattern of investors, and assumes that the return distribution of assets must be normal or the utility function of investors must be quadratic, so its assumptions are stricter and less consistent with reality.

## 2.3. Stochastic Dominance Rule and Cumulative Prospect Theory

Since the mean-variance model has been questioned by many studies, many scholars have proposed different portfolio selection models, one of which is stochastic dominance rule by Fihburn (1964), Hadar and Russell (1969), Hanoch and Levy (1969) and Whitmore (1970) proposed. The stochastic dominance theory does not assume that the return distribution of assets is a normal distribution, and can be applied to any type of investor, and there is no strict assumption of CAPM, because there are many evaluation advantages, so Levy and Hanoch (1970), Hodges and Yoder (1996), Meyer, Li and Rose (2005) and others published successive articles on stochastic dominance rule.

Kahneman and Tversky (1979) published a prospect theory that criticized the theory of expected utility. Prospect theory uses two functions to describe an individual's choice behavior: (a) value function  $v(x)$ ; (b) decision weighting function  $\pi(p)$ . The value function  $v(x)$  replaces the utility function in the traditional expected utility theory, and the decision weight function converts the probability of the expected utility function into the decision weight  $\pi(p)$ . Tversky and Kahneman (1992) then proposed a cumulative prospect theory (CPT) that can be applied to any choice between the prospective prospects for quantifying the outcome. Levy and Levy (2002) and Baucells and Heukamp (2006) and other empirical studies that incorporate cumulative prospect theory into stochastic dominance rules for portfolios.

## 2.4. Monthly Effect and Size Effect

The size effect means that small-scale companies have higher returns than large-scale companies. Banz (1981) and Reinganum (1981) point out that investing in smaller companies after risk adjustment remains It has a higher rate of return than a larger company., called the small firm effect or size effect. This phenomenon has been further explored by many scholars, such as Keim (1983), Schultz (1983), Stoll and Whaley (1983), Fama and French (1992), Hsieh, Chou and Liao (2008), and Wei (2014). Coleman (1997) also compiled 58 papers on the size effect, and the results of these studies confirmed

the size effect of the stock market.

The Monthly Effect means that certain months have higher rewards than other months. Keim (1983) pointed out that the average return rate of the stock market in January is significantly higher than other months, called January Effect. This phenomenon has been further explored by many scholars from different perspectives, such as Rogalski and Tinic (1986), Chen (1996) and Wang (2000). Some scholars, such as Lin (2008), Hsieh, Chou and Liao (2008), Chen (2018) have found that the monthly effect is not necessarily the January effect.

The study of Vatrushkin (2018) pointed out that BRIC stock markets have inefficiencies in the temporal effect, and investors can adjust portfolio strategies to obtain excess profits. Vatrushkin (2018) presented certain results of identification and evaluation of five temporal effects on the stock markets of BRICS countries, and they determine the efficiency of these markets. Lo (2007) pointed out that there is the month-end effect in BRIC stock markets; Tsai (2015) pointed out that the year-end effect of emerging markets in Asia Pacific is very obvious, and the indices of Brazil, India and Russia all perform better in December.

Based on the above literature, in this study we will collect stock data of China, use the cumulative prospective stochastic dominance theory to test the stock returns monthly and size effect, taking into consideration the trading cost factor, and compare them with the test results of the mean-variance model and the stochastic dominance method as well as make comments on the past results.

### 3. Methodology

This study explores whether there are monthly and size effect in the stock market of China. The monthly return data of Shanghai (SSE) Composite Index, Shanghai A-share (SSE A-share) and B-share (SSE B-share) are obtained from the StockQ International Stock Market Index website, and portfolio comparisons are carried out with the mean-variance model, the stochastic dominance criterion and the cumulative prospect stochastic dominance criterion for verification of the existence of the monthly effect. In order to test whether there is a scale effect in the stock market, according to the formation of the stock portfolio classified by stock market value, the stock listed companies are divided into ten investment portfolios according to the market value (size), where size1 is the investment portfolio with the smallest stock market value, and size10 is the largest portfolio of stock market value.

For the calculation of cumulative prospect stochastic dominance, Levy and Levy (2002) and Baucells and Heukamp (2006) applied the stochastic dominance criterion on the Cumulative Prospect Theory for empirical research. In this study, the Cumulative Prospective Stochastic Dominance Method is used to verify whether there is a monthly effect in the stock market. The value function and decision weight parameters are based on the estimated values of the Cumulative Prospect Theory (CPT) proposed by Tversky and Kahneman (1992), where  $\lambda=2.25$ ,  $\alpha = 0.88$ ,  $\beta = 0.88$ ,  $\delta = 0.69$ , and  $\gamma = 0.61$ .

## 4. Results

### 4.1. Average Return

The average and standard deviation of the monthly returns of China stock indices are presented as Table 1, the average monthly return of the SSE Composite, A-share and B-share index have the highest average month return on April.

**Table 1. Monthly returns of China stock markets (2008~2017)**

Month	SSE A-share	SSE B-share	SSE Composite
Jan	-1.5086	0.6495	-1.5195
Feb	2.4205	2.4485	2.4248
Mar	-0.4650	0.1252	-0.4651
Apr	<b>4.9504</b>	<b>6.7056</b>	<b>4.9515</b>
May	-0.0368	3.2051	-0.0174
Jun	-5.4070	-5.4723	-5.4126
Jul	3.3193	3.9500	3.3303
Aug	-3.6264	-4.7117	-3.6613
Sep	0.6815	1.5457	0.6794
Oct	2.0096	0.7952	2.0031
Nov	-0.2716	3.9211	-0.1320
Dec	3.8722	4.1643	3.8778
Average return(%)	0.5047	1.4544	0.5151
Standard deviation (%)	8.9617	11.1549	9.0406
Variation coefficient	17.7565	7.6698	17.5512

Source: Author.

The average monthly rate of return for each size portfolio of the Chinese stock market is shown in Tables 2 to 3. The data shows that SSA A-share has the highest average monthly return on Size1 (smallest size), and SSE B-share has the highest average monthly return on Size4.

**Table 2. Average Return Rate of Size Portfolio on SSE A-Share (1993~2017)**

Month	Size1	Size2	Size3	Size4	Size5	Size6	Size7	Size8	Size9	Size10
Jan	4.0435	4.3959	4.3761	4.6053	4.1507	4.9258	5.6048	4.5315	4.2142	2.6777
Feb	8.0351	7.0835	6.5536	6.8334	6.0394	5.6651	5.0671	4.9550	3.4836	3.6709
Mar	6.2256	5.7595	4.2911	2.9450	2.8319	3.2207	1.9254	0.8337	1.2465	0.6268
Apr	5.8588	4.5966	5.6140	5.3779	5.7578	5.6663	5.2861	5.7233	4.4697	5.4907
May	4.3988	3.2794	2.6245	2.5445	2.3420	1.9232	1.2883	1.5599	0.3663	-0.1064
Jun	-1.9883	-2.2469	-3.0419	-2.6418	-2.2149	-2.5352	-1.2964	-2.2562	-1.0938	0.5576
Jul	0.4814	-0.4822	-0.2360	-0.9817	-0.2496	-0.1038	-0.9369	0.2630	-0.8339	-1.1112
Aug	6.5133	4.8475	5.0531	4.6092	4.1239	4.0694	3.8476	3.4497	2.2917	1.8997
Sep	2.8838	1.0710	-0.0099	0.2440	0.4418	-0.1674	0.6930	0.0786	0.2739	0.2563
Oct	1.4466	-0.5220	-0.3517	-1.0062	-1.4823	-1.2445	-1.5398	-1.3302	-1.7885	-0.5744
Nov	4.7299	4.3571	4.0049	4.6200	3.4082	2.7397	2.5460	2.3905	1.8620	0.9882
Dec	-2.0964	-1.4237	-1.9183	-1.3876	-2.4323	-1.1892	-1.6394	-2.0457	-0.8970	-0.3131
Average return(%)	<b>3.3777</b>	<b>2.5597</b>	<b>2.2466</b>	<b>2.1468</b>	<b>1.8930</b>	<b>1.9142</b>	<b>1.7372</b>	<b>1.5128</b>	<b>1.1329</b>	<b>1.1719</b>
Standard deviation (%)	<b>14.0814</b>	<b>12.8851</b>	<b>13.1657</b>	<b>13.5332</b>	<b>12.6222</b>	<b>13.0348</b>	<b>13.3947</b>	<b>12.7950</b>	<b>12.2302</b>	<b>12.1134</b>
Variation coefficient	<b>4.1689</b>	<b>5.0338</b>	<b>5.8603</b>	<b>6.3039</b>	<b>6.6678</b>	<b>6.8095</b>	<b>7.7105</b>	<b>8.4578</b>	<b>10.7955</b>	<b>10.3365</b>

Source: Author.

**Table 3. Average Return Rate of Size Portfolio on SSE B-Share (1994~2017)**

Month	Size1	Size2	Size3	Size4	Size5	Size6	Size7	Size8	Size9	Size10
Jan	2.7892	1.0891	1.6398	2.3718	2.4431	1.4481	2.3648	1.6479	0.5706	0.8949
Feb	3.8146	5.3004	3.9820	4.9546	4.3116	4.3672	5.3867	3.7314	3.4938	2.5919
Mar	6.2290	5.5578	4.9647	4.9952	3.3832	2.7698	4.6171	3.3389	1.7707	1.5440
Apr	-1.2138	2.0109	1.3770	1.4401	1.6016	3.4211	1.3036	2.7616	2.6401	4.1013
May	11.3444	6.6356	6.6138	10.4230	10.0952	8.0057	8.1786	7.0025	6.3735	5.8052
Jun	-2.5266	-3.1735	-1.8227	-4.5169	-1.3162	-1.8479	-3.9173	-2.7771	-1.1505	-3.0021
Jul	-1.1106	-0.7456	-2.0223	-1.0968	-2.2499	-2.4174	-1.2220	-1.5278	-0.9034	-1.3846
Aug	3.5467	3.9394	1.5615	2.8007	-0.3729	0.6797	0.4054	-1.0960	0.6785	-1.8019
Sep	2.6086	4.3468	2.4873	3.6028	2.6607	1.5095	1.4063	2.7856	0.7449	1.6566
Oct	-3.1565	-2.3712	-2.3824	-2.2977	-2.1809	-2.8349	-2.5443	-3.0387	-1.9791	-1.5039
Nov	2.5207	-0.2877	2.4705	2.1253	0.4792	0.6631	0.3794	0.3453	-0.7789	0.0397
Dec	4.7202	6.2040	3.4956	4.7877	3.9692	3.5650	2.6132	2.4722	3.1982	1.6932
Average return(%)	<b>2.4638</b>	<b>2.3755</b>	<b>1.8637</b>	<b>2.4658</b>	<b>1.9020</b>	<b>1.6107</b>	<b>1.5810</b>	<b>1.3038</b>	<b>1.2215</b>	<b>0.8862</b>
Standard deviation (%)	<b>15.5701</b>	<b>15.2665</b>	<b>14.3293</b>	<b>15.1405</b>	<b>14.7636</b>	<b>12.8992</b>	<b>13.7909</b>	<b>13.2332</b>	<b>12.6394</b>	<b>12.6007</b>
Variation coefficient	<b>6.3195</b>	<b>6.4266</b>	<b>7.6886</b>	<b>6.1402</b>	<b>7.7621</b>	<b>8.0084</b>	<b>8.7229</b>	<b>10.1497</b>	<b>10.3474</b>	<b>14.2188</b>

Source: Author.

#### 4.2. Test result of Monthly Effect

This study examines the monthly effect of China stock with stochastic dominance (SD) and cumulative prospect stochastic dominance (CPSD). The monthly effect test results are shown in Table 4. The SSE A-share index has a February effect under both the Stochastic Dominance Method and the Cumulative prospect stochastic dominance Method, and the return in February has the lowest variation coefficient. The SSE B-share index has a December effect under both the stochastic dominance method and the cumulative prospect stochastic dominance method, and the return in December has the lowest variation coefficient.

**Table 4. Test result of Monthly Effect on China stock indices**

Index	Stochastic dominance (SD)	Cumulative prospective stochastic dominance (CPSD)	Highest average return	Lowest variation coefficient
SSE Composite	Feb	Feb	Apr	Feb
SSE A-share	Feb	Feb	Apr	Feb
SSE B-share	Dec	Dec	Apr	Dec

Source: Author.

#### 4.3. Test result of Size Effect

This study also examines the size effect of China stock with stochastic dominance (SD) and cumulative prospect stochastic dominance (CPSD). The results of the size effect test are shown in Table 5. The Shanghai A-share index has a size effect on size1 (smallest size) under the stochastic dominance method and the cumulative prospect stochastic dominance method, while the size1 of variation coefficient of return is the lowest. The Shanghai B-share index has a December effect under both the Stochastic Dominance Method and the Cumulative prospect stochastic dominance Method, and the return in December has the lowest variation coefficient. The results of the study indicate that under the Cumulative prospect stochastic dominance Method, many portfolios hold a certain proportion of risk-free assets (such as bank time deposits) which present a relative stochastic dominance at low levels. The difference is that the SSE B-share index has a size effect on size 4 under the stochastic dominance method and the cumulative prospect stochastic dominance method, and the size 4 has the lowest return variation coefficient.

**Table 5. Test result of Size Effect on China stock indices**

Index	Stochastic dominance (SD)	Cumulative prospect stochastic dominance (CPSD)	Highest average return	Lowest variation coefficient
SSE A-share	Size1	Size1	Size1	Size1
SSE B-share	Size4	Size4	Size4	Size4

Source: Author.

#### 5. Discussion and Conclusion

This study uses the cumulative prospect stochastic dominance method to re-examine the monthly effect and scale effect of China's stock market. During the study period of the test results show that (a) there is a monthly effect in China's stock market; (b) using the stochastic dominance method and the cumulative prospect stochastic dominance method to obtain the same result of month effect and size effect; (c) compared with previous studies, Tsai (2015) pointed out that the monthly effect in Asia Pacific stock market is mostly the December effect, which is the same result as the SSE B-share index in December, but the SSE A-share index is in February. Effect, this should be the effect of the Chinese Lunar Year. (d) the SSE A-share index showed the smallest scale effect, while the SSE B-share index showed a size4 effect. The A-shares were the Chinese local investment market, and the B-shares were foreign investment markets, showing different scale effects and monthly effects. As a result, investors can be used as a reference for investment decisions.

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MARTA MUQAJ<sup>1</sup>

## PERFORMANCE MANAGEMENT AND INFLUENCING FACTORS

### Abstract

Performance management intends to promote and improve the efficiency and productivity of employees. This is a process that deals with co-ordination between managers and employees in planning, monitoring and designing employees' work objectives, in harmonizing the goals and contribution of each, in favor of both, the organization and the employees as well.

This paper analyzes the functioning of the management system and the structured control of the most important issues of management systems, where the main objective is the management of organizational performance.

Most of the major contemporary organizations give importance to the performance management system of their organizations as the only way to achieve the highest levels of performance. For this reason, a new and more powerful approach is required in the overall management process and performance management in particular.

The capacity of an organization depends on its competitive capabilities in developing performance management, and creating an environment for learning and developing. Being a difficult and complex process, the opportunities and ways to approach do not have a model that is based on a particular study or researchers, it changes day - to - day, from situation to situation, where group communication regarding the objectives and goals is an opportunity and facilitation for managers.

**Keywords:** Management, performance, system, organization, process

**JEL Codes:** L10, L20

### 1. Introduction

Performance management is a process, at the same time, it is a rather complicated topic to give a clear definition or a conclusion on which of HRM models is more appropriate, more efficient and more productive. It is a profound theme that depends on different conditions, and day-to-day changes its depth and breadth, it entails difficult processes that can not be based on any of the scientific theories, and as a topic, thanks to nowadays globalization, is becoming more dynamic, more complicated and more interesting at the same time.

Performance management aims at developing individuals with the necessary engagement and the ability to be effective and productive in meeting common objectives within an organizational framework.

Additionally, the MP aims to build an appropriate performance culture, both for the individual and the teams, so that each and every one of them takes the responsibility for enhancing and developing processes continuously, in order to increase the competencies by improving their skills within the leadership framework. Regarding this point, it can be said that the main objective of the MP system is to increase the capacity of employees, the operating potential in favor of both parties. Thus, the main objective of performance management is that the organization as a system and its subsystems engage together in an organized way to achieve optimal results.

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<sup>1</sup> European University of Tirana, Albania, mmuqaj@hotmail.com.

Performance management systems, which typically include performance appraisal and employee development, are the "Achilles heel" of the human resource management. They suffer flaws in many organizations, with employees and managers that regularly complain about their ineffectiveness. A recent study by Watson Wyatt has shown that only three out of 10 employees agree that performance management systems in their company help in improving the performance. Less than 40 percent of employees say their established systems are clearly for performance goals, honest generated responses, or technology used to improve the process. While these findings suggest that they may be poorly designed in the performance management system in many organizations. On the contrary, difficulties arise because, at its core, performance management is more personal and often a threatening process for both sides, for managers and employees, too.<sup>2</sup>

During the performance planning, it is important to work with the employees, to take into account their expectations in achieving performance, by analyzing the behaviors of two or more employees, the abilities and opportunities expected to emerge, and the outcomes that are expected to be accomplished within an assigned period of time. This is important because it reflects how an employee engages in a job that empowers some employees, how the individual supports the team, how it communicates to others, to what extent monitors others and so on. We all may know people who can achieve exceptional results individually, but at the same time it can be extremely difficult to work with them, since to work with them in a team, they may be quite selfish, unhelpful and divisive. Hence, the behavior of employee is very important to take into account, in most cases, when considering the factors above. On the other hand, an employee may be extremely helpful, attentive and interpersonally effective, but they do not achieve any significant individual results, as they lack self-confidence, the initiative, while the opposite occurs in the team.

## 2. Setting objectives for effective performance

With Human Resources Management as Capacities and Movements (HRM) is generally understood *policies in the relationship between owners, managers, leaders, and employees of the organization, and more specifically, it includes HRM policies that relate to capacity building and development of human resources for the organization, and reflected in the selection and recruitment of staff, training, qualification and professional development of staff, distribution of staff positions along with promotion, parallel movements, demotion, termination of the employment contract, and also judgment and evaluation of the performance of the organization's staff.*

1. *Goals should clearly define the final results that need to be achieved.*
2. *As far as possible, goals should have a direct and clear connection to success factors or organizational goals.*
3. *Goals should be difficult but achievable in order to encourage performance.*
4. *Goals should be set in no more than three areas-as trying to achieve many different goals at the same time may hinder success<sup>3</sup>.*

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<sup>2</sup> Performance Management A roadmap for developing, implementing and evaluating performance management systems Elaine D. Pulakos p. 1.

<sup>3</sup> Performance Management A roadmap for developing, implementing and evaluating performance management systems Elaine D. Pulakos p. 7.

Implementing a well-managed performance management system can strengthen an organization in many ways. Through the alignment of individual and organizational objectives, MP systems advance strategic organizational objectives. High quality MP systems improve staff contributions by providing opportunities and guidance for growth and development.<sup>4</sup>

The first step in the performance planning process is collaboration. The employee and manager should discuss and agree on what measurable results they intend to achieve, or results that are considered and discussed at the end of a cycle. A development plan that describes the mutual expectations for the performance that should be drafted in the future.

In addition, when the plan is set, the employee is expected to actively work towards agreed goals, and the manager should regularly monitor his/her performance and progress. Along with regular observation, managers should provide feedback, reinforcement, and resources to support growth. When the assessment period ends, both the employee and the supervisor should independently evaluate the extent to which the goals and / or changed behaviors are met. This should include objective measurement whenever possible. The last step in the cycle is the performance review discussion, in which the employee and the supervisor meet to review the progress.<sup>5</sup>

HRSM (Human Resource Strategic Management) highlights the need for HR (Human Resource Planning) plans and strategies for employee to be formed and to be adapted to the fulfillment of obligations, to the benefit of the overall organizational strategy, at the same time to be ready and flexible in the case of changes regarding the internal and external environment changes of the organization.

### **3. Role of HR in performance management**

Performance Management is an inclusive process that is closely related to many other HR processes such as: Competences, compensation and benefits, training and development, and is therefore a necessary, a direct and quite expensive process. The process itself includes every manager, different employees of different sectors, all involved in the evaluation, and each of them is interviewed, so that the discussions are long.

This management system is a process that does not end, and consists of several sub-processes:

- The purpose of the process quality
- Personal Development Plan
- Temporary Performance Evaluation
- Performance Evaluation
- Continuity Planning and Talent/Skills Management

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<sup>4</sup> "Encouraging Effective Performance Management Systems" Alison Carr, p.2.

<sup>5</sup> "Encouraging Effective Performance Management Systems" Alison Carr, K. K, p.5.

Performance management may be consistent with business strategy, and most processes need to be managed top-down. Employees are keen to get positive feedback, but they do not like ranking. Many organizations use normal classification to evaluate employee performance. Managers should be trained to be honest in providing feedback about employee performance. Moreover, managers need to be trained in managing the consequences<sup>6</sup>.

*In the context of this debate, what can be said is that, although scholars acknowledge that more empirical evidence is needed, generally they acknowledge that between HRM and organizational performance there is an influential relationship expressed through strategy, goals, skills development, knowledge and employee motivation, and behavior and relationships within the organization. Likewise, although they are assigned into their positions, scholars see the impact of HRM on organizational performance to be both direct and indirect, and above all, with positive effect. The HRM has a positive impact on organizational performance not only individually but also in interaction with other elements. The researchers, however, are not in tune with the HRM indicators. At this point, there are differences between the indicators used by American scholars from those used by European scholars.*

Harmonizing the performance management framework with the business organizational strategy in work appraisal play an important role in the overall performance management objective. Performance appraisal serves as a tool to help employees improve their overall standards by helping them understand their full potential and also provides information to employees and decision makers. The evaluation provides reasons for employees to change their positions, give managers arguments whether they need more training or promotion, or are inadequate for the organizational environment. It also provides employee feedback an reaction, developmental needs and other organizational problems.<sup>7</sup>

In this regards, a good performance management system may be comprehensive, inclusive, practical, meaningful, reliable, open, ethical, and fair, except for many other qualities. In addition, the performance management process is a continuous process that involves processes such as training and employee development. The same serves to the organization by developing satisfied and competent employees who would be actively engaged for the best of the organization, maximizing the achievement of the objectives, and not avoiding its mission.

#### **4. Organizational Strategy**

The primary objective of performance management is to enable the achievement of the strategic goals of the organization through engaging less costly resources. The organization's strategy, mission, and vision, as planned objectives of the organization, should be measurable in time and space. In this regard, performance management has different measurement parameters, in order to achieve the targeted objectives, the management system should function by joining the units and individual goals to general major goals of the organization, by giving each one the best of themselves through aligning personal and organizational interests, and as a result, contributing to the accomplishment of the same goal.

The strategy aims to reinforce the organization's capacities, in order to realize and develop new products and services, to be on the cutting-edge to the demands and dynamic needs of the customers.

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<sup>6</sup> <http://www.simplehrguide.com/performance-management.html>.

<sup>7</sup> Performance management, Traci Goldman, Allen Cosulting, p. 3.

The nature of HR is strategic. They display a vital system of practices and guidance that may necessarily be coordinated with the organization's development plan. HR practices are coordinated in such a way as to form the basis of the behavior and activity of the human capital of the organization itself. In its framework, the RH practices incorporate the design of a plan for the evaluation and promotion of employees in specific ways for particular cases.

Furthermore, HR practices are routes that are used by HR staff to prepare the manager of the organization's personnel. This is accomplished through offering training courses and adequate development, various motivational programs designed to the needs and the character of the trainees, the way the programs are implemented for monitoring and evaluating performance, the development of policies through which employees can advance within the organization .

To provide comprehensive human resources involvement in your business, HR professionals need to understand, generate, and implement an integrated approach to practices and activities. The process, as can be seen, has two steps: Firstly, creating practices designed to achieve your business goals in efficient, safe and legal ways; and, secondly, executing practices through related activities by bringing improvements when needed. Thus, human resources practices should create a natural flow in Human Resource Activities. When this happens, the human resources department might function at optimal levels for the benefit of your business.<sup>8</sup>

#### 4.1. Influencing factors

While performance management is a very intriguing and interesting process to be studied, knowledge transformation, convenient and timely information, the necessary adaptation of the internal and external environment is an important strategy for achieving the goals in a modern organization. The impact of internal and external factors on the management of the organization has an unquestioned impact.

Table 1; There is a large number of factors of internal and external origin, the following table shows the main influencing factors:

Table 1. Factors of internal and external origin	
Factors of internal origin	Factors of external origin
Organizational character	structure
“ strategic	practices
„ managerial	skills/tactics
„ psychological	organizational principles

Source: Author.

<sup>8</sup> <http://smallbusiness.chron.com/difference-between-hr-activities-vs-hr-practices-61580.html>.

Table 1.2.; Each subgroup summarizes different factors and their number ranges from one subgroup to another.

<b>Table 1.2. Subgroups of influencing factors</b>					
Character/Type	Organisational	Strategic	Managerial	Psychological	Social and cultural
1.	Size/Number	Strategy of the organization	Philosophy/Theory	Rewards and promotion for engagement and contribution within the organization, the ranking based on talent/skills(performance) satisfaction	Leadership values and culture
2.	Working groups of the organization	Compliance, strategy-goals, practice	Culture	Need and encouragement for socializing, inclusion	Trust
3.		Developing skills	Management process	Engagement within the organization	Attitudes in relation to human relations
4.		Knowledge	Role of Unit and HR Managers	Ranking based on performance	Contractual obligations

Source: Author.

When it is accepted and acknowledged that HRM is affected by internal and external factors, the question that arises is: in conceiving and modeling HRM practices, the establishers of HRM practices should pay more attention to external or internal factors? Do these two groups have the same or different impact on the role and effectiveness of HRM?

External factors that have a greater impact on the transformation of organizational achievements are far greater than those outlined in table 1.1., but this study aims to analyze the impact of the most influential factors. IT systems also play a key role in HRM and organizational performance.

- The study has been conducted among 1086 high-tech companies, targeting key executive officers), CFO (chief financial officer), COO (chief operating officer) or senior manager / administrator after providing more reliable information on environmental and organizational system.

## Findings

- The study findings, based on a sample response rate of 19.6 percent, showed that particular organizational factors considered IT systems to have the most significant impact on organizational knowledge transfer, followed by a structured learning strategy and an innovative organizational culture. Personalized (silent) transfer had a strong impact on the development of innovative skills, and process innovation had a greater impact on organizational performance than on product innovation.

- The findings can be used by managers to efficiently manage allocation, decisions of resource transfer of knowledge to further optimize organizational performance.<sup>9</sup>

Job satisfaction is defined as the level of satisfaction a person feels about his job, while performing work is the accomplishment of related activities that are expected by an employee and how well these activities are executed by them. Work performance is the general attitude people have for their work. Factors such as salary, employment itself, promotion opportunities, support from supervisors, and collaboration with affiliates can affect employee satisfaction. (Ahmad et al., 2002).

According to a recent JobStreet.com survey conducted in September 2012 on employee satisfaction in Malaysia, 78% of respondents claimed that they were dissatisfied with their current job. Disappointment with their workplace was the main reason that many employees feel unhappy at work (Daily Express, 2012). Dissatisfied employee is more likely to show poor performance at work which indirectly affects the organization's productivity<sup>10</sup>

HRM policies and practices determine the competitive ability of an organization or business and affect the organizational effectiveness through knowledge management, skills management, job performance, working conditions, and improving customer relationships.

Moreover, the individual objectives should be harmonized with the overall organizational objectives, and overall organizational goals should be in the interest of the organization's growth and development as well as for the well-being and increase of the economic level of the employees (professional development and training, protection at work, etc.), and the country in which they operate. Our engagement may focus deeply on the passion, motivation and skills related to job, the description of duties and obligations.

Performance Management (PM) is the management process of executing an organization's strategy. This is how plans are transformed into results. Think of PM as an umbrella concept that incorporates methodologies of business improvement integrated with technology. In short, methodologies no longer need to be applied in isolation – it can integrate other skills.

Performance Management (MP) is sometimes confused with human resources and staff management. The PM includes: methodology, matrices, processes, software tools, and systems that manage the work of an organization. The MP is dominant, by the cascading level managers through the organization and its processes. To sum up its benefits, it enhances cross-functional inclusiveness in decision-making and accountability by taking risks, providing tremendous, accurate and credible visibility, and all relevant tools to the execution and strategy of organization<sup>11</sup>.

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<sup>9</sup> <https://www.emeraldinsight.com/doi/abs/10.1108/1367327081087588>.

<sup>10</sup> "Identifying Factors that influences job performance amongst employees in oil palm plantation" Saravathy Munisamy p. 6.

<sup>11</sup> ("Why the need for performance management as a system?" Oliver Wendell Holmes, C.Justice, p. 3).

Finally, PM provides a clear connection between strategic, operational and financial objectives. It communicates these relations with managers and personnel teams in order to better understand it by empowering employees to act cautiously rather than hesitating or waiting for guidance from their managers. Also the PM quantifies the impact of planned expenditures, using key performance indicators generated by strategy map and balanced scores. When management communicates with them to what is required, employees can respond in terms of the initiatives they need to undertake and what it would cost. Replacing internal policy by preferring employee to take responsibility as independent of business owners<sup>12</sup>.

### ***Definition of performance management***

***Performance management is a continuous process of communication between a supervisor and an employee, throughout the year, in support of meeting the strategic objectives of organization. The communication process involves clarifying expectations, setting objectives, identifying goals, delivering feedback, and reviewing outcomes.***<sup>13</sup>

Small businesses with many employees require effective human resources management in order to keep control and manage workforce. Personnel management is a task carried out by human resources that aims to determine what employees do and to control the movement or transfer of employees between departments or outside the company. Managing the number of staff is also a kind of analysis that helps an organization determine the best way to organize employees within the organization and where to allocate them.

Supervising performance and providing feedback is a continuous process throughout the year. The Performance Management Process is a cycle, with discussions ranging from year to year based on the objectives' change. The objectives of individual development are also updated and improved. It develops a performance plan that guides the employee's efforts to achieve specific results to support organizational excellence and employee success. At the end of the performance period, the employees' performance is reviewed based on expected targets, as well as the tools used and the demonstrated behavior in achieving these goals. Then, collaboratively, new goals are set for the next performance period.<sup>14</sup>

In the functioning of an organization, albeit employees can know and identify needs and make suggestions; managers, executives, boards, or owners are the ones who give ideas, draft policies and make decisions.

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<sup>12</sup> "Why the need for performance management as a system?" Oliver Wendell Holmes, C. Justice, p.5.

<sup>13</sup><https://hr.berkeley.edu/hr-network/central-guide-managing-hr/managing-hr/managing-successfully/performance-management/concepts>.

<sup>14</sup><https://hr.berkeley.edu/hr-network/central-guide-managing-hr/managing-hr/managing-successfully/performance-management/concepts>.

## Recommendations

- Human Resource and Performance Management are inclusive processes that aim to align the systems and practices of the organization's activities in order to achieve the highest performance. Based on the practices that impact the achievement of high performance and internal strength of the organization in accomplishing the planned objectives, preliminarily, PM is one of the contingents that relate the impact of influencing internal factors with the competitive strategy of the organization.

- The admission of the employee at work is not the last solution, on the contrary, a new engagement begins, which requires systematization, recognition, socialization, adaptation, recruitment, flexibility, etc., whereas, from the new employee is required commitment, achievement, effort, opportunity to improve and develop ideas, flexibility, and ability to adapt to the new workplace.

- The Human Resource Manager continuously monitors the performance of each employee separately, group performance and the performance of all groups jointly, in this way, based on the achievement of the planned objectives regarding the organization's strategy. On the other hand, at the same time, the human resources manager is controlled and monitored by the manager of the organization for achievement of performance and for all the work done within the framework of achieving the objectives.

- In this way, each employee should be responsible for the commitment and individual performance influence on the group work, also to be aware of where and in what ways there is room for improvement. Accurately, a system of assessment and monitoring needs to be based on: the organization's objectives, and the forms used by organizations specifically designed to evaluate performance. Finally, evaluation is a complex and difficult process of management that requires time and effort, and sometimes is difficult to pinpoint, but it is essential for appointments, promotion, recruitment requests, etc., also a good measurement at facilitating the staff office to increase salaries and define objectives and policies for the future.

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Why the need for performance management as a system?" Oliver Wendell Holmes, C. Justice, p.5.

EVANS TETTEH<sup>1</sup>

## AFRICA'S DEPENDENCY AMID THE SPREAD OF GLOBALIZATION: ADDRESSING THE POLITICAL PARADOX IN THE INTERNATIONAL SYSTEM

### Abstract

Although, globalization commenced many centuries back, it gained political prominence since the end of WW1, and a surge after the Cold War. Globalization has over the years been advanced as a tool of neoliberal institutionalism; however, such foundation faces criticisms from some neorealist scholars who consider it a creation by powerful states to control the international system. Capitalism is glaringly, amassing more wealth for countries in control of international trade, international finance, and multinational corporations. The dependency of peripheral nations on core nations remains a political norm, and poverty gap between the rich and the poor keeps widening. The study analyzes Africa's dependency owing to the fact that the region arguably, include the most peripheral and underdeveloped states. It also examines the political interaction between African states and developed states within the world system. In applying the world system theory and the dependency theory, the study indicates power asymmetry in the political relations between African states and dominating states, with the former being exploited for labor, natural resources and skills. The findings prove that, power politics and domination tend to be the force behind globalization despite being promoted as a neoliberal institution. The study recommends IR research focus on development politics and other alternative theories beyond power politics and the traditional theories. In addition, Africans ought to take up their destiny by practicing homebred governance and policies for their image and development. Lastly, the international system should embrace more, a Kantian culture and tradition.

**Keywords:** Globalisation, Africa, dependency, development

**JEL Codes:** F60, F62, F50

### 1. Introduction

World economies are currently interdependent than ever before, and the intensity of the interdependence is expected to increase with the advancement in time. Not only the economies, but also, cultures and people through the cross-border trade in goods and services, are interconnected. Technology is the order of the day, investment is key for businesses, and information is valued for progress. According to Kolb (2019), *globalization* is the term used to describe that growing interdependence of the world. Kolb further notes that, the use of the term gained popularity from the 1990s, which also marked the end of the Cold War with cooperative arrangements aimed at shaping modern-day life. In spite of the concept's prominence use only from recently, scholars and historians have argued that, globalization as we see today, is only a continuation and upsurge in what was started long ago. Naim (2015) illustrates why globalization is nothing new. First, the surge in the 1990s is a development upon what started as far back as during the time that human encountered each other through migration. Second, other earlier innovations like the steamship, printing press and the telephone were important technologies in those times, just as the internet is today. He however notes that, the current features of globalization is unprecedented; it is personalized than ever, integrating human activities with speed and efficiency, and, bringing about a qualitative change than never before. To that effect, the possibilities are completely new. Consequently, globalization in this modern era, should be leading to equal opportunities for the development of all regions of the world with no particular area distinctly lagging behind.

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<sup>1</sup> Hong Kong Baptist University, Hong Kong SAR, 18481221@life.hkbu.edu.hk.

For the very reasons of promoting equality, stability, peace and development were initiatives taken soon after the World War II. Global powers with the United States at the forefront organized and established interventions for achieving the purpose. The United Nations was activated, as the major intergovernmental organization. Connected to the process of globalization was the creation of the Bretton Woods institution: the World Bank and the International Monetary Fund (IMF). These neoliberal institutions are still very actively advocating and driving the principles of international trade and finance to help in the promotion of employment, ensuring sustainable growth and the reduction in poverty (IMF, n.d.; World Bank, n.d.). By and large, these organizations have been working over the years but the assessment of their achievement is arguable. A number of states, especially from Africa, continue to remain less developed; a higher percentage of world wealth is controlled by a very few upper class, and important world decisions are determined by the few powerful nations. Specifically in relation to globalization and the role of the Bretton Woods institutions, there are issues with the excessive influence by the West, imposition of conditionality before assistance and the insistence on the practice of capitalist market model (Voutsas & Borovas, 2015). There tend to be continual dependence of certain states on other states amid the spread of globalization, which is intended among other things for creating equality and development for all. The situation seems to justify the assumptions from the works by neorealist like Waltz (1979) and Mearsheimer (2001) that, states will always pursue power, therefore neoliberal institutionalism are just creations by powerful states to advance their interest.

The aim of this study is to analyze the development of Africa in juxtaposing it against the surge and the rapid spread of globalization. In doing so, the research applies a qualitative method and data collection from mostly secondary sources of literature, publications, books, news reports and expert analysis. It then applies the dependency theory to examine the position of African countries within the international system, and the challenges to the assumptions of cooperation under neoliberal institutionalism. Examining the theories and the rationale behind the behavior of states' interest and power, at the same time promoting globalization, leads to some recommendations for addressing the paradox of dependency amid globalization.

## **2. Dependency of Africa within the world system**

In the wake of organizations that established the principles for neoliberal institutionalism, an Argentine scholar and a statesman, Raúl Prebisch advanced the thoughts in understanding the underdevelopment of certain countries within the world economy. His works, notably Prebisch (1950) emphasizes on the limitations and constraints that are imposed by the global economy and the political order of the world system. These constraints are evident in the peripheral positioning of certain countries who provide cheap labor and raw materials for the world economy and they tend to be affected by the underdevelopment. During that same period, another economist, Sir Hans Wolfgang Singer also argued independently that, certain countries that depend on the exportation of primary commodity are likely to remain poor in the long-term trading with the advanced and industrialized nations. Together, the thoughts of these two economists later became known as the Prebisch-Singer hypothesis, was considered as a foundation of a sort for the dependency theory.

The development of the dependency theory is particularly attributed to the publication by Baran (1957) from the Marxian perspective as it has in common, attributes with the theories of imperialism. In spite of the parallels, the dependency theory takes a divergent view from the assertion in Marxism that, developed nations provides the path for the underdeveloped types, in that, underdeveloped countries will eventually become fully developed by passing through the same stages of development by the former. Vernango (2004, p. 5) indicates that, with the dependency theory, Baran provided a neo-Marxist approach that 'was certainly a break with that tradition'. The main assumptions of particular interest here are that, first; the dependency theory divides the world into capitalist economies with advanced technologies and underdeveloped economies with the former at the center and the latter at the periphery.

Second, the center-periphery relation are based strictly on technological differences, and influenced by the international division of labor. That is to say, the center manufacture goods to serve itself and the periphery generate commodities largely for the center. Last, the position of the underdeveloped nations in the world system leads to the lack of exhibition of dynamism. Moreover, capital accumulation is necessary for the process of development, meanwhile, surplus (profits) needed for such accumulation are extracted back to the developed world even when there are investments in the peripheral.

At its inception, dependency theorists analyzed their argument using mostly Latin American economies. They however did not fail in applying it to states in Africa. The popularization of the theory coincided with the period when African countries had started gaining independence from colonialism and western political dominance. Against that backdrop, pro-African scholars advanced the theory of neocolonialism which is closely linked to the dependency theory. The term is believed to be first used by the French scholar, Jean Paul Sartre to describe the continual influence of colonialism on former colonies despite their independence. Within the African context, neocolonialism describes the promotion of political and socio-economic activities by former colonial states on their colonies that gained independence. Thus, the colonial powers adopt measures that ensure that such colonies are connected and dependent on them. By so doing, they continue to reinforce their ideals of capitalism and neoliberalism with globalization (IEP, n.d.). A notable African neocolonialism theorist is Dr. Kwame Nkrumah, Ghana's first president and a major critic of western influence and dependency of Africa in the world system. Nkrumah's arguments have roots in Marxist ideas of imperialism as an extension of geopolitical power. This idea as argued by Lenin (1917) is a political and socio-economic means by the imperialists in meeting the needs of financial investment and political economy of capitalism.

The theory of neocolonialism tend to 'Africanize' the dependency theory from a more political perspective according to the situation as existing in the underdeveloped states of Africa. Nkrumah (1965) highlights the political dependency assertions of neocolonialism in Africa. Through economic and monetary means, imperial powers control neocolonial states by contributing foreign aid for the running of the state, and the monetary control of foreign exchange by imposing banking systems and financial structures for their benefit. Similarly, sectors of those nations are exploited using different methods and forms underscoring the fact that foreign capital in such less developed economies is intended for exploitation rather than development. In that vein, investment decreases the gap between the poor states and the rich states. Nkrumah predicted that neocolonialism is a recipe for African continual dependence on foreign powers within the international system and proposed African unity and awareness as the possible solution to defeating the problem. How then is the current Africa with respect to its placement in the international system and the dependency theory?

In positing today's Africa in the globalized world, the study makes a brief theoretical reference to the Wallenstein's world system theory. It simply demonstrates that, the world economic system is made up core countries that dominate and, peripheral countries that depend on the core for capital, and are exploited for raw materials and labor (Wallerstein, 1974). In between the core and the peripheral, are semi-peripheral countries with the characteristics of both. The social structure of global inequality and unequal development is manifested in the modern capitalist economy with the core regions benefitting the most from the system. Some lessons of importance here are that, the theory recognizes the importance domestic factors such as poor governance and weak policies to the underdevelopment of the peripheral. Likewise, even within the peripheral, there are lower class that are also exploited for the benefits of the higher-class. Furthermore, the three hierarchical levels of the world system indicates that, despite the challenges of suppression by the capital control of the powerful nations, there are the prospects for peripheral states to becoming semi-peripheral, and possibly move to the core. To that effect, the relationship among the levels are not constant but relative. Lastly, technological advancement and industrialization is a key factor of the positioning of the core countries and a factor that could bring changes to the status of some peripheral and semi-peripheral nations (Wallerstein, 2004).

The African continent by observation of this paper consist of the majority peripheral countries with very few having moved or moving towards the semi-peripheral. A lot more countries from Asia and Latin America are making progress towards the semi-peripheral and decreasing the gap within their domestic structures. By and large, Africa arguably continues to remain the most dependent continent in the world system. On the one hand, the predicament could be attributed to both internal factors such as the lack of unity and awareness by the African governments and leadership as warned by Nkrumah, or poor governance and lack of effective policies for technological advancement as indicated in the World System theory. On the other hand, and probably more challenging are the external factors imposed by the world system, which Africa unfortunately becomes the most vulnerable target. Indeed, Wallerstein's historical analysis of the capitalist world system indicates some sort of skewed development with disparities increasing between sections of the world at a particular point in time. With this in mind, the issue arises as to how modern reforms, regulations and practices in international trade, international finance and multinational corporations (MNCs) within the context of globalization affect developing countries, particularly of Africa.

### 3. Globalization and the development of Africa

In the economy of the globalized world, there is a strong relationship between economics and politics, which leads to the current dynamism in the international relations among nations. The basic assumption behind economics is wealth, whereas that behind politics is power, and wealth and power are essentially joined together. The state pursues wealth but in so doing with the political interest for power, because wealth determines power and political order (Gilpin, 2015). There are two school of thoughts, one from the camp of liberalism, and the other from the neorealist. The liberal assumptions are that, the economic interactions among states should be that of a non-zero-sum game (absolute gain) where everyone can benefit without worrying about what the other party's gains. A world that is free of comparisons of utility and less concerned about what is central to politics (Ibid). Smilarly, Keohane (1984) demonstrates a web of political, organizational and commercial connectivity that is mutually rewarding for countries. States are believed to use collaborative efforts to increase the interconnectedness for absolute gains rather than relative gains (Keohane, 1984). On the contrary, the neorealist assumptions are that, states are power maximizers and their behavior is such that relative gain for the focus of balancing power determines the actions of states within the international system. Cooperation is limited because of states concealing behavior and intentions to protect interest. It is a zero-sum game of taking advantage and wealth from another state to expand in power and influence (Waltz, 1979).

Certainly, the overall impacts of globalization in the broader sense could be felt everywhere in the world, whether underdeveloped, developing or advanced countries. In other words, the technological advancements, modern transportation as well as information technology are drawing people and states together than ever before. Africa and Africans are not excluded from such enormous social benefits in research and education, communication, travel, entertainment and business. To that effect, Frankel (2015, p. 314) is right in admitting that 'globalization is overall a good thing, not just for economic growth but also when noneconomic goals are taken into account'. The study further highlights the universal world growth with the surge in globalization but not with particular regional differences such as existing between say Africa and North America, or Togo of West Africa and Canada of North America. It illustrates general factors such as national borders, geography, currency, language and policies to be barriers that impede international trade in certain countries. Inasmuch as such factors are worth discussing, probably of most relevance to the study of IR is the broader picture of the system level inhibition on certain countries in benefiting from globalization.

The analysis of globalization as a concept in International Political Economy unveils certain traits and setbacks that tend to indicate how and the source of Africa's lagging behind in development and largely dependent on other countries within the context of international finance and trade. These features also

underscore the assumptions of cooperation, mutual benefits and absolute gain for all states in a neoliberal world system. The IMF and the World Bank have the mandate to help developing countries through financial assistance, loans and grants to foster them into the global monetary system through cooperation and investment (IMF, n.d.). The interventions however rather tend to lead to more debts for countries in Africa thereby affecting the intended purpose of poverty reduction and development. Loans from the above institutions to developing countries had always been associated with conditionality since the 1950s; however, because of the failure in developing, special packages started to be given to African countries especially sub of the Sahara. The development assistance was linked to the presentation and the acceptance of Structural Adjustment Programs (SAPs) which have largely been criticized for its social costs and effects on the African countries (Lensink, 1996). The conditionality and the austerity measures of the SAPs include stabilization policies like higher taxes and lower government spending, cutting wages and increase in prices of public services. There are also long term adjustment policies that by character are aimed at the liberalization of the markets of such economies into international trade, financing and multilateral corporations (White, 1996). In particular, countries liberalize domestic markets, privatize state-owned enterprises, open up for foreign investors, create new financial institutions and create the atmosphere for the exportation of resources and raw materials. The SAPs has evolved and adopted by most international financial institutions, incorporated into Heavily Indebted Poor Countries initiatives and as part of the implementation of the Millennium Development Goals.

The SAPs and the development model for the developing countries later became known as the 'Washington Consensus'. According to Williamson (2005) (who coined the term in 1989), the Washington Consensus was originally not written as a policy prescription for development but held to be desirable for Latin America. It eventually found its way as a set of economic policies initiated by the U.S. with the Breton Woods institutions. The model is a neoliberal Keynesian policy intended for the management of debt crises for the development of the Global South with a long-term solution of redistribution of wealth from the stronger economies to the weaker ones for reduction in disparity (Wade, 2015). It is centered on the idea of Instrumental Rationality (North, 1995). What then are the main features in the practice of the Washington Consensus that are intended to help in achieving development for countries especially in Africa? First, it was applied as a purely market control system that does not require state intervention as such an intervention could create imperfections and inefficiency. In addition, there is less consideration to state ownership but rather promotes heavy privatization with the sales of state owned companies to multinational corporations and firms. Lastly, it is designed to completely open up the domestic economy to compete with the global economy and the capitalist institutions on the same principles, regulations and market forces (Essays, 2018). Broadly speaking, the assessment of the policy in poverty reduction and the promotion of development for Africa countries has poor outlook by scholars and literature. For instance, Stewart (1991) explains that the policies earned a bad reputation for increasing poverty rather than decreasing poverty due to the fact that it tend to depress real wages through the control over money wages and devaluation. Another publication discusses the failures of the policies in African countries such as Namibia, Ghana and Nigeria, where they experienced stagnant or slow growth after implementation (Adefulu, 1991).

Globally, there are various debates about the failure of the model in preventing economic challenges with particular reference to the Asian financial crises in the late 90s, the Argentina economic crisis of 2001, the 2008 world financial crises and the heavily indebtedness of African countries up until now. After 2008, new development approach known as the Post Washington Consensus but on the same line of neoliberal principles for globalization was introduced. It however does not place emphasis only on market reforms but elements that enhance social growth, welfare and sustainable development. Furthermore, there is the focus on creating safety nets for the poor, improving human capital formation, mechanisms for government efficiency rather than limited government role and encourages measures for the transfer of technology to the developing countries (Williamson, 2005). Thus, it draws from the principles of new development economics and the new institutional economics. The criticisms and the

failures since the inception of SAPs and the Washington Consensus tend to have helped in the reformation and the introduction of the Post Washington Consensus.

One lesson that may have informed the adoption of the Post Washington Consensus and of relevance to the analysis in this study is how lessons were drawn from the approach by East Asian countries development model. They promoted state intervention in order to correct imperfections within the markets. The state regulated the market through institutions, property rights and legal instruments that ended up in their economic success. The Post Washington consensus to that effect allows government intervention as a compliment to the market by taking actions that help the market to correct itself and work better as advocated long before in studies as by Stiglitz (2001). It is interesting of note that, most African countries after Independence were exercising a sort of government interventions for effective development, but the SAPs discouraged such attempts. For example, countries like Ghana and Nigeria interfered with exports by using commission boards and 'monopolies' intended to correct the market weaknesses, but was believed to eventually transfer the state's inefficiency to the market as evident in Bates (1981), and were discouraged by the foreign interventions. We could note that the prior interventions through the Breton Wood institutions have not been very beneficial to the development of the African countries.

Currently, the success of the globalization in trade, finance and multinational corporations to Africa's economic growth and development is not quite evident. This could be due to both domestic weaknesses of African countries as mentioned before but of greater concern is how powerful states in the international system seem not to be ready in promoting equality for all states irrespective of background or political strength. This in itself clearly undermines neoliberal principles and adds substance to neorealist assertions that the system encourages states to keep looking for opportunities that will help them in maximizing their power at the expense of other states (Mearsheimer, 2001). The IMF for instance up until now, ties a country's voting power, decision making and quota to its economic strength and financial standing leading to a situation where almost all African countries are below 0.1% whereas the U.S., Japan, China and France are 17.46%, 6.48%, 6.41% and 4.4% respectively. Illustrations could also be drawn from the politics of the United Nations, the WTO and other multilateral institutions.

Amid this advocate for globalization in promoting equality and development, the state of Africa's development and position within the international system is not very pleasant. This is despite her enormous contribution to the availability and supply of natural resources, labor and market for the consumption of manufactured goods and products. Africa's role and interaction in the international affairs of the globalized world indicate continual dependency with a slower pace of economic growth and development especially in the sub of the Sahara. The SAPs in the 1980s were identified with poor economic performance with GDP of less than 1% between 1979 and 1992 but comparatively with East Asia with state intervention, there was an average growth of around 5% from 1986-1992. Similarly, there was a decline in investment, and then world export, especially in agricultural and food (Africa's share of developing countries dropping from 21% to 8.1% and generally more than half between 1975 and 1990) and manufactured goods (7.8% in 1978 to 1.1% in 1990) (Lopes, 2012).

The issue about increased dependency on borrowing also indicates the failure in addressing Africa's developmental challenges with increased monetary interventions that are structured along the principles of the Breton Wood institutions. This in no way suggest that Africa do not need such assistance but there is the need for considering Africa's domestic weaknesses, and stronger commitment by the advanced countries not largely based on their interest but with the intent of truly helping Africa to catch up with development. A lot of the development assistance are also tied to resource extraction from Africa rather than huge investment to promote industrialization within Africa. Consequently, there is rise in public debt with the average public debt at the end of 2017 for Sub-Sahara Africa being around 57% to GDP, with an increase of 20 percentage points in five years (Abebe, 2018). The situation is even becoming

more complicated with China's recent engagement on the continent through a different approach and interest as a rising power. It is leading to more mixed feelings, new research directions and uncertainties (Alden & Large, 2019). The recent words of Bill Gates, although in a different context, will be borrowed and applied here that "The world keeps getting older, but Africa stays (nearly) the same age. It sounds confusing, but it makes sense when you break it down." (Gates & Gates, 2019). It remains a paradox that, with globalization, Africa's development is still retarded, and for a long time could remain the continent with most dependent and peripheral nations unless the challenges are effectively addressed probably more from the IR perspective.

#### 4. Addressing the paradox

In the final part of this paper, attention is devoted to some academic and pragmatic approach to resolving the challenges with Africa's dependency and the politics surrounding globalization. The ultimate purpose of scholarship into Africa's relations with other great powers is the engagement in critical analysis rather than just the replication of discourse relating to the amplification of policies by certain particular states (Alden & Large, 2019, p. 13). The first area of elucidation is the focus on development politics. By drawing lessons from India's development trajectory, it is argued that development has to be considered from the broader perspective of creating not only economic but also social opportunities. These should in turn be beneficial to the different social groups such as the lower class, women, the minorities in the society, although in different forms. We should be seeing the effects of globalization utilizing goods and services in creating opportunities for the different classes and groups (Drèze & Sen, 2002). International trade and external finance should be aimed at addressing the broader development and not just the praise for economic figures and indicators as mostly seen happening. To this effect, the intervention by developed countries with development assistance and aid in Africa ought to be focused greatly on sustainable development rather than the promotion of foreign policy for influence and power. Furthermore, the principles of new development economics and new institutional finance should receive more attention and focus within global development interventions and goals.

Similarly, the paper uses 'development politics' here in the sense of the opposite of power politics. From that perspective, powerful states within the international system, which happen to be the drivers of capitalism and international trade, are focused more on power politics and the balance of power. This is continually leading to blocs and alliances that does not auger well for the benefit of the developing countries of Africa. The paper recommends positive and equal engagement with all nations although we have to admit that from the realist perspective, that could hardly be an ideal situation, but we can move towards it. Additionally, scholarship and discourse in IR have for a long time been revolving around the two main dominant theories – realism and liberalism. This has greatly influenced policy interventions towards a particular direction of power politics. It is time that scholars seriously take interest in the alternative theories otherwise discussed as 'post-positivism' (Biersteker, 1989; Lapid, 1989). These theories integrate variety of concerns and argue for IR to include non-state actors to involve the study of world politics of everyday life rather than the sole concentration on the state actors. Three of such theories are of relevance here. 1. The critical theory that emphasizes on society as the object of analysis and radically reconsidering the foundations of global politics. 2. Postmodernism that seeks to explore IR implications from the non-reliance on universal claims and the emancipation from such subjective knowledge claims. 3. Feminism that calls for the inclusion of gender as an empirical and a theoretical tool for analyzing global power relations, and challenges the state-centric and the positivist views of IR. The attention of researchers and academics towards the alternative theories could invigorate policy and practice towards African countries based on the assumptions and contributions.

The second point for addressing the paradox is for the African countries to address their internal and domestic weaknesses. This could be achieved through a strengthened African unity and an effective African regional organization (Nkrumah, 1965). The African Union (AU) as existing now may need to

work harder in achieving that purpose because it has long been overdue. There is also the need for specific institutional reforms, strong policies and resilient regulations within the individual African countries. Such inadequacies are among the causes of leadership extraversion and patrimonialism that utilizes state worth and authority for personal and political party gains than the demand for fair treatment from their engagements with the developed countries (Alden & Large, 2019, p. 242-244). An Africa that is domestically ready to face her own responsibility of gaining respect and status in the current world system of globalization needs to have effective governance, dynamic leadership and stronger institutions that could only result from addressing the weaknesses that are indicated above. Overall, the solutions to addressing the paradox of Africa's dependency rest on all the other states within the international system but particularly the African countries working for their own development, after all, they are in the deficit.

Finally, the world should be embracing more of a Kantian culture and tradition. Lessons from the philosophy of Kant indicate a world with states that are friendly and deals with each other through foreign policies and engagements for good will, moral worth and duty (Johnson, 2004). The international system according to the philosophical arguments of Kant, should consider humans as central objects and not treated as means to an end, thus, states are less important than the human beings that are the composition of the states. A harmonious and a beautiful world of equal development could possibly be achieved when the developing countries are treated as part of a Kantian community where what belongs to the developed states also belong to all other states. Capitalism and globalization need to be used in bridging the interstate inequality gap rather than creating more wealth for few individuals and states by taking advantage other states as in Africa. Similarly, fast emerging powers such as China and India have to engage with Africa on the principles of friendship and assistance for developing together rather than using Africa as the means to achieving their political interests of influence and power. All in all, addressing the paradox requires academic, governance and policy interventions along the lines of the solutions that are proposed in this study.

## 5. Conclusion

There is the surge in globalization, but Africa's underdevelopment and dependency within the international system tend not to be getting any better. This creates a challenge for the principles and the rhetoric behind globalization, capitalism and neoliberal institutionalism. The study discussed such a challenge considered a paradox for the international community but without sufficient academic work to address the situation. It pointed out to the fact that, the causes are largely due to the concentration of world politics on influence and power as assumed by neorealist, more than the focus on equal development and progress. To address the problem for the African countries and the continent, the study recommends more IR research focus on development politics and the post-positivist theories, Africans effectively resolving their internal challenges and weaknesses, and the international community advancing towards a Kantian tradition of friendliness, less competition and emphasis on human beings rather than states.

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MARTA MUQAJ<sup>1</sup>

## THE FACTOR THAT MOST INFLUENCES THE HRM MODEL IN HOSPITALS AND UNIVERSITIES IN KOSOVO

### Abstract

Human resources management is a process that needs constantly to be modified and reviewed; it includes all areas of an organization's function to achieve organizational objectives in serving the strategy and meeting the strategic planning and management of the organization.

Based on the abovementioned points, in this paper have been analyzed hospitals and universities in Kosovo, both public and private institutions, and it attempts to shed light on the human resources management model applied to these institutions. Through data analysis has also been answered a number of questions about the model applied to hospitals and universities in Kosovo: whether HRM features are similar to one of the models, or have features of all major models; whether the degree of similarity with a model is large or small; and whether the HRM model is same or different when comparing hospitals with universities and public and private entities.

The regressive data analysis has showed that differences between the HRM model and the factors affecting the applied model between hospitals and universities exist. In the case of hospitals, the HRM model is more influenced and determined by factors of an organizational nature. In the case of public hospitals, private hospitals and public universities, the HRM model is also significantly affected by HRM practices. Analysis of influencing factors has also showed the existence of a correlation between the HRM Model and the Political Factor in both hospitals and universities. Thus, both institutions, regardless of the nature of the service, or the public or private character, have showed that HRMs are exposed to them and are also influenced by factors of a political nature. Finally, the analysis also showed that the role of internal factors has a greater impact than the role of external factors.

**Keywords:** HRM model, regressive analysis, Kosovo hospitals, Kosovo universities.

**JEL Codes:** L10, L20, O15, J24

### 1. Introduction

The adequate management, acceptance and development of human resources capacity, planning and job description are the key characteristics which differentiates organizations, businesses, or any entities by ensuring achievement or failure. Research findings have clarified the features of good performance management practices that relate to high performance, and how these can be used to add value.

Systems and strategic perspectives contribute to understanding how HRM practices and their impact on employees, attributes, and behaviors can lead to desired performance scores within the organizational level. However, the research so far has only partially verified these effects (Pfeffer, 1994, 1998; Khandekar and Sharma, 2005). Some researchers (e.g. Boxall and Purcell, 2003; Beardwell et al., 2004; Paauwe and Boselie, 2005; Wright et al., 2005; Gerhart, 2005; Paauwe, 2009; Guest, 2011) demonstrate some discrepancies by commenting that the nature of connection of HRM with Organizational Performance is unclear.<sup>2</sup>

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<sup>1</sup> European University of Tirana, Albania, mmuqaj@hotmail.com.

<sup>2</sup> "Measuring HRM and organisational performance: concepts, issues, and framework" Satwinder Singh, T. Darwish, A. Costa and N. Anderson p. 4.

Human Resource Management (HRM) represents an important aspect of the functioning, performance and progress of an enterprise, business, institution, or state agency. This importance, despite the direct or indirect impact of the HRM model and the public or private character of the entity, is consistently emphasized by a large number of researchers such as *Lawler (1986)*, *Pfeffer (1994)*, *Arthur (1994)*, *Barney (1995)*, *Delaney dhe Huselid (1996)*, *Wood and Menezes (1998)*, *Becker and Huselid (1998)*, *Schuler and Jackson (1999)*, *Guthrie (2001)*, *Way (2002)*, *Wright and Gardner (2003)*, *Wall and Wood (2005)*, *Katou and Budhwar (2006)*, *Chand and Katou (2007)*,<sup>3</sup>.

An observation shows different conceptions and practices in HRM. *Hendry and Pettigrew (1986, 1990)*, *Boxall (1992)*, point out differences about the definition of HRM while *Mahoney and Deckop (1986)*, *Beaumont (1991)*, *Storey (1992)*, *Guest (1987, 1990)* discuss about what practices of HRM can be considered as good and acceptable. The second observation discusses the HRM's effectiveness. Some entities are characterized by a more effective and resourceful management of resources than some other entities. *Fombrun, Tichy, dhe Devanna (1984)*, *Ackermann (1986)*, *Staffelbach (1986)*, *Purcell 1987*, *Marginson et al. (1988)*, or *Miller (1989)* observe differences in organizational forms. *Cohen dhe Pfeiffer (1986)* observe these differences even when it comes to whether an organization is public or private; *Gaugler (1988)*, *Guest (1990)*, *Pieper (1990)*, *Brewster (1999)* when observing different places, whereas, *Albert (1989)*, *Bournois (1991)*, *Brewster (1995)*, *Brewster, Mayne, and Tregaskis (1996, 1997)*, *Brewster et al. (1996)*, or *Standing (1997)* when comparing different cultures<sup>4</sup>.

According to *Koch and McGrath (1996)*, investments in human resources development lead to productivity growth. Besides that, an increase in skills and knowledge of employees give the firm or organization an incomparable power, in such a way that competitors can not easily reach it. Similarly, *Wright et al. (1994)* claim that a firm with a highly skilled and motivated workforce has greater probability to achieve consistency and sustainability in competitive advantage<sup>5</sup>.

Some scholars have been focused on vertical alignment between different HRM practices and the organization's competitive strategy (see, for example, *Miles & Snow, 1994*). Such an approach would suggest that organizations should harmonize or integrate HRM practices and policies with their strategies, and that these practices and policies should develop the skills, knowledge of employees, such motivation for employees to support a particular strategy (*Dyer & Reeves, 1995*; *Delery & Doty, 1996*). As in the previous approach, Human Resource Managers can play an important role in aligning human resources with business and corporate strategies, depending on their involvement or devolvement<sup>6</sup>.

HR and organizational performance draw attention to the complex interaction of internal and external factors that affects the OP, and to further provide an integrated framework for testing this correlation. In order to provide relevant information on HRM process, Design / Methodology / Access and relevant literature have been critically reviewed and evaluated. A theoretical framework is given with the objective to measure the correlation between the HRM and Organizational Performance. Based on the findings, while the most of existing HRM scientific literature is mainly focused on internal factors, the authors suggest that the domain of internal factors considered so far needs to be expanded and external factors should be explicitly accepted. In this regard, they provide a schematic model that portrays the complex nature of internal and external factors<sup>7</sup>.

<sup>3</sup> "High performance work systems and firms performance: A synthesis of research and managerial implications" Brian E . Becker, Mark A . Huselid p. 13.

<sup>4</sup> Articles, "Human Resource Management: an Agenda for the 1990S" Chris Hendry & Andrew Pettigrew, p.17-43.

<sup>5</sup> "High Performance Management Practices and Sustainability of SMEs. Evidence from Manufacturing and Services-based Industries in Pakistan" Abdul Raziq, R. Wiesner, p. 5.

<sup>6</sup> "Does Strategic HR Involvement and Devolvement Enhance Organisational Performance?" Jordan Tamer K. Darwish S. Singh p. 7.

<sup>7</sup> <https://scholar.google.com/citations?>

Strategic Management of Human Resource (SMHR) has attracted research attention due to its impact on the functioning of organizations. It has been argued that the involvement of Human Resource Directors in strategic plans of an organization and empowerment of line managers with the greatest responsibility for daily work of human resources can reduce employee turnover and improve organizational performance (see, for example, Budhwar & Sparrow, 1997; Budhwar, 2000; Sullivan, 2003; Andersen et al., 2007; Karami et al., 2008; Singh et al., 2012a)<sup>8</sup>.

This study focuses on analyzing HRM from the viewpoint of the conceptual model on which it is implemented. The case being analyzed is Kosovo. The study aims to clarify two issues:

- 1) what is the HRM model that is observed to be preferable in Kosovo, i.e., if Kosovo institutions apply a similar or different HRM model; and
- 2) which factors are most influential in determining the type of HRM model that is applied to public and private institutions in Kosovo.

## 2. The Study Value of HRM

Human Resources Management (HRM) is becoming more and more interesting and intriguing over time to meet the needs, objectives, mission, vision and above all to respond to the organization's strategy. The responsibilities of a human resources manager are numerous, confusing, and interesting enough to be studied and analyzed, at the same time, such responsibilities cover several management areas as a process.

The HRM is a wide range of management strategies of humans that are applied to suit the needs of a business, in achieving its corporate objectives. The HRM addresses HR management as a top-level strategic issue and not just as an operational issue, but at the same time recognizes (and indeed points out) that in order to be successful, the responsibility for HRM extends not only on the human resources specialist but on all managers, supervisors and team leaders<sup>9</sup>.

In the context of influential factors on HRM, different scholars emphasize the role of various factors. For example, Beer et. al. (1984), Fombrun et. al. (1984), Guest (1997), Analoui (1999), or Hendry and Pettigrew (1990) emphasize the influence of organizational-managerial, socio-cultural and technological factors; Mills and Walton (1984) emphasize economic factors, while Ferris and Judge (1991) point out the factors of a political-juridical nature. In the context of the HRM's impact, although scholars continue to argue about empirical confirmation, Darwish (2013, p. 1) says that HRM policies directly affect the functioning of an organization and indirectly the well-being of an individual, group or society in general<sup>10</sup>.

In this regard, conclusions can be drawn by looking at HRM model correlation with influencing factors. As within each comparison, either by seeing hospitals, universities, institutions, entities, the HRM model shows stronger and more prominent correlation with internal and external factors.

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<sup>8</sup> "Does Strategic HR Involvement and Devolvement Enhance Organisational Performance?" Tamer K. Darwish, S. Singh p. 3.

<sup>9</sup> <https://www.stonebridge.uk.com/course/human-resource-management-hrm>.

<sup>10</sup> "Strategic Human Resource Management and Resource-Based Approach: The Evidence from the British Manufacturing Industry" Azhdar Karami, F. Analoui, John C. p. 5.

## 2.1. The Data and sample of the study

In this study has been analyzed the HRM Model in Kosovo hospitals and universities. This sample has been chosen for four reasons:

1. The first reason is about the importance and role of hospitals and universities in the daily life of Kosovo society. Hospitals serve to guarantee a satisfactory health condition of the Kosovan population, and universities serve to spread knowledge, and both entities serve to the local communities, society, governance, economy and development of Kosovo.
2. The second reason is the fact that hospitals and universities function as both public and private entities. What makes this dichotomy interesting is the differences that exist between public and private forms in their functioning, specifically, from the standpoint of effectiveness, policies, practices, rules, and mentality. Private entities tend to appear more efficient than public ones as they are guided by the interest and the need for survival, while the criteria, attitudes, and decision-making processes are more about rationality than doing favors.
3. The third reason is their operation through an expanded structure and with a relatively large number of staff. Both hospitals and universities have developed their internal managerial and implementation structures and, they also include institutional, professional, and bureaucratic structures. Respectively, the number of staff employed by them is over fifty.

Usually, researchers use a formula that takes into account the real number of the population, the desired margin of error, and the desired level of confidence. This study also uses such a formula for calculating the size of the sample. Based on the fact that the real sample of population of 8 hospitals and 6 universities is 2577 people, the sample chosen in this survey has these features:

- 1) champion with at least 335 people,
- 2) error margin 5%, and
- 3) confidence level 95%.

## 3. Same or different Importance of HRM model factors

Conclusions on the most influential factor on HRM showed that the most influential factors were those of "Organizational," "Practices," and "Political" aspects. These were followed by a lesser degree of influence by Socio-Cultural factors and Premises. But the correlation between HRM and influencing factors was analyzed in four contexts: Hospitals, Universities, Entities, and Institutions. Therefore, another issue of interest to be clarified is, whether the importance of factors for the HRM Model in these contexts is similar or different.

By comparing the four contexts with each other, it is clear that, the influencing factors on the HRM Model manifest different significance. For example, in comparison of "public-private hospitals", the most important factor for both public and private hospitals results in one, "Practices". In the context of "public vs. private universities" the most important factors for both public and private appear to be two "organizational" and "socio-cultural" factors. In the context of universities, the "Political" factor is also important, but only in public universities (Beta Sig 0.0011) not in private universities (Beta Sig 0.445). In the context of "hospitals institution vs. universities" the most important factors for both hospitals and universities result in three, "Politics," "Organizational," and "Socio-Cultural" (Beta Sig 0,000). The "Practices" factor also appears important, but its importance is different from hospitals (23.7%), in universities (26.1%).

Moreover, the first three factors appear to be of differing importance in relation to hospitals and universities. All three factors are more important in universities than in hospitals: the "Political" factor shows a 46.1% degree in universities versus 39.2% in hospitals; "Organizational" shows a degree of importance at about 38.7% in universities versus 30.0% in hospitals; and "Socio-Cultural" shows a 33.9% degree in universities versus 15.5% in hospitals. Finally, in the context of "public vs. private entities" the most important factors are two, "Organizational" and "Practices". But the importance of these factors still differs in relation to the entities themselves. The Organizational factor shows greater importance to private entities (37.3%) than public ones (28.0%), while the "Practice" factor appears to be more important in private entities (37.0%) than public ones (25.5%). Thus, the analysis showed that at one time all of the factors were important for the HRM Model, each of them indicated a different weight of importance. This difference in importance results not only when two contexts are compared, but also within a specific comparison context.

#### 4. Factor Impact Mode on HRM Model

In addition to analyzing the differences between the factors from the viewpoint of the importance and the weight of their impact, some conclusions can be drawn on how influencing factors affect the HRM Model. Usually, an influencing factor exerts its influence alone, but much more often in combination with other factors. The difference between the two forms of impact exercise consists in the influence that the factor exerts: The influence power of a specific factor is greater when it is combined with other factors than when exerting influence individually. Hence, how analytical model factors of the study exert its influence on the HRM Model helps to create a better idea of the relation between the HRM Model and influencing factors.

When the implication of factors is seen by individual influence, whether internal or external, they show differences in their influential power. In general, the individual impact of internal factors such as "organizational" and "practices" in universities is about 2.5 times higher than in hospitals by 8.3%. Likewise, the individual influence of external factors as "socio-cultural" and "political" in universities is 2.5 times higher than in hospitals.

When individual influence is seen in each factor separately, the most important factor is the internal "organizational" one. There are three features of individual influence of this factor. Firstly, this factor shows the "most important" individual impact on public universities (44.6%), at private universities (33.5%), also at public entities and private entities. Secondly, the individual impact of this same factor results to be "significant" in public hospitals (6.0%) and private hospitals (54.2%). And thirdly, the individual impact of the "organizational" factor varies in weight: in public universities the share of impact is around 11% larger than in private universities; in private entities, the impact weight is about 2 times greater than that of public entities; in institutions, the share of impact on universities is about 3 times higher than in hospitals; and in private hospitals the weight of impact is about 9 times greater than in public hospitals.

The second important factor from the viewpoint of individual impact is the external "Political" factor. The factor in question shows the "most important" individual impact on hospitals (7.8%), public hospitals (11.2%) and universities (17.3%). As the "Organizational" factor, the weight of the influence of the "Political" factor varies in institutions. For example, in universities, its impact is approximately 2 times higher than in hospitals. Finally, the "Political" factor shows a different weight of individual influence from other factors. In hospitals, the weight of the impact of the "Political" factor is 2 times greater than the "Practices" factor and 4 times the weight of the individual impact of the socio-cultural factor. In universities, the weight of impact of "Political" factor results 2 times higher than that of the socio-cultural factor, and 4 times more than the individual impact of the "Practices" factor.

The third factor with a considerable influence from the individual viewpoint results that of "Socio-Cultural." This factor has significant impact on public universities (13.0%), and also private universities (28.7%). But, the influence of its impact varies: in public universities the share of its impact is about 2 times greater than in private universities; in universities, the weight of impact is about 3.5 times greater than in hospitals. Finally, the socio-cultural factor appears to have a different impact on other factors. In hospitals, the weight of impact is four times lower than that of the Political factor; in universities, the weight of influence is 2 times lower than that of the "Political" factor.

The last factor with significant individual impact is "Practices". This factor shows the most significant individual impact on private hospitals (64.2%). Also, its impact weight varies: in universities, the weight of impact is about 1.5 times higher than in hospitals.

Moreover, when the influence of factors is seen based on the impact of factor combinations, the combinations that result most influencing include both internal and external factors. The most influential combinations between the two internal factors (Organizational and Practice) and the two external factors (Socio-Cultural and Political) appear in public and private hospitals, or in hospitals and universities as institutions. In public and private universities, the most influential combinations appear between two internal factors (Practice and Quality of Staff) and an external factor (Political). While the most influential combinations between public and private entities appear between an internal factor (Staff Quality) and two external factors (Socio-Cultural and Political).

A look at the combinations provides an opportunity to see that each comparative context has its most important specific component factors of the combinations. For example, in comparing "public hospitals with private hospitals" the "organizational" and "socio-cultural" factors appear to be the most frequent factors in the most influential combinations on the HRM Model, both in public and private hospitals. In comparing "public and private universities", the "Practice" and "Political" factors result as the most present factors in the most influential combinations. Comparing the "hospital with university institutions", the most present factor in the most influential combinations in both hospitals and universities results in the "Practices" factor. Comparing "private - public entities" the most present factors in the most influential combinations of public entities and private entities are "Practices" and "Politics". While factorial combinations are seen together, without distinguishing whether they belong to hospitals, universities, institutions, or entities, the most important constituent factors of the most influential factor combinations result in two: "Practices" and "Politics".

The above variance as the type of combinations and the constituent factors of the factor combinations is reflected in the three features of the weight of the factorial combinations themselves. The first feature relates to the differences in the weighting of the factor combination in relation to different contexts. The weight of the factor combination "Practices + Socio-Cultural" ranges from 76.1% at public hospitals, 69.3% at universities, and 63.0% at hospitals. Even the influential weight of the "Practices + Political" combination varies from 92.6% at public universities up to 74.7% at private universities. The "Political + Organizational" combination shows a 31.2% impact on private hospitals, the "Political + Socio-Cultural" combination shows a weight of 71.9% in private hospitals, while the factorial "Organizational + Socio-Cultural" combination shows a 63.9% weight in public hospitals.

The second feature relates to differences in the weight of the factor combination within the same specific comparative context. Comparing "hospitals with universities", the factorial combination "Practice + Socio-Cultural" has a greater impact on universities (69.3%) than in hospitals (63.0%). Comparing "public and private universities" the factorial combination "Politics + Practices" has a greater impact on public universities about (92.6%) than private ones (74.7%). The third feature relates to the differences in the power of influence between factorial combinations. Some factorial combinations exhibit a greater influence on weight than some other combinations. In comparing "public to private entities", the

"Political + Socio-Cultural" factorial combination appears to have a greater influence than all other combinations of factors, whether in public or private entities.

Finally, what can be said at the conclusion section on the impact mode that influencing factors show on the HRM Model, have been emphasized on the three following points:

institutions, or entities, is influenced and determined more by internal or external factors. In assessing whether the influencing power of internal and external factors on the HRM model results in the same or different way, respectively, these are the conclusions that can be drawn:

1) which factorial group exercises greater influence and in which context, and

2) how greater results the power of the influence of a factorial group in relation to the other group. The information that facilitates clarification for each element is summarized in Table 1, which summarizes the values of impact of the internal and external factors for each type of comparison.

In the case that which group exercises the greatest influence and in which context, the two groups are "winners". As Table 1 shows in some contexts, the internal factors (Organizational, Practices, and Staff Quality) are the factorial group that has the greatest impact on the HRM model type, while in some other contexts there are external factors (Socio-Cultural and Political) as the factorial group that shows the greatest impact on the type of HRM model being applied. Therefore, there are two situations: In private hospitals, private universities, public entities, and private entities, the HRM model is more influenced and determined by internal organizational factors, practices, and staff quality;

1) that influencing factors exert their influence both individually and in combination with one another;

2) that influential factors seen from the individual influence, show differences between each other, either from the aspect of the importance of their impact on the HRM model, or from the aspect of the weight of their individual influence and in relation to the other influential factors; and,

3) that factorial combinations, regardless of their content, include both internal and external factors, revolving around two specific factors, "Practices" and "Politics", and varying in their weight of impact.

### 5. Internal or External Factors Determine the Type of HRM Model?

The difference in the origin of the influential factors in the two "internal" and "external" groups in the context of the Correlation Analysis of HRM Model with influencing factors raises the question of, whether the HRM Model type applied at hospitals, universities, while in public hospitals, public universities, hospitals as institutions, and universities as institutions, HRM model is more influenced by external factors such as "Socio-Cultural" and "Political" factors.

**Table 1. HRM Model Relations with Internal and External Factors**

		Are mostly influenced by:	
Comapring Group	Type of Institutions	Internal Factors	External Factors
<b>HOSPITALS</b>	Public	-	2.3% Socio-cultural 11.2% Political
	Private	64.2% Organisational 54.2% Practices	-
<b>UNIVERSITIES</b>	Public	-	28.7% Socio-cultural 7.2% Political
	Private	33.5% Organisational 11.9% Practices 16.5% Staff Quality	-
<b>INSTITUTIONS</b>	Hospitals	-	2.3% Socio-cultural 7.8% Political
	Universities	-	8.5% Socio-cultural 17.3% Political
<b>ENTITIES</b>	Public	4.2 % Organisational 3.8% Practices 3.0% Staff Quality	-
	Private	8.4% Organisational 8.0% Practices 4.0% Staff Quality	-

Source: Authors.

In the case of the correlation between the two factorial groups in terms of impacting power, the conclusion that can be drawn is that, in general, the influencing power of internal factors is higher than the influential power of external factors. In the case of private hospitals, private universities, public entities, and private entities, the influence of internal factors is greater than that of external factors at about 5 times in private hospitals, about 3 times in private universities, about 2.2 times in public entities, and about 2.5 times in private entities. While in the case of public hospitals, public universities, hospitals and universities as institutions, the impact of external factors is greater than that of internal factors only by about 1.3 times in public hospitals, about 1.9 times in public universities, 1.2 times in hospitals as an institution, and about 1.3 times in universities as an institution. Based on the above results, it can be summarized that although external factors as "Socio-Cultural" and "Politics" exhibit and exert their influence on the HRM model in certain contexts and institutions, in general, the HRM model applied in institutions is influenced and determined more by internal factors such as "Organizational", "Practices", and " Staff Quality ".

## **6. The HRM model generated by Influencing Factors**

The discussion above of the role of internal and external factors helps to draw some conclusions about the type of HRM model as the last element of the correlation analysis between the HRM Model and the influencing factors.

In the case of institutions in general, particularly in the case of public hospitals and universities, where the group of external factors (Socio-Cultural and Political) results to exert greater influence than the internal factor group, it seems that the HRM Model type applied to them may be more similar to Harvard's features. In the case of public and private entities, particularly in private hospitals and universities, where the group of internal factors (Organizational, Practices and Staff Quality) results to exert a greater influence than the group of external factors, it appears that, the type of HRM model that is applied to them may be more similar to Michigan, Guest or Storey model.

The interesting thing that can be included in the conclusions about the HRM model type, is concerning the consistency between the perception of the respondents and the theoretical expectation. Based on the perception of people, the resulting HRM type reflects the features people have identified as the most observable in their responses. Whereas, based on the theoretical expectations, the resulting HRM model type shows the fact that, which group of factors exhibits the greatest impact on HRM and thus holds the greatest weight in determining the HRM model type.

In the case of public hospitals and universities, the perception of the respondents and theoretical expectations seem to go in different directions. Based on the perception of the people, 39.8% of the respondents asked for the HRM Model in Public Hospitals and 29.0% of the respondents asked for the HRM Model in Public Universities expressed that, the HRM model applied to such institutions has features of Guest Model. While relying on the theoretical premises that see the HRM Model type closely related to the nature of the most influential factors, the fact that data analysis revealed, in hospitals and public universities, external factors appear to have a greater impact on the model compared to the internal factors, contributing to the conclusion that, the HRM model in hospitals and public universities is more similar to the Harvard Model.

In the case of private hospitals and universities, the perception of the respondents and theoretical expectations result in harmony. 32.5% of people surveyed for HRM Modeling in Private Hospitals and 44.8% of people surveyed for HRM Model in private universities have estimated that the HRM model applied to these institutions has similar features with Guest Model. Factorial data analysis also showed that, in the case of private hospitals and universities, internal factors has a greater impact than external factors, in this way contributing to the generation of a HRM Model at hospitals and private universities similar to the Guest Model, exactly as was expected by the theoretical part.

The fact that in the case of hospitals and public universities the perpetuation of people does not result in harmony with theoretical expectations, as it happens in the case of private hospitals and universities, it may be related to specifics of local Kosovo culture. But how true it can be such an explanation, this requires a further research of the role of local culture on HRM, which in the case of this study comes out of its boundaries.

## 7. Conclusion

In the conclusion, all the analysis and discussion of the topic, findings and statements on the influencing and determining factors of the HRM model type, in the context of hospitals, universities, institutions, and entities, could be better summarized through the “commonalities vs. differences” dichotomy.

Initially, in this study has been hypothesized that, HRM model in hospitals and universities showed differences in relation to influencing factors from the viewpoint of the main influencing factor, the importance of factors, the way of influencing, the most influential factor group, and the type of model. The analyzes showed that hospitals and universities reflected common things and also differences.

Despite the nuances, hospitals and universities are generally similiar regarding the main factors that influence the HRM Model. Additionally, "Organizational", "Practices", and “Political” factors seem to have more impact on the HRM model.

The analysis showed that hospitals and universities are distinguished by the importance that influencing factors show in relation to the HRM model. The “Organizational” factor is the most important for the HRM Model in public and private hospitals. The "Practices" factor is the most important for the HRM Model in public hospitals, private hospitals, and public universities as well. Whereas, the "Political" factor is the most important for the HRM model in hospital and university institutions. These three factors (organizational, practices and political) are equally important in the case of universities.

The hospitals and universities showed similarities and differences in the case of how influential factors exert their influence on the HRM Model. The similarity lies in the fact that influencing factors exert their influence on the HRM model both individually and in combination with each other. The differences lie in the fact that when acting individually, and when affecting factor combinations, there are differences in weight, importance, and composition between factors and factorial combinations. Some individual factors, or some factorial combinations, are more important for the HRM model in a specific type of institution, such as public hospitals, than in another type, such as private hospitals.

The hospitals and universities also differ in relation to the role of internal and external factors. In most cases, the HRM model results to be more affected by internal factors than external factors. Likewise, the influence itself of internal factors results several times greater than the influence of external factors.

Finally, the hospitals and universities showed similarities to the HRM model type. Although model features revolve around those of Harvard, Michigan, and Guest models, and despite the differences between Harvard and Michigan models, the analysis showed that hospitals and universities, especially private ones, struck similarities in the HRM model that they apply. In both cases, the HRM model applied by them results to be similar to the Guest Model. Considering the fact that the Guest Model itself represents a combination synthesis of Harvard and Michigan model features, then between hospitals and universities the similarities existing in the HRM Model are much greater than the differences that can be observed here and there, and this is even more logical and evident.

What is the value of these findings in the concrete reality of Kosovo hospitals and universities? It is acknowledged that the HRM Model type and the quality of FCHRM reflect a set of principles and features that characterize HRM policies and practices, and the potential usefulness of the findings of this study applies to the key actors that run hospitals and universities in Kosovo. More specifically, it applies to directors and managers of hospitals and universities as actors with decision-making powers.

The fact that which managerial principles, hospital and university managers and directors, decide to respect and apply in the overall management of human resources, and in particular in human resources management in the area of human resources capacity and turnover; The fact that which socio-cultural principles and customs shape the behavior of directors, managers and employees of Kosovan hospitals and universities; As well as the fact to what extent human resources policies and practices are influenced and shaped by purely internal organizational factors or external socio-cultural or political factors, it will certainly be reflected either on the type of HRM model, the quality of HRM in capacity and turnover, or on the own performance of the institution.

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VALERIA COCCO<sup>1</sup>

## TOURISM ATTRACTIVENESS: DIGITAL, STORYTELLING AND GASTRONOMY

### Abstract

It is not necessary to start from the Grand Tour and the genesis of tourism to remember the economic and cultural importance that the sector still has today for our country. Tourism, in fact, involves the economic and territorial actors who offer products and services strictly linked to travel, but agriculture, architecture, music, sport, thus generating unexpected flows of people and capital and creating alternative, innovative and diversified products compared to the traditional tourist offer.

The tourist system travels on a fast speed. For this reason, Italy survives but it risks a slow and inexorable decline. Culture, history, sun, sea and food alone are no longer enough to attract and retain tourists in Italian places. The research aims to focus on the enhancement of the territory and rediscover the most hidden aspects of tourism, involving some tools such as digital, communication and storytelling and integration with food and wine tradition.

**Keywords:** Tourism attractiveness, Gastronomy, storytelling, digital

**JEL Codes:** Z30, Z32, Z38, Z39

### 1. Introduction

Culture, history, sun, sea and good food alone are not enough to attract and retain tourists in Italian places. For long time, in Italy, the main strategy adopted by tour operators to compete in the international markets was the policy of low prices. This strategy creates an involute spiral and it was considered a loser strategy by international markets (Brognna, 2009). Therefore, the challenge for the enhancement of the heritage as a whole passes through the strategy of promoting quality tourism: a tourism capable of spreading the knowledge of the “primary and secondary” heritage, through the enhancement and promotion of the most hidden aspects of tourism, but no less attractive. The solution to go up and to defeat the nearby competition could be increasing the language based on digital and innovation to enlarge the current tourist offer to more specific products, to focus on the enhancement of the territory and on the rediscovery of the “minor” heritage, defined “minor” from an economic point of view (Brognna, Oliveri, Sesto, 2014; Gelter, 2017).

Thus, developing forms of “minor” tourism can design growth and employment, in the panorama of integrated local actors into the local economy.

In the scenario of a sustainable territorial integration path over time and space, in both the economic, social and environmental dimensions, it is evident the crucial effect and impact of the integrated policies on local development and tourism (Olivieri, 2015). From a cultural and historical offer to a gastronomic one, the variety of the touristic Italian offer is a good starting point to build a tourist destination. Assisted by brilliant creativity, it is even possible to led unexplored territories to a rebirth (Brognna, Cocco, 2018). The role of food and wine in Italy is a glue of integration between economic activities, thanks to the production of an agricultural food supply chain that is widespread throughout the territory and by the strong and specific agricultural vocations of the regions and local systems. This merges into a single and recognized “image” on an international scale and can and should be considered an important component for local tourism development.

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<sup>1</sup> La Sapienza University, Italy, valeria.cocco@uniroma1.it.

## 2. Destination ... Italy

In the current tourist context, where competitiveness is linked to the proposal of new and unexplored tourist destinations, to the need to live a unique experience and emotion through the journey through an integrated and quality offer, it is necessary, above all, create an attractive tourist product. In recent years, the attractiveness of a destination is linked to its reputation on the web, precisely because it reflects the opinion that individuals have of a specific geographical area and of all the actors, activities and experiences that are part of the tourist destination. In this sense, digital plays a fundamental role, since the unbridled use of media and digital tools seems to be one of the factors that have stimulated the evolution of emotional and experiential tourism (Christiansson, Sporrek, 2003; Shatto, Erwin, 2016). In fact, thanks to media and internet images, users can learn about and discover the most disparate places before they have even physically visited them, therefore, the traveler's curiosity is stimulated by the possibility of living an exclusive and unforgettable experience, experiencing emotions in the to relate to the local community, and to discover the traditions, flavors and aromas of the area. Travelers do not want to go home with a simple souvenir, but with a memorable experience, made up of meetings, knowledge, sharing of passions, and with the memory of a moment in which a unique emotion was experienced (Stamboulis, Skayannis, 2002). Experiential tourism is part of a contemporary tourism segment, which relates to slow tourism, and provides the visitor with a product or service capable of guaranteeing the experience of experiencing the territory in search of new emotions. In this scenario, the individual (the tourist is no longer a simple spectator, but a protagonist) and the territory, which becomes a laboratory for tourist planning through the involvement of the community, is at the center of the tourist offer planning. Inside which the tourist integrates, fully immersing himself in the culture and lifestyle of the host territory.

### 2.1. Product or promotion?

The basis for the enhancement of the diversified and unique heritage of tourist attractions derive from the specificities and resources of each individual territory. So, in the tourist development strategy, the main factors that had to be considered are:

- i) The valorization of resources. In a nutshell, this point had to consider the primary and secondary resources of a territory that can be valorized in as tourist attractiveness (i.e., traditions, gastronomy, natural and cultural heritage, etc.)
- ii) The creation of a tourist product. In a valorization tourist strategy, the first element that had to be created is the attractive product. In fact, the extraordinary resources of a territory often are not discovered by tourist because of the lack of the attractive products' offer. The creation of the product is one of the most complex part of the strategy. In fact, to create a successful product, able to attract new stream of tourist, it is necessary to create an experience that is unique in the market, recognizable, and different for the other tourist offers in the competitor territories. In this context, in fact, the cooperation and collaboration between local actors could be one of the element able to facilitate the development of the new tourist destination. According to Giacomo Becattini, the product of the local tourist system must be greater than the sum of the products of the individual entrepreneurs that compose it. In light of this, to stimulate the development of tourist destinations and compete in the international tourism markets, it is necessary to focus on the quality of the offer through the creation of a current and contemporary tourist product.
- iii) The branding and promotion policies. In recent years, the attractiveness of a destination is linked to its reputation on the web, precisely because it reflects the opinion that individuals have of a specific geographical area and of all the actors, activities and experiences that are part of the tourist destination. In this sense, digital plays a fundamental role, since the unbridled use of media and digital tools seems to be one of the factors that have stimulated

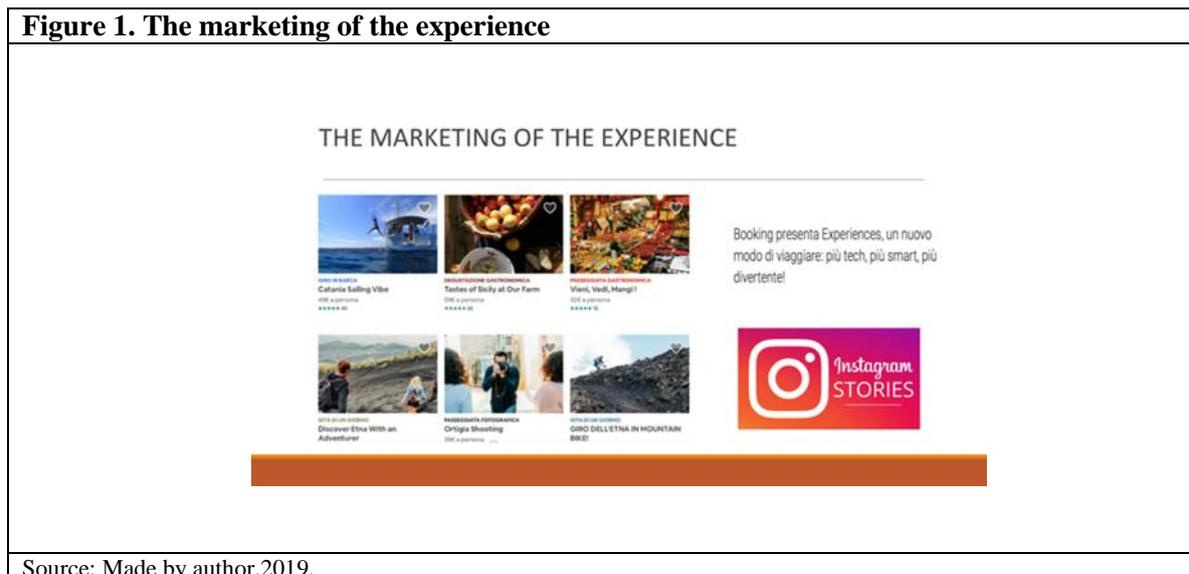
the evolution of emotional and experiential tourism. Taking advantage of technology and innovation, tourism is set in a context of economic competitiveness, organizational efficiency and entrepreneurial initiative, in which aggregation and business networks are the keys to the system. Experiential tourism is part of a contemporary tourism segment. The demand for experience forces operators in the sector to remain competitive, to develop and adopt new forms of tourism, so that tourism industries become producers and sellers of stories, emotions, and memories (Valdani, Guenzi, 1998; Aaker, Aaker, 2016) . In fact, thanks to media and internet images, users can learn and discover the most disparate places before they have even physically visited them. Therefore, the traveler's curiosity is stimulated by the possibility of living an exclusive and unforgettable experience and emotion through local communities, traditions, flavors and aromas of the area.

### 3. From a mass tourism to experiences

Contemporary tourists are looking for typical experiences and emotions. The experience is a new tourist reality made of meetings, knowledge, sharing of passions and emotions, stories and memories that are able to describe the territorial identity. In this panorama, an interesting role is played by the new tool of storytelling able to guarantee awareness, comprehension and empathy between the tourist and the territories. So, the tourists are going to be converted into "temporary citizen" and they are going to choose offers able to guarantee an emotional and experiential travel.

Digital and innovation are playing an important role in the promotion of the unique offers. In fact, focusing on the main OTA (Renzi, 2010) or the main international tour operator and travel agencies, it is evident the promotion of the offers in an experiences' perspective (Steinmetz, 2018). The spread of the wish of an experiential tourism is going to stress the term experience also in the marketing (Kotler, 1999; Boaretto, Noci, Pini, 2007). In particular, the link with territory and the sophisticated way of travelling with attention on nature and local community is perfectly fitting into the promotion of the territories through the offer of tradition and memories, that could be named "Marketing of the Experience".

**Figure 1. The marketing of the experience**

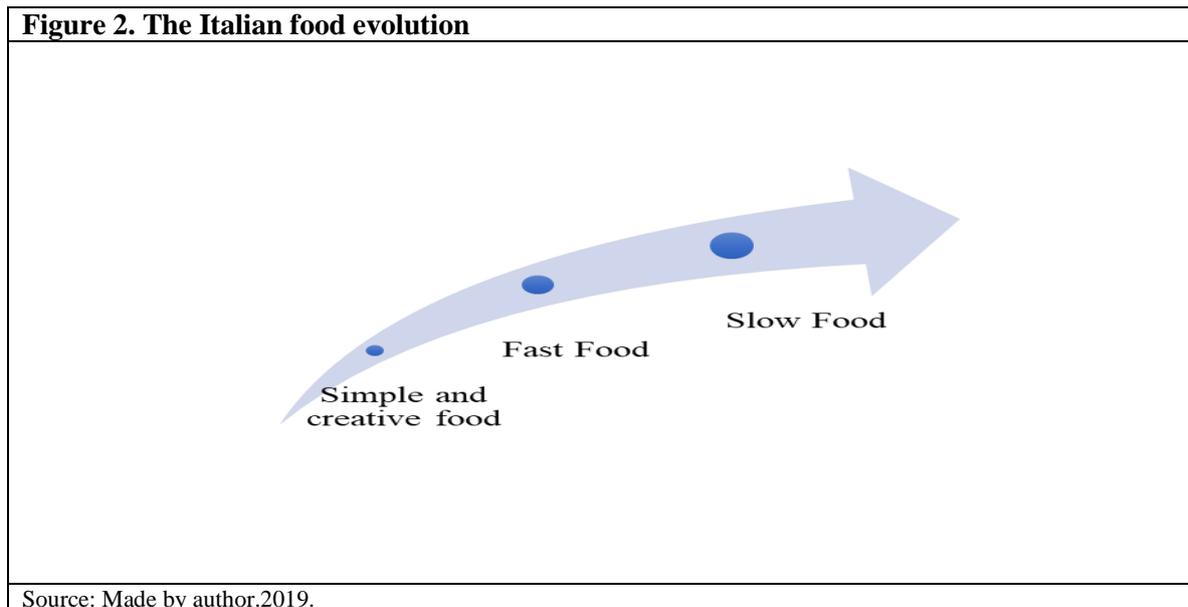


The search for authentic travel experiences and involvements has led to the creation of increasingly personalized tourism products, made individually, to move towards different targets of tourism demand (Brognna, Cocco, 2015). The contemporary tourist is aware and wants to experience the journey as a

temporary citizen. This new attitude on the part of the tourist can be identified with the Hermann Hesse syndrome theorized in 1995 by Emilio Becheri. In 1901 between March and April, the German Nobel Prize writer Hermann Hesse at the age of 24 went to Florence for a stay of about 40 days; after a few days of stay he decided to throw away the tourist guide he used to move and live the Tuscan city independently, confronting himself with the local community and mixing with it. Hesse decided to refuse the imposition of guidelines for the use of his trip and decided to live the stay in the city of Florence in an innovative way, not just being a tourist, but living a real definitive experience.

#### 4. Food tourism

A page is not enough to describe the gastronomy culture of Italy; but yet, it is necessary to have a brief overview on the evolution of the food in Italy. In the periods of the World Wars the food was low and from the shortage of the prime elements the gastronomy was creative and simple. With the economic boom and the developing of globalization the food became fast, as the tourism became a mass tourism. Later, in the last few years and, even nowadays, the food is trying to come back to the traditions. Nowadays, the biological and biodynamic food are a new trend, the genuine aspect of the food is going to rediscover the authentic flavours that are the symbol of the different territories. As the tourism saw the passage from a mass tourism to a slow, responsible and authentic tourism, the food too changed from fast food to a slow food.



Thus, gastronomy in Italy is more or less homogeneously spread in the full booth. So, melting the gastronomy and tourism in Italy could be a successful wedding.

According to the World Food Travel Association “food tourism is the act of traveling for a taste of place in order to get a sense of place. It's much, much more than just a list of gourmet restaurants and wineries. Unique food & beverage products and experiences ... help build an area's brand equity; increase revenue & taxes from visitor arrivals & drive export demand for local food and beverage products“. Food tourism, in fact, is a complex topic.

Mixing the slow food and tourism with the fast digital innovation could be a great opportunity to develop the digitalisation of the tourism offer in Italy, that is lacking, and defined as a *Ferrari in folle* (Ferrari car in neutral).

Food, in fact, is sharing. According to the data of trip advisor and Google, the 61% of travellers share food experiences on social media; the 87% travellers read more than 7 reviews to choose a restaurant.

The binomial “digital – tourism” and the contemporary panorama of an increasingly connected community have therefore brought the actors operating in tourism to an increasingly direct contact with the users. Therefore, according to a digital perspective of the tourist offer, the use of avant-garde technologies allows us to offer enriched tourist experiences.

## 5. Conclusion

The changing of the meaning of the travels and the needs of the new young digital tourism is perceived not only as a revolution, but as a real habitat, favorable to the development of social and economic activities. One of the decisive elements for structuring a vision of the future of tourism, concerns the fast society. This fast society is formed by those consumers, who in the next 15 years will perceive time as a precious and luxurious element. In fact, the new consumer lives in a fast-paced environment; he is demanding and impatient, eternally informed and focused on himself. All this tourism transformation is due to the continuous changes in the way of fully satisfying the needs of the consumer, who will try to choose and make trips dedicated to personal discovery, new emotions, locations and cultures of the chosen destination.

Gastronomy is deeply rooted in the territory and it is a popular and refined communication of the tradition and of the territorial identity; that's why the wedding of gastronomy and digital could be a successful opportunity for many territories that are not rich in other resources. In this context, and in the perspective of the marketing of the experiences, a good communication tool is the storytelling, that thanks to the direct and effective means of communicating places is able to attract the comprehension, awareness and empathy of the customers.

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ABDELHAMID NECHAD<sup>1</sup>, TARIK KASBAOUI<sup>2</sup> AND MOHAMMED EZZNATI<sup>3</sup>

## INVESTMENT IN HUMAN CAPITAL AND GROWTH: SUPPORT FOR THE MOROCCAN

### Abstract

Access to knowledge-based economies is still very limited and there are large disparities between countries and also between social categories. The economy of the immaterial is set up in the world without we can master all the processes. At the forefront of this revolution, the West is not the only one aware of this problem. Developing countries are equally concerned. This article proposes to elucidate the role of human capital in economic development. The experience is that of the Moroccan economy. Morocco is faced with the demand for the creation of a national potential for scientific research capable of synergizing with companies. The crucial problem of this country is that its specialization in activities that are not intensive in human capital will not only encourage economic actors not to invest in education, but also encourage skilled workers to migrate to developed countries.

**Keywords:** Human capital, growth, immaterial capital

**JEL Codes:** O10, O15

### Introduction

The brain drain is a characteristic feature of globalization. It is meant to grow and expand in the future. The phenomenon has been of considerable importance since the end of the last century. The term "brain drain" was popularized in the fifties referring to the migration of senior scientists from countries such as the UK, Canada or the former Soviet Union to the US; this term is now used in a broader sense to refer to the migration of human capital (that is to say, highly educated individuals with a university degree or equivalent) in developing countries to industrialized countries. Over the past two decades, the magnitude of the brain drain has reached staggering proportions. Yet, it is essentially part of the increasing globalization of economy, a globalization which reinforces the natural tendency of human capital to agglomerate where it is already abundant.

Currently, there is an affluence of expressions to describe this form of migration: elitist migration, brain drain, skills drain, knowledge leakage, exodus of intellectuals, reverse transfer of technology ... Although it's increasingly being thrust into the limelight, the question remains little explored and poorly controlled. The issue is quite complex and multidisciplinary, it challenges the sociologist, the economist, the political scientist, the demographer, the legal expert and other disciplines. Moreover, a quantified assessment of this form of migration is difficult due to the lack of reliable statistics.

Morocco is concerned with the brain drain phenomenon and cannot stop it. Certain skills opt for life abroad, which is the case in most countries of the South now. Morocco, which has ratified most of the international human rights instruments, cannot undermine this principle by imposing restrictions on its citizens' right to freedom of movement or by preventing its skilled subjects from leaving the country. Some foreign skills are residing in Morocco. The skilled Moroccan emigrants are primarily members of the Moroccan diaspora. They are foreigners who emigrated for various reasons, mainly to work.

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<sup>1</sup> Abdelmalek Essaadi University, Morocco, nechad22@yahoo.fr.

<sup>2</sup> Hassan II University, Morocco.

<sup>3</sup> Abdelmalek Essaadi University, Morocco.

This article aims to answer four key questions: What are the determinants of the skills exodus from Morocco? Are there any effects on Morocco? What are the strategies and policies for the return of the skilled emigrants and what is their role in the development of the country?

This article will present the determinants of departure and causes of return of the skilled migration in Morocco, analyze the issues raised by this migration and define the channels that mitigate its negative repercussions.

## **1. Determinants of the Brain Drain**

In order to control migration, it is crucial to understand why people are migrating. The brain drain is the product of a combination of several factors. This multitude of causes seems to share a strong propensity to emigrate. The logics that underlie this flow are both endogenous and exogenous (push and pull factors). Although there are a few factors that can be identified in several countries as the forces of "drive" or "attraction" that stimulate migration in most cases, the only way to understand the dynamics involved in the brain drain is the analysis of variables in the context of a specific region or country.

### ***1.1. Endogenous factors***

They are of different natures and do not have the same intensity in all countries. These factors are:

- Economic: the existence of an economic divide between the North and the South;
- Political: the lack of democratic mechanisms to ensure the equality of opportunity for all (meritocracy);
- Professional: the inability of the national economy to meet the aspirations of those who have acquired high level qualifications;
- Total or partial unemployment, often attributable to the inadequate implementation of the education, employment and science and technology policies;
- The failure of the entrepreneurial system whose main features are the little importance granted to research and development and the weak mentoring of the Moroccan companies;
- The limited budget allocated to research: Morocco's overall expenditure represents less than 0.3% of the GDP, well below the rates recorded in developed countries (2% in EU countries);
- The weak means of intellectual stimulation (laboratories, libraries, professional associations) coupled with bureaucratic inertia.

### ***1.2. Exogenous factors***

The incubation of the project to emigrate is often triggered by exogenous factors, the phenomenon being intensified by an international demand for the brain drain. The current globalization plays a paramount role in accelerating this elite migration. The restructuring of the production systems has led to a hike in the demand for highly qualified personnel. And this is sometimes accompanied by aggressive recruitment policies as evidenced by the Green Card in Germany which led to the proliferation of recruitment companies and of websites specialized in "talent hunting".

Other exogenous factors of a professional nature encourage this elite to wake up from its latent phase, step up to the plate and emigrate. It is indeed the attractive environment in developed countries characterized by auspicious working and living conditions: a quest for excellence; an organizational flexibility; a competitive spirit; promotion prospects and access to opportunities; sectoral attractions related to the new trades of the new technologies. These professional factors are sustained by others of a rather personal nature: the wage incentives, the promotion systems and the opportunities at hand; the effective social security systems; the possibility to help parents and to be spoilt for choice on children's schooling.

Zimmermann (1996) distinguishes between the factors that "push" people out of their countries of origin and the factors that "attract" them to a new "host" country. Some home unfavorable internal conditions are the unsatisfactory educational capacity, the low living standards, the limitations of technology, the inadequate training and employment and the uncertainty of tomorrow, the political malaise, the armed conflicts<sup>4</sup>, the absence of realistic labor policies and the economic instability (Chang, 1999).

### 1.3. « Impulse » factors

The barriers to achieving educational goals or the lack of career opportunities (e.g. due to cuts in the budget allocated to public universities, as is the case in most African countries) can be an "Impulse" towards migration. The establishment of a subsidiary of an international company, or the relocation of factories, is also pushing skilled workers abroad, particularly to the developed world where some IT companies relocate some categories of skilled workers in countries such as India. There is evidence that deteriorating economic conditions are responsible for the brain drain in South Africa (Bhorat *et al.*, 2002). However, for the skilled black South Africans, the feeling of estrangement from the political status quo and the loss of confidence in the government's ability to improve the living conditions - particularly human rights violations- seem to play an important additional role.

The "Impulse" factors can be summarized as follows: (World Migration 2003: 218):

1. Higher wages abroad, although there are cases of underemployment: Example of African holders of doctoral degrees who drive taxis or work in hotels and security agencies;
2. Greater job mobility and professional career development;
3. Few bureaucratic controls and high living standards;
4. Acquisition of high-level qualifications impossible at home as the Higher Education sector lacks resources and staff;
5. Foreign scholarships and support for education;
6. Unsatisfactory socio-economic conditions and African populations deprivation in many countries;
7. Active presence of recruiters.

### 1.4. « Attraction » Factors

The factors of attraction include better personal and professional opportunities in the host country, propitious policies for the immigration of the better-educated, wage differentials, differences in the quality of life, education for children, interaction with other professionals, political stability, and job security (Hillman and Weiss 1991, Porés 1991). Countries such as Canada, New Zealand, Germany, the United States and the United Kingdom now have aggressive recruitment policies for highly qualified foreigners to increase their own skilled labor force, particularly in a globalized global economy where intellectual workers are highly coveted.

From an economic perspective, the fundamental motivation for migration is the hope to score a net gain. There are at least two potential economic benefits to migration for those participating in the labor market. The first is linked to the gains in the labor market or to income more generally. The second advantage is employment. People can move elsewhere to increase their income in the labor market; migration is then the result of the job search process. They may also move to increase their chances of landing a job, and in this case, migration is an intrinsic part of the job search.

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<sup>4</sup> For example, a number of countries in Africa have experienced serious conflicts over the last 15 to 20 years. These include South Africa, Zimbabwe, Mozambique, Angola, Democratic Republic of Congo, Central African Republic, Kenya, Somalia, Sudan, Uganda, Ethiopia, Eritrea, Burundi, Rwanda, Algeria, Côte d'Ivoire, Senegal, Gambia, Sierra Leone, Liberia and Guinea.

Skilled Moroccans leave the homeland mainly to work. The working conditions they enjoy in their country of residence are generally better than those offered by their country of origin. Moroccans who emigrate choose to live abroad, but in fact it is their employers who choose them. Indeed, migration for work has always been the choice of the host countries (especially rich countries), since in most cases these countries encourage and accept only people who are sought after in their labor market. These skilled Moroccans abroad have become not only providers of intelligence for their host countries, but also "knowledge workers" in the new globalized order and new actors in international cooperation.

Nowadays, it seems that the "*Moroccan emigration to Quebec is more important than the French one. There are nearly 100,000 Moroccans in Canada, immigrants or merely students, 80% of whom are settled in Quebec. Approximately 2,500 of them cross the Atlantic every year*" (Bladi, 2009). The emigration of skilled Moroccans to Canada, and more particularly to Quebec, seems to have been increasingly the choice of Moroccans for quite some time. This migration is also in line with the orientations of the country's migration policy. In addressing the theme of "Globalization and the brain drain: the case of Quebec immigration policy towards Moroccan candidates", a Moroccan migration specialist underlined that "*the new policies orientations in the North tend to encourage / facilitate the reception and residence of certain occupational profiles of foreign professionals*". He added that "*the quota policy is one of the visible aspects because it contains the idea of selection according to needs and interests*". The author pointed out in his study that "*the Quebec immigration policy with regard to Moroccans in particular is part of this trend*" (Mohamed DIOURY Conference, 2001, <http://www.afrology.com/eco/fuitecerv.html>).

The same study concluded that the Moroccans living in Quebec are more educated than the average of other immigrants and that they are more educated than the average of Quebecers. The author deduced that "*this situation represents a net positive contribution for Quebec and a net loss for Morocco*" (DIOURY, 2001).

## 2. The Brain Drain effects

The cost of the brain drain includes different components: the training cost since preschool and the opportunity cost for the country of origin: what this country loses in the absence of the skilled trainee (productivity, income, etc.). Furthermore, it would be possible to add other additional costs: the costs assumed by the families of the trainees (education, health, housing, leisure, etc.); the cost ensuing from the trainee's absence incurred by his family and eventually the children ...

The assessment of the brain drain cost requires the availability of various and fairly detailed data. In the case of Morocco, however, some of these data are either unavailable or difficult of access. For example, the cost of training an engineer requires a joint review of both operating and investment budgets of the institutes and training schools (as well as those of educational institutions from preschool to university). Yet, in most cases, investment data and its internal composition are difficult to produce<sup>5</sup>.

### 2.1. An engineer's training cost

Morocco devotes a significant part of its financial efforts to the education sector. In 2007, the budget dedicated to national education and vocational training represents one quarter of the State general budget. The cost of training an engineer includes the primary school, the secondary school, the higher secondary, the preparatory classes and engineering school. The 2005 data show that an engineer's

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<sup>5</sup> It is true that Morocco is changing and that, since the 2000s, Morocco has experienced major reforms in all areas, but the country is still in a transition period. "Anti-law" practices inherited from the old regime persist and give rise to injustice and discrimination, which push some skills to expatriate themselves in search of more equity and democracy.

training in Morocco costs an average of 95,460 dirhams (about 12,000 dollars) before entering the engineering institute or school.

The branches where the biggest deficits are and which have given rise to a war for talents are the NICT. Recruiters from around the world are vying for these specialists, dipping mainly into countries such as India, where 43,000 computer scientists expatriated in 1999 and 50,000 in 2000. In fact, the race for these geeks explains why the most coveted laureates in Morocco are those graduating from the Grandes Ecoles: Institut National des Postes et Télécommunications (INPT), Ecole Nationale Supérieure d'Informatique et d'Analyse de Système (ENSIAS) & l'Ecole Mohammedia des Ingénieurs (EMI) whose 50 to 60% of the laureates in 2000 "had, according to a Moroccan daily, already left or were due to leave at the time of the closing ceremony (Abd Al Ilah Al Mouttaqi, 2010, p.15).

These three Ecoles witness a more or less substantial departure flow, depending on the period. And this is the reason why we shall limit the assessment of the cost to these three institutions, focusing on the case of the INPT for which fairly accurate data are available. Within the INPT, the unit cost of an engineer's training is of the order of 93,380 dirhams per year (Ministry of National Education, INPT, 2007). This figure has the advantage of including investments (depreciation), the INPT having an adequate analytical accounting. If one adds the scholarships (excluded from the institute budget) and the costs of preliminary training, the training of an INPT engineer would cost 389,700 dirhams. For the EMI and the ENSIAS, the average unit cost of an engineer's training from 2000 to 2007 is 144,000 dirhams over the three years of training (Ministry of National Education: Assessment and Long-Term Planning Department), if we add the scholarship, the total sum is then 158,100 dirhams per engineer. Thus, the average overall training cost is about 253,560 dirhams, or about 32508 USD per engineer.

Today (more than ever before), the Moroccans needed in Europe and also in North America are mostly people with a good academic background and often a proven track record of success. A great deal of the Moroccan graduates from the most prestigious Grandes Ecoles emigrate annually and more than 15% of Moroccan students are based abroad, about 50 000 students<sup>6</sup>. A certain portion of the population of the Kingdom positions itself in this new type of migration opportunity.

## ***2.2. Other negative consequences of this brain drain***

Until recently, it was assumed that the brain drain could only be pernicious to the country of origin. As early as the 1970s, well-known economists, chief among them was Jagdish Bhagwati, defended this pessimistic view and put forward the following arguments (Bhagwati, J.N., 1974, pp. 19-42):

- The brain drain is fundamentally a negative externality imposed on the population residing in the country of origin;
- It can be analyzed as a zero-sum game, where rich countries get richer and the poor countries become poorer ; &
- In terms of economic policy, the international community should introduce compensatory transfer mechanisms in favor of the countries of origin,

Finally, it should be noted that in the Moroccan case, the losses recorded are all the more detrimental to its economy since, on the one hand, those who leave the country are recruited mostly amongst the locally employable graduates and not graduates who have difficulty finding a job; on the other hand, the country is confronted with crucial deadlines: the upgrading of the Moroccan companies and the various major

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<sup>6</sup> See Survey on International Moroccan Student Mobility: EMEMI project in <http://www.uae.ac.ma/dossiers/down/recherche/EMEMI/SUPPORT-EMEMI.pdf>

projects underway (the Emergence program and other sectoral programs) suffer from this brain drain. Upgrading and achieving productivity gains do require competence-based management.

Nevertheless, if the economic analysis is now making a more nuanced assessment of the brain drain effects on developing countries, it is mainly due to the fact that by inflating the expected return on human capital, the perspectives of emigration can contribute to boosting the investment in education in the countries of origin.

### *2.3. Economic contributions of the returning migrants*

Obviously, the brain drain can in principle at least be accompanied by positive feedback for the countries of origin, such as remittances from migrant workers; their return after they have accumulated savings or new qualifications; and even the participation of these migrants in scientific and business networks promoting the circulation of technological and industrial knowledge.

☑ As a revealing sign of the importance of remittances, almost half of the emigrants have transferred more than 1000 Euros per year, this amount is slightly higher for emigrants opting for the voluntary return (49.1%) than for those forced to return (45.6%). More than 85% of the returnees had transferred more than 500 Euros per year, and 37% of emigrants, between 500 and 1000 Euros. These transfers are allocated to different uses, mainly to sustain their families back in the homeland (85.3%) to which must be added the children schooling (14.2%), which highlights the importance of the transfers assigned to consumption. Investment is commonplace in 69.2% of cases, including 38.6% for the acquisition or construction of a house, 14.8% for an economic project, 12.6% for the purchase of land and 3.2% for the purchase of agricultural equipment.

☑ Concerning the realization of investment projects in Morocco, the survey reveals that 82% of the returnees made one or more investments in their country of origin. In this respect, it should be borne in mind that, in general, traditional investments made by emigrants in the region relate primarily to housing (86.5%) and then to coffee/restaurant-type of service activities, which explains the importance of the two projects section: 45.5% including 46.6% for emigrants whose return is voluntary and almost 40% for those whose return is forced. The strong propensity to save in the latter category, aware of the precariousness of its situation, explains the respective rate.

☑ The location of the project is mainly due to convenience and, secondarily, to economic reasons. The main lessons learned are:

- The relatively high share of investment in the place of residence before emigrating (36.2%) for those who opted for the voluntary return (35.7%) and those forced to return as well (40.5%). This can be explained by this desire to flaunt one's social success before the eyes of one's family and acquaintances.
- The relatively high share, but to a lesser extent, of investment in a place other than the place of birth and residence before emigrating (24.6%). Generally, the choice falls on a larger city than the town or village of origin (the capital of the province, Tangier or Tetouan), which is for the emigrant "both a geographical and social promotion".
- The place of birth ranks third and is of particular interest to migrants who were forced to return rather than the others, which can be explained by their choice of a place where they could rely on family solidarity.

☑ The two main sources of investment financing for returning migrants are self-financing (98.8%) and bank loans (42.8%).

☑ Concerning the number of jobs created, apart from real estate, the investments made are micro-projects which in almost 60% of the cases employ fewer than five people and in almost 86% less than 10. Only 1.4% of the projects employ more than 50 people, and are therefore medium-sized enterprises.

☑ More than half of returning migrants contributed to the realization of a collective welfare. Yet, emigrants returning voluntarily are more inclined to collective investment than emigrants returning

involuntarily, i.e. almost 60% and nearly 37% respectively. Participation in the construction of mosques is by far the main collective investment.

The three main benefits of migration are the migrants' remittances, recruitment and return. The repatriation of migrant workers funds could be maximized by reducing transfer costs. Moreover, emigration countries must apply a realistic exchange rate and their governments must encourage and channel investments made with the repatriated money (Martin and Straubhaar, 2002). Another option mentioned is the taxation of the skilled expatriates, or the reimbursement of the higher education expenses that these expats received in their country of origin (The Economist, 2002). This is easier said than done, as migrant workers do not provide information about their place of residence in the countries of origin.

Another form of human capital profitability for foreign nationals may be through the system of networks (Brown, 2000). Skilled migrant workers can be an important resource and their qualifications can be used to establish research partnerships, special programs to encourage knowledge transfer and joint ventures. Bhagwati (1974) proposed taxing the additional income of emigrants at a higher rate than that applied by the host country taxation system, which is to be used eventually to finance the developing countries.

Ideally, skilled migrants should enjoy all their rights, both in their host country and in their country of origin, move from skills exodus to elite mobility (from "brain drain" to "brain gain") and make the brain drain an asset for the development of the countries of origin and not a hindrance to their development. This could be achieved through the establishment of an international scientific community capable of fostering international cooperation and serving both the host country and the country of origin. This community could maintain links with the nationals to improve the scientific and technical training in the country of origin and thereby contribute to the internationalization of the national scientific communities. This is what Morocco is currently trying to do with its diaspora. However, all governmental and non-governmental, national and international active actors in the countries of origin as well as the countries of residence must be involved in this process, without any exclusion.

The brain drain is therefore one of the main challenges facing Morocco to upgrade its economy. But if we believe in the freedom of individuals to emigrate, we should think of a policy of return, even in the framework of the pendulum migration of these skilled migrants.

### **3. Strategies & political options to manage the Brain Drain**

The problem of the brain drain could be resolved fairly if the rights and interests of all parties involved are taken into account: the migrants, the country of origin and also the host country. The problem could be solved in several ways, nationally and internationally. For instance, it is necessary to:

- Introduce reforms in the country of origin to mitigate the brain drain (democratization, the rule of law and equality among citizens, recognition of all competences without discrimination or specific preferences)<sup>7</sup>;
- Make the skilled expatriates a development engine of the country of origin by their permanent or occasional physical or only virtual return;
- Maintain links with the expats and create collaboration and mutual assistance opportunities between the skilled at home and those abroad;
- Discuss the brain drain and its consequences worldwide;

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<sup>7</sup> For example, in the case of certain European countries such as Spain and Italy, the change in the economic and political situation resulted in the mitigation of the MCHQ, without stopping it however.

- Create a kind of "qualified immigration tax" that could be managed by a specialized United Nations fund, which host countries would pay whenever they receive skilled migrants and benefit from their knowledge.

Morocco is aware of the shortfall resulting from the settlement of some of its skilled migrants abroad, mainly in Europe and North America and tries to encourage and facilitate their return. The country is also aware that the Moroccans living abroad want to bring added value to the world and to their country of origin with which they have not ceased to have deep ties, as witnessed by the formidable "rush" to the homeland during the summer holidays, which is a fairly unique phenomenon in the world.

Morocco seeks to consolidate its ties with its community living abroad to make it a development tool, to build and strengthen the bridges with the diasporic networks and to "cash in on the diasporic talents" to make them contribute, each according to their level and their means, to the development of the country. The Moroccan authorities endeavor to make the Moroccans Living Abroad a "*second hand*" that the country needs to build up its development and front-line ambassadors that strengthen the relationships and boost cooperation with the host countries (Le Matin du Sahara, 2009). Indeed, the Moroccan migration policy has always been oriented towards the consolidation of ties with the diaspora, particularly with the 2nd and 3rd generations of emigrants, the majority of whom were born abroad and acquired their education and training in the host country.

Then, maximize emigration benefits by:

- Policies to promote the return of migrants to their countries of origin.
- Recruitment policies of international migrants which do not limit their numbers and reduce the protective measures that hinder admissions.
- Initiatives to re-engage the expatriates through increased communication, transfer of knowledge and funds, as well as investment.
- Restorative policies that will make the host countries reimburse the countries of origin to offset their loss on human capital, or just tax emigrants directly.

Another approach is to make emigration unnecessary by strengthening the national educational institutions, adapting trade, investment and assistance policies to speed up economic development. These are called the five conservative policies to prevent graduates from leaving.

The brain drain is therefore one of the main challenges facing Morocco to upgrade its economy. But if we believe in the freedom of individuals to emigrate, we should think of a policy of return, even in the framework of the pendulum migration of these skills. These skills could be the indicated actors of circular migration. However, it should be emphasized that the emotional and cultural attachment of this elite is not sufficient. It should be supported by economic incentives and an adequate investment environment. This implies a review by the various institutions of their perception of the current and potential role of migrants.

The encouragement of the return of skilled Moroccan expatriates has characterized the government actions since the 1990s. Qualified people living abroad are often invited to return to Morocco to contribute to the development of the country and consolidate its democratic achievements. Several speeches and actions of Moroccan officials echoed this invitation for skilled Moroccan migrants abroad to return. It is in this spirit that some initiatives such as the TOKTEN and FINCOME Programs were carried out in Morocco or similar initiatives by the civil society.

**(i) The TOKTEN program**

The TOKTEN (*Transfer of Knowledge Though Expatriate Nationals*) program was initiated by the PNUD in 1977 in some 50 countries. Its mission is to identify the scientific skilled migrants living abroad and to set up a network that enables them to promote research and development for the benefit of their native countries. While this program seems to have yielded encouraging results worldwide, as in China and Turkey, the results are rather meager in the case of Morocco: the two meetings organized under this program in 1993 in Rabat and in 1994 in Casablanca did not come out with convincing results.

**(ii) International Forum of Skilled Moroccans Living Abroad (IFSMLA/FINCOME).**

The IFMCLA/FINCOME program (The IFMCLA/FINCOME website (FINCOME means "where are you", in Moroccan dialect), <http://www.fincome.ma>) is "a space that will allow to establish institutional links with the skilled Moroccan migrants abroad». This program intends to establish a database of these skilled Moroccans, both in the public and private sectors. The national strategy of Mobilizing the Skilled Moroccans Living Abroad aims in particular at achieving the following objectives:

- Support for research and development and training;
- Transfer of technology and know-how;
- Assistance to expertise, to devising sectoral development strategies and assessment of research projects and programs;
- The attraction of investment and business partnerships;
- The synergy between the skilled Moroccans living home and those living abroad, particularly through research networks;
- The contribution to strengthening bilateral cooperation.

In the framework of the implementation of the IFMCLA/FINCOME program, the CNRST and R&D-Morocco, with the financial support of the Ministry of National Education, Higher Education, Managers Training and Scientific Research, launch each year a call for tender to support actions that would implicate the skilled Moroccans living abroad and would benefit a Moroccan entity, public or private. Support involves two types of actions: expertise and meetings.

**(iii)** Other initiatives are to be mentioned. The association "*Savoir et Développement*" (150 to 200 members) was created in 1999 on the initiative of a number of Moroccan researchers specializing in different disciplines (computer mathematicians, economists, managers, etc.). In addition to these scientists, the association remains open to the professional world, businessmen and young promoters of innovative projects. The scope of the association covers most French regions and some European and American countries. The objective of the association is to promote scientific and technological transfers in favor of Morocco.

**(iv) Council of the Moroccan Community Abroad (CMCA/CCME)**

The CMCA/CCME is working to bring back the Skilled Moroccans living abroad. For his Secretary-General, "*Faced with a lack of highly qualified human resources, Morocco has a fairly large number of profiles among its diaspora that could help to fill this gap.* » He adds: "*It is in this perspective that for more than a decade, more and more determined attention has been paid to skilled Moroccans living abroad to contribute directly to the ongoing projects or to act as scientific, economic, social levers in some sectors or even newly identified niches*"(the interview of Mr. Abdellah Boussouf, electronic Magazine of Morrocans Living Abroad, Yabiladi, 2009).

Several other institutions had been created with a view to safeguard and develop the ties with "the Moroccans of the world". Thus, in addition to the diplomatic missions and several Moroccans-Living-Abroad associations operating abroad, there are various national institutions in charge of the Moroccans Living Abroad: the Ministry in charge of the Moroccan Community Abroad before the Prime Minister, the Hassan II Foundation for the Moroccans Living Abroad, the Mohammed IV Foundation for

Solidarity, etc. Some government actions target specific categories of Moroccans living abroad. Recently, actions are directed more particularly towards the skilled women in the diaspora, who represent more than 45% of the Moroccans Living Abroad. Two meetings organized on "Moroccans from here and elsewhere" showed that migrant women seem more attached than men to the country of origin and are ready to contribute to the development of the country (The Moroccan newspaper L'Economiste, 2010). The civil society sometimes encourages the return of skilled migrants and contributes to the fight against the brain drain. For example, the Horizons-Maroc Forum, initiated by the Association of Moroccans of the Grandes Ecoles (AMGE), strives to encourage the return of the young graduates living in France. One of the persons responsible for the organization of this forum stated that *"the phenomenon is gaining importance and more and more qualified young people are ready to return to Morocco, provided they are offered a position that meets their expectations"* (Forum-Horizons-Maroc, 2009).

However, in its endeavor to attract the skills of the diaspora, Morocco is aware that there is an international competition for the captation of this highly qualified elite which is a boon mainly to the countries of the North, and that there are radical changes affecting these skilled people including their feminization and the transformation of their socio-professional profiles due to the rising levels of education.

## Conclusion

There is no treasure more precious than human capital. This is why we must take into consideration the brain drain from the countries of the South to the countries of the North and address the main causes of these departures and their consequences. It is true that freedom of movement is a human right and that the skilled migrants from the South cannot be held back from traveling and choosing to reside outside their countries of origin, but the interests of their countries of origin that had often invested large sums of money for their training is also to be accounted for.

The Moroccan trade unions, the political parties and the civil society organizations should be more involved in migration policies in order to better defend the rights and interests of all migrants: Moroccan emigrants and foreign immigrants on an equal footing. All skilled immigrants in a country should normally enjoy the same rights and benefits granted to persons with the same level of education and similar training, without any distinction based on origin and provenance.

Thanks to globalization, the circulation of capital and skilled people has revved up. It would be difficult to stop this circulation. But we must ensure that globalization is not synonymous with the reinforcement of injustices, the denial of migrants' rights, inegalitarian laws in the name of the law of the strongest: countries importing labor. It is also necessary to reconcile the two facets of skilled migration: voluntary migration and impelled migration.

At the end of this article, it seems impossible to deny the role of the system of education and training, research and development in the economic growth. We have shown the importance of the skills of the diaspora. As demonstrated in the Moroccan experience, the great paradox often underlined is the brain drain under conditions of scarce qualifications and especially the financial resources while the import of the know-how is at its peak. And this is the result of an almost widespread neglect of the local skills and know-how. Morocco is worried today about the brain drain, the flight of brains, skills, so many qualifiers to name the ability to create, to innovate. Indeed, these departures are a loss on several levels. The migrant graduates who have cost a small fortune in terms of investment in training are, on the one hand, not directly involved in the national economic activity and, on the other hand, not passing on their knowledge, know-how and experience to the local businesses.

Generally speaking, by 2020, Morocco will have to become a land of attraction for all kinds of investments, both material and non-material. It shall not be just a land of fiscal attraction or improved foreign exchange regulations only. Morocco (which still has many assets) shall have to respond favorably to the demands of the brain drain, be it in terms of the quality of everyday life, of the education system, of leisure, of tourism, of cultural life or of social life debureaucratization. This indeed underlines how titanic is the task that awaits all our leaders.

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PATHE SEINY<sup>1</sup>

## THE SOCIALISM OF THE 21st CENTURY IN LATIN AMERICA AND ITS EFFECT ON THE SOCIAL BASES

### Abstract

In the last decade, socialism has become stronger all over Latin America as a need to look at the dynamics that run through our societies and the uncertainty of facing a great geopolitical transition and the ways in which our society and its forms of work have been organized where capitalism has prevailed until now. Social movements that will deepen in the presence of changing scenarios between the emphasis on a global economy in which capital will increasingly have fewer impediments to circulating around the world and reactions and resistances that it generates. Socialism terminology facing a capitalist economic globalization has revived not only expressions of ethnic and local identities, but has resurrected the great subject of equality, through which socialism has developed its strategies throughout the 20th century to be constituted power of the State. To better understand or perform in a more objective way the effect of socialism on the Latin American population, it will be necessary to take into account the conceptions of Marx, Engels and Lenin, or simply focus on Martínez Heredia (2008), Tomás Moulian (2000), Marta Harnecker, considered as a socialists of this time. In this research I would not like to be spokesman of any of these tendencies, neither of the parents of socialism, nor of the defenders of socialism, I only try to demonstrate the perception of the ordinary citizen, and his preference of that man who works every day.

**Keywords:** Uncertainty, geopolitics, ethnics, local

**JEL Codes:** P20, P25, P30, F50

### Introduction

This article shows what socialism is really like in Latin America in the 21st century and how it came to affect the political bases.

Firstly it should be emphasized that socialism emerged from the nineteenth century having as influential precursors to Marx, Engels and Lenin, since they were the ones who observed and lived capitalism so they rebelled against such an unjust society where the bourgeoisie was enriched from the people or the proletariat.

It is worth mentioning that during the nineteenth century society and the States as such were immersed in the ideology of capitalism where production and enrichment benefited only the minority, where the rights of peoples were violated, there was the privatization of goods and slavery.

Both Marx and Engels lived capitalism in Europe, where industrialization and slavery followed a course of growth. Together they created Marxism as such, where it is based on the economy of each state, mentioning that the State should ensure the rights of the population and without the workers there would be no production.

They also make a criticism of the bourgeoisie where they say that the bourgeoisie are those who enrich themselves at the expense of the proletariat, while they have trips, luxuries, benefited by capitalist laws in terms of goods while proletariat is in precarious conditions.

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<sup>1</sup> Higher University of San Andrés, Bolivia, thepa\_07\_12@hotmail.com.

Now in the 21st century, many of the countries in Latin America took socialism as a political ideology that is capable of abolishing discrimination, racism, enrichment and the privatization of goods.

Countries like Venezuela, Ecuador and Bolivia brought socialism to extreme situations, in the three countries, starting from the socialist ideology, the parties of the left began to be created, where their philosophy is to revalue indigenous peoples for a good life, this thought it is nothing more than a capitalism capped by socialism, where the only beneficiaries are those who came to the government.

## Development

It must be understood that socialism is considered as a system of economic and social organization where the primary basis is the means of production. The idea arose when observing the class differences and the privileged treatment that the empowered had with respect to the people as a whole.

Socialism was one of the most used terms throughout the centuries and even worldwide, and in Latin America this term of socialism is still used as a political ideology.

Historically, socialism was applied from the 19th century as a way of revealing itself to capitalism and enriching the minority at the expense of the people. The first precursors of socialism are Karl Marx, Engels, Lenin and the current precursors are Martínez Heredia, Tomás Moulian and Marta Harnecker.

Karl Marx during the nineteenth century observed the evils caused by capitalism to society, so he states that: "Socialism in 1847 represented a bourgeois movement; communism, a workers' movement" (Marx, 1846, page 12)

Marx also mentions that "the doctrinal socialism, which subordinates the total movement to one of its aspects, that supplants the collective, social production, by the cerebral activity of a loose pedant and that, above all, by means of small tricks or great sentimentality, eliminates in his fantasy the revolutionary struggle of the classes and their needs, while this doctrinaire socialism, which in the end does nothing but idealize the current society, forge it a clean image of defects and wants to impose its own ideal in spite of the social reality" (Marx, 1979, page 56)

As a result of this Marx mentioned that "economists have been demonstrating, for fifty years and more, that socialism can not end poverty, determined by nature itself, but only generalize it, distribute it equally over the entire surface of society." (Marx, 1976, page 48)

Engels emphasizes that "the State is more than a transitory institution from which it must be used in the struggle, in the revolution, to crush its enemies with force. (...) Evidently the adversaries are all those who intend to act freely, in a manner different from that established by the socialist State; that is, in practice and also in theory "

Therefore Engels emphasizes that the passage from socialism to communism there is a transition from the realm of necessity to the realm of freedom. However, it is also said that the individual will finally be truly free, precisely because of his absolute identification with the social whole: he would be the udder of all personalism or as Marxism mentions free of selfishness.

For Lenin "(...) The novelty is that the previous socialists, to base their conceptions, considered it sufficient to demonstrate the oppression of the masses in the contemporary regime, the superiority of a regime in which each receives what he has elaborated, demonstrate that such an ideal regime corresponds to human nature "

Therefore in the socialist society, freedom and equality will not be any fraud; the workers will not be scattered in small companies, which operate in isolation from each other; the wealth accumulated by the common work will serve the masses of the people, instead of oppressing them; the power of the workers will end all oppression of any nationality or religion or of one sex for the other (Lenin, 1958, page 69)

Martínez Heredia is a Cuban revolutionary thinker who states that "the only practical alternative, really existing, to capitalism is socialism, and not the disappearance or" improvement "of what they call globalization, which is usually a vague reference to the degree to which Transnational capitalism and parasitic money exercise its domination in the contemporary world. Neither do I consider the end of neoliberalism a sufficient alternative, a word that today serves to describe certain policies and the main ideological form that big capitalism adopts. "Thus, for Martínez, socialism is a prolonged stage of changes and transformations in which, for In the middle of the struggle, the old social relations of capitalist production are overcome and the new communist relations are gradually imposed.

This socialism seeks to achieve the ideals of social justice and universal harmony promised by modernity that have never been achieved; It presupposes a great economic development, a great liberation of the workers and a democracy far superior to what has been achieved so far in capitalism. But in addition, this socialism, if achieved, would fully guarantee individual liberties, would have intermediate institutions, counterweights, citizen control, progressive extinction of powers and free producers. A society with these characteristics can not be guaranteed by capitalism, therefore it must be eradicated and replaced by socialism. .

Tomás Moulian mentions that "the new socialism for the 21st century must face numerous and complex challenges. To begin with he has to abandon the main error of the old socialism "

Marta Harnecker emphasizes that "the starting point of 21st century socialism is the human person as a social being. Our socialist conception does not start, as capitalism does, from the person as an individual being, from the isolated person, separated from the others, but from the person who can only develop himself if he develops along with another person "

Harnecker concludes that socialism does not deny or suppress the individual, but rather recognizes the particularities of people, but also emphasizes that each individual is social and dependent on other individuals. The communist society, will allow the human person by social nature to fully realize its social character.

In short, socialism emerges as a counterpart to capitalism but over the years, society will change to the point of reaching a moment of total globalization where states use socialism as a fantasy ideology, where respect for rights of all the people, where democracy and equality of opportunities prevail also part of their political discourses of those who want to get to govern a State and then be themselves minority beneficiaries.

In Latin America the countries that showed with great force the resurgence of socialism were Ecuador Venezuela and Bolivia, since other countries such as Argentina, Brazil, etc. They had governments with trends of socialism that did not call for major changes in their states, another aspect to take into account is that these three countries can somehow or were influenced by the anticolonial relationship of the thought of the liberator Simon Bolivar of the constitution of a single Latin American country.

## **Socialism in Bolivia in the 21st century**

Like other countries worldwide, Bolivia has had a population growth without economic planning which leads Bolivia to situations of unemployment, lack of basic services, lack of education, etc. Coming to implement capitalism under the model of a neoliberal system, to solve these social problems.

In the hope that economic growth can contribute significantly to the well-being of the population, however, it is not enough since development must be accompanied by the expansion of opportunities and capacities, with people as the origin and destination of all efforts. Human development must ensure minimum levels of human security and allow political participation and respect for human rights. It requires, therefore, new approaches, new ways of accessing resources and a dialogue that allows the political will of different actors to be compromised, since in the last decades the world is undergoing enormous transformations that have introduced forms of growth with a unique potential to generate wealth. Globalization, with technological innovations and the expansion of communication and growth that this implies, also means an increasing independence of economies and societies on a world scale. Trade and financial flows have grown, there has been a breakthrough in technology and a growing moment of information flow.

In Bolivia, the economy and society have become more complex and, to that extent, new tensions and contradictions also emerge, such as:

- **Wealth grows, but poverty persists.**

Giving rise to the broadest growth between wealth and poverty, which means vulnerability and marginalization. An ecological conscience has emerged, but human activities continue to damage the environment. Democracy and peace are promoted, but violence persists and a capacity for destruction has been generated as never before in history. Increasingly these challenges overcome the possibility of the National States to face them on their own, which leads them to seek support and concerted international efforts.

Within what is the dream of a country to achieve, equity and the possibility of a society, where everyone can acquire basic skills and opportunities are also within reach.

Equity incorporates the ethical sense of what is desirable, what is just and refers to the citizen who possesses rights with the capacity to demand them. It is not possible to advance human development when the law is not respected, when ethnic, religious or gender discrimination creates conditions of inequality; when fundamental freedoms are limited; or when a large number of the population lives in poverty.

Poverty and inequality undermine human rights and fuel social unrest and violence. Faced with this need, a socialist system proposed by a political party born of a union of coca-producing peasants arrives again as a solution.

- **The New Economic, social, community and productive model**

This new model of the Plurinational State was proposed in the first government program and development plan of the first government administration of President Evo Morales Ayma (2006-2010).

The model is based on two main pillars:

- the strategic sector that generates surpluses.
- the income and employment generating sector.

With four strategic sectors existing in the Bolivian economy, the same that would generate, potentially, economic surpluses for Bolivians, these are:

- Hydrocarbons
- Mining
- Electricity
- Environmental resources.

Two of these sectors are constituted, traditional sectors that maintain the primary export model, mining and hydrocarbons, the other two sectors that are environmental resources and electricity are potential innovations that were identified in the decade 2006-2016.

On the other hand, there are the sectors generating income and employment, among which are considered: the manufacturing industry, tourism, housing construction, agriculture and others that have not yet been identified and revitalized.

According to the proposed model, the Bolivian economy could be strengthened in all its sectors if the surplus is efficiently used in this transfer, thus avoiding the aforementioned "Dutch disease".

The typical case is when this massive influx of resources occurs as a result of the discovery of some abundant natural resource that is highly demanded internationally but can also be the result of a massive income from Foreign Direct Investment or a very significant increase in the price of some export raw material with a strong weight in the economy.

The explanation given as justifying the new economic system are the following:

**1. Social:** Why it promotes and executes policies of distribution and adequate redistribution of wealth and economic surpluses, considered as the strategy to reduce and then eradicate extreme and moderate poverty, then proceed with the economic and social inclusion of the populations subject to the marginality, since the founding of the Republic or much earlier. This procedure is carried out within the framework of respect for individual rights, as well as the rights of indigenous peoples and indigenous nations. The redistribution of the surplus in social programs such as social bonds, whose objectives have scope beyond the simple distribution of monetary amounts.

For example,

- the Juancito Pinto bonus, is achieving a substantial decrease in school dropouts,
- the Juana Azurduy bonus, is achieving the reduction of infant maternal mortality.

**2. Community:** Because it seeks to complement the individual interest with the collective Living Well, articulating the different forms of economic organization on the principles of complementarity, reciprocity, solidarity, redistribution, equality, sustainability, balance, justice, transparency and respect for Mother Earth. These principles are mandates of the Political Constitution of the Plurinational State.

**3. Productive:** Because it promotes the expansion and diversification of the productive matrix, with the aim of overcoming the primary export model and achieving a productive base economy with increases in added value, promoting the industrialization of natural resources, and contributing to the strengthening of the country's economic sovereignty.

The new economic model of the Plurinational State of Bolivia has been consolidated since 2006. There are 13 years of decision-making and political power-taking that aim to consolidate this model and deepen it as much as possible.

The microeconomic perspective has the vision of new policies applied in a country from the one that expects a change in its economic income to support its family, from the one that has contributed with this vote this long-awaited change, I refer to the perspective of the citizen of on foot, of the citizen of the rural area who although in this new system of government has taken a leading role since this government maintained its strength in rural areas.

But the benefit that this sector has received economically has been the same that it has received in capitalist governments (neoliberals) with the only deference that has in its territories immense school structures but without enough human resources (teachers), airports without aircraft arrivals, soccer fields with everything required in the major soccer leagues, but no games are played or the departmental league, infrastructure that has served as a justification for large investments in the place.

The data clearly indicates the National Institute of statistics that the total registered in the country is 10,027,254 of which the, 6,751,305 live in urban areas and the remaining 3,275,949 in rural areas, in percentage terms this means 67, 3% and 32.7%, respectively, according to data from the National Population and Housing Census 2012, conducted by the National Institute of Statistics.

According to the area of residence, for 2012, 67.3% of the Bolivian population resides in urban areas and the remaining 32.7% in rural areas. Comparing with 2001 the urban population in 2012 had an increase of one million 586 thousand inhabitants, equivalent to an increase of 4.9 percentage points.

Observing the intercensal annual growth rate 2001-2012, the rhythm of annual growth recorded in urban areas was slightly more than five times that in rural areas, showing annual growth rates of 2.4% and 0.5% respectively.

This 32.7% who live in the rural area has the least benefits received in the last 20 years, the only difference is that in this new political system they only took it with greater prominence, in other words they used it once again, and this time with greater hardness than the previous systems of government.

To validate this deception of this new system of government, I recall the words of Mr. Manuel Medrano, 55, a craftsman in ceramics in the town of Viacha located 25 kilometers from the city of La Paz, "Our mayor of all our singing is part of the central government is masista, but the only thing that has been done in putting grass, bleachers and door to our court, and nobody can play there has to pay to play and is very expensive, but that court did not bring us anything economically "

Oscar Vargas Quenta, with 50 years of farming life of the population of Orinoca, 180 kilometers from the city of Oruro. "We have a very large museum built by President Evo Morales, we wanted a market that could gather all the cantons of the place and be able to sell our animals, our production, but he told us with the museum people are going to arrive to buy, until no one arrives who buys us, sometimes they arrive by car they go in and they go straight to the car and they leave. There is nothing for us. "

### **Socialism in Ecuador in the 21st century**

In the country of Ecuador as in all Latin America, there was no change or discourse different from the previous political campaigns of 2006. The candidates offered the same speeches as their opponents, political expectations were reduced to the impact and favorability that they could offer some means of communication or the strong pressures exerted by the country's economic groups.

In 2006 Rafael Correa, a former minister of the previous government, appears as a political figure within what is the PAIS Alliance movement. The scope of his popularity has been related to the ability to channel the needs of the different Ecuadorian popular groups and organizations, who found in Alianza PAIS the reason for being of the Ecuadorian, based on a popular national project vindicating state and national control of own resources.

#### • Good living

The programmatic bases to build Ecuador: They were directed towards two central points: "Good living in harmony with nature under an unrestricted respect for Human Rights". In the first case, the programmatic proposal was to include Ecuadorian society in the struggle to achieve a common well not sectorized, that is to say, that thought in any social sector like protagonist of a process of change.

"Citizen Security" that was not limited only to the expansion of the police or military force; but, to perfect the coexistence between unions, unions, indigenous groups, groups of genders, young people and children who are committed to the construction of a true fair and equitable society.

For the second proposal, the answer was linked to a process of collective awareness in which the Ecuadorians had to understand the depth of the phrase "to return to have a homeland"; phrase that invited to generate a change in the processes of citizen participation, revaluation and the rescue of the own traditions of the Ecuadorian being.

#### • Revolution for Latin American dignity, sovereignty and integration

Finally, this axis of action articulates Support for a new economic, social, political, ecological and cultural order in the world.

The new policies implemented have shown incoherence when trying to revert the policy model; On the other hand, the resistance offered by these forces does not reach to define an alternative institutionality or a programmatic position that can face it; Failing to do so, conditions of economic and social deterioration are generalized, with serious impacts on political institutions. The weakening of representation, or because of its own inability to generate programmatic policy, or the effect of anti-institutional resistance, is at the base of the appearance of the anti-political phenomenon which appears as an effect and response to both the reductionist and Economist of the structural adjustment, in spite of this reality, once again only the tendencies of the policy of Correa for 2017 are reordered with the new candidate Lenin Moreno.

Great critic of the policies of Mail but only raises a new rethink about the policies of Correa, nothing new that can offer in the Ecuadorian people.

Ecuador with 16.5 million inhabitants in 2017 with these new policies in place, did not have the capacity to react to the wave of damage from the effects of nature, creating greater poverty once again only in rural areas, I know they lost more than 700 lives.

Nor could it stop the migration of its inhabitants to other countries since more than 2 million live abroad and 22.9% of the population lives in poverty.

With the new policies implemented with the philosophy of good living, only the poorest regions were taken into account in political affairs, from my consideration all the capitalist or right-wing political parties maintain those tendencies of using the population to climb in life politics there is no change with this new system, as shown in the graph almost 50% of the general population is out or is in poverty.

Since the Latin American countries are born the feeling of emigrating to other countries to improve their economic situation.

More than thirteen provinces in the previous governments disappeared due to the migration of their inhabitants to capital cities or abroad due to lack of health care, education and public investment that could generate a more profitable economic movement in the provinces, nowadays the situation of many provinces is the same with the risk of being annexed to other municipalities due to lack of population, it is a clear sign that rural areas are the most unprotected and were only used by the new system.

To support this claim, we went to the publication of the newspaper of national circulation of Ecuador "EL COMERCIO" that on July 16, 2018, published on the basis of INEC data, as follows:

National poverty was 24.5% in Ecuador, while extreme poverty was 9%, according to the INEC on Monday July 16, 2018. This represented a variation of 1.4 points with respect to June 2017, when it reached 23.1%. Poverty is synonymous with deprivation and deprivation, which limits a person to reach a minimum standard of living. The INEC data refer to income poverty. For the past month, a person is considered poor by income if they receive a family income per capita less than USD 84.72 per month. And if it receives less than USD 47.74 it is considered extreme poor. These values are updated monthly based on inflation.

This is poverty reflected in urban areas, poverty is very different in rural areas, where this indicator is three times higher than that obtained in the cities. According to the INEC, poverty in rural areas reached 43% in June 2018.

### **Socialism in Venezuela in the 21st century**

In his second administration of Rafael Caldera, it was characterized by a financial crisis. With the bankruptcy of Banco Latino was the collapse of a dozen more banks, complicating the Caldera government, the execution of unsuccessful economic plans, such as the Sosa Plan, the Corrales, among others. The electoral promise of Caldera to establish a government with priority in the social issues could not be fulfilled, culminating with the flight of capital by concept of financial aid granted by the State to the bank, thousands of savers affected and a serious imbalance in the economy of Venezuela, as well as the decline in the trust and credibility of Venezuelans and foreigners in the institutions.

Also in the Government of Caldera began a process of oil opening that many cataloged as the prelude to the privatization of the sector; nevertheless it was carried out agglutinating efforts of the private sector, national and international, for the exploitation, exploration and refinement of the black gold and of the natural gas. The global crisis in the oil markets negatively influenced the process of Rafael Caldero.

This Venezuelan crisis is seized by Mr. Hugo Rafael Chávez Frías assuming power on February 2, 1999. (On January 17 of that year he had visited Cuba again). He swore on the 1961 Constitution ("... I swear on this moribund constitution ..."). After the ceremony in the Federal Capitol, the seat of the Congress of the Republic went to the Miraflores Palace accompanied by a group of supporters. From there he decreed the activation of the "Constituent Power" based on the constituent power, its popularity in the Venezuelan people, the population to see that it will be part of the conformation of a new country, offers all the support to Mr. Hugo Chávez.

As a result of this constituent power, the new national constitution is born. Approved by popular referendum, in this new Magna Carta are the main political, legal, social and institutional guidelines to begin the structuring and construction of a new national project.

- The political system is defined as democratic-participative and protagónico
- Social rights are extended to new areas of social life and new subjects are incorporated.
- The social function of the State is redefined and it is established that this will be the one that will exercise the main role in terms of the guarantee of social rights.
- The principle of co-responsibility of families and society is introduced with an equal obligation to fulfill duties to fully ensure the exercise of these rights.

In this new constitution, it incorporates elements that imply demands for change, not only in the relationship between the State and society, but also between the different spheres of society. It is necessary to emphasize that the issue of the recognition of social rights is presented significantly broader in this constitutional text than that established in the Constitution of 1961

The great difference that the government of Hugo Chavez replicates is the political model of the new republic as democratic-participatory and protagonist, a scenario in which co-responsibility between citizens and the State should be built. According to this conception, social policy should aim to train, prepare and guarantee health, work, education, social security, housing. In short, build a citizenship of social content.

In this new system of government promoted by Hugo Chávez as a socialist of the 21st century, I create missions, which are social assistance programs that brought health, housing and food to a part of the population that always felt excluded and forgotten by the previous governments. This action was recognized much more perhaps than it deserved, by placing Hugo Chávez as Venezuela's hero.

José Vicente Carrasquero, Venezuelan, explains that Chávez's interest in the poorest, at least on paper, is the most positive aspect of his government. This has represented a strong investment of money in people with fewer resources, which translates into greater acceptance of their mandate in this sector. He is responsible for politics directly affecting people's lives.

In these missions, it has provided housing for those who did not have it, offered health to the most marginalized sectors with a strong economic investment from the state and with the support of China and Cuba.

Once the administration of Hugo Chávez was concluded, not because of his dedication, nor of his people, but rather because of an illness, the end of the government's administration was determined, but in an oligarchic and undemocratic way he left the power of the government to his successor, Nicolás Maduro inherited a government that was closing more and more. Without the charisma and leadership of his boss, it was very difficult to convince most Venezuelans that it was desirable to live in a country where all but the top officials saw their rights diminish day by day.

Be proclaimed as a socialist government of equality for all for 15 years and in the last two years the real proposal of the Chavista regime was converted or came out.

On behalf of the people of Venezuela I take command of the judiciary or other subjugations to his own magna carta like:

- Fourth of their rights to the Judiciary, The President took the final step to annul all vestige of judicial independence in December 2015, after the defeat in the legislature.
- The recall referendum, which is inserted in the Venezuelan constitution, was blocked by the opposition, the recall referendum that drove the opposition for Venezuelans to decide if they wanted to continue being governed by Maduro of the Chavez regime.

- A political body was created over the Constitution, granting it powers that allow it to intervene in daily politics, as if it were a parliament, only much more powerful.

In this way, the power of Chavismo today remains in power supported by those who at some point received support in health and housing as in no government, without considering that a country is composed of different regions and different needs.

Poverty in Venezuela grew alarmingly during 2017, reaching 87%. The situation is driven by hyperinflation that destroyed the income of Venezuelans.

The survey, conducted between July and September in 6,188 households, revealed that 56.2% recently fell into poverty, while 30.4% are in "chronic poverty", which "implies the pulverization of the middle class in terms economic," said Ponce. "After four uninterrupted years of crisis, the deterioration has been monumental," said the sociologist of (Encovi).

The homogenic of these Latin American countries, in the name of the poorest, decide to implement a system that by itself, in old world states failed as it is socialism, still use this theory of equitable production and equal economic power, with the same rights and benefits granted or controlled by a central government, the three systems studied propose solutions for the most unprotected sectors and which are the most unprotected sectors, those who did not have a necessary education to avoid being deceived, according to my perspective that is why that these are easier to handle or to cheat them than for a few cents or some products in the name of progress are handled as non-thinking people and the worst are used as barricades against people who demand or denounce these deceptions, causing only more impoverishment in the regions in need and greater enrichment of the political promoters of the partner of socialism.

In the three countries after a government management emanates reports of corruption on a daily basis of mismanagement or arbitrary management of public officials who in most were possessed or acquired the position to be part of the socialist government in function.

The news center "La Voz de America" publishes as the Index of Perception of Corruption (IPC) for 2018, prepared by the NGO Transparency International, shows the most corrupt countries of Latin America to the countries that claim to fight for the right of the unprotected.

Source: "La Voz de América" A sad reality of what socialism is in the 21st century in Latin American countries.

## **Conclusion**

Socialism was one of the most influential currents of the State with the ideology of equal opportunities and benefits for all. Many states looked for ways to apply this ideology to leave behind capitalism.

While socialism emerged with classical authors such as Marx, Engels and Lenin, they also had contemporary authors. From the classical point, socialism was born from capitalism, where this current directly benefited only a minority of the population while the people as such continued to live in poverty. The Latin American countries such as Venezuela, Ecuador and Bolivia took the high socialism as such because their socialist ideology started from LIVING WELL or GOOD LIVING not only with society but with nature as such, where they promote the revaluation of indigenous peoples.

Analyzing in a critical way it could be said that Venezuela took socialism to a very extreme system, since Chávez came to the presidency I look for a way to strengthen integration and respect for human

rights, at the beginning it was satisfactory since being Venezuela an oil country had too much economic income so I look for ways to distribute the goods in an equitable manner, regularized salaries, I seek the eradication of illiteracy but all this led to problems with other countries. Chavez, having the ideology of eradicating capitalism, began to stop having agreements with other countries, such as the United States, which in its idea of power began to declare the United States as an unwelcome country, in addition to which it began to privatize the free expression to citizenship. Venezuela became what it hated the most in a Capitalist State since only the people to the power got to be beneficiaries besides that the succession of power already was decreed, depriving the town to a democratic election.

Since the death of Chávez, Venezuela began to present economic and political difficulties, among others, causing many of its citizens to migrate to neighboring countries, as in the case of Bolivia, which since 2019 many Venezuelans have been asking for help in the streets.

Ecuador currently has one of the highest rates of poverty in Latin America since during the government of Correa works were made but the economy could not be managed properly.

In Bolivia, when Evo Morales was elected president in 2006, he explicitly repudiated capitalism and aligned Bolivia with Venezuela's Hugo Chávez. Since then, Morales has redistributed income through various government programs, minimum wages were raised substantially, and industries such as telecommunications, oil, and electricity were nationalized. Bolivia currently presents economic problems, since there is greater unemployment, the indigenous peoples were left behind, health and education are still a privilege for those who have money.

Morales can be considered the greatest capitalist in Bolivia for the simple fact that he has all the benefits of being in power, Not to mention that those close to the Bolivian government enjoy the same benefits as him.

It is clear to mention that in all three countries, socialism is fantasy ideas since the human being always seeks his own benefit. As they say, power corrupts human beings.

Finally, it should be mentioned that the socialist ideology will always benefit capitalism, where resources and repression always remain for the benefit of those who claim to represent the poorest, that is what socialism is and will be like.

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