



6th

INTERNATIONAL INTERDISCIPLINARY
BUSINESS-ECONOMICS ADVANCEMENT
CONFERENCE

CONFERENCE PROCEEDINGS

MAY 9-13, 2016

Miami, Florida, USA

Co-Editors:

Prof. Dr. Cihan Cobanoglu

Prof. Dr. Serdar Ongan

ISSN: 2372-5885

Authors are fully responsible for corrections of any typographical, technical and content errors.
IIBA Conference Proceedings are **not** copyrighted.

CHAIR AND SCIENTIFIC COMMITTEE

Conference Chairs:

- Cobanoglu, Cihan, Ph.D., CHTL, University of South Florida Sarasota-Manatee, USA
- Ongan, Serdar, Ph.D., CHTL, University of South Florida Sarasota-Manatee, USA

Scientific Committee:

- Agarwal, Anurag, Ph.D., College of Business, University of South Florida Sarasota-Manatee, USA
- Arlt, Wolfgang G., Ph.D., Faculty of Economics, Westküste University, Germany
- Celik, Adnan, Ph.D., Faculty of Economics and Administrative Sciences, Selcuk University, Turkey
- Christodoulidou, Natasa, Ph.D., College of Business Administration and Public Policy, California State University Dominguez Hills
- Clark, Ephraim, Ph.D., School of Business, Middlesex University, UK
- Cláudia Custódio, Ph.D., W. P. Carey School of Business, Arizona State University, USA
- Cockshott, William, Ph.D., School of Computing Science, University of Glasgow, UK
- Dallari, Fiorella, Ph.D., Department of Political and Economic Geography, University of Bologna, Italy
- Dwyer, Larry, Ph.D., Australian School of Business, University of New South Wales, Australia
- Ekiz Erdogan, Ph.D., King Abdulaziz University, Saudi Arabia
- Ersoz, Yunus Halis, Ph.D. Department of Economics, Istanbul University, Turkey
- Fawson, Christopher, Ph.D., Jon M. Huntsman School of Business, Utah State University, USA
- Gill, Grandon, Ph.D., College of Business, University of South Florida-Tampa, USA
- Halicioğlu, Ferda, Ph.D., Department of Economics, Yeditepe University, Turkey
- Harrolle, Michelle, Ph.D., College of Business, University of South Florida, USA
- HjiAvgoustis, Sotiris, Ph.D., Department of Family and Consumer Sciences, Ball State University, USA
- Holecek, Don, Ph.D., Department of Community Sustainability, Michigan State University, USA
- Incekara, Ahmet, Ph.D. Department of Economics, Istanbul University, Turkey
- Inci A.Can, Ph.D., Department of Finance, Bryant University, USA
- Kaplanidou, Kyriaki, Ph.D., College of Health and Human Performance, University of Florida, USA
- Kizildag, Murat, Ph.D., Rosen College of Hospitality Management, University of Central Florida, USA
- Li, Robert, Ph.D., School of Hotel, Restaurant, and Tourism Man., University of South Carolina, USA
- Lianos, Theodoros, Ph.D., College of Economics and Business, Athens, University, Greece
- Mahony, Daniel, Ph.D., College of Education, Health and Human Services, Kent State University, USA
- Martin, Rand D., Ph.D., Department of Finance, Bloomsburg University of Pennsylvania, USA
- Nedelea, Alexandru, Ph.D., Faculty of Economics and Public Administration, Romania
- O'Halloran, Robert M., Ph.D., College of Human Ecology, East Carolina University, USA
- Okumus, Fevzi, Ph.D., Rosen College of Hospitality Management, University of Central Florida, USA
- Ozdemir, Suleyman, Ph.D., Department of Economics, Istanbul University, Turkey
- Pennington-Gray, Lori, Ph.D., College of Health and Human Performance, University of Florida, USA
- Rascher, Daniel A., Ph.D., Department of Sport Management, University of San Francisco, USA
- Riordan, James, Ph.D., College of Business, Florida Atlantic University, USA
- Serra, Francisco, Ph.D., School of Management, University of the Algarve, Portugal
- Shu, Tao, Ph.D., Department of Banking and Finance, University of Georgia, USA
- Song, Haiyan, Ph.D., SHTM, Hong Kong Polytechnic University, Hong Kong
- Tingle, Jacob, Ph.D., Department of Business Administration, Trinity University, USA
- Tuna, Muharrem, Ph.D., Faculty of Tourism, Gazi University, Turkey

Scientific Relations Coordinator:

- Cavusoglu, Muhittin, M.S., COEDU, University of South Florida, USA

PREFACE

Ask someone to tell you the story of the blind men and the elephant, and they'll tell you a tale of six men, each of whom touched a different part of an elephant, unable to see what their hands were resting on. Asked to describe what they had touched, the man who felt the side of the elephant said, "I touched a wall," and the man who felt the elephant's tusk said, "I touched a spear." The six men argued among themselves-- was it a snake, a cow, a piece of rope? Only when they worked together, sharing their different ideas and experiences, were they able to discover the truth.

Gardy & Brinkman, 2003

The National Academies defines interdisciplinary research as “a mode of research by teams or individuals that integrates information, data, techniques, tools, perspectives, concepts, and/or theories from two or more disciplines or bodies of specialized knowledge to advance fundamental understanding or to solve problems whose solutions are beyond the scope of a single discipline or area of research practice.” The fields of business and economics are very suitable for interdisciplinary research. For this reason, we decided to create an international conference to feature business and economics research that spans more than one discipline. We are very happy to present to you the proceedings of the Sixth International Interdisciplinary Business-Economics Advancement Conference. In these proceedings, please find 34 papers or abstracts from 11 different countries in different fields of business. We thank our contributors and reviewers for making IIBA a truly global conference. The provided USB-stick also includes the abstracts and full papers along with the conference program.

The IIBA Conference aims to bring together researchers, scientists, scholars and scholar students to exchange and share their experiences, new ideas, and research results regarding all aspects of Business and Economics, and to discuss the practical challenges encountered in the field as well as the solutions adopted. We are proud to be sponsored in the United States by the University of South Florida Sarasota-Manatee. We would also like to thank Turkish Airlines for their generous sponsorship. We extend our gratitude also to our Scientific Relations Coordinator, Mr. Muhittin Cavusoglu for his great contributions to the success of the Conference and creation of these proceedings.

Most importantly, we would again like to thank all of our authors and reviewers for their contributions, without which the IIBA Conference literally would not be possible.

Co-Editors:

Prof. Dr. Cihan Cobanoglu

Prof. Dr. Serdar Ongan

May 2016

TABLE OF CONTENTS

Investigating Customer Experience in Medical Tourism - A Managerial Approach	1
<i>Mehmet Cihan Yavuz¹ and Zafer Buzcu²</i>	<i>1</i>
Storytelling in Destination Brand Communication: A Qualitative Analysis	12
<i>Mehmet Cihan Yavuz¹, Muzaffer Sumbul², Nuket Elpeze Ergeç³, and I. Cetin Derdiyok⁴</i>	<i>12</i>
The Correlation between Leadership Style, Job Satisfaction and Productive Organisational Energy: The Context of Saudi Arabia	13
<i>Zeyad Abualhamael</i>	<i>13</i>
Influence of Information Technology Adoption for Job Satisfaction in the Airline Industry of Pakistan	14
<i>Stella Mariam Sardar¹, Jokull Hafthor Johannesson², and Lynne Nikolychuk³</i>	<i>14</i>
A Review of the Quality of Life and Other Composite Country Performance Indices: How useful are they?	15
<i>Hasnat Dewan.....</i>	<i>15</i>
Destination Branding in Industry 4.0: Enhancing Brand Experience Systems by Using Digital Touch Points	16
<i>Mehmet Cihan Yavuz</i>	<i>16</i>
Exploring the Determinants of Administrative Service Consequence and Efficiency from Online G2C Interaction Data: An Innovative Analytic Method and Its Empirical Application	17
<i>Nan Zhang¹ and Qitian Tan².....</i>	<i>17</i>
The Output Responses to Fiscal Impulses: A Nonlinear Approach for the Case of Turkey	18
<i>Aysen Arac</i>	<i>18</i>
TİYADER: A Non-Governmental Organization Building Common Sense in Tourism Sector	19
<i>Rahman Temizkan¹, Ali Erbas², and Fikret Gokce³</i>	<i>19</i>
Online Marketing and Hotel's Spa Website Designs.....	25
<i>S. Pinar Temizkan¹ and Beybala Timur².....</i>	<i>25</i>
Importance of Ecotourism for Local Development: Ihlara Valley Case	35
<i>Şermin Şenturan¹ and Nabi Yavuz Şenturan²</i>	<i>35</i>
Service Quality, Destination Image Perceptions and Future Intentions of Thermal Tourists in Turkey	36
<i>Mehmet Kasli¹ and Beybala Timur².....</i>	<i>36</i>
Determination of Factors Affecting the Quality of Services Offered at the Domestic Departures: A Case of Trabzon Airport.....	37
<i>Salih Yildiz, Orhan Cavusoglu and Muhittin Cavusoglu.....</i>	<i>37</i>

National Tourism Planning Based on University Degrees and Tourism Professions: TIYADER Model	38
<i>Ali Erbas¹, Rahman Temizkan², and Duran Cankul³</i>	<i>38</i>
Can accounting ratios determine change in market share price? Spotlight on the Dhaka Stock Exchange Listed Private Commercial Banks of Bangladesh	45
<i>Sumaiya Zaman.....</i>	<i>45</i>
Developing a New Business Model for Existing Customers.....	55
<i>Paul Alpar¹ and Maria Bugaeva²</i>	<i>55</i>
Distributing Value Added: In Search of Socioemotional Wealth of the Family Business	56
<i>José L. Gallizo¹, Jordi Moreno², and Manuel Salvador³.....</i>	<i>56</i>
Entrepreneurial Universities Index: A Scale Development Study	68
<i>Mahmut Tekin, Tahsin Geçkil, and Özdal Koyuncuoğlu</i>	<i>68</i>
A Study on the Entrepreneurship Success Model of Students at Universities.....	77
<i>Mahmut Tekin¹ and Ertuğrul Tekin²</i>	<i>77</i>
Classification of Event and Meeting Technology	88
<i>Tsu-Hong Yen¹, Pi-Shin Wey, and Kate Sullivan.....</i>	<i>88</i>
Effects of Production Methods and Origin Information on Consumer Preferences for Ornamental and Food Producing Plants	89
<i>Hayk Khachatryan¹ and Alicia Rihn²</i>	<i>89</i>
The Importance of Gastronomy in Tourism Management.....	90
<i>Ruhet Genc.....</i>	<i>90</i>
Determinants of Forward- looking and Risk Disclosure in Qatar	105
<i>Mohammed Elgammal¹, Khaled Hussainey², and Fatma Zaki³</i>	<i>105</i>
Death of a Salesman: The Rise of Third-Party Intermediaries.....	106
<i>Richard G. McNeill.....</i>	<i>106</i>
Moderating Impact of Demographic Characteristics on Business Travelers` Reaction toward Online Reviews.....	107
<i>Faranak Memarzadeh¹ and Shane C. Blum²</i>	<i>107</i>
Measurement of Awareness of Students on the Subject of Conscious Consumption and Consumer Rights.....	108
<i>Murat Öz¹, Mustafa Enes Tepe², Mehmet Ali Canbolat³, and Özdal Koyuncuoğlu⁴</i>	<i>108</i>
Investigating Household Budget Preferences with a Spotlight on the Healthfulness of Food Expenditures.....	116
<i>S. R. Dominick¹ and Nicole Olynk Widmar²</i>	<i>116</i>
A Research on Determination of Entrepreneurship Features of Entrepreneurial Candidates of Karaman Province.....	123



<i>Mehmet Ali Canbolat¹, Hakan Candan², Bülent Darıcı³, and Özdal Koyuncuoğlu⁴</i>	123
Effect of Risks in Earnings Components on Cost of Equity: Evidence from Jordan	124
<i>Moh'd M. Ajlouni¹ and Khalid Bataineh²</i>	124
An Analysis for Global Competitiveness of the United States	137
<i>Ahmet Incekara and Elif Haykir Hobikoglu¹</i>	137
The Effect of Leader-Member Exchange (LMX) On Organizational Cynicism: A Case Study of Hotel Enterprises in Turkey	148
<i>Abdülkadir Çorbacı¹, Kerem Kaptangil², Hayrullah Çetin³, and Caner Çalışkan⁴</i>	148
Influence of Facebook Applications on Consumer Purchase Intention: A Case Study of Generation Y	161
<i>Salih Yıldız¹, Emel Yıldız², and Ali Tehci³</i>	161
The Efficiency of the Keynesian Fiscal and Monetary Policies and Their Relevance in Today's Economic Conjuncture	167
<i>Ozlen Hic</i>	167

Investigating Customer Experience in Medical Tourism - A Managerial Approach

Mehmet Cihan Yavuz¹ and Zafer Buzcu²

Karatas School of Tourism and Hotel Management
Cukurova University, Turkey
¹mcyavuz@cu.edu.tr
²zbuzcu@cu.edu.tr

Abstract

Customer experience occurs at the contacts between customer and the brand/company. Touch points are those points through which a customer comes into contact with a company. These points can be tangible or intangible, created by the company or by the customer. Consequently, customers judge their experiences based on the performance they perceive on customer touch points. Medical tourism is one of the critical markets that need to produce high positive customer experience. In pre-purchase, moment of purchase and post-purchase steps of medical tourism marketing process, every touch points (advertisement, web sites, social media, hospital buildings, doctors, nurses, salespersons, products, prices, simultaneous translators, billing, post-medication, etc.) must support overall positive customer experience for patients and their relatives or accompanying persons. In this paper, Turkish hospitals serving to medical tourism were investigated from touch points' aspects. Marketing and related department managers were preferred to be data source. A total of 182 usable data sets derived after conducting full enumeration. Results of the study address interesting and important implications about Turkish medical tourism hospitals touch points' performance and the level of customer experience.

Keywords: customer experience, touch points, medical tourism, hospitals, Turkey

Introduction

Experiences are inherently personal, existing only in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level. Thus, no two people can have the same experience, because each experience derives from the interaction between the staged event (like a theatrical play) and the individual's state of mind (Pine and Gilmore, 1998; 99). On the other hand, from the company point of view, the level of customer experience in positive manner is expected to be high.

Customer experience is generally accepted as the internal and subjective response of customers to any interaction with a company (Stein and Ramaseshan, 2016; Lemke et al., 2011; Zomerdijk and Voss, 2010; Verhoef et al., 2009; Meyer and Schwager, 2007). In addition to this, customer experience is formed by company controllable aspects (e.g., service interface, store displays and advertising), and other factors that company cannot control (e.g., customer interactions and purpose of shopping) (Verhoef et al., 2009; Meyer and Schwager, 2007). This is because experiences are constructed by customers' interpretations of encounters (Hume et al., 2006), meaning that experiences cannot be completely controlled by the company (Stein and Ramaseshan, 2016).

At this point firstly, requirement of attitudes of managers and employees to perform the desired consumer satisfaction, the preparation of the service process shows itself for companies. Therefore, in terms of consumer satisfaction, putting forward how perspective and perception of the company's executives are is seen useful. Thus, administrators will be helped to decide what to do easier and to take the consumer experience a higher state by looking at the relationship between the situation put forward by the study and the expected quantitative and qualitative outcomes of the companies.

Consumer experience is an issue to be taken into account in particular way by the services sector. Medical tourism industry is one of them in recent years. Medical tourism has showed a rapid movement with the added value and product created by themselves in the area of health tourism. This sector that requires skilled labor, high technology and cooperation in many sectors, make the difference with consumer satisfaction. Turkey, both with the advantages of tourism sector and the healthcare sector, are working on medical tourism sector in a strategic way.

Customer's (medical tourists), while in Turkey and abroad, the positive communication and interaction with the medical tourism sector components is an important criterion of Turkey's success in medical tourism. So, the quality of communication of every point (advertising, hospitals, doctors, nurses, salespeople, translators, web, accommodation, etc.) in which Hospitals that services in medical tourism in Turkey contact with the customers is very important for this reason.

In the light of these facts the aim of this research, they come into contact with medical tourists, medical tourism hospitals carrying out activities in Turkey each touch point / element of medical tourists (consumers) is to demonstrate that the extent of the positive effect on satisfaction.

Medical tourists coming to Turkey should leave the country with the high satisfaction in order that Turkey can receive a higher share of medical tourism. There is a need to investigate and analyze the current situation so it is evaluated that the study can be useful in order to reach high satisfaction which attract a greater number of medical tourists a greater number of medical tourists.

Scope of the work is related to the subject of the brand touchpoint which determines and affects experiences of the customers. The level of the positive experience achieved by the customers depends on the state of these touchpoints in term of satisfaction of the customers. The subject of these touchpoints has a great importance especially in marketing of the intangible service products such as tourism, banking and health. In this study, the subject of brand touchpoints associated with medical tourism field in the jointpoint of health and tourism sectors was conducted. All of the private hospitals in Turkey were included in this study as a data source.

This study is to analyze the internal evaluation of some important points where those businesses communicate with their customers by taking samples from the senior managers of health institutions that serve the medical tourism. Eventually, this study is to

reveal some tips in order to increase the level of the positive experience and satisfaction gone through by the medical tourists in Turkey. Data will be analyzed by using the appropriate statistical methods collected by the survey method.

This study is to assess the positive output to increase customer's satisfaction in the medical tourism which has an export field having a high-value added service in Turkey and at the same time to increase the foreign trade, reduce the current account deficit and raise the qualified employment. In a conducted literature survey, a study in the medical tourism sector in Turkey has not been demonstrated directly related to the subject of touchpoints.

With this study in terms of scientific sense, it is supposed to achieve to increase the benefits of the brand which is the sub-topic of the marketing in the medical tourism, to increase customer satisfaction and sales activity. It will contribute to brand touchpoints in medical tourism and reducing lack of the information and reference. In terms of macro meaning, increasing medical tourism and service exports, reducing the current deficit and increasing employment can be listed as outcomes of the research.

Literature Review

Consumers experience in connection with these issues the brand-marketing touchpoints subject is a current issue that is important and working on marketing literature. This issue is particularly marketing intangible products, banking, air transport, insurance, tourism, health services and so on. in has a much larger importance as the service sector.

Customer experience is observed through the process of purchasing. Klaus & Maklan (2013) defined customer experience as "the customer's cognitive and affective assessment of all direct and indirect encounters with the firm relating to their purchasing behavior". It's like a journey and starts before the delivery and continues even after delivery of services (Berry et al., 2002). Customer experiences are direct or indirect communications made by a company (Lemke et al., 2011; Brakus et al., 2009; Meyer & Schwager, 2007). In other words, customer experience is developed by all touch points met during the consumption process (Jüttner et al., 2013; Frow & Payne, 2007). These touch points may be coincided at pre-purchase and post-purchase stages (Meyer & Schwager, 2007; Zomerdijk & Voss, 2010; Tynan & McKechnie, 2009) and occur in different distribution channels (Martin et al., 2015; Verhoef et al., 2009).

According to Gentile et al. (2007) "customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual)". An experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event. Commodities are fungible, goods tangible, services intangible, and experiences memorable (Pine & Gilmore, 1998: 98).

Meyer & Schwager (2007) stated that touch points developing customer experience are linked directly to a company and unplanned encounters with representatives of a company's products, service or brands (e.g., recommendation or criticism conversations, news reports, reviews etc.) as well. Word-of-mouth is one of the customer experience generation tool activated by other customers (Kwortnik & Ross 2007). Customer experiences the product, brand, service or organization (Gilmore & Pine, 2002) or the communication through the website of product (Sautter et al., 2004). Customer also experiences the product or service or company/organization by its physical environment (Pullman & Gross 2004). After customer communicates/uses/consumes the product/brand/company, customer experience is constituted (Woodruff, 1997).

Goel (2013) point out that the medical tourist (patient, customer) searches for opinion from peers to understand and focus on their experience and buy products and services. So patient experience will be the key differentiator for medical service providers (e.g. hospitals) and how they present this experience to the general public as an educational tool. Constituents of the customer experience in medical tourism were listed by Goel as (1) trusted relationship, (2) human touch and (3) customized solution. It's pointed out that, contrary to most health care organizations operating under the needs of physicians and third party payers, in the current hypercompetitive health care markets, executives need to focus more directly on their increasingly assertive and knowledgeable patient customers (Ford & Fottler, 2000). Today, it is observed that this is much more effective phenomenon in medical tourism.

Methodology

Sample

The research samples are private hospitals offering medical tourism services operating in Turkey. 213 hospitals from 38 provinces of Turkey were included in the study. It is found that these hospitals are attracting medical tourists to Turkey and working on medical tourism activities. The private hospitals were included in the study in favor of the full-count method. Data were obtained from hospital administrators and experts of relevant departments.

Data collection

A fully structured questionnaire containing 28 questions was used to collect the sample of data subjects. The surveys were conducted through previously informed and experienced interviewers. The questionnaire was applied to role models with the face to face interviews. Data collection activities that were carried out in 38 cities in Turkey and for 213 private hospitals were completed in 3 months.

The questions in the survey can be classified into three groups. The first group of the questionnaire's questions includes the scalability of the 18 items. The second group of questions is aimed at obtaining some information about private hospitals offering medical tourism services. The third and last group of questions is directed to collect objective information about the role models who responded to the survey.

Items in the first group of questions aim to measure the level of positive impact on customer satisfaction of every brand touch point. The scale used for grading the items includes data from 1 to 5. The meaning of the data used in the calculation of mean and standard deviation are as follows:

- 1= completely negative
- 2= Negative
- 3= neither positive nor negative
- 4= positive
- 5= completely positive

Data Source

Data sources used in the study were the administrators and specialists of the hospitals offering medical tourism services in Turkey. According to information obtained from the survey research, role models who respond to the survey on behalf of the hospitals offering medical tourism services have been working as a manager or specialist title in business corporate marketing, patient rights, quality and brand management, public relations, corporate communication and patient satisfaction and human resources unit.

Empirical Model

In the study, scanning model has been preferred to identify the performance status of the medical tourism business customer touch points fully and carefully. Descriptive analysis was performed on the subject with the scanning model approach. After the data is collected and made ready for the analysis, a variety of simple statistical methods was used in a way that allows descriptive analysis to be carried out.

Findings

176 businesses responded to the question that tries to find out the proportion of customers who first contact with the medical tourism business (hospital) over the internet.(See Table 1). According to responses, the proportion of customers who first contact with the business over the internet ranges from 0 to 45. That's, while business web page as a first touch point for the customer is never (%0) used in some hospitals, this ratio in some medical tourism business rises up to 45%. Within the surveyed businesses of all medical tourism website, the average rate for use as a first touch point for the customer is calculated as 6.68%. In other words, in terms of all medical tourism businesses, the average of the usage of business website as customers' first touch point is 6.68%.

167 businesses out of 182 businesses answered the question that tries to find out approximate share allocated from the total marketing budget for Internet-based touch point (Web, blog, e-mail, facebook, twitter, etc.) of the medical tourism business included in the study (See Table 1). According to responses, it is understood that approximately %6,80 of the total marketing budget of the medical tourism business is allocated for the internet based touch points. However, while the budget some businesses allocate for the internet-based touch points is %0, some businesses can allocate up to 30% of the total marketing budget for internet-based touch points.

Table 1: Descriptive Statistics Associated with Medical Tourism Facilities

	N	Min.	Max.	Mean	St.D.
19. The rate of patients who made first contact over the internet with your hospital patients	176	0	45	6,68	5,088
20. Approximate share allocated from the total marketing budget for Internet-based touch point (Web, blog, e-mail, facebook, twitter, etc.)	167	0	30	6,80	4,420
21. Approximately what percentage marketing spending (sales promotion, public relations and so on.) of the total turnover	172	1	40	8,74	5,315
22. Approximate share in the investment of foreign partners of your hospital	8	0	50	18,13	16,022
23. How many years your business in action	182	1,0	33,0	9,187	4,7870

172 businesses answered the question trying to find out percentage marketing spending (sales promotion, public relations and so on.) of the total turnover (See Table 1). According to the responses, marketing expenses of medical tourism businesses involving in the survey range from 1% to 40% of their turnover. The average rate of the turnover of the marketing budget is calculated as 8.74%.

Only 8 businesses out of 182 businesses answered the question trying to find out the approximate share for the total investment of the foreign partners of the medical tourism business. According to responses, foreign investors' share in these 8 businesses ranges from 0% to 50%. The average share of financial interest of foreign investors in medical tourism businesses included in the survey was calculated as %18,13.

It is understood that the businesses examined within the study have been in action within a year or 33 years. (See Table 1). The average duration of the medical tourism business activities in the study was calculated to be 9,187 years.

In Table 2 provides information about the medical tourism business's the reliability of the treatment and the treatment process, the satisfaction, the general price level and the level of the effective use of Internet-based/E touchpoints. The minimum and maximum values are interpreted as shown below in Table 2:

- 1= Very low
- 2= Low
- 3= Average
- 4= High
- 5= Very high

Accordingly, that the reliability of medical tourism, treatment and processing of business processes is generally understood as 4.08-High level by the customers is defined by the administrators. In this item, "very low" and "low" rating has never been performed. All assessments made by the administration are "medium" level and above. When we look at the standard deviation, the responses are understood to have a certain consistency.

Table 2: Level of Reliability, Satisfaction, Price and E-touchpoints Usage

	N	Min.	Max.	Mean	St.D.
At what level the reliability of the treatment and processing of Medical tourism business processes is perceived by patient and / or by corporate customers	182	3	5	4,08	,535
How the general satisfaction of the patients who are treated in the medical tourism business and buy services or corporate clients is.	182	3	5	3,94	,666
How the comparison of level of the general price applied by the medical tourism businesses according to rival hospitals	182	2	5	4,05	,909
What can be said about the level of effective use of Internet-based touch point of the medical tourism business?	182	1	5	3,65	,932

The second item seen in the table 2 gives information about the patients who were treated in the medical tourism business and bought services and/or the satisfaction perception of corporate customers. Customers' perception data of overall satisfaction level has a medium and higher assessment as in the first item giving information about the reliability of treatment and procedures but it has a weaker degree'' 3,94'' when compared with first item.

The answers given to the third item in the table that give information about comparison of the general price level applied by the medical tourism business with rival hospitals are between low and very high. While average assessment is high ''4,05'', standard deviation is high. This may indicate that when compared with rivals, a good comparison of the general price level is not made. It is considered that price determination according to competitors, property and position of brand and product should be given more importance.

Assesment made on the question trying to find out medical tourism businesses' effective level of use Internet-based touch points ranges between very low and very high. It is understood from here that while some businesses hardly ever use internet-based touch points, some businesses use them in a very efficient way. Disorganization of the response to the question presents itself in the result. Accordingly, general assessment can be interpreted as close to the average level –high 3.65-. It is understood that evaluation is very different

Table 3: Work Experience of Managers

	N	Min.	Max.	Mean	St.D.
Experience collected in the current field(year)	177	1	16	6,46	3,313

Work experience of the role models who responded to the interview ranges from 1 to 16 year and average experience in their title has been calculated as 6,46 years. (See Table 3)

Table 4: Education Level of Managers

	Frequency	%
(1) Secondary school and its under	0	0,0
(2) High school	15	8,2
(3) Undergraduate	92	50,5
(4) Bachelor	71	39,0
(5) Master	4	2,2
(6) Doktoral degree	0	0,0
Total	182	100,0

It is understood that all of the role models have an education between high school and master. (See Table 4) There are no role models who had secondary school education and its under and made doctoral education. It is seen that % 8,2 of the role models had an high school education, % 50,5 of the role models had an undergraduate degree, %39,0 of the role models had a bachelor degree and %2,2 of the role models had a master degree.

Table 5: Age Groups of Managers

	Frequency	%
(1) 28 and under it	10	5,5
(2) between 29-35	66	36,3
(3) between 36-42	91	50,0
(4) between 43-49	15	8,2
(5) between 50-56	0	0,0
(6) 57 and over it	0	0,0
Total	182	100,0

When we look at the age group of the role models, it is understood that all of them are 49 years old or under it. (See Table 5). None of the role models is over 50 years old. In addition to this, % 33,5 of the role models are women and %66,5 of them are men.

Table 6: Gender information of the role models

	Frequency	%
Woman	61	33,5
Man	121	66,5

In table 7, the level of each brand touch points of positive impact on customer satisfaction is seen. Some of the findings can be seen by looking at minimum, maximum, average and standard deviation. Items in the Table 7 were ranged according to data of standard deviation.

Table 7: Descriptive Statistics for Touch Points

	N	Min.	Max.	Mean	St.D.
02-Experiences of the patients on your hospital TV, billboards, radio and newspaper ads	182	2	5	3,90	,567
09-Experiences of patients / patient relatives, the physicians and medical staff on finding solution performance	182	3	5	4,11	,656
08-Experiences of the patients/patient relatives on hospital's internal and external physical atmosphere and attitudes of your employees	182	3	5	4,02	,664
01-Experiences of patients/ patient relatives on your hospital's web site	182	2	5	3,48	,671
12- Experiences of patients/ patient relatives on your hospital's application in terms of follow-up after hospital discharge and loyalty program	182	3	5	4,21	,673
14 Experiences of patients/ patient relatives on your customer service unit (call center etc.)	182	3	5	4,23	,674
11- Experiences of patients/ patient relatives on legal responsibilities contracts your hospital made them sign.	181	3	5	4,15	,679
06-Experiences of patients/ patient relatives on advertising (including those on the internet) made about your hospital	182	2	5	4,18	,707
03- - Experiences of patients/ patient relatives on your hospital brochures, promotions having logo, magazines and catalogs	182	2	5	3,76	,708
05- Experiences of patients/ patient relatives on your hospital's newspaper reports and columns prepared with fee by your hospital	182	2	5	4,12	,710
13- Experiences of patients/ patient relatives on prices offered by the billing service, convenience and transparency	182	3	5	4,13	,716
10- Experiences of patients/ patient relatives on your sales staff	182	2	5	3,99	,762
07-Experiences of patients/ patient relatives on a wide variety of packaging products of your hospital	182	2	5	3,92	,769
04-Experiences of patients/ patient relatives on your hospital's Internet ads, blogs, e-mail and social media applications	182	2	5	3,81	,840

Note: Items are re-listed according to Standard Deviation (St.D.) values.

Conclusions

Customer experience occurs at the contacts between customer and the brand/company. Touch points are those points through which a customer comes into contact with a company. Medical tourism is one of the critical markets that need to produce high positive customer experience in every touch points (e.g. advertisement, web sites, social media, hospital buildings, doctors, nurses, salespersons, products, prices, simultaneous translators, billing, post-medication). In this paper, Turkish hospitals serving to medical tourism were investigated from touch points' aspects.

According to findings, it can be said that managers are aware of the importance of customer experience. Most of them know about customer experience generating touch points. The highlights of the basic analysis of the research can be listed as below:

- Some hospitals never(0%) use business web page as a first touch point for customers
- Website usage average rate of the customers as a first touch point is calculated as %6,68.

- In general, while approximate average allocated from the total budget of the marketing for Internet-based touch points (website, blog, e-mail, facebook, twitter, etc.) has low share, some organizations' budget allocated to Internet-based touch points is %0.
- 8 businesses stated their foreign shareholdings. Approaches to the issue of the customer experiences of the businesses having shareholders and businesses with domestic investment can be also analyzed.
- Business executives have stated that the reliability of the treatment and processing of their medical tourism business in Turkey has been generally perceived by patients and / or enterprise customers as '4,08'-High level-
- Business executives have stated that satisfaction perception of the patients and/or corporate customers who were treated in the medical tourism business and bought services has been seen as 3,94-High level-
- Comparison of the general price level applied by the medical tourism business with rival hospitals has been stated as 4,05-High. This evaluation conducted by business executives has showed that businesses should be careful about their rivals and setting price according to properties and orientation of the product.
- Effective usage level of Internet-based touch points of the medical tourism businesses shows distribution that is between very low and very high, not consistent but has a high level-3,65-
- It can be said that issues of Internet-based touch points, package product development, sales staff approaches, methods of payment, paid news and WOM in terms of creating customers' experiences should be taken seriously.

This study in which the exploratory analysis of the data has been given shows some facts to the executives by preferring Internal view of touch points Identifying Experiences of the customers in Turkish private hospitals having claim in medical tourism. It can be evaluated as a unique and an original work not been seen previously in terms of subjects and examples. With the study, the fact that contributions may be given to the benefit creation of increasing foreign exchange revenue and quality employment by increasing the customer's satisfaction in business and medical tourism has been assessed. It is expected to contribute to overcome the lack of information and reference in that the study is the first comprehensive study to be conducted on private hospitals offering medical tourism services in Turkey and administrators. It is likely that data of the study after analysis by using more advanced statistical methods can reach more useful findings.

References

- Berry, L.L., Carbone, L.P. & Haeckel, S.H. (2002). Managing the total customer experience, *MIT Sloan Management Review*, 43(3), 8-89.
- Brakus, J.J., Schmitt, B.H. & Zarantonello, L. (2009). Brand experience: what is it? How is it measured? Does it affect loyalty? *Journal of Marketing*, 73(3), 52-68.
- Ford, R.C. & Fottler, M.D. (2000). Creating Customer-Focused Health Care Organizations. *Health Care Management Review*, 25 (4), 18-33.
- Frow, P. & Payne, A. (2007). Towards the 'perfect' customer experience. *Journal of Brand Management*, 15(2), 89-101.
- Gentile, C., Spiller, N. & Noci, G. (2007). How to sustain the customer experience: an overview of experience components that co-create value with the customer, *European Management Journal*, 25, 395-410.

- Gilmore, J.H. & Pine, B.J. (2002). Differentiating hospitality operations via experiences: why selling services is not enough, *The Cornell Hotel and Restaurant Administration Quarterly*, 43(3), 87-96.
- Goel, P. (2013). Challenges and Trends for Medical Tourism in 2013. URL: <http://www.placidway.com/article/1047/Challenges-and-Trends-for-Medical-Tourism-in-2013>. Accessed in 10.04.2016.
- Hume, M., Mort, S.G., Liesch, P.W. & Winzar, H. (2006). Understanding service experience in non-profit performing arts: implications for operations and service management. *Journal of Operations Management*, 24(4), 304-324.
- Jüttner, U., Schaffner, D., Windler, K. & Maklan, S. (2013). Customer service experiences: developing and applying a sequential incident laddering technique. *European Journal of Marketing*, 47(5/6), 738-769.
- Klaus, P. & Maklan, S. (2013). Towards a better measure of customer experience, *International Journal of Market Research*, 55(2), 227-246.
- Kwortnik, R. J. & Ross, W.T. (2007). The role of positive emotions in experiential decisions, *International Journal of Research in Marketing*, 24, 324-335.
- Lemke, F., Clark, M. & Wilson, H. (2011). Customer experience quality: an exploration in business and consumer contexts using repertory grid technique, *Journal of the Academy of Marketing Science*, 39(6), 846-869.
- Martin, J., Mortimer, G., & Andrews, L. (2015). Re-examining online customer experience to include purchase frequency and perceived risk. *Journal of Retailing and Consumer Services*. 25, 81-95.
- Meyer, C. & Schwager, A. (2007). Understanding customer experience. *Harvard Business Review*, 85(2), 116-126.
- Pine II, B. J., & Gilmore, J. H. (1998). Welcome to the experience economy. *Harvard Business Review*, 176(4), 97-105.
- Pullman, M.E. & Gross, M.A. (2004). Ability of experience design elements to elicit emotions and loyalty behaviours, *Decision Sciences*, 35, 551-578.
- Sautter, P., Hyman, M.R. & Lukosius, V. (2004). E-tail atmospherics: a critique of the literature and model extension, *Journal of Electronic Commerce Research*, 5, 14-24.
- Stein, A., & Ramaseshan, B. (2016). Towards the identification of customer experience touchpoint elements. *Journal of Retailing and Consumer Services*, 30(2016), 8-19.
- Tynan, C. & McKechnie, S. (2009). Experience marketing: a review and re-assessment. *Journal of Marketing Management*, 25(5-6), 501-517.
- Verhoef, P.C., Lemon, K.N., Parasuraman, A., Roggeveen, A., Tsiros, M. & Schlesinger, L.A. (2009). Customer experience creation: determinants, dynamics and management strategies. *Journal of Retailing*, 85(1), 31-41.
- Woodruff, R.B. (1997). Customer value: the next source for competitive advantage, *Journal of the Academy of Marketing Science*, 25, 139-153.
- Zomerdijk, L.G. & Voss, C.A. (2010). Service design for experience centric services. *Journal of Service Research*. 13(1), 67-82.

Acknowledgements

This study was supported by Research Fund of the Cukurova University. Project Number: SBA-2015-3760. We would like to thank to Rectorate of Cukurova University and Research Fund.

Storytelling in Destination Brand Communication: A Qualitative Analysis

Mehmet Cihan Yavuz¹, Muzaffer Sumbul², Nuket Elpeze Ergeç³, and I. Cetin Derdiyok⁴

Karatas School of Tourism and Hotel Management
Cukurova University, Turkey
¹mcyavuz@cu.edu.tr

The Faculty of Education
Cukurova University, Turkey
²sumbul.muzaffer@gmail.com

The Faculty of Communication
Cukurova University, Turkey
³nergeç@cu.edu.tr

The Faculty of Arts and Sciences
Cukurova University, Turkey
⁴cderdiyok@cu.edu.tr

Abstract

Stories help consumers to make sense of the product and/or services in marketing and branding. Especially in tourism, storytelling is effective channel for destination brand communication. Stories are powerful because they turn myths into tangible consumer experience creators; they provide insights and encourage learning. Tourists have always needed myths-stories with attractive plots and characters to make sense of the tourism destination. So it's important to have attractive, positive stories portfolio and effective storytelling channels in destination brand communication for any destination brand. In this paper, certain stories derived from a formerly conducted research about a city destination were investigated. Data were derived from the stories by using qualitative approach based on content analysis. Classification and labeling techniques were utilized. The analyses yielded plots, themes that were connected with the destination brand. The plots included wide range of linkages reflects positive and/or negative sentiments. Also various attractive characters, places, beliefs, phenomenon, experience etc. were raised related with the destination brand as a result of analyses. The results have represented a concentrated summary of the meanings subject to able to use in destination brand communication utilizable by tour guides, destination marketers and brand managers.

Keywords: marketing, destination brand communication, storytelling, tourism

Note: This study was supported by Research Fund of the Cukurova University. Project No: SED-2016-6317.



The Correlation between Leadership Style, Job Satisfaction and Productive Organisational Energy: The Context of Saudi Arabia

Zeyad Abualhamael

Manchester Metropolitan University, UK
z.abualhamael@mmu.ac.uk

Abstract

This paper presents the research initial findings and analysis of a study in examining the correlation between Leadership Style and Job Satisfaction, and the mediating role of Productive Organisational Energy on the proposed relationship in the context of Saudi Arabia. The researcher is completely detached from the study as it is based on the quantitative research approach. The present research aiming on examining a developed theoretical framework to test the relationship between different variables, hence adopting a deductive stance is an obligation. The data will be collected with the help of web-based survey in the context of Saudi Arabian educational institutions. This paper takes a conceptual approach as it presents the initial findings of the analysis phase, by providing an insight of the statistical tests and analytical tools. The research focuses on three modern subjects Leadership style i.e. Transformational leadership and Transactional, Productive Organisational Energy, and Job Satisfaction. The research intended to illustrate the relevance of the subjects in the Saudi context by examining public and private universities. The study will contribute not only to the field of educational but also to the Saudi business environment. The study offers considerable contribution as it can benefit educational institutions besides various organizations to identify their implemented Leadership Style in order to orchestrate their staff (academics/administrative) Productive Organizational Energy. Further, the research can help in understanding the significance of Productive Organizational Energy, which will lead to higher Job Satisfaction in different corporations. The research originality is based on exploring the relationship between Leadership style, Productive Energy and Job Satisfaction theoretically and then be tested empirically in a Saudi Arabian context using SPSS and AMOS as an analytical tools.

Keywords: leadership style, job satisfaction, productive organisational energy, Saudi Arabia

Influence of Information Technology Adoption for Job Satisfaction in the Airline Industry of Pakistan

Stella Mariam Sardar¹, Jokull Hafthor Johannesson², and Lynne Nikolychuk³

London School of Commerce
Cardiff Metropolitan University, UK

¹stellasardar@yahoo.co.uk

²lynnenikolychuk@gmail.com

³jokulltd@yahoo.com

Abstract

The travel and tourism industry is considered to be an important contributor towards the economy of most of the countries around the world. As a developing country with unstable economic institutionalization, the travel and tourism industry of Pakistan has faced considerable losses in the recent years suffering from the global economic meltdown. Lack of resources and non satisfactory performance of the workforce are said as the two leading provocateurs of such losses. Owing from this situation, human resource management in the Pakistan airline industry has been forced to adopt information technology (IT) penetrated strategies that are able to low the turnover rate and increase the performance of organizations. Literature shows a considerable number of studies are formulated to analyze the influence of IT in the Western countries. There has been a severe lack of empirical evidence of such research in the non-Western context. This research is inspired from these selected cases to contribute in the existing knowledge gap. This research will evaluate the influence of IT adoption for job satisfaction among employees of the Pakistan's airline industry. Hertzberg's Two-factor theory is applied in this regard, while airline companies were selected randomly. The Minnesota Satisfaction Questionnaire approach was used to measure the job satisfaction of employees. Also, the IT Barometer Survey was adopted to check the impact of IT. For this purpose, 150 questionnaires were posted to both managerial and non-managerial employees of five different airline companies based in Lahore city of Pakistan to analyze their perceptions towards job satisfaction. Five point Likert scale was used to evaluate the response rate of the workforce. Before data analysis, exploratory factor analysis was used to check the adequacy of the items. Ordinary least square regression analysis was used to examine the relationship between IT factors and job satisfaction, contributing towards the Pakistan airline industry. Non-Parametric sampling technique was adopted to check if a significant difference exists between the dependent factors and independent factors (Communication, IT Access, Role of IT, IT level of use and Training). Findings revealed that communication, training, IT level of use and environmental factors have a significant relationship with job satisfaction. Mann Whiney test findings demonstrated that a significant difference exists between the selected airline companies in terms of Communication, IT Access, Role of IT, IT level of use, Training, Hertzberg's hygienic factors and job satisfaction. This research thus shows a new angle towards IT and adoption in the travel and tourism industry of Pakistan.

Keywords: information technology, adoption, Hertzberg, job satisfaction, Pakistan



A Review of the Quality of Life and Other Composite Country Performance Indices: How useful are they?

Hasnat Dewan

Department of Economics
Thompson Rivers University, Canada
hdewan@tru.ca

Abstract

Even though improving the quality of life (QOL) or well-being of the people has been part of policy goals in many countries, no universally accepted definition or measurement scale for QOL is available. GDP per capita is the most commonly used aggregate index, which is expected to be highly correlated with QOL. The Human Development Index, the Genuine Progress Indicator, the Quality of Life Index, and the Happy Planet Index are some of the many composite indices used to rank countries. The scope and the computational methodology for each of these indices vary significantly. Some composite indices use more subjective indicators, and some use more objective indicators. Mainstream economists prefer monetary indicators to physical indicators, and focus on measuring economic well-being, while some others are critical about distinguishing between economic and non-economic well-being. One of the troubling issues that we observe is that the choice of an index can widely affect the ranking of a country in terms of quality of life of the people, which most of these composite indices is supposed to measure. For example, Costa Rica ranked 1st in terms of the 2012 Happy Planet Index, but it ranked 69th in terms of the Human Development Index and 89th in terms of the GDP per capita in that year. Not only that, the sensitivity of a few indicators of the same index can lead to wide variation in ranking from year to year. Sometime we see media hype about the rankings of countries based on an index, but the question is how meaningful are those rankings? Is ranking based on one index more important than the rankings based on other indices for a society to focus on? This survey article will do an in-depth analysis of all composite indices that are supposed to measure QOL, well-being or other related country performances. The computational methodologies of all indices will be examined. In addition to discussing the strengths and weaknesses of the indices, this study will compare them, identify the similarities and the uniqueness of the indices, and will also analyze the indicators that make the rankings significantly different based on different indices. This study will make various rankings of the countries available in one place. As no such study has yet been done, it will also fill the gap in the literature. It is expected that many will find an assessment of the meaningfulness of various indicators informative and useful.

Keywords: quality of life, economic and non-economic well-being, country performance index, happiness index, GDP

Destination Branding in Industry 4.0: Enhancing Brand Experience Systems by Using Digital Touch Points

Mehmet Cihan Yavuz

Karatas School of Tourism and Hotel Management
Cukurova University, Turkey
mcyavuz@cu.edu.tr

Abstract

Destination branding requires focus and commitment of time, people, resources and changes in policies, culture and mindset. Visitors prefer destination brands that convey consistent themes, provide unique experiences, and present minimal security risks. Achieving a consistent brand experience across a destination and all brand touch points is a major challenge in destination branding efforts. Destinations must start focusing on especially the people as they help deliver the experience. If visitors are satisfied with a destination, they may develop an emotional relationship with a destination, and become advocates of it. Visitors often may use personal communication to share their experiences and perceptions. Positive word-of-mouth is one of the important elements that contribute to a brand. There is a strong correlation between positive image and intention to visit. In order to enhance positive feelings of visitors, it is important to provide them positive experiences recalled with excitement, happiness, fun, and joy. Additionally customer care level, customer brand admiration and sub-product qualities such as hospitality, infrastructure, and service are probably among the factors that lead to visitors' positive experience. Industry 4.0 is the name of fourth wave of technological advancement mainly based on digital technologies. It has significant implications on the nature of work, organization structures, value creation and business models. Industry 4.0 is expected to affect economies by creating jobs, destroying jobs, requalifying employees, changing demanded types of skills, changing productivity levels, increasing level of capitalization, increasing number of new products and services, reducing costs and increasing revenues. In the context of destination branding in Industry 4.0, any digital brand touch points should not simply focus on the beauties of a destination brand, but should also demonstrate reasons (safe, care, love, easy, fun, joy etc.). Destination management companies (DMC) or destination brands should consider brand experience in creating a unique experience that the consumer could understand and identify with. This is translated for the consumer in terms of perceived experience through the senses: visual, olfactory, taste, aural, touch and linguistic, cognitive, analytical, communicational, emphatic, behavioral as well. Possible effects of industry 4.0 on destination branding and digital brand touch points enhancing destination brand experience are studied in this paper.

Keywords: destination branding, brand experience, digital touch points, industry 4.0

Note: This study was supported by Research Fund of the Cukurova University. Project No: SED-2016-5971.

Exploring the Determinants of Administrative Service Consequence and Efficiency from Online G2C Interaction Data: An Innovative Analytic Method and Its Empirical Application

Nan Zhang¹ and Qitian Tan²

School of Public Policy and Management,
Tsinghua University, China
¹nanzhang@tsinghua.edu.cn
²tqt1992@126.com

Abstract

Building a service-oriented government, which accords with the situations of our country and can also promote our social progress, was regarded as an important goal of China's government reform and development in the report. Improving basic public service quality is inseparable from quantify evaluation. But it's difficult to find the factors that influence the result and efficiency of the government service in the traditional government mode, because the data collected in the past was always subjective and could not be quantify. With the rapid development of information and communication technology (ICT), the information age is not only changing people's daily life style, but also affecting the management mode of the government. The most typical example is the interaction between the government and the citizens, which changed from offline mode on tradition to the online interaction. More and more web services and public feedback systems are being used to collect public problems for the government. Compared with the traditional offline communication, online interaction between government and citizens recorded a large number of administrative data, which provided our study a basis to quantify and explore the factor that influence the performance of public service. Prior literature have provided us the discussion about different evaluation paths of public service from two aspects: the government's internal cost measurement and the citizens' external evaluation to the service. This paper try to answer the following questions: which factors influence the performance of public service and to what extend is the influence respectively? And how to improve the effectiveness of public services? Based on the literature reviews and pilot study, the study proposed theoretical model and research hypothesis through detailing the concept of public service effectiveness and cost. The study used text mining technology to digitize the text content in the case of Chaoyang district mobile government civilian interaction platform, and get the quantitative data of the relevant analysis variables finally. Compared with previous studies, the difficulty of the study is how to find the extract important information from the massive administrative data accurately, and how to build the represented model of the corresponding theoretical concepts based on the information data index calculation. The innovation of the article is to introduce the LDA model (Latent Dirichlet Allocation Model), a technology in the machine learning field, as a modeling tool to build the related topic model. And another innovation point is that the study used the combination of the correlations between different topics to represent the relevant factors.

Keywords: public service, service efficiency, text mining



The Output Responses to Fiscal Impulses: A Nonlinear Approach for the Case of Turkey

Aysen Arac

Hacettepe University, Turkey
aysens@hacettepe.edu.tr

Abstract

The effects of fiscal policy on economic growth have been a subject of investigation for as long as economics existed as a discipline. However there is no consensus over the comparative sign of the response of economic growth to different fiscal impulses. This study aims to explore the effects of big versus small and negative versus positive fiscal policy shocks on economic growth for the case of Turkey. For this purpose, this study utilizes an extension of smooth transition autoregressive (STAR) model of Teräsvirta (1994) and The Generalized Impulse Response Functions (GIRF), introduced by Koop et al. (1996). The results of this study suggest that the dynamic interaction between economic growth and fiscal variables is nonlinear and the domestic debt position can be the main source of this nonlinearity. Moreover, the calculated GIRFs reveal the following findings. Firstly, fiscal contractions might be expansionary and fiscal expansions might be contractionary during the first month after the fiscal shock. The effects of fiscal expansions on the growth become expansionary and fade away after two months. The effects of fiscal contractions on the growth follow a gradually diminishing oscillatory path about zero effects after the first month. Secondly, we find no asymmetry in the effects of big versus small and positive versus negative small revenue and spending shocks on the growth. Lastly, we find that spending shocks have more effects on growth than revenue shocks.

Keywords: fiscal policy, economic growth, nonlinearity, Turkey

TIYADER: A Non-Governmental Organization Building Common Sense in Tourism Sector

Rahman Temizkan¹, Ali Erbas², and Fikret Gokce³

Tourism Faculty
Eskişehir Osmangazi University, Turkey
¹rahmantemizkan@hotmail.com
²alierbash@yahoo.com

School of Tourism and Hotel Management
Iskenderun Technical University, Turkey
³gokcefikret@hotmail.com

Abstract

It is known that the tourism sector is consisted of several sub-sectors and interacts with other sectors by involving their products and services. Thus, the inter-disciplinary or multi-disciplinary characteristic of tourism has long been an issue in the literature. Because of the nature of tourism sector, this situation makes it necessary for it to work with different actors in harmony. The most important question at this point is that "When a conflict of interests comes out among the actors, who will determine the optimum useful solution in a healthy way to sustain the operation of the sector?" In many countries, several NGOs were established at local, regional and national levels in order to bring together people and institutions that are related to tourism and reveal the common sense. The main purpose of this study is to give information about TIYADER "International Association of Tourism Educators and Professionals" which was established in Turkey. The study also aims to propose tourism council which is a model of local and national destination management designed by TIYADER.

Keywords: TIYADER, NGO, tourism council

Introduction

Tourism accounts for 30% of the world's trade of services. As a one of the main sources of foreign exchange for every country tourism plays a crucial role on economies of countries. It also have very important role on the development and promotion of countries (Khan, 2015). It could be stated that tourism is a giant industry because it includes many sub-sectors and stakeholders. These stakeholders may also be evaluated as links of a supply chain of final products of tourism. The quality of tourism products and services depends on the satisfaction levels of these links of the chain. The thoughts of each link should be taken in to consideration on the decision process of local and national level tourism planning. Thus, interest conflicts between these links can be restrained.

Building a common sense is a common rhetoric in tourism but is not easy as it is narrated. Some management processes are emerging. First, who or which organization will manage the processes? Second, who will choose the participants/stakeholders? Third, how will the representative balance of participants be arranged? Fourth, will the decisions taken by

common sense have legitimacy? Fifth, who will apply the decisions taken by common sense?

In this study it is called “building common sense in tourism sector” but some have said “collaboration for community based tourism” (Jamal and Getz, 1995; Bramwell and Sharman, 1999). No matter what it is called but the difference is that this study is focused on directly to the actors of tourism industry while others have focused environmental sustainability and keeping local people’s culture. Other studies have interpreted collaboration in industry in wider perspective which has negative effects on stakeholders operating at the centre of the industry. For example, travel agents, accommodation establishments, restaurants, recreation establishments and tour guides are operating at the center of the industry. They are operating actors of the sector. Widening the scope of collaboration by adding others that are indirectly being affected from tourism sector or have indirect effects on tourism sector may cause dilution of focus, wasting time and energy. Looking for wide scoped collaborations especially in a rapidly changing and dynamic sector like tourism brings clumsiness to planning and decision taking processes. Operating actors of sector pays the bill of clumsiness and wrong decisions. They are forming up the first circle and the heart of the industry. TIYADER (International Association of Tourism Educators and Professionals) as a NGO is trying to build up an collaboration council of tourism with direct operating actors of the sector at local and national levels.

Stakeholders in Tourism Sector

Impacts of tourism are extremely varied. It has positive and negative impacts on social, economic, cultural, politic and environmental status of a region. In order to eliminate negative sides and increase the benefits of tourism the demand for more sustainable development has emerged and risen. The process of developing sustainable tourism can be achieved only by involving different stake holders in to decision making process (Khan, 2015).

The stakeholder theory, pioneered by Freeman (1984), suggests that an organization is characterized by its relationships with various groups and individuals, including employees, customers, suppliers, governments, and members of the communities. According to Freeman, a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives| (1984:46).

Stakeholder theory is a tool that facilitates the formulation of corporate strategy along ethical lines. There should be regulatory frameworks to fix the injustice and inequality of the market-place and deliver environmentally and socially sustainable economic activity. In terms of the perceived need to develop a more caring and sharing society, stakeholder theory must be taken seriously. For tourism businesses, this essentially means that stakeholders need to be drawn in to the decision-making process. Stakeholders need to be identified, and relationships nurtured to ensure that analysis of concerns, goals, values and responsibilities are understood and synthesized into the strategic framework of the business. Stakeholder management is one such methodology which has been cited by

some as the framework within which sustainable tourism development can be delivered. The complexity of this approach becomes apparent when we consider tourism. For the approach to be workable, the many thousands of small businesses involved in tourism service provision would clearly need to be drawn into the network (Robson and Robson, 1996). Figure 1 shows a stakeholder map adapted from Freeman (1984:55) has been placed in a study by Sautter and Leisen, (1999).

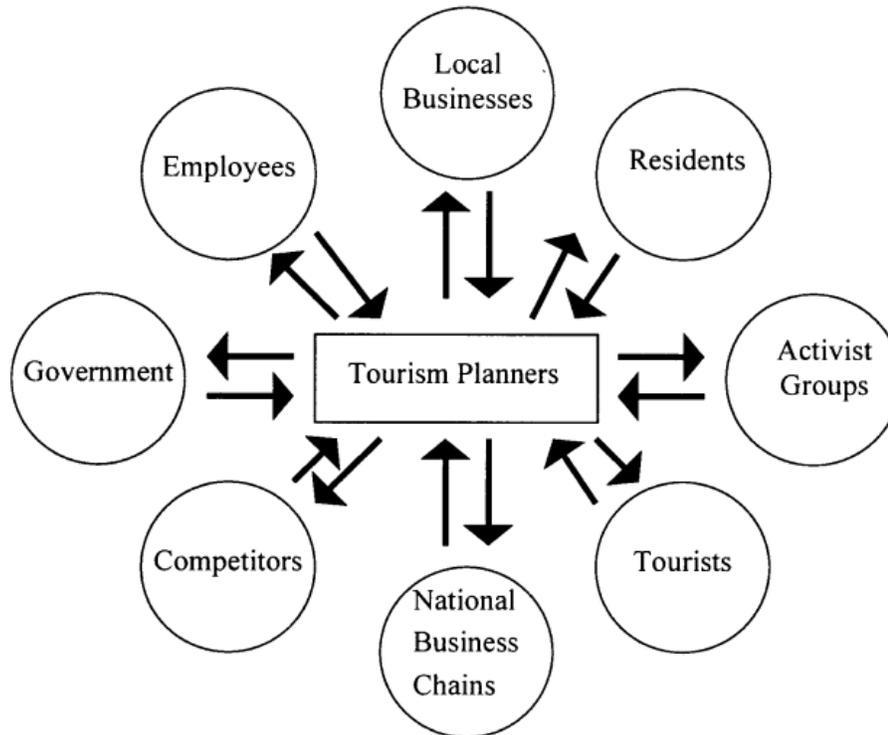


Figure1. Tourism Stakeholder Map (Sautter and Leisen, 1999:315).

Building a collaborative consensus is very important and very difficult for tourism sector because of the fact that the sector is consisted of many different actors. One of the benefits of such collaboration is that it avoids the cost of resolving adversarial conflicts among stakeholders in the long term. Collaborative relations may also be more politically legitimate if they give stakeholders a greater influence in the decision-making which affects their lives. In addition this collaboration improves the coordination of policies and related actions, and promotes consideration of the economic, environmental, and social impacts of tourism. More efficient and sustainable outcomes are available. Further, collaboration adds value by building on the store of knowledge, insights, and capabilities of stakeholders in the destination (Bramwell and Sharman, 1999). There is no any opposition against collaborative policy making but the issue is the scope of collaboration. Who and which organizations will participate in the collaboration as shareholders? Representative balance of participants is also important issue waiting for solution. (Bramwell and Sharman, 1999; Jamal and Getz, 1995; Robson and Robson, 1996). Who will decide to which stakeholder participates or not participates in the collaboration or in the local and national tourism council? What about the legitimacy of the collaboration or council?

TIYADER's Perspective on the Stakeholders in Tourism Industry

TIYADER is an association founded in Turkey in year 2010. The centre of the association is in Eskisehir, a city in the west of central Anatolia. The founders of TIYADER are academicians and students of Eskisehir Osmangazi University Tourism Faculty and sector representatives (workers, managers and owners of tourism establishments). It has 24 branch offices and representatives all around the Turkey and in some European countries. In Turkey associations are nongovernmental, community, nonprofit organizations. The mission of TIYADER is to carry Turkey to the first place in the rank of international tourist arrivals and income in the world.

According to TIYADER, tourism is a strategic sector, because of the fact that besides the economic effects, it has effective role on image building on host countries like Turkey. Other products and services of Turkey are also gain positive images by tourism. It develops society. State of Turkey has supported the sector by allocated lands and other resources for private sector by means of incentive laws since 1980s. Turkish State has built hundreds of high schools, colleges and faculties and given degrees to millions of young people with the purpose of growing up qualified human resources for the sector. Most of the graduates have leaving the sector because their degrees don't have any right. They don't reach financial and moral values that they have deserved. This situation means that the spent time, the money and the efforts to grow up qualified human resource for tourism sector are being wasted.

In addition, employing unqualified workers in public and private sector of tourism damages the image of Turkey. Many of the problems about business management issues have being emerged because of the private and public tourism sector employees' approaches which are far from the tourism philosophy.

Thus, image of country and establishments, incomes, emotion of social justice and rights and legacy of degrees remain behind the level of deserved. Solving the micro and macro level problems of business management and marketing of tourism there should be an organization building common sense. The organization should prevent unfair competition among the establishments, determine the criteria about the physical and human resources qualifications of establishments and control the number of establishments by taking carrying capacities of a region in to the consideration. Thus, the competition will be constructed on producing qualified and varied products and services, not on price cutting because of over capacity building. Sustainability of the sector firstly depends on the providing organization of stakeholders that are at the center of the sector and earning money direct from tourism. The organization should be built at local and national level. The decisions of the organization should be legally binding. Center stakeholders of the industry are accommodation establishments, travel establishments, food and beverages establishments, recreation establishments, qualified workers of these establishments and tourism educators and researchers growing up qualified workers.

In the public sector of tourism, there is tourism ministry and provincial organization of the ministry all around the country. Tourism graduated employee percentage is under 1 in

the public tourism sector. This situation causes some conflicts between state and private sector.

Tourism students over 18 years old, tourism graduates, tourism employees, tourism investors, tourism educators and tourism researchers can apply for membership to TIYADER.

TIYADER has conducted a project named “Common Sense in the Strategic Sector Tourism” in last 3 months of year 2015. 3 workshops have been held as project activities. Tourism academicians, tourism private sector representatives, tourism graduated workers in the sector and tourism students at university level have been invited to workshops. The workshops are dedicated to forming up a council at national level and councils at local level. Forming up a council which has legal binding power depends on a law. So a draft “Tourism Council of Turkey and Tourism Professions Law” has been prepared by the collaborative work at the workshops.

Conclusion

Building a common sense in tourism sector is not easy because, the sector has many stakeholders and sub-sectors. There are some challenges on building an organization of common sense. First, who or which organization is responsible for building a common sense organization/board? Second, who will manage the processes? Third, who are the stakeholders? Fourth, will the stakeholders have equal representative power? Fifth, who will pay the bill of activities of the common sense board? Sixth, will the decisions of common sense board have legally binding power and how?

This study may answer the first four questions. NGOs are community nonprofit organizations. Although they have no legal binding decision taking power, they are the responsible on building legal binding common sense boards of tourism at local and national levels.

TIYADER is formed up from tourism educators, researchers, graduates, students, employees and investors. Thanks to having intellectual and academic human resource TIYADER, as a NGO in tourism, plays its role to suggest and advice to policy makers. It has prepared a draft law of “Turkey Tourism Council and Tourism Professions”. From now on, realization of the draft law of tourism council and tourism professions is an assignment of the Turkish Parliament. As noted by Khan (2015) TIYADER association creates awareness among the masses regarding the use and misuse of resources and assets in relation to tourism development. Not only acting as a critique, they also show the right track in which the development should take place. Policy makers should take in to account suggestions and advices of NGOs and TIYADER. TIYADER is a NGO Building a common sense organization in tourism. Similar actions are needed in other tourism countries. So that, TIYADER opens new branches and representatives al around the world.

References

Bramwell, B & Sahrman, A. (1999). Collabration on Local Tourism Policy Making. *Annals of Tourism Research*, 26/2, pp. 392-415,



- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
- Jamal, T. B. & D. Getz (1995). Collaboration Theory and Community Tourism Planning. *Annals of Tourism Research* 22:186-204.
- Khan, M.A. (2015). Role of NGOs in Tourism. *Indian Journal of Applied Research*, 5/3. 530-531.
- Robson, J. & Robson, I. (1996). From Shareholders to Stakeholders: Critical Issues for Tourism Marketers. *Tourism Management*, 17/7, pp. 533-540.
- Sautter, E. T. & Leisen, B. (1999) Managing Stakeholders: A Tourism Planning Model. *Annals of Tourism Research*, 26/ 2, pp. 312-328.
- www.tiyader.org

Online Marketing and Hotel's Spa Website Designs

S. Pinar Temizkan¹ and Beybala Timur²

Faculty of Tourism
Eskisehir Osmangazi University, Turkey

¹pinartemizkan@hotmail.com

²beybalat@ogu.edu.tr

Abstract

In recent years, adopting a healthy life style became a very popular trend and demand on this matter has risen significantly. Since spa and wellness concepts are the most convenient tools to answer to this demand, there has become a constantly rising awareness on these concepts. In fact, hotels all around the world are adopting spa facilities and using online marketing tools in order to gain competitive advantage. For this purpose, a total of 697 4 and 5 star hotels' spa websites in Antalya, Mugla and Istanbul where are the most popular touristic destinations are examined in context of site design characteristics and marketing practices they use on the internet. Findings show that spa websites of these hotels are lacking important online marketing tools and should be revised.

Keywords: SPA, online marketing, hotels, Turkey

Introduction

Parallel to the changes happening all over the world thanks to the information technology, the nature of the tourism has been affected as well. In other words, the internet a fast, and reliable form of communication is an efficient tool to cope with increasing demand in a swiftly changing tourism industry. In addition to this, the development and commercialization of information, through the internet, has provoked tourism-related businesses to adjust their strategies in order to promote their products and services all over the world (Au, 2009).

According to Au (2009), technology has long been a key component of service industries and has deeply affected the way service companies perform. In addition, Prasad (2001) mentioned the idea based on The Economist (1999) that the internet is often considered as one of the most transforming technological inventions since the Industrial Revolution. This belief was supported by Law (2000) with the idea that the internet has changed the traditional ways that people use to search for information. The importance of internet for the travel and tourism industry has increased rapidly over the last few years. Understanding how travelers behave has critical importance for travel suppliers and tourism authorities in order to formulate appropriate marketing strategies so that they could fully exploit the potential of this channel (Garín-Muñoz, 2010).

Today, the internet has become one of the most crucial communication tool not only for travelers but also for the travel and tourism enterprises. Accordingly with this fact, travel and tourism industry has responded to the emergence of Internet-based technologies by adopting new and innovative ways to communicate and conduct business with the

consumer, as well as with other industry partners (Wang, 2004:71). It was also mentioned by Beldona (2005) that the internet's global reach, interactivity, and information-rich context have redefined the travel industry.

Online marketing is a tool which extends the conventional marketing with new methods into a brand new dimension. So, it promises more benefits to the both consumers and sellers (Kircova, 2005: 34-35). Because of these features, online marketing is rapidly growing and becoming an essential tool for touristic businesses as well as the other sectors. With this growth, almost every firm adopts online marketing strategies and implements these strategies through their websites. However, adopting website does not guarantee success. Success at online marketing depends on two stages. The first stage is traffic which means attracting visitors to the website. And the second is conversion which includes turning visitors into clients. A website is a guide which takes the visitors on a road trip. If a website can provide the right destination to visitors, it will eventually turn them into clients. To create a successful website essential tools are considered as choosing right keywords, optimizing home page, building links, local search listings, online reviews, online advertising and the most importantly these days using the social media (Spaboom, 2014). The question that to what extent is social media important for the sector was answered by Zeng and Gerritsen (2014) and put forward that social media holds a key role in many aspects of tourism, particularly in information search and decision-making behaviours, tourism promotion and in focusing on best practices for interacting with consumers. In their study, they found out that social media in tourism is still in the early stage of its growth and development. They also called on the experts to do more research on the issue so as to its contribution to the sector.

Tourism is one of the activities which continuously develop along time. The great number of people spending their leisure time in different locations has led to the development of general and specific infrastructure (Sava, 2013). Health tourism is a specific form of rest tourism, which involves the movement of people of different ages, professions, gender, in spa resorts or towns with natural healing factors for health care, rest or treatment with natural spa substances, with extracts or herbal medicines for prevention, maintenance or beauty or just for leisure (Tigu, 2003). Health tourism has a number of features which distinguish it from the other forms of tourism. Health tourism includes medical tourism, thermal tourism, spa and wellness tourism (Temizkan, Cicek and Ozdemir, 2015) which could be defined as the sum of all the relationships and phenomena that occur as a result of travelling to tourism destinations other than the place of residence of individuals interested in promoting, stabilising and, when necessary, restoring physical, mental or social wellbeing by means of the use of services that favour health (Smith & Puczko', 2009). Wellness and Spa tourism has become a trend in the international travel and tourism industry and a fashionable tourist product for a number of reasons, which include the greater concern about health issues among the middle and upper classes, the promotion of physical, mental or social wellbeing, the necessity for coping with work stress and the need to get away from the routine of everyday life and during holiday (Dwyer et al., 2009).

Literature Review

Online Marketing

Organizations are increasingly adopting e-business models to gain competitive advantage and achieve business goals (Schäfer and Kummer, 2013). Marketing activities offered on hotel websites significantly influence hotels' business success (Shuai and Wu, 2011). Web-sites provide direct contact between organizations and consumers. The Internet exceeds boundaries which are created by time and distance and makes it dramatically convenient for guests to search and purchase products and services. The Internet can also help hotels identify guests' needs, improve operational efficiency, enhance service quality and thus create great impact on hotel performance (Díaz and Koutra, 2013; Hashim et al., 2010).

Beldona (2005) took a very close look at the tourism and the internet relationship and went on to make a simile by likening the relationship between travel and the Internet to a marriage and concluded that it has been definitive. Besides, Wang (2004:71) stated that information technology has been the focus of the growth and development of the tourism industry. As the mass global tourism emerged, there were generally limits in usage of the technology and they were only based on computer systems that support the internal functions of large operators in the transportation, hotel, and food service sectors.

As the current literature is surveyed, it can be found that there are plethora of studies which examine hotel websites in terms of general context and Internet marketing strategies (Connolly, Olsen, & Moore, 1998; Liebmann, 2000; Rushmore, 2000; Mullen, 2000; Benckendorff & Black, 2000; Sigala, 2001; Karpinski, 2001; Kasavana, 2002;). However, there is not a specific study that only focused on spa websites of hotels.

Law and Hsu (2006) chose two groups which include online browsers who only seek information and online purchasers who made online bookings and examined perceived importance level of specific dimensions and attributes on hotel websites. The results indicated that there was no significant difference on most of the included dimensions and attributes between these groups. Baloglu and Pekcan (2006) studied web site design and the results indicated that the hotels in Turkey are not using Internet to its full potential and they are not using effective e-marketing.

Another study which carried out by Bai, Hu, and Jang (2007), the e-RM (e-Relationship marketing) web features of the top 127 hotel companies were examined. The results showed that hotel companies well maintained the basic levels of e-RM feature sophistication on their websites such as providing product information and making online reservation available. Their study also provided hotel companies with a foundation for evaluating their efforts of customer relationship building through websites.

De Wulf, Schillewaert, Muylle and Rangarajan (2006) have conducted a study on the role of pleasure in website success. Authors developed a process model of website success by identifying the role of pleasure as a key mediating variable. According to the results pleasure partially mediated the evaluations–success relationship and also found

significant support for direct relationships between web site evaluations and success. Wan (2002) examined the websites of international tourist hotels and tour wholesalers in Taiwan in terms of user interface, variety of information and online reservation. Results indicated that user interfaces rated the most and the use of Internet in Taiwan's tourism/hospitality industry is not for marketing but primarily for advertising.

Bai, Law and Wen (2008) have studied the impact of website quality on customer satisfaction and purchase intentions on Chinese online visitors. Results indicated that online satisfaction has a positive impact on purchase intentions in both long and short term. Also visual environment is significant to increase intentions for purchase of travel products online. Schmidt, Cantalops and dos Santos (2008) have studied the characteristics of hotel websites and their implications for website effectiveness. Results indicated that there is a circular effect between website characteristics and consumer demands. Websites which serve inefficiently to consumer demands are directing consumers to use traditional tourist distributors.

Cosma and et al (2012) conducted a study to determine features and motivations of online customers and behavioral characteristics of users of online tourism products in Romania. The study concluded that the Internet became a useful and important tool starting from 2005. Also, respondents preferred buying international tourism products mainly online for mostly leisure and cultural reasons. Shuai and Wu (2011) performed a study in order to evaluate the hotels' websites in Taiwan from an Internet marketing perspective. The research result demonstrated that Internet marketing can affect the operating performance of tourist hotels. The results suggest that Internet marketing tool is positively associated with firm performance. Furthermore, not only a positive relationship between Internet marketing tool and firm performance was found but complementarities among the web site orientations were observed.

Hotels' SPA Facilities

Spas have become a pertinent cultural force, influencing not only how consumers manage their health, appearance, and stress, but also how consumers socialize, spiritualize, travel, and work. Rising levels of income, education, and sophistication among travelers and consumers worldwide have dramatically elevated the consciousness and desirability of spa treatments (Mandal, 2009).

In the foreword of the 2013 Global Wellness Tourism Economy Report, Chairman and CEO Susie Ellis puts forward the importance of personal wellbeing and travel bluntly, and adds that both of them are all-time high. It was also mentioned that these two relatively young industries will be of interest to every country, industry and person in the world (Global Wellness Institute, 2013). This is because people have started to believe that natural spring/spa water has some medicinally beneficial and curative features for various physical illnesses (e.g. skin diseases, arthritis) (Hsieh, 2014).

Given some of the figures by the Global Wellness Tourism Economy Report by Global Spa&Wellness Institute released in September, 2014 global wellness industry has gone much bigger than it was expected. As it was stated that global wellness industry has

reached 3.4 trillion dollars by 2013. The global wellness industry was about 2.0 trillion dollars in 2010 while global tourism industry was 3.2 trillion dollars (Global Wellness Institute, 2013).

Today's wellness travelers have a number of needs that need to be met. These needs can be counted as healthy hotels, spas, gyms/fitness centers, thermal/mineral springs, health resorts, organic restaurants, salons, yoga studios and so on. To their list, spas holds the second place according to the rank of importance. It is obvious that wellness traveler equals to high yields in the business. An international wellness tourist spends 59% more than an average tourist while a domestic wellness tourist spends 159% more than an average domestic tourist (Global Wellness Institute, 2014).

It was projected that the annual spending growth for European Region through will reach up to 7.3% by 2017. This percentage will be responsible for 2.4 million direct jobs across Europe. That means that a huge number of employment contributions will be made thanks to the wellness tourism sector. It was informed that many of the European countries trying to benefit from this coming opportunity so that numerous nations' tourism ministries are actively promoting wellness travel such as Austria, Germany, Finland, Hungary, Lithuania, Switzerland, Slovenia (Global Wellness Institute, 2013).

According to the study done in Portugal by Joukes (2010), it was found out that as with the changes in the spa services offered in Portugal, the typical customer profile has changed significantly. It was detected that the spa-goers are much younger (between 25 and 45 years of age) than in the past, and they are from the middle to middle-upper socio-economic stratum living in a large urban center and having a reasonably high level of education. To the study, the new spa profile chose making various short trips over the year to test out different destinations. The developments brought by these changes made it necessary for the firms to establish a growing and loyal client base. Because of the mentioned reasons, many of the Portuguese spa service providers have significantly upgraded not only their services and infrastructures, but also their use of internet sites.

Spas are a rapidly growing sector of the tourism industry in general where there has been new interest in "new age" remedies and traditional remedial therapies. Technology usage has advanced in the spa industry because spas now report major investments in database management, integrated channel contact systems and marketing products/ services online. Spa users, especially resort and destination spa users, use the internet to obtain spa and/or pricing information. Making information easily accessible and staying up to date with technological advances are major challenges when attempting to make a spa more appealing than the competition (Okech, 2014).

Today travelers are increasingly expecting to find spa services as part of their accommodation at hotels. Spa facilities are becoming an integral part of hotel services, particularly in the upscale lodging market. Spas are important generators of additional revenue because they can contribute more than room revenue as they occupy less space than hotel rooms (Madanoglu and Brezina, 2008). Anderson (2001) stated that spas as new profit centers not only contribute to hotel revenue at a growing rate, but also provide

specialized treatments to guests who are expecting a high level of personal service. Tabacchi (2010) anticipated that business and vacation travelers will expect to find a spa at their hotel or resort.

The relationship dimension is the core of hotel website marketing activities, which helps build long-term relationships between customers and hotels. The web sites of the hotels serve in different ways. So, through the web, customers can access useful and up to date information, ask questions, search tourist product catalogues, make bookings and payments and so forth. Online tourism services and its adoption in developed countries have been studied in the last few years. The benefits of online tourism services have been demonstrated, however, customer requirements and the evaluation of tourism websites and their online services have not been sufficiently explored (Abdul Razak, et al, 2014). Under the light of this information, this study is set off. In this study, web sites of the hotels were examined in context of promotion and marketing tools of hotels' SPA facilities.

Methodology

This study adopted content analysis method which can be applied to both qualitative and quantitative approaches. Content analysis is applied through analyzing a text in a systematical and objective approach in order to measure the variables in text (Wimmer and Dominick, 2000). Crosstable analysis were used to examine the websites' characteristics distribution by the regions and data analyses were conducted by using SPSS 22.

Sample

A list of all registered hotels in Antalya, Istanbul and Mugla are requested from Ministry of Culture and Tourism. 333 hotels from Antalya, 178 hotels from Istanbul and 186 hotels from Mugla are picked for study which have spa websites. Overall, 697 hotels' spa websites are examined.

Data collection

A coding form which is adopted from Baloglu and Pekcan's (2006) study is used in order to collect data. The original form consisted of general hotel features. Form was customized for spa features in accordance with this study's aims. Irrelevant questions are excluded. New coding form consists of 3 divisions with 41 items. First division includes hotel's information, second division includes design features with 3 sub-divisions which are interactivity, navigation and functionality. The last division includes marketing features. The websites of hotels which take part in study are evaluated according to this criterias. During the evaluation process, every website has been evaluated with a separate coding form form which has "yes" and "no" options for criterias.

Findings

A total of 697 hotels' spa websites are examined through content analysis in order to determine on which level they use Internet for marketing purposes and to promote their spa facilities, spa services and spa products.

Findings show that in all three regions, most of the spas do not have a unique name and there is no information about under which department they operate and only few of them have a separate website for their spas.

Table 1: Business Information

Business Information	Antalya				Istanbul				Mugla			
	n		%		n		%		n		%	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
A unique name for SPA facility	27	306	9	91	21	157	12	88	60	126	32	68
Operating department information	40	293	12	88	38	140	21	79	20	166	11	89
Independent spa web site	3	330	1	99	2	176	1	99	2	184	1	99

When the interactivity and navigation features are taken into consideration it can be seen that most of the hotels do not provide spa address information since they mostly operate in hotel. However they do not provide online information form for their services and products as well. Since most of the websites do not have online evaluation and guest form, another important lacking information is social media accounts.

Table 2: Interactivity and Navigation Features

Interactivity	Antalya				Istanbul				Mugla			
	n		%		n		%		n		%	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
SPA's phone number	11	322	3	97	10	168	6	94	9	177	5	95
SPA's adress	10	323	3	97	10	168	6	94	6	180	3	97
Online information form for services/products	5	328	1	99	5	179	2	98	2	184	1	99
SPA's e-mail adress	10	323	3	97	10	168	6	94	6	180	3	97
SPA's social media accounts	12	321	4	96	7	171	4	96	5	181	3	97
Current exchange rates	1	332	1	99	0	178	0	100	0	100	0	100
Online evaluation form for SPA	0	333	0	100	0	178	0	100	0	186	0	100
Online guest book for SPA	2	331	1	99	2	176	1	99	1	185	1	99
Navigation												
Index page link	268	65	81	19	116	62	65	35	172	14	93	7
Search capabilities	8	325	3	97	8	170	5	95	5	181	3	97

Findings represent that functionality features of hotels are also slightly weak. Features like homepage link, search feature, background colour/photos, videos, music, flash animations are missing on most websites. However, features of detailed information about products and services and easy access to product and services are available on most websites.

Table 3: Functionality Features

Functionality	Antalya				Istanbul				Mugla			
	n		%		n		%		n		%	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
SPA Slogan	50	283	15	85	34	144	19	81	24	162	13	87
SPA website background color	122	211	36	64	86	92	48	52	66	120	36	64
SPA website background picture	104	229	31	69	67	11	38	62	115	71	62	38
Video	13	320	4	96	9	169	5	95	5	181	3	97
Music	30	303	9	91	11	167	6	94	16	170	9	91
SPA website's last update date	10	323	3	97	1	177	1	99	0	186	0	100
Previewing page without scrolling	124	209	37	63	77	101	43	57	27	159	15	85
Ads and banners on SPA website	37	296	11	89	19	159	11	89	13	173	7	93
Downloadable content about services/products	36	297	2	98	3	175	2	98	15	171	9	91
What's new page	4	329	1	99	3	175	2	98	3	183	2	98
Multilingual capabilities	301	32	90	10	163	15	91	9	165	21	89	11
Flash animation about SPA services/products	42	291	87	13	161	17	90	10	70	116	38	62
Easy access to SPA services/products information	178	155	54	46	135	43	75	25	33	153	17	82

Finally, online marketing tools evaluation findings show that however almost half of websites have high quality facility and equipment photos, readable font, product and service information, map to facility features, they lack of promotion informations, online payment and reservation options and membership discount features.

Table 4: Online Marketing Features

Online Marketing	Antalya				Istanbul				Mugla			
	n		%		n		%		n		%	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
SPA facility photos	260	73	79	21	161	17	90	10	156	30	84	16
SPA equipment photos	141	192	42	58	79	99	44	56	66	120	36	64
Good photo quality	232	101	70	30	136	42	76	24	147	39	79	21
Readable font	288	45	87	13	153	25	86	14	134	52	72	28
Special offer information about SPA services	8	325	2	98	7	171	4	96	11	175	6	94
Description of SPA services and products	173	160	52	48	118	60	66	34	25	161	13	87
Membership discounts and opportunities	6	327	2	98	6	172	3	97	6	180	3	97
Map to the SPA facility	239	94	72	28	122	56	69	31	166	20	89	11
Online payment capability	39	294	11	88	16	162	9	91	51	135	27	73
Online reservation capability for SPA	34	299	10	90	34	144	20	80	8	178	95	5
E-mail reservation capability for SPA	5	328	2	98	5	173	3	97	3	183	1	99
Touristic information link	128	205	61	39	19	159	10	90	8	178	4	96
Price information for SPA services and products	5	328	2	98	4	174	2	98	1	185	1	99

Conclusions

Internet has become a huge part of daily life as the technology evolves day by day. This leads people to seek information through internet on any subject. Especially when it comes to purchasing touristic services in which case it is hard to find reliable and tangible information, individuals prefer this way. Marketers who realize importance of this situation focus on online marketing more. However findings of this study shows that spa websites of hotels in Antalya, Istanbul and Mugla are lacking some very important features like slogans, videos, discount information, online purchasing tools, price information, online reservation tools. Another finding shows that spa websites of hotels in Antalya and Istanbul are slightly better than Mugla hotels.

Finally, adoption of effective site design and online marketing features would provide competitive advantage at an important level (Baloglu & Pekcan, 2006) and online marketing efforts are a must do especially for touristic businesses in order to retain their market share (Ozdipciner, 2010). Therefore, marketers should take these factors into consideration and improve the spa websites' effectiveness accordingly.

References

- Abdul Razaka, N. S., Marimuthub, M., Omar, A., Mamatd, M. (2014). "Trust and Repurchase Intention on Online Tourism Services among Malaysian Consumers". *Procedia - Social and Behavioral Sciences*, 130. 577 – 582.
- Anderson, P.C. (2011) Spas and the Lodging Industry. In O'Fallon, M.J. and Rutherford, D.G. (Eds.) *Hotel Management and Operations - 5th Edition*. John Wiley and Sons.
- Au, N. and Ekiz, E. H. (2009). "Issues And Opportunities Of Internet Hotel Marketing In Developing Countries". *Journal of Travel & Tourism Marketing*, 26:225–243.
- Bai, B., Hu, C. and Jang, S.C. (Shawn) (2007). Examining E-Relationship Marketing Features on Hotel Websites. *Journal of Travel & Tourism Marketing*, 21:2-3, 33-48.
- Baloglu, S., & Pekcan, Y. A. (2006). The website design and Internet site marketing practices of upscale and luxury hotels in Turkey. *Tourism Management*, 27(1), 171–176.
doi:10.1016/j.tourman.2004.07.003
- Beldona, S. (2005). "Cohort Analysis of Online Travel Information Search Behavior: 1995-2000", *Journal of Travel Research*, Vol. 44, November 2005, 135-142.
- Cosma, S., Bota, M. and Tutunea, M. (2012). "Study about customer preferences in using online tourism products". *Procedia Economics and Finance* 3, 883 – 888.
- Díaz, E., Koutra, C., 2013. Evaluation of the persuasive features of hotel chains web-sites: a latent class segmentation analysis. *IJHM* 34, 338–347.
- Dwyer, L., Edwards, D., Mistilis, N., Roman, C., & Scott, N. (2009). Destination and enterprise management for a tourism future. *Tourism Management*, 30, 63–74.
- Garín-Muñoz, T. and Pérez-Amaral, T. (2010). "Internet Usage for Travel and Tourism". The Case of Spain, 21st European Regional ITS Conference, Copenhagen.
- Global Wellness Institute (2013) "Global Wellness Tourism Economy – Executive Summary".
- Global Wellness Institute (2014) "Global Spa and Wellness Economy Monitor – Executive Summary".
- Hashim, N.H., Murphy, J., Purchase, S., O'Connor, P., 2010. Website and email adoption by Malaysian hotels. *IJHM* 29 (1), 194–196.
- Hsieh, M.-T. (2014). "Measurement of Mature Spring/Spa Travellers' Beliefs in Taiwan", *Journal of Economics, Business and Management*, Vol. 2, No. 4. 302-306.
- Joukes, V. (2010). "The use of the internet in wellness promotion by Portuguese spas", *Health, Wellness and Tourism: healthy tourists, healthy business?* Proceedings of the Travel and Tourism Research Association Europe 2010, Annual Conference 1-3 September.
- Law, R. (2000). "Internet in travel and tourism–Part I". *Journal of Travel & Tourism Marketing*, 9(3), 65-71.
- Mandal, S. (2009). "Hardsell as hub of medical tourism", *The Telegraph*, Calcutta, India.
- Madanoglu, M. and Brezina, S. (2011) Resort Spas: How are they Massaging Hotel Revenues? In O'Fallon, M.J. and Rutherford, D.G. (Eds.) *Hotel Management and Operations - 5th Edition*. John Wiley and Sons.
- Okech, Roselyne N. (2014). *Athens Journal of Tourism* March 2014. Promoting the Spa Tourism Industry: Focus on Coastal Resorts in Kenya. p: 67
- Ozdipciner, N. S. (2010). Turizmde elektronik pazarlama. *Journal of Internet Applications and Management*, 1, 5–22.
- Prasad V. K, Ramamurthy, K. and Naidu, G. M. (2001). "The Influence of Internet-Marketing Integration on Marketing Competencies and Export Performance", *Journal of International Marketing*, Vol. 9, No. 4 (2001), pp. 82-110.
- Sava, Cipriana. "Sustainable development of spa tourism in the Romanian West Development Region." *Acta Universitatis Danubius. (Economica* 9.4 (2013).
- Schäfer, K., Kummer, T., 2013. Determining the performance of website-based relationship marketing.

- Expert Syst. Appl. 40, 7571–7578.
- Shuai, J.-J. and Wu, W. W. (2011). Evaluating the influence of E-marketing on hotel performance by DEA and grey entropy. *Expert Systems with Applications* 38 (2011) 8763–8769
- Siu-Ian, A. S. and Alastair M. M. (2004). “Internet Marketing in Tourism in Asia: An Evaluation of the Performance of East Asian National Tourism Organization Websites”. *Journal of Hospitality & Leisure Marketing*, 11:4, 93-118.
- Smith, M., & Puczko', L. (2009). *Health and wellness tourism*. Burlington, MA: Elsevier Science and Technology Books.
- Tabacchi, M.H. (2010) Current Research and Events in the Spa Industry. *Cornell Hospitality Quarterly*, 51(1): 102-117.
- Tigu, G. - Coordonator. (2003). *Resurse si destinatii turistice pe plan mondial (Tourism Resources and Destinations on a Global Level)*. Bucharest: Uranus.
- Temizkan, P., Çiçek, D., Özdemir, C., (2015). Bibliometric profile of articles published on health tourism. *Journal of Human Sciences*.
- Wang, R. Y. (2004). “e-Commerce and Information Technology in Hospitality and Tourism”, Canada: Thomson Delmar Learning.
- Wimmer, D. D., Dominick, J. R. (2000). *Mass Media Research: An Introduction*. Belmont: Wadsworth Publishing Company.
- Zeng, Benxiang and Gerritsen, Rolf (2014). What do we know about social media in tourism? A review. *Tourism Management Perspectives*. 10 (2014) 27–36

Importance of Ecotourism for Local Development: Ihlara Valley Case

Şermin Şenturan¹ and Nabi Yavuz Şenturan²

Çaycuma Vocational School Hospitality
Bülent Ecavit University Zonguldak/Turkey
¹senturansermin@gmail.com

Faculty of Philology
Goce Delcev University, Stip/R. Macedonia
²nabi.yavuz49@gmail.com

Abstract

The objectives of this study are to determine the impacts of ecotourism on local development and to examine this event in Ihlara Valley sample. Ecotourism is defined by The International Environmetrics Society as "responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education" Ecotourism contribute to local development as touristic attractiveness. However, it is necessary to protect ecotourism that is presented as a touristic product in order to enable its sustainability in tourism and development. Ihlara Valley is located near to Göreme National Park in Nevşehir, Turkey. The Valley, which is cut by Melendiz River, through the volcanic Cappadocian landscape 45 km (28 miles) southeast of Aksaray city, holds about several churches, chapels, monasteries and hermits' caves dating from the 11th to 13th centuries. This paper presents Ihlara Valley and its surrounding as a model to analyze an ecotourism destination having a rich potential. Protection by true planning and being presented as touristic products will contribute to the local development of the area.

Keywords: ecotourism, local development, Ihlara Valley, touristic product

Service Quality, Destination Image Perceptions and Future Intentions of Thermal Tourists in Turkey

Mehmet Kasli¹ and Beybala Timur²

Faculty of Tourism
Eskisehir Osmangazi University, Turkey
¹mkasli@ogu.edu.tr
²beybalat@ogu.edu.tr

Abstract

Thermal tourism in Turkey has become very popular due to thermal tourists' demand which is to enjoy themselves while they retain their current good health or recover from diseases. This demand is mostly met thanks to Turkey's thermal and mineral water resources which are proven to be medically beneficial. From this point of view this study attempted to examine the service quality, destination image perceptions and revisit intentions of thermal tourists who visit the thermal hotels in Turkey. During the implementation of study a literature review is done and data is gathered from 343 participants through survey. Data is analysed through ANOVA, T test, correlation and regression analysis. According to the results there are significant relationships between service quality, destination image perceptions and revisit intentions of thermal tourists. Also results revealed that destination image has a mediating effect on service quality and revisit intention relationship.

Keywords: thermal tourism, service quality, destination image, future intention, Turkey

Determination of Factors Affecting the Quality of Services Offered at the Domestic Departures: A Case of Trabzon Airport

Salih Yildiz¹, Orhan Cavusoglu² and Muhittin Cavusoglu³

Faculty of Economics and Administrative Sciences,
Gumushane University, Turkey
¹salihyildiz@gumushane.edu.tr
²orhncavusoglu@gmail.com

College of Education
University of South Florida, Florida, USA
³muhittincavusoglu@gmail.com

Abstract

The purpose of this study is to determine the factors which impact the service quality offered at the domestic departures areas. In order to achieve this objective, a detailed survey was designed based on the literature. The survey questioned domestic airline passengers about a variety of airport services such as: the quality of ground transportation to the airport, security measures, check-in procedures, the conduct of airport service personnel, terminal-based services, passenger comfort within the airport, availability of shopping and dining outlets, efficiency of physical layout, adequacy of signage in the airport facilities, and many other services. Data were collected at the check-in area of the domestic departures section of the Trabzon Airport. Based on passenger transportation statistics, Trabzon is the 9th largest airport of the 55 airports in Turkey. For this data collection, the days of highest traffic (Monday, Tuesday, and Thursday) were selected over a two-week span to distribute the questionnaires. Out of 300 distributed questionnaires, 176 self-administered surveys were deemed acceptable, and used for data analysis. Exploratory factor analysis was used to analyze the data. 14 factors emerged from this analysis. However, these factors revealed by the factor analysis were not the same as those expected. Therefore, the survey was re-designed with the help of a panel of airport expert reviewers. Some of the questions were deleted and others re-written. After the survey re-design, out of 700 distributed questionnaires, 502 usable surveys were used to run the factor analysis. After this second factor analysis, six factors emerged. Measurable Factors were named: Security & Check-in, Shopping & Dining, Terminal Services, Transportation, Comfort, and Visibility of Information.

Keywords: air transportation, service quality, service marketing, factor analysis

National Tourism Planning Based on University Degrees and Tourism Professions: TIYADER Model

Ali Erbas¹, Rahman Temizkan², and Duran Cankul³

Tourism Faculty
Eskişehir Osmangazi University, Turkey

¹ alierbash@yahoo.com

² rahmantemizkan@hotmail.com

³ durancankul@hotmail.com

Abstract

It is under the authority and responsibility of Ministry of Tourism or governmental tourism body to carry out planning for national tourism. However, today it is not possible to carry out tourism planning optimally at the local, regional and national level and to determine the tourism standards in any destination and destination country. Also, it is unfortunate that tourism planning lacks of any tourism organization based on tourism degrees and professions. As a result of these facts, it has been unable to create the strategic systematic common wisdom in the tourism sector. These issues are main obstacles to forming tourism planning in any destination. It was intended in this study to bring forward a concrete tourism organization (destination management) model based on directly degrees and professions in tourism. This tourism organization or destination management model is expected to play an effective and efficient role in planning of tourism at the local, regional and national level.

Keywords: tourism, tourism planning, tourism council, tourism degrees, tourism professions

Introduction

Twenty first century is known as the information age. In this era like everyone else tourists can reach information easily. Internet and other communication technology and cheaper transportation facilities provides vast opportunities for modern tourist. Tourists have much more alternatives to choose after all than ever before. They always ask for more and better products at cheaper and reasonable prices.

Inevitably the needs and desires of modern tourists are satisfied by tourism products which are being produced by tourism establishments within their particular environments. For attaining success, tourism businesses need to plan, design and produce better products by performing a market research before the establishment of the business firm, and after forming the business firm as an institution, they continuously need to satisfy desires and demand of guests at reasonable costs. Therefore, the quality of tourism products is depended on the individual firm as well as on the environment where the business firm functions in. As a result of these conditions, businesses are depended on their own internal decision making mechanisms as well as external decision making related to local, regional and national environment. This situation compels us to proper planning and designing of local, regional and national destination management organization within the country's management system. Unfortunately until today, in

almost all destinations of the World, tourism environment could not have been planned on a rational basis due to disregarding of any effective and efficient system that should be based on tourism professions (**Research & Development (R&D)** included) and tourism professions on professional manager documents and tourism degrees. This study proposes a destination management organization model based on degrees and professions based on these degrees.

Responsibility of Tourism Planning

Ministry of Tourism (or Governmental Tourism Body) is responsible for and has the authority of carrying out tourism planning for national tourism. The responsibility of local, regional and national tourism planning exclusively lies on the shoulders of the Ministry of Tourism (or governmental tourism body) in any country. However due to lack of a proper legal destination management organization, it is not possible to achieve a strategic and systematic common wisdom and a base for tourism planning as well as for establishing tourism standards in tourism destinations. For these reasons, as tourism scholars, we have the obligation and unavoidable duty of creating such a legal destination management system model which will serve as an intermediary body and a bridge between the ground where tourism is practiced, and ministry of tourism or the government. Also, such an organization would essentially need to represent all the related parties legally, namely tourism businesses, human sources, tourism academicians and ministry of tourism evenly and effectively at local, regional and national levels.

The Need for Building a Legal Destination Management Organization

Professor stands for a profession, which means professor teaches profession and the result of this teaching activity is awarded by a degree. And a degree is the proof and evidence of a profession. Therefore, as educators we must consider and defend our degrees utterly, which have been offered by tourism faculties, colleges and tourism high schools, under special laws, in any country. These degrees have been made to meet the needs of human sources of tourism businesses and ministry of tourism as well, and in reality these degrees have been classified according to types of tourism establishments we have presently in the sector.

In tourism sector, we have basically hospitality, travel, recreation, and food and beverage businesses. Along with the type of tourism businesses we offer, hospitality management degrees, travel management degrees, recreation management degrees, and food and beverage management degrees. Also, we have tourist guide degrees that are designed to serve mainly the above mentioned four groups of tourism businesses, simultaneously. Therefore, at hand we have five types of tourism degrees which are the proof and evidences of five types of corresponding tourism professions. Besides these professions, we have the sixth one which we call Tourism Educators – R&D Profession that stands for teaching and doing researches mainly in the above mentioned five areas of tourism.

Tourism Educators - R&D Profession has generally been organized under special university laws and tourism high school laws in any country, all over the world. Once we determine and establish tourism professions on a legal basis as explained above, we need ministry of tourism (or governmental tourism body), be restructured on the basis of

tourism professions, as well. This is unavoidable, because tourism planning is under the authority and responsibility of the ministry of tourism exclusively, ministry of tourism (or governmental tourism body), in order to be functional, essentially needs to be organized on the basis of these five types tourism professions, and these tourism professions naturally, must be based on the related tourism degrees. In the destination management structure due to we regard ministry of tourism as an important actor of national destination organization, it is represented at the highest level by the governor or district governor as head of the local destination management organization, and by the minister or deputy-minister, as the head of national destination management organization.

Once local destination management organizations and ministry of tourism (or governmental tourism body) have been structured as explained above all over the country, all people working in tourism businesses at local destinations are oriented and awarded with the necessary operating licenses or professional manager documents. Regardless of graduation, ownership or any other characteristics, all the people working in the local tourism businesses are recruited as workers or professional managers to their respective profession unit for just one occasion, after that only people holding tourism degrees would be able to join the profession and have the chance of working and promoting in the tourism sector, and nobody else.

As soon as all people working in tourism establishments in the destinations have been oriented and recruited to their profession units, each profession unit will elect its head for three years from among the candidates holding the highest professional manager documents. Thus, all six profession heads as the members of the local destination management organization, together with the governor or district governor who is the representative of ministry of tourism as the head of the destination management would form the local destination management organization. After structuring all local destination management organizations in this manner, each profession heads, come together and elect their executive head (national) for three years from among the candidates with the highest professional manager documents according to the majority of votes of the heads. Thus, nationally elected six executive heads as the national representatives of professions with the minister of tourism as the head, would make up the national tourism destination management organization.

When needed, local destination management organizations would compose their regional destination management structure, with respect of their regional needs. To facilitate the decision making at local, regional, and national level, scientific basis of the decisions are continuously established by the academicians of Tourism Educators - R&D Profession units who are represented at local, regional and national levels. Including heads of the destinations at local as well as at national level, each profession head has just one vote and all decisions are taken on the basis of the majority of seven votes. Any decision that needs a scientific research always would be passed to the head of the Tourism Educators - R&D Profession for a scientific approach and solution. The head hands out the complaints and problems to the suitable member academicians who are working at the tourism faculties and colleges.

Tourism Standards at the Local, Regional and National Level

There is an urgent need for carrying out tourism planning and establishing tourism standards optimally at the local, regional and national level. The scope of tourism planning basically must include planning of; a) natural tourism assets, b) historical tourism assets, c) cultural tourism assets, and d) human tourism assets of a destination at local, regional and national levels. Such a comprehensive planning necessitates a scientifically designed and structured semi-public organization where all related parties namely, (1) all tourism businesses, (2) ministry of tourism, (3) all tourism academicians(R&D), and (4) all human tourism assets are represented, all over the country, as explained above.

Unfortunately due to lack of a *proper and legal destination management organization* as mentioned above, a sustainable tourism planning cannot be made and implemented properly in a way that would start from the ground, and would be based essentially on the needs and problems of tourism businesses, tourism workers, managers, and tourism educators, etc., in the local, regional and national destinations. Such a destination management system model with its intermediary role, as a bridge between the ground and ministry of tourism and the state structure, would provide a suitable and solid basis for a dynamic problem solving and satisfying the needs of the tourism environment and the tourism economy as well.

All the needs and problems related to natural tourism assets, historical tourism assets, cultural tourism assets, and human tourism assets with accompanying solutions prepared by the local and sometimes regional destination management organizations would go through the decision levels of local, regional and national destination organization and then ministry of tourism, government and parliament when necessary, as shown by Figure 1, below

National Destination Chart Explanation

With this organization at national level (a) all tourism businesses, (b) tourism employees and (c) tourism educators (R&D) by their heads; and (d) headquarters of Ministry of Tourism by Minister of Tourism, Deputy Minister of Tourism or Undersecretary of Tourism minister are represented at highest level, evenly and equitably.

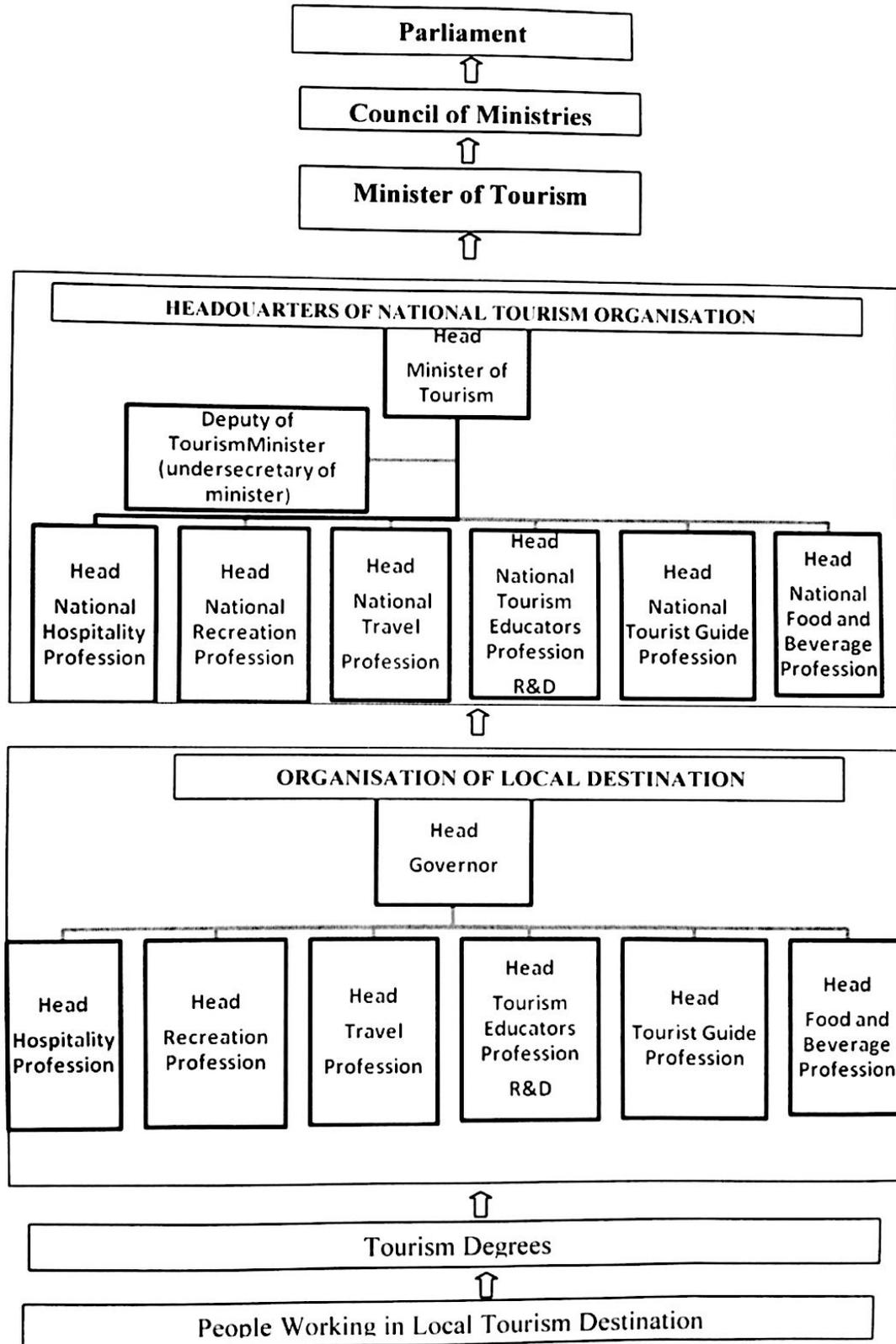


Figure :1 National Destination Management Chart

As soon as decisions are made about the needs and problems, and necessary precautions are taken at above stated decision levels, these precautions are mostly prescribed as standards to be followed by the destinations. For example, when carrying capacity of a local destination is analyzed and accordingly a master plan proposal is submitted to local destination management by the tourism educators-R&D profession unit, local destination management discusses the proposal, and if it is accepted by the majority of the local destination management members, then it is conveyed to national destination management organization for approval and as soon as it is approved, then it is sent to ministry of tourism for decision by the head of national destination management, who is also the minister of tourism. Once the proposal of the destination management is approved, then the particular local carrying capacity would have been under the control of ministry of tourism or state and national destination management organization as well. Sometimes tourism plan proposals that are made at local or regional level mostly by tourism educators may include some changes in some laws. In such a case, the plan proposal prepared by local or regional destination management is sent to national destination management, and national destination management analyses the situation and if necessary sends it up to Ministry of tourism. Minister of tourism as the head of the national destination management and as a the member of the government, carries the situation to the government for approval and action, and if necessary, the government sends the problem to the parliament with its recommended solutions (plan proposals) for related modifications in laws. As it is seen at local, regional and national destination management levels, Tourism Educators - R&D Profession is actively involved and play a decisive and crucial role in all decisions.

Tourism sector, like other sectors urgently needs to work with tourism degrees. Tourism sector, generally is composed of tourism businesses, ministry of tourism (or governmental tourism body), tourism departments of universities and tourism high schools. To attain success in this sector, legislation about the tourism professions and tourism degrees must be made. Such legislation would provide a legal protection of tourism education, tourism degrees, employment, and a substantial ground for an effective and efficient cooperation of tourism departments of universities and tourism high schools with the rest of the tourism sector. Without this kind of cooperation, tourism education systems cannot be successful as well, and also would continue to be criticized unfairly and undeservedly by others, and neither universities and businesses nor ministry of tourism could function and perform their duties properly. As all we know, except tourism sector, almost all sectors work with their special degrees due to legal protection; for instance, health sector with health degrees, legal sector with law degrees, educational sector with educational degrees, etc.

In the modern World any service that is to be provided or produced, generally need to be handled by its special degree. For instance, if you want to buy a health service, you need a system based on health professions and health degrees, but you never are supposed to get this service from a veterinary degree holder, who is a member of a veterinary profession, for example. If you need to get a legal service, you would need a law system, based on law professions and law degrees. If you wish to buy an educational service you need to buy the service or product from a system based on educational professions and

educational degrees, etc. Therefore we need to create our own tourism systems in our countries across the world, like other professions as explained above. Otherwise, tourism products or services that are being given, consequently would be defected, and buyers' rights of these defected services would unfortunately and unnecessarily be violated, as it is the case and practice of today's tourism world. The more services are distorted and defected, the more dissatisfaction and complaints of guests would be created, and the more destinations would be deteriorated and could not be sold properly. And, by the effect of continuous developments in consumer laws, more and more complaints and suits about tourism products would be encountered by the firms, as well.

Conclusions and Recommendations

Due to lack of legal protection of tourism professions and tourism degrees, most of the tourism graduates cannot find fair and suitable employment and career opportunities in tourism businesses and ministry of tourism, and have been disappointed and frustrated. Tourism graduates although needed badly by tourism businesses and ministry of tourism, because of insufficient employment, related educational investments and expenditures have been mostly wasted out, across the countries.

Lack of destination management organization based on tourism professions and tourism degrees as explained in this study, tourism planning and development of tourism standards cannot be achieved scientifically and with common wisdom in almost all destinations of the World. For example in Turkey almost 99% of tourism faculty graduates are out of the tourism sector, which means Tourism businesses and Ministry of Tourism lacking tourism labor force and employing people from other fields. Just imagine for example, a situation where law degrees are not at work in legal sector, or health degrees are not used in health sector, or educational degrees are not in effect in education sector, etc., how can we expect justice, health, education, etc., be enhanced and planning and standardization in these areas be created, and also the results of scientific studies be applied and tested in these sectors, and these sectors function as expected. Nevertheless, unfortunately any one can work in tourism sector freely, without any tourism degree and professional requirement and the result is absolutely failure in all respects.

To protect tourism environment and enhance sustainable tourism, we need to plan natural, historical, cultural and human tourism assets of the destinations, at local, regional and national level. As it is explained in this study it seems that, the only way to succeed this aim is the professionalization of tourism through legal protection of tourism professions and tourism degrees and also establishment of a legal national destination management system that will function as a bridge between the ground where tourism is practiced, and ministry of tourism. Through such a system, as the basis of sustainable tourism, tourism planning and creation of tourism standards can successfully be achieved.

References

- Erbas, A., Temizkan, R. & Cankul, D. (2015). Current Issues, Trends, and Indicators, Bringing Qualified Personnel into the Tourism Sector: Tiyader Model. *I. Eurasia International Tourism Congress*. 28-30 May 2015. Konya, Turkey p. 618.
www.tiyader.org

Can accounting ratios determine change in market share price? Spotlight on the Dhaka Stock Exchange Listed Private Commercial Banks of Bangladesh

Sumaiya Zaman

ULAB School of Business
University of Liberal Arts Bangladesh
sumaiya.zaman@ulab.edu.bd

Abstract

The share market in Bangladesh has seen a major turmoil in 2010-2011. The reasons behind it are believed to be several and investigation is still going on. The paper aims to determine if change in company market share price could have been predicted by the financial indicators of the company. The study focuses on the private commercial banks in Bangladesh as it is a growing industry playing a significant role in the capital market of the nation. In Bangladesh, there are 30 private commercial banks listed in the Dhaka Stock Exchange. Of them, 23 banks are selected for the study on the basis of data availability for the ten-year period of January 2005 to December 2014. Accounting ratios indicating bank profitability, efficiency, risk, liquidity, and asset quality are chosen as bank financial indicators. Statistical tools as multivariate regression and correlation have been used on the 230 bank-year observations. Multi-collinearity among the final indicators has also been tested. It is seen that selective accounting ratios can be fine determinants of share price change in the financial market of Bangladesh.

Keywords: financial market, private commercial banks, accounting ratios, market share price

Introduction

The journey of the banking industry of Bangladesh started in 1971 with 6 nationalized commercial banks, 2 state-owned specialized banks, and 3 foreign banks. Private banks made their entrance into the market in the 1980's. Currently, banks in Bangladesh are primarily of two types with Bangladesh Bank, the central bank of Bangladesh, being the chief regulatory body of the banking sector:

- Scheduled banks
- Non-scheduled banks

Non-scheduled banks are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives. These banks cannot perform all functions of scheduled banks. On the other hand, scheduled banks are the ones that get license to operate under Bank Company Act, 1991 (Amended in 2003). There are 56 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into:

- State-owned commercial banks
- Specialized banks

- Private commercial banks
- Foreign commercial banks

There are five state-owned commercial banks which are fully or majorly owned by the Government of Bangladesh and three specialized banks established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh. There are nine foreign commercial banks operating in Bangladesh as the branches of banks which are incorporated abroad. There are 39 private commercial banks which are majorly owned by the private entities (Banks & FIs: Bangladesh Bank, 2013). The private commercial banks can be categorized into three categories:

- Full-fledged conventional private commercial banks
- Conventional banks with Islamic windows
- Full-fledged Islamic banks

The banking industry of Bangladesh has undergone unprecedented changes over the last decade. These changes have resulted in fierce competition and greater productive efficiency in the banking market (Ahamed, 2012). However, the Dhaka Stock Exchange crash in 2101-2011 and the subsequent fall of market share prices of the private commercial banks have given the author an incentive to formulate a way which can see if the financial performance of the banks, in other words, their accounting ratios, can determine and predict the change in return from equity investment in these banks, as measured by the change in their market share prices. The objectives of the study are:

- i. Determining accounting ratios of twenty-three of thirty private commercial banks listed in the Dhaka Stock Exchange during the period of January 2005 to December 2014.
- ii. Estimating the change in annual average market share price of the selected banks during the period of study.
- iii. Finding out if accounting ratios can be good predictors of change in return from equity investment in the private commercial banks of Bangladesh, both during pre-Stock Market crash and post-Stock Market crash periods.

Literature Review

Multiple studies have been conducted to determine the rate of return from equity investments. One of the most significant determinants of return in equity is the rate and direction of price change. This has led to numerous researches to identify factors that influence share price change, and, therefore, make price change predictable. Such studies can be classified into three categories: first, those studies that sought to predict future share price changes from past price changes; second, those investigations that attempted to predict price changes from price ratios, such as price/earning ratio; and third, those studies which sought to predict price changes from past changes in other variables, such as earnings (Murphy, 1968). A study has shown that movements in stock prices are driven by news about cash flows. In this case, common variation in prices must be attributable to common variation in cash flows. If discount rates vary over time, however, then groups of stocks can move together because of common shocks to discount rates rather than fundamentals. For example, a change in the market discount rate will have a

particularly large effect on the prices of stocks whose cash flows occur in the distant future, so these stocks will tend to rise together when the market discount rate declines, and fall together when the market discount rate increases (Campbell, Polk, & Vuolteenaho, 2010). Some theories suggest that share price changes are associated with changes in fundamental variables which are relevant for share valuation like payout ratio, dividend yield, capital structure, earnings size of the firm and its growth. Investigations of share price changes appear to yield evidence that changes in fundamental variable(s) should jointly bring about changes in share prices both in developed and emerging markets. However, the actual fundamental factors found to be relevant may vary from market to market. For example, changes in asset growth of firms are significant in the case of Japanese shares while earnings appear to be universally a relevant factor. Another relevant factor in affecting the share prices is the capital structure of the firm. The level of debt financing by the firm has impact on the value of firm's assets. A high-risk firm (a firm with debt) must generate high return consistent with the investor's expected return. It follows that with higher debt firm should have greater rate of change in its share price. Hence capital structure (DA as debt to asset ratio) changes must be directly related to the share price volatility. In competitive capital markets the value of a firm is independent of its financial structure. But if markets are imperfect (transaction cost, taxes, informational asymmetry, agency cost etc.) then capital structure matters and influences the share prices. Size of a firm also has effect on the valuation of the firm's assets. Smaller stocks have higher average returns. Introduction of size, as a multiplicative term to dividend, provides a significant improvement in the explanation of share prices. The size of the firm if captured through total capital employed, is expected to influence the share prices positively as large firms are better diversified than smaller ones and thus are less risky. It is seen that as the size of the firm increases, their share price volatility declines (Irfan, Nishat, & Sharif, 2002). Another study conducted in the Abu Dhabi Securities market showed that earnings per share and book value per share have significant effect on share price, while dividend per share has no significant effect on share price (Obeidat, 2009). A study on the Greek stock market shows ratios of working capital to total assets and net profit to sales have a negative impact on stock returns, while the ratios of net profit to total assets and sales to total assets affect returns positively (Dimitropoulos & Asteriou, 2009) An interesting study shows how overconfidence on the part of investors who neglect important information and trade aggressively, can influence share price. Thus, neglect can influence price as well (Daniel & Hirshleifer, 2015).

A study in 1974 regresses average rate of return from common stock on average of financial ratios. It is seen that commonly discussed financial ratios based on published financial data are not useful in ranking common stocks by their future returns (Abdel-Khalik, 1974). This paper aims to see if the result holds true for the capital market of Bangladesh. The paper, thus, attempts to see if commonly discussed financial ratios have the predicting capacity of the change in market share prices of the private commercial banks of Bangladesh.

Data and Methodology

The paper attempts to investigate if accounting ratios can determine change in market share price of private commercial banks that are listed in the Dhaka Stock Exchange

(DSE). There are 30 DSE listed private commercial banks in Bangladesh. Out of 30, the study has selected 23 banks for the ten year period of January 2005 through December 2014. The sample banks are carefully chosen on basis of data availability of data for the period of study. The sample banks are: Al-Arafah Islami Bank Limited, Arab Bangladesh Bank Limited, Bank Asia Limited, Dhaka Bank Limited, Dutch Bangla Bank Limited, Eastern Bank Limited, Export Import Bank of Bangladesh Limited, ICB Islamic Bank Limited, International Finance Investment and Commerce Bank Limited, Islami Bank Bangladesh Limited, Mercantile Bank Limited, Mutual Trust Bank Limited, National Bank Limited, National Credit and Commerce Bank Limited, One Bank Limited, Prime Bank Limited, Pubali Bank Limited, Social Islami Bank Limited, South-east Bank Limited, Standard Bank Limited, The City Bank limited, United Commercial Bank Limited, and Uttara Bank Limited. Relevant data for research have been extracted from audited annual reports of the selected banks. Websites of the chosen banks have provided the study with significant information. The Dhaka Stock Exchange data archive has proved to be an important source of data for the dependent variable. Related oldest to newest literature in this context has also been thoroughly studied.

Twenty-five accounting ratios (given in Table 1) are selected as markers of bank profitability, efficiency, asset management, liquidity, and risk management. The paper calculates the chosen ratios of each sample bank for each year for the ten-year period of the study i.e. January 2005 – December 2014. Bank profitability is represented by six ratios, bank efficiency by seven ratios, bank asset management by four, while two ratios are used to measure bank liquidity, when six ratios give an indication about bank risk management.

Table 1: Accounting Ratios And Their Formulae Used To Indicate Bank Profitability, Efficiency, Asset Management, Liquidity, And Risk Management

Ratios	Formulae
Profitability	
Return on assets	Net income/ Average total assets
Return on equity	Net Income/ Average total shareholders' equity
Profit margin	Net income/ Operating income
Return on deposits	Net income/ Average total customer deposits
Return on shareholder capital	Net income/ Shareholder contributed capital
Net operating margin	Operating income/ Interest income
Efficiency	
Interest income to expense	(Interest income–Interest expense)/ Average total loans and advances
Operating expense to assets	Operating expense/ Average total assets
Operating income to assets	Operating income/ Average total assets
Operating expense to revenue	Operating expense/ Operating income
Asset turnover	Interest income/ Average total assets
Net interest margin	(Interest income–Interest expense)/ Average total assets
Net non-interest margin	(Non-interest income–Non-interest expense) Average total assets/
Asset Management	
Provision to earning assets	Provision for loan loss/ Average total loans and advances
Write-off ratio	Loans written off during the year/ Average total loans and advances
Loan ratio	Average total loans and advances/ Average total assets
Loan to deposits	Average total loans and advances/ Average total customer deposits

Liquidity	
Cash to assets	Cash/ Average total assets
Cash to deposits	Cash/ Average total customer deposits
Risk Management	
Deposits to assets	Average total customer deposits/ Average total assets
Equity multiplier	Average total assets/ Average total shareholders' equity
Equity to deposits	Average shareholders' equity/ Average total customer deposits
Liabilities to equity	Average total liabilities/ Average total shareholders' equity
Liabilities to shareholder capital	Average total liabilities/ Average total shareholder contributed capital
Retained earnings to assets	Retained earnings/ Average total assets

Note: Adapted from the *Journal of Islamic Economics, Banking and Finance*, Vol. 9, No. 3, p. 76, by F. Zehri and N. Al-Herch, 2013, IBTRA.

Annual change in average market share price of each bank for each year is determined for a year more than the entire study period, which is, from of January 2004 till December 2014. In order to calculate this, the end-of-month market share price of each bank for each month for eleven years is accumulated. The annual average market share price of a sample bank for a single year is calculated by:

$$\text{Annual average market share price} = \frac{\sum_{i=1}^{12} \text{Month-end market share price of month "i"}}{12} \quad (1)$$

Annual change in average market share price of each bank for each year is computed by:

$$\Delta \text{Average market share price in year "t"} = \frac{\text{Average market share price in year t} - \text{Average market share price in year "t-1"}}{\text{Average market share price in year "t-1"}} \quad (2)$$

Annual changes in average market share price of banks are regressed on their accounting ratios over the ten year period of study using multivariate regression. Statistical tools as Wald (z-statistic) and chi-square have been used to test the significance of the predictor variables and goodness of fit of the model. Karl Pearson's coefficient of correlation (r) has been used to test the multi-collinearity among the independent variables to ensure the study is free of such matter.

Empirical Findings

Summary statistics of the accounting ratios of the sample private commercial banks listed in the Dhaka Stock Exchange for years 2005 to 2014 are presented in Table 2.

Table 2: Descriptive Statistics Of Accounting Ratios Of The Sample Private Commercial Banks Listed In The Dhaka Stock Exchange For Years 2005-2014

Ratios	Mean	Median	Standard Deviation	Min.	Max.	Count
Return on assets	24%	20%	23%	-7%	200%	230
Return on equity	31%	25%	85%	-525%	770%	230
Profit margin	3%	2%	5%	-20%	31%	230
Return on deposits	5%	2%	40%	-194%	556%	230
Return on shareholder capital	97%	63%	445%	-57%	6804%	230
Net operating margin	6%	4%	38%	-99%	522%	230
Interest income to expense	3%	2%	3%	1%	38%	230
Operating expense to assets	9%	6%	44%	-4%	666%	230
Operating income to assets	46%	40%	53%	-307%	475%	230
Operating expense to revenue	10%	9%	7%	1%	115%	230
Asset turnover	2%	3%	11%	-71%	105%	230
Net interest margin	0%	0%	3%	-5%	25%	230
Net non-interest margin	2%	1%	13%	-2%	185%	230
Provision to earning assets	2%	0%	5%	0%	40%	230
Write-off ratio	64%	67%	18%	4%	168%	230
Loan ratio	133%	85%	189%	6%	2254%	230
Loan to deposits	9%	8%	10%	1%	147%	230
Cash to assets	18%	10%	26%	1%	225%	230
Cash to deposits	72%	80%	29%	3%	246%	230
Deposits to assets	1311%	1291%	546%	-619%	3480%	230
Equity multiplier	15%	10%	20%	-51%	135%	230
Equity to deposits	1186%	1161%	719%	-719%	7204%	230
Liabilities to equity	2858%	2195%	2799%	4%	21311%	230
Liabilities to shareholder capital	4039%	2616%	3833%	941%	21311%	230
Retained earnings to assets	1%	1%	1%	0%	4%	0

Multivariate regression has been run on sets of different combinations of accounting ratios to devise a statistically significant model that explains change in bank market share price. The equation of the regression goes:

$$Y_i = \alpha + \sum_{j=1}^n \beta_j X_j + \varepsilon_i \quad (3)$$

Where, Y_i is the annual change in average market share price of bank “i”. α is the slope. β_j represents parameter of the econometric model for accounting ratio “ X_j ”, while ε is the error term.

Probability of chi-square statistic, in other words, the p-value, is computed for each model using different combinations of accounting ratios. The model with p-value (0.0000) less than α (0.05) is selected to be statistically significant. Output of the model is summarized in Table 3.

Table 3: Output Of Multivariate Regression Model For Years 2005 - 2014

R-sq: within = 0.1234	Number of obs =	230
between = 0.2026	Wald chi2(5) =	31.84
overall = 0.1244	Prob > chi2 =	0.0000

Δ Average share price	Coefficient	Standard error	z	P> z	[95% Confidence Interval]	
Return on deposits	1.8036	0.9641	1.87	0.061	-0.086	3.6931
Net non-interest margin	3.1401	1.1466	2.74	0.006	0.8928	5.3873
Loan to deposits	0.0652	0.0242	2.68	0.007	0.0176	0.1128
Equity to deposits	-0.8638	0.3006	-2.87	0.004	-1.453	-0.2746
Equity multiplier	0.017	0.0058	2.92	0.003	0.0056	0.0284
Constant	-0.334	0.082	-4.08	0.000	-0.4946	-0.1734

Wald statistics (z-values) are obtained by dividing the coefficients of the predictors by their respective standard errors. Probabilities of z-values, which are the p-values, indicate if the coefficients of predictors are significantly different from “zero” and therefore, whether the null hypothesis can be rejected. The p-values of the majority ratios in the model are less than α (0.05) and thus, are statistically significant. Exception is return on deposits. The model can be summarized as:

$$\begin{aligned}
 \Delta \text{ Annual average bank market share price} &= -0.33 \text{ (0.08)} + 1.8 \text{ (0.96)} \text{ Return on deposits} + 3.14 \text{ (1.15)} \text{ Net non-interest margin} + 0.06 \text{ (0.02)} \text{ Loan to deposits} - 0.86 \text{ (0.3)} \text{ Equity to deposits} + 0.02 \text{ (0.01)} \text{ Equity multiplier} \\
 n &= 230, R^2 = 0.1244.
 \end{aligned}
 \tag{4}$$

The model shows that increase in bank return on deposits by one unit brings about one unit rise in the rate of change of bank market share price *ceteris paribus*. Net non-interest margin of a bank appears to have the largest impact on bank market share price change. The only variable that has a negative impact on change in bank market share price is equity to deposits. The model shows while bank efficiency seems to have major impact on bank market share price change, bank liquidity seems to be playing no role at all. Negative parameter of equity to deposits seems to indicate a tendency of bank market share price decrease with average shareholders’ equity increase in the financial market of Bangladesh. Thus, inputting ratios of a certain bank into this model might tend to give an indication as to whether the bank’s market share price will rise or fall.

Multi-collinearity has been tested among and between the predictors. It can be seen from Table 4 that most of the predictors share low correlations between and among themselves, hence, ridding the study of any such issues.

Table 4: Correlation Among The Independent Variables Of The Derived Multivariate Regression Model For Years 2005-2014

	Return on deposits	Net non-interest margin	Loan to deposits	Equity to deposits	Equity multiplier
Return on deposits	1				
Net non-interest margin	0.0098	1			
Loan to deposits	0.5059	-0.0703	1		
Equity to deposits	0.7467	0.0133	0.7428	1	
Equity multiplier	0.2497	0.0545	0.1364	0.086	1

From the results, it is seen that the more efficient and profitable a bank, the higher would be its market share price. Bank liquidity does not seem to have an impact on its market share price in the capital market of Bangladesh.

The paper further studies if the model remains statistically significant during both pre-Stock Exchange crash and post-Stock Exchange crash periods. Table 5 exhibits the results of the model during pre-Stock Exchange crash period.

Table 5: Output Of Multivariate Regression Model For Years 2005-2010

R-sq: within = 0.0696	Number of obs = 138
between = 0.2481	Wald chi2(5) = 14.24
overall = 0.0981	Prob > chi2 = 0.0141

Δ Average share price	Coefficient	Standard error	z	P> z	[95% Confidence Interval]	
Return on deposits	2.2697	1.2132	1.87	0.061	-0.1081	4.6474
Net non-interest margin	2.7925	1.2738	2.19	0.028	0.2959	5.2892
Loan to deposits	0.8703	0.033	2.64	0.008	0.0224	0.1517
Equity to deposits	-1.2497	0.5178	-2.41	0.016	-2.2646	-0.2348
Equity multiplier	0.01179	0.0068	1.74	0.082	-0.0015	0.0251
Constant	-0.1157	0.1032	-1.12	0.262	-0.3179	0.0865

It is seen that the model holds statistically significant as indicated by the probability of chi-square being less than α . The direction of the individual parameters remains the same, though there is a slight change in the strength of the parameters. The regressor equity multiplier does not appear statistically significant in the pre-crash period. The R-squared statistic seems to indicate that the independent variables can explain for 9.81% change in market share price of the private commercial banks in Bangladesh during the pre-Stock Exchange crash era. The pre-crash model can be represented by:

$$\begin{aligned}
 \Delta \text{ Annual average bank market share price} &= -0.12 \quad +2.27 \text{ Return on deposits} \quad +2.79 \text{ Net non-interest margin} \quad +0.87 \text{ Loan to deposits} \quad -1.25 \text{ Equity to deposits} \quad +0.01 \text{ Equity multiplier} \\
 &(0.1) \quad (1.21) \quad (1.27) \quad (0.03) \quad (0.5) \quad (0.01)
 \end{aligned} \tag{5}$$

$$n = 138, R^2 = 0.0981.$$

Multi-collinearity between and among the predictors are low during the pre-crash period as can be seen in Table 6.

Table 6: Correlation Among The Independent Variables Of The Derived Multivariate Regression Model For Years 2005-2010

	Return on deposits	Net non-interest margin	Loan to deposits	Equity to deposits	Equity multiplier
Return on deposits	1				
Net non-interest margin	0.0012	1			
Loan to deposits	0.4756	-0.0433	1		
Equity to deposits	0.7839	0.0363	0.8121	1	
Equity multiplier	0.2513	0.0888	0.1409	0.2585	1

The model, however, does not hold statistically significant during the post-Stock Exchange crash period. Probability of chi-square is not less than α , and, therefore, null hypothesis cannot be rejected. The outcome of the post-crash period is in Table 7.

Table 7: Output Of Multivariate Regression Model For Years 2011-2014

R-sq: within = 0.1458	Number of obs = 92
between = 0.0436	Wald chi2(5) = 10.32
overall = 0.1071	Prob > chi2 = 0.0667

Δ Average share price	Coefficient	Standard error	z	P> z	[95% Confidence Interval]
Return on deposits	-3.3246	1.8747	-1.77	0.076	-6.999 0.3498
Net non-interest margin	2.0693	1.9567	1.06	0.290	-1.7657 5.9044
Loan to deposits	-0.0826	0.0458	-1.80	0.072	-0.1724 0.0073
Equity to deposits	0.9753	0.3607	2.70	0.007	0.2683 1.6822
Equity multiplier	0.0189	0.0103	1.83	0.067	-0.0014 0.0391
Constant	-0.5995	0.1297	-4.62	0.000	-0.8537 -0.3454

Multi-collinearity among and between the predictors are low as displayed in Table 8.

Table 8: Correlation Among The Independent Variables Of The Derived Multivariate Regression Model For Years 2011-2014

	Return on deposits	Net non-interest margin	Loan to deposits	Equity to deposits	Equity multiplier
Return on deposits	1				
Net non-interest margin	0.0159	1			
Loan to deposits	0.6476	-0.2301	1		
Equity to deposits	0.7758	-0.0195	0.6956	1	
Equity multiplier	0.1647	-0.1476	0.0411	-0.1841	1

It is seen that, a model can be devised to describe change in market share price of private commercial banks operating in the financial market of Bangladesh. The model, however, does not hold strong after the crash of the Stock Exchange in 2010.

Conclusion

The purpose of the paper is to develop a model that would be able to determine and predict bank market share price change on the basis of bank financial indicators in the capital market of Bangladesh. Bank financial indicators are accounting ratios measuring bank profitability, efficiency, asset management, liquidity, and risk management. It is seen that initially commonly used accounting ratios seem to compose a statistically significant model that can determine change in market share price. But when studied if the ratios could have predicted the change in market share price during the Dhaka Stock Exchange crash during 2010-2011, the results vary. The model seems to be a good fit during pre-Stock Exchange crash period, but it is not a good fit during the post-Stock Exchange crash period. The paper, therefore, suggests for further studies to be done to find out factors that can predict change in market share price more accurately in the capital market of Bangladesh.

References

- Abdel-Khalik, A. R.. (1974). On the Usefulness of Financial Ratios to Investors in Common Stock: A Comment. *The Accounting Review*, 49(3), 547–550.
- Ahamed, M. M.. (2012). Market Structure and Performance of Bangladesh Banking Industry: A Panel Data Analysis. *The Bangladesh Development Studies*, 15(3), 1–18.
- Banks & FIs: Bangladesh Bank*. (2013). Retrieved March 25, 2015, from Bangladesh Bank Website: <http://www.bangladesh-bank.org/fnansys/bankfi.php>
- Campbell, J. Y., Polk, C., & Vuolteenaho, T.. (2010). Growth or Glamour? Fundamentals and Systematic Risk in Stock Returns. *The Review of Financial Studies*, 23(1), 305–344.
- Daniel, K., & Hirshleifer, D.. (2015). Overconfident Investors, Predictable Returns, and Excessive Trading. *The Journal of Economic Perspectives*, 29(4), 61–87.
- Dimitropoulos, P. E. & Asteriou, D.. (2009). The Value Relevance of Financial Statements and their Impact on Stock Prices: Evidence from Greece. *Managerial Auditing Journal*, 24(3), 248-265.
- Irfan, C. M., Nishat, M., & Sharif, H.. (2002). Key Fundamental Factors and Long-run Price Changes in an Emerging Market—A Case Study of Karachi Stock Exchange (KSE) [with Comments]. *The Pakistan Development Review*, 41(4), 517–533.
- Murphy, J. E.. (1968). Earnings Growth and Price Change: In the Same Time Period. *Financial Analysts Journal*, 24(1), 97–99.
- Obeidat, M. I. (2009). The Internal Financial Determinants of Common Stock Market Price: Evidence from Abu Dhabi Securities Market. *Journal of Economic and Administrative Sciences*, 25(1), 21-46.

Developing a New Business Model for Existing Customers

Paul Alpar¹ and Maria Bugaeva²

University at Marburg

¹alpar@wiwi.uni-marburg.de

²mariabugaeva@gmail.com

Abstract

A company in the heating, ventilation and air conditioning (HVAC) industry produces and sells products for the industrial and home market. Given the developments in the mobile market and internet of things, it considers offering apps to home customers for remote control of heating (and possibly other devices). Such products are not new and are already offered by various suppliers under the common term of smart home. Their suppliers are direct competitors of the company in focus, utilities, or companies that only offer sensors and apps for the purpose. Despite the late entry, the company still believes having chances to capture a significant share of the smart home market because of their superior knowledge of their heating devices (and other reasons that cannot be disclosed due to confidentiality agreements). It decides to apply the “canvas” approach (Osterwalder and Pigneur 2010) to develop a business model for smart home offerings. The drawing of a canvas for the existing model, as a warm-up and departure point, is straightforward. The analysis of the current offerings in the smart home market is conducted with traditional methods. Difficulties start with the design of the new model and esp. a meaningful customer segmentation. As identified in the canvas of the existing model, the company currently uses two channels to sell devices to its customers: first, own sales offices for installers who install equipment at the customer, and second, wholesalers who also sell competitors’ equipment. Even in the second case, installers strongly influence most purchases. Therefore, the company has good relationships with installers and a good understanding of how they operate but little understanding of the actual buyers and users of their products. A new customer understanding is necessary for the new business model. The canvas approach gives little support in this activity. The paper presents the development of a suitable customer segmentation. It is based on two important characteristics of customers: awareness of connectivity possibilities of devices (technical component) and willingness to pay (financial component). This serves as the basis for the design of various product variants, their pricing, and for estimation of potential sales. The results can be conveniently entered into the canvas for the new business model, which, again, is an excellent tool to communicate it.

Keywords: business model, business model innovation, canvas, smart home

Distributing Value Added: In Search of Socioemotional Wealth of the Family Business

José L. Gallizo¹, Jordi Moreno², and Manuel Salvador³

Faculty of Law and Economics
University of Lleida, Spain
¹gallizo@aegern.udl.cat
²jmoreno@aegern.udl.cat

Faculty of Economics
University of Zaragoza, Spain
³salvador@unizar.es

Abstract

Research has demonstrated that family businesses limit the goal of maximizing profits in exchange for maintaining control of the company and passing control to future generations. However, these decisions are not always shared by the stakeholders who are outside the family context. Therefore, tensions arise within the company that may affect profitability and the share prices of the family business. Our goal is to analyze the internal tensions faced by family businesses in the value added distribution and whether these tensions harm their performance as a result of the restrictions under which these companies operate. A factor analysis has been used to measure the tension that results from value added distribution of a sample of 105 Spanish listed firms for the period 2005-2012. A regression analysis has been used to study the impact of this tension on their share prices. Results show that being a family business has a positive effect on the business tension factor and that returns and share prices are inversely related to tension factors. Thus, we conclude that the decision to maintain control over the family businesses threatens profitability and share prices. An analysis of distribution of value added in family business shows if the management in its decisions preserves, or not, its socioemotional wealth generating tensions among its economic agents and affecting its profitability and continuity. This knowledge is important for shareholders of the company and future investors.

Keywords: family business, socioemotional wealth, value added distribution, factor analysis

Introduction

The impact of family involvement in the management of a family firm (FF) has been a matter of much interest in the literature (Mishra and McConaughy, 1999; Poutziouris, 2001). Two issues have been present in this area of research. First, whether there is an attempt to keep control of the firm in the hands of individuals connected by family ties and, second, whether the owners of a FF try to pass control of the firm to future generations.

The importance attached to family control in FF restricts the opportunities for financial management of the company as compared with non-family firms (NFF). This is the case because members of the family that own the firm may be reluctant to put their wealth at

risk beyond a certain limit. Family members may also, for this reason, limit their indebtedness in order not risk their own resources beyond a certain threshold. Finally, family members may be unwilling to accept new partners from outside the family in order not to dilute family control of the firm. These limitations restrain growth in FFs by limiting their access to financial markets, something that may pose a threat to survival unless there are compensatory factors (Galve-Gorriz and Salas-Fumas, 2011). That such compensatory factors exist may be deduced from the observation that some of the longest lasting companies are FFs.

Schultze et al. (2001) argue that personal ties and expectations amongst the economic agents of the FF compensate any financial limitations that may exist. Such personal ties and expectations are based on psychological factors. They can be seen as a set of intangible elements that appear in the FF in the form of non-economic benefits. Gomez-Mejia et al (2015) describe them as **Socio-Emotional Wealth (SEW)**. Berrone et al. (2012) further argue that family owners seek to preserve the business and its reputation by non-financial means that include affect-based contributions. It follows that the primary strategic and financial decisions are taken after an assessment of gains and losses in SEW.

The relationship between members of the management team has been investigated in the context of stakeholder theory and in the context of the more traditional approach based on owners' objectives. Both theoretical approaches acknowledge the existence of pressures that influence management decisions. The pressures may be internal to the management, as explained by stakeholder theory, or external to the management team, as explained by the theory of owners' objectives. But, according to Nordvist (2005), FFs are relatively isolated from external and internal pressures because of the strength of the position held by the owner or the director of the FF. Such isolation worries Miller et al. (2012) who would like to see all economic agents included in the decision-making process that contributes to the creation of value. The inclusion of all economic agents, would be the best way to protect and strengthen the SEW of the FF, and the best way to obtain the active support of all stakeholder groups, Cennamo et al. (2012).

In this study we propose to use the Value Added Statement (VAS) in order to explore the conflicts of interests that may exist between stakeholders. By explicitly revealing such conflicts of interest and their implications it should be possible to embed decision-making within a context of SEW.

We will use the accounting concept of the VAS given by the Corporate Report (ASSC, 1975). Currently, this concept provides a social approach to the generation and distribution of value that is essential in the calculation of corporate social responsibility (CSR accountability) performance (Perera and Zicari, 2012).

We hypothesize that FFs approach access to capital markets in a different way from NFFs because FFs seek to preserve and improve the SEW of the firm. This is the case even when there are conflicts of interest between the stakeholders in FFs. The way in which conflicts of interests affect management decisions can be revealed using the VAS as an

instrument of analysis. We further hypothesize that the analysis of VAS will produce different results for FFs and NFFs.

In order to test these hypotheses we have collected data on 80 FFs and 56 NFFs that are quoted in the Madrid stock exchange. The analysis has been performed using Factor Analysis. We focus on the distribution of income in order to uncover the internal tensions that exist in FFs and NFFs using Factor Analysis techniques. We particularly concentrate on whether the restrictions that FF management imposes in order to maintain control result in internal tensions over the distribution of VA, and on whether such tensions harm performance.

Our study helps to determine whether the management style of FFs that are seeking to preserve their SEW generates internal tensions in the distribution of income between the coalition of stakeholders. Such tensions, if shown to exist, would threaten the continuity of the company, affect profitability, and impact on stock prices.

The article is organized as follows. In Section 2, presents the theoretical framework for value added distribution. Section 3 describes the way in which family business protect their SEW through the distribution of income among their stakeholders. The empirical study is covered in Section 4. Finally, Section 5 summarizes the main conclusions of the study.

Theoretical Framework

The stability and growth of a company depend on the wealth that the company creates through the collective efforts of all of its stakeholders and shareholders, including the contributors of external capital, the owners of company equity, its employees, and government. All of these agents are part of a whole interested in the operation of the business. Therefore, they are all informed of the conduct of operations (Reichmann and Lange, 1981).

In the case of a FF we suggest that the information needed to assess the conduct of operations can be obtained from the study of the VAS and of the way in which it evolves over time.

Following this idea, we review how VA is distributed among the primary beneficiary groups of a family business. To this end, we use an algebraic representation of the relationship between traditional profit and loss information and the VAS. The relationships that exist in the income statement can be formulated as follows:

$$S - P - W - I - DP - T = E = DD + R,$$

where,

S = net sales

P = purchases of goods and services

W = wages

I = loan interest

DP = depreciation

T = taxes

E = earnings

DD = dividends

R = retained earnings

Gross VA can be derived from this equation as follows:

$$VA = S - P = W + I + DP + T + DD + R,$$

This functional form expresses how the VA is calculated and how it is distributed among the components that contribute to its formation (Gallizo et al., 2002).

The VA is not information that has often been included in company annual reports. However, in recent years, there has been increased interest in including VA within the financial information system. In fact, new trends in corporate reporting have renewed interest in providing broader technical developments in firms that wish to convey a new level of social responsibility (Haller and Staden, 2014).

In addition to the previously mentioned external conflicts, there may be other conflicts of an internal nature that could result in tensions in a FF. These conflicts arise when strategic business decisions are made. For instance, the appointment of a chief executive officer (CEO) from outside the family may be opposed by members of the family who may see a threat in the way future VA may be distributed. A CEO from outside the family will prioritize profitability as opposed to preserving SEW. Such tensions will be reflected in the distribution of income in the VA statement. This subject will be addressed in the empirical study.

Methodology

Our methodology is based on the study of the underlying factors of the distribution of VA both in FFs and in NFFs. The study of such underlying factors over time will reflect, the stresses that arise in the management of both types of firms.

One could assume in principle that any stress generated by the distribution of VA in FFs is balanced by the positive effects that SEW produces amongst agents. However, there may be internal conflicts in FFs that result in increased stress. For example, there may be internal disputes between those who occupy positions of responsibility in management and the rest of the shareholding family. We think that these stresses between family members will manifest themselves clearly in the distribution of VA in FFs. For this reason, we are interested in studying the importance of the presence, or lack of it, of a non-family CEO in the management of FFs, and we include this characteristic in our model.

Data

The study includes a sample of companies that, at the end of 2013, were listed on the Madrid Stock Exchange. Financial sector firms are excluded from the sample. The study focuses on listed firms because other research suggests that, other things being equal, FFs may have higher market value than NFFs (McConaughy et al, 2001). This being the

case, we should be able to observe how stressful situations affect share prices in FFs and in NFFs.

We analyze data for the eight years period 2005-2012. This period is suitable for analyzing the tensions in companies when distributing VA, since it covers the years just before the 2008 financial crisis and the full impact of the crisis. The VA shrank as a result of the crisis, something that makes this period particularly interesting for the study of the behavior of FFs and NFFs in periods of stress.

Income statements and balance sheets for the companies in the study were obtained from the Iberian Balance Sheet Analysis System (*Sistema de Análisis de Balances Ibéricos-SABI*) database.

To measure the tension that results from VA distribution, we conducted a factor analysis of the percentage distribution series of the VA in its different components. We used Statistical Package for the Social Science (SPSS) 19.0 software and the Kaiser selection criterion.

Findings

The coefficients used to calculate the factorial scores for each company, which were obtained using Bartlett's method. (table 1).

The first factor, termed *Business Tension (BT)*, collects the opposite behavior of the percentage of **Employee Expenses** versus the percentage allocated to the **Dividends** in the distribution of VA and explains 42.19% of the total variation. The second factor, termed *Financial Tension (FT)*, is a contrast between the percentage of **Financial Expenses** and the percentage allocated to **Retained Earnings** and explains 28.06% of the total variation. As previously mentioned, there is also a significantly positive correlation between the two factors (0.184). This correlation reveals the existence of a weak association that indicates that a business with BT would tend to also have greater FT and vice versa.

Table 1 shows the coefficients matrix of the factor scores of these companies. Note that the BT factor is essentially a contrast between the percentage of Employee Expenses and Depreciation on the one hand and Dividends and, to a lesser extent, Financial Expenses and Reserve Expenses on the other. Therefore, companies with a high (low) value for this factor are those that assign to employee expenses and depreciation a high (low) percentage of its VA in detriment (benefit) to its distribution of dividends, reserves, and financial expenses. Therefore, the BT factor opposes remuneration for shareholders — who desire to continue receiving their dividends— against the payroll of workers —who are against decreases in wages or jobs that family management attempts to avoid because it is concerned with the firm's social responsibility reputation (Block, 2010).

Table 1: Coefficient matrix of the factor scores of companies

Variables	Factor	
	BT	FT
100* Employee_Expenses/VA	0.491	0.027
100* Financial_Expenses/VA	-0.104	-0.565
100* Depreciation/VA	0.416	0.034
100* Retained earnings/VA	-0.123	0.494
100* Dividends/VA	-0.368	0.041

Companies with a high (low) score for the FT factor tend to assign a high (low) percentage of their VA to reserve expenses and simultaneously a low (high) percentage to their financial expenses. Therefore, this second factor reflects a tension that occurs when determining to go into debt to grow and bear the financial costs or to retain earnings.

Analysis of BT in VA distribution

Figure 1 shows the annual evolution by industrial sector of the mean BT factor value in FFs and NFFs. One can observe that the highest levels of tension occur in manufacturing and service sector companies. It is known that for both sectors, the unit labor costs in Spain increased faster than the average for the euro zone during the period studied (EEAG, 2011). Our research also shows that within these sectors, FFs withstand a higher level of BT (Figure 1) than NFFs in these sectors as a result of higher percentages of employee expenses versus the percentage of dividends. This phenomenon occurs because there has been a greater propensity in FFs to sacrifice dividends in favor of maintaining employee jobs and wages in the years of economic crisis. This outcome helps to explain the idea that a number of authors term *implicit contract*, according to which dynastic management provides the family with sufficient credibility to satisfy existing implicit contracts with its employees.

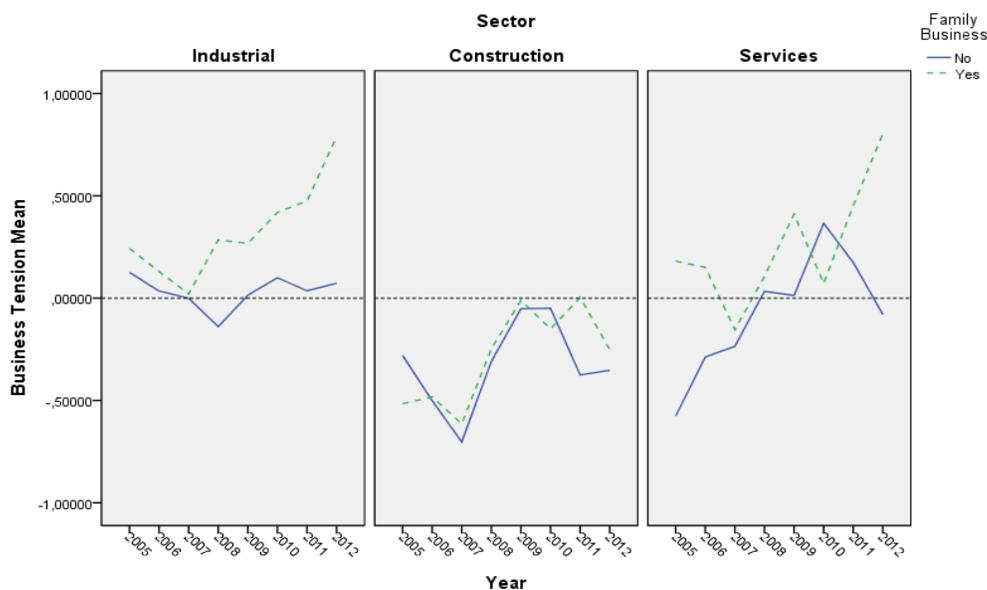


Figure 1: Annual evolution of mean values for Business Tension by sector and distinguishing between family businesses (dashed lines) and non-family businesses (continuous lines)

In fact, one observes that during the period studied, which encompasses an economic crisis, FFs reduce the share of dividends in order to maintain employee expenses. The FF normally seek to maintain a strong equity structure (Anderson and Reeb, 2003), and in the years with poor outcomes, they support this structure by retaining profits.

Figure 2 shows the annual evolution of the mean value of the BT factor scores by sector taking into account company type (FF vs. NFF) and CEO type (family and non-family). Figure 4 shows the evolution of the variables that are most related to this factor (i.e. the percentage of Employee Expenses, Depreciation, and Dividends). A noticeable difference in management style is reflected in a family business when the CEO is a member of the family as opposed to being a professional CEO. In our results, we see that the management style of the family business with a professional CEO is more similar to that of the non-family business than an authentic family business.

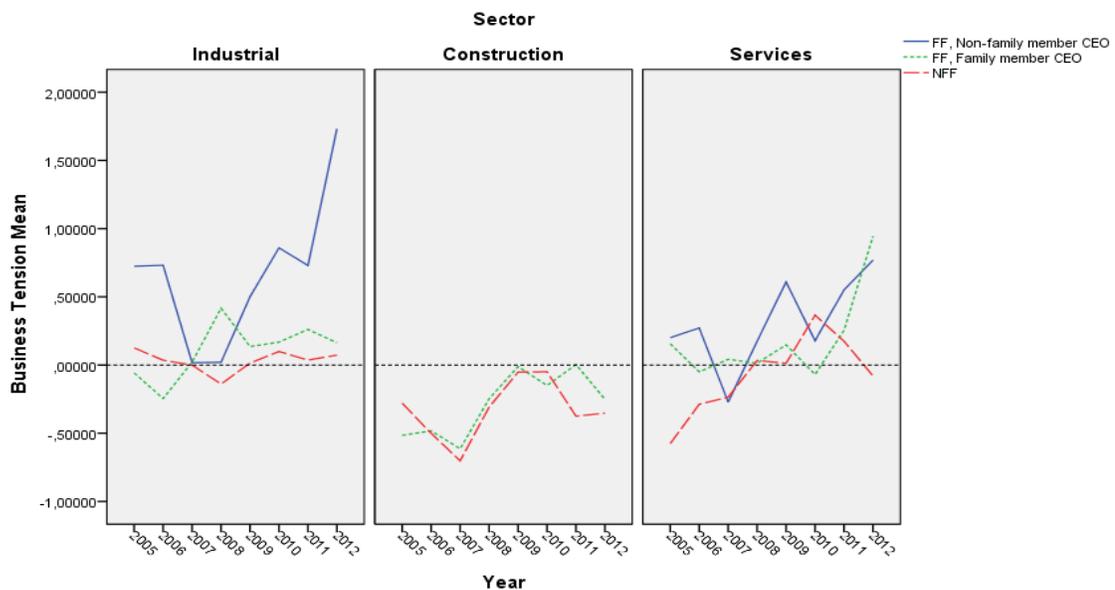


Figure 2: Annual development of mean results for the BT factor by sector and according to company (family business vs. non-family business) and CEO (family vs. non-family) type

The reason is that the professional CEO does not feel the same degree of responsibility for SEW as a family member would (Barontini and Caprio, 2006), which results in higher tension levels in FFs whose CEO is not a family member, particularly in the industrial sector after 2009, because of the substantial increase in the percentage of employee expenses.

Analysis of FT in the VA distribution

We labeled Financial Tension (FT) our second factor, which is a contrast between financial expenses (with a positive sign) and retained earnings (with a negative sign).

Figure 3 shows the yearly evolution of the mean FT value for FFs and NFFs taking into account the business sector, shows the evolution of the percentages of financial expenses and retained earnings that determine the tension.

As shown in Figure 3, the highest levels of financial tension occur in companies in the construction sector, particularly since 2008 as a result of the reduction of interest rates and the consequent increase in indebtedness of the companies in this sector. In addition, there are no significant systematic differences between FFs and NFFs with the exception of the high level of tension in service sector NFF since 2010, as a result of the substantial increase in financial expenses and the low levels of retained earnings (Figure 6). In 2010, the debt of the traded Spanish companies reached a record high (OECD, 2014), and FFs found themselves possessing stronger assets than NFFs because of the benefits retention policy implemented in previous years.

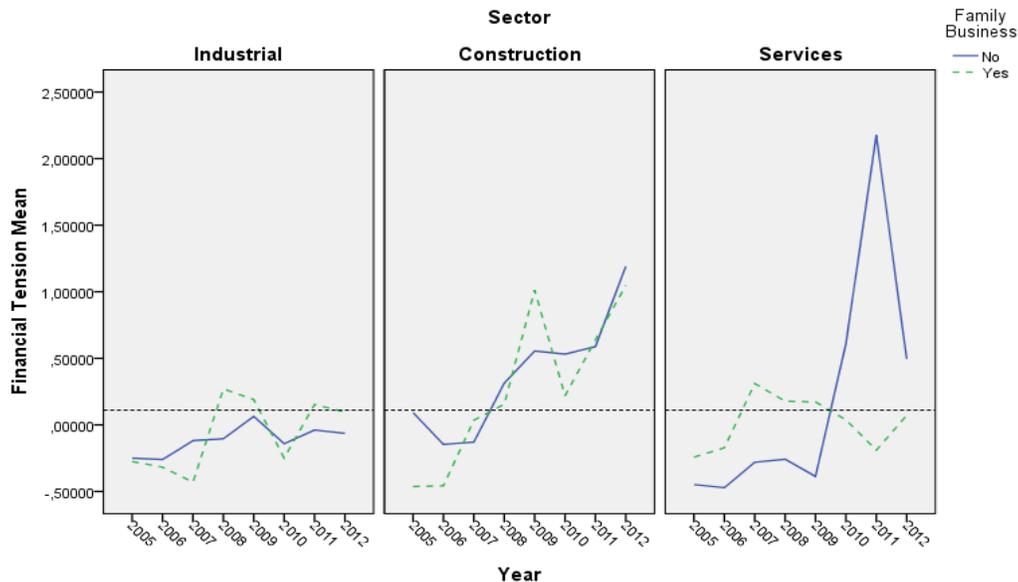


Figure 3: Annual development of mean FT values by sector and distinguishing between family businesses (dashed lines) and non-family (continuous lines) businesses

Influence of the tension regarding VA distribution on share prices

We have argued in this paper that there are differences between FFs and NFFs, and that these differences can be revealed with the help of the VAS. The question now arises if these differences are perceived by the market, something that would result in different share prices other things being equal. In order to explore this possibility we conducted a regression in which the dependent variable was the logarithm of share prices. As independent variables we used for each company the BT and FT values. We also included as independent variables economic profitability (ROA); the logarithm of the debt ratio; company size (measured by the log of the Total Assets); the VA generated; a dummy variable that took into account if the firm was a FF or a NFF; and indicators for the year, and for the sector. Finally, in order to test if the presence of a non-family CEO made a difference, we included a dummy variable to this effect.

The results of the regression are shown in Table 2. Table 2 shows estimated regression coefficients using OLS. Table 3 also shows regression coefficients estimated using a robust iteratively reweighted least squares procedure. This last estimation method had to

be employed because the regression residuals were found not to conform to the hypothesis of normality. In fact, they showed significant leptokurtosis.

In order to increase the reliability of the results we have explored the presence of multicollinearity and endogeneity in the regression. To that aim we have calculated the variance inflation factors (VIF) of each explanatory variable. We have also carried out an exogeneity sensitivity analysis with respect to BT and FT looking for an effect on share log prices. We have used the recently proposed procedure of Ashley and Parmeter (2015 a, b) which obviates the need to identify credibly valid (and usefully strong) instruments for the independent variables, a procedure that is described as an enterprise which is arguably fraught and invariably subject to (often justified) criticism (Ashley and Parmeter, 2015 a).

Table 3: Exogeneity Sensitivity Analysis Results of $H_0: \delta_{BT}=0$ and $H_0: \delta_{FT}=0$

Variable	$H_0: \delta_{BT}=0$	$H_0: \delta_{FT}=0$
BT	0.1125	1.0000
FT	0.6385	0.2115
Size	0.1178	0.5832
ROA	0.2263	1.0000
Indebtedness	0.3464	0.4417
All	0.2542	0.3022

No serious problems of multicollinearity were found (all the VIF are less than 10). Additionally, the inferences about δ_{BT} and δ_{FT} are fairly robust with respect the exogeneity hypotheses of the above explanatory variable given that all the minimum degrees of correlation are larger than 0.1 which is the advised value by Ashley and Parmeter (2015 a) when exploring the fragility of a null hypothesis with respect to the exogeneity hypothesis.

Conclusions

Family businesses have been the object of much interest in recent times. This paper has explored the differences that exist between Family Firms (FFs) and Non Family Firms (NFFs). The literature suggests that FFs, besides the usual objective of maximizing profitability, have a further goal of keeping control of the firm within the family, and passing this control to future generations. This goal restricts the opportunities of a FF in the area of financial management, since the family may be unwilling to take partners from the outside, or to increase their indebtedness. In theory, these restrictions should work against FFs, but it has been observed that FFs tend to have longer lives than NFFs.

It has been suggested that FFs compensate their financial weaknesses by means of psychological factors, something that has been described as Socio Emotional Wealth (SEW). According to this point of view, FFs have as a goal to maintain and increase SEW. SEW is increased using as tools control, culture, and family experiences. It is claimed that FFs would sacrifice financial gains in the altar of good relations with employees, shareholders, providers of finance, and the family. There has been little empirical research in this respect, and this paper attempts to provide some empirical evidence.

The usual financial statements are not appropriate in order to explore how family values impact on the management of the firm. Here we argue that the Value Added Statement (VAS) is an appropriate tool to explore management differences between FFs and NFFs. The VAS is released voluntarily as part of an exercise in corporate responsibility. When available, the VAS permits to identify the share of value added that can be attributed to wages, loan interest, depreciation, and taxes. By analyzing the share of each one of these components in the VA it is possible to explore the choices made by FFs and NFFs. Of particular interest is the question of whether in a period of business crisis FFs and NFFs show different behaviors.

The theory makes a series of predictions. It is suggested that, in times of crisis FFs will not reduce staff but will endure higher staff costs. It is also suggested that in times of crisis FFs will distribute lower dividends and apply savings to self-finance. With respect to banks, the theory suggests that FFs will use lower shares of value added to reward external capital than NFFs. In the area of taxation, it is suggested that FFs have no particular advantage over NFFs, but that FFs, through their involvement in the local economy, may qualify for tax incentives that are not normally available to NFFs, and that this might result in a lower share of taxation in the VAS. The theory also suggests that conflicts of interest are less severe in FFs than in NFFs, that there is greater alignment between shareholders' interest and management interest, which this should result in improved profitability in the market, something that would impact on the price of the shares of the company. Finally, it is suggested that when the CEO is not a member of the family, many of the advantages of being a FF vanish.

Given that the financial crisis, whose start can be traced to 2008, had different impact in the different areas of activity, we explored the evolution of BT and FT in the industrial sector, the construction sector, and the services sector.

The most relevant results indicate that BT levels tend to be higher in FFs. Regarding FT, the highest tension levels was found to occur in the construction sector, particularly after 2008. Significant differences between FFs and NFFs were not observed. Higher levels of FT were only observed in industrial companies when the CEO of the FF was not a family member. This is compatible with the CEOs assigning a higher proportion of the VA generated to financial expenses rather than to retained earnings.

Throughout the period studied, the highest levels of BT and FT were observed in FFs. This negatively affected the market valuation of FFs. The aim of preserving SEW in years of economic crisis, when the VA to be distributed declined gradually, caused FFs to avoid worker layoffs and maintain their payroll cost levels. Also it could be noticed that on the whole, FFs used their benefits to self-finance rather than to distribute dividends. These measures increased the level of tension throughout the period studied by decreasing the value of the FF in the market compared with the NFF.

Table 2: Regression of the logarithm of the price of the shares of the company on the BT and FT factors

Variables	OLS			VIF	Robust Estimation		
	Coefficient	Standard error	p value		Coefficient	Standard error	p value
Constant	-1.136	0.422	0.007		-0.800	0.379	0.035
BT	-0.123	0.050	0.015	1.680	-0.144	0.045	0.001
FT	-0.281	0.045	0.000	1.293	-0.210	0.041	0.000
2006	0.295	0.159	0.064	1.790	0.310	0.142	0.030
2007	0.181	0.156	0.247	1.870	0.142	0.140	0.310
2008	-0.497	0.158	0.002	1.835	-0.546	0.142	0.000
2009	-0.353	0.158	0.026	1.863	-0.330	0.141	0.020
2010	-0.499	0.160	0.002	1.804	-0.474	0.143	0.001
2011	-0.719	0.159	0.000	1.855	-0.753	0.142	0.000
2012	-0.719	0.166	0.000	1.762	-0.576	0.148	0.000
Construction sector	0.071	0.112	0.525	1.425	0.136	0.100	0.176
Service sector	-0.430	0.128	0.001	1.255	-0.393	0.114	0.001
Family business & family member CEO	0.206	0.162	0.202	3.096	0.203	0.145	0.161
Non-Family business	-0.078	0.143	0.588	3.024	-0.177	0.128	0.168
ROA	0.706	0.395	0.075	1.270	2.855	0.354	0.000
Indebtedness	-0.167	0.037	0.000	5.094	-0.111	0.034	0.001
Size	0.412	0.051	0.000	5.440	0.324	0.045	0.000
Adjusted R2	0.374						
F statistic	25.668		0.000				
Normality	Shapiro-Wilks	0.961	0.000				

References

- Anderson, R. & Reeb, D.V. (2003) Founding family ownership and the agency cost of debt, *Journal of Financial Economics*, Vol. 68 No. 2, pp. 263–285.
- Ashley, R.A. & Parmeter, C.F. (2015 a), When is it justifiable to ignore explanatory variable endogeneity in a Regression Model. Available in http://ashleymac.econ.vt.edu/working_papers/Ashley_Parmeter_Credible_OLS.pdf.
- Ashley, R.A. & Parmeter, C.F. (2015 b), Sensitivity analysis for inference in 2SLS/GMM estimation with possible flawed instruments, *Empirical Economics*, Vol. 49, pp. 1153-1171.
- ASSC (1975), The Corporate Report, London: *Accounting Standards Steering Committee*.
- Barontini, R. & Caprio, L. (2006), The effect of family control on firm value and performance: Evidence from Continental Europe, *European Financial Management*, Vol. 12 No. 5, pp. 689-723.
- Berrone, P., Cruz, C. & Gomez-Mejia, L.R. (2012), Socio-emotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research, *Family Business Review*, Vol. 25 No. 3, pp. 258-279.
- Block, J. (2010), Family management, family ownership, and downsizing: Evidence from S&P 500 firms, *Family Business Review*, Vol. 23 No. 2, pp.109–130
- Cennamo, C, Berrone, P, Cruz, C & Gomez-Mejia, L.R. (2012), Socio-emotional wealth and proactive stakeholder engagement: why family-controlled firms care more about their stakeholders, *Entrepreneurship Theory and Practice*, Nov. 1042-2587.
- EEAG (2011), *España*, Occasional Paper 193, European Economic Advisory Group, CESifo. IESE Business School, August.
- Gallizo, J.L, Gargallo, P. & Salvador, M. (2002), Sharing wealth: Evidence from financial ratios in Spain, *Journal of International Financial Management and Accounting*, Vol.13 No. 3, pp. 214-234.
- Galve-Górriz, C. & Salas-Fumás, V. (2011), Family ownership and firm performance: the net effect of productive efficiency and growth constraints, *Innovar*, Vol. 21 No.40, pp. 155-170.
- Gomez-Mejia, L.R., Patel, P.C. and Zellweger, T.M. (2015), In the Horns of the Dilemma: Socioemotional Wealth, and Acquisitions in Family Firms. *Journal of Management*, Vol. 20 No.10, pp. 1-29.
- Haller, A. & Van Staden, C. (2014), The value added statement – an appropriate instrument for integrated reporting, *Accounting, Auditing & Accountability Journal*, Vo. 27 No. 7, pp. 1190-1216.



- McConaughy, D.L. & Matthews, C.H. (2001), Founding family controlled firms: efficiency, risk and value, *Journal of Small Business Management*, Vol. 39 No. 1, pp. 31-49.
- Miller, D., Le Breton-Miller, I. & Lester, R.H. (2012), Family firm governance, strategic conformity and performance: Institutional versus strategic perspectives, *Organization Science*, Vol. 24 No.1, pp. 189-209.
- Mishra, C.S. & McConaghy, D.L. (1999), Founding family control and capital structure: The risk of loss of control and the aversion to debt, *Entrepreneurship, Theory and Practice*, Vol. 23 No. 4, pp. 53-64.
- Nordqvist, M. (2005), Familiness in top management teams: A commentary, *Entrepreneurship Theory & Practice*, Vol. 29 No.3, pp. 285-292.
- OECD (2014), *Economic survey of Spain*, September 2014, overview.
- Perera, L. & Zicari, A. (2012) Value-added reporting as a tool for sustainability: a Latin American experience, *Corporate Governance*, Vol. 12 No. 4, pp. 485-498.
- Poutziouris, P.Z. (2001), The views of family companies on venture capital: Empirical evidence from the UK Small to Medium-Size Enterprising Economy, *Family Business Review*, Vol. 14 No. 3, pp.277-291.
- Reichmann, T. & Lange, C. (1981), The value added statement as part of corporate social reporting, *Management International Review*, Vol. 21 No. 4, pp. 17-22.
- Schulze, W.S; Lubatkin, M.H; Dino, R.H. & Buchholz, R.A. (2001), Agency relationship in family firms: Theory and evidence, *Organization Science*, Vol. 12 No. 2, pp. 99-116.

Entrepreneurial Universities Index: A Scale Development Study

Mahmut Tekin¹, Tahsin Geçkil², and Özdal Koyuncuoğlu³

Selçuk University, Turkey
¹mahtekin@selcuk.edu.tr

Necmettin Erbakan University, Turkey
²tgeckil@konya.edu.tr
³okoyuncuoglu@konya.edu.tr

Abstract

The reflections of the understanding of neo-liberal education on higher education are observed to have transformed universities into student centered institutions aiming for an education consistent with global development, generating an entrepreneurial and creative human resource and accordingly developing consistent education programs. In this context, it attracts attention that measurements are conducted to determine whether universities have an entrepreneurial structure. Although these measurements have various objectives, the primary aim is to constitute a competitive, entrepreneurial and innovative university governance system that meets the expectations of all stakeholders and to maintain the development of this system. The presence of different measurement tools in this regard would be scientifically useful. Based on this view, the aim of this study is to develop a new index regarding university entrepreneurship. At the scale development stage, the Content Validity Index study, which is the first phase of the scale development process consisting of three phases and ten steps, was performed. At the first stage, the statements that could be included in the measurement tool were created in accordance with the literature and the opinions of experts. The 145 statements composed at this stage were revised in terms of clearness and repetitions and a draft form consisting of 52 items was obtained. This draft was sent to experts from the field and their opinions were asked. Following the expert opinions, the Content Validity Index (CVI) study was conducted and it was determined that 50 items were left on the candidate scale.

Keywords: entrepreneurship, university entrepreneurship, entrepreneur-friendly universities, scale development study

Note: This study consists of the pioneering data of a research project supported by the scientific research projects coordination Unit of Selçuk University. The research study is currently ongoing, and the paper presented is a preliminary study.

Introduction

The proliferation and achievement of effective entrepreneurship, which plays an important role for economic, technological and social development and progress, to a large extent depends on discovering new entrepreneurial individuals. Recently, it has become more noticeable that entrepreneurship provides significant contributions to the creation of new work areas and the solution of employment problems. This has increased the importance of studies aimed at discovering potential entrepreneurs.

Universities are continuously affected by the socio-economic, socio-political and socio-cultural changes caused by globalization. This has brought about radical changes in the functions, responsibility areas, structures and processes of universities and their abilities for creating funds and their levels of perceiving their environments. This forces universities to respond and adapt to this change, and moreover to adopt the mission of guiding the change. One part of this mission has been to improve the awareness of universities regarding entrepreneurship.

The dissemination of an entrepreneurial culture at universities and affiliated institutions started to be discussed as an issue in our country in relatively recent times. Studies on the measurement of the effectiveness of policy measures for the dissemination of an entrepreneurial culture are also not yet adequate. The entrepreneurial university ranking method named as the Entrepreneurship and Innovativeness Index, which has been developed and implemented at the university level by TUBITAK under the management of the Ministry of Science, Industry and Technology, has been used since 2012.

Experts on entrepreneurship emphasize the importance of studies on measuring university entrepreneurship. When evaluating the Entrepreneurial University Index Model, it is necessary to perform evaluations by considering the different judicial systems of countries, structural differences, and regional characteristics, histories of the universities and the stages they passed through, and the development level of the countries. Moreover, it is also necessary to take into consideration the own conditions of each university and the differences and diversities among their practices. For this reason, a standard model is not stated when making reference to the entrepreneurial university model. The important role of entrepreneurship on the economy and the society has led us to think that more studies are needed to be conducted on university entrepreneurship measurement models and motivated us to study on this topic.

Entrepreneurial University Model and Turkey

When we examine the development achieved by entrepreneurial universities, we observe two different trends of value production activities. In the first of these two trends, universities conduct activities that will maintain the increase of entrepreneurial intentions and skills among the whole public starting from their students and including their staff. These serve as training and skill-building activities covering a large scope ranging from raising awareness to guiding individuals with entrepreneurial intentions. In the second of these trends, universities carry out activities that will create value (activities that improve and increase the qualities of products and services, and ultimately the production and presentation of these to the consumers) almost like a business organization. This second case is a structural transformation which is also represented through concepts such as 'intrapreneurship, corporate entrepreneurship, etc.' in the 'Entrepreneurship' literature. There are certain reasons that require this transformation in higher education. The tendencies of deregulation, privatization and liberalization, which are the outcomes of the 'Globalization' process, decrease the dependence on public funding and thus the role of the state in higher education, and necessitates universities to have more entrepreneurial and competitive structures with regard to the market (Altbach et al., 2009).

The number of students in higher education that increased with the increasing competition and transition to mass education in the 1990s in the world and in our country made public resources inadequate and forced the institutions to look for new resources. This competitive environment, which was something new for universities, led them to projects that provide external resources, cooperation with universities in different regions, opening new campuses in different cities and countries, international mobility of students and academicians, and to processes of incorporation that regard students as ‘customers’. With the adaptation of the neo-liberal policies of some country governments such as the US to universities, it was also suggested that universities needed to be ‘entrepreneurial’ to create new resources (Küçükcan and Gür, 2009).

Rinne (2009) states the elements that activate universities on the way to become entrepreneurial as internal and external factors. The external factors are listed as (1) the formation of European Higher Education Area-EHEA, (2) demand for more autonomy, (3) international competition, and the internal factors are (1) traditional culture and administration mechanisms, (2) academic capitalism, (3) entrepreneurial activities, and (4) role of the university in the higher education system (Rinne, 2009, as cited in Sakinç and Bursalıoğlu, 2012).

Entrepreneurial university model has followed a process that started with the consultancy services offered by the academic staff in the areas of industry and commerce at the investigative and innovative universities of the US such as MIT and Stanford at the end of the 19th century and today spread to European universities like Cambridge and Twente and developed through the formation of independent institutions working between the university and the industry and the assignment of new characteristics and functions to the university. Universities have been changing in the direction of providing an increase in regional, social and economic welfare through interacting with the industry without obstructing their traditional function of education and research (Odabaşı, 2006).

The efforts of universities to maintain an increase in welfare has carried them beyond being merely the elements of the market of thought. Today’s universities have become competing institutions with the quality of their students and instructors, the resources they possess and provide, and their respectability in the public eye. The environment that surrounds universities has currently been evolving into an image of a market. The market in question creates a culture of management and enterprise that often conflicts with the traditional and academic culture and makes higher education institutions more competitive and more integrated with the industrial sector (Günay, 2007). Higher education institutions have been focusing on entrepreneurship for their new role of being able to support the national and regional increase of welfare.

The dissemination of entrepreneurship training activities at universities and thus the development of the entrepreneurial characteristics of individuals is also as important as the success of universities in gaining an entrepreneurial structure for the development of entrepreneurship (Yelkikalan et al., 2010). The first step for a university to develop its entrepreneurial characteristics is to measure the level of entrepreneurship in the current

situation. The following steps are the assessment of the developments within the process and the creation of the roadmaps that will contribute to achieving the desired level.

Aim

The aim of the present study is to develop an index that evaluates the entrepreneurial and innovative potentials of universities and presents the entrepreneur-friendliness levels of universities. The first trend regarding university entrepreneurship was taken as base for our study. That is, the approach which suggests that the university conducts activities that maintains the increase of entrepreneurial intentions and skills among the whole public starting from their students and including their staff was adopted in our study. The development of entrepreneurial intentions and skills in these environments has been named with the term ‘Entrepreneur-friendly University’ in our study, which is aimed to be contributed to the literature.

Method

Research Model

A study of content validity, which is the first step of scale development, was conducted in this methodological research.

Validity Study

There are three primary criteria for testing the validity of a measurement tool (Tezbaşaran, 1996; Gözüm and Aksayan, 2003). These are;

1. Content validity
2. Construct validity
3. Criterion-related validity.

The validity study of the developed index was conducted based on the content validity explained below.

Content Validity

This is the stage at which the ability of the items to measure the characteristics that are aimed to be measured is determined. The comprehensiveness of the scale is generally tested by using the opinions of the experts on the topic of the scale and the related literature (Tezbaşaran, 1996). At this stage, the content validity study known as Lawshe's technique was employed (Lawshe, 1975). Lawshe's technique consists of the following 6 steps:

1. Constitution of the domain expert group
2. Preparation of the candidate scale form
3. Obtaining experts' opinions
4. Calculation of the content validity indexes regarding the items
5. Obtaining the content validity index of the scale
6. Constitution of the candidate scale form based on the content validity index.

At this first stage of the study, these 6 steps of content validity were implemented.

Data Collection

An item pool consisting of 145 items was created based on the literature review and the opinions of the domain experts to determine the statements to be included in the index (Grave et al., 2013; Tübitak, 2013a; Tübitak, 2013b). The obtained items were reviewed by the researchers, the repeated items were deleted and a draft measurement instrument of 52 items was obtained.

The draft scale was sent to 28 faculty members from the related field in Turkey through electronic mail to obtain expert opinions for content validity, and 13 of these faculty member experts replied back. The experts were asked to evaluate each statement that was planned to be included in the measurement tool and to give points between 1 and 5. In the evaluation that was asked to be performed regarding the applicability of each item for measuring the attribute aimed to be measured, 1 point is explained with the statement “by no means applicable”, 2 points with “not applicable”, 3 points with “applicable”, 4 point with “very applicable”, and 5 points with “completely applicable”. The opinions of the experts who gave 3, 4, and 5 points to an item on the expert opinion form were regarded as “essential”.

As the result of the expert evaluations, the Item Content Validity Index (I-CVI) was calculated for each of the 52 items. The content validity index is calculated by dividing the number of experts who indicated an item as “essential” (ng) to the total number of experts (N) (Polit and Beck, 2006).

If the CVI value for an item includes negative values or 0, such items are eliminated at the first stage. Although the acceptable Item CVI values of the items to be included in the scale vary depending on the number of experts, this value is recommended to be not lower than .78 (Polit and Beck, 2006). Lawshe (1975) states the minimum CVI values that the items are required to have to be included in the scale as shown in Table 1. The items with a CVI value smaller than the one shown in Table 1 would not be included in the developed scale.

Table 1: Minimum content validity index values that the items are required to have to be included in the scale

Number of experts	Minimum value	Number of experts	Minimum value
5	0.99	13	0.54
6	0.99	14	0.51
7	0.99	15	0.49
8	0.78	20	0.42
9	0.75	25	0.37
10	0.62	30	0.33
11	0.59	35	0.31
12	0.56	40+	0.29

Limitations of the Study

The most important limitation of the present study is that the content validity stage, which is only the first stage of the scale development study, was conducted, but the other stages have not been completed yet. The statements presented in the study are limited to

the time and place at which the study was conducted, the literature reviews of the researchers, and opinions of experts.

Findings

In this study, 13 experts evaluated a total of 52 items, and the content validity index of each item was calculated (Table 2). The content validity index (CVI) calculated for each item in Table 2 was compared with the minimum value (0.54) in Table 1 depending on the number of experts, and the items with a value bigger than this minimum value were accepted (A). Accordingly, since the CVI values of 50 of the 52 items were bigger than the minimum value, the candidate scale form consisted of 50 items. The items were given their final shape by taking into consideration the suggestions of the experts for minor changes.

While the I-CVI values of the items included in the index varied between .62 and 1.0, the Scale Content Validity Index (S-CVI) for the entire scale was calculated as .82 (Table 2). An S-CVI of .80 or higher is stated as an acceptable value (Polit and Beck, 2006). Accordingly, the item and scale CVIs of the candidate measurement tool were at acceptable levels.

Table 2: Content validity index values of the items to be included in the scale depending on the number of experts

Scale statements	N	N _g	* CVI = $\frac{n_g}{N}$	**CVI	***Decision
1. Is there an entrepreneurship office/center at your university?	13	13	13/13	1.0	A
2. The number of projects your university received from R&D and innovation funding programs in the previous year	13	12	12/13	.92	A
3. The amount of funding your university received from R&D and innovation funding programs in the previous year	13	12	12/13	.92	A
4. The number of national and international science awards your university received in the previous year	13	10	10/13	.77	A
5. The number of R&D and innovation projects conducted through university-industry collaboration	13	12	12/13	.92	A
6. The amount of funding received from R&D and innovation projects conducted through university-industry collaboration	13	11	11/13	.85	A
7. The number of R&D and innovation projects conducted through international collaboration	13	11	11/13	.85	A
8. The amount of funding received from international R&D and innovation collaborations	13	11	11/13	.85	A
9. The number of doctoral graduates at your university in the previous year	13	9	9/13	.69	A
10. The number of patent applications from your university in the previous year	13	13	13/13	1.0	A
11. The number of patent specifications received by your university in the previous year	13	12	12/13	.92	A
12. The number of utility model/industrial design documents received by your university in the previous year	13	12	12/13	.92	A

13. The number of international patent applications from your university in the previous year	13	12	12/13	.92	A
14. The number of international patent specifications received by your university in the previous year	13	12	12/13	.92	A
15. The number of entrepreneurship stimulus programs your university applied for. How many of these are external stimulus programs?	13	11	11/13	.85	A
16. The number of projects accepted by entrepreneurship stimulus programs	13	11	11/13	.85	A
17. The number of projects that received an entrepreneurship award	13	10	10/13	.77	A
18. The number of scientific publications from your university last year (general)	13	8	8/13	.62	A
19. The number of citations of your university last year (general)	13	8	8/13	.62	A
20. The number of academic staff/students in mobility in the previous year	13	10	10/13	.77	A
21. Presence of a technology transfer office organization	13	13	13/13	1.0	A
22. The number of entrepreneurship, technology management and innovation management training/certificate programs offered outside the university	13	12	12/13	.92	A
23. The number of active companies that the academic staff act as partners or own at techno-parks, business incubators, Technology Development Centers	13	10	10/11	.77	A
24. The number of active companies that the students act as partners or own at techno-parks, business incubators, Technology Development Centers	13	9	9/13	.69	A
25. The number of people employed by companies that the academic staff act as partners or own at techno-parks, business incubators, Technology Development Centers	13	9	9/13	.69	A
26. Do you have units that provide support only in the area of entrepreneurship at your university?	13	11	11/13	.85	A
27. The number of staff employed in the area of entrepreneurship at the units of your university (Faculty, Institute, School, Vocational School, Research Center)	13	9	9/13	.69	A
28. Does your university have a roadmap regarding its innovation transfer strategy (including the targets, implementation areas and precautions)?	13	11	11/13	.85	A
29. What other kinds of support is provided in the area of entrepreneurship alongside consultancy services? If there are any, please state (training, process monitoring/support, funding support, maintaining connections, providing infrastructure, etc.)	13	11	11/13	.85	A
30. What is the total expenditure your university made on entrepreneurship in the previous year? (Salaries and other extra payments to the staff working in the area of entrepreneurship + equipment and consumable materials used for work + support and training expenditures for prospective entrepreneurs + expenditures for the development of entrepreneurship, etc.)	13	10	10/13	.77	A
31. In your opinion, what are your product and service advantage areas regarding entrepreneurship support that were effective last year apart from the known support and services of your university in the area of entrepreneurship?	13	10	10/13	.77	A
32. The number of seminars, theoretical classes, practical classes, workshops on entrepreneurship (These values will be requested individually in the final index)	12	11	11/12	.92	A
33. The number of student initiatives in the area of entrepreneurship (e.g. entrepreneurial student societies, Innovative student groups)	12	9	9/12	.75	A
34. The number of entrepreneurship and idea competitions organized at your university last year	12	11	11/12	.92	A

35. Has the final appraisal of the recognized entrepreneurship of the students who graduated last year and those who are active been carried out?	12	7	7/12	.58	R
36. Are the guided entrepreneurship followed up afterwards?	12	7	7/12	.58	R
37. What is the number of entrepreneurship introduced by graduate and active students of your university?	12	10	10/12	.83	A
38. Do you have certificated entrepreneurship programs?	12	12	12/12	1.0	A
39. Is there sensitivity for corporate entrepreneurship (entrepreneurial culture)? If not, state the reasons. a) The area that the university focuses on is different b) Lack of financial resources c) Lack of know-how d) Other	12	10	10/12	.83	A
40. Does your university offer extracurricular awareness raising activities on entrepreneurship?	12	11	11/12	.92	A
41. How many times did your university (Entrepreneurship Coordination Office/Center, etc.) provide concrete Entrepreneurship Project Support last year?	12	11	11/12	.92	A
42. What are your activities for enabling entrepreneurial awareness to take root at the institution?	12	9	9/12	.75	A
43. How many of the academic units at your university have Entrepreneurship courses in their elective courses pool?	12	9	9/12	.75	A
44. Is Entrepreneurship included on the university website (in the 1 st menu>high level, in the 2 nd menu>low level)?	12	9	9/12	.75	A
45. The number of entrepreneurship projects consulted by your university in the previous year	12	10	10/12	.83	A
46. Is your university member to the national or international corporate entrepreneurship networks? If yes, state to which ones.	12	10	10/12	.83	A
47. The number of personnel that worked in the entrepreneurship support carried out within the previous year (Entrepreneurship center, Technopolis, Techno-park, etc.)	12	10	10/12	.83	A
48. What is the capacity of your university for providing consultancy services to prospective entrepreneurs (graduates and active students)? (the total time of service provided by qualified staff, mentors, etc. in hours)	12	11	11/12	.92	A
49. The total time of consultancy services provided to prospective entrepreneurs (graduates and active students) on entrepreneurship within the previous year (in hours)	12	9	9/12	.75	A
50. Are the types of support services provided to prospective entrepreneurs by your university presented by means of a document, such as a brochure?	12	9	9/12	.75	A
51. Are the records of the entrepreneurship consultancy services carried out at your university kept?	12	10	10/12	.83	A
52. Are the entrepreneurship applications submitted to incentive programs followed up?	12	9	9/12	.75	A
(Scale Content Validity Index S-CVI)					.83

*CVI= Number of experts who indicated an item as essential (**ng**)/ Total number of experts (**N**)

CVI: **Content Validity Index Values

*****Decision** A = Accepted (0.54 and above), R = Rejected (Lawshe 1975)

Following the analysis of Table 2, two of the 52 statements were rejected based on the opinions of experts. Since the value of acceptance was taken as 0.62, 50 of the statements were accepted.

Conclusion and Future Perspectives

In the present study, which was conducted to develop a valid and reliable instrument for measuring the entrepreneurial and innovative potentials of universities, it was decided to include the 50 items given in Table 2 in the measurement tool as the result of the evaluation conducted to determine the statements that would appear in the index. Since the concepts of Entrepreneurship and Innovativeness are close in terms of meaning, it is thought that it would be more appropriate to name the index as ***Entrepreneurial Universities Index*** or ***Entrepreneur-friendly University Index***, which would also emphasize the aim of the index, rather than ***Entrepreneurial and Innovative University Index***.

The items that would be included in the ***Entrepreneurial Universities Index*** were determined in this study. In the following stages, the dimensions of the index and the weights of these dimensions will be determined by taking the local and foreign indexes into consideration. Finally, it is aimed to develop the index model by means of a pilot implementation.

References

- Altbach, P. G., Reisberg, L. & Rumbley, L. E. (2009). Trends in Global Higher Education: Tracking an Academic Revolution. *UNESCO 2009 World Conference on Higher Education*, France.
- Ekonomik Forum (2012). Girişimci ve Yenilikçi Üniversite Endeksi. Retrieved on March 01, 2016 from <http://haber.tobb.org.tr/ekonomikforum/2012/11/042-045.pdf>.
- Gözüm, Sebahat - Aksayan, Seçil (2003). Kültürlerarası ölçek uyarlaması için Rehber II: Psikometrik özellikler ve kültürlerarası karşılaştırma. *Hemşirelik Araştırma Dergisi*, Vol.1, Issue 5, pp.3-14.
- Günay, D. (2007). Yirmibirinci Yüzyılda Üniversite. *Değişim Çağında Yüksek Öğretim Global Trendler-Paradigmatal Yönelimler*, (Ed: Coşkun Can Aktan), Yaşar Üniversitesi, İzmir: Birleşik Matbaacılık.
- Grave, B., Hetze, P., Kanig, A. (2013). Gründungsradar 2013 – Wie Hochschulen Unternehmensgründungen fördern. *Stifterverband für die deutsche Wissenschaft, Edition Stifterverband – Verwaltungsgesellschaft für Wissenschaftspflege mbH*, Essen 2014.
- Küçükcan, T., Gür, B. S. (2009). Türkiye’de Yükseköğretim Karşılaştırmalı Bir Analiz. *Siyaset Ekonomi Ve Toplum Araştırmaları Vakfı*, SETA.
- Lawshe, C. H. (1975). A Quantitative Approach Content Validity. *Personnel Psychology*, 28, pp.563-575.
- Odabaşı, Y. (2006). Değişimin ve Dönüşümün Aracı Olarak Girişimci Üniversite. *Girişimcilik ve Kalkınma*, 1 (1), 2006, 87-104.
- Polit, D. F., Beck, C. T. (2006). The Content Validity Index: Are You Sure You Know What’s Being Reported? Critique and Recommendations. *Research in Nursing & Health*, 29, 489-497.
- Rinne, R. (2009). The Changing Faces of Higher Education and Inclusion and Exclusion: Nordic Tunes. *SANORD 2nd International Conference Inclusion and Exclusion in Higher Education*, Rhodes University, Grahamstown, South Africa. Retrieved from <http://www.sanord.uwc.ac.za>.
- Sakınç, S., Bursalıoğlu, A. S. (2012). Yükseköğretimde Küresel Bir Değişim: Girişimci Üniversite Modeli. *Yükseköğretim ve Bilim Dergisi*, Vol 2, Issue 2, pp. 92-99.
- Tezbaşaran, A. (1996). Likert Tipi Ölçek Geliştirme Kılavuzu. *Psikologlar Derneği Yayınları*. Ankara.
- Tübitak 2013a, http://www.tubitak.gov.tr/sites/default/files/gyue_2013_bilgi_notu.pdf, Retrieved on March 01, 2016.
- Tübitak 2013b, http://www.tubitak.gov.tr/sites/default/files/gyue_2013_gosterge_seti.pdf, Retrieved on March 01, 2016.
- Yelkikalan, N., Akatay, A., Yıldırım, H. M., Karadeniz, Y., Köse, C., Koncağül, Ö., Özer, E. (2010). Dünya ve Türkiye Üniversitelerinde Girişimcilik Eğitimi: Karşılaştırmalı Bir Analiz. *KMÜ Sosyal ve Ekonomik Araştırmalar Dergisi*, 12 (19): 51-59.

A Study on the Entrepreneurship Success Model of Students at Universities

Mahmut Tekin¹ and Ertuğrul Tekin²

Selçuk University, Turkey
¹mahtekin@selcuk.edu.tr

The Institute for Graduate Studies in Social Sciences
Selçuk University, Turkey
²ertugrultekin42@gmail.com

Abstract

Entrepreneurship Success Model of students at universities is investigated in the present study. By means of the entrepreneurial university model developed in this context, the proliferation of young entrepreneurship is targeted in Turkey. The entrepreneurship of university students is considered within the context of youth entrepreneurship. Youth entrepreneurship is the case of getting a start in professional life by young individuals with a diploma/profession by undertaking the risk with entrepreneurship business ideas and setting up a business/enterprise. Universities are institutions that prepare young entrepreneurial candidates for professional life by enabling them to complete their education. However, it has always been an important problem to enable university graduate young individuals to start a business as entrepreneurs and to maintain the prevalence of such enterprises. In studies on entrepreneurship, scientists have sought an answer to the important question of “why are some universities more entrepreneurial than the others?” The universities in developed countries have become more entrepreneurial through developing youth entrepreneurship models. With the Study on the Entrepreneurship Success Model of Students at Universities, the entrepreneurial university Youth Entrepreneurship Model is developed in order to solve the problem of young unemployment. Within the scope of the study, the statistical significance level of the change will be tested on a total of 100 individuals studying at Selçuk University and getting entrepreneurship education. The outputs of the study are: entrepreneurial governance through a competitive, multidisciplinary, and permanent entrepreneurial university model based on the development of entrepreneurial talent that can be implemented at universities for the proliferation of young entrepreneurship in our country, maintaining the proliferation of youth entrepreneurship and its contribution to the country's economy, suggesting assessment and evaluation criteria for entrepreneurship performance-based professionalism in professional life based on different disciplines, and presenting policy instruments that can enhance the efficiency of entrepreneurship policy and strategies that are being implemented for the development of our country.

Keywords: entrepreneurship, entrepreneurship model, student entrepreneurship, entrepreneurial university

Introduction

Why Entrepreneurial Success Model of University Students?

In our country is widespread unemployment among young university graduates, it continues to become increasingly common. In to employment by making entrepreneurship of young people setting up a business there are many obstacles. These barriers have to be scientifically determined. There are many young people starting university business depends on the hopes of establishing business ideas. However, these young people have no knowledge about entrepreneurship and business ideas that they have about entrepreneurship to encounter many obstacles can not implement. These young people are waiting to give them a job as an unemployed person they finish college. In our country, there is a model of entrepreneurial university and college system used in order to solve these problems. In this case, only the university education of a sense of duty, that is also related to the mission of teaching and research. However, developing global dynamics and the changing role of universities in the world with the mission of the university has changed in the light of the entrepreneur, providing direct contribution to economic and social development. In this context, operating and entrepreneurial university model due to the increased demands on the entrepreneurship of university Some university graduates in students are guaranteed employment training provision or spinoffs of university stakeholders with increased competition due to changing circumstances has appeared development requirement.

Now, in our country, universities are entrepreneurial university model through business ideas to open innovation system, venture capital and entrepreneurship to provide incentive funds, scientist and student mobility, business incubation centers, particularly the entrepreneurial university model based on the patent and license support students and community needs to respond to the expectations of stakeholders, including. To solve youth unemployment and universities to meet the needs of society; Young Entrepreneurship Model was developed. Young Entrepreneurship Model: the university will be shaped by government policies and industrial infrastructure; knowledge, based on the entrepreneurial skills of cultural and technological infrastructure is a competitive entrepreneurial university model based on the performance improvement process. This model is very disciplined and has a business model with the idea of young people wishing to set up business problems that prevent entrepreneurs that will disappear will be dissolved and young entrepreneurs who start their own business. Young Entrepreneurship Model be used in the project to eliminate the deficit and ensuring the sustainability of the model will be expanded.

Model and Components

Young Entrepreneurship Model attempt this model is all original, entrepreneurs are taking advantage of the university model has developed a hybrid model. Young Entrepreneurship Model access, cost sensitive as that will give results in a short time information commercialize open system of innovation, venture capital and entrepreneurial incentive funds, scientist and student mobility, business incubators and promote young entrepreneurship based on a proactive entrepreneurial university with the support of patents and licenses on the model. Young Enterprise Model are shown below.

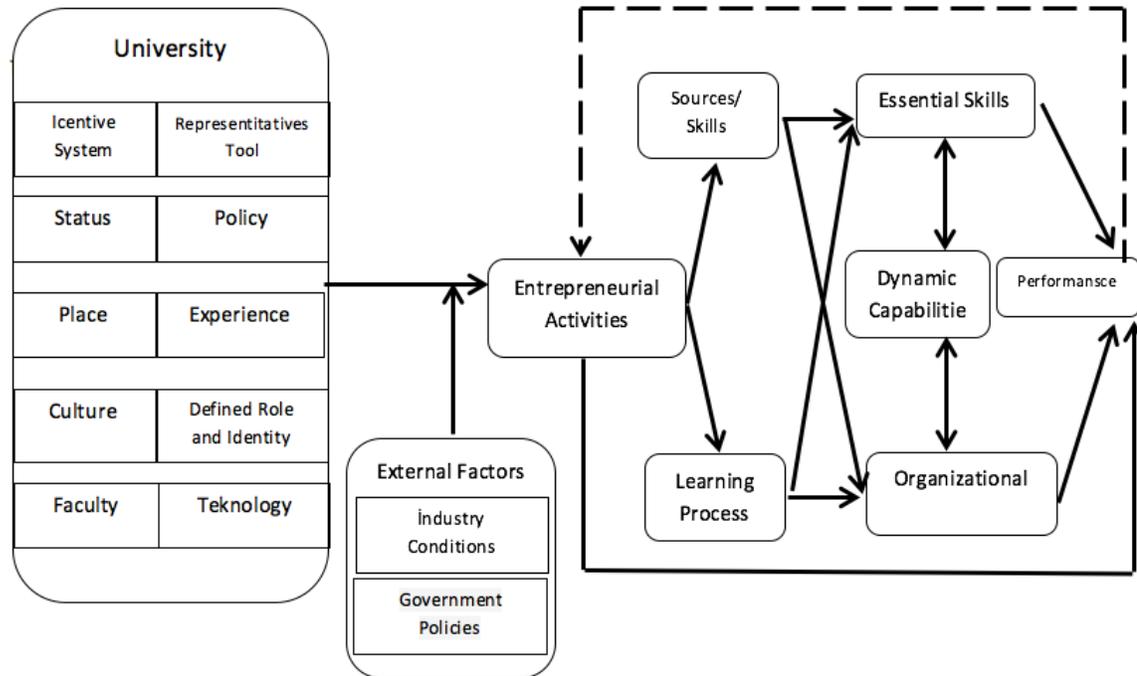


Figure 1: Young Enterprise Model

Young Enterprise Model consists of three elements. The First Young Enterprise Model college and university; faculty, location, status, incentive systems, defined roles and identities, cultures, means representatives (Techno Park) policy consists of experience and technological factors. These elements create a sense entrepreneurial university infrastructure and entrepreneurial young people will be trained in this infrastructure. Second Young Enterprise Model external factors affecting; It consists of government policies and industry conditions. Young Enterprise Model based on these factors, industry conditions and government policies in the light of young entrepreneurs will be trained. Industry conditions and government policies youth entrepreneurship is an important data set for the entrepreneurial university. The third element of the Young Enterprise Model; entrepreneurial activity based on the formation of entrepreneurial performance; learning processes, resources and skills, organizational knowledge, and dynamic capabilities are essential skills. Factors related to these elements will perform basic functions in the formation of entrepreneurial performance capabilities with the formation of young entrepreneurship in the entrepreneurial university. Models who attend college and / or will solve the problem of unemployment of young people who graduated from college. Model; development model based on the formation of capabilities that can be applied in the development of university entrepreneurial performance is unique. Model removing the barriers that youth entrepreneurship is an entrepreneurial university project model that allows entrepreneurs to establish their businesses with their ability to contribute to scientific development based on performance. Models; Is an entrepreneurial university based on the development of young entrepreneurs with innovative business ideas is an innovation capability. Model innovation to young entrepreneurs in this respect and is the first in the area. University graduate and continuing education in young people about entrepreneurship governance deficit will be eliminated. Young Entrepreneurship

Model a result of experience gained with the implementation of the initiative and proactive entrepreneurial university that grows in these universities, innovative and enterprising young people; economy, an important human resource for career and business outcomes will be achieved.

Research Methodology

The steps of the method should be followed as a result of the data obtained in order to perform the accurate analysis and the study is very important. In this study, the determination of the method of data collection method monitored research methodology and improving data collection, evaluation and analysis of the results of analysis by encrypting the data obtained and determine the statistical method consists of basic steps.

Improving Data Collection Tool

Selection of appropriate methods for the collection of data necessary for analysis of the research is very important. Surveys for applied research, observations, interviews and so on. Primary data and previously obtained based on the same technology / data compiled by others on similar topics, including the two types of data concerned. This study literature in entrepreneurship studies examined before dealing with entrepreneurship and entrepreneurial culture in universities and has been a primary objective of this study was developed to collect data for the study area and taking into consideration the hypothesis.

As part of the study it has been used to collect data from the survey techniques. The data obtained from the literature research, survey respondents mass and is designed with the primary data source, considering the main features of the area to be examined. The question of the respondents of the survey design to allow the interpretation to be clear and concise, attention was given to appeal to respondents. Which utilized mainly work developing the questionnaire that will be used in the study: Shaker A. Zahra, Harry J. Sapienza and Per Davidsson, "Talent Formation of Performance-Based Model" and Frank T. Rothaermel, Shanti D. Agung and Lin Jiang, "Entrepreneurial Research University "have been developed from a mixed model. The survey indicated primarily expert academics on research methods in the social sciences and the design of the survey, opinions were collected in compliance with the statistical analysis and evaluation of the content of the questions. Later, based on feedback gathered revised questionnaire, 100 students have answered and the number of questions in the survey, the total response time, the intelligibility of the question was asked to comment on the adequacy and scope. Comments result of the survey design and questions in the survey were given final shape after making the necessary corrections. 87 questions were asked and statements related to the participants' entrepreneurial skills in the questionnaire used in the study and 7 = 1 = no right not to be completely correct according to 7 Likert scale were asked to evaluate. The survey also participants of Business and Small Business Administration to determine they take courses in the field of Commercial Open Information 2 questions were asked.

Case Selection and Implementation Of The Survey

Research on college students is designed for students in special education entrepreneurship.

The population of college students study the samples at Selcuk University TUBITAK Entrepreneurship Education Project it has been identified as under-educated students. Selcuk University in the "Entrepreneur Individuals from advanced society" is supported by TUBITAK entrepreneurship training project in the field of education for the students to answer by applying the survey method face to face interviews were collected. The surveys were applied on March 19, 2016. A total of 110 surveys were made as a result of surveys, implemented verbatim interviews with students. However, the survey does not include all of the implementation of useful data. Incomplete / incorrect replies were not taken into account in the 10 survey and analysis of the research, it was decided to analyze the final data obtained through 100 questionnaires. Considering the research sample given that 100, total 400 people in the survey sample corresponds to a rate of 25 %.the number of sampling error of 10 % is sufficient for statistical analysis.

Editing Determination Test Statistics and Data

The computer using a predetermined code data obtained from the survey were transferred to Microsoft Excel 2013 program. SPSS 20.0 statistical software package was utilized for statistical analysis of the performance of the methods to be determined later. Data held in Excel environment to use the SPSS program was transferred to this program. After completion of the data input to be used in the data analysis the statistical tests. Qualitative research methods are many test statistics for statistical analysis. The purpose of the research data and analysis should be performed using appropriate tests. Statistical tests will be used to evaluate the data obtained from research in the study are:

- Descriptive statistics (frequency, mean, standard deviation)
- Correlation Analysis
- Regression analysis

The frequency analysis for any error in the input data before the statistical analysis in the study identified and checked by examining the maximum and minimum values for each variable data is arranged.

Analysis and Results of Survey Data

This part of the study will be described results of the analysis of the data collected to investigate the entrepreneurial skills of university students. In this context, it will first be transferred to the general introductory information on the entrepreneurial skills of the participants. Then tested the reliability and validity of the scale used in the survey will be launched to further analysis.

Descriptive Statistics

Work will be described frequency analysis results for the questions asked in this section to determine the students answers to statements and Management and the courses they take the field on Information Office of the Small Business Administration.

The students who participated in the research business and the distribution of the courses they have taken on the Small Business Administration is presented in Table 1:

Table 1: Distribution Management and Related Courses Small Business Management

Lessons	Percent (%)
Production Management	61
Entrepreneurship Basics	55
Decision-Making Techniques	45
Technology Management	44
Business Modelling	41
Firms, Markets and Competitiveness Analysis in the Country Level	33
Proposal Preparation and Applied Project Management	4

61% of students surveyed mostly Production Management, 55% have their Fundamentals of Entrepreneurship course.

The students who participated in the study have received information about the workplace On the distribution of the courses are given in Table 2:

Table 2: Related Courses Power Distribution and Commercial Information

Lessons	Percent(%)
Mandatory Accounting Information	58
Taxes	53
Access to Financial Resources and Investor Relations	29
Problems of Small Businesses	28
Legal Actions	17
Incentives	12
Business Development Services	12
Consultancy	10

58% of students surveyed mostly mandatory accounting information, they receive a 53% tax on the course.

Assessment of the entrepreneurial ability of students

Analysis of the assessment results to students' entrepreneurial skills will be given in this part of the study . In this context, the survey mainly university (UNIV) , external factors (EXTFAC) and entrepreneurial activities (ENTACT) 3 t to size to be . These dimensions are grouped in the following way under its own:

Table 3: Parent-Child Dimension

Main factors	Sub-factor	Expression question number
University	Incentive System (T)	45,49,62,83
	Statute (S)	38,71,77
	Location (L)	37,52
	Culture (C)	13,68,85
	Faculty (F)	12,63,64
	Agent Representatives (AR)	41,82
	Policy (P)	33,51,69
	Experience (E)	26,36,56,65,74,75,78
	Defined Role Identity (DRI)	24,46,60,61,67
	Technology (TEC)	66,84
External Factors	Industry Conditions (IC)	5,15,30
	Government Policy (GP)	73,76
Entrepreneurship Activities	Resources and Skills (RS)	3,11,21,22,23,29,31,32,44,58,59
	Abilities First Instance (AFI)	2,7,14,19,24,34,50
	Dynamic Capabilities (DC)	6,8,10,16,18,28,47
	Performance (PR)	17,35,40,43,48,53,55,57,79,81
	Learning Processes (AM)	1,9,20,39,42,54,70,72
	Organizational Know-how (ÖBB)	4,25,80,86,87

In this section, the reliability of the scale of the average - standard deviation of expression hosts and the dimensions referred to in Table 4 will be examined.

The reliability of the data collection operation is very important in order to assess the results of research. In practice, different methods are used for reliability. The reliability of the scale considered in this study, the internal consistency method. Scale method according examined the internal consistency Cronbach 's alpha values above 0.70 General admission is reliable. So variables that make up the scale is associated internally.

Table 4: Reliability coefficients of the scales in the Data Collection Tool

Scale	Measurement Range	Number of Items	Cronbach Alpha
UNIV	7s point scale (1-7 rating)	34	0,767
EXTFAC	7s point scale (1-7 rating)	5	0,795
ENTACT	7s point scale (1-7 rating)	48	0,854

Structural information, and reliability coefficients of the scale used in the study are presented in Table 4. Accordingly 7s point scale to assess and University scale consisting of 34 items , which consists of 5 items External Factors and the conclusion was reached that scale entrepreneurial activities reliable questionnaire consisting of 48 items .The reliability coefficients of each scale (cronbachalph in value) was greater than 0.70.

The following students participated in the research according to the evaluation of the ranking of importance regarding the size of the university entrepreneurial skills are presented in Table 5:

Table 5: Assessment of the University Students Size

University Scale	Average	Standard Deviation
S56	6,54	1,05
S69	6,27	1,19
S52	6,07	1,39
S71	6,00	1,17
S67	5,99	1,25
S77	5,97	1,60
S68	5,87	1,29
S26	5,70	1,52
S38	5,62	1,25
S84	5,61	1,51
S13	5,56	1,75
S83	5,49	1,44
S49	5,37	1,48
S45	5,32	1,65
S66	5,28	1,49
S64	5,27	1,32
S12	5,27	1,68
S65	5,10	1,24
S63	5,08	1,55
S82	5,04	1,53
S51	5,01	1,46
S46	4,89	1,82
S24	4,49	1,61
S78	4,44	1,92
S33	4,20	2,07
S37	3,94	1,93
S62	3,77	1,76
S41	3,69	2,03
S36	3,59	1,83
S75	3,34	1,99
S60	3,32	1,88
S61	3,20	1,61
S85	2,85	1,76
S74	2,52	1,76
UNIV	4,99	0,58

Notes: (i) $n = 71$; (ii) in the scale 1 = no means the right not and 7 = completely true. (iii) According to Friedman two-way ANOVA test ($\chi^2 = 720.647$ $p < .001$), the results are statistically significant .

The surveyed students to find the right expression in 9 of 25 statements about the entrepreneurial talents of the university are to find the right size .Accordingly, the size of the university entrepreneurship skills regarding the most accurate regarding students find their first three statements respectively S56 , S69 and S52ol .On the other hand regarding the size of the university regarding the entrepreneurial skills of students stated they found at least towards S33'T . The S74 also has no right without expression .

The following students participated in the study according to the assessment of the size of external factors related to the entrepreneurial skills of importance ranking is presented in Table 6:

Table 6: Assessment of the students' Size External Factors

External Factors Scale	Average	Standard Deviation
S30	6,09	1,32
S15	5,56	1,74
S73	4,35	1,71
S5	3,78	2,00
S76	3,72	1,55
EXTFAC	4,59	0,85

Notes: (i) n = 95 ; (Ii) in the scale 1 = no means the right not and 7 = completely true. (Iii) According to Friedman two-way ANOVA test ($\chi^2 = 158.214$ p < .001), the results are statistically significant .

Students who participated in the survey expressed 2 and 3 expression in finding the truth about entrepreneurial skills with external factors do not find the right size .According to external factors related to the entrepreneurial skills of the students regarding the size of the expression has been found that the most accurate S30 (I'm in any activity should give me the opportunity to learn and grow). On the other hand regarding external factors regarding the size of the entrepreneurial skills of students stated they found at least towards S73 (I feel upset if I do not get a reliable and predictable income) The S76 (For guiding me "business - school -type" I tend to trust my intuition and instinct more than scientific principles) also has no right without expression.

Correlation Analysis

This section constitutes the third dimension of university studies, the relationship between external factors and entrepreneurial activity will be examined. Established hypothesis has benefited from correlation analysis and regression analysis to test output.

H0: University Entrepreneurship Activities and external factors in explaining the size of the variable is not statistically significant.

H1: University Entrepreneurship Activities and External Factors dimensions are statistically significant in explaining the variables.

Table 7: Entrepreneurship Skills Dimensions Correlation Analysis

		UNIV	EXTFAC	ENTACT
UNIV	PearsonCorrelation	1		
	p			
	N	99		
EXTFAC	PearsonCorrelation	,542(**)	1	
	p	0		
	N	98	99	
ENTACT	PearsonCorrelation	,764(**)	,563(**)	1
	p	0	0	
	N	99	99	100
** Correlation is significant at the 0.01 level				

Table 7 are the arguments based on positive correlation between the university and external factors. In addition, the correlation coefficients between the variables (0.542) among the independent variables is smaller than 0.7 , it can be said of the multiple relationships. Accordingly variables are appropriate for the regression analysis. In

addition, the argument that the university and external factors positively correlated with the dependent variable entrepreneurial activity is a significant asset in question of the relationship.

Regression Analysis

University and external factors in line with the model of the work in this part of the study will examine whether there is an impact on the size of entrepreneurial activities. In this context, the size of the university and external factors arguments, entrepreneurial activity is taken as the dependent variable of size multiple regression model will be tested.

H0: University Entrepreneurship Activities and external factors in explaining the size of the variable is not statistically significant.

H1: University Entrepreneurship Activities and External Factors dimensions are statistically significant in explaining the variables.

Table 8: University Relations External Factors Dimensions - Entrepreneurship Activities Anova Table

	Sum of Squares	Degrees of Freedom (df)	Frames Per	F	p
Regression	31,022	2	15,511	77,941	,000(a)
Residual Value	18,906	95	0,199		
Total	49,929	97			
a Independent Variables: (Constant) , University of External Factors					
b Dependent Variable: Entrepreneurship Activities					

When examined in Table 8 ANOVA table F values of 77.941 and p value is decided to reject the hypothesis H0 is 0.00. This regression model was created based on statistically significant. So Entrepreneurship Activities variable Universities and External Factors predicting at least one of the possible variables statistically.

Table 9: University External Factors Dimensions - Entrepreneurial Activity Relationship of Regression Coefficients

	Standardizing have coefficients		Standardized coefficients (sc)	t	P (The level of significance)	Multiple Communication Statistics	
	Beta	Standard Error	Beta			Beta	VIF
(Constant)	0,387	0,376		1,029	0,306		
UNIV	0,782	0,09	0,656	8,728	0	0,706	1,416
EXTFAC	0,168	0,061	0,208	2,772	0,007	0,706	1,416
a Dependent Variable: ENTACT							

As Table 9 p values for the variables examined when the university and external factors is less than 0.05 entrepreneurial activity these variables are statistically significant in explaining the variables. In addition, the table is smaller than 8 the VIF value of 9, so it can be decided whether the link between multiple variables. Accordingly, said regression model may be established as follows:

$$ENTACT = 0,387 + 0,782UNIV + 0,168 EXTFAC$$

Table 10: University Relations External Factors Dimensions - Entrepreneurship Activities Regression Model Summary

R	R ²	Adjusted r ²	Standard error of the estimate
,788(a)	0,621	0,613	0,44611
a Independent Variables: (Fixed), UNIV, EXTFAC			
B dependent Variable: ENTACT			

R and R2 are located in the table established in 10 shows the explanatory power of the regression model. The regression analysis of the results of entrepreneurial activities in the university and external factors to explain the size variable rate was found to be 61.3 %. In addition, the largest contribution to this explanatory factor when examining the table can be seen that the university variable.

Conclusion

In this study, of University Students in Entrepreneurial Success Model was explored. The entrepreneurial university model developed in this context, it is aimed to spread of young entrepreneurship in Turkey. Youth entrepreneurship; A diploma / employed young people, taking risks with entrepreneurial business ideas and business is establishing entry into the workforce. For this model were investigated. Model consists of three elements. First; The Youth Entrepreneurship Model college and university ; faculty , location, status , incentive systems, defined roles and identities, cultures, means representatives (TechnoPark) policy consists of experience and technology factors. Second; external factors affecting the; Youth Entrepreneurship Model government policy consists of industry conditions. The third component; entrepreneurial activity based on the formation of entrepreneurial performance; learning processes, resources and skills, organizational knowledge, and dynamic capabilities are essential skills. The outputs of the research; model has been tested and proved to be scientifically valid. In our country competitive based on the formation of entrepreneurial skills that can be applied in the universities in expanding young entrepreneurship , multi-disciplinary and sustainable entrepreneurial university model (Youth Entrepreneurship Model) with entrepreneurial governance, the promotion of young entrepreneurship and to contribute to the national economy, professionalism based on the business world enterprise performance disciplines to reveal the basis of measurement and valuation criteria, which is applied to the development of our country to increase the effectiveness of entrepreneurship policies and strategies on the development of policy tools.

References

- Aernoudt, R. (2004). Incubators: Tool for Entrepreneurship?, *Small Business Economics*, 23, pp. 127-135.
- European Commission Enterprise Directorate-General (2002). Benchmarking of Business Incubators, *Centre for Strategy & Evaluation Services*, http://ec.europa.eu/enterprise/entrepreneurship/support_measures/incubators/benchmarking_bi_part_two_2002.pdf (09.11.2006).
- Rothaermel, F., Shanti, T., Agung, D., Jiang, L. (2007). University Entrepreneurship: A Taxonomy Of The Literature, *Industrial and Corporate Change*, 16 (4), pp. 691–791, doi:10.1093/icc/dtm023, Advance Access published July 18,s. 737.
- Tekin, M. (1999). Entrepreneurship, *Installation And Operating Your Own Business*, pp.19-25.
- Zahra, S. , Sapienza A. H. J., Davidsson, P. (2006). Entrepreneurship and Dynamic Capabilities: A Review, Model and Research Agenda, *Journal of Management Studies*, 43 (4), p. 926.



Classification of Event and Meeting Technology

Tsu-Hong Yen¹, Pi-Shin Wey, and Kate Sullivan

Department of Hospitality Management
San Jose State University, USA
¹tsu-hong.yen@sjsu.edu

Abstract

In recent years, there has been a growing trend of utilizing more sophisticated technology in event and meeting planning and production. This trend is also stimulated by the application of the concept of Internet of Things (IOT), which means to network every object through information and communication technology (ICT) allowing every object to send and receive data. As a result, many new technologies and tools have been introduced, which have drastically transformed the nature of event and meeting planning and production. For example, Corbin Ball has collected more than 1,500 various technology applications and tools on its website, <http://www.corbinball.com/>. The influences of this trend is threefold. First, new technology allows event planners and managers to design the event not only to exceed the attendees' expectation, but also in a cost effective way. Through advanced analytics, event planners are able to know their attendees better, which may result in providing new services, and expanding into new markets. Thus, the ability to choose the appropriate tools has become a critical success factor for event planners. Second, new technology, i.e., mobile technology, has enabled the event attendees to access all the information of an event from anywhere at any time. This capacity helps them to fulfill their objectives of attending an event, but also to create memorable event experience. Third, the vast available technology applications and tools also create pressure on the educators who need to introduce technology tools to students in an efficient way. How to systematically introduce the wide range of technology available and used by event planners in order to prepare our students in a technological intensive society in the future has been a challenge to educators. As a result, a classification system might be helpful to event planners and students to select the appropriate tools for their task needs. Classification is important because it allows planners, vendors, and students to categorize various technology tools available and identify the tools needed for a particular task. In order to develop a classification system, it is important to identify some major domains and attributes which we can follow to naming and classifying tech products. Thus, the goal of this research project is to develop a classification system for the technology tools available for event planners, managers, vendors, and guests. To carry out this project, the research team will research domains and attributes of event technology. Once these domains and attributes have been identified, a coding scheme will be developed to code all the event technologies, for example, those listed on Corbin Ball's web site. By performing cluster analysis, the research team expects to identify major clusters of event technology.

Keywords: event planning, event technology, classification system, mobile event technology

Effects of Production Methods and Origin Information on Consumer Preferences for Ornamental and Food Producing Plants

Hayk Khachatryan¹ and Alicia Rihn²

Food and Resource Economics Department
University of Florida
¹hayk@ufl.edu
²arihn@ufl.edu

Abstract

The present study combines ratings-based choice experiments and eye-tracking technology to investigate consumers' purchasing likelihood for plants with different production methods and origin descriptors. While stated preference data is commonly used in choice analysis, a relatively new and conceptually relevant addition is the use of visual attention data, which offers unique insights when employed with choice modeling experiments. For example, a recent survey of literature by Orquin and Loose (2013) reported a strong correlation between visual attention, decision making, and purchasing intent. In choice behavior research, Reutskaja et al. (2011) found visual search behavior is related to the number of choices available and consumers select the best product option they view. Another study by Armel et al. (2008) demonstrated visual attention impacts sales. Each of these studies emphasizes the connection between visual search behavior and choice. Despite the relevance and implications of visual attention's effect on choice behavior, research utilizing eye-tracking technology with choice analysis is scarce. The overall goal of our study was to evaluate the impact of visual attention to in-store production method and origin promotions on consumers' purchase likelihood for plants with different end-uses (i.e., aesthetic/ornamental or fruit producing plants). Data was analyzed using an ordered logit model, which showed that greater visual attention to organic production methods was positively correlated with purchasing likelihood for fruit producing plants (as opposed to aesthetic plants). Results could be due to the perceived personal and environmental health benefits provided by organic products. The use of visual behavior data in choice analysis provides some interesting insights such as providing highly visible, in-store promotions with production methods and origin labels to increase plant sales. However, future research should focus on validating the hypothesized relationship that links visual attention to purchase intentions.

Keywords: eye tracking, origin label, organic, visual behavior, conjoint analysis

The Importance of Gastronomy in Tourism Management

Ruhet Genc

Turkish-German University, Turkey
drgench@gmail.com

Abstract

One of the factors that affect tourists' value of experience is the value in consumption where food experience plays a crucial role. While gastronomic tourism has always existed, its popularity is very much on the increase nowadays. It is not considered unusual to travel long distances for food tasting and wise professionals are taking the best advantage of this demand. Even if the main purpose of the travel is not gastronomy-related, food experience is still highly significant for building strong experience value. This paper focuses on the importance of gastronomy, its role in creating value in consumption and how the optimal food experience can be achieved in today's field of tourism. A true gastronomic experience requires not only good taste but also a harmony of visuals, presentation and service. Therefore, gastronomy will be analysed as a whole process from the aspects of presentation, service and taste. Creating value in the consumption of food is also a matter of good and fitting representation. As gastronomy is a key element of the culture, it is essential to represent the related cuisine if cultural tourism is intended. Thus, the topic of relevancy will be covered in this paper. The sense of taste and its part in creating an emotional platform for the customer will also be examined along value creation in consumption. The paper intends to establish a good understanding of the core aspects of food experience and its place in tourism.

Keywords: gastronomy, co-creation value in tourism, food value

Introduction

Human beings need to eat for survival; it is an indispensable necessity to maintain bodily functions. However, this is not the only relationship we have with food. Since the beginnings of human history, people have mulled over food and eating practices. As a matter of fact, our relationship with food is one of the things that differentiate us from other animals on the planet. Humans do not eat food only to survive, but also to enjoy themselves (Gursoy, 2013).

As much as it is a basic need, food could also be characterized as an element that constructs social and even national identity. Therefore, while the evolution and transformation of food along with social processes created traditions, it also raised food to an artistic level (Gursoy, 2013).

Apart from its significance for life and position as a social and artistic element, food is increasingly "becoming a central decision-making factor in travellers' choice over a destination" (Surenkok Kesimoglu, 2011). Nowadays, giving a quality gastronomic experience to customers is not only a challenge for restaurants or cafes; it is also a matter of great competition for other tourism destinations.

The food experience is essential to the tourist experience, no matter which kind of touristic service is being provided. However, it might strike as surprising that it has not been a major research subject in academia until recently. This is perhaps due to the fact that it has been considered a highly integral element of everyday life and the tourist experience (Surenkok Kesimoglu, 2011).

In this paper, it is my intention to explore and analyse the food experience extensively. First, we will look at the history of food and its evolution throughout centuries. It will provide a fundamental understanding about the stages that led the food service sector to its current point and the turning points in the approach to gastronomy.

History of Gastronomy

The art of gastronomy has been evaluated with different purposes and from different views for thousands of years. These studies have been very helpful for our understanding of food as a significant part of the culture on earth. Therefore, it is highly important to lay a foundation with basic information about the history of food.

Antique Age

The Old Testament tells us it was on the sixth day of creation that humans met food and beverages. Since then, they have not been able to survive without it and assigned different meanings and emotions to it. The first revolution in the history of food was the discovery of fire and subsequently cooking. After people started cooking the food they found or hunted, food became much more than just fuel for their bodies. Transformation of food into a social phenomenon and centre of rituals marked the second revolution. Third revolution was the domestication of animals and fourth is the beginning of agricultural activities. The fifth revolution was when the food entered into the process of becoming a tool of social differentiation among people. Sixth revolution began with the development of transportation. During this stage, food products could travel long distances and became known to other cultures. This cultural exchange brought a process of interaction and change with it. The seventh revolution, which is ecological, started with the discovery of America. The last and the current stage started in the 19th century and is still going on. It marks the industrialization of the food products. In fact, the food and beverage service becoming an industry is hardly a new development. It is old, because human beings have produced and consumed food since the ancient times. It is new, because especially in the last 150 years, there has been a major shift (Gursoy, 2013).

There are a lot of findings proving the long history of food services. For instance, the figures in Ancient Egyptian temples and tombs demonstrate that people used to prepare meals for mass feeding and they knew how to serve. In these pictures, we can even see that the prepared meals were sold in street markets. It is not hard to deduce that there were exceptional cooks famous with their meals, even in those times (Gursoy, 2013).

In the Chinese archives dating back to B.C., it is stated that travellers used to find accommodation in the inns by the road and ate there. In major Chinese cities, various kinds of food and beverages, especially pilaf and alcohol, were sold and venues resembling today's restaurants were in service. China has one of the most untouched and

preserved food-beverage cultures in the world (Gursoy, 2013). Although it is very conservative and untouched, you can find Chinese restaurants in most places of the globe today. In the West, people use the special Chinese pan *wok* to stir fry the ingredients. Chinese cuisine places emphasis on the aspect of aroma. “The Chinese term for this is *bao xiang*, meaning ‘explode into fragrance’”. This style is created using ingredients like garlic, onion and ginger in a hot wok to release volatile oils into the air (Morgan, 2006).

It was so common to provide food service in India that special laws were put into order to check the quality and define the framework of these services. In Pakistan, findings show that people had restaurant-like units embodying stone ovens and mass feeding production counters (Gursoy, 2013). India made a significant contribution to cooking styles, which is *tandoor*. “It is used to create a unique style of Indian food that is charred on the outside, yet tender inside” (Morgan, 2006). Today, these cuisines can also be found in many countries, especially in the United Kingdom and its former colonies. These cuisines going back to ancient times are influenced by the British as much as the influence they inflicted.

Ancient Greece has a special place in the food history. “The Ancient Greeks (also known as the Hellenes) are credited with creating *cuisine*, cooking as an art form, around 1000 B.C.” (Morgan, 2006). Handling of food was deemed to be a sign of civilization. Even the Gods were eating food in that era. Although we do not know the ingredients of their meal, its name is *Ambrosia*. Some historians propose that the first cookery book was written in Ancient Greece, 4th century B.C., by a poet called Arcestratus. Approximately a century after Arcestratus, the author Athenaeus wrote *Banquet of the Learned* where he recorded eating and drinking traditions, famous head cooks and cooking tools. He also explained where the word “gastronomy” came from. *Gaster* means stomach in Greek and *nomos* means law. Therefore, gastronomy means law of the stomach. Gastronomy could be described as the discipline that explores the topic of nutrition necessary for survival. People who engage in this discipline are called gastronomes. Some might confuse them with gourmets, but the difference is, while gourmets are only interested in their own taste and pleasure, gastronomes conduct research for the benefit and direction of others (Gursoy, 2013).

At the time, Athenian men used to come together to discuss recipes, foreign and native gourmet ingredients as well as cooking techniques with the same respect and dedication they discussed science, art or love. In the Greek culture, only men were deemed to be qualified to cook, for centuries. Priests were the most respected for their cooking, as they prepared meats for sacrificial ceremonies (Morgan, 2006). Cooks were so respected in Ancient Greece that they could take out patents for their recipes (Gursoy, 2013).

Eating four times a day is a tradition that comes from Greeks and many cultures still follow this tradition today. Moreover, common food that we eat today like bread, sourdough, cakes and pancakes were known by Greeks (Morgan, 2006). Considering how major a space these foods take in our diets, we owe a lot to the Greeks.

Romans

When Romans founded the Roman Empire, they carried upon the food culture and famous cooks of the lands they conquered, creating a rich cuisine culture. Romans were extremely fond of feasts, such that some of the emperors brought the empire to the edge of collapsing because of their festive passions. The word “tavern” comes from the Roman Era. The early version “tabern” referred to the small diners serving food and wine (Gursoy, 2013). Some sources cite that the oldest known cookbook was written during the rule of the Roman Empire, by the famous gourmet of the time Apicius. It was called *De re Coquinaria* (On Cookery) (Morgan, 2006).

The Roman Era also showed great respect to cooks as did the Ancient Greeks. Marcus Antonius was so pleased with the talents of Cleopatra’s cook that he granted him a house first and then gave a whole city as a gift (Gursoy, 2013).

Middle Age

After the fall of the Roman Empire, feast and the tradition of eating outside lost its glory for a while. Only those inns that were placed on the safe and busy routes could maintain their work. However, the tradition of eating en masse continued in monasteries among priests and monks. Famine and epidemics probably had a big role in this, while reverends also strictly highlighted the sin of gluttony (Gursoy, 2013). It should be noted that the Middle Age was the time of religion in Europe and “gluttony” is one of the seven deadly sins. Even if the Roman Empire had fallen and the festive scene changed, Italy remained to be the centre of gastronomic experience.

As the methods of cooking, baking, wine and beer making were highly advanced in the monasteries; masters who founded the food service units later learnt the art of food from these circles. The recipes created by the reverends of that era are still being used today. Liqueurs like Cointreau, Grand Marnier, Benedictine and Chartreuse were developed in the Middle Age and their recipes are still kept as a secret (Gursoy, 2013).

Food production services were carried out by various guilds in the Middle Age. Over time, these guilds started training professional kitchen teams which formed the core of today’s team of head cooks and their assistants. Many of the kitchen standards and traditions applied today also come from the Middle Age (Gursoy, 2013).

Renaissance

After the Middle Age, Europe entered the period we call Renaissance when it started to escape from the gloomy atmosphere of the previous period and refined taste was on the spotlight instead of religion. Along with amazing developments in art and the transformation of the way of thinking, cuisine culture showed tremendous advancement, too. While the rulers, aristocrats and clergy got richer and richer, extravagant feasts regained their glory again in this period. Aristocrats always had the lead on any development in gastronomy, as in art. Renaissance of food started in Italy and then spread to France, where it flourished (Gursoy, 2013).

As the landlord got richer, the cooks were allowed to use better and more expensive ingredients, therefore having more room to get creative. Raisins, almonds, sugar and the spices of Far East made their meals delicious more than ever. Not only the cooks had better opportunities to be creative, their wages were also raised with their respectability. Some of them were even granted knighthood, due to their talents (Gursoy, 2013).

We mentioned that new ingredients were brought to Europe during Renaissance. This was the consequence of Kristof Colomb's discoveries overseas and food like turkey, corn, cocoa, potato, tomato, new types of pepper and coffee being brought from Middle East and Asia expeditions by other explorers of the era. During those times, France was not yet advanced and famous with its quality food. On the other hand, Italy was keeping Roman Empire's legacy alive in only the houses of rich people. Italian cuisine owed all of its glory to the ingredients and techniques coming from Mediterranean countries. France owes its gastronomic renaissance to the marriage between Catherine de Medici and Henry II. When Catherine came from Italy to France and brought her team of cooks with her, France met the Italian gastronomic culture (Morgan, 2006). She was from the famous and powerful Medici family in Italy and cousin to Pope VII Clement (Gursoy, 2013). The master chefs whom Catherine de Medici imported from Italy were called *capi cuochi* and they were tasked to make her feel at home with macaroons, sorbets, tarts and other food from her country. *Capi cuochi* brought new ingredients and taught the French cooks new techniques, enabling them to abandon medieval style of cooking (Morgan, 2006).

The technique of cooking and food decoration came from China towards the West. French cooks learnt the new gastronomic culture very fast and after a few generations established the ground of the glorious French cuisine we all know and love today. Delightful and light meals replace the Middle Age heavy meals with lots of spices (Gursoy, 2013).

French Cuisine: Birth of the Restaurant

Before it received its meaning that we are familiar today, the word *restaurant* meant "healing broth". There are plenty of different restaurant recipes inherited from centuries ago, with ingredients brought together as in alchemy. They were works of alchemy, because alchemists put valuable stones in the recipes. Renowned French dictionaries still described restaurant as a type of half-medicine in 17th and 18th centuries, while Diderot and d'Alembert defined it as a medical term in their encyclopaedia (Spang, 2000).

The *restaurant* we know today, meaning a socializing venue where food is served came from this medical broth. In fact, the first restaurant owners rarely sold solid food. Hence, the first restaurants were places where people went for sipping *restaurant* to heal their bodies. The aspects that separated them from taverns, inns or food banks were individual tables, variable meal times and medical broths. Even long after the mid-nineteenth century, restaurants were very scarce in France and one would only encounter them in the capital city Paris. They were considered a characteristic of the city, and foreign travellers were astonished with this innovation. It was not only the foreign travellers like British

and American people who were fascinated with restaurants of Paris. Those who came to visit from rural areas of France were also bewildered by these venues (Spang, 2000).

The first modern restaurant was created in Paris, in 1700s, by a man named Boulanger (Morgan, 2006). The opening of the first restaurants which could be described as both an interesting cookery enterprise and a scientific innovation was a quest for health as much as an attraction of the 18th century distinguished culture to food. In that period, all of merchants, intelligentsia and the court were obsessed with physical pleasure and finding earthly, scientific ways to reach it. The hype was so immense that it became a common hobby to read medical brochures. This was the context where first restaurants opened in France, and it is not a surprise that the first restaurant owners defined their positions as providers of healthcare and physical pleasure. 1760s' and 1770s' restaurants presented a diet platform addressing sufferers of very different sensitivities, combining conservative science and pastoral plants. They claimed they were simplifying the nature with the help of science and technology (Spang, 2000). Eventually, with the accelerated innovations in medical science, medical doctors separated themselves from this line of work and restaurants evolved to be the places we know today.

Evolved Restaurants

Approximately 20 years after the first restaurants opened, they were no more specialized in only serving healing soups to sensitive customers. Instead, restaurants were focused on providing immaculate services to individual tastes. While diners served masses with standardized meals, restaurants were serving small and customized meals in cosy tables. The service type named "au restaurant" stood for providing customized food service to a customer who came alone at any time of the day. Thanks to their superb furniture, wide-range menu and flexible working hours, restaurants presented their customers with entertainment to revive their souls and the kind of hunger satisfaction that traditional inns and diners could not match. The work of inns and diners was closely tied to their set of regular customers, while restaurants were the places where unexpected customers came for their individual needs (Spang, 2000). Therefore, we could propose that these restaurants were the places to give birth to the notion of experience value. Unlike local inns and diners, they were very much interested in gaining a wide reputation for the experience they provide, as their line of work was not restricted to a small area. People would not travel relatively long distances to visit local inns or diners, as they were only picked for their convenience. However, if a restaurant had the reputation, it could draw customers from longer distances.

In the traditional table d'hôte style applied elsewhere, all customers would be served food together sitting at a big table, and the meals were standard. Along with restaurants, came the style à la carte, which means "according to the menu". Simply put, table d'hôte was the table of the home owner, and customers would eat what they found, not what they expected (Spang, 2000). Whereas in restaurants, customers were the judges and could demand what they wanted. They could look at the menu and choose whatever they like and could also customize it with requests related to the cooking degree and the ingredients. À la carte style of serving could be considered the milestone of creating food experience value. It did not only change the experience of customers, but also

transformed the format of kitchens and the way cooks and kitchen staff worked. Table d'hôte did not require the use of menus as the clientele knew the standardized meals and the setting made the prepared meals visible. On the other hand, in à la carte restaurants, meals were prepared in a separate kitchen where customers would not be able to see. Therefore, they used menus with prices arranged per meal. As the meal times were not set in stone and customers could come at any moment ordering any kind of food, the kitchen staff was required to be ready with the necessary ingredients all the time. This made restaurant business more toilsome and expensive as much as sophisticated.

In French, *la carte* means more than just menu. It also refers to the map of a nation or a city. Just like the image of a boot is the symbol of Italy and a hexagon is the symbol of France, menus would be symbols that define the borders of a restaurant, making the venue distinctive with organization, language and items peculiar to it (Spang, 2000). Menus were starting to become one of the most important aspects of food experience value.

It was Marie-Antoine Carême and then Georges Auguste Escoffier who modernized the kitchen in France. In the early 19th century, Carême refined culinary principles, organized the techniques and put recipes and menus in a system. After Carême, Escoffier “streamlined the commercial kitchen into the arrangement that is still used in major restaurants today”. His plan is known as the brigade system, which will discuss later in the paper (Morgan, 2006). It might come as a surprise that the restaurant system we are used to, did not exist until recent times and it took humanity such a long time to invent it. However, after restaurants started their journey, they made progress very fast and now we cannot think about a life without them.

We have briefly covered the history of food and the transformation of gastronomy into an art form. It is important to understand the history of techniques, traditions and ingredients to understand the gastronomic scene of the present time and improve it with better knowledge. Today, food experience is a significant part of tourism and it is creating its own field. Next, we will explore food experience value in tourism in detail and discuss how we could create value in consumption.

Basics of Food Experience

Human beings cannot survive without food and wherever we travel, we need to eat. Food is also “a common language and, above all, a universal right. As any language, it is spoken to communicate, to share emotions, feelings, sensations” (Buiatti, 2011). Therefore, the food experience is not only about taste but it is also a social link between people.

When people share their food, they take pleasure sitting at a table together and contemplate about their pleasures related to the service; hence a good food experience is closely related to the hospitality. The word *hospes* has two meanings in languages deriving from Latin; it means both the person who welcomes and the one who is welcomed (Buiatti, 2011). Host and guest relationship is a significant part of the gastronomic experience that this part is built on and the best way to explore it is to focus

on “slow food experience”. That is not to say that fast food does not require good hospitality; however, its practices are very different and do not reflect the kind of experience we would like to delve into as it lacks important dimensions.

Food experience has always been an essential part of the tourist experience, as wherever they travel, people need to eat, and their expectations change according to the itinerary they planned. Tourism industry creates value in an essential service such as food by “making experiences memorable”. The experiences are designed in a way that considers tourist’s means, time and space. Pleasure and convenience are merged together. On the other hand, culinary tourism is a relatively new field. In culinary tourism, food is on the spotlight. People focus on food when they make their plans. This might be as simple as making a reservation in a restaurant or travelling long distances and organize their itineraries around wineries, restaurants, cooking schools, local farms, food festivals etc. (Kirshenblatt-Gimblett, 2004). Especially at these times when people toil so much for food experience, it becomes even more crucial for those who work in tourism to provide an immaculate service and create higher value in food experience.

Staff Organization

Organized staff is one of the basics of the food experience. Nobody wants to go to a restaurant where they cannot find someone to bring the menu or order the food. It would also create mayhem in the kitchen and the serving area, if the staff is not aware of their own job descriptions and their colleagues’. Hence, the system must work flawlessly in order to provide a pleasant experience to the customer. Below, there is a table describing the positions of food service staff, which is called Brigade, used in restaurants since the 19th century.

Table 1: Managerial Job Titles in the Brigade System

Title	Responsibilities
Executive Chef	The manager in large establishment; handles planning, costing, purchasing, scheduling
Chef or Chef de Cuisine	Oversees food production for an entire establishment, answers to the executive chef
Sous Chef	Supervises kitchen employees, reports to the chef
Working Chef	Chef in a smaller establishment who not only supervises others but has cooking responsibilities as well
Sauce Chef (Saucier)	Sauces, stews, hot hors d’oeuvres, and sautéed foods
Fish Chef (Poissonier)	Fish dishes, except those sautéed by the saucier)
Vegetable Chef (Entremetier)	Vegetables, soups, starches, and eggs
Roast Chef (Rotisseur)	Roasted and braised meats and their gravies
Grill Chef (Grillardin)	Grilled, broiled and deep-fried dishes
Pastry Chef (Pâtissier)	Bread, pastry, desserts
Pantry Chef (Garde manger)	Cold foods, salads, and dressings
Swing Chef (Tournant)	Works wherever needed

Source: Adapted from *Culinary Creation: An Introduction to Food Service and World Cuisine* by James L. Morgan, 2006

The table above represents the organization of a fully-equipped restaurant in the renowned French style. According to their size, capacity, target audience and line of

work, restaurants might not cover all of these positions at the same time. However, it is important to have a working system to provide valuable food experience.

Spatyom (1991) explains the roles of some of the food service staff in his book *Etkin Otelcilik, Barçılık, Gece Alemleri-Gastronomi*. Executive chefs/Chefs are considered the kings of their kitchen and it is not unusual that they are the only ones among the staff who can go against their bosses. Of course, sometimes the Executive Chef is also the owner of the restaurant and in this case, they are emperors. The two of the most important qualities to look for in a chef are skilfulness and then cleanliness. In today's world, chefs must also have an open mind and creativity while following the latest trends as they spread very quickly thanks to our communication means. An example to these trends from Turkey could be "triliçe". It spread all over Istanbul's food scene in a very short time, and one can find it in many places ranging from small, local cafes to major restaurant chains. It is important to have specialties in the menu defining the legacy of the restaurant, but chefs should present new alternatives, too.

The head waiters or *maitre d'hôtel* also play a significant role in providing good food experience. Chefs usually stay in their kitchen and rarely come out to converse with customers, but as head waiters are responsible for the whole waiting staff; their management skills define the quality of the hospitality service. Head waiters operate with different job descriptions according to where they work. Being a head waiter means different things in restaurants, bars or night clubs. In general, they welcome the customers, place them at a table, and take care of their special needs and demands while managing the waiting staff (Spatyom, 1991). In order to create value in food experience, a head waiter should possess what is called "people skills" along with management skills. Being seated at the right table with the right attitude matters to the customers and their perception of the experience. Some customers might be easy to serve, but others make special requests, and the head waiter must have the ability to deal with ordinary situations as well as the extraordinary ones.

Waiters come after head waiters in the hospitality hierarchy; however, they are the ones whom the customers see and converse with the most. Therefore, their skills and attitudes are highly important for the food experience. A waiter should possess the necessary knowledge and ability to provide quality service. For instance, they must know the content of the menu by heart and be ready to make suggestions to the customer if necessary. The orders must be listened carefully to avoid any misunderstandings about the demands. Also, it goes without saying that waiters should be polite, respectful and attending towards the customers at the right degree, without causing disturbance.

We have so far covered the roles of chefs, head waiters and waiters in creating food experience value. There are other roles in the food service industry like bartenders, bus boys and sometimes musicians, entertainers, valets and bodyguards. Their positions and services have a significant part in the whole experience, too. However, in this paper we intended to cover the most basic roles. Below, there is a list of some of the standard rules for quality food service (Spatyom, 1991):

- Staff should walk on the right side in the hall; also, make their entrances and exits from the right.
- Staff should not walk backwards in the hall.
- Chairs should be arranged first, when a customer leaves.
- Elderly people, women and children have the priority in the service order.
- The host of the meal should be served last.
- Blind people are served food in hollow plates.
- Ice is to be put first in a glass.
- Plates, drinks, bottles, side dishes and sauceboats are to be put to the table from the right, with the right hand.
- Salad, bread and butter are to be put to the table from the left.
- Whichever side is used to serve it is the side to be used while collecting the empties.
- Cocktails should be prepared using measuring tools.
- Butter and bread are to be served first and water glasses and ashtrays to be collected last.
- Full or partly-full bottles or glasses should definitely not be collected from the table without asking the customer.
- Everything should be carried in a tray inside the hall.
- While carrying the glasses, fingers should be kept away from the inner surface.
- Staff should not lean against the wall or play with their face and hair in the hall.
- The table should be cleaned before serving the desserts.
- With every drink, the glasses should be changed.
- Single dishes should be placed in the middle of the plate.
- Grills should be picked up from the kitchen as soon as they are ready and be served instantly.
- Emblems or logos in the tableware should face 12 o'clock direction and the cup handles should face the quarter past.
- Staff should not wear any eye-catching accessories other than wedding rings or watches.
- In quality restaurants, toothpicks are not to be placed on the table.
- Ice is not to be used in beer and wine.
- While serving wine, the male customer tastes and approves it first, before the waiter can serve to the ladies. If there is no male at the table, the waiter takes on the responsibility.
- While serving white wine, the glass should be filled leaving the last two-finger space empty. The reason is that white wine should be kept chill and filled up regularly.
- Wine and champagne are to be carried without shaking the bottle.
- When a mistake occurs in the serving manner, staff should not to go back and try to fix it.

The list above might seem to be detailed or required by only high-end restaurants. However, even if the business is small or local, it is important to follow general rules in food service. Customers take notice of little things and it might change their memory of the experience for good or bad.

Safety and Hygiene

The topic of safety and hygiene is another important subject in providing valuable food experience to customers. It should not be taken lightly just because customers cannot see the kitchen area or how the food is prepared. People would not remember their experience fondly if they leave with an allergic reaction, food poisoning or find hair in their meal, no matter how tasty their food was. Different countries or states have different regulations on how to keep a commercial food service venue, but there are some general rules to follow.

Safety is important to the customers as much as to the workers; hence, slow food premises should pay attention to the wellbeing of their employees. Here, we will discuss the parts that are related to the customer experience.

Morgan (2006) defines food-borne illness as “any sickness resulting from food contamination”. Biological, chemical or physical contamination in the workplace can lead to an illness of this kind. Biological contamination occurs when harmful microorganisms like some kinds of bacteria, virus, parasites or fungi reproduce in the food. In order to avoid food contamination, food must be stored in the right temperature, kept dry and not be used after a certain time passed. Chemical and physical contaminations are more obvious as they refer to pesticides, cleaning agents, toxic metals like lead, zinc, copper and antimony in kitchen utensils and foreign objects getting into the food.

Some of the customers might be allergic to the ingredients on the menu. It is the business’ responsibility to point out these allergens and warn the customers. For a better gastronomic experience, menus should include a variety of food that can be eaten by customers with different conditions. For example, nut allergy is very common and if all the items on the menu include nut or its derivatives, the customer will leave the place dissatisfied.

Keeping the workplace and staff hygienic will keep food-borne illnesses away (Morgan, 2006). Therefore, it is fundamental to pay attention to the cleanliness and maintenance of the kitchen utensils and equipment as well as the customer area of the restaurant. The staff should also be careful with their personal hygiene in the kitchen and service area.

Creating Value in Food Experience and the Role of Consumer Behaviour

In order to come up with ways to add value to the food experience, we need to understand the construction of value. Value is an abstract concept and it is related to many aspects of consumer behaviour such as motivations, perceptions and perspectives (Zins, 2000). There are different views among academics about the definition of value, as Zins (2000) set out to summarize:

- “a relation or trade-off between all advantages received and disadvantages taken into account (e.g. Monroe and Krishnan, 1985) or similar
- a weighted comparison between give- and get-characteristics (Sawyer and Dickson, 1984) or

- ‘the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given’ (Zeithaml, 1988)
- value is not to be reduced to its functional aspects but spans to social, emotional and epistemic components (Sheth *et al.*, 1991).”

A notion as multidimensional, abstract and relative as value takes a rather sophisticated approach to implement on gastronomic experience. We must always keep in mind that we are living in an era where things grow, change and consumed very fast. In a context like this, people are seeking the optimal experience among countless alternatives and do not settle for anything less than the experience they demand. Therefore, the competition is fiercer than ever. As to provide some high-end examples; the Breakers Hotel boasts a number of 17.000 staff and the Crystal Symphony serves with 550 crew members for up to 940 guests. “Burj Al Arab greets guests at the airport in a chauffeur driven Rolls Royce, and wine glasses are never less than half full on the Seabourn Spirit. On the Crystal Symphony, which claims no request is outrageous, private butlers clean and press clothes, shine shoes, and pack for guests as well as just about anything else you can imagine. As to the fine dining, “at the Four Seasons, personnel actually wait until a fish dish is ordered before they catch it from their on-site ponds.” (Bowen and Santos, 2006).

The examples above set out the scene of today’s tourism where customers are entitled to demand the experience they want, or even the ones that they cannot imagine.

Postmodernism and Its Influence on Culinary Consumption

Postmodernism came along with a major transformation in consumer behaviour. Perhaps not the remaining part of the world per se, but the developed world consists of consumer societies. When we say “consumer”, it does not only refer to customers buying tangible products from retail outlets, anymore. In consumer societies, “any form of service, whether in the commercial or public sectors, should adopt an explicit ‘customer orientation’”, because the scope of the term consumer has widely expanded (Sloan, 2004).

In this context, it is not a surprise that culinary tourism is flourishing as a separate field, ascending from its position as a part of the general tourism. In the postmodern society, individuals are forming their own self-identities through consumption (Sloan, 2004). How people consume demonstrates which group or groups they belong to in the society. It defines their socio-economic class, the trends and social conventions they follow and what method they use to seek social acceptance. Culinary taste might seem to be an individual preference, but it is more about social acceptance (Sloan, 2004). Hence, providers of food service should take social context and profiles of their customers into account in order to excel in the food experience they provide. What customers prefer might sometimes be different from their taste.

Authenticity

Authenticity means being true to the original state of something. In the case of food experience, it requires being true to the food itself and where it comes from. Surrounded with competitive alternatives, today’s customers are on the look for finding the most

genuine experience. Food is a way to live the experience of visiting somewhere, without necessarily being there. In order to achieve this experience, a restaurant should be true to the food and wrap it with the right atmosphere. It is a stark opposition to how the global food chains like McDonalds and Burger King etc. operate. Gourmet travellers are seeking respect to the original. In a way, these modern tourists are searching the purity of the past, a time before market forces contaminated the gastronomic scene (Scarpato and Daniele, 2003).

In today's world, food suppliers act on an international scale. Therefore, they need to ask themselves whether they want to provide customized experience to people from different cultures with different tastes, in an era where people take the opportunity to travel long distances for their taste (Scharf, 2011). A good example to meeting in the halfway of the standardization issue of chains and the demand for authenticity is the Wetherspoon pubs in the UK. They have branches scattered all around the country; yet, they pay attention to customize the venues according to the town's history and specialties.

It is also important to note that, an increasing number of food service destinations are "employing locally produced food and beverage products to strengthen their tourism products (Boyne and Hall, 2003). This is a crucial part in creating authentic dishes as well as keeping true to the original recipes.

The question of authenticity is essential to the food experience; as in culinary tourism, people find the opportunity to test and push the limits of the unfamiliar. Unpredictability is the root of newness and it creates a context where one could escape from the daily life routines and have an authentic experience (Kirshenblatt-Gimblett, 2004).

Motivations

Although the main motivation of being in a food service facility might seem to be eating, customers actually come with plenty of different motivations. It is important for a business to observe and analyse these motivations to create value in the experience.

Swarbrooke and Horner (1999) categorize tourist motivations as personality, lifestyle, past experience, past life, perceptions and image. Personality traits to be observed might be "gregarious or a loner? Adventurous or cautious? Confident or timid?" Lifestyle of a customer effects their decisions immensely. Someone seeking a healthy lifestyle will be different than others who put their taste first. Past experience and past life are related to the previous experiences, whether good, bad or nostalgic. Perceptions are also built with these past experiences and the world view of the customer. Image is also crucial, as where they eat and what kind of service they receive effects how other people view the customers. These motivations have a different mixture in everyone.

Memory

Customers' memories, meaning their recollections about their past experiences are highly important for creating value in food experience. Memory of an experience is in fact more important than the experience itself, as what will bring the customers back is their memories (Wright, 2010).

In order to work with memory, food service businesses must appeal to the sensory system of the customers. It is obvious that a restaurant should offer delicious meals to appeal to the palate of their customers. However, they should not forget the fact that sensory system includes visuality, sense of touch, hearing and the sense of smell. Ideally, a gastronomic experience should include all of these senses in a positive way to achieve an unforgettable and cherished memory. Therefore, businesses must organize their work in a way to appeal to as many of these senses as possible. Gibbs and Ritchie (2010) propose that considering the restaurant a theatre stage where every detail and move is to be integrated in harmony will help the business to excel in providing a valuable and memorable food experience.

Conclusion

In this paper, we set out to explore the creation of value in food experience, slow food service industry in particular. The field of gastronomy has a long history dating back to ancient times, with Ancient Greeks and Romans considered to be the pioneers. The evolution of gastronomic experiences has been astonishing and in 1700s, French established the grounds for “restaurant” that spread around the world and became a staple of our society today. At the present, we are in an era where customized and authentic experiences are highly valued in a world of competitive alternatives. Therefore, culinary tourism has flourished as an area of its own.

Food services need to add value to the experiences they provide to their customers, in order to have their places in the competition. This could only be achieved by creating a multi-faceted business taking all the dimensions of consumer behaviour and integrating it with quality service. A restaurant should pay close attention to staff organization, safety and hygiene in the workplace as a rule of thumb. However, these alone will not lead to success. Authenticity of the experience, motivations of different customers and appealing to the sensory system to create memorable experiences are the keys.

The future has prospects for only those who understand the sophisticated nature of food experience, follow the local and global innovations closely and raise the value through the right means.

References

- Bone, S., Hall, D. (2004). Managing Food and Tourism Developments: issues for planning and opportunities to add value. In C. M. Hall, L. Sharples, R. Mitchell, N. Macionis, & B. Cambourne (Eds.), *Food tourism around the world* (pp.285-295). Oxford: Routledge.
- Bowen, H. E., Santos, C. A. (2006). Constructing Quality, Constructing Reality. In G. Jennings, N. P. Nickerson (Eds.), *Quality Tourism Experiences* (pp.38-54). Elsevier.
- Buiatti, S. (2011). Food and Tourism: the role of the “Slow Food” association. In K. L. Sidali, A. Spiller, B. Schulze (Eds.), *Food, Agri-Culture and Tourism* (pp.92-101). Springer.
- Gibbs, D. and Ritchie, C. (2010). Theatre in Restaurants: Constructing the Experience. In M. Morgan, P. Lugosi and J.R. Brent Ritchie (Eds.), *The Tourism and Leisure Experience: Consumer and Managerial Perspectives* (pp.182-201). Channel View Publications.
- Gürsoy, D. (2013). *Yiyelim İçelim Tarihini Bilelim: Dünden Bugüne Gastronomi*. İstanbul: Oğlak Yayıncılık.
- Kirshenblatt-Gimblett, B. (2004). Foreword. In L. M. Long (Ed.), *Culinary Tourism* (pp.xi-xiv). Kentucky: The University Press of Kentucky.

- Monroe, K. B. and Krishnan, R. (1985). The Effect of Price on Subjective Product Evaluations. In J. Jacoby, L. Olson (Eds.), *Perceived Quality: How Consumer View Stores and Merchandise* (pp.209-232). Lexington: Lexington Books.
- Morgan, J. L. (2006). *Culinary creation: an introduction to foodservice and world cuisine*. Routledge.
- Sawyer, A. G. and Dickson, P. (1984). Psychological Perspectives on Consumer Response to Sales Promotions. In C. Jocz (Ed.), *Research on Sales Promotion: Collected Papers* (pp.1-21). Cambridge: Marketing Science Institute.
- Scarpato, R., Daniele, R. (2004). New Global Cuisine: tourism, authenticity and sense of place in postmodern gastronomy. In C. M. Hall, L. Sharples, R. Mitchell, N. Macionis, & B. Cambourne (Eds.), *Food tourism around the world* (pp.296-313). Oxford: Routledge.
- Scharf, A. (2011). Sensory Marketing Research – Identification of the Ideal Sensory Product Profile. In K. L. Sidali, A. Spiller, B. Schulze (Eds.), *Food, Agri-Culture and Tourism* (pp.180-197). Springer.
- Sheth, J. N., Newman, B. I., and Gross, B. L. (1991). Why We Buy What We Buy: a theory of consumption values. *Journal of Business Research* 22, 159-170.
- Sloan, D. (2004). *Culinary taste: Consumer behaviour in the international restaurant sector*. Oxford: Routledge.
- Spang, R. L. (2000). *The invention of the restaurant: Paris and modern gastronomic culture*. Cambridge, MA: Harvard University Press.
- Spatyom Yayınları 3 (1991). *Etkin Otelcilik, Barcılık, Gece Alemi, Gastronomi*. İstanbul: Spatyom Yayınları.
- Surenkok Kesimoglu, A. (2011). *Gastronomy Tourism in Turkey and Beyond*. Saarbrücken: Lambert Academic Publishing.
- Swarbrooke, J., & Horner, S. (1999). *Consumer behaviour in tourism*. Routledge.
- Wright, R. K. (2010). ‘Been There, Done That’: Embracing Our Post-trip Experiential Recollections through the Social Construction and Subjective Consumption of Personal Narratives. In M. Morgan, P. Lugosi and J.R. Brent Ritchie (Eds.), *The Tourism and Leisure Experience: Consumer and Managerial Perspectives* (pp.117-136). Channel View Publications.
- Zeithaml, V. A. (1988). Consumer Perceptions of Price, Quality and Value: A means-end model and synthesis of evidence. *Journal of Marketing* 52, 2-22.
- Zins, A. H. (2000). Two Means to the Same End: Hierarchical Value Maps in Tourism – Comparing the Association Pattern Technique with Direct Importance Ratings. In J. A. Mazanec, G. I. Crouch, J. R. Brent Ritchie, A.G. Woodside (Eds.), *Consumer Psychology of Tourism, Hospitality and Leisure* (pp.123-151). CABI Publishing.



Determinants of Forward- looking and Risk Disclosure in Qatar

Mohammed Elgammal¹, Khaled Hussainey², and Fatma Zaki³

College of Business and Economics

Qatar University, Qatar

¹m.elgammal@qu.edu.qa

³fatmazaki@qu.edu.qa

School of Management

Plymouth University, UK

²khaled.hussainey@plymouth.ac.uk

Abstract

Using two ways clustered error pooled panel regressions, we investigate to what extent corporate governance effect the level of voluntary disclosures of risk and forward-looking statements in Qatari firms' annual reports. This paper utilized a unique and recent data for a period from 2008 to 2014. Our findings indicate that board size and foreign ownership have a positive effect on voluntary disclosures of forward-looking statements. However, we could not find a link between corporate governance practices and risk voluntary disclosures. Finally we found that there is a positive effect of firm characteristics like dividend, profitability, firm size and leverage on voluntary disclosures of risk and forward-looking statements.

Keywords: forward- looking disclosure, risk disclosure, corporate governance, voluntary disclosure, Qatar

Note: This research was made possible by N grant (NPRP 7 - 364 - 5 - 048) from the Qatar national research fund (a member of Qatar foundation). The statements made herein are solely the responsibility of the authors.



Death of a Salesman: The Rise of Third-Party Intermediaries

Richard G. McNeill

The W.A. College of Business
Northern Arizona University, USA
richard.mcneill@nau.edu

Abstract

A strategic inflection point has been reached. The traditional human Business-to-Business (B-2-B) selling process is not working as it did in the past. Once *push-marketing* oriented and *sales-centric* traditional salesforce methodology is rapidly transitioning to a *pull-marketing* and *buyer-centric* marketplace reality. The buyer, not the seller, is in control of the buyer's journey through the *sales pipeline* or *funnel*: the buyer's journey from initial interest to sale. Are we witnessing the *Death of a Salesman* as traditionally conceived? Today's buyer, the *Self-Educating Buyer*, is not only increasingly invisible to the traditional salesforce, he/she elects to employ third-party intermediaries. Through access to pervasive Internet product knowledge resources, this buyer anonymously seeks product information and travels approximately 50% into the sales funnel/pipeline without the traditional salesperson's awareness; all the while, refusing to accept the traditional salesperson's cold-call or annoying interruption marketing. Further, the newly empowered buyer has access to computerized vendor screening platforms and access to rising armies of sophisticated third-party salesforces for hire as agents and consultants. Do today's selling entities need traditional, fully trained, product knowledgeable, salespeople or can less expensive product coordinators replace them to service and simply process paperwork for today's self-educating and in control buyer? Two problems are explored: (1) Is the rise of third-party intermediaries short-circuiting the traditional sales funnel/pipeline buying journey where traditional sellers first engaged and controlled this journey and (2) Are we witnessing the *Death of a* (traditional) *Salesman* and what might the future of buyer/seller organization look like? Methodology: This is a study of B-2-B (Business to Business) group sales and marketing people in the hospitality industry, thus, it has limitations for generalizing to other industries. It is a conceptual paper derived from both secondary research and a small qualitative study of B-2-B group salesforces at major hotel corporation hotels. Conclusions: Death of a (B-2-B) Salesman? No – not just yet! Human face-to-face exchange encounter between B-2-B buying and selling entities, at least in the present, seems to be needed in some form. But, technology has essentially eliminated today's B-2-C (consumer) salesperson. Is the fate of the traditional B-2-B salesman next and soon? The full paper details this dynamic story.

Keywords: self-educating buyer, cold-calling/interruption marketing, third-party sales intermediaries, sales funnel/pipeline

Moderating Impact of Demographic Characteristics on Business Travelers' Reaction toward Online Reviews

Faranak Memarzadeh¹ and Shane C. Blum²

Department of Hospitality Management
San Jose State University, USA
¹faranak.memarzadeh@sjsu.edu

Department of Hospitality and Retail Management
Texas Tech University, USA
²Shane.blum@ttu.edu

Abstract

This research focused on the moderating effect of demographic characteristics (such as age, gender, and level of income) on business travelers' intention to purchase a hotel room based on online reviews. In order to explore this relationships, the Theory of Reasoned Action (TRA) was used. The Internet has empowered potential customers to gather unbiased hotel service information from other customers via the electronic word of mouth (E-WOM), as Hennig-Thurau, Gwinner, Walsh, and Gremler (2004) discussed. Some information collected on the Internet has significant impact on the customer's final choice, as Zheng et al. (2009) discussed in their findings. Their findings indicate that online comments have a significant impact on potential customer's intentions. One significant aspect of business travelers is their demographic characteristics. According to the finding of McCleary et al. (1994), female business travelers are more concerned about the security facilities in the hotel room. Male business travelers in this study, however, are more worried with business amenities and separate business space in the room. Keeping this in mind, hoteliers should appreciate each segment's preferences and design their services to meet traveler's needs (McCleary et al., 1994). In this current investigation, the moderating effects of gender, age, and level of income on the paths between attitude toward positive e-comments, attitude toward negative e-comments, and intention to purchase were studied. According to the structural modeling results the positive relationship between attitude toward positive as well as negative e-comments and intention to purchase were explored for males, which shows the moderating effect of males on intention to purchase through both positive and negative e-comments. The moderating effect of females, on the other hand, indicates that besides the non-significant relationship between attitude toward negative e-comments and intention to purchase, the relationship between belief and attitude toward negative e-comments was not supported as well. In addition to using gender as a moderator, age and level of income were used as control variables. The results of structural modeling reveal two moderating effects on the relationships; first, the effect of age on attitude toward positive e-comments, and second, the effect of age on negative e-comments. The level of income did not have moderating effects on the relationship.

Keywords: moderating effect, demographic characteristics, business travelers, online feedback

Measurement of Awareness of Students on the Subject of Conscious Consumption and Consumer Rights

Murat Öz¹, Mustafa Enes Tepe², Mehmet Ali Canbolat³, and Özdal Koyuncuoğlu⁴

Department of Business Administration
Karamanoglu Mehmetbey University, Turkey
¹muratoz@kmu.edu.tr
²menestepe@kmu.edu.tr

Department of Management and Organization
Karamanoglu Mehmetbey University, Turkey
³mcanbolat@kmu.edu.tr

Department of Banking
Necmettin Erbakan University, Turkey
⁴okoyuncuoglu@konya.edu.tr

Abstract

Producers have gain advantageous position against consumers along with industrial revolution caused to asymmetric information and gradually increasing distance between consumer and producers. This consequence has necessitated need for protection of consumers. Consumer protection law showed up in United States of America in 1872 and has made significant progress until today (Koca, 2004). One of common ground that human being shares is being consumer. The numbers of consumers equal to number of human beings live on earth. Consumer defined as “one who purchases and uses economic goods and services against determined remuneration” (Altunışık et al., 2014) will not be able to make use of protective laws and regulations unless level of awareness is not raised and possessed rights are not known even he/she is protected by various ways. This study aims to detect level of knowledge and awareness of students in Faculty of Economics and Business Administration, Karamanoglu Mehmetbey University and develop a scale for students specifically by comparing data collected from students and literature.

Keywords: consumer rights, awareness, conscious consumption, consumer protection law

Introduction

Consumption, Consumer and Customer

Marketing discipline defines need as lack of energy that human being, complete in itself physical, emotional and ideational aspects, feels about each of these three aspects. Human beings who refresh or increase human capacity by satisfying their needs pay a price physically, emotionally and ideationally. Satisfying needs by paying a price is stated as consumption. In this sense, consumption is defined as activities of human beings on the purpose of fitting in society that they live in and improving their own human capacity (Altunışık et al., 2014).

Consumer is defined as “person, institutions and organizations that have need to be satisfied, money to disburse and ambition to spend” (Mucuk, 2012). Consumer is defined under Article 3 in Current The Law on Consumer Protection No. 6502 as “real person or legal entity acting with non-commercial or non-professional purposes” (Official Gazette, 2013).

The words “consumer” and “customer” substitute each other in daily life but there is difference between these two concepts. In this context, customer is defined as person who undertake the role of purchasing goods and services independently of purpose of consumption. Furthermore, it is used in the meaning of one who purchases goods and services continually (Altunışık et al., 2014). Customer defined as consumer who purchases goods and services from same enterprise and uses same brand continuously has also consumer role (İslamoğlu, 2013).

Conscious Consumer

There will not be any benefit and opportunity to consumers if the awareness of consumer rights is not sufficient even they are protected by the best protective law on consumer rights of the world. Conscious consumer is defined as “ One who prioritizes basic needs when purchasing goods and services; is careful to purchase quality, dependable, cheap and durable goods and services; is aware of his/her rights; protect and assert his/her rights; does not act incorrectly under the influence of media and advertisement; is against to any kind of extravagance and prodigality” (Gülmez, 2006).

Consumer in Historical Process

Although need for consumer protection does not aim directly as specific purpose “consumer protection” as present day, it is a phenomenon that existed in ancient times. Intellection of consumer protection has tried to find its juridical expression in modern age. It is known that there were regulations aimed at consumer relations in Babel, Ancient Greece and The Roman Empire followed by The Ottoman Empire, England and France later on (Tok, 2007).

When Islamic World and Ottoman Empire are considered In terms of consumer rights, protection of social order was vital. Islamic-Ottoman Office for Public Regulatory, *İhtisab Müessesesi*, was founded in order to control shopping district according to religious rules by Ottoman Constabulary –Official for Public Order, *Muhtesip*. Their main purpose was to invite goodness and enjoin right conduct and forbid indecency. They could not stay out of any social incidence due to their main goal of duty. One the most remarkable point of consumer protection in Ottoman Empire was The Law of The Municipality of Bursa known as the oldest law of consumer and standard in history promulgated in 1502 during reign of Bayezid II (Ministry of National Education, 2012).

Ahi-Community played very important role about protection of consumer in Ottoman Empire period. Goods manufactured in workplaces belongs to member of Ahi-Community were sold in reasonable profit rates. Prohibitive price was not demanded. Consumers were able to purchase goods both in prices and quality that they desire and from shopping center that consisted of same occupational group easily. Crafts were all

together in one center which prevented different pricing on same goods. Everyone in workplace was responsible for broken and defective goods physically and emotionally (Aslan, 2013).

When it comes to 18th and 19th century marketing strategies have developed, mass production has started and distance between producers and consumers have reached noticeable point because of capitalist economic order and developing technology. Impaired balance has shaped to the detriment of consumer. This caused emergence of monopoly and excessive powerful producers (Tok, 2007).

When it comes to 20th Century where consumption patterns change and develop, activities to protect consumers who have weak position against producers and increase their awareness by initiative of state or national and international non-governmental organizations are being implemented at their highest level compared to history.

Consumer Protection and Historical Process

Concept of consumer protection has showed-up in United States of America in the first instance. In 1906 “Sherman Antitrust Law” is accepted first law in this area after first law on consumer protection introduced in 1872. The first bill of rights on consumer protection emergent as a social problem was declared by J. F. Kennedy in March 15, 1962 in his speech to Congress. In that speech Kennedy named 4 basic rights of consumer which are; the right to safety, the right to be informed, the right to choose, the right to be heard. In European Union, policies for consumer rights and implementation of these rights were started to enforce after meeting held in Paris in 1972 (Koca, 2004).

Consumer Bill of Rights

In 1985, Universal Consumer Rights were enacted in General Assembly of The United Nations by unanimous vote through the United Nations Guidelines for Consumer Protection. Turkey also accepted these 8 rights (tse.org.tr, 16.01.2016):

- The right to satisfaction of basic needs
- The right to safety
- The right to be informed
- The right to choose
- The right to be heard
- The right to redress
- The right to consumer education
- The right to a healthy environment

Progress of Consumer Rights in Turkey

Practices aimed at protection of consumer rights are encountered periods of Ottoman Empire and Seljuk Empire. Ahi-Community founded even in towns and villages worked in order to establish social order on basics of moral and religion. Besides, Guilds were effective factor to establish commerce and occupation moral (Kayali, 2008).

Contemporary Law on Consumer Protection was prepared for the first time in 1995, *The Law on Consumer Protection No. 4077*, in Turkey. There was no significant development

on consumer protection because of efforts for founding a state in republic period. In general sense, consumer protective provisions were created to establish social order. Article 167 and 172 of the Constitution have been the most important implementation to protect consumer by that time (Koca, 2004; Kayalı, 2008).

Articles which are mentioned above as following (global.tbmm.gov.tr, 16.01.2016):

Article 167 :The State shall take measures to ensure and promote the sound and orderly functioning of the markets for money, credit, capital, goods and services; and shall prevent the formation of monopolies and cartels in the markets, emerged in practice or by agreement. In order to regulate foreign trade for the benefit of the economy of the country, the Council of Ministers may be empowered by law to introduce additional financial impositions on imports, exports and other foreign trade transactions, except taxes and similar impositions, or to lift them

Article 172: The State shall take measures to protect and inform consumers; shall encourage their initiatives to protect themselves.

Free competition market effected by tendency of liberalization has affected economic life as well as social life significantly after 1980. Fierce competition has started among the firms aimed to draw consumer's attention. Concordantly, rising consumer movements in USA and EU ensured consumer rights become Turkey's agenda. Activities in the field of consumer rights increased and dozens of associations were founded when Turkey became a party to United Nations Consumer Bill of Rights in 1985 (Koca, 2004; Kayalı, 2008).

In conclusion, The Law on Consumer Protection No. 6502 which published in the Official Gazette on November 28, 2013 and entered into force on May 28, 2014 introduces very important regulations and amendments aiming to protect consumers against stronger sellers especially in terms of consumer transactions executed by and between banks and consumers (Dayıoğlu and Okucu, 2014).

Methodology

Universe of this study is students of Karamanoglu Mehmetbey University, Faculty of Economics and Administrative Sciences. The number of students in universe is N:3545 (ogris.kmu.edu.tr, 15.01.2016). Sample size designated according to Altunışık *et.al.* (2015). A questionnaire was distributed to a stratified sample of 480 of university students in three departments (Business Administrations, Economics and Department of Political Science and Public Administration). 468 of them were analyzed. Respondents were asked 18 questions including demographic information and 16 statement with 5 point likert scale. Other related studies were applied to form questionnaire (Şahin and Kor, 2009; Kaynak and Akan 2011; Kayalı, 2008). SPSS were applied to analyze data.

Research Results

Participants of the research consist of 52.8% male and 47.2% female students. Participants are from three departments which are Business Administrations and

Economics (33.5% each) and Department of Political Science and Public Administration (33%).

Participants response the question “Is there a separate legislation for consumer protection in Turkey?” as follows; “Yes” (64.8%), “No” (6%) and “I do not know” (29.2%)

Participants response the question “Is there an article about consumer protection in Turkish Constitution?” as follows; “Yes” (56.3%), “No” (6.5%) and “I do not know” (37.2%)

The question “What is the phone number of consumer advisory hotline?” is responded correctly by 46.6% of the participants, which is “175”, 19% of the participants chose the wrong answer, which is 174, and rest stated “I do not know” which is 36.4%.

Another question “Have you ever reported a problem to free line (800 service) created by firms?” is responded negative by 73.6% of the participants, nonetheless, only 10.3% of the participants stated that they have called. Lastly, 15.1% of the participants responded that they have never heard this line.

The question “Do you know the Ministry in charge of enforcing legislation about consumer protection?” is responded correctly by 49.6% of the participant, 8% of the participants gave wrong answer, which is Ministry of Science, Industry and Technology, rest stated the option “I do not know”. Ministry of Customs and Trade is in charge of enforcing the legislation.

62.4% of respondents consider themselves as conscious consumer, 37.6% of respondents response negative which is relatively high number.

Even 51.7% of respondents experienced defective goods, only 7.7% applied to Arbitration Committee for Consumer Problems and 88.6% have no idea where the location of Arbitration Committee for Consumer Problems is.

Almost all of the respondents, 97%, are not a member of any consumer association or foundation. Rest, which is 3 percent, has a membership to a consumer association or foundation.

Another important result is, 77.8% of respondents point out that they know their consumer rights on goods and services that they purchase, in spite of that 22.2% response negative

Do you know your consumer rights on goods and services that you purchase?				
		Frequency	Percent	Valid Percent
Valid	Yes	365	77,4	77,8
	No	103	22,0	22,2
	Total	465	99,4	100,0
Do you know your right of withdrawal duration on goods and services that you purchase?				
Valid	Yes	311	66,5	66,6
	No	156	33,3	33,4
	Total	467	99,8	100,0

Are you member of any consumer association or foundation?				
		Frequency	Percent	Valid Percent
Valid	Yes	14	3,0	3,0
	No	453	96,8	97,0
	Total	467	99,8	100,0
Do you want to attend a training program on consumer education and protection?				
Valid	Yes	304	65,0	65,2
	No	162	34,6	34,8
	Total	466	99,6	100,0
Have you ever purchased a defective good?				
		Frequency	Percent	Valid Percent
Valid	Yes	241	51,5	51,7
	No	225	48,1	48,3
	Total	466	99,6	100,0
Have you ever applied to Arbitration Committee for Consumer Problems?				
Valid	Yes	36	7,7	7,7
	No	431	92,1	92,3
	Total	467	99,8	100,0
Do you know location of Arbitration Committee for Consumer Problems in your city?				
		Frequency	Percent	Valid Percent
Valid	Yes	53	11,3	11,4
	No	411	87,8	88,6
	Total	464	99,1	100,0
Have you ever taken a marketing course?				
Valid	Yes	133	28,4	28,5
	No	334	71,4	71,5
	Total	467	99,8	100,0
Do you consider yourself as a conscious consumer?				
Valid	Yes	290	62,0	62,4
	No	175	37,4	37,6
	Total	465	99,4	100,0

	Mean	St. Deviation
I do not read explanations in user guide because it is complicated.	2,4563	1,25664
Consumer protection associations in Turkey highly endeavor to raise awareness of consumers.	2,6983	1,07370
Current legislative regulations in Turkey aimed at protecting consumer are well enforced	2,7538	1,05471
Citizens in Turkey keep informed perfectly about consumer rights by mass media	2,7961	1,16548
I keep user guide of goods that I purchase without reading unless it is necessary.	3,0065	1,33740
I am interested in social activities about consumer rights (meetings, seminars etc.)	3,0086	1,03707
In general, I am aware of my rights that consumer rights law provides	3,0925	1,00110
I have a strong interest in TV and newspaper news about consumer rights.	3,0989	1,05807
I am aware of my legal rights as a consumer.	3,2798	,97680
Certainly, I read user guide of goods (electronic goods, clothing etc.) that I purchase before i purchased.	3,6609	1,28069
I match price of goods that I purchase and cash register voucher in my shopping.	3,7802	1,23447
I claim my rights when i face problems about goods/services that I purchase.	3,8470	1,16661
Certainly, I have warranty of goods (electronic goods, clothing etc.) that I purchase certified to seller.	3,9870	1,21802
I look to date of expiry of perishables that I purchase.	4,0086	1,11932
Always, I claim voucher or bill in my shopping.	4,0696	1,21158
Certainly, I keep warranty of goods (electronic goods, clothing etc.) that i purchase.	4,2160	1,23302

According to reliability analysis the value of Cronbach's Alpha is 0.755 which indicates that scale used in questionnaire is reliable.

Mean of statements according to 5 point likert scale indicates that respondents have tendency to “agree” statements as following: “I look to date of expiry of perishables that I purchase”, “Always, I claim voucher or bill in my shopping”, “Certainly, I keep warranty of goods (electronic goods, clothing etc.) that I purchase”. On the other hand, respondents have tendency to “disagree” statements about implementation of law on consumer protection and activities to arise awareness of consumers about consumer rights. The statements are; “Consumer protection associations in Turkey highly endeavor to raise awareness of consumers”, “Current legislative regulations in Turkey aimed at protecting consumer are well enforced”

Cross-Tabulation and Chi-Square

The question “Do you consider yourself as a conscious consumer?” responded “yes” by 70.1% of male and 55.3% of female students. There is a significant difference between male and female student of responses on question “Do you consider yourself as a conscious consumer?” according to value of Pearson Chi-Square (0,001) at 5% significance level.

Cross-tabulation of students who has taken marketing course and students who recognize consumer advisory hotline indicates that students who have taken marketing course are better in recognizing the consumer advisory hotline, 72%, than who have not, 33.7%. There is a significant difference between students who have taken marketing course and students have not according to value of Pearson Chi-Square (0,000) at 5% significance level.

Conclusion

More than half of respondents consider themselves as conscious consumer and number of male students are more than female students among who consider themselves conscious consumer. Approximately $\frac{3}{4}$ of the respondents claim that they are aware of their rights when they face defective goods and services. More than 60% of respondents are eager to attend training program on consumer education and protection which is proof that universities and NGO's should collaborate more intense and demand of students should be take into consideration. Rate of membership to NGO's and respondents statement to effort of associations to increase awareness “disagree” indicates that they need to spend more effort to advertise their activities and should see desire of students to attend training programs as a opportunity. In addition to these, respondents consider protection of their rights in the process of purchasing goods and services. Lastly, application to Arbitration Committee for Consumer Problems and report to free line (800 services) are almost scarcely any compared to experienced defective goods and services.

References

- Altunışık R, Coşkun R., Bayraktaroğlu S., Yıldırım E., (2015). Sosyal Bilimlerde Araştırma Yöntemleri SPSS Uygulamalı, *Sakarya Yayıncılık*, 8. Baskı, Sakarya.
- Altunışık R., Torlak Ö., Özdemir Ş. (2014). Pazarlama İlkeleri ve Yönetimi, *Beta Yayıncılık*, 1. Baskı, İstanbul.

- Aslan H. E., (2013). Türkler’de İş Ahlakı ve Geçmişten Günümüze Ahilik, Beykent Üniversitesi, SBE, İşletme Yönetimi ABD, Yönetim Organizasyon ABD, Yüksek Lisans Tezi, İstanbul.
- Gülmez, M. (2006). Pazarlama Yönü İtibariyle Bilinçli Tüketim ve Bilinçli Tüketicilere İlişkin Bir Saha Araştırması, *Selçuk Üniversitesi Sosyal Bilimler MYO Dergisi*, 9(1-2) 153-178.
- İslamoğlu, A.H., Altunışık R., (2013). Tüketici Davranışları, *Beta Yayıncılık*, 4.Baskı, İstanbul.
- Kayalı F., (2008). Tüketicinin Korunması ve Tüketici Hakları Konusundaki Bilgi Düzeyinin Tüketicinin Korunmasındaki Rolü. Balıkesir Üniversitesi, SBE, İşletme ABD, Yüksek Lisans Tezi, Balıkesir.
- Kaynak S., Akan Y. (2011). Tüketicinin Korunmasında Tüketici Bilinç Düzeyinin Önemi: Hane Halkları Üzerine Bir Uygulama. *Gaziantep Üniversitesi Sosyal Bilimler Dergisi*, 10(1):41-61 ISSN:1303-0094.
- Koca, G. (2004). Tüketicinin Korunması Açısından Abonelik Sözleşmeleri, Ankara Üniversitesi, SBE, Özel Hukuk ABD, Yüksek Lisans Tezi, Ankara.
- MEB. (2012) Aile ve Tüketici Hizmetleri, Tüketici Hakları. Ankara.
- Mucuk, İ., (2012). Pazarlama İlkeleri. *Türkmen Kitabevi*, 19.Basım, İstanbul.
- Şahin A., Kor Ö. (2009). Mersin’de Yaşayan Tüketicilerin Tüketici Hakları Konusundaki Bilinç Düzeylerini Etkileyen Faktörleri İnceleyen Bir Araştırma. *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, Cilt:9 (2):105-126.
- Tok, H.(2007). Avrupa Birliği Sürecinde Türkiye’nin Tüketici Haklarının Değerlendirilmesine ve İyileştirilmesine Yönelik Bir Araştırma”, Karadeniz Teknik Üniversitesi, SBE, İşletme ABD, Yüksek Lisans Tezi, Trabzon.

Internet References

- <http://ogris.kmu.edu.tr/menu.aspx?ayrinti=105> (15.01.2016).
- https://global.tbmm.gov.tr/docs/constitution_en.pdf (15.01.2016).
- <https://www.tse.org.tr/upload/tr/dosya/icerikyonetimi/7348/19112015175833-2.pdf>(16.01.2016)
- Dayıoğlu Y. and Okucu İ. Turkey: New Consumer Protection Law.
<http://www.mondaq.com/turkey/x/288460/Consumer+Law/New+Consumer+Protection+Law>
(20.04.2016)



Investigating Household Budget Preferences with a Spotlight on the Healthfulness of Food Expenditures

S. R. Dominick¹ and Nicole Olynk Widmar²

The Department of Agricultural Economics
Purdue University, USA
¹sdominic@purdue.edu
²nwidmar@purdue.edu

Abstract

Understanding household's allocation of resources across key resource areas is important for developing impactful educational programming, and in the design of policy and regulations. In this analysis, households may express preferences for resource allocation across six expenditure categories. Preferences for relative resource allocation are hypothesized to vary by household demographics; relationships between demographics of survey respondents, as well as the respondent's household are investigated in this analysis. A specific example of resource allocation in the food expenditure category is of interest in this work, specifically, tradeoffs among nutrient levels of cereal products, given the widespread consumption of such products (especially in households with children). In order to explore households' relative prioritization of expenditure categories and willingness to pay for nutrient levels in staple food products (cereal, in this case) a Midwest-representative survey was conducted and 1,279 respondents completed the survey in its entirety. The sample was targeted to be representative of the Midwest U.S. population in sex, age, education, income, and state of residence. A best-worst scaling experiment was conducted in order to establish individual and mean preference shares for six expenditure categories: *Childcare*, *Transportation*, *Housing*, *Health Care*, *Other Necessities*, and *Food*. A choice experiment was conducted in order to establish respondent's willingness to pay for nutrient content of ready-to-eat breakfast cereal. Programs that provide food resources and nutrition education and policy makers intending to address household needs are expected to be the groups most benefited by the findings from this study.

Keywords: household budgeting, food preferences, consumer demand

Introduction

A defining relationship may exist between household income allocation over all expenditure categories, especially food expenditures, and key household preferences and demographics. Ferdous et al (2010) looked at the 2002 U.S. Consumer Expenditures Survey in order to assess the impact of rising gas prices on other consumption areas and found that transportation expenditures and food expenditures increase as income increases but food expenditures decrease as gas prices increase. This suggests a tradeoff between transportation and food expenditures. *Food* is one of seven expenditure categories defined by the United States Bureau of Labor Statistics; the other categories studied are *Childcare*, *Transportation*, *Housing*, *Health Care*, *Other Necessities*, and *Taxes* (U.S. 2016). The main objective of this project is to improve the understanding of the role of tradeoffs within and across households by evaluating the budget tradeoffs

between six of the expenditure categories (taxes being excluded). A second objective is to improve the understanding of the relationship between nutrition and resources demographics, by analyzing individual's willingness to trade between five nutritional attributes of a single base product (ready-to-eat breakfast cereal): *Price, Sugar, Saturated Fat, Fiber, and Proteins*.

Studies show a degree of tradeoff between food resources and nutrition, in that when the resources used to obtain food shrink, 'healthy' or 'high quality' but expensive food is traded for 'lower quality' but cheaper food. Coates, et al., (2006) analyzed fifteen countries, using twenty-two international measures of food insecurity and categorized the elements of the measures into four main domains of food insecurity, one of which was "food is of inadequate quality". Under this domain they found that the most common element to each of the food insecurity measures were questions about "not being able to eat healthy or proper diets," 16 of the 22 measures showing this theme. This suggests that the ability of food insecure households to eat healthy is an important point of analysis and that looking at how a 'healthy diet' is impacted by changes is an important component of understanding and addressing food insecurity. Hoisington, Shultz, & Butkus (2002) conducted a study observing food purchasing habits of low-income women in urban Minnesota. They found that over 75% of the participants were unemployed, received food stamps, or reported low food security, while 37% of total participants were homeless. Of participants, rates of food purchased from the 'less healthy' group were higher than those of the 'healthy' group, with homelessness showing a decrease of 42% - 71% of 'healthy' food purchases. (Hoisington, Shultz, & Butkus, 2002).

Methodology

A survey of Midwest U.S. residents was conducted and 1,279 respondents completed the survey. The survey was designed and constructed using Qualtrics software and was hosted at Purdue University. The survey was launched February 12, 2016 by Lightspeed GMI, who manages an opt-in panel of respondents. Data collection concluded on February 26, 2016. The survey was constructed to target sample demographics (through the use of quotas for respondents) for the Midwest, based on the U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates. The respondent's sex, age, annual pretax household income, and state of residence were targeted to be representative of the Midwest population. The survey consisted of three general parts: general household demographics and respondent characteristics, choice tasks designed for a best-worst methodology, and a willingness to pay choice experiment.

All respondents were asked general demographic questions as well as questions about their spending and habits related to six expenditure categories: *Housing, Food, Childcare, Health Care, Transportation, and Other Necessities*. Other demographic questions assessed the number of people in the household in all age categories, respondent's employment status, race, household budgeting habits, and self-reported smoking and alcohol consumption. For each of the six categories respondents were asked to estimate and report their monthly spending in dollars per month. In regards to *Housing*, respondents were asked about shelter ownership and type. Respondents were asked about transportation type utilization and car ownership relating to *Transportation*. If

respondents indicated having children they were asked *Childcare* associated questions assessing their use of care facilities and whether or not they receive assistance for childcare. *Health Care* was addressed by asking respondents about their insurance coverage, treatment service utilization, and chronic illness status. If respondents indicated having children they were asked similar health-related questions pertaining to the children's health care. All other expenses not relating to the other five categories were assumed to be covered by the category *Other Necessities*.

This study is focused on the *Food* expenditure category and the majority of questions posed related to this category. Respondents were asked about currency form (i.e. Credit Card, Cash, Food Stamps) used for purchasing, dietary concerns or choices, cooking habits, healthy eating understanding, and access. Respondents were also asked the ten food security assessment questions developed by the USDA (Coleman-Jensen, et al. 2015). Respondents who reported having children were asked the eight USDA food security assessment questions specific to the status of the children in the household for a total of 18 questions.

The second section of the survey had respondents participate in a series of choice tasks designed to facilitate best-worst scaling analysis. For a total of ten questions, respondents were asked to select between expenditure categories by indicated which one of three categories shown they considered "most important" and which one they considered "least important," when planning for their monthly household budget. (Appendix 1 is an example of the question as displayed in the survey.) This would allow the individual importance of one category over another to be assessed on a relative scale. From there, a mean level of importance for each expenditure category can be assessed, indicating the level of importance across all respondents. Such analysis has been utilized in recent studies covering various subject matters. Wolf and Tonsor (2013) asked respondents, farmers, to rank the importance of seven farm policies; they state that "the share of preference conveys the probability that a policy is picked as more important than another. Thus, the calculated share of preference for a policy reflects both the true importance of the policy as well as the relative uncertainty in the importance that farmers place on the policy." Lusk and Briggeman (2009) used best-worst scaling to ascertain the relative importance placed on eleven food values by consumers. They found that *Safety* achieved the highest mean preference share, making it the most important food value to consumers. Lusk and Briggeman (2009) also explain that, "by having people choose the best and worst options, people are forced to decide which issues are more or less important, and unlike rating scales, there is only one way for people to respond to the question (with a choice)." For this study, respondents will be forced to choose the expenditure category that is relatively more important, which reflects reality: when dollars are allocated to one category they cannot be allocated to another, in other words, one category has to be more important in order to receive dollars (priority) over another.

Following the best-worst tasks, respondents participated in a choice experiment designed to elicit individual's willingness to pay for different nutrient levels of ready-to-eat breakfast cereal. Willingness to pay will be analyzed by using latent class and random parameter logit (RPL) models. A total of 640 respondents were given the option to

hypothetically purchase one of two boxes of ready-to-eat breakfast cereal, or to buy neither box. A graphic was used to display the nutrition elements for each box and the price associated with that box. (Appendix 2 is an example of the visuals used in the experiment.) *Price, Sugar, Saturated Fat, Fiber, and Proteins* were varied so that each of the two boxes displayed an amount for each category, in different combinations, resulting in a total of eight questions, or eight hypothetical purchase scenarios. Half of the respondents that participated in the experiment were also shown a nutrition education info-shock in order to assess what impact nutrition education might have on decision making. The info-shock used can be seen in Appendix 3, and was obtained from the U.S. Food and Drug Administration. In order to gain a more complete understanding, all respondents were also asked ready-to-eat breakfast cereal related questions covering consumption habits, brand and packaging preferences, and reasons for consumption.

Preliminary Findings (Analysis in Progress)

Data collection concluded on February 26, 2016. To date, demographic questions have been summarized and modeling for the best-worst and choice experiment tasks is underway. As shown in Table 1 the survey concluded in proportions that reflect the population. The most proportional representation is in geography across the region, where the percentages are equal except for Ohio.

Table 1: Sample demographics (n=1279)

Variable Description	Survey (% of respondents)	U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates (%)
Female	52	51
Age		
18-24	08	13
25-44	33	31
45-64	38	36
Over 65	21	20
Income		
Less than \$25,000	21	24
\$25,000 to \$34,999	11	11
\$35,000 to \$49,999	14	14
\$50,000 to \$74,999	20	19
\$75,000 to \$99,999	13	12
\$100,000 to \$149,999	13	12
\$150,000 or more	9	08
State		
Illinois	16	16
Indiana	08	08
Iowa	04	04
Kansas	04	04
Michigan	13	13
Minnesota	07	07
Missouri	08	08
Nebraska	02	02
North Dakota	01	01
Ohio	14	15
South Dakota	01	01
Wisconsin	08	08



Kentucky	06	06
Tennessee	08	08

Source: population percentages obtained from: U.S. Census Bureau; American Community Survey, 2014 American Community Survey 1-Year Estimates, Table S1901; generated by S. R. Dominick; using American FactFinder; <<http://factfinder2.census.gov>>; (21 September 2015).

Conclusions and Potential Contributions

The findings of this research are expected to be of particular interest to groups who make decisions on food related policies and programs. Fourteen percent of U.S. households were food insecure or “had difficulty at some time during the year providing food for all their members due to a lack of resources,” (Coleman-Jensen, et al. 2015). The USDA uses food security statistics to evaluate and improve national programs like the Supplemental Nutrition Assistance Program (SNAP), The National School Lunch Program, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (Coleman-Jensen, et al. 2015). A portion of these programs are dedicated to educating users about how to spend food dollars more efficiently and nutritiously. One example is the Thrifty Food Plan (USDA, 2013). This tool suggests how many food dollars should be spent on each household member, of assorted ages, per week at four different spending rates, ranging from “thrifty” (about \$40 per week per person age 19-50) to “liberal” (\$77 per week per person age 19-50) (USDA, 2013). These programs also focus education on nutrition. The national SNAP program partners with a nutrition national education program ChooseMyPlate.gov. Together, the two programs work to educate consumers about healthful eating across the five food groups by providing demographic specific tools and information about local resources (USDA, 2015).

National-scale programs are supported and or supplemented by local programs such as Purdue Extension Nutrition Education Program. This program looks to improve user understanding of SNAP benefits, food nutrition and safety, and resource management (Purdue 2016). Indiana, and Purdue University, is part of a dynamic region. Of the total U.S., the Midwest has the broadest range in terms of food insecure households. At the highest, Ohio reported 16.9 % of households as food insecure, in the middle Nebraska reported 13.9% and, with regional and national low, North Dakota reported 8.4% (Coleman-Jensen, et al. 2015).

Food insecurity and access to assistance programs is often a matter of total household income, but the education programs focus primarily food budget spending. The results from the best-worst choice experiment could benefit income allocation spending education. It could be important to know the relative importance of expenditure categories for different respondent segments in order to improve and focus budget/expenditure educations. The USDA annual consumer survey uses a screening process in which households of certain income levels and those who express a status of being food secure do not respond to the 18 food security evaluation questions (Coleman-Jensen, et al. 2015). This study does not screen in order to be able to make a comparison across a broad range of incomes and food security status. This study also looks at nutrition tradeoffs across the different income levels and food security status. Differences or similarities across these groups could inform assistance programs and may provide insight as to how to move people from insecure statuses to more secure ones.

References

- Coates, J., Frongillo, E. A., Rogers, B. L., Webb, P., Wilde, P. E., & Houser, R. (2006). Commonalities in the Experience of Household Food Insecurity across Cultures: What Are Measures Missing? *The Journal of Nutrition*, 1438S-1448S.
- Coleman-Jensen, Alisha, Matthew P. Rabbitt, Christian Gregory, & Anita. Singh. 2015. "Household Food Security in the United States in 2014." Washington D.C.: U.S. Department of Agriculture , Economic Research Service.
- "Consumer Expenditure Survey." 2016 U.S. Bureau of Labor Statistics. Accessed February 04, 2016. <http://www.bls.gov/cex/>.
- Ferdous, Nazneen, Abdul Rawoof Pinjari, Chandra R. Bhat, & Ram M. Pendyala. 2010. "A comprehensive analysis of household transportation expenditures relative to other goods and services: an application to United States consumer expenditure data." *Springer Science and Business Media*.
- Hoisington, A., Shultz, J. A., & Butkus, S. (2002). Coping Strategies and Nutrition Education Needs among Food Pantry Users. *Journal of Nutrition Education and Behavior*, 34: 326-333.
- Lusk, Jayson L.; Briggeman, Brian C. (2009). Food Values. *American Journal of Africultural Economics*. 90(1):184-196.
- Purdue University Health and Human Sciences Extension, Program Detail. Purdue University Health and Human Sciences Extension. Accessed February 04, 2016. <http://www.purdue.edu/hhs/extension/programs/detail.aspx?programId=5>.
- U.S. Census Bureau; American Community Survey, 2014 American Community Survey 1-Year Estimates, Table S0101; generated by S. R. Dominick; using American FactFinder; <<http://factfinder2.census.gov>>; (21 September 2015).
- U.S. Census Bureau; American Community Survey, 2014 American Community Survey 1-Year Estimates, Table S1901; generated by S. R. Dominick; using American FactFinder; <<http://factfinder2.census.gov>>; (21 September 2015).
- U.S. Food and Drug Administration updated: 2015. Nutrition Facts Label Images for Download. Accessed October 10 2015. <http://www.fda.gov/Food/IngredientsPackagingLabeling/LabelingNutrition/ucm114155.htm>
- USDA Food and Nutrition Service. 2015 Supplemental Nutrition Assistance Program (SNAP): Nutrition Education. Accessed February 01, 16. <http://www.fns.usda.gov/snap/nutrition-education>
- USDA Food Plans: Cost of Food. 2016. USDA Food Plans: Cost of Food. Accessed February 04, 2016. <http://www.cnpp.usda.gov/USDAFoodPlansCostofFood>.
- Wolf, Christopher; Tonsor, Glynn T.; 2013, "Dairy Farmer Preferences for 2012 Farm Bill." *Journal of Agricultural and Resource Economics*. 38(2):220-234.

Acknowledgements

This activity was funded, by Purdue, as part of AgSEED Crossroads funding to support Indiana's Agriculture and Rural Development.

Appendix

Appendix 1: Example of question used in best-worst scaling experiment

Select the category that is the most important and the least important when you budget your household monthly:		
Most important (select one)		Least important (select one)
<input type="radio"/>	Housing	<input type="radio"/>
<input type="radio"/>	Food	<input type="radio"/>
<input type="radio"/>	Childcare	<input type="radio"/>

Appendix 2: Example of designed used in the willingness to pay experiment

Please select the option of ready-to-eat breakfast cereal that you would purchase, or the no purchase option:

<table border="1"> <tr><td>Price</td><td>\$ 3.60</td></tr> <tr><td>Nutrition Facts</td><td></td></tr> <tr><td>Serving Size 1 cup</td><td></td></tr> <tr><td>Servings per 12 OZ Box About 11</td><td></td></tr> <tr><td>Amount Per Serving</td><td></td></tr> <tr><td>Fats</td><td></td></tr> <tr><td>Saturated Fat</td><td>0 g</td></tr> <tr><td>Carbohydrates</td><td></td></tr> <tr><td>Sugar</td><td>29 g</td></tr> <tr><td>Fiber</td><td>14 g</td></tr> <tr><td>Proteins</td><td>8.5 g</td></tr> </table>	Price	\$ 3.60	Nutrition Facts		Serving Size 1 cup		Servings per 12 OZ Box About 11		Amount Per Serving		Fats		Saturated Fat	0 g	Carbohydrates		Sugar	29 g	Fiber	14 g	Proteins	8.5 g	<table border="1"> <tr><td>Price</td><td>\$ 5.70</td></tr> <tr><td>Nutrition Facts</td><td></td></tr> <tr><td>Serving Size 1 cup</td><td></td></tr> <tr><td>Servings per 12 OZ Box About 11</td><td></td></tr> <tr><td>Amount Per Serving</td><td></td></tr> <tr><td>Fats</td><td></td></tr> <tr><td>Saturated Fat</td><td>0 g</td></tr> <tr><td>Carbohydrates</td><td></td></tr> <tr><td>Sugar</td><td>14 g</td></tr> <tr><td>Fiber</td><td>6.5 g</td></tr> <tr><td>Proteins</td><td>8.5 g</td></tr> </table>	Price	\$ 5.70	Nutrition Facts		Serving Size 1 cup		Servings per 12 OZ Box About 11		Amount Per Serving		Fats		Saturated Fat	0 g	Carbohydrates		Sugar	14 g	Fiber	6.5 g	Proteins	8.5 g	<p>I choose not to purchase either product</p>
Price	\$ 3.60																																													
Nutrition Facts																																														
Serving Size 1 cup																																														
Servings per 12 OZ Box About 11																																														
Amount Per Serving																																														
Fats																																														
Saturated Fat	0 g																																													
Carbohydrates																																														
Sugar	29 g																																													
Fiber	14 g																																													
Proteins	8.5 g																																													
Price	\$ 5.70																																													
Nutrition Facts																																														
Serving Size 1 cup																																														
Servings per 12 OZ Box About 11																																														
Amount Per Serving																																														
Fats																																														
Saturated Fat	0 g																																													
Carbohydrates																																														
Sugar	14 g																																													
Fiber	6.5 g																																													
Proteins	8.5 g																																													

Appendix 3: Info-shock used in the willingness to pay experiment. Image source:

U.S. Food and Drug Administration updated: 2015. Nutrition Facts Label Images for Download. Accessed October 10 2015. <http://www.fda.gov/Food/IngredientsPackagingLabeling/LabelingNutrition/ucm114155.htm>

1 Serving Size
This section is the basis for determining number of calories, amount of each nutrient, and %DVs of a food. Use it to compare a serving size to how much you actually eat. Serving sizes are given in familiar units, such as cups or pieces, followed by the metric amount, e.g., number of grams.

2 Amount of Calories
If you want to manage your weight (lose, gain, or maintain), this section is especially helpful. The amount of calories is listed on the left side. The right side shows how many calories in one serving come from fat. In this example, there are 250 calories, 110 of which come from fat. The key is to balance how many calories you eat with how many calories your body uses. *Tip: Remember that a product that's fat-free isn't necessarily calorie-free.*

3 Limit these Nutrients
Eating too much total fat (including saturated fat and trans fat), cholesterol, or sodium may increase your risk of certain chronic diseases, such as heart disease, some cancers, or high blood pressure. The goal is to stay below 100%DV for each of these nutrients per day.

4 Get Enough of these Nutrients
Americans often don't get enough dietary fiber, vitamin A, vitamin C, calcium, and iron in their diets. Eating enough of these nutrients may improve your health and help reduce the risk of some diseases and conditions.

5 Percent (%) Daily Value
This section tells you whether the nutrients (total fat, sodium, dietary fiber, etc.) in one serving of food contribute a little or a lot to your total daily diet.

The %DVs are based on a 2,000-calorie diet. Each listed nutrient is based on 100% of the recommended amounts for that nutrient. For example, 18% for total fat means that one serving furnishes 18% of the total amount of fat that you could eat in a day and stay within public health recommendations. Use the Quick Guide to Percent DV (%DV): 5%DV or less is low and 20%DV or more is high.

6 Footnote with Daily Values (DVs)
The footnote provides information about the DVs for important nutrients, including fats, sodium and fiber. The DVs are listed for people who eat 2,000 or 2,500 calories each day.

– The amounts for total fat, saturated fat, cholesterol, and sodium are maximum amounts. That means you should try to stay below the amounts listed.

Serving Size 1 cup (228g)			
Servings Per Container about 2			
Amount Per Serving			
Calories 250	Calories from Fat 110		
% Daily Value*			
Total Fat 12g	18%		
Saturated Fat 3g	15%		
Trans Fat 3g			
Cholesterol 30mg	10%		
Sodium 470mg	20%		
Total Carbohydrate 31g	10%		
Dietary Fiber 0g	0%		
Sugars 5g			
Proteins 5g			
Vitamin A	4%		
Vitamin C	2%		
Calcium	20%		
Iron	4%		
* Percent Daily Values are based on a 2,000 calorie diet. Your Daily Values may be higher or lower depending on your calorie needs.			
Total Fat	Less than 65g	2,000	2,500
Saturated Fat	Less than 20g		
Cholesterol	Less than 300mg	300mg	300mg
Sodium	Less than 2,400mg	2,400mg	2,400mg
Total Carbohydrate	Less than 300g	300g	375g

For educational purposes only. This label does not meet the labeling requirements described in 21 CFR 101.9.

A Research on Determination of Entrepreneurship Features of Entrepreneurial Candidates of Karaman Province

Mehmet Ali Canbolat¹, Hakan Candan², Bülent Darıcı³, and Özdal Koyuncuoğlu⁴

Department of Management and Organization
Karamanoglu Mehmetbey University, Turkey
¹mcanbolat@kmu.edu.tr

Department of Urbanization and Environmental Problems
Karamanoglu Mehmetbey University, Turkey
²hakancandan@kmu.edu.tr

Department of Economic Policy
Karamanoglu Mehmetbey University, Turkey
³bulentdarici@gmail.com

Department of Banking
Necmettin Erbakan University, Turkey
⁴okoyuncuoglu@konya.edu.tr

Abstract

The importance of entrepreneurs in the economic development efforts gradually gains admission acceptance. In this context, intensive studies are conducted in many countries for training of entrepreneurs. Turkey attracts importance as one country of the fastest growing countries in recent years among the developing countries as well. Inside the ecopolitics of Turkey during the period of rapid growth, it is aimed at supporting entrepreneurship and new entrepreneurs to participate in the economic life. In particular, the entrepreneurship trainings are conducted at the national level by KOSGEB. The educational processes are reshaped in line with a more scientific understanding with the participation of universities, and also it is tried to provide the emergence of more qualified entrepreneurial candidates. One of the above-mentioned training activities are carried out in Karaman Province, which can be considered as small in terms of population and land area but large in terms of economy. Within this study, it is targeted at dominating training programs in accordance with the results, determining the entrepreneurial characteristics (self-reliance, innovation, need of achievement, locus of control, taking risk, and tolerance to uncertainty) of totally new 248 entrepreneurial candidates who apply for a job on Turkey Employment Agency with the intention of building a new business.

Keywords: entrepreneurship, entrepreneurial characteristics, Karaman

Effect of Risks in Earnings Components on Cost of Equity: Evidence from Jordan

Moh'd M. Ajlouni¹ and Khalid Bataineh²

Department of Banking and Finance
Yarmouk University, Jordan
¹ajlouni4@yahoo.co.uk
²khbata@yahoo.com

Abstract

The purpose of this study is to examine whether risk in cash flow and accrual components of earnings and risk in earnings are important determinants of firm's cost of equity. It examines the role of risk in earnings, cash flow and accrual in estimating the implied cost of equity that used as a proxy of firm risk. In addition, it examines the effect of profit margin and the length of the cash conversion cycle on the relationship between firm risk and risk in cash flow and accruals. Also, it examines the ability of these components to capture firm risk in the case of smoothing in 81 services and industrial firms listed in Amman Stock Exchange during the period (2000-2010). The results are indifferent with the prediction of the model, as well as with most of literature conducted in developed markets. The results reveal that risk in earnings is not related to the Jordanian firm's cost of equity, while risk in operating cash flow and in accrual are determinants of the firm implied cost of equity, as well as good tools to capture the firm risk in case of earnings smoothing. Both, net profit margin and cash conversion cycle could not influence such a relationship. That is because this linkage needs a clear dividend policy and a constant growth in dividend, which is not available in the sample companies. So that, operating cash flow and accrual can detect the risk of the company through some accounting variables and thus estimate the cost of equity.

Keywords: cost of equity, implied cost of equity, risk, earning, operating cash flow, accruals, risk in earnings, risk in earnings components

Introduction

It is known that there are two basic sources for financing corporations, namely debt and equity. Cost of funding sources remains the most important issue. Cost of debt can be defined as the rate of interest on the firm's new debt. Cost of equity can be defined as the rate of return on dividends foregone by equity shareholders. Equity can be raised by two ways, either by retaining earnings or by issuing new stocks. There is no difference between the costs of the two forms of equity, except that issuing new equity involves floatation cost that makes it more expensive than using retained earnings. Retained earnings are not free of cost because it represents the opportunity cost of equity funds and because the main aim of management is to maximize stockholders wealth, so they should pay a reasonable cost for undistributed stockholders return to keep their rights and values.

There is four popular ways to calculate the cost of retained earnings: (1) Historical rate of return that assumes that investors, on average, earn what they expect to earn. (2) Discounted cash flow (DCF) that presumes that stocks are in equilibrium, with the

expected and required rates of return being equal. (3) CAPM that uses risk-free rate and market risk premium and the beta coefficient of the stock. (4) Bond-yield-plus-premium which adds a risk premium of three to five percentage points to the interest rate on the firm's long-term debt. Although judgmental method, it is very simple to compute.

While the cost of issuing new equity has one method (i.e. DCF) but takes the flotation cost into consideration.

Cash flow and accrual are components of earnings, and essential to firm's net income. Cash flow is the actual cash a firm receives or pays during a period of time, while accrual is an accounting recognition of earnings and expenses when incurred, regardless of the receipt or payment of cash.

The main goal of this study is to examine the risk in cash flow and accrual components of earnings and its importance in determining the firm's cost of equity. Therefore, it examines the fundamental sources of risk by looking at earnings components risk. It examines the earnings smoothing and its ability to capture firm's risk, especially when the firm exhibits high earnings smoothness, as well as how cash flow and accrual can be used to unravel the effect of smoothing in estimating firm risk. Finally, it tests the effect of cash conversion cycle and profit margin on the relation between cost of equity and risk in cash flow and accruals.

It is important to focus on disaggregating the earnings into cash flow and accrual and disaggregating accrual into many components. This disaggregating gives more accurate results in estimating the cost of equity as many recent studies revealed. While several papers have focused on earnings risk measures, little is known about the link between risk in earnings components and firms' cost of equity. Finally the conditions under which cash flow and accrual are incrementally informative about firm risk and the relation between risk in cash flow and accrual and firms' cost of equity are not yet obvious.

The study covers industrial and services companies listed in Amman Stock Exchange (ASE) during the period (2000-2010). The data is selected from the Jordanian shareholding company's guide, companies' web sites, and the financial reports of all companies listed in ASE. The study excluded the financial sector, because it has special measures in areas of risk measurements.

The study is organized as follows: Section two reviews the relevant literature. Section three describes the data and methodology used. Section four presents the empirical analysis and results, and section five concludes the study.

Literature Review

Cost of equity, cash flow and accrual components of earnings is one of the most attractive subjects to investigate in the financial management field. However the literature on cost of equity is few while the majority studies focus on cash flow and earnings in an isolation manner of cost of equity. This section reviews literature in terms of cost of equity and earnings components.

In terms of cost of equity and earnings, Nekrasov (2012) examines if risk in cash flow and accrual components of earnings and risk in earnings are an important determinants of a firm's cost of equity. Also, it examines the ability of these components to capture firm risk in the case of smoothing. The sample consists of U.S. firms during (1980 – 2006). The study finds that risk in earnings and risk in cash flow and accrual components of earnings are good determinants of firm's cost of equity. Also, risk in cash flow and accrual components of earnings captures the firm risk in case of earnings smoothing. It concludes that risk in cash flow (accruals) decreases (increases) in the length of the cash conversion cycle and increases (decreases) in the profit margin. While, Francis et al. (2003) examine the relation between the cost of equity and seven attributes of earnings: quality, persistence, predictability, smoothness, value relevance, timeliness and conservatism, for American companies during (1975-2001). The results show that the accounting-based earnings attributes (quality, persistence, predictability and smoothness) dominate the market-based attributes (value relevance, timeliness and conservatism). Also, in cross-sectional tests, both earnings quality and earnings persistence have strong conditional effects on the cost of equity capital, as does the market-based attribute value relevance. While in time-series tests, only quality and persistence have significant conditional effects.

As for cost of equity and the agency theory, Chen et al. (2011) examine the effect of shareholder rights on reducing the cost of equity. They find that anti-takeover provisions were significantly positively related to the cost of equity, and that the association is more pronounced among firms with more severe agency problems from FCFs.

Jayaraman (2008) investigates whether earnings are smoother or more volatile and provide information than cash flows. It uses bid-ask spreads and the probability of informed trading as proxies for informed trading, then calculates the difference between the volatility of earnings and the volatility of cash flow measured by the accrual component of earnings volatility.

Watson et al. (2005) examine the association of various earnings and cash flow based measures of firm performance with stock returns to determine the measure(s) that best capture contemporary firm performance. The sample covers 6,275 firm-years during (1992 - 1993). They find that profit-making firms' earnings measures, expenses and abnormal items are more informative of firm performance than cash flow measures. Finally the relevance of accrual is conditional on their magnitude and whether they are income increasing or decreasing.

Barth et al. (1999) provide insights into the characteristics of the accrual and cash flow components of earnings that affect the firm value. They find that for all industries, accrual and cash flow each have significant explanatory power in forecasting future abnormal earnings incremental to abnormal earnings. They also find that accrual and cash flow have a forecasting relevance. Also, they show that accrual and cash flow have significant incremental explanatory power in the relations between market value of equity and equity book value, abnormal earnings, and each earnings component.

As for accrual and earnings, Core et al. (2007) examine if accrual quality (AQ) is a priced risk factor. They use monthly returns for 91,280 firm-year observations during the period (1970-2001). The results show no evidence that AQ is a priced risk factor, since it does not carry a positive risk premium with respect to returns.

Easton (2003) examines model of earnings and earnings growth to obtain estimates of the expected rate of return on equity capital, compared with the commonly used one. It shows how the difference between accounting earnings and economic earnings characterizes the role of accounting earnings in valuation. The results show that market prices imply that the market expects abnormal growth in earnings to change at an average rate of 2.9% per year beyond the two-year forecast horizon.

Barth et al. (2001) investigate the role of accrual in predicting future cash flow and the ability to generate cash flow affects the values of its securities in American companies during (1987-1996). They find that disaggregating earnings into cash flow and six major accrual components significantly enhances the predictive ability of earnings, and exceeds that of current and up to six lags of aggregate earnings. Finally disaggregating cash flow from aggregate accrual significantly increases predictive ability relative to aggregate earnings, and disaggregating accrual into its major components further significantly increases predictive ability.

The main objective for this study is to examine the risk in cash flow and accrual components of earnings and its importance in determining of a firm's cost of equity. Therefore, it examines the fundamental sources of risk by looking at earnings components risk. In addition, it examines the earnings smoothing and its ability to capture firm's risk, especially when the firm exhibits high earnings smoothness. As well as how cash flow and accrual can be used to unravel the effect of smoothing in estimating firm risk, and the effect of cash conversion cycle and profit margin on the relation between cost of equity and risk in cash flow and accruals. Thus, it differs from previous literature in four aspects: It is among the first, beyond Nekrasov (2012), to explicitly model and test the role of accrual and cash flow in explaining a firm's cost of equity capital beyond that explained by aggregate earnings. Second, it shows how characteristics of the earnings generating process – operating cycle and profit margin – affect the linkage between the cost of equity and risk in accrual and cash flows. Third, it shows the limitation of risk in earnings to capture firm risk with high earnings smoothness, and fourth, it shows the distinguishing role of risk in earnings components in capturing firm risk.

Methodology

Sample

The population of the study consists of all Jordanian companies listed in Amman Stock Exchange (ASE), during the period (2000-2010). The total number of companies listed in ASE is 273. The sample covers the financial statements of 81 companies in the industrial and services sectors, downloaded from the Jordanian Companies Guide published by ASE (www.exchange.com.jo).

There are two dependent variables in this study:

(1) Cost of equity (KS), calculated by the Discounted Cash Flow (DCF) Approach:

$$KS_{j,t} = (D1_{j,t}/P0_{j,t}) + g_{j,t} \quad (1)$$

Where:

$D1_{j,t}$: Expected dividend, $D1 = D0(1+g)$ of firm (j) at year (t).

$D0_{j,t}$: Past dividend of firm (j) at year (t).

$P0_{j,t}$: Current stock price of firm (j) at year (t).

$g_{j,t}$: Growth rate of firm (j) at year (t).

(2) Implied cost of equity (RS), calculated by the PEG-ratio approach, which is used as proxy for the firm risk, and estimated as follows:

$$RS_{j,t} = \sqrt{((E3_{j,t} - E2_{j,t}) / (P0_{j,t}))} \quad (2)$$

Where:

$RS_{j,t}$: The implied cost of equity for firm (j) at year (t).

$E3_{j,t}$: Earning per share of year 3 for firm (j) at year (t).

$E2_{j,t}$: Earning per share of year 2 for firm (j) at year (t).

$P0_{j,t}$: Current stock price for firm (j) at year (t).

$(E3-E2)$ must be > 1 .

There are 12 independent variables, explained as follows:

1. Risk in earnings: Earnings ($E_{j,t}$) is measured as the firm net income. Risk in earnings ($\sigma(E_{j,t})$) is the standard deviation of earnings.

2. Risk in operating cash flows: Operating cash flow ($CFO_{j,t}$) is measured as the cash flow from firm operation, and the standard deviation of ($\sigma(CFO_{j,t})$) is the risk measure.

3. Risk in accruals: Accrual ($ACC_{j,t}$) is computed as earnings minus operating cash flows, and its standard deviation ($\sigma(ACC_{j,t})$) is the risk measure.

4. Risk in smoothed earnings: Smoothed earnings is ($EX_{j,t}$) estimated by:

$$EX_{j,t} = \pi_{j,t} * S_{j,t} \quad (3)$$

Where:

$\pi_{j,t}$: The net profit margin for firm (j) at year (t), which is the ratio of net income to sales.

$S_{j,t}$: The sales of firm (j) at year (t).

While risk in smoothed earnings ($\sigma(EX_{j,t})$) is the standard deviation.

5. Risk in smoothed operating cash flow ($CFOX_{j,t}$): Smoothed operating cash flow is calculated as:

$$CFOS_{j,t} = EX_{j,t} - ACCS_{j,t} \quad (4)$$

$$CFOX_{j,t} = Es_{j,t} - (\Delta AR_{j,t} + \Delta Inv_{j,t} - \Delta AP_{j,t}) \quad (5)$$

While risk in Smoothed operating cash flow ($\sigma(CFOX_{j,t})$) is the standard deviation.

6. Risk in the change in accounts receivable ($\Delta AR_{j,t}$): The change in accounts receivable is:

$$\Delta AR_{j,t} = \alpha_{j,t} * S_{j,t} \quad (6)$$

Where:

$\alpha_{j,t}$: Constant portion of sales in receivables, for firm (j) at year (t) estimated as:
 $((AR_{j,t} + AR_{j,t-1}) / 2) * S_{j,t}$ (7)

$S_{j,t}$: Annual sales, for firm (j) at year (t).

While risk in change in accounts receivable ($\sigma(\Delta AR_j)$) is the standard deviation.

7. Risk in the change in inventory: The change in inventory ($\Delta Inv_{j,t}$) is:

$$\Delta Inv_{j,t} = \gamma_{j,t} (1 - \pi_{j,t}) * S_{j,t} \quad (8)$$

Where:

$\gamma_{j,t}$: is the proportion of cost of goods sold in inventory.

While risk in change in inventory ($\sigma(\Delta Inv_j)$) is the standard deviation.

8. Risk in the change in accounts payable ($\Delta AP_{j,t}$): The change in accounts payable is estimated by:

$$\Delta AP_{j,t} = \beta_{j,t} [(1 - \pi_{j,t}) * S_{j,t} + \gamma_{j,t} (1 - \pi_{j,t}) * (S_{j,t} - S_{j,t-1})] + eAP_{j,t} \quad (9)$$

Where:

$\Delta AP_{j,t}$: The change in accounts payable, for firm (j) at year (t).

$\beta_{j,t}$: Constant proportion of purchases; whereby purchases equals the cost of goods sold plus change in inventory, for firm (j) at year (t). $\beta_{j,t}$ is estimated by:

$$((AP_{j,t} + AP_{j,t-1}) / 2) * (1 - \pi_{j,t}) * S_{j,t} \quad (10)$$

$(S_{j,t} - S_{j,t-1})$ is the sales of current year minus sales of the year before.

$eAP_{j,t}$ is the error term for the change of accounts payable.

While risk in change in accounts payable ($\sigma(\Delta AP_{j,t})$) is the standard deviation.

The variables measured above are used in the empirical tests. Table (1) provides a descriptive statistics for these variables.

Table 1: Descriptive Statistics of the Variables of the Study's Sample of the Industrial and Service Firms Listed in ASE during the Period (2000-2010)

Number of Observations = 891	Mean	Std. Err.	[95% Conf. Interval]	
Earnings (E)	3715376	643436.7	2452546	4978206
Operations Cash flow (CFO)	5395444	848874	3729416	7061472
Accrual (Acc)	-1677035	520938.7	-2699446	-654623.4
Net Profit Margin (NPM)	-.0838047	.0375923	-.1575845	-.0100249
Inventory (Inv)	6192020	835967.5	4551323	7832718
Account Receivables (AR)	6725676	732907.6	5287247	8164105
Account Payables (AP)	5865319	749845	4393649	7336990
Earnings Per share (EPS)	.1129742	.012834	.0877857	.1381627
Cost of Equity (KS)	-.6314366	.779515	-2.161338	.8984653
Implied Cost of Equity (RS)	.2515937	.0075637	.2367489	.2664386
Risk in Earnings	.0454882	.0014223	.0426969	.0482796
Risk in Cash flow from Operations	.0765993	.0027222	.0712566	.081942
Risk in Accrual	.0763861	.0026459	.0711931	.081579
Risk in Changes in AR	.0376319	.0024265	.0328695	.0423942
Risk in Changes in Inventory	2.39092	.731881	.9545065	3.827334
Risk in Changes in AP	.5093939	.1476941	.2195245	.7992633
Cash Conversion Cycle (CCC)	1.266846	1.535497	-1.746772	4.280464
Total Assets (TA)	5.45e+07	4109907	4.64e+07	6.26e+07

It can be seen from the table that risk in earnings is 4.6%, which is lower than risk in operating cash flow of 7.7% and risk in accrual of 7.6%. This is coherent with accrual smoothing fluctuations in operating cash flow (Nekrasov, 2012). The average cost of equity (KS) is -63%, while the average implied cost of equity (RS) is 25.16%. The average cash conversion cycle (CCC) is 1.27 (which relates to $1.27 \times 360 = 457$ days), sales in receivables (15%), cost of goods sold in inventory (18%), accounts payable to cost of goods sold (17%), and net profit margin (-8.4%) are all unlike to the average estimates in Nekrasov (2012).

Table (2) shows the correlations between selected variables. Similar to Nekrasov (2012), correlations between RS and risks in earnings components are positive, with the highest figure between RS and risk in accrual and risk in earnings. Furthermore, correlations between risk in earnings and risks in earnings components are high and positive, with the highest figure with risk in accrual (41.03%) and risk in CFO (38.54%), while risk in earnings is negatively correlated with CCC (-1.64%). In fact, CCC is highly correlated with risk in CFO (32.15%), risk in accrual (34.15%), risk in inventory (43.45%) and risk in account payables (43.43%). This is so because large fluctuations in accruals, inventory and payables would result in large differences in cash inflows and outflows.

Table 2: Correlations among Selected Variables of the Study's Sample of the Industrial and Service Firms Listed in ASE during the Period (2000-2010)

No. of Obs= 891	KS	RS	RiskE	RiskCFO	RiskAcc	RiskAR	RiskInv	RiskAP	CCC
Cost of Equity (KS)	1.0000								
Implied Cost of Equity (RS)	0.0028	1.0000							
Risk in Earnings	-0.0107	0.1434	1.0000						
Risk in CFO	0.0155	0.0880	0.3854	1.0000					
Risk in Accrual	0.0273	0.1467	0.4103	0.9287	1.0000				
Risk in Changes in AR	0.0012	0.0444	0.2345	0.2922	0.2920	1.0000			
Risk in Changes in Inv	0.0036	0.0048	0.1934	0.6627	0.6447	0.0508	1.0000		
Risk in Changes in AP	0.0041	0.0056	0.1941	0.6632	0.6451	0.0542	0.9999	1.0000	
Cash Conversion Cycle (CCC)	0.0001	0.0231	-0.0164	0.3215	0.3415	0.0353	0.4345	0.4343	1.00

Empirical Models

The study uses 4 models and tested using panel data analysis:

1. Cost of equity and risk in earnings model:

$$KS_{j,t} = a_0 + a_1 \sigma(E_{j,t}) + e_{j,t} \quad (11)$$

Where:

a_0 : The intercept.

a_1 : The coefficient of risk in earnings.

$\sigma(E_{j,t})$: The risk in earnings, for firm (j) at year (t).

$e_{j,t}$: Error term.

2. Implied cost of equity and risk in earnings, risk in cash flow and risk in accrual without smoothing:

$$RS_{j,t} = b_0 + b_1 \sigma(E_{j,t}) + b_2 \sigma(CFO_{j,t}) + b_3 \sigma(ACC_{j,t}) + e_{j,t} \quad (12)$$

Where:

b₀: The intercept.

b₁: The coefficient of risk in earnings.

b₂: The coefficient of risk in operating cash flow.

b₃: The coefficient of risk in accruals.

e_{j,t}: Error term.

3. Implied cost of equity and risk in earnings, risk in cash flow and risk in accrual and accrual components in the case of smoothing:

$$RS_{j,t} = c_0 + c_1 \sigma(EX_{j,t}) + c_2 \sigma(CFOX_{j,t}) + c_3 \sigma(\Delta AR_{j,t}) + c_4 \sigma(\Delta Inv_{j,t}) + c_5 \sigma(\Delta AP_{j,t}) + e_{j,t} \quad (13)$$

Where:

c₀: The intercept.

c₁: Coefficient of smoothed earnings.

c₂: Coefficient of smoothed operating cash flow.

c₃: Coefficient of change in accounts receivable.

c₄: Coefficient of change in inventory.

c₅: Coefficient of change in the accounts payable.

e_{j,t}: Error term.

4. The effect of cash conversion cycle and net profit margin on the relation between implied cost of equity and risk in cash flow and accruals:

$$RS_{j,t} = d_0 + d_1 \sigma(CFO_{j,t}) + d_2 \delta_{j,t} \sigma(CFO_{j,t}) + d_3 \pi_{j,t} \sigma(CFO_{j,t}) + d_4 \sigma(ACC_{j,t}) + d_5 \delta_{j,t} \sigma(ACC_{j,t}) + d_6 \pi_{j,t} \sigma(ACC_{j,t}) + e_{j,t} \quad (14)$$

Where:

d₀: Is the intercept.

d₂: Coefficient of the relation between risks in operating cash flow and cash conversion cycle.

δ_{j,t}: Cash conversion cycle for firm (j) at year (t).

d₃: Coefficient of the relation between risks in operating cash flow and profit margin.

d₅: Coefficient of the relation between risks in accrual and cash conversion cycle.

d₆: Coefficient of the relation between risks in accrual and profit margin.

e_{j,t}: Error term.

Findings

This section presents the estimation results of the study models using the panel data analysis on 81 industrial and service firms listed in ASE during the period (2000-2010). Hausman test is used to determine whether fixed or random-effect model represents the best specification. The result, not presented here, shows the insignificant Hausman test, suggesting that random-effect model presents the efficient results.

The Relationship between Cost of Equity and Risk in Earnings:

To test the impact of risk in earnings on the cost of equity (model 1), equation (11) is applied. Estimation results are reported in table (3).

Table 3: The Impact of Risk in Earnings on Cost of Equity of Industrial and Service Firms Listed in ASE during the Period (2000-2010)

Random-effects GLS regression	Number of obs	=	891			
Group variable: co. no.	Number of groups	=	81			
R-sq: within = 0.0013	Obs per group: min	=	11			
between = 0.0123	avg	=	11.0			
overall = 0.0001	max	=	11			
Random effects u _i ~ Gaussian	Wald chi2(1)	=	0.01			
corr(u _i , X) = 0 (assumed)	Prob > chi2	=	0.9269			

KS	Coef.	Std. Err.	z	P>z	[95% Conf. Interval]	

Risk in Earnings	1.877379	20.46654	0.09	0.927	-38.23629	41.99105
Constant	-7168352	1.356578	-0.53	0.597	-3.375679	1.942009

sigma_u	5.6981277	sigma_e	22.567502	rho	.05993173	(fraction of variance due to u _i)

As it can be seen from table (3), the coefficient (1.8774) is positive but statistically insignificant, indicating no impact of risk in earnings on the cost of equity for the sample companies listed in ASE. This finding is in different with Easton (2003) and Nekrasov (2012) who provide evidence suggesting that risk in earnings and cost of equity has a significantly positive relationship. Such difference is due to the fact that most of the sample companies followed residual dividend policy, resulting in a negative KS computed by Gordon model.

The Relationship between Implied Cost of Equity and Risk in Earnings, Risk in Operating Cash Flow and Risk in Accruals:

Equation (12) is used to estimate the impact of risk in earnings, risk in operating cash flow and risk in accrual on the implied cost of equity (model 2). Table (4) reports the results. Table (4) estimations show that risk in operating cash flow and risk in accrual are significant determinants of implied cost of equity. Risk in CFO is poorly and negatively affecting RS, however significant, with coefficient estimate of (-0.6263), indicating that the difference of a one unit risk in CFO results in a difference in RS of 0.14% (-0.6263x0.00272). Likewise, risk in accrual is poorly but positively affecting RS, with coefficient (0.6977), indicating that the difference of a one unit risk in accrual results in a difference in RS of 0.18% (0.6977x0.00265). However, risk in earnings' coefficient (-0.01886) is negative and insignificant determinant of RS. This result is inconsistent with Nekrasov (2012), where risk in earnings influence implied cost of equity positively and significantly. Thus, earnings risk components could not explain Jordanian firms' cost of equity

Table 4: The Impact of Risk in Earnings, Risk in Operating Cash Flow and Risk in Accrual on the Implied Cost of Equity of Industrial and Service Firms Listed in ASE during the Period (2000-2010)

Random-effects GLS regression	Number of obs	=	891			
Group variable: co.no.	Number of groups	=	81			
R-sq: within	= 0.0053	Obs per group: min	= 11			
between	= 0.0781	avg	= 11.0			
overall	= 0.0294	max	= 11			
Random effects u _i ~ Gaussian	Wald chi2(3)	=	7.59*			
corr(u _i , X) = 0 (assumed)	Prob > chi2	=	0.0552			

RS	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	

Risk in Earnings	-.0188625	.1980157	-0.10	0.924	-.4069662	.3692412
Risk in CFO	-.6262692	.2541474	-2.46***	0.014	-1.124389	-.1281494
Risk in Accruals	.6977589	.2537021	2.75***	0.006	.2005119	1.195006
Constant	.2471245	.0205453	12.03***	0.000	.2068564	.2873925

sigma_u	.14228852	sigma_e	.16815127	rho	.41726421 (fraction of variance due to u _i)	

(***) Significant at 5% or less.						

The Relationship between Implied Cost of Equity and Risk in Earnings, Risk in Cash flow and Risk in Accrual Components in the Case of Smoothing:

To test the impact of smoothing on the cost of equity (model 3), equation (13) is applied, and estimation results are reported in table (5).

Table (5) The Impact of Risk in Earnings, Risk in Operating Cash Flow and Risk in Accrual Components in the Case of Smoothing on the Implied Cost of Equity of Industrial and Service Firms Listed in ASE during the Period (2000-2010)

Random-effects GLS regression	Number of obs	=	891			
Group variable: co. no.	Number of groups	=	81			
R-sq: within	= 0.0045	Obs per group: min	= 11			
between	= 0.0022	avg	= 11.0			
overall	= 0.0002	max	= 11			
Random effects u _i ~ Gaussian	Wald chi2(3)	=	1.25			
corr(u _i , X) = 0 (assumed)	Prob > chi2	=	0.9398			

RS	Coef.	Std. Err.	Z	P> z	[95% Conf. Interval]	

Risk in Smoothed Earnings	.050238	.2145309	0.23	0.815	-.3702348	.4707109
Risk in CFO	-.129398	.1648569	-0.78	0.433	-.4525116	.1937156
Risk in Change in Acc. Rec.	.0046801	.1174044	0.04	0.968	-.2254284	.2347886
Risk in Change in Inv.	-.0186008	.0446615	-0.42	0.677	-.1061358	.0689341
Risk in Change in Acc. Pay.	.0959556	.2213699	0.43	0.665	-.3379215	.5298327
Constant	.2546239	.0213845	11.91	0.000	.212711	.2965368

sigma_u	.14513348	sigma_e	.16848518	rho	.42595165 (fraction of variance due to u _i)	

It is obvious from the table that that none of the variable is a determinant of implied cost of equity. Risk in smoothed earnings, risk in cash flow and risk in smoothed accrual components have no effect on the Jordanian firms' cost of equity. It seems that earnings

smoothing is not a usual practice in the Jordanian firms. In fact, the average (median) and standard deviation of earnings and smoothed earnings, scaled by total assets, are the same for both variables 0.03 (0.03) and 0.10. Moreover, replicating equation (13) using risk in earnings, instead of risk in smoothed earnings, produces similar results.

The Effect of Length of Cash Conversion Cycle and Net Profit Margin on the Relationship between Implied Cost of Equity and Risk in Cash flow and Risk in Accruals:

Table (6) reports the effect of length of cash conversion cycle and net profit margin on the relationship between implied cost of equity and risk in cash flow and risk in accrual (model 4), equation (14).

Table 6: The Effect of Length of Cash Conversion Cycle and Net Profit Margin on the Relationship between Implied Cost of Equity and Risk in Cash flow and Risk in Accrual of Industrial and Service Firms Listed in ASE during the Period (2000-2010)

Random-effects GLS regression	Number of obs. = 891				
Group variable: co. no.	Number of groups = 81				
R-sq: within = 0.0157	Obs per group: min = 11				
between = 0.0689	avg = 11.0				
overall = 0.0309	max = 11				
Random effects $u_i \sim$ Gaussian	Wald chi2(8) = 16.11***				
corr(u_i, X) = 0 (assumed)	Prob > chi2 = 0.0408				
<hr/>					
RS	Coef.	Std. Err.	Z	P> z	[95% Conf. Interval]
<hr/>					
Risk in CFO	-.5035639	.2589094	-1.94***	0.052	-1.011017 .0038891
Risk in Accrual	.5489312	.2650788	2.07***	0.038	.0293862 1.068476
CCC x Risk in Accrual	.0883985	.0834001	1.06	0.289	-.0750626 .2518596
NPM x Risk in Accrual	-.2543907	.27852	-0.91	0.361	-.8002798 .2914985
CCC x Risk in CFO	-.091971	.0865999	-1.06	0.288	-.2617038 .0777618
NPM x Risk in CFO	-.0140002	.2863022	-0.05	0.961	-.5751423 .5471419
CCC	.0019596	.0017083	1.15	0.251	-.0013885 .0053078
NPM	.0043241	.010046	0.43	0.667	-.0153656 .0240139
Constant	.2472492	.019796	12.49***	0.000	.2084498 .2860487
<hr/>					
sigma_u	.14365902	sigma_e	.16780577	rho	.42293677 (fraction of variance due to u_i)
<hr/>					
(***) Significant at 5% or less.					

Consistent with model (2) results reported in table (4), both risks in cash flow and in accrual are significant determinants of Jordanian cost of equity, while the length of cash conversion cycle and net profit margin are not. In fact, model (4) has been estimated without net profit margin variables, and produces similar results. In addition, it has been estimated without cash conversion cycle variables but still produces similar results as in table (6).

Conclusions

This study examines whether risk in cash flow and accrual components of earnings and risk in earnings are important determinants of firm's cost of equity. Also, it examines the

ability of these components to capture firm risk in the case of smoothing in 81 services and industrial firms listed in Amman Stock Exchange during the period (2000-2010).

Initially, this study examines risk in earnings to estimate cost of equity, and then examines the role of risk in earnings, cash flow and accrual in estimating the implied cost of equity that used as a proxy of firm risk. In addition, it examines the effect of profit margin and the length of the cash conversion cycle on the relationship between firm risk and risk in cash flow and accruals.

The results show that risk in earnings is not related to the Jordanian firm's cost of equity. Risk in operating cash flow and in accrual are good determinant of the firm implied cost of equity, as well as good tools to capture the firm risk in case of earnings smoothing. Both, net profit margin and cash conversion cycle could not influence the relationship between implied cost of equity and risk in operating cash flow and accruals, and that is because this linkage needs a clear dividend policy and a constant growth in dividend, which is not available in the sample companies. So that, operating cash flow and accrual can detect the risk of the company through some accounting variables and thus estimate the cost of equity.

These results are indifferent with the prediction of the model, as well as with most of literature conducted in developed markets. There are many reasons that might explain such results:

Firstly, most of the firms in the sample suffered losses during the period of the study. This can be seen by the average earnings of Jordanian Dinar (JD) 3,715,376, while the median is JD 335,594 and the standard deviation is JD 19,206,342 (US\$1= JD 0.70). In fact, 29% (257 of 891) of the observations are negative.

Secondly, firm size might count. The size of companies in the sample is significantly varied. The average (median) of total assets of the sample firms is JD 54,488,830 (JD 14,376,576) with a maximum value of JD 1,008,039,000 and a minimum value of JD 942,191. Also, the average (median) of sales of the sample firms is JD 44,797,021 (JD 6,789,765) with a maximum value of JD 2,402,736,934 and a minimum value of JD 17,198.

Thirdly, Gordon cost of equity represents growth in earnings than dividends discounting in the Jordan firms. The mean dividend per share is JD 0.09, while that of growth in earnings is -66%, resulting in an average cost of equity of -63%.

Fourthly, market efficiency does matter. Efficiency has to do with fair valuations. Jordan is an emerging country, with relatively developed stock market, but not as efficient as the USA or UK ones. ASE suffers from thin trading and lacks of breadth and depth.

Thus, different model might be needed to detect which variables can capture and explain the cost of equity in an emerging market.



References

- Barth, M., W. Beaver, J. Hand, and W. Landsman (1999), Accruals, Cash Flows, and Equity Values, *The Accounting Review*, 3, 205–229.
- Barth, M., D. Cram, and K. Nelson (2001), Accruals and the Prediction of Future Cash Flows, *The Accounting Review*, 76, 27-58.
- Chen, K., Z. Chen, K. Wei (2011), Agency Costs of Free Cash Flow and the Effect of Shareholder Rights on the Implied Cost of Equity Capital, *Journal of Financial and Quantitative Analysis*, 46, 171-207.
- Core, J., W. Guay, R. Verdi (2007), Is Accruals Quality a Priced Risk Factor? Working Paper, Massachusetts Institute of Technology (MIT), University of Pennsylvania. Available at: <http://ssrn.com/abstract=911587>.
- Easton, P. (2003), PE Ratios, PEG Ratios, and Estimating the Implied Expected Rate of Return on Equity Capital, *The Accounting Review*, 78, 73-95.
- Francis, J., R. LaFond, P. Olsson, K. Schipper (2003), Costs of Capital and Earnings Attributes, Working Paper, Fugu School of Business, Duke University. Available at: <http://ssrn.com/abstract=414125>.
- Jayaraman, S. (2008), Earnings Volatility, Cash Flow Volatility and Informed Trading, *Journal of Accounting Research*, 46: 809-851.
- Nekrasov, A. (2012), Cost of Equity and Risk in Cash Flow and Accrual Components of Earnings, Working Paper, University of California, Irvine. Available at: <http://ssrn.com/abstract=1496566>.
- Watson, J., P. Wells (2005), The Association Between Various Earnings and Cash Flow Measures of Firm Performance and Stock Returns: Some Australian Evidence, Working Paper, School of Accounting, University of Technology, Sydney. Available at: <http://ssrn.com/abstract=815365>.

An Analysis for Global Competitiveness of the United States

Ahmet Incekara and Elif Haykir Hobikoglu¹

Faculty of Economics
Istanbul University
Istanbul, Turkey
¹elifh@istanbul.edu.tr

Abstract

The US economy is the one of the most important economy in the world, affecting world economic and political dynamics. The change of the global competitiveness of the United States has a great impact both the US and world economy. In this study, the global competitiveness of the United States is to investigated in order to understand the effects of the latest global economic crisis originated and affecting The US economy since 2007. Main finding of the study, The US economy recovery has been still continuing, but the economic problems has been still affecting the global competitiveness of the United States.

Keywords: global competitiveness, the United States, economic growth

Introduction

Global competitiveness is the most important factor for a country in order to sustain economic growth in the highly competitive world economic conditions. There are many factors affecting global competitiveness for a country.

The world economic forum global competitiveness index provides a good measurement and assessment of the countries. In this study, the global competitiveness of the United States is to investigated in order to understand the effects of the latest global economic crisis originated and affecting The US economy since 2007.

Literature Review

Competitiveness very important factor not only in economics but also business management because of the great effects on the sustainable economic growth both countries and firms. However, it is not easy to define and measure. (Fagerberg, 1988). There are many indicators for measuring competitiveness in both microeconomic and macroeconomic level. World Economic Form defines competitiveness “*as the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can earn.*”

Productivity is the central indicator for the measuring of competitiveness since productivity affects not only unit cost but also price and quality of the goods and services produced by the firms and countries in world markets. Productivity in other word competitiveness has also deep effect on cost and market share.

In order to increase economic growth and welfare of the society, competitiveness has very important factor. Figure 1 shows inclusive growth and development framework. The

World Economic Forum published *“Inclusive Growth and Development Report aiming identify countries’ structural and institutional features that influence the extent to which growth translates into broad-based progress in living standards. The Report presents a framework and a corresponding set of indicators in seven principal policy domains (pillars) and 15 subdomains (subpillars). A broad spectrum of actions can foster inclusive growth.”*

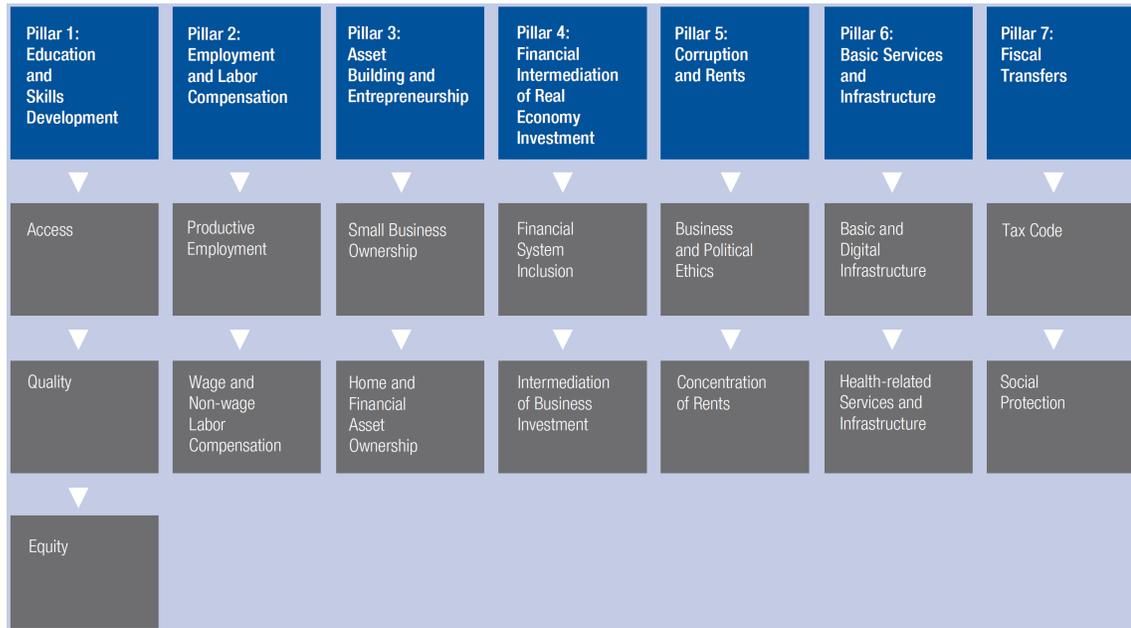


Figure 1: Inclusive Growth and Development Framework

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Irving et al (1992) stated that *“R&D intensity was not only an important element of the competitiveness of the United States and especially of its multinationals, but also an increasingly important element. On the other hand, initially high human capital intensity appears to have been a negative influence on the growth of multinationals’ export shares, especially those of parents.”*

Fagerberg (1988) stated that *“the main factors influencing differences in international competitiveness and growth across countries are technological competitiveness and the ability to compete on delivery. Regarding the latter, Fagerberg (1988) pointed out that the crucial role played by investments, and factors influencing investments; in creating new production capacity and exploiting the potential given by diffusion processes and growth in national technological competitiveness. Cost-competitiveness does also affect competitiveness and growth to some extent, but less so than many seem to believe.”*

Krugman (1991) stated that *“Discussions of US competitiveness often misstate the problem by focusing on the trade deficit and on fears that lagging productivity means economic disaster. The real issue is the effect of international competition on the mix of goods that the US economy produces.”*

Methodology

In order to measure global competitiveness, the most influential index developed by the World Economic Forum by defining “competitiveness as the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can earn.”

The World Economic Forum stated that “The Global Competitiveness Index combines 114 indicators that capture concepts that matter for productivity. These indicators are grouped into 12 pillars (see Figure2): institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. These are in turn organized into three subindexes, in line with three main stages of development: basic requirements, efficiency enhancers, and innovation and sophistication factors. The three subindexes are given different weights in the calculation of the overall Index, depending on each economy’s stage of development, as proxied by its GDP per capita and the share of exports represented by raw materials.”

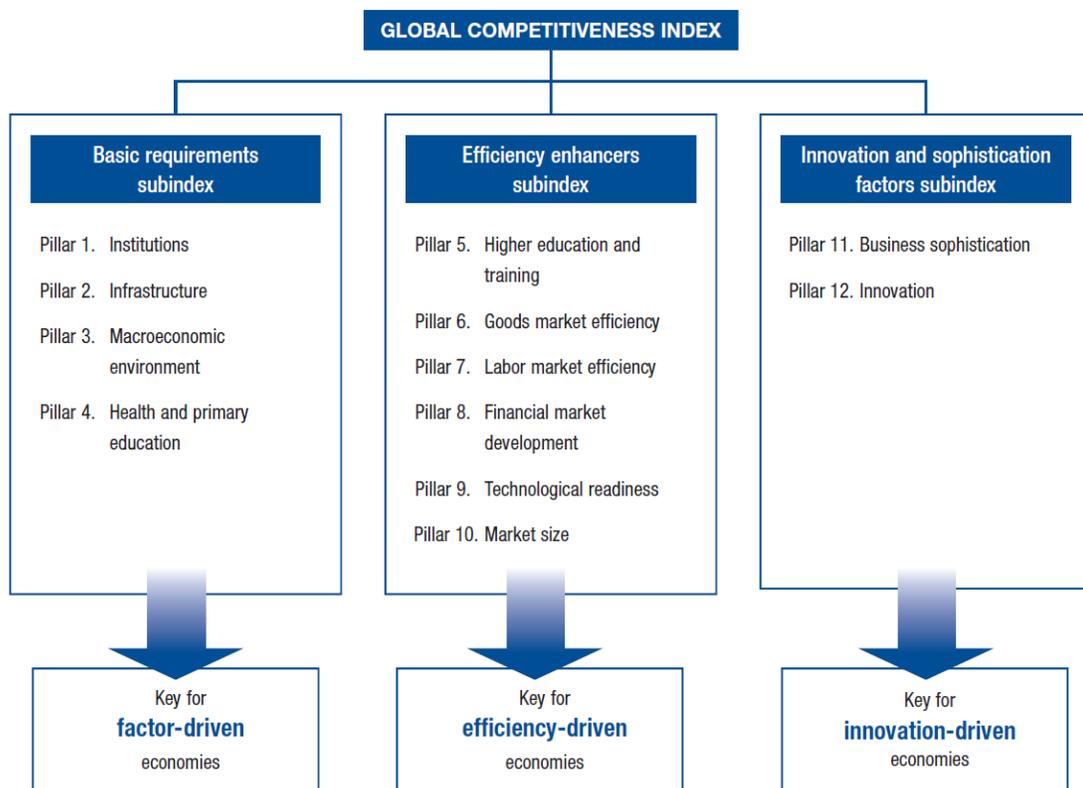


Figure 2: Global Competitiveness Index
 Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Findings

When we analyzed some key economic indicators of the US economy for the year 2014, Population (millions) is 319.0, GDP (US\$ billions) is 17,418.9, GDP per capita (US\$) is 54,597 and GDP (PPP) as share (%) of world total is 16.14.

Figure 3 shows the GDP (PPP) per capita (Int.US\$) graph for the US economy comparing with advanced economies defined by the World Economic Forum. The US economy has increased GDP (PPP) per capita difference comparing with advanced economies slightly since 1990.

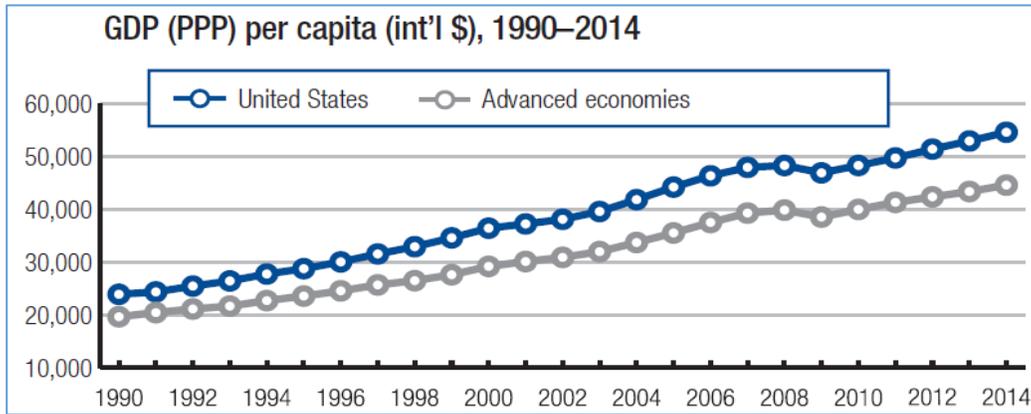


Figure 3: GDP (PPP) per capita (Int.US\$) Graph for The US economy

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Table 1 shows the global competitiveness index key indicators for the US economy. According to the results, the Global Competitiveness Index ranking for the year 2015–2016 is 3 and the score is 56 for the US economy which is same rank for the year 2014–2015 but the better results comparing the years 2013–2014 and 2012–2013. When we analyzed the basic pillars of the Global Competitiveness Index the US economy, we observed the following results:

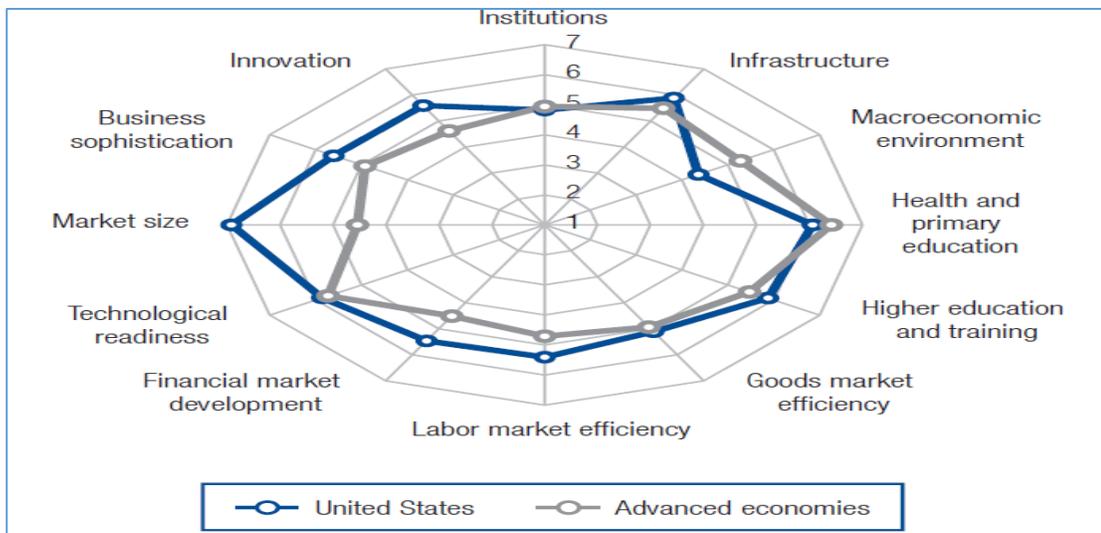
The rank of the basic requirements is 30 and the score is 53. The first pillar which is the Institutions, the rank is 28 and the score is 48. The second pillar which is infrastructure, the rank is 11 and the score is 59. Third pillar which is Macroeconomic environment, the rank is 96 and the score is 43. Fourth pillar which is Health and primary education, the rank is 46 and the score is 61. For the Efficiency enhancers, the rank is 1 and the score is 58. Fifth pillar which is Higher education and training, the rank is 6 and the score is 59. Sixth pillar which is Goods market efficiency, the rank is 16 and the score is 51. Seventh pillar which is Labor market efficiency, the rank is 4 and the score is 54. Eighth pillar which is Financial market development, ranking 5. Technological readiness ranking is 58. Market size ranking is 2. Innovation and sophistication factors ranking 4. Business sophistication ranking is 4. Innovation ranking is 4.

As a result, according to the Global Competitiveness Index for the US economy, Macroeconomic environment and Health and primary education pillars are the most problematic indicators for the US economy in the Global Competitiveness Index.

Table 1: Global Competitiveness Index Key Indicators for The US Economy

GCI 2015–2016	51
GCI 2014–2015 (out of 144)	45
GCI 2013–2014 (out of 148)	44
GCI 2012–2013 (out of 144)	43
Basic requirements	57
1st pillar: Institutions	75
2nd pillar: Infrastructure	53
3rd pillar: Macroeconomic environment	68
4th pillar: Health and primary education	73
Efficiency enhancers	48
5th pillar: Higher education and training	55
6th pillar: Goods market efficiency	45
7th pillar: Labor market efficiency	127
8th pillar: Financial market development	64
9th pillar: Technological readiness	64
10th pillar: Market size	16
Innovation and sophistication factors	56
11th pillar: Business sophistication	58
12th pillar: Innovation	60

Source: World Economic Forum, The Global Competitiveness Report 2015–2016



Stage of development



Figure 4: Global Competitiveness Index Key Indicators Graph for The US Economy

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Table 2 shows the most problematic factors for doing business the US economy. Tax rates 14.0, Inefficient government bureaucracy 13.7, Complexity of tax regulations 12.5, Restrictive labor regulations 9.7, Inadequately educated workforce 8.6, Poor work ethic in labor force 7.0, Access to financing 6.7, Insufficient capacity to innovate 55,

Inadequate supply of infrastructure 5.3, Policy instability 5.2, Inflation 3.5, Foreign currency regulations 3.3, Poor public health 1.6, Government instability/coups 1.2, Crime and theft 1.1, Corruption 1.0.

Table 2: The Most Problematic Factors for Doing Business The US Economy

Tax rates	140
Access to financing	122
Inadequately educated workforce	120
Foreign currency regulations	113
Complexity of tax regulations	84
Inefficient government bureaucracy	71
Inadequate supply of infrastructure	66
Policy instability	62
Insufficient capacity to innovate	55
Restrictive labor regulations	52
Inflation	51
Poor work ethic in labor force	23
Corruption	15
Government instability/coups	13
Poor public health	09
Crime and theft	03

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Table 3: The Global Competitiveness Index in Detail The US Economy

1st pillar: Institutions

101 Property rights	53
102 Intellectual property protection	82
103 Diversion of public funds	54
104 Public trust in politicians	76
105 Irregular payments and bribes	52
106 Judicial independence	107
107 Favoritism in decisions of government officials	84
108 Wastefulness of government spending	38
109 Burden of government regulation	65
110 Efficiency of legal framework in settling disputes	76
111 Efficiency of legal framework in challenging regs	90
112 Transparency of government policymaking	41
113 Business costs of terrorism	112
114 Business costs of crime and violence	61
115 Organized crime	69
116 Reliability of police services	103
117 Ethical behavior of firms	99
118 Strength of auditing and reporting standards	82
119 Efficacy of corporate boards	74
120 Protection of minority shareholders' interests	66
121 Strength of investor protection, 0–10 (best)*	13

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Table 3 shows the global competitiveness index in detail for the US economy. At the first pillar of the Global Competitiveness Index which is institutions, the most problematic areas are public trust in politicians, favoritism in decisions of government officials, wastefulness of government spending, burden of government regulation. The best areas

for the institutions are property rights, intellectual property protection, reliability of police services, strength of auditing and reporting standards, efficacy of corporate boards and strength of investor protection.

Second pillar of the Global Competitiveness Index is infrastructure, all the indicators for the infrastructure provide the competitive advantage for the US economy such as available airline seat km/week , quality of electricity supply, quality of air transport infrastructure .

Third pillar of the Global Competitiveness Index is Macroeconomic environment. The best indicators of the Global Competitiveness Index for the US economy are Inflation Rate and Country credit rating, but the problematic indicators of the Global Competitiveness Index for the US economy are Government budget balance, % GDP, General government debt, % GDP and Gross national savings, % GDP.

Fourth pillar of the Global Competitiveness Index is Health and primary education; the most problematic indicator is Primary education enrollment net rate.

2nd pillar: Infrastructure

201 Quality of overall infrastructure	33
202 Quality of roads	36
203 Quality of railroad infrastructure	53
204 Quality of port infrastructure	53
205 Quality of air transport infrastructure	33
206 Available airline seat km/week, millions*	16
207 Quality of electricity supply	80
208 Mobile telephone subscriptions/100 pop*	103
209 Fixed-telephone lines/100 pop*	68

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

3rd pillar: Macroeconomic environment

301 Government budget balance, % GDP*	40
302 Gross national savings, % GDP*	107
303 Inflation, annual % change*	128
304 General government debt, % GDP*	45
305 Country credit rating, 0–100 (best)*	55

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

4th pillar: Health and primary education

401 Malaria cases/100,000 pop*	1
402 Business impact of malaria	7
403 Tuberculosis cases/100,000 pop*	44
404 Business impact of tuberculosis	49
405 HIV prevalence, % adult pop* <01	1
406 Business impact of HIV/AIDS	41
407 Infant mortality, deaths/1,000 live births*	81
408 Life expectancy, years*	56
409 Quality of primary education	100
410 Primary education enrollment, net %*	62

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Fifth pillar of the Global Competitiveness Index is Higher education and training. The most problematic indicators are secondary education enrollment gross rate and quality of math and science education. The best indicators are tertiary education enrollment, gross rate, quality of management schools, availability of specialized training services.

5th pillar: Higher education and training

501 Secondary education enrollment, gross %*	83
502 Tertiary education enrollment, gross %*	27
503 Quality of the education system	92
504 Quality of math and science education	103
505 Quality of management schools	106
506 Internet access in schools	62
507 Availability of specialized training services	65
508 Extent of staff training	102

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Sixth pillar of the Global Competitiveness Index for the US economy is Goods market efficiency. The best indicators are intensity of local competition extent of market dominance, and effectiveness of anti-monopoly policy. The most problematic indicator are total tax rate on profits and procedures to start a business.

6th pillar: Goods market efficiency

601 Intensity of local competition	10
602 Extent of market dominance	44
603 Effectiveness of anti-monopoly policy	34
604 Effect of taxation on incentives to invest	77
605 Total tax rate, % profits*	82
606 No procedures to start a business*	76
607 No days to start a business*	36
608 Agricultural policy costs	87
609 Prevalence of non-tariff barriers	42
610 Trade tariffs, % duty*	72
611 Prevalence of foreign ownership	94
612 Business impact of rules on FDI	62
613 Burden of customs procedures	82
614 Imports as a percentage of GDP*	100
615 Degree of customer orientation	36
616 Buyer sophistication	57

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

7th pillar: Labor market efficiency

701 Cooperation in labor-employer relations	112
702 Flexibility of wage determination	52
703 Hiring and firing practices	78
704 Redundancy costs, weeks of salary*	124
705 Effect of taxation on incentives to work	85
706 Pay and productivity	86
707 Reliance on professional management	70
708 Country capacity to retain talent	84
709 Country capacity to attract talent	105
710 Women in labor force, ratio to men*	128

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Seventh pillar of the Global Competitiveness Index for the US economy is Labor market efficiency. The best indicators are redundancy costs, country capacity to retain talent and country capacity to attract talent, pay and productivity, and reliance on professional management. The most problematic indicators are women in labor force, ratio to men, effect of taxation on incentives to work and cooperation in labor-employer relations.

Eighth pillar of the Global Competitiveness Index for the US economy is Financial market development. The best indicators are availability of financial services, legal rights index, financing through local equity market and venture capital availability. The most problematic indicators are soundness of banks and regulation of securities exchanges.

8th pillar: Financial market development

801 Availability of financial services	34
802 Affordability of financial services	36
803 Financing through local equity market	60
804 Ease of access to loans	65
805 Venture capital availability	93
806 Soundness of banks	51
807 Regulation of securities exchanges	65
808 Legal rights index, 0–12 (best)*	93

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Ninth pillar of the Global Competitiveness Index for the US economy is Technological readiness. The best indicators are availability of latest technologies, firm-level technology absorption and individuals using internet. The most problematic indicators are international internet bandwidth and FDI and technology transfer.

9th pillar: Technological readiness

901 Availability of latest technologies	55
902 Firm-level technology absorption	36
903 FDI and technology transfer	52
904 Individuals using Internet, %*	67
905 Fixed-broadband Internet subscriptions/100 pop*	61
906 Int'l Internet bandwidth, kb/s per user*	62
907 Mobile-broadband subscriptions/100 pop*	69

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Tenth pillar of the Global Competitiveness Index for the US economy is market size. Domestic market size index, Foreign market size index and GDP are the very competitive for the US economy.

10th pillar: Market size

1001 Domestic market size index, 1–7 (best)*	14
1002 Foreign market size index, 1–7 (best)*	26
1003 GDP (PPP\$ billions)*	17
1004 Exports as a percentage of GDP*	109

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Eleventh pillar of the Global Competitiveness Index for the US economy is business sophistication. The best indicators are extent of marketing and state of cluster

development. there is not any serious problematic indicator for the business sophistication.

11th pillar: Business sophistication

1101 Local supplier quantity	27
11.02 Local supplier quality	49
11.03 State of cluster development	52
11.04 Nature of competitive advantage	103
11.05 Value chain breadth	63
11.06 Control of international distribution	41
11.07 Production process sophistication	43
11.08 Extent of marketing	66
11.09 Willingness to delegate authority	87

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Twelfth pillar of the Global Competitiveness Index for the US economy is Innovation. The innovation indicators which are the capacity for innovation, quality of scientific research institutions, company spending on R&D, university-industry collaboration IN R&D, gov't procurement of advanced tech products, availability of scientists and engineers and PCT patents, applications/million pop are all the competitive level.

12th pillar: Innovation

12.01 Capacity for innovation	83
12.02 Quality of scientific research institutions	82
12.03 Company spending on R&D	79
12.04 University-industry collaboration in R&D	61
12.05 Gov't procurement of advanced tech products	39
12.06 Availability of scientists and engineers	50
12.07 PCT patents, applications/million pop*	42

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).

For further details and explanation, please refer to the section “How to Read the Country/Economy Profiles” on page 89.

According to the Global Competitiveness Index indicators for the US economy, the US economy has very strong economics and innovation based indicators, on the other hand macroeconomic environment and government sector have some economic problems resulted from the global economic crisis. Walton and Rockoff (2010) stated that most important challenges faced the US economy in the next years are followings (1) the deterioration in the distribution of income, (2) the aging of the population, (3) winning the race between education and technology, and (4) the search for a meaningful life. (see Scott and Lodge, 1985, Güloğlu et al 2012, Okay et al, Hatsopoulos et al 1998, Krugman, 1991, Porter, 2013)

Conclusions

The change of the global competitiveness of the United States has a great impact both the US and world economy. Main finding of the study, The US economy recovery has been still continuing, but the economic problems has been still affecting the global competitiveness of the United States. The US economy has to develop both economic and



social restorations in order to achieve sustainable economic growth and welfare of the US society.

References

- Fagerberg J. (1988). International Competitiveness, *The Economic Journal*, 98(391), 355-374
- Güloğlu B., Tekin R., Saridoğan E., "Economic Determinants Of Technological Progress in G7 Countries: A Re-Examination", *Economics Letters*, vol.116, pp.604-608, 2012
- Hatsopoulos, G. N., Krugman, P. R., & Summers, L. H. (1988). U. S. competitiveness: Beyond the trade deficit. *Science*, 241(4863), 299.
- Irving B. Kravis and Robert E. Lipsey, (1992). Sources of Competitiveness of the United States and of its Multinational Firms. *The Review of Economics and Statistics*, 74(2), 193-201
- Krugman, P. A. (1991). Myths and realities of U.S. competitiveness. *Science*, 254(5033), 811.
- Okay E., Atabay Baytar R., Saridoğan E., "The Effects Of The Exchange Rate Changes On The Current Account Balance", *Iktisat Isletme ve Finans*, Vol.27, pp.79-101, 2012
- Porter Michael E. (2013). "Restoring U.S. Competitiveness" Testimony, Harvard Business School, House Committee on Small Business, United States House of Representatives,
- Scott, B. R. and Lodge, G. C. (1985), U.S. competitiveness in the world economy. *The Int. Exec.*, 27: 26. doi: 10.1002/tie.5060270112
- Walton, Gary M. and Rockoff Hugh (2010). *History of the American Economy*, 11th Edt. South-Western, Cengage Learning
- World Economic Forum (2015), *The Global Competitiveness Report 2015–2016*

The Effect of Leader-Member Exchange (LMX) On Organizational Cynicism: A Case Study of Hotel Enterprises in Turkey

Abdülkadir Çorbacı¹, Kerem Kaptangil², Hayrullah Çetin³, and Caner Çalışkan⁴

Faculty of Tourism
Adıyaman University, Turkey
¹kcorbaci@adiyaman.edu.tr
⁴caner.caliskan@hotmail.com

School of Tourism and Hospitality Management
Sinop University, Turkey
²kerem_kaptangil@hotmail.com
³hayrullahcetin@gmail.com

Abstract

This research is carried out to analyze the relationship between Lmx and organizational cynicism notions. Although there are a few subjects related to Lmx, organizational cynicism notion hasn't related to Lmx yet. The study aims to fulfill this gap in literature. To diminish organizational cynicism, explicated as employees' negative merged attitudes towards their organization, is crucial for the point of Lmx and the research. For the research, data were collected 385 employees working in four and five-star hotels in Nevşehir in Turkey. While analyzing the data, reliability - validity tests, correlation and regression analysis methods were practiced. At final of the sufficient test levels of reliability and validity tests, there was a negative trend but significant correlation between Lmx and organizational cynicism. While testing hypothesis, Lmx's all dimensions negatively correlated with organizational cynicism's dimensions and it was specified that employees displayed more negative tendency to contribute to their organizations than other dimensions. However organizational cynicism's behavioral and cognitive dimensions didn't affect significant to Lmx's professional respect (esteem) dimension on the other hand, Lmx's impression dimension was affected in low grade with organizational cynicism's emotional dimension.

Keywords: Leader-Member Exchange (LMX), organizational cynicism, tourism, Cappadocia, Turkey

Leader-Member Interaction (LMX) Theory

When leadership approaches are analyzed in terms of period, the focus of analysis would be on the characteristics of leaders, leadership models and leaders' attitudes towards their inferiors. Given the studies conducted to differentiate between the concepts of leadership and administration (Graen, 1995, Schriesheim 1999, Wang et. al., 2005), it could be said that leadership doesn't require a certain position and it depends on the power to influence people, however administration requires a certain position to expose management. So it won't be wrong to say that leadership, which ensures effective use of human resources, could be associated with influencing which is one of the functions of administration (Aslan, Özata, 2010). The classification of these definitions bears several theories regarding the notion of contemporary leadership. Originating from the characteristics of the leader, these theories then follow a process including behaviorist, situational, modern

approaches, neo-charismatic approaches and alternative leadership theories. The studies have so far been related to (Burke and Stagl 2006, Basu and Green, 1997, Hoffman and Morgeson, 2003) the behaviorist and situational leadership models based on personal characteristics. The leaders fore-fronted with their personal characteristics are observed as individuals with several qualities differentiating them from their counterparts (Firth, 1976). In this sense, each behavior of the leaders are exposed to classifications like “interest in the individual”, “motivating their surroundings to take action” to analyze possible relevant outcomes (Korman, 1966; Weissenberg ve Kavanagh, 1972). In situational leadership theories, on the other hand, unlike behavioral theories claiming that there is only one and optimum administration style, the proper leadership behavior would differ according to the quality of goal to be attained, the characteristics and expectations of group members and organizational specialties (Saha, 1979). When these approaches are analyzed, it becomes possible to say that academic studies on leadership are based on two basic hypotheses according to the extent of leadership characteristics as demonstrated by the leaders. In the first one the leader behaves equally or the same to all group members, however in the second one all the inferior ones under a certain leader have a homogenous structure in terms of perception, interpretation and other variables and as a natural outcome of this they react similarly to the leader’s behaviors (Baş et al., 2010). Given these behaviors and their causes, leader member interaction theory could be claimed to be one of the most interesting theories analyzing the relationship between the leadership process and outcomes of this process. In the light of this researches and approaches, the concept of “leader behaviors”, which could be measured by some measurement tools like “Leader Behaviors Identification Scale” (Hemphill and Coons, 1957), is associated with several variables including job satisfaction (Wood and Sobel, 1970; Bartolo and Furlonger, 2000), task performance (Fiedler, O'brien and Ilgen, 1969; Vigoda-Gadot, 2007), organizational devotion (Agarwal, DeCarlo and Vyas, 1999; Dale and Fox, 2008), organizational citizenship (Deluga, 1995; Euwema et.al., 2008). In the leader member interaction model associated with many other variables, the relationship between the leader and his/her inferiors is not homogenous, the relation between each inferior could be different from those with others and for this reason, relevant researches should focus on the interaction between the leaders and his/her inferiors not specifically to the individuals themselves (Graen and Cashman, 1975, Dansereau et. al, 1975). For this reason, leader and member interaction model does not try to explain the changing quality of leader member relationship and the efficiency of leader (Özutku, Ağca and Cevrioğlu, 2007). The Leader Member Interaction Model rather defines the pre and post conditions regarding Leader-Member Exchange change in order to better explain the relationship between the leader and viewers (Philips and Bedeian, 1994). From a periodical view, LMX approach is developed by Graen et. al. The original version of the model is “Vertical Dyad Linkage” (VDL) model developed by Dansereau, Cashman and Graen in 1973. However, it is then called “Leader Member Exchange” LMX theory (Dinesh and Liden, 1986). Since the VDL Theory was published by Graen et. Al. (Danserau, Graen and Haga), this approach has been taken as a binary approach, also known as LMX, aimed at understanding the working relations between the superiors and inferiors (Bauer and Green, 1996). The initial researches on this issue analyzed the contribution of the Leader-Member Exchange to organization and its relation with loyalty (Dienesch and Liden, 1986), then the researches analyzing loyalty, respect and trust

(Graen and Uhl-Bien, 1995) ensured the development of different scales. The uni-dimensional structure of LMX-7 was questioned with the hypothesis of Dienesch and Liden (1986) claiming that the structure of Leader-Member Exchange is a multi-dimensional one and the scale development studies started again. During this period Dienesch (1987) used the “Qualification/Expectation Scale” and “Behavioral Scale”, developed by Dienesch and Liden (1986), in the measurement of contribution and loyalty. Gerras (1992) developed a 24 article scale for these three sub-structures. Phillips et. al. (1993) claimed 18 article out of 20 in Dienesch’s (1987) Qualification/Expectation Scale would be enough to measure this concept (quoted from Schriesheim et. al., 1999). Schriesheim et. al. (1992) developed a 6 unit scale in which each dimension is measured with 2 units and used this scale in their researches. Finally, Liden and Maslyn (1998) added “professional respect” to these three dimensions thus creating a 12 unit scale. This scale includes 4 dimensions. The first one is *Influence*; this could be defined as mutual relation and interaction between individuals based on interpersonal attractiveness rather than vocational or professional values. Another dimension is *Loyalty*; it includes a loyalty level which is changeable according to situational circumstances between individuals. *Contribution*; the perception of each member regarding job oriented activities they perform through open and secret mutual relations. The fourth dimension *Professional Respect*; is the reception of each member’s dignity in his/her mutual interactions inside and outside the organization. This reception depends on the past experiences of the individual, and is formed over other people she/he works with or meets. The theoretical framework of LMX is established on the basis of Role Theory. According to this approach; leaders test their inferiors in terms various job experiences. The level of adoption of inferiors to job demands and their competence identifies the accuracy of LMX relationships. The type of LMX causes the leader to give response using his/her professional resources such as “knowledge, work experience and autonomy. The preparation of resources by the leader is the response to the exchange of job related behaviors among inferiors. According to Graen et. al., this change is based on financial issues about the job (Liden and Maslyn, 1998). LMX is uni-dimensional and based on the professional behaviors of leaders and inferiors. In addition, the role theory laying the theoretical ground for LMX researches stresses the multi-dimensionality of roles. For instance, some inferiors focus only on their works and do not attach importance to social interaction, while some do not pay attention to their work despite giving importance to social interaction. Leader-Member Exchange Theory is based on the conception that the leader takes different stances to each inferior rather than the hypothesis stating the leader takes the same leadership behaviors to all his/her inferiors. As an expansion of this, leaders classify their inferiors as “in group” and “out of group”. While out of group relations are formal, rule-based and distanced in cases with low interaction between the leader and member, the relations inside the group are based on love, respect and based on mutual influence. While in group relations are based on trust and respect and the leader gives more of himself to his/her inferiors in terms of resources, attention and support; the member out of the group cannot have such a trust and work under organizational formal control system (Breland et. al., 2007). The LMX leader member interaction model, which is analyzed in the study, is associated with a number of different components and scales. Given its impact on cognitive, emotional and behavioral dynamics inside the organization, one of the matters of association is cynicism, which is also influenced by

the interaction between the leader and members. Given the constant impact of both exterior dynamics and interior dynamics in organizational flow, it is thought that the interplay between cynicism impact in organizations, as open systems, and the level of interaction between the leader and member would play a key role in the elimination of cynicism. For this reason, the study is aimed revealing the impact of Leader-Member Exchange on cynicism.

Organizational Cynicism

Organizational cynicism could be described as a negative attitude with cognitive, emotional and behavioral dimensions on the part of a worker against the organization (Dean, Brandes, Dharwadkar, 1998). It is also defined as the attitudes of a worker based on his/her critical view regarding the values, field, mission and vision of organization (Bedian, 2007). Organizational cynicism is also thought to include hopelessness, disappointment and distrust about award and punishment (Andersson and Bateman, 1997). In addition, organizational cynicism could be seen as an outcome influenced by the processes of leadership, organizational change and organizational justice (Dean et. al., 1998). Andersson (1996) highlighted that the studies on cynicism are principally based on three points of views including the police cynicism, psycho-social dimension of cynical enmity and cynicism in professional life. According to Kanter and Mirvis (1989), there are three stages in the emergence of cynicism. At the first stage, there are unrealistic high expectations, and then comes failure in attaining these expectations and finally leaving their place to complete dispensation (Andersson, 1996). Unattained expectations within organizations are closely related to contractual infringements. The workers expect the organization to fulfill its responsibilities in return for their loyalty to their job and efforts to work. When these expectations are not met, negative attitudes and behaviors might appear against the organization (Rousseau and Parks, 1993). According to Cordes and Dougherty (1993), excessive workload and unfulfilled promises are among the causes of organizational cynical behaviors. The studies conducted by Bashir and Nasir (2013) and Andersson (1996) also deal with the connection between worker cynicism and psychological contract infringements and stressed that there is a negative correlation between psychological contract infringements and cynicism. While Brandes and Das (2006) highlight that there is a negative correlation between cynicism and work performance, Byrne and Hochwarter (2008) stated that there is an inverse proportion between the perceived organizational support and cynicism. In a study on hotel management field by Bashir and Nasir (2013), workers' level of cynicism is inversely proportionate to organizational loyalty. A striking paradox of the concept of cynicism is that while cynical workers have positive feelings about the possibilities of development and improvement for organization, they also have to think that these efforts for change will end in failure (McClough et. al., 1998). While ensuring that organizational change is maintained in a well-planned and successful way and worker adopt to that change is one of the most important functions of leadership (Van Knippenberg, Martin and Tyler, 2006), one of the important obstacles for leadership throughout this process is the resistance to change on the part of cynical workers (Armenakis and Bedeian, 1999). It is stated in the study of Bommer, Rich and Rubin (2005) dealing with the connection between transformative leadership and cynicism transformative leadership behaviors have a relieving impact on organizational cynicism.

In general, no applied literature has been found analyzing the correlation between the concept of LMX and cynicism. However, it has become necessary that the concept is not only unearthed associating it with similar expressions, while also this missing point is taken into analysis and revealed with relevant digital field works. To this end, the study utilized the “Organization Cynicism Scale” as developed by Brandes (1997) and Dean et. al. (1998) and the final version of which is given by Brandes, Dharwadkar and Dean, (1999). Different versions of relevant scale has been applied in various international studies (Kalağan and Aksu, 2010; Cole, Bruch and Vogel, 2006; Kaya, Ergün and Kesen, 2014, Yıldız and Şaylıkay, 2014; Arabacı, 2010; Polatcan and Titrek, 2014; Kim et. al. 2009; Chrobot-Mason, 2003).

Rationale for the Study

The aim of this study is to analyze the correlation between Leader-Member Exchange (LMX) and Organizational Cynicism. The researches could be said to focus generally on some variables including Lmx and work satisfaction (Wood and Sobel, 1970; Bartolo and Furlonger, 2000), task performance (Fiedler, O'brien and Ilgen, 1969; Vigoda-Gadot, 2007), organizational devotion (Agarwal, DeCarlo and Vyas, 1999; Dale and Fox, 2008), organizational citizenship (Deluga, 1995; Euwema et. al., 2008). Given other researches about the focal point of the study, this study is aimed at revealing its correlation between organizational cynicism, which is a negative attitude.

Population and Sample

The population of the study includes the workers at four and five star hotels giving service within the boundaries of the city of Nevşehir, one of the important tourism centers in Turkey. The study uses non-random sampling and judgmental sampling method which is also known as the purposive sampling method. However, as it is not known to what extent the sample chosen via judgmental sampling method represents the universe, no generalizations are made about the universe (quoted from Malhotra, 1996 by Eren, 2007). The sampling frame is based on the Ministry approved hospitality enterprises registered under Nevşehir Governorship Provincial Directorate of Culture and Tourism. The study is based on the survey analysis conducted on the workers of 4 and 5 star hotels providing service in Nevşehir registered under the Provincial Directorate of Tourism and Culture. 385 survey forms are distributed to relevant hotels and collected on a pre-specified date.

Data Collection Method

The study applies the survey method for data collection. The survey form includes three parts. The first part uses the Lmx scale developed by Liden and Maslyn (1998), the second part includes the Organizational Cynicism scale developed by Brandes, Dharwadkar and Dean, 1999 and the third part includes demographical question appealing to hotel workers.

Data Analysis

The collected data are analyzed on computer. The analysis uses certain measures of central tendency including frequency and percentage distribution, arithmetic mean and

mode and some statistical analysis methods like reliability, validity, correlation and regression.

Research Hypotheses

In order to identify the correlation between the level of leader-member exchange (LMX) and cynicism, which is also the main theme of the study, it is necessary to analyze the extent of leader-member exchange and level of organizational cynicism. To explain these levels and extents, the research hypotheses are generated as below:

H₁: As the level of Leader – Member Exchange increases, the individual levels of cynicism reduces.

$$\text{Cynicism} = \beta \text{ LMX} \quad (1)$$

H₂: The higher the level of Impact, Loyalty, Contribution and Professional Respect, the lower the level of cynicism is.

$$\text{Cynicism} = \beta_1 \text{ Impact} + \beta_2 \text{ Loyalty} + \beta_3 \text{ Contribution} + \beta_4 \text{ Professional Respect} \quad (2)$$

H₃: As the level of Exchange between the Leader and Member rises, the behavioral dimension of cynicism diminishes.

$$\text{Behavioral Cynicism} = \beta \text{ LMX} \quad (3)$$

H₄: As the level of Leader Member exchange rises the cognitive scale of cynicism diminishes.

$$\text{Cognitive cynicism} = \beta \text{ LMX} \quad (4)$$

H₅: As the Impact, Loyalty, Contribution and Professional Respect increase, the Emotional Scale of Cynicism diminishes.

$$\text{Emotional Cynicism} = \beta_1 \text{ Impact} + \beta_2 \text{ Loyalty} + \beta_3 \text{ Contribution} + \beta_4 \text{ Professional Respect} \quad (6)$$

Research Findings

The Reliability and Validity of Scales in Research

Table 1 illustrates the number of propositions in the scales and sub-scales used in the research and reliability factors (Cronbach Alpha).

Table 1: Number of Propositions in the Scales and Sub-Scales

Scales	Number of Questions	Cronbach Alpha(α)
Lmx	12	0.94
Impact	3	0.84
Loyalty	3	0.84
Contribution	3	0.80
Professional Respect Dim.	3	0.79
Organizational Cynicism	13	0.90
Emotional	4	0.88
Cognitive	5	0.86
Behavioral	4	0.77

Peterson (1994) states that reliability factors of the scales used in researches should be 0.70 or over. As seen in Table 1, the reliability factors of all the scales used in the research are quite high and at a satisfactory level ($\alpha > 0.70$). Moreover, as change has been made in the reliability analysis of LMX and organizational cynicism scales used in the study, the statistical validity of both Lmx and organizational cynicism scales is maintained under current validity analysis results (Liden and Maslyn, 1998, Schriesheim, 1992).

Demographical Information of Research Participants

Table 2: Demographical Information about the Hotel Workers Taking Part in the Research

Gender	N	%	Age	N	%
Male	211	58	Between 18-28 ages	207	56.9
Female	153	42	29-39 ages	129	35.4
			40-50 ages	26	7.1
			51 and over	2	0.5
Graduation	N	%	Working Year	N	%
Primary	48	13.2	Between 1-5 years	316	86.8
Secondary	180	49.5	6-10 years	26	7.1
College	136	37.4	11 years and over	22	22.6
Status	N	%			
Permanent	327	89.8			
Temporal	37	10.2			

When the demographical variables in the research are analyzed, it is possible to state that a large proportion of research population is men (%58) with their average (%56.9) age being between 18 and 25. Almost half of the participants are secondary school graduates with most (%86.8) of them having a work experience of 1-5 years in their fields.

Evaluation of Findings about Lmx and Organizational Cynicism

Table 3: Basic Analyses for Research Variables

Scales*	Genel Ortalama	Standart Sapma	Mod
Lmx	3.75	0.82	4
Impact	4	0.93	4
Loyalty	4	0.96	4
Contribution	4	0.89	4
Professional Respect	4	0.89	4
Organizational Cynicism	3.12	0.76	3
Emotional Dimension	3	1.00	2
Cognitive Dimension	3	0.91	2
Behavioral Dimension	3	0.86	4

*5 Point Likert Scale is used.

When general averages of responses regarding Lmx scales in Table 3 are analyzed, there are reflections stating that there is a leader-member exchange between the workers and their managers. When it comes to the general averages of responses to all scales, it is observed that the averages are quite high (4.00). The general averages of responses regarding implementations about Lmx is 3,75. It is understood that there is certain implementations to maintain the interaction between workers and managers. According to responses given by participants, workers could be said to perceive the interaction and exchange between themselves and their managers. In addition, the responses given to the scales forming organizational cynicism are found to have an average value (3.12). This might be connected to workers reluctance to openly state their opinions about organizational cynicism.

Correlation Coefficients between Lmx and Organizational Cynicism Scales

Table 4: Correlation Coefficients between Lmx and Organizational Cynicism Scales

Scales	Org. Cynicism	Emotional	Cognitive	Behavioral
Lmx	-0.382*			
Impact		-0.305	-0.270	-0.192
Loyalty		-0.336	-0.347	-0.176
Contribution		-0.366	-0.365	-0.185
Professional Respect		-0.353	-0.291	-0.141

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

As a result of analysis made on Table 4 illustrating the impacts of Leader-Member exchange level on cynicism on a general level including all the sub-scales, the exchange between the Leader and the Member is found to have a negative impact on cynicism. According to this, once the level of leader-member exchange is increased one unit, the cynicism impact reduces at 0,382 percent. This result, which is significant at 0.01, indicates that cynicism, which is a dependent variable, has a negative correlation with the level of leader-member exchange.

Multi-dimensional Regression Analysis on Lmx's Impact on Organizational Cynicism

Table 5: The Impact of Emotional Devotion Sub-scale on the Sub-scales of Lmx

		R= 0.38	R ² = 0.15	Adjusted R ² =0.14		
		F= 15.878	p= .000	Std. Error: 0.93		
Org. Cynicism	Lmx	β	T	P	Std. Error _B	B
	Total	-0.037	-7.736	0.000	0.059	-0.457
	Impact	-0.024	0.274	0.784	0.095	0.026
Emotional	Loyalty	-0.096	-1.037	0.300	0.097	-0.100
	Contribution	-0.195	-2.297	0.022	0.096	-0.220
	Prof. Respect	-0.153	-1.859	0.064	0.093	-0.173

When the impact of sub-scales of leader-member exchange on the emotional sub-scale of cynicism in Table 5, it could be said that contribution, one of the sub-scales of LMX has a significant correlation with the emotional sub-scale of cynicism. We cannot talk of a significant correlation between loyalty, impact and professional respect sub-scales with the emotional sub-scale of cynicism, which have a lower significance value than 0.022. The impact of contribution sub-scale on the emotional sub-scale of cynicism has been calculated as 0.195 on negative direction.

Table 6: The Impact of Cognitive Link Sub-scale of Organizational Cynicism on the Sub-scales of Lmx

		R= 0.386	R ² = 0.149	Adjusted R ² =0.139		
		F= 15.699	p= .000	Std. Error= 0.845		
Cynicism Dimensions	Lmx	β	T	P	Std. Error _B	B
	Total	-0.353	-7.182	0.000	0.054	-0.388
	Impact	0.110	1.248	0.213	0.086	0.108
Cognitive	Loyalty	-0.234	-2.521	0.012	0.088	-0.221
	Contribution	-0.269	-3.167	0.002	0.087	-0.275
	Pro. Respect	0.003	0.036	0.971	0.084	0.003

When we analyze the correlation between the cognitive link sub-scale of organizational cynicism and the sub-scales of leader-member exchange, the cognitive link sub-scale has a significant correlation with loyalty and contribution which are the sub-scales of leader-member exchange. When the beta values emerging as a result of analysis are considered, loyalty and contribution sub-scales have a negative impact on cynicism at the significance values of 0.234 and 0.269 respectively. That is, if we reduce loyalty and contribution in the negative direction at specified rates, the cognitive sub-scale of cynicism will increase correspondingly. In addition, the cognitive sub-scale of cynicism changes at a rate of 38% according LMX factor.

Table 7: The Impact of Behavioral Link Sub-Scale Organizational Cynicism on the Sub-scales Lmx

		R= 0.206 F= 3.998	R ² = 0.043 p= .003	Adjusted R ² =0.032 Std. Error: 0.852		
Cynicism	Lmx	β	T	P	Std. Error _B	B
Behavioral	Total	-0.193	-3.740	0.000	0.054	-0.201
	Impact	-0.130	-1.387	0.166	0.087	-0.121
	Loyalty	-0.028	-0.289	0.773	0.088	-0.026
	Contribution	-0.115	-1.276	0.203	0.088	-0.112
	Pro. Respect	0.060	0.692	0.490	0.085	0.059

When it comes to the correlation between the behavioral sub-scale of organizational cynicism and the sub-scales of leader-member exchange, no significant correlation has been found between relevant sub-scales at a reliability rate of 0.003. The rates identified as P value did not bear any significant results. The rate of 0.043 for R value indicates that the scales of leader-member exchange are not enough to explain the behavioral scale of cynicism.

Results and Evaluation

The study analyzes the relationship and interaction between the leaders and workers in hospitality enterprises and the significance and interaction rate of organizational cynicism impact in terms of leader-member exchange. The identification of this interaction is of crucial importance for the reduction of some negative issues inside the organization such as conflicts, cease of work and uneasiness and for the maintenance of a healthy working environment. Furthermore, the selection of hospitality enterprises as the population of study could be based on the idea that the personnel working in different fields in terms of job definition are together under the same enterprise and the supposition that they will reflect the rate of realization of their expectations from their leaders in their service performance to the customers and that this will have its direct implications in the field of tourism. The rate of male participants in the study is found to be 58% while the remaining 42% is female workers. 56,9% of this population, which are so close in terms of gender proportion, are between the ages of 18-28. This is followed by 29-39 age group at a rate of 35,4%. In terms of educational status, a rate of 49,5% goes to secondary level of education while 37,4% are university graduates. Form a general point of view, the correlation between leader-member exchange and organizational cynicism is identified as -0,382. This rate is significant as a validity coefficient of 0,01 and this indicates that as the level of exchange between the leader and member reduces, the organizational cynicism level is likely to increase, as well. This shows that both components of comparison bear results supportive of theoretical framework. However, as this rate will bear healthier results when the sub-scales of leader-member exchange are compared with those of organizational cynicism, the hypotheses of the study are identified in a way to ensure that the rate of impact and interaction between relevant sub-scales. When we analyze the impact of sub-scales of leader-member exchange, regarded as independent variable, on organizational cynicism, it is observed that organizational cynicism is generally negatively influenced by all the sub-scales of leader-member exchange. However, as previously stated, the rate of impact between sub-scales is of higher importance for a more meaningful analysis on the two main components of research

under the study. In this sense, given the results obtained from the comparison of the sub-scales of organizational cynicism with the sub-scales of leader-member exchange, it could be stated that emotional link sub-scale is most influenced by the contribution sub-scale of leader-member exchange. Contribution sub-scale is followed by professional respect sub-scale in this sense. According to this analysis, negative feelings of workers against the organization might be associated with the workers' opinion that their exchange and interaction with the leader do not bear any contribution to their work life and personal status as well as lack of professional environment with mutual respect. When the sub-scales of organizational cynicism are evaluated in terms of leader-member exchange, cognitive sub-scale is found to have the highest rate of impact or correlation. We can also state that the cognitive sub-scale of cynicism has its most significant impact on the loyalty and contribution sub-scales of leader-member exchange. In the light of this, it is possible to state that in order to cultivate the idea that workers take a negative stance and attitude against the organization, emotional sub-scale should be more meaningful and clear thus being adopted by the workers. The opinion that the leader has no professional or individual contribution to workers and lack or insufficient feeling of loyalty in leader and member exchange on the part of workers direct workers towards a cynical structure. However, given the findings obtained in the study, while cognitive sub-scale generally has a negative correlation with the leader-member exchange, the study bears results indicating a positive correlation between cognitive sub-scale and impact and professional respect sub-scales. The positive direction of professional respect and leader-member exchange cannot change the supposition that both components are negative and this could be because the workers, who have a cynical consciousness, cannot fully trust the respect demonstrated to them and interaction and exchange and/or they just ignore these components. On the part of behavioral sub-scale, the workers who have a cynical attitude attach less importance to professional respect shown to him/her than other sub-scales and this cannot change the negative direction of interaction or exchange. Given the conditions of contemporary professional life, the sub-scales of leader-member exchange and cynicism, which are analyzed under the study, are found to have the power to change or affect the productivity of workers as well as all kinds of variables in working life. While the corresponding correlation between them is put forth in a valid and reliable way in terms of analysis, the dynamics of working life are influenced by a number of different components. Although the findings of the study reveal that there is a significant negative correlation between leader-member exchange and cynicism, the high level of negativities included in statistical data indicate that the reason for workers to find themselves in a cynical feeling, opinion and consciousness could be associated with a number of different dynamics other than leader-member exchange. However, given the increasing rate of adoption of participatory management approach in today's enterprises, it becomes necessary to re-arrange the interaction and relation between leaders and their inferiors in the light of ever-increasing conflictual and complicated structure of human relations.

References

- Agarwal, S., Decarlo, T., And Vyas, S. (1999): "Leadership Behavior And Organizational Commitment: A Comparative Study Of American And Indian Salespersons", *Journal Of International Business Studies*, 30(4): 727-743.
- Andersson, L. (1996). "Employee Cynicism: An Examination Using a Contract Violation Framework", *Human Relations*, 49, 1395 – 1417.

- Andersson, L. and Bateman, T.S. (1997), "Cynicism in The Workplace: Some Causes And Effects", *Journal Of Organizational Behavior*, Vol. 18, 449–69.
- Arabacı, B. (2010), "The Effects of Depersonalization and Organizational Cynicism Levels on The Job Satisfaction of Educational Inspectors", *African Journal of Business Management*, Vol. 4(13), 2802-2811.
- Armenakis, A.A., and Bedeian, A.G. (1999). "Organizational Change: A Review of Theory and Research in the 1990s". *Yearly Review of Management*, 25, 293–315.
- Bashir, S. and Nasir, M. (2013). "Breach of Psychological Contract, Organizational Cynicism and Union Commitment: A Study of Hospitality Industry in Pakistan", *International Journal of Hospitality Management*, 34, 61– 65.
- Bedeian, A. (2007), "Even If The Tower Is 'Ivory', It Isn't White: Understanding The Consequences Of Faculty Cynicism", *Academy Of Management Learning & Education*, Vol. 6, 9–32.
- Bobbio, A., Manganelli Rattazzi, A. M., and Spadaro, S. (2006), "Organizational Cynicism Contribution to the Validation of the Italian Version of Brandes, Dharwadkar, and Dean's (1999) Scale", *Testing, Psychometrics, Methodology in Applied Psychology*, Vol.13 (1), 5 – 23.
- Bommer, W., Rich, G., Rubin, R.(2005). "Changing Attitudes about Change: Longitudinal Effects of Transformational Leader Behavior on Employee Cynicism about Organizational Change.", *Journal of Organizational Behavior*, 26, 733 – 753.
- Bartolo, K. And Furlonger, B. (2000): "Leadership And Job Satisfaction Among Aviation Fire Fighters In Australia" , *Journal Of Managerial Psychology*, 15(1/2): 87-98.
- Bauer, Tayla N. ve Green, Stephen G., (1996), "Development of Leader-Member Exchange: A Longitudinal Test", *Academy of Management Journal*, 39 (6), 1538-1567.
- Brandes, P. (1997), "*Organizational Cynicism: Its Nature, Antecedents and Consequences*", Unpublished Dissertation, University of Oklahoma, Norman, OK.
- Brandes, P. and Das, D. (2006). "Locating behavioral cynicism at work: Construct issues and performance implications". *Research in Occupational Stress and Well-being*, 5, 233–266.
- Brandes, P, Dharwadkar, R, Dean, J.W. (1999). "Does Organizational Cynicism Matter? Employee and Supervisor Perspectives on Work Outcomes". *Eastern Academy of Management Proceedings*, 150-153. Outstanding Empirical Paper Award.
- Breland, Jacob W., Treadway, Darren C., Duke, Allison B. ve Adams, Garry L., (2007), "The Interactive Effect of Leader-Member Exchange and Political Skill on Subjective Career Success", *Journal of Leadership & Organizational Studies*, 13 (3), 1-14.
- Byrne, Z., & Hochwarter, W. A. (2008). "Perceived Organizational Support and Performance: Relationships Across Levels of Organizational Cynicism". *Journal of Managerial Psychology*, 23, 54–72.
- Cole, M.S., Bruch, H. and Vogel, B.(2006), "Emotion as Mediators of the Relations Between Perceived Supervisor Support and Psychological Hardiness on Employee Cynicism", *Journal of Organizational Behaviour*, Vol. 27, 463–484.
- Cordes, C.L. and Dougherty, T.W. (1993), "A Review And An Integration of Research in Job Burnout", *Academy Of Management Review*, Vol. 18, 621-56.
- Chrobot-Mason, D.L. (2003), "Keeping the promise: Psychological contract violations for minority employees", *Journal of Managerial Psychology*, Vol. 18 (1), 22 – 45.
- Dale, K. And Fox, M. (2008): "Leadership Style And Organizational Commitment: Mediating Effect Of Role Stress", *Journal Of Managerial Issues*, 20(1): 109-130.
- Dansereau, Fred, (2002), "Individualized leadership", *Journal of Leadership & Organizational Studies*, June, 22, <http://www.allbusiness.com/human-resources/employee-development/leadership/345341-3.html>. Erişim: 01.10.2007.
- Dean, J. W., Brandes, P., and Dharwadkar, R. (1998). Organizational Cynicism. *Academy of Management Review*, Vol. 23, 341-352.
- Deluga, R. (1995): "The Relationship Between Attribution Leadership And Organizational Leadership Behavior", *Journal Of Applied Social Psychology*, 25(18): 1652-1669.
- Dienesch, R. And Liden, R. (1986): "Leader-Member Exchange Model Of Leadership: A Critique And Further Development", *Academy Of Management Review*, 11(3): 618-634.
- Euwema, M., Wendt, H. And Van Emmerick, H. (2008): "Leadership Style And Group Organizational Behavior Across Cultures", *Journal Of Organizational Behavior*, 19(2): 251-265.

- Fiedler, F., O'Brien, G. And Ilgen, D. (1969): "The Effect Of Leadership Style Upon The Performance And Adjustment Of Volunteer Teams Operating In Stressful Foreign Environment", *Human Relations*, 22(6): 503-514.
- Graen, G., Novak, M. A. And Sommerkamp, P. (1982): "The Effects Of Leader- Member Exchange And Job Design On Productivity And Job Satisfaction: Testing A Dual Attachment Model", *Organizational Behavior And Human Performance*, 30(1): 109-131.
- Graen, G. And Uhl-Bien, M. (1995): "Relationship-Based Approach To Leadership: Development Of Leader-Member Exchange Theory Of Leadership Over 25 Years: Applying A Multi-Level Multi Domain Perspective", *Leadership Quarterly*, 6(2): 219-247.
- Hemphill, J. And Coons, A. (1957): "Development Of The Leader Behavior Description Questionnaire", R. Stogdill And A. Coons (Eds.), *Leader Behaviour: Description And Measurement*: Columbus: Ohio State University.
- Kalağan, G. and Aksu, M.B. (2010), "Organizational Cynicism of the Research Assistants: A Case of Akdeniz University", *Procedia Social and Behavioral Sciences*, Vol. 2, 4820–4825.
- Kalağan, G. (2009), "Araştırma Görevlilerinin Örgütsel Destek Alguları ile Örgütsel Sinizm Tutumları Arasındaki İlişki", Akdeniz Üniversitesi Sosyal Bilimler Enstitüsü, Yayınlanmamış Yüksek Lisans Tezi, Antalya.
- Kanter, D.L. and Mirvis, P.H. (1989). "The Cynical Americans", San Francisco: Jossey-Bass.
- Karacaoğlu, K. ve İnce, F. (2012), "Brandes, Dharwadkar ve Dean'in (1999) Örgütsel Sinizm Ölçeği Türkçe Formunun Geçerlilik ve Güvenilirlik Çalışması: Kayseri Organize Sanayi Bölgesi Örneği", *Business and Economics Research Journal*, Vol. 3 (3), 77 – 92.
- Kaya, N., Ergün, E. and Kesen, M. (2014), "The Effects of Human Resource Management Practices and Organizational Culture Types on Organizational Cynicism: An empirical study in Turkey", *British Journal of Arts and Social Sciences*, Vol.17 No.I, 43 – 61.
- Kim, T., Bateman, T.S., Gilbreath, B. and Andersson, L.M. (2009), "Top Management Credibility and Employee Cynicism: A Comprehensive Model", *Human Relations*, Vol. 62(10), 1435–1458.
- Liden, Robert C. ve Maslyn, John M., (1998), "Multidimensionality of Leader-Member Exchange: An Empirical Assessment Through Scale Development", *Journal of Management*, 24(1), 43-72.
- McClough, A.C., Rogelberg, S.G, Fisher, G.G. and Bachiochi, P.D. (1998). "Cynism and the Quality of an Individual's Contribution to an Organizational Diagnostic Survey", *Organizational Development Journal*, V.16, N.2, 31 – 42.
- Özutku, H., Ağca, V., Ve Cevrioğlu, E. (2008): "Lider-Üye Etkilesimi Teorisi Çerçevesinde, Yönetici Ast Etkilesimi İle Örgütsel Bağlılık Boyutları Ve İş Performansı Arasındaki İlişki: Ampirik Bir İnceleme", *Atatürk Üniversitesi İktisadi Ve İdari Bilimler Dergisi*, 22(2): 193-210.
- Peterson, Robert A. (1994). "A Meta-Analysis of Cronbach's Coefficient Alpha", *Journal of Consumer Research*, Vol. 21, September 1994, pp. 381-391.
- Phillips, Antoinette S. ve Bedeian, Arthur G., (1994), "Leader-Follower Exchange Quality: The Role of Personal and Interpersonal Attributes", *Academy of Management Journal*, 37 (4), 990-1001.
- Polatcan, M. and Titrek, O. (2014), "The Relationship Between Leadership Behaviors Of School Principals And Their Organizational Cynicism Attitudes", *Procedia Social and Behavioral Sciences*, 141, 1291 – 1303.
- Rousseau, D.M. and Parks, J.M. (1993). "The Contracts of Individuals and Organizations" M. Staw and L. Cummings (Eds.), Greenwich, CT: JAI Press.
- Rubin, R.S., Dierdorff, E.C., Bommer, W.H. and Baldwin, T.T. (2009). "Do leaders Reap What They Sow? Leader and Employee Outcomes of Leader Organizational Cynicism about Change", *The Leadership Quarterly*, 20, 680–688.
- Van Knippenberg, B., Martin, L., and Tyler, T. (2006). "Process-orientation Versus Outcome-Oriented During Organizational Change: The Role of Organizational Identification". *Journal of Organizational Behavior*, 27, 685–704.
- Vigoda-Gadot, E. (2007): "Leadership Style, Organizational Politics And Employees' Performance", *Personnel Review*, 35(5): 661-683.
- Wood, M. And Sobel, R. (1970): "Effects Of Similarity Of Leadership Style At Two Levels Of Management On The Job Satisfaction Of The First Level Manager", *Personnel Psychology*, 23(4): 577-590.
- Yıldız, S. and Şaylıkay, M. (2014), "The Effect of Organisational Cynicism on Alienation", (2nd World Conference On Business, Economics and Management - WCBEM2013), *Procedia Social and Behavioral Sciences*, 109, 622 – 627.

Influence of Facebook Applications on Consumer Purchase Intention: A Case Study of Generation Y

Salih Yildiz¹, Emel Yildiz², and Ali Tehci³

Faculty of Economics and Administrative Sciences,
Gumushane University, Turkey
¹salihiyildiz@gumushane.edu.tr
²emelyildiz@gumushane.edu.tr

Institute of Social Sciences
Gumushane University, Turkey
³tehciali@hotmail.com

Abstract

In parallel to the rapid development of internet social networks sites such as facebook, twitter that are widely used among consumers in recent years has become a source of information. Thanks to its flexibility and the ability to access information which makes it different from the other communication devices, consumers can communicate others easily and also search and share information and experiences. In this concept, the aim of this study is to determine the influence of facebook applications on consumer purchase intention. In the study the data was obtained using online survey for 386 people who are persons 15-35 years old and also known as Y generation and the research data was tested with using cronbach alpha coefficient method, factor analysis, multiple regression analysis. Factors of shares from facebook applications and factors of electronic word of mouth communication were determined to influence on consumer purchase intention. On the other hand in this study, like buton, like friends and location based check-in factors had not effect on consumer purchase intention.

Keywords: social networks, facebook, electronic word of mouth communication, consumer purchase intention.

Introduction

Technological advances that increase communication channels, facilitates the sharing of information and ideas (Allsop et al. 2007). Social Networks that allow people to communciate with others and share information by creating online profiles, take part in millions of human life (Bronstein 2013). Social networks includes many online information sharing sites such as Facebook, Myspace, Youtube, Flickri, Twitter and Wikipedia (Chu and Kim 2011). According to another definiton social networks are web-based services that allows creating profile, displaying users list of links in the system and sharing other users lists (Boyd and Ellison, 2007). Also Carminati et al. (2006) defined social networks as online communities that allows making shares for purposes such as entertainment and business and building friendships with users.

Consumers use technology and especially social media in the online shopping process effectively. This process related to meeting the needs of consumers defined as an electronic process and it stated that social media plays an important role in this regard (Isra et al. 2015). Social media marketing is expressed as a process that allows business

to introduce their products and services to consumers through social media and in this direction realization of marketing activities (Weinberg 2009). Sharing of comments, photographs and videos and access easily to this sharings is the most important function of social media (Kang and Schuett 2013). Therefore, in today's age of technology social media applications contribute to communicate (Balakrishnan 2014).

This online platforms emerges as a tool allows consumers to share their experiences and ideas. According to Cheung et al. (2008) many consumers can change other consumer's ideas related to products information through social networks. In this context it is stated that electronic word of mouth allows consumers to share ideas and experiences and give variety of opportunities (Balakrishnan, 2014).

Iyengar et al. (2009) indicated that effects of social networks on consumer behaviour shaped according to socio-cultural factors. Technology and trust have effect on consumer's online purchase intention (Van der Heijden et al. 2003). Companies can build trust for consumers through websites and social networks, give alternative purchasing opportunities (Richard and Guppy 2014). Therefore, when people decided to purchase they rely on the opinions of individuals or groups (Cvijikj et al. 2010).

Digital environment has changed connections of business and consumers and give opportunities for accessing information, reduction of operating costs and especially making connection between seller and buyer. Also digital environment gain economic favor about innovation, creativity, time, unlimited access to information sources and reduce environmental costs (Muller et al. 2011). Şener (2009) in his study about usage of facebook in Turkey, found that people use facebook to maintain existing friendships rather than to expand entourage. Therefore it can be stated that social media applications such as facebook, instagram and twitter allows them to communicate with other people and to continue this communication (Ellison et al. 2007), play an important role in consumer online purchasing behavior (Isra et al. 2015). Also facebook allows people to interact globally (Rehman et al. 2014:).

Facebook has 1.44 billion users and 74.2 million pages in the world. Also, facebook that increase total number of users 12% between 2014-2015 date, can affect many markets (Statisticbrain, 2015). Widespread usage of facebook has led researchers and academicans to research on this subject (Chen 2014). Facebook is a social media tool used by many businesses to communicate with the most reasonable cost to the consumer. (Nelson-Field et al. 2012). Therefore it is stated that facebook will help make sales by creating awareness for brand, product and services (Richard and Guppy 2014). Kara and Coşkun (2012) indicated that succesfull facebook strategies of firms will increase the company's awareness and consumer loyalty and effect sales positively. Richard and Guppy (2014) examined the effects of facebook applications on purchasing intention and found that while liking, place notification and sharing applications have positive effect, comment has not a significant effect on consumer purchasing intention. In general studies in literature are related to social networks, development and usage of facebook, online purchasing decisions. There is lack of studies about consumers' usage of facebook as an

online store platform (Richard and Guppy, 2014). Therefore the aim of this study is to examine the effects of facebook applications on consumer’s purchase decisions.

Methodology

Sample

Consumers between 14-36 age that is known as Y Generation is constitute the main body of the research. Research data collected by an online questionnaire applied to consumers that are between 14-36 age between 27/11/2015 – 05/02/2016. Sample size of the study consists of 386 questionnaire.

Data Collection

The questionnaire has two parts and 18 questions. First part included questions regarding the likes, friends likes, sharings, place notifications, electronic word of mouth communication an purchasing trend. Second part consists of questions to determine demographics. Items for each factors came from empirical studies in the literature and adapted to study. All questions were measured by five-point Likert scale. For instance, “1” expressed as strongly disagree, “2” expressed as disagree, “3”, expressed as neutral, “4” expressed as agree, “5” expressed as strongly agree. For reserach and especially creating scales study of Richard and Guppy (2014) was used.

Empirical Model

The aim of the study is to examine the effects of facebook applications on consumers’ purchase intentions. Social media usage rate increasing with day by day and is an important part of human life. This situation allows consumers to use technology and social media effectively in the online shopping process.

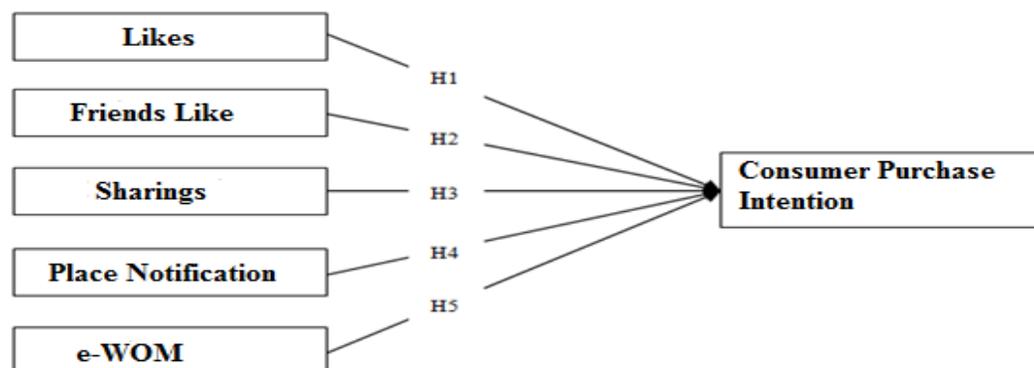


Figure 1: Empirical Model

H1: Likes have positive effect on consumers’ purchase intention positively

H2: Friends likes have positive effect on consumers’ purchase intention positively.

H3: Sharings have positive effect on consumers’ purchase intention positively.

H4: Place notification has positive effect on consumers’ purchase intention positively.

H5: Electronic word of mouth has positive effect on consumers’ purchase intention positively

Findings

Table 1: Demographic Characteristics of Consumers

Education	N	%	Age	N	%
Elementary Education	9	2,3	14-19	43	11,1
High School	67	17,4	20-25	143	37
Under Graduate	260	67,4	26-30	92	23,8
Graduate	50	13	31-36	108	28
Income	N	%	Visit Frequency	N	%
Under 1000 TL	164	42,5	1-4 hours	129	33,4
1001 – 1750 TL	95	24,6	5-10 hours	80	21,7
1751 – 2500 TL	51	13,2	10-20 hours	72	18,7
2501 – 3250 TL	54	14	20-40 hours	54	14
Above 3251 TL	22	5,7	40 hours and above	51	13,2
Gender	N	%			
Female	184	47,7	Total	386	100
Male	202	52,3			

As seen in table 1, dispersion of number of female (184) and male (202) in the sample are close to each other. Also the majority of participants are under graduate with the 67.4%, 17.4% are high school, 13% are graduate and 2.3% are elementary school. 64% of consumers have income under 1000TL, 24.6% have between 1001TL – 1750TL and 14% have income between 2501TL – 3250TL. 37% of consumers are between 20-25 age group, 28% of them are between 31-36 and 23.8% are between 26-30 age group. Majority of consumers (33.4%) visit facebook between 1-4 hours in a week and also 21.7% of them visit between 5-10 hours, 18.7% of them visit between 10-20 hours.

Reliability and Validity of Scales

To test the reliability, Cronbach's alpha coefficient was used. For the adoption of the scale reliable, the calculated reliability coefficient must be over 0.70. The exploratory factor analysis was conducted to test the construct validity of the scale. General Alpha Coefficients of scales are found as 0,782 (Likes), 0,621 (Friends like), 0,796 (Sharings), 0,789 (Place notifications), 0,673 (e-WOM) and 0,677 (Purchase intentions). According to this results it is possible to say that research is a good degree of reliable.

Table 2: Results of Factor Analysis

Factors	Variance (%)	KMO	Bartlett Test	P
Likes	69,757	0,695	329,759	,000
Friends Likes	57,478	0,623	145,098	,000
Sharings	71,056	0,688	366,360	,000
Place Notification	70,364	0,702	338,974	,000
e-WOM	60,562	0,638	186,605	,000
Purchase Intention	61,029	0,644	188,499	,000

If variance of the scale is 0,50 and over, it can be say that structural validity of the scale is a good level (Kalaycı 2010). KMO sample adequacy values of data of scales that used in the research are appropriate to make Factor Analysis. Also, because significance level is less than 0,01, Barlet Test is significant at %99 confidence level. Therefore it can be

say that correlations between variables are high and data set is suitable for Factor Analysis.

Results of Regression Analysis

According to β in table 3, electronic word of mouth is the most important factor for purchasing intention and sharings is the second important factor. But there is not a significant effect of place notifications, likes and friends likes on consumers' purchase intention. As seen in table 3 results of regression coefficients are accepted at 0,05 significance level.

Table 3: Results of Multiple Regression Analysis

Variable	B	Standart Error B	β	t	p
Constant	,745	,144		5,187	,000
F1 – Likes	,058	,045	,063	1,298	,195
F2 – Friends Likes	,081	,053	,082	1,519	,130
F3 – Sharings	,253	,043	,292	5,950	,000
F4 – Place Notification	,008	,047	,009	,160	,873
F5- EWOM	,407	,049	,415	8,396	,000

p: 0,000

$$\text{Purchase Intention} = 0,745 + 0,407 F_5 + 0,253 F_3 \quad (1)$$

According to regression equation, while 1-unit increase in F5 (EWOM) increases purchase intention 0,407 unit, 1-unit increase in F3 (Sharings) increases purchase intention 0,253 unit. As seen in equation while electronic word of mouth and sharings have significant and positive effect on purchase intention; likes, friends likes and place notification have not a significant effect.

Conclusion

With the development of the internet people have become to spend more time in online environments. Especially social networks that allow people to communicate with others and share information by creating online profiles, take part in millions of human life. This information and experiences about a product and service can affect other consumers' purchase intention.

In the concept of the study it is aimed to examine the effects of likes, friends likes, sharings, place notification and electronic word of mouth on consumers' purchase intention. As a result, it is founded that electronic word of mouth and sharings have effect on purchase intention. But likes, friends likes and place notification have not a significant effect on purchase intention.

Today, the rapid development of technology is consistent with the use of social media more effectively. In today's environment traditional marketing is not enough and so business seek to communicate with consumers and use this channels effectively by canalasing to social media environments. Because consumers become to spend more time in the facebook marketers began to be more interested in those areas. In this regard,

according to the results for users to share on facebook and make positive comments about these shared products affect consumers' purchase intention.

References

- Allsop, D. T., Bryce R. B. & James A. H. (2007). Word of Mouth Research: Principles and Applications, *Journal of Advertising Research*, 47(4), 398-411.
- Balakrishnan K.P.D.B., Mohd, I. D. & Wong, J. Y. (2014). The Impact of Social Media Marketing Medium Toward Purchase Intention and Brand Loyalty Among Generation Y, *Procedia, Social and Behavioral Sciences*, 148, 177-185.
- Boyd, D. M. & Ellison, N. B. (2007). Social Network Sites: Definition, History and Scholarship, *Journal of Computer-Mediated Communication*, 13 (1), 210-230.
- Bronstein, J. (2013). Like me! Analyzing the 2012 Presidential Candidates' Facebook Pages, *Online Information Review*, 37(2), 173-192.
- Carminati, B., Ferrari, E. & Perego, A. (2006). Rule-Based Access Control for Social Networks, *Lecture Notes in Computer Science*, 4278, 1734-1744.
- Chen, Y. F. (2014). See you on Facebook: Exploring Influences on Facebook Continuous Usage, *Behaviour & Information Technology*, 33(11), 1208–1218.
- Chu, S. C. & Kim, Y. J. (2011). Determinants of Consumer Engagement in Electronic Word of Mouth, *Journal of Advertising Research*, 30(1), 47-75.
- Cvijikj, I.P., Cetin, G., Karpiscek, S. & Michahelles, F. (2010). Influence of Facebook on Purchase Decision Making, (http://cocoa.ethz.ch/downloads/2013/05/1071_ThingBook.pdf, Access date: 04 January 2016.
- Ellison, N. B., Steinfield, C. & Lampe, C. (2007). The Benefits of Facebook "Friends:" Social Capital and College Students' Use of Online Social Network Sites, *Journal of Computer-Mediated Communication*, 12, 1143-1168.
- Isra A. D., Elham A. M. & Sara I. (2015). The Impact of Social Media on Consumer Buying Behaviour, *Special Topics in Information Systems*, 1-12.
- Iyengar, R., Han, S. & Gupta, S., (2009). Do Friends Influence Purchases in a Social Network, *Harvard Business School Working Paper*, (http://www.hbs.edu/faculty/Publication%20Files/09-123_0218aa20-e683-49b2-a886-837c09b552d5.pdf, Access date: 05 January 2016.
- Kalaycı, Ş. (2010). Faktör Analizi". SPSS Uygulamalı Çok Değişkenli İstatistik Teknikleri. Ed. Ş. Kalaycı. Ankara: Asil Yayın Dağıtım LTD.ŞTİ., 321-331.
- Kang, M. & Scuhett, M.A. (2013). Determinants of Sharing Travel Experiences in Social Media, *Journal of Travel, Tourism Marketing*, 30, 93–107.
- Kara, Y. & Coşkun, A. C. (2012). Sosyal Ağların Pazarlama Aracı Olarak Kullanımı Örneği, *Afyon Kocatepe Üniversitesi, İBF Dergisi*, 16(2), 73-90, <http://www.statisticbrain.com/facebook-statistics/>, Access date: 05 February 2016.
- Muller, P., Mette D., Annabel L., Mark L. & Julia H. (2011). Consumer Behaviour in a Digital Environment, ([http://www.europarl.europa.eu/RegData/etudes/etudes/join/2011/464441/IPOL-IMCO_ET\(2011\)464441_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2011/464441/IPOL-IMCO_ET(2011)464441_EN.pdf), Access date: 05 January 2016.
- Nelson-Field, K., Riebe, E. & Sharp, B. (2012). What's Not to "Like?" Can a Facebook Fan Base Give a Brand the Advertising Reach It Needs?, *Journal of Advertising Research*, 52(2), 262-269.
- Rehman, F., Ilyas, M., Nawaz, T. & Hyder, S. (2014). How Facebook Advertising Affects Buying Behavior of Young Consumers: The Moderating Role of Gender, *Academic Research International*, 5(4), 395-404.
- Şener, G. (2009). Türkiye'de Facebook Kullanımı Araştırması, XIV. *Türkiye'de İnternet Konferansı.*, (<http://inet-tr.org.tr/inetconf14/bildiri/4.pdf>, Access date: 05 January 2016.
- Van der Heijden, H., Tibert V. & Marcel, C. (2003). Understanding Online Purchase Intentions: Contributions From Technology and Trust Perspectives, *European Journal of Information Systems*, 12, 41-48.
- Weinberg, T. (2009). The New Community Rules: Marketing On The Social Web", (http://www.shopsecretary.com/shopsec_account_resources/1/ebooks/The%20New%20Community%20Rules%20Marketing%20on%20the%20Social%20Web.pdf, Access date: 03 February 2016.
- <http://www.statisticbrain.com/facebook-statistics/>, Access Date: 12. April, 2016.

The Efficiency of the Keynesian Fiscal and Monetary Policies and Their Relevance in Today's Economic Conjuncture

Ozlen Hic

Istanbul University, Turkey
ozlen.h.birrol@gmail.com

Abstract

This article establishes the guidelines of the Keynesian fiscal and monetary policies. In order to better understand the Keynesian macroeconomic system a brief critique of the Classical System in the pre-Keynesian period will be covered in the first section. While principally dwelling on the Keynesian macroeconomic system and the fiscal and monetary policies based on this system, it will be emphasized that the Keynesian analyses keep holding the balance of power in the academic field and constitute the foundation of the macroeconomic textbooks. Moreover, despite the economic conditions of these days which have gone through many changes and the emergence of anti-Keynesian views, the governments and monetary authorities (Central Banks) both in Europe and in the States, still implement - cautiously- fiscal and monetary policies in accordance with the Keynesian principles. In effect during Reagan era in the States and M. Thatcher in Britain, policies under the influence of Monetarism had been applied, however, since inflation was not prevented and there was an increase in unemployment, these policies were forsaken and moderate Keynesian policies were implemented low-key. But criticisms coming from both Monetarists and particularly New Classical economists forced fundamental methodological and assumptive changes in Keynesianism since the '80s; the school that emerged in the USA is called the New Keynesian Economics, in England the Post-Keynesian Economics. The article will cover a representation of the Keynesian System starting with the new macro concepts and relationships Keynes has introduced both the Simple Keynesian and the Generalized Keynesian System will be discussed in terms of their policy recommendations. In the following section, the monetary and fiscal policy will be discussed from a broader perspective. Keynesian policies for depression (and recession) periods and for boom (and recovery) periods will be covered both with respect to the efficiencies of fiscal and monetary policies for these different economic conjunctures, as well as with respect to factors other than their efficiencies that play a role in the choice of the right economic policy. The last section of the article is devoted to the views of some economists who try to answer the question of "What Keynes might have said today?"

Keywords: Keynesian System, Keynesian Monetary Policy, Keynesian Fiscal Policy, Efficiency of Keynesian Policies

Introduction

According to the Keynesian macroeconomic system, the economy would not automatically come to the full employment equilibrium. On the contrary, the Keynesian System visualizes a macroeconomic system where the economy, when left to itself, ends up at a less-than-full-employment equilibrium due to the lack of aggregate demand or deflationary gap. In this case, to provide full employment or at least to raise the

employment level within a certain target framework by taking the price increases into account, it is required to implement monetary and fiscal policies. Undoubtedly in the periods when the demand inflation appears, for the purpose of preventing inflationary gap and demand inflation which was created by the inflationary gap, the government is expected to reduce the level of effective demand again through monetary and fiscal policies. In other words, the subject shall primarily be dealt at the macro level and management of aggregate demand is also going to be investigated. Theoretical arguments have been conducted on both macroeconomic systems and economics debates based on these systems generally according to developed economies and peculiarities of these economies.

Keynes' macro system following the early Classical economists is called the "Keynesian Revolution"; on the other hand, the above mentioned views and systems are dubbed as "Counter-Revolution" owing to their resemblance with the early Classical economists in terms of their theoretical outcomes and political recommendations. These attributions manifest clearly the significance of the "early" Classical System.

Right after 1929-1934 Great World Depression, in particular, John Maynard Keynes had generated a brand-new macroeconomic system through "The General Theory of Employment, Interest and Money" (1936). Keynes claimed that this system better represents the developed economies and reflects realities. According to Keynesian macroeconomic system, when a (developed) economy is let take care of itself, full-employment is automatically provided. On the contrary, because of the lack of effective demand, emergence of underemployment equilibrium, involuntary or open unemployment is likely. In order to raise the effective demand, the government is required intervening economy on a macro level, and by monetary and fiscal policies to elevate aggregate or effective demand, therefore the real income (production level) and employment level as well. Guidelines for monetary and fiscal policy to be implemented according to Keynesian system and this system itself shall be covered in the next section.

The Economic Conditions Leading to the Rise of the Keynesian System and a Brief Critique of the Classical System

Following 1929-1934 The Great Depression in 1929-1934, John Maynard Keynes came up with a new macroeconomic system with his work "The General Theory of Employment, Interest and Money (1936)". Keynes claimed that his system represents the developed economies more accurately and reflects realities. According to the Keynesian macro system, if the (developed) economy is left to itself, full-employment will not be attained automatically. On the contrary, due to the lack of effective demand, there will be unemployment and involuntary unemployment. In order to increase the effective demand, the government should intervene on a macro level, and increase the aggregate or effective demand, hence the real income (production level) and employment level by appropriate fiscal and monetary policies. The guidelines for the fiscal and monetary policy to be implemented according to Keynesian system is covered in the next section.

Major New Concepts and Functional Relations

While Keynes was establishing a more realistic macro system representing the developed economy, and also as he was reaching the conclusion that the economy may experience unemployment, he introduced 5 new macro concepts and functional relationships different from the Classical system. Without explaining these new concepts and functional relationships and test their validity, it is not likely to fully grasp Keynesian macro system, underemployment equilibrium and policy recommendations. That is why here firstly we would like to go briefly through these new concepts and functional relationships.

Money is not only demanded as a transactions motive; there is also demand for money coming from the speculative motive depending on the prices of bonds and on the relation between bond prices and interest rates; hence the speculator considers how much money to keep, which results in a “liquidity preference curve” showing this precautionary and speculative motive. In the macroeconomic literature, the demand for money positively related to the income level showing the transactions motive is defined as “demand for active balances” whereas the demand for money negatively related to interest rate showing the speculative motive is defined as “demand for idle balances”. The right side of the money demand shows both the demand for active balances and the demand for idle balances separately. If one would like to express the money demand and the money supply in real terms rather nominal terms, then two sides of the equations should be divided by P (General Level of Prices). In this case, the money market equilibrium will take be represented as below:

$$M/P = k.(P.y/P) +(L/P)(r)$$

$$M/P = k(y) + l(r)$$

M/P: real value of the quantity of money supplied

In the Keynesian System, the demand for idle balances and its negative interest elasticity are of great importance: One peculiarity of the demand for idle balances is that at lower interest rates, the money that will be demanded for speculation is very high, i.e., the negative interest elasticity of the demand for idle balances is substantially high ($-Ler > 1$). In this case and at this stage, the fact that the efficiency of the monetary policy will not be much can be noticed easily. This is so, because there will be not much of a decrease in the interest rate due to an increase in the money supply and accordingly an increase in the demand for idle balance. As an extreme assumption, we can accept that the negative interest elasticity of demand for idle balances at a certain and very low interest rate as infinite ($-Ler = \infty$). It is also called the liquidity trap. In case there is a liquidity trap and we are at the liquidity trap, the efficiency of the monetary policy becomes zero. This is so because, in this case, regardless of how much we increase the money supply, the interest rates could not be lowered any further thus increasing the investment expenditures would not be possible.

The second assumption Keynes introduced is that, both savings and consumptions are positively related to the real income level.

In the Keynesian system, for a simple economy without the government it is:
 $s = s(y)$; $s' > 0$, $c = c(y)$; $c' > 0$ and $s' + c' = 1$

The derivative of savings (s') gives the Marginal Propensity to Save (MPS), the derivative of consumptions (c') gives the Marginal Propensity to Consume (MPC).

In case if government exists, we assume that savings and consumptions depend on the “disposable income” rather than the real income. Disposable income is made up of total household net income that remains after paying (subtracting) the taxes from the income and receiving (adding) public transfers to net real income (gross national income). The importance of the fundamental relationship between the real income level and savings-consumption identified by Keynes is still valid today. The importance of this relation is that as consumption and saving depend on the real income level (the consumption expenditures) combined with savings depending also on the interest (the savings), they construct the aggregate demand. And the real income and the production level is determined via this aggregate (or effective) demand level, not via the labor supply and demand equilibrium as it is the case in the Classical System.

The third concept Keynes used in his analyses is the marginal efficiency of investment (MEI). According to Keynes, in case of an increase in the demand for investment, the prices for investment goods would increase thus this would have an effect on the profitability of investments leading to a decrease in the demand for investment goods. Thus, Keynes introduced a cash concept called marginal efficiency of investments (MEI) which covers these changes in the prices of investment goods. For the equilibrium:
 $MEI = r$

Condition will be in effect. Yet this concept has an important consequence. Although the investment function is negatively related to the interest rate, the negative elasticity of investment function is low ($i' < 1$); that means that a small decrease in the interest rates will bring about an even smaller increase on the net real investment level. If the negative elasticity of investment function is accepted as zero as an extreme assumption below a certain interest rate ($i' = 0$), this time, a small decrease in the interest rates will cannot provide any increase in investments. Under this extreme condition, effectiveness of the monetary policy would again be zero in terms of real income and employment growth; hence only fiscal policies would be effective.

The fact that the interest elasticity of investment function is low in the Keynesian System would make it clear why in case of high MPS at high income levels combined with low MPC, the equilibrium would not automatically secure the full-employment. This is so, because the consumptions and the savings depend on the real income level, and consumption and investment together constitute the aggregate or effective demand. In this case, in the labor market, the aggregate production or income level would not be attained at the intersection of labor supply and labor demand, rather according to this aggregate of effective demand level. In a simple Keynesian system without the government and foreign trade:

$$[c(y) = i(r)] = [c(y) + s(y)]$$

$c(y) + i(r)$ will be demonstrating the aggregate demand. Or, if we subtract $c(y)$ either from aggregate demand or aggregate supply, we can safely assume that equilibrium income level is given by the investment-saving equity:

$$i(r) = s(y)$$

Following Keynes, assuming low interest elasticity of investments and high MPS because of high levels real income, the equilibrium real income level will be reached according to the effective demand level or investment-saving equity, leading to unemployment equilibrium. We can identify this situation as the “lack of effective demand” or “deflationist gap”. Even if the interest rate is decreased to zero, since the savings level will be below the full-equilibrium savings level at the full-employment, this situation is dubbed in macroeconomics literature as the “saving-investment discrepancy”.

In the Keynesian system, the macro production level in the short run will depend on employment level ($Y = y(N)$; $y' > 0$, $y'' < 0$). In the short run, we can presume that the quantity of capital, technology level and natural resources are fixed. The increase in employment (labor) will elevate production level. Yet, the labor is subject to MPPL. Thus, the equilibrium condition for the profit maximizing firms requires that the marginal physical productivity of labor equals the real wage (MPPL = w). In this case, the labor demand is negatively related to real wage.

On the other hand, the 4th novelty Keynes introduced to the macro analyses has to do with labor supply. Keynes accepted the existence of strong labor unions, and their institutional role in setting the wage level. In the labor market perfect competition conditions do not exist. But, the fact that wages are determined by the labor unions, in other words, “rigidity” of wages is not the main reason for the unemployment equilibrium in the Keynesian macroeconomic system. If it were so, then basically the Keynesian System would not have been much different from the Classical System in terms of its outcome. As mentioned before, the main reason of unemployment equilibrium is the “lack of effective demand” or “investment-saving discrepancy”.

Production on the other hand is adjusted according to the aggregate demand level. At this point, firms arrange their production and are willing to pay real wages which equal the marginal physical productivity. Labor unions taking into account the aggregate demand and aggregate production level, set their maximum wages and estimate their maximum real wage level according to the prices. Otherwise, if the labor unions assign high cash and real wage level, the employment would decrease further and voluntary unemployment would increase.

The fifth important concept and function Keynes introduced in his analyses is that the import propensity, that is to say how the real import level depends on real income level in a given country. In a parallel way, a country’s exports are related to the real income level of the importing countries which constitutes a data regarding real income level of the foreign countries. Accordingly, in the Keynesian System, when foreign trade or international relations are taken into account, the aggregate supply and demand equations are formed as follows:

$$\begin{aligned}
 c(y) + i(r) + g &= y + m = c(y) + s(y) + t(y) + m(y) \text{ and} \\
 y &= c(Yd) + i(r) + g - m(y) \text{ or} \\
 i(r) + g &= s(y) + t(y) + m(y)
 \end{aligned}$$

Today, though, since the gold system is forsaken, changes in the foreign exchange rates should be taken into account.

Since the purpose of this article is to identify the most fundamental principles of fiscal and monetary policies, we will work with a closed economy model assuming that there is no government. Nevertheless, this approach should not mean that we don't attach any importance to Keynes' contribution in foreign economic relations.

Simple Keynesian System and Generalized Keynesian System

In his book Keynes basically put forward a macro system which is called here in this article as the "Generalized Keynesian System". Yet, he also referred to a macro system which provided the possibility to demonstrate an analysis at a simpler level. In this Simple Keynesian System, the effects of the monetary parameters on real parameters and specifically on real income and employment are neglected completely. In this case, the efficiency of the monetary policy would be nil while the efficiency of the fiscal policy would be full. In order to have the Simple Keynesian System to be in effect, one or two of two or three assumptions are required to be introduced together: existence of liquidity trap (in other words negative interest elasticity of the demand for idle balances is infinite, $-L_{er} = \infty$) and the negative interest elasticity of investment is zero, $-i_{er} = 0$. When we disregard these extreme assumptions and presume that the negative interest elasticity of demand for IDLE balances is both infinite at certain interest rates and very high at certain other interest rates, and the negative interest elasticity of investment function is not infinite but considerably low, then we have the "Generalized Keynesian System" comprising "investment-saving discrepancy". In this system, an increase in money the supply leads to an increase in the real income and employment; yet the monetary policy does not seem to be too much effective. Compared to the Simple Keynesian System, efficiency of fiscal policy would be lower because of the result as the interest rate rise. Nevertheless, fiscal policy is more effective than monetary policy.

In order to identify The Simple Keynesian System and the Generalized Keynesian System, we need first to establish equations which reveal IS-LM curves, including the government and excluding the foreign trade:

$$\begin{aligned}
 (1) \quad M/P &= k(y) + l(r) \\
 (2) \quad i(r) + g &= s(y) + t(y) \quad i(r) + g = s(y) + t(y)
 \end{aligned}$$

Here

- g : represents the real level of government spending. Government investment spending is computed as a net figure.
- $t(y)$: represents the tax propensity. Real tax level is a function of real income. Tax is taken into account as "net" item; that means income transfer spending is subtracted from total tax revenue.
- Other symbols are known.

The first equation gives the money market equilibrium and LM curve which represents the geometrical location of r,y -combinations providing money supply and demand intersections. The second equation, though, gives IS curve as a geometric location of r,y -combinations providing investment-saving equalities (investment + government spending = saving + tax). LM has a positive slope whereas IS curve is negatively sloped. The macroeconomic equilibrium represents the demand side at the point of intersection of LM and LS curves. At the equilibrium, both money market is at equilibrium and the condition for investment-saving equality (goods market) materialize simultaneously. The equilibrium in the Simple Keynesian System and the Generalized Keynesian System are shown with the aid of LM-IS curves as follows:

Equilibrium in the Simple Keynesian System

The negative interest elasticity of investments being zero after a certain rate of interest ($-ier = 0$ assumption) makes IS curve a steep vertical line from that interest rate on. LM curve passes below that. In this case, regardless of the interest rate and monetary parameters, only one real income level is forged (y_0). This situation is shown in Figure 1(a). This income level is assumed to below full-employment income level y_F .

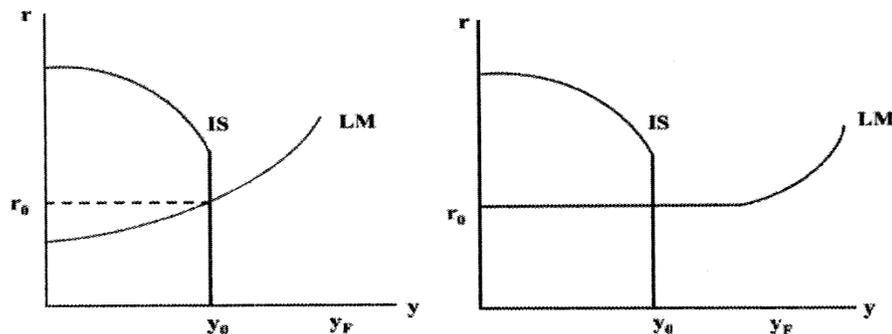


Figure 1: (a) & (b)

In figure 1(b), $-ier = 0$ assumption combined with $-Ler = \infty$ at r_0 , that means the existence of liquidity trap is presumed. In this case, the rate of interest will not change and maintain its position at r_0 level.

What is important here is whether the interest rate changes or not, as a result of $-ier=0$ assumption, one single real income level will prevail in the economy.

Equilibrium in the Generalized Keynesian System

For a more realistic investment function, it is assumed that the negative interest elasticity of investments is $0 > -ier > -1$; and again $-Ler \neq \infty$, that means no liquidity trap, which summarizes the “Generalized Keynesian System” in macroeconomics literature. In this system, the intersection of IS and LM curves gives the equilibrium interest rate and equilibrium income level. This is shown in figure 2. As can be seen, the equilibrium real income level (y_0) is much below than the full-employment real income level (y_F). Even if interest rate is dropped down to zero full-employment cannot be possible.

In the Generalized Keynesian System, money market and goods market equilibria is realized simultaneously, that means there is no “dichotomy”. As it is, while reaching the equilibrium both interest rate and money market equilibrium as well as investment-saving equilibrium (goods markets) are adjusted.

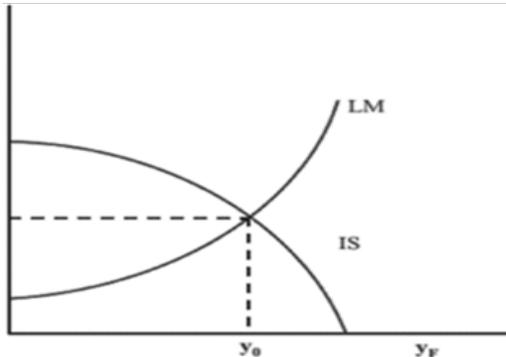


Figure 2:

Fiscal and Monetary Policies in the Keynesian System for Depression Periods

Fiscal and monetary policies in the Keynesian system were being implemented in the period following the 1929-34 Great Depression, mostly in the depression periods of the business cycle, and within the framework of policy recommendations recommended by Keynes. Thus, monetary policy was not much effective in terms of recovering from as well as evading the depression period and reaching full employment; this policy could only be used as a supplementary policy. On the other hand, fiscal policy - especially increasing the government spending- is more effective. Lowering the tax propensity, though, is less effective compared to increasing the government spending, but it still is a useful tool; as decreasing the tax propensity will increase the disposable income. This, according to MPC, will increase the aggregate consumption spending, consequentially raising aggregate demand, real income and employment levels. However, according to MPS, a part of the new higher disposable income cannot be directed to spending. That is why decreasing the taxes is a less effective fiscal policy tool.

Fiscal and Monetary Policies in the Simple Keynesian System

In the Simple Keynesian System containing the most extreme assumptions, monetary policy is not effective because of the existence of the extreme assumptions. That means, even if money supply is increased this rise would not change the interest rate due to the liquidity trap (LM curve's being inelastic hence horizontal, i.e. having infinite elasticity). Alternatively, even if the liquidity trap does not exist, and hence the interest rate changes; this change in the interest rate will not bring about a change in the real income level due to $-ier = 0$ assumption (IS curve's being vertical). As it can be followed in figures 3(a) and 3(b), there is an increase in money supply; in 3(b), this increase will slip down for the part of positive section of LM curve where there is no liquidity trap. In figure 3(a), because liquidity trap was presumably not present, interest rate drops down to (r_1) instead of (r_0) while real income level (y_0) remains the same. Since there is liquidity trap in Figure 3(b), interest rate also remains at (r_0) .

As opposed to the fact that the monetary policy is ineffective, fiscal policy will be fully effective. Raising (g) or lowering $t(y)$ would create a shift to the right in IS curve. Same level of rise in the government spending would cause a greater shift in IS curve compared to the same level of decrease in taxes. In this case when there is no liquidity trap (3a) real income goes up to (y_2) interest rate goes up to (r_2). In case there is the liquidity trap (3b), while real income rises to (y_2), interest rate remains the same at (r_0).

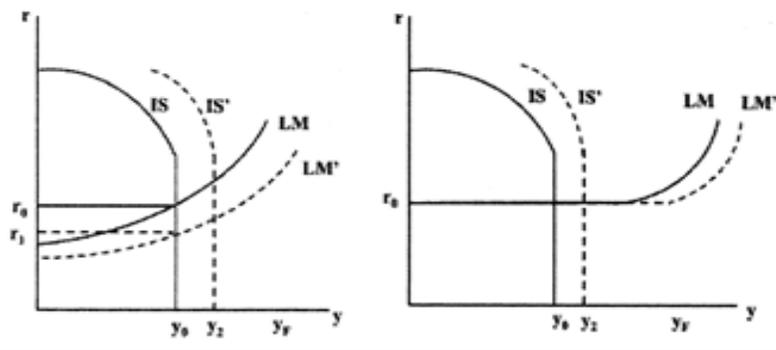


Figure 3: (a) and (b)

In Simple Keynesian System, it is easily seen from the figures why fiscal policy will be fully effective. In case of a rise in government expenditures or a decrease in taxes, their effects are reflected completely on real income, and real income also rises due to the multiplier coefficient or because due to an increase in multiplier coefficient). Interest rate does not change, even it does, and that change will not have an effect on the real income to fall. In short, multiplier mechanism functions without any interest lost.

Besides this, another point playing an important role in the efficiency of fiscal policy is as follows: if government expenditures are raised sufficiently (or when taxes are decreased sufficiently) IS curve will shift to the right sufficient enough to reach full-employment equilibrium sooner or later. This is valid for both Simple Keynesian System and Generalized Keynesian System.

Fiscal and Monetary Policies in the Generalized Keynesian System

In the more realistic Generalized Keynesian System, the monetary policy is effective. Yet, according to Keynes (for depression periods) this effect is not much either. This essentially stems from the fact that the negative interest elasticity of demand for idle balances is too high and the negative interest elasticity of investments is too low. The first assumption increases the slope of LM curve and makes it flatter. In this case, an increase in the money supply will shift the LM to the right (LM' in Figure 4(a), yet interest rate will not be decreasing sufficiently. The fact that negative interest elasticity of the investment function is low would reveal an IS curve which is relatively steeper. In this case, a fall in the interest rate would not cause much of an increase in the real income. This situation can be observed in Figure 4(a). Due to the increase in the money supply, LM shifts to the right as LM' ; equilibrium has changed to r_1 and y_1 . Both the decrease in the interest rate and the increase in the real income are very little.

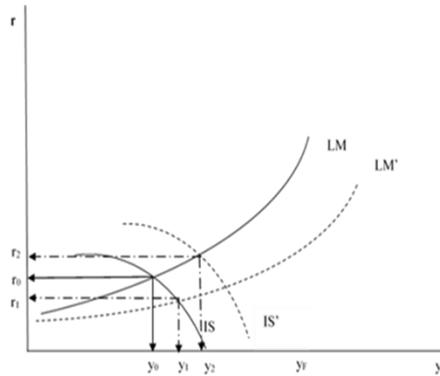


Figure 4: (a) and (b)

As it is clearly being seen in the figure, hypothetically, even if we decrease the interest rate down to zero via an increase in the money supply, we will be at y_1 equilibrium income level will, yet reaching full employment income level (y_F) will still not be attainable. Second wave effects and drawbacks of the money supply increase together with the price increases requires a separate analysis.

Keynesian Fiscal and Monetary Policies From A Broader Perspective: Efficiency Analysis

Above, the analysis covered the implementation of fiscal and monetary policies in a developed economy for depression periods and the following conclusions were made: Fiscal policies are more effective and especially raising government expenditures is more effective than decreasing the tax propensity. Monetary policies (and increasing the money supply) are not much effective. In that case fiscal policies are essential: monetary policies could be adopted as a subsidiary to monetary policies. The outcomes of this analysis are based on the more realistic Generalized Keynes System. However, when we have a look the issue from a broader perspective for the periods the economy enters after the depression, these policy recommendations may change. To analyze this, real income and interest are supposed to be dealt in a much broader range. Such a perspective is introduced in Figure 7, and LM and IS curves are shown in much broader range as well. Again, the hidden assumptions in this analysis are that we are dealing with a developed country and working with the Generalized Keynesian System.

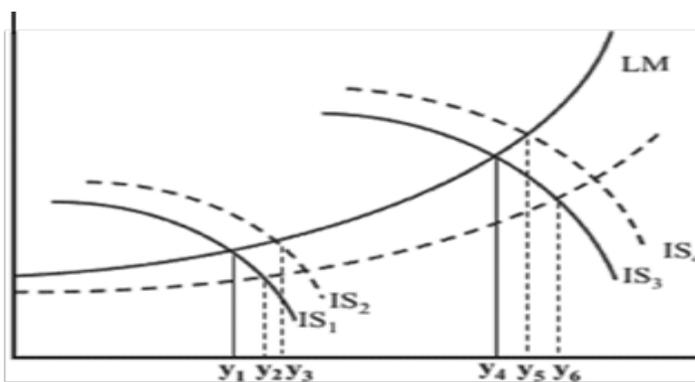


Figure 5:

The Efficiency of Fiscal and Monetary Policies During Depression and Recession Periods

As can be followed in Figure 7, in case of high elasticity of LM curve shifting to the right as LM' via an increase in money supply for depression periods, accordingly real income equilibrium occurring at IS1 hence the economy starts at y1 real income equilibrium; the increase in money supply will raise the real income level up to y3 only. However, in case of implementing fiscal policy (increasing government expenditures and/or decreasing tax) the IS curve shifts to the right as IS2, the real income equilibrium will reach a much higher level such as y3. In short, as Keynes indicated, during the depression periods fiscal policy is more effective than monetary policy.

The Efficiency of Fiscal and Monetary Policies During Boom and Recovery Periods

But this time, let us assume that initially, the economy is positioned at a high level of equilibrium such as y4 where IS3 is valid. At these high income levels, the negative interest elasticity of the LM curve seems to be low now. Accordingly, LM' curve is appears to drift apart from the initial LM curve as a result of an increase in the money supply (for a certain interest rate horizontal distances are the same, but when LM curve gets steep, then becoming distant might be the outcome). In this case, monetary policy would be more effective. Likewise, in case of an increase in money supply, the real income level will be increased up to y6. After all, in case the IS3 curve shifts to the right as IS4 through fiscal policy, the real income level will go up to y5 only, which is lower compared to y6. The fact that the income level is being high at the initial period and the money supply getting relatively too tight (stretching) for the economy make up the characteristics of recession periods (a bit of a fall in the already high income and a slight slowdown in the growth rate) rather than the depression periods. Thus, even though the analysis is kept within the framework of the Generalized Keynesian System, contrary to depression periods, this time, we can conclude that the fiscal policy is less effective than the monetary policy.

Choosing the Right Policy: The Factors Affecting the Choice between the Fiscal and Monetary Policy other than their Efficiency

The policies in our analyses up to now, (a: increasing the government spending; b: lowering tax propensity) and monetary policy (increasing money supply) were studied from the point of view of their "efficiency" only. Here, what is meant by efficiency is how much the real income level will be raised through any policy implementation. How the money supply will be increased is not going to be covered in this analysis. Nevertheless, the most implemented method in the developed economies is market transactions (sales of stocks or securities in the market) alongside with the rediscount rate applied by Central Banks which are independent of government. However, fiscal and monetary policy would be affecting the economy in different aspects, besides raising the real income. To reach a definite decision about which policy to be implemented, some other important factors should be taken into account. These other factors are covered below as follows.

Changes in the Composition of Income

Fiscal and monetary policies would not only change the real income level (in case of unemployment, raising the aggregate demand and real income). They, at the same time, change the composition of income (net national product). How the different policies would be changing the composition of income in a certain direction will be explained below:

An increase in the government expenditures will increase the share of the government in net national product. Since in the meantime the interest rate will rise, the private investment level and the share of private investments in the total investment level will decrease.

Decreasing the tax propensity will increase the private consumption level via the disposable income. In short, the share of the private consumption in net national product would increase. Despite of this fact, the government spending not changing but the real income increasing means that the share of the government in net national product will fall to an extent. On the other hand, the real interest rate will increase parallel to the increase the real income will result in a slight fall in the private investment level. That is to say, the share of the total investment in net national product will fall and the share of the private investment in the total investment level at some degree will fall.

Increasing the money supply will decrease the interest rate, and this, in return, will increase the private investments. That means, an increase of the share of total investments in net national product and an increase in the share of private investment in the total investment would have been targeted.

Changing the Real Income at the Desired Level

It is worthwhile to elaborate on the possibility of the realization of a change in real income as a criterion for different policies; and not only elaborate on the increase in real income whether being sufficient or insufficient through different policies implemented (efficiency of policies) Likewise:

In case of an increase in the government expenditures, through the multiplier effect this policy will definitely drive consumption and real income upward.

In case of a decrease in taxes tax, the disposable income will, for sure, increase. Yet, this change (increase) in the disposable income may not an immediately result in a rise in the consumption expenditure. If, by chance, households are convinced that this fall in the taxes is a temporary, then they might not necessarily increase their consumption; or they might increase their consumption less than expected. This, in turn, will reduce the efficiency of the tax policy in practice.

Increasing the money supply and thus decreasing the interest rate have a definite impact on the investment decisions of firms and entrepreneurs; here there is a certainty. The fact that it would take some time is another issue; nonetheless, as it is studied in the previous

sections, the fact that this increase is not much because of the elasticity has directly to do with “efficiency”, and not with “certainty”.

Lags and Policy Choice

The last important criterion seems to be criterion of “lag”. Two types of lags can be considered. The first one is the lag in decision phase. The second lag is the time required to pass for a policy for yielding results (i.e., increase the real income). What is meant by “lag” turns out to be the sum of these two periods.

Once it is decided to increase the government expenditures, this would immediately effect the economy through the consumption expenditures and raises the real income. However, the decision of the increase in government expenditures will be agreed upon in the parliament. Meanwhile, in the parliament, long discussion will continue on not only how much government spending would be raised, but also on the other issues like toward which fields this government spending would be directed, which geographical regions would be benefiting from it, etc. That is why, the decision of an increase in the government expenditures might take time. Moreover, sometimes a government spending decision might be providing above or below what is actually intended.

Once decided, lowering the tax propensity would make its effect felt immediately. The fact that households would not increase their consumption expenditures immediately as they might be perceiving it as being temporary is another topic to cover. But here, we would like to emphasize that the change in tax is, again, a matter of the parliamentary agreement. Since it relates to various social groups, there might be delays and the final decision coming from the parliament would not appear to be the most appropriate change of tax propensity (drop in tax rate).

Increasing the money supply is materialized in a very short time by the professional board members of the Central Bank which is independent from the government. In this decision there is no lag, and the error margin is quite low. On the other hand, the effect of a decrease in the interest rate will take some time on the investment decisions. Yet, the lag in the money supply increase would be much less compared to lags in the fiscal policies.

Hence, the decision on which policy to be implemented necessitates a thorough consideration of all these factors.

De Facto Implementations of Keynesian Fiscal and Monetary Policies

Keynesian policy recommendations in accordance with the Keynesian macro analyses were successfully implemented after the 1929 Great Depression and World War II, and consequently, cyclical fluctuations, depressions and inflations were, to a great extent, eliminated. Moreover, through these policies, a noteworthy growth and development within a relative price stability was ensured. However, contrary to the Keynesian policy recommendations, many opposite tendencies started to be discussed in the academic as well as political circles. In 60’s and 70’s, during the Vietnam War, the United States had not increased the taxes to cover the increasing government expenditures caused by the

war as opposed to the Keynesian economics advisors. This way, both budget deficits and balance of payments deficits started to rise. Inflationist tendencies gained a continuous feature. Again, as a result of wrong implementations of the Keynesian policies, social expenditures increased continuously in both the United States and European countries. This, eventually, gave rise to inflationary tendencies and high rates of unemployment due to the increase in government expenditures and labor costs. Parliaments and governments, on the other hand, rather than using the Keynesian fiscal policies for the fine-tuning of the economy, have kept raising the taxes continuously. That is to say, contrary to Keynesian policy recommendations, the tax policy was not de facto much successful. This was so, because once the taxes are lowered, to raise it later on seems impossible due to political and social reasons.

In this case, especially in the United States, many anti-Keynes views and approaches have emerged and these movements gained gravity from 70's on. These new liberals recommended smaller and balanced public budget. Milton Friedman and New Classical economists working with rational expectations are among these groups. Moreover, Milton Friedman has recommended fixing the taxes, giving up on the fiscal policies and raising the money supply at a constant rate. New-Classical economists working with rational expectations, on the other hand, claim that as long as there is no shock-like effect, not only the monetary policy but also fiscal policies policy would be inefficiency. But just like M. Friedman they recommend a smaller budget and decrease in government interventions.

Today, globalization, liberalization of foreign trade, increase in international fixed capital and fund streams have highlighted price stability and productivity because of international competition, hence policies to a great extent in accordance with the Keynesian policy recommendations are being recommended this time by the New Keynesian economists in the USA and Post-Keynesian economists in Britain.

Conclusion: What Keynes Might Have Advised for Today's

The New York Times, Economic View, November 28, 2008

By N. Gregory Mankiw (professor at Harvard University, former adviser to President Bush)

What Would Keynes Have Done?

“If you were going to turn to only one economist to understand the problems facing the economy, there is little doubt that the economist would be John Maynard Keynes. Although Keynes died more than a half-century ago, his diagnosis of recessions and depressions remains the foundation of modern macroeconomics. His insights go a long way toward explaining the challenges we now confront.

According to Keynes, the root cause of economic downturns is insufficient aggregate demand. When the total demand for goods and services declines, businesses throughout the economy see their sales fall off. Lower sales induce firms to cut back production and to lay off workers. Rising unemployment and declining profits further depress demand, leading to a feedback loop with a very unhappy ending.



The situation reverses, Keynesian theory says, only when some event or policy increases aggregate demand. The problem right now is that it is hard to see where that demand might come from.

The economy's output of goods and services is traditionally divided into four components: consumption, investment, net exports and government purchases. Any expansion in demand has to come from one of these four. But in each case, strong forces are working to keep spending down.

Consumption The Conference Board reports that consumer confidence is near its record low. It is easy to understand why consumers are so scared. House values have declined, 401(k) balances have shrunk and unemployment is up. For many people, the sense of economic uncertainty is greater than they've ever experienced. When it comes to discretionary purchases, like a new home, a car, or a washing machine, wait-and-see is the most rational course.

A bit more saving is not entirely unwelcome. Many economists have long lamented the United States saving rate, which is low by international and historical standards.

For the overall economy, however, a recession is not the best time for households to start saving. Keynesian theory suggests a "paradox of thrift." If all households try to save more, a short-run result could be lower aggregate demand and thus lower national income. Reduced incomes, in turn, could prevent households from reaching their new saving goals.

Investment In normal times, a fall in consumption could be met by an increase in investment, which includes spending by businesses on plant and equipment and by households on new homes. But several factors are keeping investment spending at bay.

The most obvious is the state of the housing market. Over the past three years, residential investment has fallen 42 percent. With house prices continuing to decline, increased building of new homes is not likely to be a source of robust demand over the next few years.

Business investment has lately been stronger than residential investment, but it is unlikely to pick up the slack in the near future. With the stock market down, interest rates on corporate bonds up and the banking system teetering on the edge, financing new business projects will not be easy.

Net Exports Not long ago, it looked as if the rest of the world would save the United States economy from a deep downturn. From March 2004 to March 2008, the dollar fell 19 percent against an average of other major currencies. By increasing the price of foreign goods in the United States and reducing the price of American goods abroad, this depreciation discouraged imports and bolstered exports. Over the last three years, real net exports have increased by about \$250 billion.

In the coming months, however, the situation may well go into reverse. As the United States financial crisis has spread to the rest of the world, fast-moving international capital has been looking for a safe haven. Ironically, that haven is the United States. Since March, the dollar has appreciated 19 percent, a move that will put a crimp in the export boom.

Government Purchases That leaves the government as the demander of last resort. Calls for increased infrastructure spending fit well with Keynesian theory. In principle, every dollar spent by the government could cause national income to increase by more than a dollar if it leads to a more vibrant economy and stimulates spending by consumers and



companies. By all reports, that is precisely the plan that the incoming Obama administration has in mind.

The fly in the ointment — or perhaps it is more an elephant — is the long-term fiscal picture. Increased government spending may be a good short-run fix, but it would add to the budget deficit. The baby boomers are now starting to retire and claim Social Security and Medicare benefits. Any increase in the national debt will make fulfilling those unfunded promises harder in coming years.

Keynesian economists often dismiss these long-run concerns when the economy has short-run problems. “In the long run we are all dead,” Keynes famously quipped.

The longer-term problem we now face, however, may be more serious than any that Keynes ever envisioned. Passing a larger national debt to the next generation may look attractive to those without children. (Keynes himself was childless.) But the rest of us cannot feel much comfort knowing that, in the long run, when we are dead, our children and grandchildren will be dealing with our fiscal legacy.

So what is to be done? Many economists still hope the Federal Reserve will save the day.

In normal times, the Fed can bolster aggregate demand by reducing interest rates. Lower interest rates encourage households and companies to borrow and spend. They also bolster equity values and, by encouraging international capital to look elsewhere, reduce the value of the dollar in foreign-exchange markets. Spending on consumption, investment and net exports all increase.

But these are not normal times. The Fed has already cut the federal funds rate to 1 percent, close to its lower bound of zero. Some fear that our central bank is almost out of ammunition.

Fortunately, the Fed has a few secret weapons. It can set a target for longer-term interest rates. It can commit itself to keeping interest rates low for a sustained period. Most important, it can try to manage expectations and assure markets that it will do whatever it takes to avoid prolonged deflation. The Fed’s decision last week to start buying mortgage debt shows its willingness to act creatively.

It is hard to say how successful monetary and fiscal policy will be in avoiding a deep downturn. But as events unfold, you can be sure that policymakers in the Fed and Treasury will be looking at them through a Keynesian lens.

In 1936, Keynes wrote, “Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slave of some defunct economist.” In 2008, no defunct economist is more prominent than Keynes himself.”

Us News, Money, July 17, 2012

By Tom Sightings

How Would Keynes Save Our Economy?

Could economic ideas from a century ago help us now? You be the judge.

“In 2008 and 2009, we suffered the worst recession since the Great Depression. And now we’re experiencing the weakest recovery in modern history. Here we are in the third year of an economic expansion, and we’re barely back where we started. And by some measures, most importantly unemployment, we have failed to get back where we started.

To make matters worse, with the crisis in Europe and a slowdown in China, some people worry that another recession might be looming for next year, especially if we fall off the proverbial fiscal cliff of increased taxes and an end to government economic stimulus.

So let's go back to basics. What would Keynes do?

John Maynard Keynes (1883–1946) was the most influential economist of the 20th century. His ideas were adopted by Franklin D. Roosevelt to battle the Depression. Most economists, even many Republicans, credit Roosevelt and Keynesian economics with putting Americans back to work in the 1930s, helping the U.S. climb out of economic disaster, and setting the stage for the post-war economic boom. By 1971, President Richard Nixon admitted, “We’re all Keynesians now.”

Keynes theorized that during recessions, the public gets frightened and holds back on spending, resulting in more layoffs, which in turn produces less spending in a vicious circle of economic decline. The way to break the cycle, said Keynes, is to pump government spending into the economy by building roads and bridges and other public works. FDR even hired unemployed writers for a Federal Writers’ Project, traveling the country to produce guidebooks on states and cities.

Keynes overturned classical economic theory which said that free markets produce full employment. Keynes argued that aggregate demand determines the level of economic activity. If demand falls short, it leads to recession and high unemployment. Keynesian economics fell out of favor under President Reagan, but George Bush brought back Keynes in the 2000s, ramping up spending in order to pump up aggregate demand, and President Obama has tried to follow suit, with limited success.

So what would Keynes do in 2012? Let’s speculate:

1. Clearly, he would advise the federal government to invest in infrastructure, building roads and bridges, improving the electric grid, reinvigorating the space program, and developing alternative energy. Remember, it was FDR who built the alternative energy infrastructure of his day, from the Grand Coulee Dam to the Tennessee Valley Authority.

2. Keynes introduced the concept of price stickiness, which means that workers resist lowering their wages in the face of falling demand for labor. Keynes was undeniably liberal, yet he would certainly comprehend the current fiscal problems of cities and states, burdened with past promises of unaffordable pay packages for their workers. He would probably not support the draconian measures of officials like Wisconsin Governor Scott Walker to take away worker rights. But he probably would support less drastic cutbacks taking place in states like New York and California, where politicians are pushing to balance budgets in the face of lower economic conditions.

3. Keynes said if money saved exceeds the amount being invested, then unemployment will rise. Think of all the money hoarded on corporate balance sheets. Google alone is sitting on almost \$50 billion in cash. Microsoft has almost \$60 billion. He might well be in favor of lowering taxes on funds that American businesses hold overseas so they would bring the money home. And he would certainly support tax breaks and other incentives for corporations to build new factories and ramp up research and development.

4. Keynes felt that countries should not run large trade surpluses or deficits. He would likely be in favor of lowering the value of the dollar to boost American exports, give our multinational corporations a competitive edge, and reduce the U.S. trade deficit.

5. Finally, Keynes argued that World War II should be paid for with higher taxation. To the extent that higher taxation would not reduce demand—and there’s little evidence that modestly higher taxes on incomes above \$250,000 would reduce aggregate demand,



because these are the people who are hoarding "too much" cash—he would be in favor of increasing taxes on super-rich, and maybe even the near-rich, to help pay for our military ventures, finance infrastructure investment, and narrow the budget deficit.”

Today's Economist, October 4, 2010

By Nancy Folbre (University of Massachusetts Amherst)

What Would Keynes Say Today?

“When I asked my favorite expert on John Maynard Keynes what the great economist would say about current world events, he laughed and provided an endearing imitation of a toothless old man with an upper-class English accent. True, if Keynes were alive today he would be 127 years old.

Keynes helped explain the Great Depression of the 1930s, and similarities with the Great Recession of 2007-9 are striking. His highly respected biographer, Robert Skidelsky, called his most recent book on Keynes “Return of the Master.”

Opposition to Keynesian ideas remains fierce in many quarters. Mr. Skidelsky himself provides a terrific example of a sharp debate regarding fiscal and monetary explanations of our current economic troubles. But Keynesian ideas are also relevant to a wide range of other issues, including the political stalemate we face in the United States and the growing economic success of China.

Uncertainty makes it difficult for individuals to effectively coordinate their decisions. When deep recessions hit, businesses become reluctant to invest because they already have more capacity than they can use. Households can't buy much because their incomes are low due to unemployment and reduced wealth.

The government, however, can kick-start the economy through increased spending and investment. The resulting increase in economic growth can make it possible to pay back the debt incurred.

Economists often disagree on the interpretation of these ideas, as well as their merits. My own efforts to channel Keynes led from the fairly obvious toward more provocative applications of his reasoning.

Keynes would certainly agree that current unemployment rates reflect a recession-induced shortfall in the demand for labor. The evidence for this claim has been deftly summarized by Paul Krugman, citing studies by the Economic Policy Institute and the Roosevelt Institute. The competing argument that we are simply experiencing a mismatch between employer needs and labor force skills lacks credibility.

Conservative economists like Robert Barro of Harvard University insist that increased government spending will have little positive effect, and that increased deficits will create bigger problems than they solve. Keynes would sharply challenge this view and insist on the need for greater fiscal stimulus.

He would also enthusiastically endorse the prescriptions articulated by my colleague Robert Pollin, who calls for targeted public investments that could expand credit, create jobs and move the United States economy toward more sustainable use of energy.

Policy prescriptions cannot be implemented unless they garner sufficient political support.



As my colleague (and my favorite Keynes expert, to whom I referred above) James Crotty explains, Keynes believed that everyone stood to gain from public investments that could foster collaboration between employers and workers based on shared gains from national growth.

In today's global economy, however, employers have less incentive to collaborate with workers than they once did. Multinational firms can easily relocate to low-wage, low-tax havens. With one click of a mouse, shareholders can move their capital out of the United States into mutual funds invested entirely in emerging markets, including China.

In other words, the cross-class coalition that supported strong state participation in the United States economy in the post-World War II has come undone.

If Keynes were around today, I think he would emphasize a supreme irony of Neoliberalism: No country has taken better advantage of free trade than China, with its controlled currency and strong industrial policies, including huge public investments in renewable energy technologies.

China's state capitalist regime has borrowed Keynesian theory from the West and garnered huge profits from it.

But I don't think Keynes would take much pride in this. He would be deeply disappointed that democratic capitalist countries like the United States seem unwilling to commit themselves to policies that could reduce unemployment and promote sustainable economic growth.

He would explain our current shortfall of aggregate demand as the result of a tragic shortfall of national solidarity."

Reuters (Chicago), Jan 27, 2014

By John Wasik

What would Keynes have done?

"What many people don't realize about economist John Maynard Keynes is that he was a professional investor, not just a thinker who addressed big issues. Although Keynes did not foresee the crash of 1929 and was nearly wiped out on three separate occasions, he made money during some of the most challenging years - and pioneered some durable investing principles along the way worth following in all market conditions.

So how would the father of Keynesian economics, who died in 1946, have played 2014?

He likely would not have been swayed by the recent swoon - the S&P 500 Index is down 3 percent year-to-date through January 24. He quickly threw out conventional wisdom and stopped trading based on big economic themes in the early 1930s, instead focusing on the intrinsic value of companies. This strategy later influenced mega-investors like Warren Buffett, George Soros and John Bogle.

When stocks were getting battered, Keynes was buying. He managed money for his alma mater, King's College at University of Cambridge, as well as two British insurance companies, friends and family.

In researching my recent book "Keynes's Way to Wealth," (McGraw-Hill, 2013, (link.reuters.com/gyf46v)), I discovered that Keynes made money in 12 out of 18 years between 1928 and 1945, a period that includes the Crash of 1929, the Great Depression and World War Two. All told, his annualized return for the Cambridge

"Chest" portfolio, a discretionary portfolio he managed, was 13 percent from 1928 through 1945, compared with a negative 0.11 percent for the UK market during that period.

How did Keynes do it? Here are some key strategies he developed that are worth emulating today:

1. Ignore the noise

Keynes saw daily price information as: "an altogether excessive, and even an absurd influence on the market." Unless you are a professional who can beat robotic, high-frequency trading programs, you should not be trading based on short-term price fluctuations. Think year-to-year and have a long-term investment policy.

2. Be a contrarian

That means buying unloved stocks, not glamorous tech titans like Google Inc and Apple Inc. Keynes bought out-of-favor shipping, railroad and mining stocks in the 1930s. They would later rebound and post huge profits. Today's toads are in the real estate, energy and utilities sectors, among the poorest-returning groups in the S&P 500 last year.

3. Favor stocks over bonds to beat inflation

Keynes made a switch from the traditional staples of institutional portfolio managers - bonds and real estate - to stocks in the 1920s and 1930s. It is a strategy that still works today. Including a 30 percent return last year, common stocks gained an average 10 percent from 1926-2013. "Ultrasafe" U.S. Treasury Bills averaged only 3.5 percent during that period and lost ground to inflation last year.

4. Commodities can be dangerously volatile

Keynes was heavily into commodities futures during the 1920s, but got crushed when the 1929 crash came along. Commodities are a reliable inflation hedge that do not move in lock step with stocks, but in the event of a market catastrophe, commodities follow equities. When global demand for items like oil, metals and agricultural goods plummets - as in the early 1930s and in 2008 - those markets are not a good place to be.

5. Dividends are desirable

Some of the most valuable companies in the world are boring, but have paid steady dividends for decades. They are worth holding because they boost and compound total return, particularly if you reinvest dividends in new shares. Keynes sought dividend payers in the 1930s when many of these companies were being dumped. Today you do not even have to purchase individual stocks: buy and hold an exchange-traded fund like the SPDR S&P Dividend ETF, which holds established companies including AT&T Inc, Consolidated Edison Inc and Clorox Co. The fund gained 30 percent last year, has a 2 percent yield and charges 0.35 percent annually to manage a portfolio of companies that are regularly increasing their dividends.

6. Stop sweating

When Keynes stopped market timing and forecasting, he became more successful. His best portfolios held companies with solid long-term prospects, were bought at bargain prices and spread out across the world. He bought more shares when they became cheaper, ignoring market sentiment. Keynes learned that abandoning large-scale "macro" forecasts was a plus; he was better off looking at company "enterprise" values, or how well they could increase earnings in the future based on their management and business model.

The moral of Keynesian investing is to play the long game, stick to an investment plan and avoid being distracted. Take advantage of buying opportunities - even when popular sentiment seems sour."

References

- G. Ackley, "Macroeconomic Theory," New York, 1961.
- W. J. Baumol, "Economic Dynamics," New York, 1959.
- Ö.H. Birol and A.H. Gencer, "The Keynesian System: Fiscal And Monetary Policy Guidelines." The Global Science and Technology Forum Journal on Business Review (GTSF), GBR Vol: 3, No: 3, pp. 106-119, June 2014.
- Ö. H. Birol and M. Hiç, "A Short-Run Macroeconomic Model for Less Developed and Newly Industrializing Countries based on the Keynesian Aggregate Demand Function." The Global Science and Technology Forum Journal on Business Review (GTSF), GBR Vol: 2, No: 2, pp.132-144, October 2012.
- Ö. H. Birol, "Keynesgil Sistem'in Gelişmesi." (The Evaluation of Keynesian System) İstanbul Üniversitesi İktisat Fakültesi Mecmuası (Special Edition), No: 4652, Vol: 56, Sayı: 1, pp. 131-162, İstanbul 2007.
- M. Blaug, "Economic Theory in Retrospect," 4th ed., Cambridge, 1985.
- W.H. Branson, Macroeconomic Theory and Policy, New York, 1979.
- R. Dornbusch and S. Fisher, "Macroeconomics," New York, 1990.
- Hansen, "Business Cycles and National Income," New York, 1951.
- R.G. Hawtrey, "Currency and Credit," London, 1950.
- M. Hiç, "Monetary Theory and Policy", İstanbul, 1994.
- R.L. Klein, "The Keynesian Revolution," New York, 1961.
- Marshall, "Currency and Credit," London, 1912.
- R.L. Miller and R.E. Meiners, "Intermediate Economics," New York, 1986.
- R.A. Musgrave and P.B. Musgrave, "Public Finance in Theory and Practice," New York, 1984.
- J. Naisbitt and P. Aburdene, "MegaTrends 2000," New York 1990.
- A.C. Pigou, "Industrial Fluctuations," London, 1927.
- J.A. Schumpeter, "History of Economic Analysis," New York, 1955.
- Solow, 1956. "A Contribution to the Theory of Economic Growth", Quarterly Journal of Economics, Vol. 70, No. 1, pp. 65-94.
- The New York Times, November 28, 2008: "What Would Keynes Have Done?" by N. Gregory Mankiw.
- Reuters (Chicago), Jan 27, 2014: "What would Keynes have done?" by John Wasik
- Today's Economist, October 4, 2010, "What Would Keynes Say Today?" by Nancy Folbre.
- US News, July 17, 2012: "How Would Keynes Save Our Economy? Could economic ideas from a century ago help us now? You be the judge." by Tom Sightings.