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- Dr. Muhittin Cavusoglu, College of Hospitality & Tourism Leadership, University of South Florida Sarasota-Manatee, USA
- Dr. Abdulkadir Corbaci, Adiyaman University, Turkey

ADVANCES IN GLOBAL BUSINESS AND ECONOMICS

Volume 2


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# Table of Contents

## Part 1: Accounting

Chapter 1: Does the Indonesia’s Shariah Accounting Conceptual Framework Need Revision? Stakeholders’ Perception .................................................................2
  M. Nur A. Birton¹, Mahfud Sholihin², Dian Andari³, and Aly Abdel Moneim⁴ .................................................. 2

Chapter 2: How Does Perceived External Prestige of Accounting Managers Affect Their Professional and Organizational Identification: Empirical Evidence From Turkish Industry ..............................................................14
  Emre Cengiz ......................................................................................................................................... 14

## Part 2: Consumer Behavior

Chapter 3: Antecedents and Consequences of Social Network User’s Commitment ............26
  Jamil Hebali ......................................................................................................................................... 26

## Part 3: Corporate Finance & Governance

Chapter 4: Factors Influencing Labor Cost in Garment Industry of Bangladesh: A Panel Data Approach ...............................................................................................................39
  Sumaiya Zaman .................................................................................................................................... 39

## Part 4: Economics

Chapter 5: Energizing Intellectual Concept: Integration of Intellectual Capital Theory and Resource-Based Theory ..........................................................................................50
  Zulkifli, Tatiek Nurhayatie, and Widodo .............................................................................................. 50

## Part 5: Education & Training

Chapter 6: HTM Partnerships With High Schools: A Case Study for How Faculty Can Help Increase Enrollment ...................................................................................................60
  Damien L. Duchamp ............................................................................................................................. 60

## Part 6: Environmental Issues/Sustainability & Green Tourism

Chapter 7: Sound Pollution and Tourism in the Urban Area .................................................68
  Esref Ay and Semra Gunay Aktas......................................................................................................... 68

Chapter 8: Tourism in Protected Areas: The Case of Yenice Forests ....................................77
  Eray Caglayan and Hakan Sezerel ....................................................................................................... 77

Chapter 9: Achieving Sustainable Tourism Through Eco-Lodge Venture: Evidence From Eco-Lodge Cases ...............................................................................................86
  Niloofar Behnamshirazi¹, Habib Alipour¹, and Sahar Ebadinezhad² ................................................................................. 86
Part 7: Finance & Banking .......................................................................................................109

Chapter 10: Modeling on a Flexible Loan Based on Its Borrower’s Asset With Credit Rating Migration ...........................................................................................................110  
Jin Liang and Zhaoya Liu................................................................................................................... 110

Chapter 11: ING Bank Case in Electronic Banking Applications ........................................116  
Ilhan Kanusagi and Lamiha Ozturk ................................................................................................... 116

Chapter 12: Credit Guarantee Schemes: A Critical Analysis of the Small Business Administration as a Model for Emerging Economies Developing Business and Entrepreneurship ...............................................................124  
Gary Bliss ........................................................................................................................................... 124

Chapter 13: An Analysis on Return Performances of City Indices From BIST..................138  
Neslihan Fidan Kececi and Yonca Erdem Demirtas .......................................................................... 138

Part 8: Food and Beverage Management ................................................................................148

Chapter 14: Spatial Analysis of Cooking Oils Usage in Turkey: Example of Bulgur Pilaff and Casserole Meal .............................................................................................149  
Onder Yayla and Semra Gunay Aktas ............................................................................................. 149

Chapter 15: The Cuisine and Its Historical Development .....................................................156  
Bulent Aydin and Abdulkadir Corbaci ............................................................................................ 156

Chapter 16: Using Turkish Cultural Motifs in Recreation Activities: The Case of Holiday Villages ........................................................................................................................................ 171  
Abdulkadir Corbaci ........................................................................................................................................ 171

Part 9: Hospitality & Tourism/Smart Tourism ..............................................................180

Chapter 17: Development and Validation of a Festival Personality Scale ...........................181  
Deniz Karagoz .................................................................................................................................... 181

Chapter 18: An Assessment of the Marketing Budget in the Tourism Businesses ..............190  
Resat Arica, Abdulkadir Corbaci, and Bulent Aydin .......................................................................... 190

Chapter 19: Destination Experience: Making the Tourism Cities 5-Star .........................201  
Mehmet Cihan Yavuz .......................................................................................................................... 201

Chapter 20: Operational Design as a Framework for Developing Diligence-Based Strategy in Food and Beverage Operations: A Case Study Approach ...........................................210  
Emre Erbas ......................................................................................................................................... 210

Chapter 21: Examining the Competitive Advantage of Gastronomy Tourism With Diamond Model ........................................................................................................................................ 221  
Onur Dirlik and Zeynep Karsavuran ................................................................................................. 221
Chapter 22: Enhancing the Cultural Tourism Experience Through Augmented Reality
Eda Avci

Chapter 23: Peer to Peer Accommodation and Sharing Economy From Tourist’s Perspective: A Quantitative Research
Cigdem Ozkan

Part 10: Human Resource Management
Chapter 24: The Relationship Between Tourist Profile and Job Satisfaction in Accommodation Enterprises: The Case of Beyoglu
Kivanc Inelmen and Oyku Ozturk

Chapter 25: Assessing the Influence of Cultural Intelligence (CQ) of Project Manager on Team Performance: Study on Project Team Working Under the Umbrella of CPEC
Ahsan Tahir and Osman Khan

Chapter 26: The Roles of Job Satisfaction and Motivation on Employees’ Intentions to Use Social Media for Businesses: Towards a Multilevel and Integrative Organizational Model
Francesca Di Virgilio¹, Monica Valderrama Santome², and Carlos Toural³

Part 11: Innovation & Entrepreneurship
Chapter 27: Hospitality Infusion: Making Hospitals More Hospitable
Damien L. Duchamp, Christina Caruso, Tatyana Simmons, Claudia Velis, and Daisy Lau

Part 12: International Trade
Chapter 28: The Effect of Recent Changes in Turkish Exchange Legislation on Operations of Foreign Trade and Accounting
Mehmet Melemen¹, Sezayi Dumanoglu², and Hanifi Ayboga²

Part 13: Leisure Management
Chapter 29: Effective Use of Local Dances in Creating Destination Experience: The Case of Adana Ciftetellisi and International Orange Blossom Carnival
Mehmet Cihan Yavuz¹ and Muzaffer Sumbul²

Chapter 30: Comparison of Turkish Airlines and Aegean Airlines Loyalty Programs via Frequent Flyer Money Saver Analysis
Bora Suavi Unsal

Part 14: Management
Chapter 31: The Impact of Conflict on Organizational Commitment
Ali Sukru Cetinkaya
Chapter 32: Workplace Violence: A Theoretical Review ......................................................330
Ali Sukru Cetinkaya¹, Muhammad Rashid¹, and Sobia Nasir² .................................................................................. 330

Chapter 33: The Effects of Workplace Incivility on Turnover Intention:
The Mediating Role of Job Embeddedness ..................................................................................339
Mert Gurlek ........................................................................................................................................ 339

Chapter 34: Effects of Institutions on a Firm’s Political Behavior ...........................................350
Kenneth (Kyeungrae) Oh .................................................................................................................... 350

Chapter 35: Managing Distrust in Occupational Safety and Management:
Contextual Manifestations and How It Might Best Be Overcome ........................................367
Cihangir Gumustas² and Fatma Kusku² ............................................................................................. 367

Chapter 36: Business-NGO Interactions, Corporate Sustainability
Performance and Competitiveness ...........................................................................................375
Tuba Bozaykut-Buk ............................................................................................................................. 375

Part 15: Social Science Studies .................................................................................................382

Chapter 37: The AREA Method: Countering Bias & Building Trust in
Decision-Making ........................................................................................................................383
Cheryl Strauss Einhorn ...................................................................................................................... 383

Chapter 38: The Effects of Global Economic Dynamics on the National State ...................388
Mehtap Yesilorman............................................................................................................................. 388

Part 16: Technology/E-Business/Social Media........................................................................395

Chapter 39: Does Communication With Emoticons/Emojis Work Efficiently?
Evidence From Turkey ..............................................................................................................396
Seden Dogan¹ and Ayse Bas Collins² ................................................................................................. 396

Chapter 40: Hotel Managers’ Thoughts Towards New Technologies and
Service Robots’ at Hotels: A Qualitative Study in Turkey .....................................................404
Seden Dogan¹ and Ahmet Vatan² ...................................................................................................... 404
Part 1: Accounting
Does the Indonesia’s Shariah Accounting Conceptual Framework Need Revision? Stakeholders’ Perception

M. Nur A. Birton¹, Mahfud Sholihin², Dian Andari³, and Aly Abdel Moneim⁴

¹Faculty of Economics and Business
Universitas Muhammadiyah Jakarta, Indonesia

²,³Faculty of Economics and Business
Universitas Gadjah Mada, Indonesia

⁴Mahad Makasid Indonesia-ITH, Indonesia

Abstract

Various standard boards such as FASB, IASB, AAOIFI, make adjustments to the conceptual framework of financial reporting on a regular basis to respond to various internal and external changes. The first conceptual framework for Financial Reporting in Indonesia, the Framework for Preparation and Presentation for Financial Statements (FPPFS), was adopted from the IASC in 1994 and in 2007 it was adapted to the Sharia Framework for Preparation and Presentation for Financial Statements (SFPPFS). FPPFS in 2016 was replaced with the IASB Conceptual Framework for Financial Reporting (CFFR). This paper aims to explain the views of Islamic accounting stakeholders in Indonesia about the need for revision of the SFPPFS after the severing relationship between SFPPFS and FPPFS together with the increasing complexity of Sharia entity operations, conceptual incoherence in SFPPFS, and conceptual incoherence between SFPPFS and Islamic financial accounting standards. This study uses a survey method to analyze various opinions of 113 Islamic accounting stakeholders in Indonesia related to the need of revision of Sharia Accounting Conceptual Framework (SACF). The results show that, in general, the stakeholders want a change in the SACF and agree that Maqasid Shariah as a common foundation for the formulation of a new Sharia conceptual framework.

Keywords: conceptual framework, maqasid shariah, Islamic accounting standards, stakeholders

Introduction

The earliest idea of a conceptual framework for financial reporting in the US literature can be found in Paton’s Accounting Theory (Zeff, 1999). Perks (1993) concluded that the US was the earliest pioneer in the institutionalization of conceptual frameworks that began in the 1940s. This was evidenced through the Paton and Littleton’s monographs published in 1940 and continued with two results of Accounting Research undertaken by Moonitz and Sprouse in 1962-1963 (Zeff, 1999). Whereas the initial formulation of the conceptual framework was carried out in the mid-1970s (Kaminski & Carpenter, 2011), the climax is the issuance of the FASB conceptual framework consisting of Statement of Financial Accounting Concepts (SFAC) No. 1, Objectives of Financial Reporting by Business Enterprises (FASB, 1978); and SFAC No. 2, Qualitative Characteristics of Accounting Information (FASB, 1980).

The first international accounting conceptual framework was issued by the International Accounting Standards Committee (IASC) and endorsed in 1989 as the Framework for Preparation
and Presentation of Financial Statements (Kaminski & Carpenter, 2011). The existence of the International Accounting Standard Board (IASB), as a successor to the IASC, encourages deeper the use of the International Financial Reporting Standards. This prompted two accounting regulatory agencies, the FASB and the IASB, as an embodiment of the 2002 Norfolk agreement, to work together to form a set of accounting standards that are more harmonious in quality (Carmona & Trombetta, 2010). Kaminski & Carpenter (2011) notes that the IASB-FASB joint project seeks to complete eight phases of activity to settle: phase A, objectives and qualitative characteristics; phase B, definitions of elements, recognition and derecognition; phase C, measurement; phase D, the reporting entity concept; phase E, boundaries of financial reporting, presentation and disclosure; phase F, the purpose and status of the framework; phase G, application of the framework to not-for-profit entities; and finally phase H, remaining issues.

The important results of this phase, particularly that of A – D, can be seen in SFAC document No. 8, Conceptual Framework for Financial Reporting (FASB, 2010). This document is divided into three chapters, chapter 1 contains The Objective of General Purpose Financial Reporting; chapter 2 is still left blank (prepared for the reporting entity); and chapter 3, Qualitative Characteristics of Useful Financial Information. SFAC No. 8 is the result of the merged chapters, i.e. SFAC No. 1 & 2, which are then declared invalid. For the IASB, the joint project with the FASB resulted in a partial change to the 1989 IASC/IASB conceptual framework because it was considered incomplete. In 2018 this conceptual framework was refined especially with regard to aspects of measurement, presentation and disclosure. It is expected that in January 2020 it can be implemented (www.ifrs.org).

The idea of a conceptual framework in an Islamic accounting environment was introduced by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The conceptual framework of the AAOIFI version has been introduced since 1993 (AAOIFI, 2001). Therefore, this institution claims to be the most authoritative institution in Islamic accounting standards. However, AAOIFI did not name the "accounting conceptual framework" and only referred to it as the Statements of Financial Accounting (SFA). SFA No. 1 contains the Objectives of Financial Accounting for Islamic Banks and Financial Institutions; and SFA No. 2 contains the Concepts of Financial Accounting for Islamic Banks and Financial Institutions (AAOIFI, 2001; Karim, 1995). However, Karim (1995) called it a framework or theoretical framework; whereas Yaya (2004), Sartini and Pramono (2009) call it a conceptual framework.


In 2010 AAOIFI released the latest version of the Conceptual Framework for Financial Reporting by Islamic Financial Institutions (CFRR-IFIs). This framework replaces the initial "conceptual framework" namely Statements of Financial Accounting (SFA) No. 1, Objectives of Financial Accounting for Islamic Banks and Financial Institutions; and SFA No. 2, Concepts of Financial Accounting for Islamic Banks and Financial Institutions (AAOIFI, 2015: 81). In addition to being consolidated into a conceptual framework, an important difference from the initial "conceptual
framework" is that, even though the CFFR-IFIS label is addressed to IFIs, the spectrum of entities to be regulated surpasses banks and other Islamic financial institutions (AAOIFI, 2015: 83).

It looks that over time the conceptual framework of FASB, IASB, and AAOIFI periodically are adjusted with various motivation. Among others are to accommodate business and regulatory changes, to refine the existing conceptual framework, including to accommodate the needs of stakeholders. Therefore, it is reasonable to propose the change of Sharia -- in Indonesia, the term of Sharia Framework is often used instead of Islamic Framework-- Framework for Preparation and Presentation for Financial Statements (SFPPFS) (IAI, 2007).

The urgency of changing the SFPPFS in Indonesia finds the momentum at this time, namely when, first, the Indonesian Institute of Accountants (IAI) officially adopted the IASB Conceptual Framework for Financial Reporting (CFFR) in 2016 replacing the Framework for Preparation and Presentation for Financial Statements (FPPFS 1994) (IAI, 2017). This resulted in SFPPFS as a "subset" of FPPFS losing its legitimacy and relevance in the accounting regulation in Indonesia. Second, the development of various sharia entities other than sharia financial institutions, such as sharia hotels or resorts, sharia cooperatives, boarding schools, amil zakat institutions, endowments, and halal businesses. This fact leads to the argument that the scope of the SFPPFS will be very limited if it uses "sharia transactions" as a foundation. Because it is ironic if the various "sharia entities" mentioned above lose the opportunity to set sharia accounting standards because they do not conduct "sharia transactions". Third, the existence of internal inconsistencies and incoherence in the body of the SFPPFS, related to the "sharia transaction paradigm", "sharia transaction principles" and "sharia transaction characteristics" that are not sufficiently established as a philosophy for the construction of the entire conceptual framework, especially in responding to the dynamics and development of various sharia entities in the future. Based on the aforementioned three reasons, the changes of SFPPFS is very important. For IAI, internally it can be intended to omit various incoherence and inconsistencies, whereas externally to respond to changes in the environment of the conceptual framework and accounting standards which are very dynamic. This paper aims to investigate the perceptions of sharia accounting stakeholders in Indonesia about the need for revision of the SFPPFS while at the same time searching for the possibility of the “maqasid sharia” as a substitute for "sharia transactions" and making maqasid sharia as the foundation of a future sharia conceptual framework.

Based on a survey to 113 Islamic accounting stakeholders in Indonesia, the results show that, in general, the stakeholders want a change in the SACF. Additionally, they agree that Maqasid Shariah can be used as the foundation for the formulation of a new Sharia conceptual framework. The rest of the paper is organized as follows. Section two is literature review, followed by research method in section three. This is followed by results and discussions in section four and conclusion in section five.

**Literature Review**

*Conceptual Framework for Financial Reporting*

The composition of accounting concepts is directed by the purpose of financial reporting, so that it becomes a reference for the preparation of accounting standards and has many names. Daley and Tranter (1990), Hines (1991), Robson (1999), Rayman (2007), Gaffikin (2008), Whittington

The term conceptual framework can be traced in SFAC 8 (FASB, 2010) and is explained in detail that:

“The Conceptual Framework is a coherent system of interrelated objectives and fundamental concepts that prescribes the nature, function, and limits of financial accounting and reporting and that is expected to lead to consistent guidance. It is intended to serve the public interest by providing structure and direction to financial accounting and reporting to facilitate the provision of unbiased financial and related information.”

For AAOIFI, since it is used for Islamic financial institutions, hence AAOIFI name it as Conceptual Framework for Financial Reporting by Islamic Financial Institutions. AAOIFI introduces the Conceptual Framework for Financial Reporting by Islamic Financial Institutions as follows:

“The Conceptual Framework introduces the main objectives as well as the concepts underlying financial accounting and reporting by Islamic financial institutions (IFIs). The objective of financial accounting and reporting is the foundation of the Conceptual Framework. The concept flows from the objectives and represent a framework of principles underlying financial reporting.” (AAOIFI, 2015: 43)

From the definition, the scope of conceptual framework of AAOIFI only covers financial products in Islamic financial insitutions.

The AAOIFI was recognised as the financial accounting organisation for Islamic banks and financial institutions and established on 26th February 1990 in Algiers by an Agreement of Association signed by Islamic financial institutions (AAOIFI, 2001). The AAOIFI was registered in Bahrain as an autonomous non-profit making corporate body on 27th March 1991 and its objectives are to develop standards and encourage the implementation of standards in Islamic financial institutions. To comply with Sharia, the AAOIFI issued more than 45 global standards and encourages their implementation (AAOIFI, 2015). The organisation acts as supervisor and standard setter and makes recommendations within the industry.

Since Islamic accounting objectives are promoting fair economy, zakah (mandatory alms) calculation become the orientation of reporting (Sulaiman, 2003). Additionally, the Islamic financial products affect the accounting treatment (Rahman, 2010). The notion of religiosity, spirituality and social nature embedded in Islamic accounting are arguments in favour of distinct Islamic accounting standards.

**Evolution of the Conceptual Framework for Sharia Accounting in Indonesia**

The first conceptual framework of Sharia accounting in Indonesia was named the Basic Framework for the Preparation and Presentation of Sharia Banks Financial Statements (BFPPSBFS) (1AI, 2002). This framework was present in 2002, 11 years late from the presence of
the Bank Muamalat Indonesia, the first Islamic bank, in 1991. In 2007 the BFPPSBFS was replaced with the SFPPFS (Sharia Framework for Preparation and Presentation for Financial Statement); while SFPPFS is the result of Islamization Framework for Preparation and Presentation for Financial Statement (FPFFS) which was adopted from the IASC by IAI in 1994 (Birton, et. al., 2015).

Birton (2015) identified at least three reasons why BFPPSBFS was replaced by SFPPFS. First, the rapid development of Sharia fatawas, which are both driving and pulling the growth of various Sharia entities. Second, the change in approach from industry to transactions in the preparation of accounting standards (so as to accommodate Sharia transactions, such as wadiyah, mudharabah, musyarakah, murabahah, istishna’, salam, ijarah, kafalah, wakalah, and qardh). Provisions outside of sharia transactions are assumed to have been accommodated through conventional Statements of Financial Accounting Standards (SFAS). Third, there is no synchronization between BFPPSBFS and FPPFS as the applicable national official framework.

Maqasid Shariah and Financial Reporting

Reading literature finds out many novel and valuable contributions carried out to discover and disseminate Maqasidi based reporting. Meanwhile, reading literature from conceptual cohesiveness perspective finds out widespread limitation among that literature, namely its superficial conceptual foundation regarding ‘Maqāṣid’ and ‘Sharī‘ah’, not to mention the conceptual network around both. The majority of that generous literature, such Islamic Reporting Initiative (2017), Amran, et. al. (2017), Siswantoro (2015), Mohamad & Sifat (2017), and Hasan (2014) limit itself to quoting some reduced output concepts of Maqasidi discourse, especially the Five Necessities (al-ḍarūriyyāt al-khams).

Some studies (Hameed, 2000; Rosly, 2010; Rahman, 2017; Haniffa & Hudaib, 2010; Aliyu et.al., 2017; and Mohammed et.al., 2019) have tried to uncover the establishing concepts of the discourse, by discovering concepts like al-maṣlahah (welfare), al-maadarrah (harm), al-‘illah (legal reasoning), al-awlawiyyāt (priorities), but without any significant independent effort to analyze, criticize, not to mention re-construct those concepts. None of those studies, however, went deeply to reveal the intellectual and contextual (natural, psychological, social and technological) processes behind the theoretical network among those researched concepts within given discourse of Maqasid.

Those limitations undermine the capabilities of the Maqasidi discourse as facing the mainstream discourse on financial reporting, either learning, criticizing, or improving, in order to advance original yet possible alternative models. Maqasidi discourse lacks well-funded, well-organized and highly-connected epistemic communities. In such conjuncture, the only complementary strategy is to strengthen the consistency of Maqasidi discourse by establishing strong conceptual and theoretical foundations, that reconnect the originality of Maqasid that resides in Quran (the holy book of Islam), Sunnah (Prophet Muhammad’s wisdoms), and historical experience from one hand, and the contemporality of human being civilization conjuncture, state of the art of financial reporting, and contemporary Maqasidi discourse from another hand, in order to have the capacity to penetrate huge structural burdens that hinder original and possible realization of Islamic models of development, economy, finance, and accounting. In this regard we felt obliged to carry out our
humble research project as a contribution in filling contemporary gaps in literature and practice of Shariah-based financial reporting.

**Research Method**

This research employs quantitative approach utilizing survey technique in data collection. The primary data was collected using purposive sampling method. The targeted respondends are stakeholders in Islamic accounting standard in Indonesia. The survey instrument is constructed to measure the perspective or opinions of stakeholders over necessity to revise the conceptual framework of Islamic accounting standards in Indonesia. The survey instrument was inspired by Mukhlisin, et. al. (2015). The questionnaires are categorized into three groups: perception of the development of Sharia Framework for Preparation and Presentation for Financial Statement (SFPPFS) from Framework for Preparation and Presentation for Financial Statement (FPPFS), perception of SFPPFS weakness, and perception of the development of alternative conceptual framework of Islamic financial reporting based on Maqasid Shariah.

The stakeholders’ opinions or perspectives are worth to investigate for the following reasons. First, stakeholders are supposed to aware and understand the development process of conceptual framework of Islamic financial reporting in Indonesia. For instance, the stakehoder awareness over the new “conventional” conceptual framework financial reporting affecting the conceptual framework for Islamic financial reporting should be concerned. This indicates that stakeholders would have standing positions over the necessity to revise the existing conceptual framework as the benchmark is under amendement. Second, mistakes, if any, should be realized by the stakeholders to initiate revision over the conceptual framework of Islamic financial reporting. Hence, it is important to collect data about the weakness of the existing conceptual framework. Third, the following responses on solution must be obtained. In this case, confidence over solution of prevailing conceptual framework must be addressed in discovering solution to the problem.

Respondents are required to assign a value to a statement in the instrument. Likert scale is utilized to measure the degree of agreement to disagreement of respondents. Questionnaires are distributed via online and offline. The online questionnaire forms are delivered via Google Form. Offline data is collected from manual distribution of the questionnaire form to the respondents. Upon the completion of questionnaire collections, the data was summarised and analyzed using SPSS 19. Inferential statistics, ANOVA is used to determine if there is a significant difference between the means among groups. The study examines three large groups of respondents which elaborated into nine groups of professions. The three large groups comprise academicians/researchers/lecturers, practitioners (accountants, auditors, and managers), and regulators (Financial Sercive Authority (OJK), National Sharia Board of Indonesia Ulema Council (DSN-MUI), Sharia Accounting Standard Board of Indonesia Accountant Association (DSAS-IAI), and Indonesia Islamic banks associations). In the context of the above background, particularly on the mission of IAI to strive for robust Islamic conceptual framework and understanding interpretation issues, we need to assess whether stakeholders perceived equal importance to support Islamic accounting conceptual framework in Indonesia as promulgated by IAI.
Results and Discussions

Descriptive Statistics

In total, 113 questionnaires were distributed with 113 forms were returned leading to collectible response rate of 100%. We test reliability of the questioners response with Cronbach’s Alpha test. The score 0.953 indicates the satisfactory reliable data. Table 1. portrays demography of respondents. The demography table describes the samples in three categorizations: gender, education, and occupation. There are 60.2% male and 39.8% females participating in the survey. The educational backgrounds are dominated with postgraduate, bachelor, and PhD for 48.9%, 29.2% and 19.5%, respectively. Majority samples occupy academic professions for 48.7%, followed by professional (bankers) and auditors at almost similar number of 12.5% and 12.4%, respectively.

Table 1. Demography of the Respondents

<table>
<thead>
<tr>
<th>Profile</th>
<th>Particular</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>60.2</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>39.8</td>
</tr>
<tr>
<td>Education</td>
<td>Vocational School</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>29.2</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>48.9</td>
</tr>
<tr>
<td></td>
<td>Doctor (PhD)</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td>Certified Professional</td>
<td>1.8</td>
</tr>
<tr>
<td>Occupation</td>
<td>Sharia Financial Accounting Standard Board</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>– Association of Indonesia Accountant (DSAS IAI)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Sharia Board – Indonesia Ulema Council (DSN MUI)</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Academician</td>
<td>48.7</td>
</tr>
<tr>
<td></td>
<td>Ulema (non-DSN MUI)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accountant</td>
<td>10.6</td>
</tr>
<tr>
<td></td>
<td>Auditor</td>
<td>12.4</td>
</tr>
<tr>
<td></td>
<td>Manager of organization (profit oriented or non profit oriented)</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>Sharia supervisory board (SSB)</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Regulators (Indonesia Central Bank, Financial Service Authority, Ministry of Finance)</td>
<td>5.3</td>
</tr>
<tr>
<td></td>
<td>National Committee of Sharia Finance (KNKS)</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Professional (banker) associations of Islamic finance (ASBISINDO, ABSINDO, AASI)</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Table 2 shows that overall, the stakeholders agree that Sharia Framework for the Preparation and Presentation of Financial Statements (SFPPFS) is a development of the Framework for the Preparation and Presentation of Financial Statements (FPPFS) (item 1). Additionally, the respondents agree that there are weaknesses in the existing SFPPFS, i.e. there are shortcomings in the prevailing SFPPFS (item 5), SFPPFS just explains the sharia-based transaction (item 6), there is a mismatch of SFPPFS to the needs of various sharia entities (item 7), SFPPFS mismatches due to the weakness in formulation mechanism of SFPPFS (item 8), and SFPPFS does not describe the overall business processes within a sharia business entity (item 9). Related to the need of a new conceptual framework which is based on maqasid shariah, the respondents agree that there is a need for alternative concepts of "Sharia" in the Conceptual Framework for the new Sharia Framework as a replacement for Islamic transactions in the existing SFPPFS (item 10) and Maqasid Sharia system can be the substitute for “shariah-based transactions” in the development of the new Sharia Conceptual Framework (item 11), the conceptual framework of the new Sharia accounting standard can be developed in the idea of Maqasid Sharia to avoid misunderstandings in the financial statements (item 38), the conceptual framework of the new sharia conceptual framework can be developed in the idea Maqasid Sharia to improve the quality of Islamic financial accounting standards (item 39), the conceptual framework of the new Sharia accounting standard can be developed in the idea Maqasid Sharia to improve the quality of financial reporting (item...
and the conceptual framework of the new Sharia accounting standard can be developed in the idea Maqasid Sharia to boost industry confidence against Sharia entity (item 41).

Table 2. Stakeholders’ Perception

<table>
<thead>
<tr>
<th>No</th>
<th>Items and description</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perception of the development of SFPPFS</td>
<td>4.19</td>
<td>0.902</td>
</tr>
<tr>
<td>2</td>
<td>SFPPFS not meeting the values of Islamic principled reporting.</td>
<td>2.93</td>
<td>1.147</td>
</tr>
<tr>
<td>3</td>
<td>FPPFS is converted into a Conceptual Framework for Financial Reporting (CFFR).</td>
<td>3.76</td>
<td>0.947</td>
</tr>
<tr>
<td>4</td>
<td>SFPPFS changes leads to SFPPFS lose its root.</td>
<td>3.46</td>
<td>1.086</td>
</tr>
<tr>
<td>5</td>
<td>Perception of weakness of SFPPFS</td>
<td>3.65</td>
<td>0.894</td>
</tr>
<tr>
<td>6</td>
<td>SFPPFS just explains the sharia-based transaction.</td>
<td>3.88</td>
<td>0.655</td>
</tr>
<tr>
<td>7</td>
<td>There is a mismatch of SFPPFS to the needs of various sharia entities.</td>
<td>3.65</td>
<td>1.059</td>
</tr>
<tr>
<td>8</td>
<td>SFPPFS mismatches due to the weakness in formulation mechanism of SFPPFS.</td>
<td>3.61</td>
<td>0.940</td>
</tr>
<tr>
<td>9</td>
<td>SFPPFS does not describe the overall business processes within a sharia business entity</td>
<td>3.88</td>
<td>0.888</td>
</tr>
<tr>
<td>10</td>
<td>Perception of the development of alternative conceptual framework of Islamic financial reporting based on Maqasid Sharia</td>
<td>4.12</td>
<td>0.741</td>
</tr>
<tr>
<td>11</td>
<td>There is a need for alternative concepts of &quot;Sharia&quot; in the Conceptual Framework for the new Sharia Framework as a replacement for Islamic transactions in SFPPFS foundation.</td>
<td>4.14</td>
<td>0.789</td>
</tr>
<tr>
<td>12</td>
<td>Maqasid Shariah system can be the substitute for “shariah-based transactions” in the development of the new Sharia Conceptual Framework</td>
<td>3.69</td>
<td>0.849</td>
</tr>
<tr>
<td>13</td>
<td>There is a need of fundamental difference between the new Islamic conceptual framework with the existing SFPPFS.</td>
<td>3.82</td>
<td>0.938</td>
</tr>
<tr>
<td>14</td>
<td>CFPR affects the design of the new Sharia Conceptual Framework.</td>
<td>3.67</td>
<td>1.106</td>
</tr>
<tr>
<td>15</td>
<td>Differences in schools of sharia thought affect the design of a new conceptual framework.</td>
<td>4.13</td>
<td>0.750</td>
</tr>
<tr>
<td>16</td>
<td>Industry conditions affect the design of new conceptual framework.</td>
<td>4.08</td>
<td>0.878</td>
</tr>
<tr>
<td>17</td>
<td>National Sharia Council of Indonesian Ulama Council influences the design of new Islamic conceptual framework</td>
<td>4.27</td>
<td>0.720</td>
</tr>
<tr>
<td>18</td>
<td>Industry responses affect the design of a new conceptual framework.</td>
<td>4.21</td>
<td>0.737</td>
</tr>
<tr>
<td>19</td>
<td>Academia responses affect the design of new Islamic conceptual framework.</td>
<td>4.16</td>
<td>0.689</td>
</tr>
<tr>
<td>20</td>
<td>Initial concept internationally accepted reporting affects the design of new Islamic conceptual framework.</td>
<td>4.20</td>
<td>0.696</td>
</tr>
<tr>
<td>21</td>
<td>Perspectives of maqasid sharia affect the design of new Islamic conceptual framework.</td>
<td>4.26</td>
<td>0.741</td>
</tr>
<tr>
<td>22</td>
<td>The design of the conceptual framework of the new sharia must be detached from CFPR</td>
<td>3.46</td>
<td>1.118</td>
</tr>
<tr>
<td>23</td>
<td>Financial statement users’ understanding affects the design of new Islamic conceptual framework.</td>
<td>4.02</td>
<td>0.834</td>
</tr>
<tr>
<td>24</td>
<td>Designing new Islamic conceptual framework needs to increase coverage beyond the sharia-based transaction.</td>
<td>3.61</td>
<td>1.191</td>
</tr>
<tr>
<td>25</td>
<td>The design of the conceptual framework should be developed based on the new sharia understand maqasidism</td>
<td>3.26</td>
<td>1.140</td>
</tr>
<tr>
<td>26</td>
<td>The new sharia conceptual framework as a reference in the development of sharia accounting standards</td>
<td>3.98</td>
<td>0.834</td>
</tr>
<tr>
<td>27</td>
<td>The conceptual framework of the new sharia accounting standard can avoid misunderstandings in the financial statements.</td>
<td>4.28</td>
<td>0.700</td>
</tr>
<tr>
<td>28</td>
<td>The conceptual framework of the new sharia accounting standard can improve the quality of financial reporting.</td>
<td>4.31</td>
<td>0.682</td>
</tr>
<tr>
<td>29</td>
<td>The conceptual framework of the new sharia accounting standard could increase public confidence in the sharia entity.</td>
<td>4.38</td>
<td>0.631</td>
</tr>
<tr>
<td>30</td>
<td>The conceptual framework of the new sharia accounting standard can be developed within the framework CFPR to avoid misunderstandings in the financial statements.</td>
<td>4.34</td>
<td>0.649</td>
</tr>
<tr>
<td>31</td>
<td>The conceptual framework of the new sharia accounting standard can be developed within the framework CFPR to improve the quality of financial reporting.</td>
<td>4.19</td>
<td>0.751</td>
</tr>
<tr>
<td>32</td>
<td>The conceptual framework of the new sharia accounting standard can be developed within the framework CFPR to improve the quality of civilization.</td>
<td>4.21</td>
<td>0.725</td>
</tr>
<tr>
<td>33</td>
<td>The conceptual framework of the new sharia accounting standard can encourage the development of civilization.</td>
<td>4.23</td>
<td>0.732</td>
</tr>
<tr>
<td>34</td>
<td>The conceptual framework of the new sharia accounting standard can improve the stability of the economy to the crisis.</td>
<td>4.32</td>
<td>0.672</td>
</tr>
<tr>
<td>35</td>
<td>The conceptual framework of the new sharia accounting standard can address the need for industry confidence against sharia entity.</td>
<td>4.32</td>
<td>0.735</td>
</tr>
</tbody>
</table>

Table 3 describes the descriptive statistics for the three groups for each construct under investigation. For construct number 1, perception of the development of SFPPFS from FPPFS, the
highest score comes from academicians/researchers/lecturers (mean=3.855; SD=0.756), followed by practitioners (mean=3.657; SD=0.639), and then regulators (mean=3.348; SD=0.647). For the perception of SFPPFS weakness, again the highest score comes from academicians/researchers/lecturers (mean=3.873; SD=0.862), followed by practitioners (mean=3.857; SD=0.772), and then regulators (mean=3.261; SD=0.689). With regard to the perception of the need to develop an alternative conceptual framework which is based on maqasid shariah, still the highest score comes from academicians/researchers/lecturers (mean=4.273; SD=0.525), followed by practitioners (mean=4.200; SD=0.632), and then regulators (mean=4.044; SD=0.475).

Table 3. Descriptive Statistics of Each Stakeholders Group

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Error</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perception of the development of SFPPFS from FPPFS</td>
<td>Academicians/researchers/lecturers</td>
<td>55</td>
<td>3.855</td>
<td>0.756</td>
<td>0.102</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Practitioners (accountants, auditors, and managers)</td>
<td>35</td>
<td>3.657</td>
<td>0.639</td>
<td>0.108</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Regulator (DSAS, DSN, and Association)</td>
<td>23</td>
<td>3.348</td>
<td>0.647</td>
<td>0.135</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>113</td>
<td>3.690</td>
<td>0.721</td>
<td>0.068</td>
<td>2.00</td>
</tr>
<tr>
<td>Perception of SFPPFS weakness</td>
<td>Academicians/researchers/lecturers</td>
<td>55</td>
<td>3.873</td>
<td>0.862</td>
<td>0.116</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Practitioners (accountants, auditors, and managers)</td>
<td>35</td>
<td>3.857</td>
<td>0.772</td>
<td>0.131</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Regulator (DSAS, DSN, and Association)</td>
<td>23</td>
<td>3.261</td>
<td>0.689</td>
<td>0.144</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>113</td>
<td>3.743</td>
<td>0.832</td>
<td>0.078</td>
<td>2.00</td>
</tr>
<tr>
<td>Perception of the development of alternative conceptual framework based on Maqasid Shariah</td>
<td>Academicians/researchers/lecturers</td>
<td>55</td>
<td>4.273</td>
<td>0.525</td>
<td>0.071</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>Practitioners (accountants, auditors, and managers)</td>
<td>35</td>
<td>4.200</td>
<td>0.632</td>
<td>0.107</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>Regulator (DSAS, DSN, and Association)</td>
<td>23</td>
<td>4.044</td>
<td>0.475</td>
<td>0.099</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>113</td>
<td>4.204</td>
<td>0.554</td>
<td>0.052</td>
<td>3.00</td>
</tr>
</tbody>
</table>

The results of ANOVA, however, as presented in table 4, show that perception of the development of SFPPFS from FPPFS and the perception of SFPPFS weakness are different among groups (F=4.303; p=0.016 and F=5.224; p=0.007, respectively). With regard to perception of the need to develop an alternative conceptual framework which is based on maqasid shariah, there is no different among the groups (F=1.402; p=0.251).

Table 4. The Results of ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perception of the development of SFPPFS from FPPFS</td>
<td>Between Groups</td>
<td>4.220</td>
<td>2</td>
<td>2.110</td>
<td>4.303</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>53.939</td>
<td>110</td>
<td>0.490</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>58.159</td>
<td>112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perception of SFPPFS weakness</td>
<td>Between Groups</td>
<td>6.728</td>
<td>2</td>
<td>3.364</td>
<td>5.224</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>70.830</td>
<td>110</td>
<td>0.644</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>77.558</td>
<td>112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perception of the need to develop an alternative conceptual framework which is based on maqasid shariah</td>
<td>Between Groups</td>
<td>.853</td>
<td>2</td>
<td>0.426</td>
<td>1.402</td>
</tr>
<tr>
<td></td>
<td>Within Groups</td>
<td>33.466</td>
<td>110</td>
<td>0.304</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>34.319</td>
<td>112</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Further analysis using post hoc test shows that the difference perception of the development of SFPPFS from FPPFS is between academicians/researchers/lecturers and regulators (p=0.004). For the perception of SFPPFS weakness, the difference is between academicians/researchers/lecturers and regulators (p=0.003) and between regulators and practitioners (p=0.007).
Conclusions

This paper aims to investigate the views of Islamic accounting stakeholders in Indonesia about the need for revision of the SFPPFS. The views are divided into three: perception of the development of SFPPFS from FPPFS, perception of SFPPFS weakness, and perception of the need to develop an alternative conceptual framework which is based on maqasid shariah. This study uses a survey method to analyze various opinions of 113 Islamic accounting stakeholders in Indonesia related to the need of revision of Shariah Accounting Conceptual Framework (SACF). The stakeholders are categorized into three groups: academicians/researchers/lecturers, practitioners (accountants, auditors, and managers), and regulators (OJK, DSN-MUI, DSAS-IAI, and Indonesia Islamic banks association). The results show that, in general, the stakeholders agree that SFPPFS is developed from FPPFS, the existing SFPPFS contains various weaknesses, and there is a need to replace the existing SFPPFS with the maqasid shariah-based conceptual framework.

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How Does Perceived External Prestige of Accounting Managers Affect Their Professional and Organizational Identification: Empirical Evidence From Turkish Industry

Emre Cengiz
Soke Faculty of Business
Aydin Adnan Menderes University, Turkey

Abstract

Social Identification Theory (SIT) states that people tend to use social categories in order to classify themselves and outsiders. Perceived external prestige represents a member's beliefs about outsiders' perceptions about his or her organization which influences the cognitive connection that individuals create with their organization. Along with the other previous research that found a positive association between perceived external prestige and, professional and organizational identification; this study examines the effects of perceived external prestige of accountants on professional and organizational identification in a Turkish sample. The research findings indicated that perceived external prestige found to have a significant effect on professional and organizational identification. However, job autonomy and tenure were not found to have any significant effect on professional and organizational identification.

Keywords: perceived external prestige, professional identification, organizational identification, tenure, job autonomy

Introduction

Perceived external prestige represents a member's beliefs about outsiders' perceptions about his or her organization (Dutton, Dukerich, & Harquail, 1994; Smidts, Pruyn, & Van Riel, 2001) and this self-evaluation about the perceptions of outsiders about how they see the organization, influences the cognitive connection that individuals create with their organization (Bamber & Iyer, 2002).

Social Identification Theory (SIT) states that people tend to use social categories (such as organizational membership, gender, age, etc.) in order to classify themselves and outsiders (Ashforth & Mael, 1989; Mael & Ashforth, 1992). Moreover, perceived external prestige has been accepted as a significant antecedent of social identification (e.g. Ashforth & Mael, 1989; Bartels, Pruyn, Jong, & Joustra, 2007; Dutton & Dukerich, 1991; Dutton et al., 1994; Hiller, Mahlendorf, & Weber, 2014; Mael & Ashforth, 1992; Wan-Huggins, Riordan, & Griffeth, 1998). Yet, prior research found a positive association between perceived external prestige and, professional and organizational identification (e.g. Dutton et al., 1994; Fuller, Marler, Hester, Frey, & Relyea, 2006; Hiller et al., 2014; Wan-Huggins et al., 1998).

This study examines the effects of perceived external prestige of accountants on professional and organizational identification within the organization (e.g. Hiller et al., 2014) rather than outside of the organization (e.g. Bamber & Iyer, 2002).

The research findings indicated that perceived external prestige found to have a significant effect on professional and organizational identification consistent with the previous literature (e.g.
Bamber & Iyer, 2002; Dutton et al., 1994; Fuller et al., 2006; Hiller et al., 2014; Wan-Huggins et al., 1998).

Although previous literature suggested a positive association with job autonomy and social identification (e.g. Bamber & Iyer, 2002; Hiller et al., 2014; Russo, 1998) and tenure had been suggested as a significant factor for identification studies (e.g., Bamber & Iyer, 2002; Dutton et al., 1994; Riketta, 2005); no significant effect of these constructs found on professional and organizational identification.

This paper gives support to the previous literature by showing a positive association between accountants’ perceived prestige and their identification with both the organization and the profession.

The paper is organized as follows: Section 2 presents the literature review and Section 3 develops the hypotheses. Section 4 presents the methodology and Section 5 provides the empirical model. Section 6 gives the findings of the research and finally, section 6 concludes the study.

Literature Review

Ashforth and Mael (1989, p. 21) defined social identification as “the perception of oneness with or belongingness to some human aggregate”. It can be defined as a collective self which reflects the extent to which the self is defined in collective terms and in other words, the extent to which individuals define themselves in terms of their relationships to others and to social groups where social group membership becomes self-referential (Brewer & Gardner, 1996; Van Knippenberg & Sleebos, 2006).

Social Identification Theory (SIT) states that people tend to use social categories (such as organizational membership, gender age, etc.) in order to classify themselves and outsiders. It is indeed, social identification evolves from the concept of group identification which is “seen as personally experiencing the successes and failures of the group” (Ashforth & Mael, 1989; Mael & Ashforth, 1992).

Perceived external prestige, also called “Perceived Occupational Prestige” [Hiller et al., 2014] represents a member's beliefs about outsiders' perceptions about his or her organization (Dutton et al., 1994; Smidts et al., 2001). It should be treated as an individual level phenomenon because the individual evaluates his or her organization’s prestige based on various sources of information such as opinions of reference groups and sometimes, even the perceptions of organizations’ own employees about how the organization is viewed by external parties (Smidts et al., 2001). The evaluation of the individual about the perceptions of outsiders about how they see the organization influences the cognitive connection that individuals create with their organization (Bamber & Iyer, 2002).

In respect of SIT, perceived external prestige has been found to be an antecedent of social identification (e.g. Ashforth & Mael, 1989; Bartels et al., 2007; Carmeli, 2005; Carmeli, 2006; Dutton & Dukerich, 1991; Dutton et al., 1994; Hiller et al., 2014; Mael & Ashforth, 1992; Wan-Huggins et al.,1998). So, when individuals tend to publicize a group affiliation which they feel others see in some positive way, this inclination might be called “basking in the reflected glory” (Cialdini et al., 1976, p. 366). Therefore, social identification affects self-esteem through
intergroup comparisons in such a way that groups seek positive differences between themselves and reference groups as a result of the desire to enhance self-esteem (Ashforth & Mael, 1989; Pratt, 1998). When the prestigious of the group is perceived higher, the self-esteem of the individual and the identification with the group are expected to increase as a result of more positive evaluation of self (Dutton et al., 1994; Hiller et al., 2014). Fuller et al. (2006) found that the identification with the group would be stronger when the need for self-esteem of the individual was higher.

Organizational identification has been defined as “perceived oneness with an organization and the experience of the organization’s successes or failures as one’s own” (Mael & Ashfort, 1992, p. 103). In other words, organizational identity is the extent to which individuals come to integrate their beliefs about their organizations into their self-identities (Pratt, 1998). The relationship between individuals’ senses about their organization identity encourages a construal connection between the individual motivations and organizational actions (Dutton & Dukerich, 1991).

Dutton et al. (1994) showed how perceived external image affects the level of connection between individuals and their organizations. Wan-Huggins et al. (1998) found a positive association between perceived external image and organizational commitment in an electric utility company. Fuller et al. (2006) found that perceived external prestige is positively related to organizational identification in a health services company. Hiller et al. (2014) found a positive association between perceived external image and organizational identity of management accountants. These findings suggested organizational identification reflected the individual's psychological attachment to a specific organization (Bamber & Iyer, 2002).

**Hypotheses Development**

This research used the same perspective of Hiller et al. (2014) and focused on the perceived external prestige within the organization rather than perceived prestige outside of the organization (e.g. Bamber & Iyer, 2002).

In SIT terms, professional/occupational identification is the extent to which the defining characteristics of individuals’ professions are integrated into the conceptions of their self-identities (Hiller et al., 2014; Pratt, 1998; Van Maanen and Barley, 1984). For the accounting manager, the defining characteristics range from preparing financial reports and submissions to government entities, to assists the management in the business decision-making process by providing accurate, timely and relevant financial data. The accounting manager is also responsible to ensure the accurateness of reported financial information and conformity of the internal control practices with the corporate policy (Sathe, 1983).

Thus, the accounting manager is expected to know the processes and functions of marketing, sales or operations department and he/she needs to understand how these departments should work together to run the business efficiently (Siegel et al., 2003)

It is expected that the accounting manager will enhance his/her self-esteem when organization’s own employees through various departments that act as an important reference group evaluate accounting as a prestigious occupation (Hiller et al., 2014; Smidts et al., 2001). It is also evident that some certified accounting managers have professional memberships to various occupational
groups which makes them identify themselves with the organization and as well as with the profession (Hiller et al., 2014).

Hiller et al. (2014) found a positive association between perceived occupational prestige and employing organization. So, it is expected that the accounting managers who perceive more positive perceived external prestige within their employing organization identify more strongly with their occupational group. Therefore;

H1: Perceived external prestige for accounting managers is positively associated with professional identification.

Based on the findings (i.e., Dutton et al., 1994; Wan-Huggins et al., 1998; Fuller et al., 2006; Hiller et al., 2014; Bamber & Iyer, 2002) it is expected that the accounting managers will enhance their self-esteem and likely to identify with their employing organizations if accounting is considered as a prestigious occupation within the employing organization. Therefore;

H2: Perceived external prestige for accounting managers is positively associated with organizational identification.

Methods

Sample

The sample consisted of 1,850 Turkish companies that were located in an organized industrial zone that has been listed on the website of Turkish Republic Ministry of Science, Industry and Technology. An online survey was established to conduct the survey and it was sent to the organizations’ e-mail addresses. Eighty five participants responded to the survey. Three questionnaires were statistically unusable, which resulted in 82 usable questionnaires, with a response rate of 4.44%.

Data Collection

The survey questionnaire was designed to collect data in order to test the hypotheses developed for the research. A pilot study was conducted consisting of 15 accounting managers in order to achieve the final version of the questionnaire. As there was an obligation that the questionnaire should be filled out by a qualified accounting representative for each organization, the target population was selected as accounting managers that represent the head employee in the accounting department. The survey questionnaire was finalized with the notice that it should be addressed to the accounting manager and the inclusion of a glossary of some of the questionnaire terms.

Variable Measurement

Perceived External Prestige (PEP)

Perceived external prestige was measured by five items adapted from the perceived organizational prestige scale established by Mael and Ashforth (1992) and one item adapted (PEP6) from the perceived occupational prestige scaled established by Hiller et al. (2014) to enhance the intra-
organizational nature of perceived external prestige. Subjects respond on a five Likert scale ranging from 1 (strongly agree) to 5 (strongly agree).

- PEP_1) My colleagues think highly of my organization.
- PEP_2) My organization is looked upon as a prestigious company to work for by my colleagues.
- PEP_3) My organization is considered one of the best company by my colleagues.
- PEP_4) My colleagues look down at my organization (R).
- PEP_5) My colleagues do not think my organization has a good reputation (R).
- PEP_6) When talking with my colleagues and supervisors about my organization, they often display a positive attitude towards my organization.

Similar scales were used and found reliable in previous literature (e.g. Bartels et al., 2007; Jones & Volpe, 2011; Smidts et al., 2001) and in accounting-related settings (e.g. Bamber & Iyer, 2002; Hiller et al., 2014; Iyer, Bamber, & Barefield, 1997; Fallières & Herrbach, 2015).

**Organizational (OI) and Professional Identification (PI)**

Organizational and professional identification were measured by five items adapted from the organizational identification scale established by Mael and Ashforth (1992). Mael and Tetrick (1992, p. 822) suggested that the scale provided a “promising contribution” to identification studies. Respondents completed two versions of the same scale both for the organization and accounting profession consistent with the previous studies (e.g. Bamber & Iyer, 2002; Fallières & Herrbach, 2015; Hiller et al., 2014; Johnson, Morgeson, Ilgen, Meyer, & Lloyd, 2006; Van Knippenberg & Van Schie, 2000). Subjects respond on a five Likert scale ranging from 1 (strongly agree) to 5 (strongly agree).

- OI_1/PI_1) When a colleague criticizes my organization/profession, it feels like a personal insult.
- OI_2/PI_2) I am very interested in what my colleagues think about my organization/profession.
- OI_3/PI_3) When I talk about my organization/profession to my colleagues, I usually say "we" rather than "they"
- OI_4/PI_4) My organization’s/profession’s successes are my successes.
- OI_5/PI_5) When a colleague praises my organization/profession, it feels like a personal compliment.

Similar scales were used in other research (e.g. Bartels et al., 2007; Hekman, Bigley, Steensma, & Hereford, 2009; Jones & Volpe, 2011; Van Knippenberg & Van Schie, 2000; Wan-Huggins et al., 1998) and also in accounting-related settings (e.g. Bamber & Iyer, 2002; Hiller et al., 2014; Iyer et al., 1997; Fallières & Herrbach, 2015).

**Control Variables Measurements**

Job autonomy and tenure have been included as control variables in this study (Hiller et al., 2014). Job autonomy has been described as “experienced responsibility for outcomes of work” by Hackman and Oldman (1975, p. 161) and it has been included as a control variable due to its
positive association with identification that was suggested by prior research (e.g. Bamber & Iyer, 2002; Hiller et al., 2014; Russo, 1998). Job autonomy has been measured by three item autonomy scale originally developed by Hackman and Oldman (1975) and adapted by Spreitzer (1995).

- JA1) I have significant autonomy in determining how I do my job
- JA2) I can decide on my own how to go about doing my work
- JA3) I have considerable opportunity for independence and freedom in how I do my job

Additionally, tenure has been suggested as a significant factor for identification studies (e.g. Bamber & Iyer, 2002; Dutton et al., 1994; Riketta, 2005). To this end, respondents were asked to indicate their tenure in the position.

**Empirical Model**

**Missing Data, Outliers and Normality**

The hypothesis was tested by Structural equation modeling (SEM). Before conducting statistical analysis; missing data, outliers, and normality were checked on a univariate level (Perry, Nicholls, Clough, & Crust, 2015).

Inspection of missing data resulted in 7 missing values within the sample. However, no variables across the data set contained more than 5% missing values. The missing data was assumed to be completely random and missing values were replaced with the median value for the ordinal scales and mean value for the continuous scales (e.g. tenure in the position, number of workers) (Hair, Black, Babin, & Anderson, 2010).

A box plot was performed in order to check extreme value for the continuous scales and no outliers were found.

Finally, normality analysis was made to examine skewness and kurtosis by investigating skewness and kurtosis values greater than or less than +/- 1.00 (Bulmer, 1979). Although several items did not meet this criterion, their absolute skewness and kurtosis values were still found between 1 and 3. These items were considered within an acceptable range (Sposito, Hand, & Skarpness, 1983).

**Measurement Model**

In order to validate the reflective measurement model, firstly, an exploratory factor analysis (EFA) in SPSS was conducted. Then, a confirmatory factor analysis (CFA) by using Maximum Likelihood in AMOS was performed in order to establish the reliability and validity of the construct measurements. Prior to performing EFA analysis, the suitability of data for factor analysis was evaluated. Two items (OI_2 and OI_6 given in Section 3.2.2) had been removed due to some reasons such as having low communalities value, loadings less than 0.500 and cross-loading. The pattern matrix of item loadings for EFA is shown in Table 1. The Kaiser-Meyer-Olkin measure of sampling adequacy was significant (0,830) indicating that chosen variables were sufficiently correlated for a factor analysis (Hutcheson & Sofroniou, 1999). Moreover, the Bartlett's test of sphericity was statistically significance that supports the correlation matrix is an identity matrix and variables were related to each other to conduct a meaningful EFA analysis. Eigenvalues of greater than one were used as the minimum threshold value for a factor, and four
factors were extracted. All loadings in the factors were above the 0.600 threshold recommended by Hair et al. (2010) that ensured significance for this sample size. All reported Cronbach alpha values for each factor were above the recommended threshold of 0.700 for factor reliability (Kline, 2011). Total Variance Explained was 69.47% for the four factor model.

**Table 1. The Pattern Matrix of Item Loadings**

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1 Perceived External Prestige</th>
<th>Factor 2 Professional Identification</th>
<th>Factor 3 Organizational Identification</th>
<th>Factor 4 Job Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEP_2</td>
<td>0.956</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP_3</td>
<td>0.927</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP_4</td>
<td>0.776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP_1</td>
<td>0.773</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP_5</td>
<td>0.669</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI_4</td>
<td>0.961</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI_3</td>
<td>0.898</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI_2</td>
<td>0.794</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI_1</td>
<td>0.705</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI_5</td>
<td>0.679</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI_1</td>
<td></td>
<td>0.944</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI_4</td>
<td></td>
<td>0.868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI_5</td>
<td></td>
<td>0.822</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI_3</td>
<td></td>
<td>0.760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OI_7</td>
<td></td>
<td>0.752</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto_1</td>
<td></td>
<td></td>
<td></td>
<td>0.736</td>
</tr>
<tr>
<td>Auto_3</td>
<td></td>
<td></td>
<td></td>
<td>0.710</td>
</tr>
<tr>
<td>Auto_2</td>
<td></td>
<td></td>
<td></td>
<td>0.633</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>7.183</td>
<td>2.916</td>
<td>1.947</td>
<td>1.779</td>
</tr>
<tr>
<td>Variance</td>
<td>39.904</td>
<td>16.197</td>
<td>10.816</td>
<td>9.881</td>
</tr>
<tr>
<td>Cronbach's alpha</td>
<td>0.883</td>
<td>0.843</td>
<td>0.835</td>
<td>0.767</td>
</tr>
</tbody>
</table>

*Note. Factor Labels: PEP: Perceived External Prestige; OI: Organizational Identification; PI: Professional Identification; Auto: Job Autonomy*

**Confirmatory Factor Analysis (CFA)**

CFA confirmed the factor structure established during EFA and provided supplementary measures for validity and reliability. The construct correlation matrix in Table 2 exhibits the correlations between factors, CR (Composite Reliability), AVE (Average Variance Extracted), MSV (Maximum Shared Variance) and ASV (Average Shared Variance). To interpret the validity and reliability analysis, the cut-off values presented by Hair et al. (2010) were used.

To establish reliability, the CRs should be greater than 0.700. All factors met this threshold. To establish convergent validity, the CRs should be greater than AVEs and the AVEs should be greater than 0.500. All factors were above this threshold.

To establish discriminant validity, three criteria should be achieved: (1) MSV < AVE, (2) ASV < AVE and (3) square root of AVEs (on the diagonal, marked in bold) should be greater than any inter-construct correlations (marked in italics). All of the factors met these thresholds.

**Table 2. Construct Correlation Matrix**

<table>
<thead>
<tr>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>ASV</th>
<th>OI</th>
<th>PEP</th>
<th>PI</th>
<th>Auto</th>
</tr>
</thead>
<tbody>
<tr>
<td>OI</td>
<td>0.921</td>
<td>0.701</td>
<td>0.136</td>
<td>0.094</td>
<td>0.837</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEP</td>
<td>0.927</td>
<td>0.720</td>
<td>0.339</td>
<td>0.153</td>
<td>0.344</td>
<td>0.849</td>
<td></td>
</tr>
<tr>
<td>PI</td>
<td>0.923</td>
<td>0.707</td>
<td>0.339</td>
<td>0.158</td>
<td>0.369</td>
<td>0.582</td>
<td>0.841</td>
</tr>
<tr>
<td>Auto</td>
<td>0.733</td>
<td>0.529</td>
<td>0.029</td>
<td>0.010</td>
<td>0.169</td>
<td>0.047</td>
<td>-0.016</td>
</tr>
</tbody>
</table>

*Note. Factor Labels: PEP: Perceived External Prestige; OI: Organizational Identification; PI: Professional Identification; Auto: Job Autonomy*
The next step involved imputing composite variables from latent variable scores in AMOS in order to reduce the fully latent model into just one composite variable per factor. Just like presented in the latent model, the new composite variables account for the factor weights of the latent variables. This process ended up a simplified structural model with only one variable per factor which greatly facilitated the testing of the structural model.

The goodness of fit statistics indicates that the final measurement model fits well for the data: $\chi^2/df=1.876 \ (p=0.000)$; CFI=0.896; GFI: 0.910; SRMR=0.085; RMSEA=0.057; PCLOSE=0.155 (e.g. Guzman, Lagdaan, & Lagoy, 2015; Hair et al., 2010; Hu & Bentler, 1999; Iacobucci, 2009; Jarvis, Mackenzie, Podsakoff, Mick, & Bearden, 2003; Kline, 2011; Maslowsky, Jager, & Hemken, 2015; Perry et al., 2015) confirming that the model has an adequate fit.

Findings

Descriptive Findings

The sample organizations have been found to have averagely 136.7 working employees. Additionally, respondents have been found to have 12.6 years of experience in their professions.

The Structural Model

Outliers and influentials, multicollinearity, and final model fit for the structural model were screened before hypothesis testing.

Outliers and influentials were investigated by applying Cook’s distance and the visual inspection on a graphical display marking the Cook’s distance on scatter/dot chart resulted in no abnormal cases where Cook’s distance exceeded 1 (Heiberger & Holland, 2004).

On a multivariate level, a multicollinearity test was conducted by analyzing collinearity statistics by examining variable inflation factor (VIF) values for all the exogenous variables in the model simultaneously. The VIFs were all found to be less than 2.0. This supported that the exogenous variables were all distinct and the independent variables explain unique variance in the dependent variable (O’Brien, 2007).

Figure 1 presents the structural parameter results for the final model. The goodness of fit statistics indicates that the model has a good fit for the data ($\chi^2/df=2.721 \ (p=0.099)$; CFI=0.968; GFI: 0.987; SRMR=0.057; RMSEA=0.076; PCLOSE=0.133).

As H1 posits, some evidence supported that that perceived external prestige for the accounting managers was positively associated with professional identification ($\beta=+0.605; \ p<0.01$). Also, perceived external prestige within the organization showed a positive effect on organizational identification ($\beta=+0.363; \ p<0.01$), supporting H2.

Finally, control variables were used in my study (Table 3) and no significant effect of job autonomy on professional identification ($\beta=-0.046; \ n.s.$), and organizational identification ($\beta=+0.177; \ n.s.$) was found. Likewise, no association was found between tenure and, professional identification ($\beta=-0.119; \ n.s.$) and tenure and organizational identification ($\beta=-0.049; \ n.s.$).
*Standardized regression weights were used.

**Figure 1.** The results of the structural model

**Table 3.** Estimated Coefficients for Control Variables Used in the Study (n = 82)

<table>
<thead>
<tr>
<th>Control Variable</th>
<th>Dependent Variable</th>
<th>Estimate</th>
<th>SE</th>
<th>p-Value (two-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Autonomy</td>
<td>Professional Identification</td>
<td>-0.046</td>
<td>0.083</td>
<td>0.603</td>
</tr>
<tr>
<td></td>
<td>Organizational Identification</td>
<td>0.177</td>
<td>0.149</td>
<td>0.08</td>
</tr>
<tr>
<td>Tenure in position</td>
<td>Professional Identification</td>
<td>0.119</td>
<td>0.021</td>
<td>0.178</td>
</tr>
<tr>
<td></td>
<td>Organizational Identification</td>
<td>-0.049</td>
<td>0.038</td>
<td>0.631</td>
</tr>
</tbody>
</table>

*Note.* Standardized regression weights were used.

**Conclusions**

This study examines the effects of perceived external prestige of accountants on professional and organizational identification within the organization (rather than outside of the organization).

Consistent with the prior research (e.g. Bamber and Iyer, 2002; Dutton et al., 1994; Fuller et al., 2006; Hiller et al., 2014; Wan-Huggins et al., 1998), perceived external prestige found to have a significant effect on professional and organizational identification.

Although previous literature suggested a positive association with job autonomy and social identification (e.g. Bamber and Iyer, 2002; Hiller et al., 2014; Russo, 1998) and tenure had been suggested as a significant factor for identification studies (e.g. Bamber and Iyer, 2002; Dutton et al., 1994; Riketta, 2005); no significant effect of these constructs found on professional and organizational identification.

This paper contributes to the literature by enriching and supporting a positive association between accountants’ perceived prestige and their identification with both the organization and the profession in a Turkish sample.

The sample size of the research was relatively small (n=82). Most previous research recommended using sample sizes of ten to twenty cases per estimated parameters (Kline, 2011). The small sample size might cause a potential limitation when assessing the structural model and hypothesized structural paths by decreasing the reliability of the results.
Another limitation of the study is the distribution of survey questionnaires. Although the online survey had been addressed directly to the accounting managers, there had been no control to confirm that the questionnaire was filled out by actual accounting managers.

Finally, this study is the first to investigate the potential effect of perceived external prestige of accounting managers within the organization on professional and organizational identification. Thus, future research should be conducted to enhance the generalizability of the results of this study to other organizations in other countries with other variables that may effect on perceived external prestige of accounting managers.

References


Part 2: Consumer Behavior
Antecedents and Consequences of Social Network User’s Commitment

Jamil Hebali
Ecole hôtelière de Lausanne, HES-SO
University of Applied Sciences, Western Switzerland

Abstract

The objective of this research is to develop and validate a conceptual model of social networks user’s commitment. We have identified three antecedent variables of user’s commitment: social interaction, trust and self-expression, and user interaction and enjoyment as consequences of commitment. Firstly, we applied an exploratory factor analysis to validate the internal construct of the commitment. Secondly, we use the maximum likelihood estimation method for the confirmatory factor analysis. The measurement model provided an acceptable fit to data. 15 hypotheses were proposed in our model, 11 were supported by the data analysis and 4 were rejected.

Keywords: commitment, social networks, structural equation modeling

Introduction

Social networking platforms have become a part of daily life for many users. The number of users and amount of content generated through interacting, sharing and publishing on social networks have grown considerably in the last few years. Defined as web-based services that allow users to create an account that can be accessed by other users if they are authorized to do by the owner of the social network account (Hinson, Boateng, Renner and Kosiba, 2019). This connection allows users to share, interact and exchange all types of information and communicate between them or with organizations. For marketers, social networks are considered of the most influential tools for communicating and developing customer relationships. In addition, social networks are an opportunity for companies to collect a huge quantity of information about their clients and their behavior such as their needs, their perceptions and their preferences about brands, products and services (Pookulangara and Koesler, 2011; Tsimonis and Dimitriadis, 2014; Ghazali and Cai, 2014). At the same time, the data collected can be a source of innovation and creativity in terms of product development and service quality improvement for those companies (Ernst Brem, and Voigt, 2013). As suggested by Khobzi and Teimourpour (2015), data mining and data analysis of information sources can have a considerable financial return for companies.

Commitment works as a fundamental concept in creating and developing relationships between companies and consumers (Anderson and Weitz 1992; Storbacka, Strandvik, and Gronroos, 1994). In the digital environment, commitment is also considered one of the most important concepts to understand consumer behavior through social network. Researchers (Hollebeek, Glynn and Brodie, 2014; Hebali, 2017; Hinson, Boateng, Renner and Kosiba, 2019) in the last few years have focused on user commitment to understand how users interact and develop a relationship with people or companies through the social network. Oh, Bellur and Sundar (2010) define commitment to social networks as an evolution that begins with a simple interaction that can later transform into cognitive immersion with the content. Our research aims to understand and identify the antecedent’s variables of social network users’ commitment and what the consequences of such
commitment. This research addresses the following three questions: what are the antecedent’s variables of social network users’ commitment? What are the dimensions of users’ commitment? And what are the consequences of such a commitment?

**Literature Review**

**Theory of Commitment**

The theory of engagement has received much attention from many scholars. Researchers point to commitment as the key factor of relationship establishment and development between companies or brands and their clients as well as between organizations (Garbarino and Johnson, 1999; Gundlach, Achrol and Mentzer, 1995; Morgan and Hunt, 1994). The concept of commitment has been the subject of extensive research in different contexts such as psychology (Kiesler, 1971; Brehm and Cohen, 1962; Secord and Backman, 1974) economics (Cook and Emerson, 1978; Williamson, 1983) and theory of organizations (Meyer and Allen, 1984; Mowday, Steers and Porter, 1979; Angel and Perry, 1981). The common finding across those research streams is that commitment plays a significant role for developing and maintaining relationships between business partners (Garbarino and Johnson, 1999; Gundlach, Achrol and Mentzer, 1995; Morgan and Hunt, 1994; Anderson and Weitz 1992; Storbacka Strandvik and Gronroos, 1994).

The concept of commitment is defined as a psychological state generated by an individual’s perceptions, beliefs and emotions that incite the willingness of developing and maintaining business relationship (Iniesta, 2004). Three dimensions of commitment have been identified: 1) an affective commitment, which refers to the attachment between business partners based on shared goals and values (Allen and Meyer, 1990; Bloemer, Schroder and Kestens, 2003; Gruen, Summers and Acito, 2000); 2) cognitive commitment, which is defined as a calculation related to the costs and benefits that may result from the maintenance of the relationship (Allen and Meyer, 1990; Kumar, Scheer and Steenkamp, 1995; Morgan and Hunt, 1994); and a conative commitment, which is the intention to act as a result of the effort that an individual invests to strengthen and maintain a relationship (Gundlach, Achrol and Mentzer 1995). By their behavior, each partner contributes to maintaining the relationship (Geyskens, Steenkamp, Scheer and Kumar, 1996; O’Malley and Tynan 1997; Storbacka, Strandvik, and Gronroos, 1994; Gundlach, Achrol and Mentzer 1995; Young and Denize, 1995).

**Social Network Users’ Commitment**

The development and the huge growth of social networks like Facebook, Twitter, and LinkedIn has made it possible to understand the concept of commitment through the experience that individuals may have through their interaction and participation in the social networks (Noé, Whitaker, Chorley, and Pollet, 2016) as it presents an opportunity for many firms and marketers to engage their customers.

The number of visits, the sharing of content or comments published on social networks cannot be considered to be commitment, but rather as cognitive and emotional involvement (Smith and Gallicano, 2015). Social network researchers define commitment as an affective state, a feeling or an emotional attachment developed through the interaction with a social network and its content (Kang, 2014; Bennett, Wells and Freelon, 2011; Hargittai and Hsieh, 2010; Davis, 2010).
another context, commitment is defined as a behavior that allows users to express their personality and develop their own image through social networks. Many tools can be used by users such as their public profile, the pages they like, the content they create, etc. (Ahn and Bailenson, 2011; Rains and Keating, 2011; Phillips, 2008; Kang, 2014). For other researchers, commitment is defined as an evolving behavior from passive state where users receive information into active state, where users become a content creator, or when they distribute it through the network (Campbell, Pitt, Parent and Berthon, 2011; Conroy, Feezell and Guerrero, 2012).

Social network literature identifies many conceptualizations of commitment. This conceptualization is based on three dimensions such as cognitive, affective and behavioral commitment (Avent and Higgins, 2006; Brodie, Hollebeek, Juric and Ilic, 2011). Another conceptualization identifies the utilitarian, hedonic and social dimensions (Algesheimer, Dholokia and Hermann, 2005; Abdul-Ghani, Hyde and Marshall, 2010). Phillips and McQuarrie, (2010) identify four dimensions which are immersion, feeling, identification and behavior. Finally, there is also a conceptualization based on eight dimensions such as inspiration, social, temporal, self-esteem, fun, utilitarian, participation and belonging (Calder, Malthouse and Schaeddle, 2009). In our research we will consider the concept of commitment with three dimensions such as cognitive, affective and behavioral commitment (Avent and Higgins, 2006; Brodie, Hollebeek, Juric and Ilic, 2011).

**Conceptual Research Model**

Based on commitment theory, a conceptual model was developed as presented in Figure 1. Firstly, the antecedent’s variables of user commitment on social networks are self-expression, trust and social interaction. Secondly, the consequences of customer engagement are level of participation and self-esteem.

![Diagram of Conceptual Research Model](image)

**Figure 2.** Conceptual model of antecedent and consequences of customer commitment through social network

Three antecedents’ variables of user commitment on social networks are taken into consideration in our conceptual model. First, social interaction’ is defined as the interpersonal relationship between social network users (Wang and Wang, 2013). In the online environment, interaction between users can be developed without offline physical interaction and can occur with someone they have never met before (Park and Chung, 2011). Those interactions will create, over time, a strong relationships between users (Hinson, Boateng, Renner and Kosiba, 2019) and will move the social interaction from the offline to the online environment (Zhang, Li, Wu, and Li, 2017). Thus, the users’ behavior will be impacted by this new way of social interaction (Wang and Wang, 2013). In this research, social interaction will be defined as the strength of the relationship between social networks users.
• H1: Social interactions influences positively the social networks user commitment
• H1a: Social interactions influences positively users’ cognitive commitment
• H1b: Social interactions influences positively users’ affective commitment
• H1c: Social interactions influences positively users’ behavioral commitment

The second antecedent variable is trust. Most scholars seem to agree about the importance of trust in establishing a successful web-based activity such as business or digital communication (Hoffman, Novak and Peralta, 1999, Kim and Benbasat, 2003; Lee and Turban, 2001). Trust has a significant role in establishing relationships in the digital world among different users but also from the information system perspective (Chopra and Wallace, 2003) and protection of private information (Pavlou, 2003). Thus, trust has a great influence on user behavior in the digital world and specifically in the interaction with social networks.

• H2: Trust influences positively user commitment
• H2a: Trust influences positively users’ cognitive commitment
• H2b: Trust influences positively users’ affective commitment
• H2c: Trust influences positively users’ behavioral commitment

Our third antecedent variable is self-expression. According to Chiu, Hsu and Wang (2006), self-image is very important to social networks users who tend to be very passionate about their activities, as well. The quality and the reliability of what is shared is very important for them (Chung, Nam, and Koo, 2016). They need to express their opinions and ideas. They are very active in making comments and sharing information within their network (Hebali, 2018). Through their interaction on social network they seeking to obtain recognition and admiration from their followers and their networks.

• H3: Self-expression influences positively user commitment
• H3a: Self-expression influences positively users’ cognitive commitment
• H3b: Self-expression influences positively users’ affective commitment
• H3c: Self-expression influences positively users’ behavioral commitment

Consequences of Commitment

In this research, two consequences of social networks users’ engagement will be tested: customer interaction and customer enjoyment experience

Customer interaction is defined as the degree of information exchange among community members and between community members and the host of the community (McWilliam, 2000; Muniz and O’Guinn, 2001). Customer interaction is defined as the degree to which social networks users contribute to the production and the delivery of information through social networks (Chan, Oerlemans and Pretorius, 2010). It is also the quantity and the quality of information sharing on social networks platform (Ranjan and Read, 2016). On the one hand, some research (Ramaswamy and Gouillart, 2010) has analyzed customer interaction as an antecedent variable of customer commitment. On the other hand, other research claims that customer engagement includes customer interaction as a dimension (Sawhney, Verona, and Prandelli, 2005). Research has largely failed to analyze the relationship between online user engagement and the degree of his interaction
as a consequence. In our research, user interaction will be tested as a consequence of user commitment through social networks.

- H4: User commitment influences positively user interaction
- H4a: User cognitive commitment influences positively users’ interaction
- H4b: User affective commitment influences positively users’ interaction
- H4c: User behavioral commitment influences positively users’ interaction

**Enjoyment**

Several authors agree that enjoyment is a pleasurable response to media use (Vorderer, Klimmt, and Ritterfield, 2004; Zillmann and Bryant, 1994). Enjoyment is defined as an emotion (Vorderer, Klimmt, and Ritterfield, 2004) as an attitude (Nabi and Krcmar, 2004). For Raney (2004) enjoyment is defined as the gratifications that users look for through their experience in a digital environment. Those gratifications were related to the ease of use, the usefulness of the content and the pleasure to interact and to exchange through social network (Huang, Lin and Chuang, 2007). Other research defines enjoyment as happiness and pleasure when using any medium. Many others studies show the strong relationship between the level of enjoyment and the motivation to use a digital platform (Lin and Lu, 2011). The environment of social networks allows users to be involved in different activities for entertainment. It showed that enjoyment of the interaction experience on social networks has a strong impact on users’ behavior (Leng, Lada and Muhammad, 2011). From this perspective, enjoyment is one of the most significant factors impacting user behavior on social networks (Kuan-Yu and His-Peng, 2011).

- H5: User commitment influences positively enjoyment
- H5a: User cognitive commitment influences positively users’ enjoyment
- H5b: User affective commitment influences positively users’ enjoyment
- H5c: User behavioral commitment influences positively users’ enjoyment

**Research Methods**

**Variables Measurement**

Measuring scales used in this research were based on previously established measures. Items were adapted to the specific context of our study. All items are classified on the five-point Likert scale form strongly disagree to strongly agree. A pre-test was conducted with a small sample in order to evaluate the items reliability. Alpha of Cronbach was used in this stage and all items with Alpha value less than 0.6 were not taken for the study.

**Sample and Data Collection**

We based our research on an online survey. A questionnaire was created using Survey Monkey in order to publish and to collect data. We chose Facebook and Instagram as the main social networks for our study because of the high volume of very active users. The URL link of the questionnaire was sent by e-mail to 82 students and we ask them to share the URL link on their Facebook account to maximize the number of participants in our study. In total, we received 334 answers. All suspicious and missing data entries were removed. In the end, 308 questionnaires were considered
for the present study. The collected data revealed 144 male (46%) and 164 female (54%) participants. The average age of respondents was 31.5 years, with 28% in 16-24 age group, 37.5% in 25-34 age group, 20.5% in 35-44 age group and 14% in 45+ age group, these people spent 2-3 hours daily on Facebook-related activities.

**Model Measurement**

To test our model, we applied a structural equation modeling approach, including a quantitative analysis. We start firstly with an exploratory factor analysis with Varimax rotation for the validation of the construct and to reduce a large number of variables into factors in order to facilitate the interpretation. A confirmatory factor analysis was conducted in the second step. The objective is to estimate our hypothesis using the maximum-likelihood estimation method to evaluate the model fit. Chi-square ($\chi^2$), normed fit index (NFI), comparative fit index (CFI), and root mean square residual (RMR) and root mean square error of approximation (RMSEA) were considered in this study (Bollen, 1989).

**Findings**

**Reliability and Validity of the Construct**

SPSS software was used to measure the reliability and the validity of our construct in the exploratory factor analysis phase. Firstly, we start with the reliability test using Cronbach’s alpha. The results are summarized in Table 1. In order to improve alpha values, 3 items were removed from the constructs ‘social interaction’ (0.58 to 0.72), ‘trust’ (0.62 to 0.77) and ‘enjoyment’ (0.59 to .81). All values are in the accepted range of 0.70 and higher. We based our construct validity test on two approaches. Firstly we test the convergent validity using the approach of Joreskog and Sorbom (1984; 1989) measuring the ρvc. We confirm the convergent validity if the value of $\rho_{vc} > 0.5$ (Fornell and Larker, 1981). To estimate the discriminant validity we verify if the average variance extracted (AVE) for each construct was greater than the maximum shared variance (MSV) (Fornell and Larker, 1981).

**Table 1. Reliability & Validity Test**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Alpha Value</th>
<th>$\rho_{vc}$</th>
<th>AVE</th>
<th>MSV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Interaction</td>
<td>0.72</td>
<td>0.62</td>
<td>0.68</td>
<td>0.47</td>
</tr>
<tr>
<td>Trust</td>
<td>0.77</td>
<td>0.59</td>
<td>0.55</td>
<td>0.41</td>
</tr>
<tr>
<td>Self-expression</td>
<td>0.83</td>
<td>0.64</td>
<td>0.60</td>
<td>0.51</td>
</tr>
<tr>
<td>Emotional commitment</td>
<td>0.90</td>
<td>0.62</td>
<td>0.59</td>
<td>0.42</td>
</tr>
<tr>
<td>Cognitive commitment</td>
<td>0.84</td>
<td>0.71</td>
<td>0.57</td>
<td>0.38</td>
</tr>
<tr>
<td>Behavioral commitment</td>
<td>0.81</td>
<td>0.77</td>
<td>0.63</td>
<td>0.43</td>
</tr>
<tr>
<td>User Interaction</td>
<td>0.76</td>
<td>0.62</td>
<td>0.58</td>
<td>0.37</td>
</tr>
<tr>
<td>Enjoyment</td>
<td>0.81</td>
<td>0.59</td>
<td>0.61</td>
<td>0.44</td>
</tr>
</tbody>
</table>

**Measurement Model Analysis With Exploratory Factor Analysis**

Our first objective is to validate the three dimensions of commitment. We applied an exploratory factor analysis with the algorithm PCA (Principal Component Analysis) with Varimix rotation on 13 items measuring the different constructs of commitment such as cognitive, affective and behavioral. To evaluate the quality of the factor analysis we use the Kaiser-Meyer-Olkin (0.857) and Bartlett's test (Sig: 0.00). All results are in the table 2: Rotated Component Matrix. Table 2 shows three commitment components: affective commitment (Comit_9, Comit_10, Comit_11,
Commit_12, Commit_13), cognitive commitment (Commit_5, Commit_6, Commit_7; Commit_8) and behavioral commitment (Commit_1, Commit_2, Commit_3, Commit_4). The total variance explained is 68% which is very acceptable.

**Table 2**: Extraction Method: Principal Component Analysis

<table>
<thead>
<tr>
<th>Item</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commit_1</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commit_2</td>
<td></td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>Commit_3</td>
<td></td>
<td>0.81</td>
<td></td>
</tr>
<tr>
<td>Commit_4</td>
<td></td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>Commit_5</td>
<td></td>
<td></td>
<td>0.65</td>
</tr>
<tr>
<td>Commit_6</td>
<td></td>
<td></td>
<td>0.69</td>
</tr>
<tr>
<td>Commit_7</td>
<td></td>
<td></td>
<td>0.88</td>
</tr>
<tr>
<td>Commit_8</td>
<td></td>
<td></td>
<td>0.57</td>
</tr>
<tr>
<td>Commit_9</td>
<td>0.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commit_10</td>
<td>0.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commit_11</td>
<td>0.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commit_12</td>
<td>0.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commit_13</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note*: Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 3 iterations.

**Measurement Model Analysis With Confirmatory Factor Analysis**

For our data analysis, the IBM AMOS software package was used. We use the maximum likelihood estimation method for the confirmatory factor analysis. The first measurement model provided an acceptable fit to data. Chi-square $\chi^2$ (306) = 934.52, $p < 0.00$. $\chi^2 = 2.97$; Goodness of Fit Index, GFI = 0.87; Adjusted Goodness of Fit Index, AGFI = 0.895; Comparative Fit Index, CFI = 0.918, Root Mean Square Error of Approximation, RMSEA = 0.066. All variables with standardized indicator loadings of less than 0.70 were dropped from our model. Thus, the new adjusted measurement model gives us a better fit to the data with: $\chi^2 = 2.34$; Goodness of Fit Index, GFI = 0.92; Adjusted Goodness of Fit Index, AGFI = 0.916; Comparative Fit Index, CFI = 0.934, Root Mean Square Error of Approximation, RMSEA = 0.039.

**Test of Model Hypotheses**

The objective is to verify if relationships between latent variables of our model are statistically significant. As suggested by Hair, Anderson, Tatham and Black (1998), for sample sizes of more than 200, the significant level is 5%. Table 2 shows our hypotheses test.

**Table 3. Hypotheses Model Test**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>$\beta$ coefficient</th>
<th>Standard error</th>
<th>t value</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a</td>
<td>0.62</td>
<td>0.043</td>
<td>5.85</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b</td>
<td>0.53</td>
<td>0.044</td>
<td>3.45</td>
<td>Supported</td>
</tr>
<tr>
<td>H1c</td>
<td>0.57</td>
<td>0.045</td>
<td>5.87</td>
<td>Supported</td>
</tr>
<tr>
<td>H2a</td>
<td>-0.45</td>
<td>0.014</td>
<td>-2.04</td>
<td>Supported</td>
</tr>
<tr>
<td>H2b</td>
<td>-0.39</td>
<td>0.024</td>
<td>-4.21</td>
<td>Supported</td>
</tr>
<tr>
<td>H2c</td>
<td>0.55</td>
<td>0.031</td>
<td>1.35</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a</td>
<td>-0.51</td>
<td>0.040</td>
<td>-3.34</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3b</td>
<td>0.44</td>
<td>0.019</td>
<td>4.24</td>
<td>Supported</td>
</tr>
<tr>
<td>H3c</td>
<td>0.58</td>
<td>0.022</td>
<td>5.86</td>
<td>Supported</td>
</tr>
<tr>
<td>H4a</td>
<td>0.64</td>
<td>0.024</td>
<td>2.09</td>
<td>Supported</td>
</tr>
<tr>
<td>H4b</td>
<td>-0.23</td>
<td>0.103</td>
<td>-1.87</td>
<td>Rejected</td>
</tr>
<tr>
<td>H4c</td>
<td>0.51</td>
<td>0.016</td>
<td>2.44</td>
<td>Supported</td>
</tr>
<tr>
<td>H5a</td>
<td>0.46</td>
<td>0.155</td>
<td>1.92</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5b</td>
<td>0.57</td>
<td>0.033</td>
<td>3.49</td>
<td>Supported</td>
</tr>
<tr>
<td>H5c</td>
<td>0.38</td>
<td>0.065</td>
<td>2.77</td>
<td>Supported</td>
</tr>
</tbody>
</table>
As shown in table 3, out of the 15 proposed hypotheses, 11 were supported by the data analysis and 4 were rejected.

**Discussion**

According to the results, social interaction impacted positively users’ commitment on social networks. All hypotheses explaining those relationships are supported. This result confirms that the level of social users’ commitment can be impacted by the degree of their social interaction and relationships can be developed without offline interaction. Our research finds that with high level of social interaction, users become more attentive, involved and more active through social networks. On the flip side, the relationship between trust and commitment is not validated. Two hypotheses testing the impact of trust on cognitive commitment and on affective commitment are not supported by our model. This can be explained by the fact that trust is extremely important for them to establish a long-term relationship. This trust can be built through interaction and exchange through social networks which is explained and confirmed by the positive relationship between trust and behavioral commitment.

Concerning the relationship between self-expression and commitment, two hypotheses H3b and H3c are supported. What this means is that users develop an attachment with their interactions on social networks and use those platforms to express their self-image. Consequently, this become a basis to drive their commitment through their interaction in order to obtain recognition and admiration from other users.

The relationship between commitment and user interaction is validated. All hypotheses H4a, H4b and H4c are supported in our research. This result shows that users with a high level of interaction have also high level of interaction and involvement on social network. Those users are committed to participating actively and exchanging with other users, to express their opinion, to solving problems and sharing content. This confirms the assertion that users who are satisfied with their interaction will increase their level of commitment and they will become active contributors and content creators (Kietzmann, Hermkens, McCarthy, and Silvestre, 2011; Hebali, 2018).

One of the most important consequences of users’ commitment through social networks are their enjoyment. Defined as one of the most important variables to explain user behavior. Our research shows that commitment is positively associated with enjoyment. Many social networks users are motivated by entertainment and gratification through their interaction. For them, social networks give them this opportunity to find pleasure and happiness any time and everywhere. On the other hand, enjoyment can be defined as a motivation to interact through social networks. This motivation is driven by social interaction with their networks such as family, friends and other people they meet and interact with (Hebali, 2018). Continuous interactions with their networks and receiving news and sharing content with fellow users, gives users a considerable amount of enjoyment because they consider that the social network gives them this opportunity and facilitates it, too.

**Implications for Practice**

Considered to be one of the most important variables in the development of relationships on social network, the concept of commitment is therefore an antecedent variable to user interaction and
user enjoyment (Taylor and Kent, 2014). Marketers seeking to develop strong relationships through social networks have to consider how users behave on those platforms. Firstly, marketers have to develop a social interaction with users through interactive content in order to increase their involvement and their participation. In this case, marketers have to innovative to propose exciting and interactive content that impact users’ commitment and develop for them a real attachment to the company or to the brand. On the other hand, marketers have to take into consideration the role of trust as a factor to maintain and to develop the relationship in the long term with users. To develop this trust, marketers have to be inventive and original in the way they interact with their followers and also to propose a reliable content and fulfil their promises to their consumers or followers.

In practice, it has been demonstrated that a high level of commitment increases customer satisfaction and customer loyalty, marketers have to focus also on the consequences of the commitment as factors that will increase users’ long-term commitment. In fact, the level of interaction and enjoyment will be impacted by users ‘cognitive and affective commitment. Users need to self-identify through specific values, in this case, marketers have to identify those values, in order to develop an efficient communication strategy to create and develop users’ commitment.

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Part 3: Corporate Finance & Governance
Factors Influencing Labor Cost in Garment Industry of Bangladesh: A Panel Data Approach

Sumaiya Zaman

School of Business
University of Liberal Arts Bangladesh, Bangladesh

Abstract

The paper seeks to identify factors that have an impact on labor cost of a firm. The focus is on the garment industry of Bangladesh as the select industry, which is the major contributor to the economic development of the country, relies heavily on its cheap labor. In Bangladesh, there are 55 textile and garment companies listed in the Dhaka Stock Exchange. Of the 55 firms, the research has chosen 15 companies based on the availability of data for the 19-year study period of 2000 to 2018. Explanatory variables representing company profitability, size, growth, asset management, liquidity, production cost, and debt structure are selected to measure the magnitude of their impact on company labor cost, if any. The paper runs multivariate regression and correlation on the 270 firm-year observations in the panel data. Multicollinearity among the final significant variables has also been tested. It is seen that final select variables can significantly explain company labor cost change in the garment industry of Bangladesh.

Keywords: accounting ratios, labor cost, garment industry, Dhaka Stock Exchange

Introduction

Bangladesh enjoys the title of the second largest exporter of garments worldwide with a share of 6.4%, according to the World Trade Organization annual report in 2018 (The Daily Star, 2019). The garment industry in Bangladesh begins its journey in the 1980’s. The Desh Garments is the first ever factory set up for manufacturing garments for exports with 130 trainees trained form South Korea. Soon after its inception, many of the trainees separate from the Desh Garments and either invest in their own factories or become intermediaries as garment traders. Soon other investors follow suit and join the industry with their own investment. The garment sector has been showing robust growth since then, overcoming different challenges. For example, the industry becomes aware of child labor issue in 1994 and it succeeds in eradicating child labor from the sector by 1995, as reported by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). In the fiscal year 2018-19, there are over 4,600 garment factories operating in the country employing 4.4 million workers, 85% of which are women. The ready-made garment sector contributes to over 84% of the total export of the country, amounting to over USD 34.1 billion. The apparel sector consists of knit and woven items, with tee-shirts being the biggest foreign currency earner (USD 7.01 billion) and sweater being the fastest growing export item (15.8% growth). Almost 62% of the country’s apparel export reaches the European Union countries. However, US is the biggest importer of both knit and woven apparel worth USD 6.13 billion, which replaces Germany with imports worth 5.58 billion in the fiscal year 2017-18 (BGMEA).

The garment industry in Bangladesh has shown a steady growth of 6% over the decade. While Bangladesh maintains its position of being the second largest garment exporter, China remains the largest apparel supplier worldwide. According to the World Trade Organization data, the top five
apparel exporters in 2017 are China, Bangladesh, Vietnam, India, and Turkey (The Daily Star, 2018). Table 1 shows the world market share of the five countries in 2017.

<table>
<thead>
<tr>
<th>Country</th>
<th>Export in USD (billion)</th>
<th>% Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>158</td>
<td>34.9</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>29</td>
<td>6.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>27</td>
<td>5.9</td>
</tr>
<tr>
<td>India</td>
<td>18</td>
<td>3.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>15</td>
<td>3.3</td>
</tr>
</tbody>
</table>


Bangladesh apparel manufacturers attract foreign buyers for many reasons. One reason is garment makers in Bangladesh are one of the lowest paid in the world. Data from the Office of the Textiles and Apparel (OTEXA) in the US show that garment makers in Bangladesh are paid USD 2.79 per unit or per square meter equivalent (SME) in the US market. Ethiopia and China get lower pay with USD 2.45 and USD 2.35 per SME respectively. Turkey gets the highest pay with USD 7.38 per SME. While low price in Bangladesh acts as an attraction for foreign buyers, the reasons for low price like image crisis, lack of negotiating skills, lack of value added apparel items seem to stand in the path of a speedier growth (The Daily Star, 2019).

Of many reasons of low price of Bangladesh garments in the world market, one reason being low labor cost. The post Multi Fibre Agreement (MFA) era is feared to increase competition manifold from January 2005. Unit cost is taken to determine the garment export performance of a country, which depends on the factor prices and productivity level (Hashim, 2005). Many studies predict that, though the MFA quota helps Bangladesh to create a stable global garment market, the post MFA era is going to be a challenge to maintain it. A paper predicts that India and China are likely to be the biggest gainers followed by Pakistan and Korea in the post MFA era. The paper further quotes that Bangladesh is likely to struggle with fewer orders (Hale, 2002). The garment export performance of Bangladesh in the post MFA era proves the predictions wrong. With its competitive labor cost, Bangladesh becomes the second largest garment exporter. According to a report published by the International Labour Organization (ILO), Bangladesh remains the most wage-competitive when compared to its fellow Asian garment producing competitors. This explains movement of garment production from China to lower-cost venues like Bangladesh as unit labor cost in Bangladesh is half that of India and Cambodia (Asian Development Bank). A look at the monthly minimum wages across the world reveals that Australia pays the highest minimum wages in 2018, according to the World Economic Forum data. The hourly wage in Australia is equivalent to USD 10.78 (World Economic Forum). According to the Organization for Economic Co-operation and Development statistics, the average annual hours in Australia is 1,665 which amounts to 7 working hours a day. When it comes to garment workers, US and Turkey have the highest minimum monthly wages of USD 1,864 and USD 933 respectively in 2017. Bangladesh garment workers have enjoyed upgrade of minimum monthly wages twice in the nine-year period of 2010 to 2019. The first upgrade has seen a 76.67% rise in 2010. It is increased by 51% to BDT 8,000 in 2019 (equivalent to USD 96). Despite upgrades, Bangladesh remains one of the lowest wage paying countries in the world (The Daily Star, 2018). Since low labor cost has given the garment industry of Bangladesh a competitive edge, the paper aims to study the factors that influence labor cost of a textile and garment manufacturing company of Bangladesh. Objectives of the paper are:
• Studying the financial performance of textile and garment manufacturing companies listed in the Dhaka Stock Exchange during the period of 2000 to 2018.
• Determining the factors that have an impact on labor cost of the select companies during the period of study.

The paper opens with a brief introduction to the journey of garment industry of Bangladesh and its contribution to world garment market and to the national economy. The paper, then, presents a thorough review of recent and relevant literature on performance of garment suppliers across the world along with a review on literature pertaining to world labor market and labor cost. Methodology applied by the study follows the literature review section. The subsequent section leads through the empirical model and findings resulting from the analysis. The paper ends with a conclusion on the research conducted.

Literature Review

Numerous studies have been done to understand the labor market and labor cost of different economies of the world. A study conducted on China shows that Chinese labor is cheap relative to productivity compared to most of the other countries during 1980’s till late 1990’s. Cheap labor results in firms earning rents sourcing from China. This leads to fast employment growth which, in turn, leads to rural-urban migration. After the late 1990’s, wages in China are growing faster than its labor productivity, especially in labor-intensive exporting industries such as apparel and electronics. This leads to the possibility of these industries moving out of China. According to the study, the factors behind the end of the “under-priced” Chinese labor are institutional reforms, slow-down of structural changes, and demographic transition caused by policies such as “one-child policy” along with other social and economic changes leading to labor shortage (Li, Li, Wu, & Xiong, 2012).

Another study conducted on 15 European countries covering almost 15,000 firms during 2007 to 2008 presents that almost 60% of firms change base wages once a year with an observed cluster of wage change in January. The paper attributes the differences in rate of labor cost changes among firms to the institutional framework of the labor market in which these firms operate. When faced by a negative shock, such as a rise in cost of an intermediate input or a slow-down in demand, the study finds that the European firms prefer reducing amount of labor to cutting wages. Of the firms that decide on cutting wages, most of them prefer to cut flexible wage components than to cut base wages (Fabiani, Kwapil, Rõõm, Galuscak, & Lamo, 2010).

A panel data analysis in Turkey for the period of 2002 to 2005 finds the impact of factors, that increase labor cost, on employment. Factors, such as increase in social security tax paid by employers and increase in minimum wage, are taken into account, since these factors tend to raise labor cost. It is seen that a certain increase in social security tax has a greater negative impact on the probability of a worker remaining employed in the next quarter than an equal size increase in minimum wage. The former results in a 0.28% decrease in probability that a laborer will remain employed in the next quarter, while the latter shows a 0.13% decrease in probability (Papps, 2012). A research conducted in 2006 on Germany households studies labor market under two scenarios; competitive labor market and monopsonistic labor market. The paper finds that a statutory minimum wage decreases employment and increases public expenditure. Wage subsidy at the same fiscal cost, on the other hand, tends to have more favorable effect on employment under both
the scenarios (Knabe & Schob, 2009). The effect on employers’ labor cost was analyzed in a study conducted on US private industry in 2004. The effect of employment contract and labor demand models of the Fair Labor Standards Act overtime pay regulation on labor cost is studied in the paper. It is seen that labor demand model tends to predict an increase in labor earnings and a decrease in overtime use, while the employment contract model predicts no change in earnings or hours worked. The reason behind the no change is because the model takes that the agreed-upon package of earnings and total hours worked are already reflected in the employment contract before the change in regulation (Barkume, 2010).

The paper has, so far, studied literature to understand factors that have an effect on labor cost and labor market of the world. Since the paper deals with textile and garment industry, it, therefore, looks into literature to understand the performance of textile and garment industry of different countries of the world. A study on the textile industry of India in 2002 predicts the consequence of quota elimination in 2005. The paper finds that, despite having cheap labor and excelling in design and manufacturing, India might not benefit from elimination of quota restraints owing to its sluggish export performance, fragmentation of the textile industry, and role of the textile ministry (Ganesh, 2002). Another study on the Indian textile and garment industry suggests that unit cost is one of the main factors to determine competitiveness during the post-Multi Fibre Agreement era. Unit cost depends on two factors: productivity level and factor prices. For the first factor, India needs to go for high level of production. For the second factor leading to cost-effectiveness, India needs to take several steps such as, favorable credit disbursement, cheaper raw material availability, affordable constant electricity supply, and flexible labor laws (Hashim, 2005). Garment industry of Cambodia has been studied during the pre- and post-Multi Fibre Agreement era. While the Multi-Fibre Agreement expires in 2005, an agreement with China to limit its exports till 2008 has been made by the US and the EU. The study shows that factors leading to garment industrial growth in Cambodia are cheap abundant labor availability, compliance with international standards, tax advantage, and proximity to Asian raw material producers. However, after 2008, slow down of global economy and intensification of price have plummeted orders from international buyers (Lee, 2011). A paper published in 2013 on the garment industry of Cambodia, however, presents a different result. It shows that the garment industry accounts for 14 per cent of the county’s GDP, making it the biggest foreign exchange earner of Cambodia. The paper believes investment from China in Cambodia has a key role to play behind it, while highlighting future political and economic risk associated with it (Ear, 2013). A similar research studies the textile and garment industry of Turkey along with its capital intensive industries. The research finds that despite having cost advantage generating from geographical proximity and custom advantages, it still is not enough for Turkey to have a leading competitive edge in exports to the European Union when compared with other Southeast Asian exporters (Kotan & Sayan, 2002). A state-owned brand building program named Turquality starts operation in Turkey in November 2004. The mission of the program is to increase export by establishing strong global brands. The textile and garment industry is one of the sectors covered under the program. Though the program is one of a kind to support the textile and garment industry of Turkey, the strengths and weaknesses of the Turquality concept are yet to be measured (Tac & Aglargoz, 2007). Empirical research on the textile and garment industry in Vietnam reports lower profitability for private and foreign enterprises compared to state owned enterprises. The reason for lower profitability is institutional constraints as insecure property rights enforcement, land, credit, and export-quota policies (Nguyen & Le, 2005).
The paper attempts to understand the performance of the textile and garment industry of Bangladesh by comparing and contrasting it with the performance of textile and garment industry of other countries of the world. For this purpose, the paper has studied existing literature pertaining to the textile and garment industry scenario of different countries of the world. The paper also studies relevant theories and literature on labor cost and labor market to see if they hold true for the garment industry of Bangladesh.

**Methods**

The methods applied for analysis are discussed in this section. Sample chosen and justification behind choosing sample are mentioned. Source and collection of data are explained. Finally, the section presents empirical model the study comes up with.

**Sample**


**Data Collection**

The research is based on secondary data originally collected and reported by the select companies in their published documents. The study uses collected and published data from the Dhaka Stock Exchange as well. Relevant and recent literature has been extensively studied.

**Data Source**

Data have been extracted from audited annual reports and websites of textile and garment companies listed in the Dhaka Stock Exchange. Relevant data have also been gathered from the Dhaka Stock Exchange data archive. Literature significant to the research has been studied and gathered from published journals and articles.

**Empirical Model**

The paper studies factors that explain annual change in labor cost of textile and garment companies listed in the Dhaka Stock Exchange of Bangladesh during the 19-year period of 2000 through 2018. The explained variable, company annual labor cost change, has been measured by:

\[
\Delta L_{it} = \frac{(L_{it} - L_{it-1})}{(L_{it-1})}
\]

(1)
Where, \( \text{Lit} \) stands for annual labor costs of company “i” at year “t” and \( \text{Lit-1} \) represents annual labor costs of company “i” at the year preceding year “t”. Company annual labor costs have been computed by adding company annual factory wages, bonus, and payment for overtime hours, if any.

Accounting ratios measuring seven aspects of company performance (exhibited in Table 2) are selected as explanatory variables of company annual labor cost change. The seven aspects of company performance are company profitability, size, growth, asset management, liquidity, production cost, and debt structure. The study computes the selected ratios of each sample company for each year of the study period of 2000 through 2018.

**Table 2. Accounting Ratios and Their Formulae Used to Measure Company Profitability, Size, Growth, Asset Management, Liquidity, Production Cost, and Debt Structure**

<table>
<thead>
<tr>
<th>Ratios for company “i” at year “t”</th>
<th>Formulae</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
</tr>
<tr>
<td>Profit margin(it)</td>
<td>Net income(it)/Sales(it)</td>
</tr>
<tr>
<td>Return on assets(it)</td>
<td>Net Income(it)/ Total assets(it)</td>
</tr>
<tr>
<td>Change in net income(it)</td>
<td>[Net income(it)- Net income(it-1)]/ Net income(it-1)</td>
</tr>
<tr>
<td>Size</td>
<td></td>
</tr>
<tr>
<td>Log of assets(it)</td>
<td>Log of total assets(it)</td>
</tr>
<tr>
<td>Change in assets(it)</td>
<td>[Total assets(it)- Total assets(it-1)]/ Total assets(it-1)</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
</tr>
<tr>
<td>Log of sales(it)</td>
<td>Log of sales(it)</td>
</tr>
<tr>
<td>Change in sales(it)</td>
<td>[Sales(it)- Sales(it-1)]/ Sales(it-1)</td>
</tr>
<tr>
<td>Asset management</td>
<td></td>
</tr>
<tr>
<td>Total assets turnover(it)</td>
<td>Sales(it)/ Total assets(it)</td>
</tr>
<tr>
<td>Liquidity</td>
<td></td>
</tr>
<tr>
<td>Current(it)</td>
<td>Current assets(it)/ Current liabilities(it)</td>
</tr>
<tr>
<td>Change in current assets(it)</td>
<td>[Current assets(it)- Current assets(it-1)]/ Current assets(it-1)</td>
</tr>
<tr>
<td>Change in current liabilities(it)</td>
<td>[Current liabilities(it)- Current liabilities(it-1)]/ Current liabilities(it-1)</td>
</tr>
<tr>
<td>Production cost</td>
<td></td>
</tr>
<tr>
<td>Change in cost of goods sold(it)</td>
<td>[Cost of goods sold(it)- Cost of goods sold(it-1)]/ Cost of goods sold(it-1)</td>
</tr>
<tr>
<td>Debt structure</td>
<td></td>
</tr>
<tr>
<td>Current liabilities to total liabilities(it)</td>
<td>Current liabilities(it)/ Total liabilities(it)</td>
</tr>
<tr>
<td>Log of liabilities(it)</td>
<td>Log of total liabilities(it)</td>
</tr>
<tr>
<td>Change in liabilities(it)</td>
<td>[Total liabilities(it)- Total liabilities(it-1)]/ Total liabilities(it-1)</td>
</tr>
</tbody>
</table>

Multivariate regression is applied to regress company annual labor cost change on sets of various combinations of chosen accounting ratios. The aim is to generate a statistically significant model that would explain the change in annual labor cost of the sample textile and garment companies during the study period of 2000 through 2018. The equation of the regression is:

\[
Y_{it} = \alpha_{it} + \sum_{t=1}^{n} \sum_{i=1}^{n} \beta_{it} X_{it} + \varepsilon_{it}
\]

(2)
Where, \( Y_{it} \) is the change in annual labor cost of textile company “i” for the year “t”. \( \alpha_{it} \) is the slope. \( \beta_{it} \) represents parameter of the econometric model for accounting ratio “X_{it}”, while \( \varepsilon_{it} \) is the error term.

Statistical tools have been applied to test the significance of the derived model. Significance of explanatory variables and goodness of fit of the model have been examined by applying Wald (z-statistic) and chi-square. Multi-collinearity among the explanatory accounting ratios have been checked by the application of Karl Pearson’s coefficient of correlation (r) to liberate the study of this matter.

**Findings**

Summary statistics of explained and explanatory variables show that the textile and garment companies, on an average, show a 6% increase in their annual labor cost over the study period. Company size and sales growth show a slightly higher rise compared to labor cost during the period of study as indicated by averages of 12% and 9% increase in annual change in assets and annual change in sales respectively. The rise in company profitability (mean profit margin ratio of 2%) is lower than the rise in labor cost (mean ratio of 6%). The textile industry relies on high leverage as is reflected in an average of 72% debt to assets ratio. A major portion of the liabilities are sourced from current liabilities, the average current to total liabilities being 72%. (See Table A1).

Multivariate regression has been run on different sets of various combinations of explanatory variables to compose a statistically significant model that would explain change in labor cost in the garment industry of Bangladesh. The p-value, in other words, the probability of chi-square statistic, is computed for each model taking separate combinations of explanatory variables measuring seven different aspects of textile company performance. The model with p-value (0.0000) less than \( \alpha \) (0.05) is chosen to be statistically significant. Output of the model is summed up in Table 3:

**Table 3. Output of Multivariate Regression Model for Years 2000 – 2018**

| Change in labor cost | Coefficient | Standard error | z    | P>|z| | [95% Confidence Interval] |
|----------------------|-------------|----------------|------|------|--------------------------|
| Current ratio        | -4.04       | 0.72           | -5.75| 0.000| -5.41 - 2.66             |
| Log of sales         | 4.46        | 1.53           | 2.92 | 0.004| 1.46 7.46                |
| Constant             | -33.58      | 13.37          | -2.51| 0.012| -59.8 12.7               |

*Note. R-sq: within = 0.1275; Number of obs = 270; between = 0.4030; Wald chi2(2) = 37.06; overall = 0.1219 ; Prob> chi2 = 0.0000*

Coefficients of explanatory variables are divided by their respective standard errors to compute wald statistics (z-values). P-values of the explanatory variables in the model are less than \( \alpha \) (0.05) and therefore, are statistically significant. The model can be summarized as:

\[
\text{Change in labor cost} = -33.58 - 4.04 \text{ Current ratio} + 4.46 \text{ Log of sales} + \varepsilon \]  

(3)

\[
(13.37) \quad (0.72) \quad (1.53)
\]

\[ n = 270, R^2 = 0.1219 \]
Regression model shows that increase in current ratio by one unit results in a four-unit decrease in company annual labor cost ceteris paribus. A unit increase in log of sales brings about a four-and-a-half-unit increase in labor cost ceteris paribus. Both the explanatory variables have almost equal coefficients and hence, have impacts of similar magnitude on labor cost. However, current ratio has a negative impact, while log of sales has a positive impact on annual labor cost change in the textile and garment companies of Bangladesh. Input of ratios of a textile and garment firm into the derived model might tend to give indication as to whether the labor cost of the company will rise or fall.

It can, therefore, be said that company growth has a forward impact on company labor costs, while company liquidity has an inverse impact on the labor cost of textile and garment companies listed in the Dhaka Stock Exchange of Bangladesh.

Multi-collinearity has been tested between the statistically significant explanatory variables. Table 4 shows that the variables share low correlation between themselves, and therefore, make the study free of any such issues.

**Table 4. Correlation Between the Explanatory Variables of the Derived Multivariate Regression Model for Years 2000-2018**

<table>
<thead>
<tr>
<th></th>
<th>Current ratio</th>
<th>Log of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current ratio</td>
<td>1</td>
<td>0.36</td>
</tr>
<tr>
<td>Log of sales</td>
<td>0.36</td>
<td>1</td>
</tr>
</tbody>
</table>

From the results, it is seen that the more liquid a textile company, the lower would be its labor cost. A growing textile company, however, tends to have higher labor cost.

**Conclusions**

The aim of the study is to devise a model that explains change in annual labor cost of textile and garment companies listed in the Dhaka Stock Exchange during the period of 2000 through 2018. Previous study suggests that there is a correlation between human capital and enterprise size and growth in the garment sector of Bangladesh. But such a study focuses on education level and therefore, learning ability of garment manufacturers rather than on labor cost (Mottaleb & Sonobe, 2011). Literature pertaining to the link between company labor cost and company liquidity and growth is relatively silent. This paper establishes a model that explains company labor cost change in terms of company growth and liquidity. It is also seen that the garment industry has high reliance on financial leverage, with more reliance on short-term borrowing than long term borrowing.

The study has proposed a statistically significant model that shows that annual change in labor cost of textile and garment companies can be explained by company liquidity and growth. The more liquid a textile company, the lower would be its annual labor cost. On the other hand, a faster growing textile company tends to have a higher annual labor cost. The model might prove useful to academics, researchers, and future textile companies in understanding the factors that explain the annual labor cost change in the garment industry of Bangladesh.
The paper opens up scope for future studies that will address:

- Why increase in liquidity of a textile company tends to decrease its annual labor cost in Bangladesh.
- Comparison of labor cost between export oriented companies and companies catering to local market.
- Comparison of labor cost among labor oriented industries of Bangladesh.

Bangladesh has become eligible to leave the status of Least Developed Countries. The new status is likely to introduce new economic challenges in the form of end of privileges of a least developed country. Academics, researchers, and policy makers have to come together to devise and implement strategies to ensure the stability and growth of the garment industry which is the backbone of the economy of the nation.

References


**Appendix**

**Table A1.** Descriptive Statistics of Explained and Explanatory Variables of the Select Dhaka Stock Exchange Listed Textile and Garment Companies for Years 2000-2018

<table>
<thead>
<tr>
<th>Explained Variable</th>
<th>Mean</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Min</th>
<th>Max</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in labor cost</td>
<td>6%</td>
<td>5%</td>
<td>22%</td>
<td>-93%</td>
<td>69%</td>
<td>270</td>
</tr>
<tr>
<td>Profit margin</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>-20%</td>
<td>13%</td>
<td>270</td>
</tr>
<tr>
<td>Return on assets</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>-8%</td>
<td>12%</td>
<td>270</td>
</tr>
<tr>
<td>Change in net income</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
<td>-78%</td>
<td>26%</td>
<td>270</td>
</tr>
<tr>
<td>Log of assets</td>
<td>8.9</td>
<td>8.9</td>
<td>0.5</td>
<td>7.8</td>
<td>10.1</td>
<td>270</td>
</tr>
<tr>
<td>Change in assets</td>
<td>12%</td>
<td>6%</td>
<td>26%</td>
<td>-43%</td>
<td>218%</td>
<td>270</td>
</tr>
<tr>
<td>Log of sales</td>
<td>8.8</td>
<td>8.8</td>
<td>0.5</td>
<td>6.3</td>
<td>10.1</td>
<td>270</td>
</tr>
<tr>
<td>Change in sales</td>
<td>9%</td>
<td>5%</td>
<td>34%</td>
<td>-94%</td>
<td>370%</td>
<td>270</td>
</tr>
<tr>
<td>Total assets turnover</td>
<td>105%</td>
<td>84%</td>
<td>73%</td>
<td>1%</td>
<td>410%</td>
<td>270</td>
</tr>
<tr>
<td>Current</td>
<td>1.1</td>
<td>1.0</td>
<td>0.7</td>
<td>0.0</td>
<td>3.9</td>
<td>270</td>
</tr>
<tr>
<td>Change in current assets</td>
<td>22%</td>
<td>9%</td>
<td>75%</td>
<td>-137%</td>
<td>793%</td>
<td>270</td>
</tr>
<tr>
<td>Change in current liabilities</td>
<td>16%</td>
<td>9%</td>
<td>43%</td>
<td>-80%</td>
<td>346%</td>
<td>270</td>
</tr>
<tr>
<td>Change in cost of goods sold</td>
<td>3%</td>
<td>4%</td>
<td>22%</td>
<td>-95%</td>
<td>92%</td>
<td>270</td>
</tr>
<tr>
<td>Current liabilities to total liabilities</td>
<td>72%</td>
<td>77%</td>
<td>25%</td>
<td>6%</td>
<td>101%</td>
<td>270</td>
</tr>
<tr>
<td>Log of liabilities</td>
<td>8.7</td>
<td>8.7</td>
<td>0.4</td>
<td>7.7</td>
<td>9.6</td>
<td>270</td>
</tr>
<tr>
<td>Change in liabilities</td>
<td>7%</td>
<td>5%</td>
<td>20%</td>
<td>-65%</td>
<td>81%</td>
<td>270</td>
</tr>
<tr>
<td>Liabilities to assets</td>
<td>72%</td>
<td>67%</td>
<td>40%</td>
<td>8%</td>
<td>289%</td>
<td>270</td>
</tr>
</tbody>
</table>

*Source: Annual Reports of textile and garment companies of Bangladesh for years 2000-2018.*
Part 4: Economics
Energizing Intellectual Concept: Integration of Intellectual Capital Theory and Resource-Based Theory

Zulkifli, Tatiek Nurhayatie, and Widodo

Faculty of Economics
Sultan Agung Islamic University, Semarang-Indonesia

Abstract

This article is a concept of preparation to increase added value both at the individual level and at the organizational level, to maintain the organization's existence in competitive competitions. This concept is called Energizing Intellectual. The point of its determination depends on the ability to build up relations both external and internal in order to increase the ability to exploit knowledge, establish structures, adapt to technological development, possess cognitive abilities, and assess high commitment to the organization.

Keywords: energizing intellectual concept, intellectual capital theory, resource-based theory

Introduction

Strategy is the whole of a competitive plan in an organization which is related to organizational decision making in dealing with internal and external matters in achieving goals (Hambrick 1980). The fundamental problem in management strategy is how organizations are able to increase maximum organizational value and maintain competitive advantage in the competitive era (Teece et al. 1997). One strategy to increase organizational value is to advance quality relations between ways to maintain smoothness, stability and productivity between organizations to lead to competitive advantage.

The consequences of competitive advantage in this era of global competition require relationships between organizations that are able to become new energy for organizations (Tangaraja et al. 2015); (Paoloni and Lombardi 2017). Capaldo (2007) also added that the ability of sustainable relations can be realized through the organization's ability to create, manage, and improve relations between organizations for a long term. Khalique (2018), furthermore, stated that quality relationships can be seen from the process of sharing information and knowledge, having willingness to learn together, managing good relations with each other, exchanging ideas with others and maintaining good relations with partners. This is in line with the results of Widodo's study (2015) explaining that knowledge manifested in the form of skills is the most important resource capital in competitive advantage.

According to the previous explanation, the ability to create and maintain relations will be energy for the organization. One of the concepts developed by Deline (2015) is energizing organization and is originated from the relationships of individuals in organizations and the ability to adapt to technological developments. New energy in organizations comes from the strength of individuals and the relationships of individuals in organizations of which can increase organizational productivity (Deline 2015). Energy which has been embedded in individuals will be able to affect the organization (Green Jr. et al. 2017). Thus, the concept built in this article is how to increase
added value in both individual level and organizational level. As the result, ability of individuals and organizations will be able to increase competitive advantage.

**Theoretical Foundation**

**Intellectual Capital Theory**

The theory of intellectual capital was first developed by John Kenneth Galbraith in 1969 (Chang, Hsieh et al. 2011). The development of the theory of intellectual capital continues. Then in 1996 the theory of intellectual capital was developed by Bontis (1996) explaining that intellectual capital is an asset that does not materialize and is aimed to instill knowledge along skills. Khalique et al. (2011) explained that intellectual capital is the most important asset for organizations to gain competitive advantage. Intellectual capital consists of human capital, structural capital and social capital (Bontis, 1996). The development of the concept of intellectual capital continues to develop (Khalique et al., 2011) and consists of human capital, customer capital, structural capital, social capital, technology capital and spiritual capital. Furthermore, according to Mohtar et al. (2015), the intellectual dimension of capital business capital consists of physical capital and financial capital. Therefore organizations that understand the concept of intellectual capital will be able to utilize intellectual capital effectively and efficiently (Khalique, et al. 2011).

To gain a competitive advantage in an organization requires the management of intellectual capital effectively and affectionately. Mohtar et al. (2015) argues that social capital is an added value in the organization that is based on social networking, informal relations, formal relationships and trust. Furthermore, according to Tangaraja et al. (2015), social capital consists of social capital structure, relational social capital and social and cognitive values. Social capital includes relationships, attitudes and values that govern interactions between individuals in an organization (Khalique et al., 2011). The intellectual capital approach in this study refers to opinions of Bolino et al. (2002) and Hejazi et al. (2016) consisting of a) human capital: human capital is the main strategic asset in the company, which can be increased by upgrading the competence and capability of human resources, b) social capital: social capital is capital that is embedded in individuals and organizations sourced from the interaction between individuals and relations between individual organizations, c) capital structure: famous capital in organizational processes aims to increase the knowledge invested in organizational processes, routines and practices.

One dimension of intellectual capitals is social capital. According to Coleman (1988), social capital is a resource that is embedded in individuals obtained through relationships. Wang et al. (2019) also explain that social capital is a concept which explains how organizations and actors are able to access resources through relationships. According to Bolino et al. (2002), the level of maintaining relationships consists of levels of structure, relation and cognitive.

Relationship capital is one of the dimensions of social capital, meaning a strategic asset in an intangible organization, capable of becoming a new energy for an organization (Tangaraja et al., 2015); (Paoloni and Lombardi, 2017). Then, Capaldo (2007) also explains that capabilities of relation capital are the ability of organizations to create, manage, and improve relations between organizations in a long term. Furthermore, Ismail (2014) state that quality relation is the strength of relationships between organizations in maintaining the smoothness, stability and productivity of organizations between organizations to lead to competitive advantage. Khalique et al. (2018)
argue that the dimensions of social capital are structural, relational and cognitive. A good relationship can be proven by a relationship that focuses primarily on running an organization or company. Relation asset are based on factors such as trust and reputation. Relation asset is an asset which can be developed by every organization and is also a resource that is not tangible and difficult to measure (Srivastava et al., 2001).

According to Kohtamäki et al. (2013), quality relations are originated from internal individuals to strengthen relationships between organizations. A person's relationship skills can play a role in processing and maintaining relationships in order to improve competitive advantage among organizations. In organization socialization activities which are continuously carried out in the internal organization will increase the internalization of norms in the organization which results in producing a stronger social network and building strong trust in the organization (Tangaraja, Mohd Rasdi et al. 2015). The importance of relational capital, according to Bolino et al. (2002), consists of liking, trust and level of fame. Tangaraja et al. (2015) also explains that relational capital consists of trust and social networking. Furthermore, Larimo and Nguyen (2015) argue that relations can be influenced by organizational management styles, organizational control mechanisms, partnership commitment and relationship development. In addition, according to Ismail’s work (2014), capital relations can be measured by the level of trust between organizational members, commitment to the organization and satisfaction with relations.

According to Golgeci et al. (2019), the ability to maintain relationships can be measured by being able to overcome difficulties with networking, easy cooperation, choosing colleagues who are invited to join, comfortable in relationships, able to maintain diversity, able to resolve disputes, communication skills, get the value of goodness from relationships, utilizing network potential and ideas from coworkers. Srivastava et al. (2016) added that asset relations can be measured by the quantity of customers, channels, strategic partners, the supply of goods and services, cooperation agreements, networks and relationship sharing systems. Furthermore, according to Khalique et al. (2018), relations can be measured by sharing information and learning together, having good relations with each other, exchanging ideas with others, good relations with alliance partners. Based on the previously comprehensive explanation, the ability to build and maintain relations will be energy for the organization. One of the concepts developed by Deline (2015) is energizing organizations which come from the relationships of individuals in organizations and the ability to adapt to technological developments.

New energy in organizations comes from the strength of individuals and the relationships of individuals in organizations of which can increase organizational productivity (Deline, 2015). Energy that has been embedded in individuals will be able to give great impacts towards the organization (Green Jr. et al., 2017). Furthermore, according to Deline (2015), energy that can affect the organization consists of adaptation of technology, individuals whose good cognitive abilities as well as to be able to influence individuals in organizations.

**Resource Based Theory**

Resource-based assets are intangible assets and highly valuable ones. According to Barney (1991) the challenge in organizations is to maintain competitive advantage in a competitive manner. Hunt and Morgan (1995) added that competitive advantage consists of two parts namely micro and macro parts. Micro part consists of finance and performance while the macro consists of quality,
efficiency and innovation. Furthermore, the results of research conducted by Day (2000) explains that competitive advantage in a competitive manner has not fully integrated broad marketing with internal strength such as market-based assets. Organizations and companies must be able to add long-term investment by making a breakthrough to renew their resources with the aim of anticipating changes in the organizational and corporate environment which are constantly changing (Haeckel 1999). The intellectual assets existing in organizations are valuable, rare, immovable and irreplaceable resource assets (Barney 1991). Furthermore, Srivastava et al. (2001) explained that the valuable long-term resource-based market baser assets are Asset Relation and Intellectual Asset.

The differences between intellectual capital and intellectual assets continues to be a conversation in the academic world which cause the author to specify those differences. Litschka et al. (2006) explain that intellectual assets consist of human assets, organizational assets and codified assets. The author will focus on human assets in order to see the differences in paradigm between intellectual assets and intellectual capital. In this study, it can be seen in table 2.1.

**Table 1. Intellectual Asset vs Intellectual Capital**

<table>
<thead>
<tr>
<th>Capital/Asset</th>
<th>Level of Individual</th>
<th>Level of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual capital</td>
<td>Combined capitals that can be utilized to increase individual capacity</td>
<td>Total assets are based on visible knowledge in the organization, but not necessarily owned by the organization</td>
</tr>
<tr>
<td>Intellectual Asset</td>
<td>Assets owned by individuals that are consciously used and utilized in daily life</td>
<td>Knowledge-based assets that are owned by the organization and can be utilized for the future of the organization.</td>
</tr>
<tr>
<td>Human capital</td>
<td>Combined knowledge, skills and abilities, including aspects of physical and psychological health.</td>
<td>Human capital which is originated from individuals is used for organizations, but not for owned by organizations.</td>
</tr>
<tr>
<td>Intellectual Assets</td>
<td>The ability of individuals who are consciously and actively used in everyday life</td>
<td>The application of human assets in a conscious and active organization is used to add value to the organization</td>
</tr>
</tbody>
</table>

Source: Litschka et al. (2006); Huggins and Weir (2007); Khalique et al. (2011)

Departing from these two descriptions, the author will concentrate on intellectual assets, both at the individual level and at the organizational level. Intellectual assets are knowledge possessed by organizations in the face of global competition that is constantly changing (Hunt and Morgan 1995). In another study done by Kianto et al. (2014) Intellectual assets are intangible resources that can increase organizational productivity, which are based on a high level of knowledge. Furthermore, according to Litschka et al. (2006) intellectual assets are assets that can increase the value of an organization consisting of human assets, organizational assets and codified assets. Huggins and Weir (2007) explained that intellectual assets are knowledge-based assets owned by organizations to increase the value of sustainability for the organization. Based on this understanding, it can be summarized that Intellectual Assets are intangible assets based on knowledge, which can be exploited to increase the added value of individuals that can be utilized for the sustainability of the organization.

**Dimension of Energizing Intellectual**

Values that can be embedded in individuals in facing global challenges and for organizational sustainability are the abilities to establish both internal and external relationships with other actors.
Furthermore, according to Deline (2015) energy that can affect the organization consists of adaptation of technology, individuals whose good cognitive abilities and are able to influence individuals in organizations. This dimension is part of the energizing dimension of the organization. This dimension is integrated with the dimensions of intellectual assets. According to Litschka et al. (2006), one dimension of intellectual assets is human assets consisting of knowledge, ability or skills, applied knowledge, motivation, job satisfaction and commitment. In a study conducted by Srivastava et al. (2001) intellectual assets in the form of knowledge can be drawn from the level of knowledge of internal and external conditions, individual skills, intra-organizational relationships and the ability to process.

Subsequent research conducted by Widodo et al. (2015) shows that quality knowledge that can be exploited consists of intrinsic knowledge, contextual knowledge and knowledge in dynamization. The level of commitment of one of human assets can be illustrated by the individual's commitment to increasing the added value of the organization where all individual abilities are devoted to increasing organizational value. This is in line with the study of Cohen (2007) that organizational commitment can be built before and after entering the organization. The commitment that is built after entering the organization is affective commitment. According to Meyer and Maltin (2010), affective commitment will reduce tension in the organization, and at the same time, will bring benefits to employees and organizational leaders.

The integration of the two theories produced a new concept, namely Energizing Intellectuals. Energizing Intellectual is energy that is embedded in both individuals and organizations aiming to increase value with the ability to exploit knowledge, build structures, adapt to technological developments, have values of cognitive abilities and high commitment values to the organization. Thus, the formulated values can be seen in table 3.1.

### Table 2. Dimension of Energizing Intellectual

<table>
<thead>
<tr>
<th>Energizing Model</th>
<th>Individual</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>The ability of individuals to engage in the use of technology both adopts and makes new one.</td>
<td>Organizational ability to utilize technology in facing global challenges.</td>
</tr>
<tr>
<td>(Focus on adaptation on the use of technology)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive</td>
<td>Attitudes that become individual behaviors are able to become energy in life that comes from the value and strength of the perceptions of the actor</td>
<td>The combination of individual’s good attitudes which come from personality values and strong perceptions will increase added value for the organization.</td>
</tr>
<tr>
<td>(Focus on attitude)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural</td>
<td>The ability of individuals to influence other individuals both formally and informally.</td>
<td>The organization's ability to make decisions originating from the strength of the actors in the organization.</td>
</tr>
<tr>
<td>(Focus on influencing power)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Exploitation</td>
<td>Individual ability to multiply knowledge both from internal and external, to increase individual capacity.</td>
<td>The ability of organization to gain knowledge to increase added value in the organization</td>
</tr>
<tr>
<td>(focus on the ability to utilize knowledge)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Commitment</td>
<td>The ability of individuals to advance commitment to invite other individuals to make good and loyal to the organization.</td>
<td>Organizational ability to build loyalty and bind individuals in organizations in order to increase capacity for the benefit of the organization</td>
</tr>
<tr>
<td>(focus on building commitment)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Structure

The ability of individuals to influence other individuals in doing good deeds, both in influencing the issues of policies and influencing individuals to do good things is an energy that can increase added value in the organization. The main concept of human life is to be a khalifah (leader) on the earth, meaning the khalifah is a creature of God whose the trust to carry out the will of God and apply His provisions to the earth (Ijmali Scripture). According to Adnan et al. (2017) a khalifah or a wise person in the concept of ulul albab must have the first two basic competencies of the ability to embrace the verses of the Qur'an and both the ability of recognizing the blessing of signs of Allah SWT. These two competencies are basic competencies of which individuals must have in influencing policies and other individuals in the organization in order that they will be able to create added value in the organization. Chiu et al. (2006) explain one way to influence individuals is to increase social interaction.

Cognitive

According to Hu and Randel (2014), cognitive social capital helps team members communicate and work together more effectively and to express and understand the knowledge of fellow team members better, especially the tacit knowledge embedded in certain contexts. Cognitive social capital emphasizes on shared values and language in order that it will encourage a culture of sharing explicit knowledge because communication is easy when the parties involved have a common ground for communication (Brown & Duguid, 2000). Furthermore, Chiu et al. (2006) expressed that the common ground can be seen from the ability to influence the personality of individuals in the organization which can be formed from the process of transferring knowledge and vision of organizations to individuals in the organization.

Technology

One of the growing views in the 21st century is a change in the way of living this life in a more flexible way, which we have commonly known as the Industrial Revolution 4.0. The concept of industrial revolution 4.0 was essentially developed by western scientists. It was first developed by Klaus Schwab, a management expert in his book entitled "The Fourth Industrial Revolution". Schwab (2017) explained that the era of the 4.0 industrial revolution would be able to change the lifestyle, mindset and workings of humans. Changes in the way human work is one of the industrial revolutions in the use of information technology, where working distance and boundary areas are no longer a challenge because in this era all can be connected by utilizing technology. In the face of the industrial revolution 4.0, human resources must be able to adapt technology. Adaptation in the use of technology will be able to capture the learning process and enhance contextual knowledge (Bala and Venkatesh, 2015).

This study will focus on the ability of individuals to adapt to the use of technology, which will be useful to improve performance. The indicators used in this study were adopted from Bala and Venkatesh (2015) who explain that the indicators of individual's adaptation to technology consists of a) Exploration behavior to Innovation; defined as the extent to which an employee tries to find, expand, change the features of IT to complete his task in new ways. b) Exploitation Behavior of which is defined as the rate at which an employee uses a recommended set of IT features to complete the task. c) Exploration to improve the definition of an employee trying to find, expand,
change IT features so that it can make it easier to work. d) Avoidance; defined as the extent to which an employee tries not to use IT when completing his task.

**Knowledge Exploitation**

In improving competitive advantage, the human resources must be able to increase knowledge in a strategic way. Fragouli (2015) explains the strategic ways which can be carried out to increase knowledge is by exploiting knowledge. Widodo and Nurhayatie (2018) explained knowledge that can be exploited is the ability of human resources who have the quality of communication, management of the organization, adaptation to information technology and accepting changes in new things from the network. the ability to exploit knowledge refers to Dong's et al. (2017) opinion which says knowledge that can improve the development of individual knowledge and creativity will have an impact on organizational development. Departing from this opinion, the researcher will focus on improving the ability in developing and enhancing creativity both from internal and external sources.

**Level of Commitment**

The level of actor commitment to the organization is one of the strengths of energy that must be bound in organization as explained by Joo et al. (2010) who describe affective organizational commitment is the process of emotional attachment of employees, identification and involvement of employees in the organization. Thus, it will be able to increase energy originated from cooperation in organizations as explained by (Dhar 2015) that a person with a high commitment who is already affiliated with an organization can be motivated to cooperate in achieving organizational goals.

**Contributions and Implications**

The current reality of the organization which is not optimal in its most performance is due to the lack of energy of the human assets. As the result, individuals and organizations need to build stronger networks in order to enable them in increasing resources and capabilities that will ultimately increase the added value of the organization. This can be realized through Energizing Intellectuals.

The quality and added value of individuals and organizations can be improved by the way of energizing intellectuals both to increase the capacity of individuals and organizations, namely the ability to exploit knowledge, build structures, adapt to technological developments, have cognitive abilities and high commitment values to organizations. Those values will be the initial support for increasing values both at the individual and organizational level.

**Practical Implications**

Values of Energizing Intellectual consist of the ability to exploit knowledge, build structures, adapt to technological developments, have the value of cognitive abilities and high commitment values to the organization. If this value can be fulfilled by individuals in the organization, encouraged by human resources whose good knowledge of energy, it will be able to increase organizational added value which has a direct impact on organizational performance.
Conclusion

This article proposes the concept of building added value in facing global competition both at the individual and organizational levels through the Energizing Intellectual approach where the point of determination is to strengthen relations both external and internal in order to improve the ability to exploit knowledge, build structures, adapt to technological developments, have the value of cognitive abilities and high commitment values to the organization.

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Part 5: Education & Training
HTM Partnerships With High Schools: A Case Study for How Faculty Can Help Increase Enrollment

Damien L. Duchamp

Department of Hospitality and Tourism Management
St. Joseph’s College - Brooklyn, United States

Abstract

The role of faculty is not just to teach in their respective programs, but also to contribute to the enrollment management strategy for the institution. Specific to hospitality and tourism management (HTM) programs, this article focuses on strategies developed for colleges in urban environments to develop partnerships with local high schools. While the focus is HTM, the methods can be applied to other academic disciplines.

Keywords: hospitality, high schools, CTE, college readiness, enrollment management, admissions

Introduction

The following is intended to be a roadmap for engaging high school partners as a 2-year or 4-year hospitality and tourism (HTM) program. That being said, conceivably this could be applied to most any other academic program. The assumption made is that faculty are in a position to lead in certain areas, even if the leadership of the unit is technically responsible for doing so. While politically there are clearly barriers to faculty just going out to do some of the things that are suggested in this article, there should be room for initiative. The limitations of this article is that it is one faculty member’s experience in one urban environment as part of the St. Joseph’s College (SJC) faculty.

Role of Faculty

The role of a faculty member is defined not just by the institution, but also by the individual. You don’t have to be the chair of the department to do good things for your institution. You don’t have to have a title to lead. An adjunct lecturer could be just as capable and effective at building relationships with high schools as the dean. The perspective in this article is that a faculty member can do many things to help their program. Understandably they should make sure not to violate any policies or procedures, and to seek permission where possible. It is assumed that in most instances they will get the green light if it is seen as a step in the right direction. At times this article will speak to a regular faculty member, and at others to someone given the role of leading or building a program. It is up to the reader to distinguish between both.

First Contact

When you first arrive on campus, you will either step into existing relationships or be in a position to start brand new ones. If you are lucky you will have high school articulation agreements or MOUs (memorandum of understanding) in place, or perhaps a contractual relationship based on strategic partnerships by your institution. In order to foster interaction and create opportunities for collaboration, it is important to seek out meetings where you can meet high school teachers and
administrators. There should be open meetings with the local DOE (department of education) related to CTE (career and technical education) or college readiness programs. This is where you will find a plethora of allies. There may also be dedicated commission meetings for hospitality and tourism. If within the first couple of weeks of your first semester you do not receive an invitation, you may need to invite yourself. Track down the people who work for local government in this area and get on their mailing list. Another strategy is to use your existing network of faculty and staff to identify teachers at schools. Even if they don't teach hospitality and tourism, they can put you in contact with the teachers that do. An added strategy is to reach out to guidance counselors and administrators. They may be tougher to access, but they can get you the answers you need. From an industry perspective, you may also be able to reach out to the local CVB (convention and visitors bureau) or local chamber of commerce. They could have a committee tied to education, and many have a tourism and hospitality committee.

**Mutual Benefit**

The goal should be to get yourself as close as possible to teachers, guidance counselors, and leadership of high schools. One of the first steps is to establish what resources you have that are of interest to the high schools. You also want to know what level of relationship you may have with certain schools based on admissions and enrollment management. Are there historic feeder schools? Are there schools that come on campus often with other departments? Ultimately you want to figure out how to best use your time. First and foremost you have to recognize the role of a teacher or administrator at the high school level. They generally do not have the resources or time to create the experiences that you can create with ease. The work necessary to put on these programs and create this engagement in this article is being simplified, however it is clear that college faculty generally have greater bandwidth than the average high school teacher or administrator.

**Line of Sight**

One of the immediate reactions you may see from faculty is the notion that recruitment is not their responsibility. I would argue that recruitment is everyone's responsibility at a college or university. In a 2006 study of such partnerships, the authors explained that “our success is built upon an infrastructure which is supported by the entire university structure” (James et al., 2006). I believe in the concept of “line of sight,” suggesting that everyone from your janitorial staff to the president can impact a potential student. The level of engagement with recruitment is a different matter. Some enrollment management teams don't want faculty involved in recruitment. Some faculty are very happy with the number of students that they have. However if your numbers are decreasing then perhaps it would be a good idea to help admissions. My goal is to complement and compliment the work that admissions does, not just by supporting their strategies but doing things they can't or shouldn't. One actionable item is to meet with them twice a year so that they have talking points and are aware of your programming. It's important to use the word “complement” when talking about admissions. As faculty we are responsible for equipping the admissions team with what they need to best represent the program. We also need to partner when there is low-hanging fruit at a specific high school. The admissions team may not be able to attend every college fair that exists. That means at times we should be willing to attend on behalf of the institution. We may not need to share everything about every program, but we can provide brochures/contacts and certainly highlight ours.
College Readiness

Every program is 49% recruitment. You may ask what programs? Engaging high schools means giving them something to engage with. It's not just about doing the traditional things that they expect like college readiness programs and bridge classes (college courses for high school students). That being said, the schools that have hospitality, tourism, or culinary programs should be visiting your campus at least once a year. What this looks like is a critical mass of high school students spending three or four hours on campus in the spring or fall. During their visit they may attend a class, take a tour of campus, speak with admissions, meet financial aid representatives, and most importantly speak to existing students. The interaction with current students is vital so that they can ask questions they don't want to ask faculty or staff. You also want to make them feel special with signage (e.g. Welcome Grover Cleveland High School!) and gift bags if you have the budget. There are usually a few departments that keep items on hand for recruitment purposes, including career services, athletics, student life and of course admissions. Also make sure to feed them if they are visiting over the noon hour, or at least provide beverages.

Internships

Another avenue to explore is high school internships. You can be the conduit for internship sites that partner high schools can get connected to. NAF, DECA, and C-CAP all have internship programs, and if they don’t have a site you can help them identify one. Another option is to host an intern on your campus. There are plenty of programs around the U.S. where students from high schools can be funded to work on your campus. High school interns can help create the programming for other high school students. It's a very good arrangement. Most of those students will want to become college students on your campus if you take good care of them. Junior interns are perhaps better than seniors, but remember that even if they don't come to you right away they can always transfer later. You want them to know that they have a home on your campus and in your department now or later.

HTM Programming

Beyond the standard programs, you want to pinpoint things that would attract and excite visiting students. Find out what's trending in the industry and build programming around it. Over 18 months you should be covering every corner of the industry outside of the classroom. This not only benefits potential students but also your current students who get to design and execute the events. From an HTM perspective, this means doing something related to hotels, restaurants, nightlife, cruise ships, event planning, airlines, travel and tourism, sports, recreation, and culinary. Gisele August-Washington, a teacher at Long Island City High School builds the programs offered by SJC into her academic calendar. "Airline Expo was a wonderful opportunity for my students to explore careers related to aviation and travel. My students were inspired by each speaker’s message of following your dreams and finding an area that interest them, and making a career out of it. My students were delighted that the presenters were open and were excited to share their career experiences, and provide advice" (personal communication, May 2, 2019). In the beginning, doing programs along these lines will take up a lot of your time. Once you get used to that pace, you can start to add additional events that are not specific to HTM. An example of this is programming related to interviewing, networking, technology, etiquette, and soft skills. This will allow you to attract students from programs outside of HTM. At full steam, your program should be hosting
events for high schools every three weeks during the fall and spring semesters. This translates into six major programs throughout the year. A caution is that the high school calendar shifts a bit each year, so confirm dates will work for your partners. It's also helpful to gear programs for certain grades so that the same students aren't being recycled. It's hard for a high school teacher to justify bringing them over and over again.

**At High Schools**

There are many ways that you can interact with high schools. If they can’t come to you, find an opportunity to go to them.

Advisory Boards: Leading hospitality, tourism and culinary high schools have meetings 2-3 times per year with partners who influence their curriculum and improve experiences for their students. Another avenue for engagement is being willing to serve on these advisory boards for the high schools. This means being available for meetings each semester and other opportunities throughout the year. “The committee’s (board) responsibilities include planning, coordinating, and carrying out partnership efforts” (Thorkildsen & Stein, 1996).

Special Events: There are a number of events that require people from the outside. Examples include judging competitions, staffing cookouts, etc. Teachers in dedicated HTM programs generally need people from the outside for things like NOCTI where students are being tested.

College Fairs: At least once a year high schools host a college fair. Some do it independently while others collaborate. If the school has a dedicated HTM program, you should be there alongside your admissions colleague.

Field Trips: Once liability has been addressed on either side, find opportunities that high schools can piggyback on. The field trips are primarily for your students at the college, but by extending the invitation to high schools you are reinforcing the relationship. It’s also a casual way for high school students to ask your college students questions during the trip.

Career Events: There are a number of events that take place each year at a high school involving exposure to professionals. Some are conferences, some are career days, some are conferences. You can help by being there or bringing in people from your own network.

The more you interact with the high schools and their leadership, the more your program will be front of mind. Bear in mind of course, that there are limitations to one’s efficacy. According to Thorkildsen and Stein, “while a strong leader is critical to a successful partnership, it is important to be aware of the effects such a leader may have on a partnership” (1996).

**Partner Benefits**

You want to make the high schools feel special. After you've established articulation agreements or partnerships, extend benefits that go along with that. A very basic benefit is no application fee, and a discount on bridge courses that are designed to give high school students college credit for a fraction of the normal price. One caveat is to make these courses 'portable,' and not just credits for your institution. We want the relationship to be authentic and not just transactional. For the teachers and administrators, think of what you can do for them from a social and professional
development perspective. Socially, a gathering on your campus or in a central location can only improve the relationship. An example is to invite them to alumni and faculty gatherings that are open to friends of the institution. Professionally, just as faculty are often seeking promotions or tenure, teachers and administrators are also on a similar path. You can provide support in these areas by hosting programs just for them, writing letters of support, or collaborating with organizations that offer ‘PD’ training (professional development). An example is sponsoring membership for a teacher in CHRIE, the professional association for hospitality and tourism educators. According to Leticia Milan, a teacher at Jacqueline Kennedy Onassis High School -

"The opportunities and events provided by SJC for our students to meet and interact with top industry professionals are not only fun but invaluable!" (personal communication, April 30, 2018).

**Funding Sources**

What about funding? If done correctly most of the big programs put on should not cost a lot of money, but for some bigger events there are three ways to pay for the overhead. One is through sponsorships, another is through partnerships, and the other is through your own department’s budgeting.

Partnerships can be very effective, especially internally. If you collaborate with other departments you can create a pot of money to fund almost anything.

Sponsorships are there if you’re willing to make the ask. There are plenty of companies that would love to put money towards programming that improves the career readiness of students - especially in HTM. You can talk to restaurant and hotel groups and they will bring people or resources to your events. There are also plenty of brands that have money to support programs for young people.

Your department should have money budgeted for events and activities. If they don’t, you can submit proposals for the future.

In most instances your cost for speakers should be zero to low. If you approach colleagues in the industry the right way they will gladly come on campus and speak for free. Now that doesn't mean you don't do something for them, it just means that you don't have to pay thousands of dollars to bring them in. On the other hand, thank all of them many times over and always keep an eye out for them. They should receive at minimum a very nice thank you with a hand-written note. An even better touch is a thank you package with college items and personal cards or letters from the students. Just like we teach from the perspective of hospitality, a warm and authentic thank you goes a very long way. No matter what, partners in industry appreciate the opportunity to scout talent for future employment and internships.

**High School Realities**

You have to meet high school teachers and administrators where they are at, and understand the daily challenges that they face. Because teachers are resource-strapped and have many people telling them what to do, they are grateful for “just add water” opportunities. According to Heather O’garro, AOHIT Erasmus High School, "attending SJC events not only benefits my students, it gives me a chance to meet and interact with other teachers and professionals in a way I normally wouldn't
have the opportunity to" (personal communication, April 28, 2019). Make the programming super easy for them to manage by providing all of the pieces they need. Recognize that they don't have access to the internet like we do on the college campus (many websites are blocked), which means that we can't just send them links to everything. They appreciate simple flyers and simple forms. If you are in a metropolitan area, there are also restrictions for public transportation as it relates to high school students. They cannot leave their school until a certain time if they are going to use the subway or bus. They may also have to leave campus by a certain time, so adjust as needed. If you have the resources then it is a great thing to be able to send them a bus. Another consideration is planning your event on their campus. A simple example of this is a panel discussion.

Specific Programs

So let's talk about examples of programs. Please keep in mind that these are concepts created through Hospitalented. Art in a Bottle dedicated to the marketing and business behind beverage and condiment brands. Not So Scary Foods is all about the future of food; plant-based, insects, tofu, etc. Airline Expo is about careers in the aviation and travel industry; from pilots and flight attendants to airport staff and travel writers. HospiChallenge is hospitality olympics; challenges from FOH skills to sustainability case studies. Interview360 is a combination of interview skills combined with networking and soft skill training. According to Ken Limbach, a colleague at John Dewey High School - "our students enjoyed the Interview360 event. They felt well-prepared for their summer internship interviews after practicing with industry professionals and receiving useful feedback" (personal communication, April 29, 2019). Lastly, BlockVariable is about cryptocurrencies and exploring the potential for blockchain technology. These are programs that were created specifically to; a) address areas that are underserved by most collegiate HTM programs, b) peak the interest of both high school teachers and students, c) give college students in HTM programs an outlet for event planning. While this case study is not about specific programs, more information about them can be found at Hospitalented.org.

Return on Investment (ROI)

You may be feeling anxious, thinking “how can I do even one of these programs? I'm too busy teaching my classes and advising my students.” You're right, it's not easy. The bigger question is ROI - leadership will ask if this is worth the investment of time and resources. That is for each college and department to determine. There are many things that are done by colleges to stay “front of mind” that are not correlated with a specific outcome. Examples include athletics, student organizations, marketing campaigns, etc. Many things that are done are justified as best practices, but often they are just things that have been most done. There is research that will validate their use, but ultimately it’s hard to pinpoint exactly why some students will choose the school they do. It may have nothing to do with what we put out there.

Data

When you are in a position to ask for resources you will often get the question “how do you know… That this will work? That students will enroll? That it won’t be a waste of money?” That being said, it is helpful to establish early what your baseline is. Put together numbers for the previous three years using interest cards, admits and deposits for students from each high school you are working with. Document all interactions and deliverables from these high schools. You want to be
able to demonstrate what you've accomplished each semester and each year. Unfortunately there is no direct correlation between the work that you do and the eventual enrollment of students. For the most part, you can only look at the potential that you have created. For some administrators this is enough to justify the commitment of resources and time by you and the program. If you can dig deeper and identify how a student came to the college, that would be great. In the fourth year of doing this kind of work you should be able to recognize this that you have recruited to campus through your programming. They may not end up in your department but you can still take credit for them getting to campus.

Conclusion

Even if you do all of the things that are shared in this case study, the reality is that you will likely not see any increases in enrollment for several years. You cannot abandon the process too quickly, or else that investment will be wasted. It must be authentic too, not just transactional. There is also no guarantee that these strategies will work in your part of the world, and it is possible that the entities mentioned here do not exist where you are. Still, you have an opportunity to do more than you are doing currently. See where some of these ideas could be implemented and map out a path that works for you and your program. Remember that partnerships between institutions are based on relationships between people. Just as you have to invest time in relationships with friends, family and colleagues - you have to put time into relationships with partners.

References


Part 6: Environmental Issues/Sustainability & Green Tourism
Sound Pollution and Tourism in the Urban Area

Esref Ay and Semra Gunay Aktas

Faculty of Tourism
Anadolu University, Turkey

Abstract

Countries that want to get more shares from the current tourism pie in the world have started to prepare and market their products in a multi-dimensional structure considering the change in tourism demand. With the integration of the products in the tourism market, an improvement has been achieved in urban tourism as well as in many other types of tourism. With the development of urban tourism, it is seen that people travel to urban areas in crowded groups and participate in tourism activities. The already crowded city centers become more crowded with tourism mobility, which brings with it various environmental problems. One of these problems is sound pollution and noise. Within the scope of this study, studies on sound pollution in city centers and touristic destinations have been examined and it has been shown that sound pollution is an important problem in terms of tourism. The concept of sound landscape, which is important in terms of cities, was mentioned and suggestions were developed to stakeholders in order to prevent sound pollution caused by the degradation of sound landscape and to ensure sustainability in this regard.

Keywords: sound pollution, urban tourism, sound landscape, noise

Introduction

After the end of cold war, many countries started focusing on activities regarding improvement of social lifestyles. Besides, the daily working hours and annual overall working days of people decreased in these days due to mechanization and technological developments. This situation introduced the term of leisure. The developments in communication technologies also contributed to the increased interaction between people, the popularization of holiday-making awareness and the development of world tourism movements. In recent years, it is observed that there is a tendency from classical tourism, which is named as sea-sand-sun, to more individualized and specialized tourism types (Kilic and Kurnaz, 2010: 40), and accordingly, the urban tourism develops along with different types of tourism. Crowded city centers due to increased population as well as tourists’ participation to the city tours in groups cause various environmental problems. The current noise caused by traffic and crowd in the city centers imposes a negative effect both on locals and tourists by increased tourism movement.

Traveling and tourism concern the experience quest of tourists. The places and geographical landscapes of such places play an essential role in touristic experiences. The geographical appearance perception in the mind takes shape by the knowledge or expectations of individuals and assists tourists to experience the places efficiently (Gunay Aktas et al., 2018). The sound landscape, which is an important concept in city architecture comprised of invisible but only audible events has an importance in terms of tourism. The sonic environment heard, felt and interpreted by an individual or a community is defined as sound landscape.
The place, the sound, the listener and the human as the source of the sound constitute the acoustic communication. These acoustic experiences exhibit a dynamic structure that affect and shape these relations which constitute the behavioral relations of individuals with their environment (Karahan, 2018). The information on where the sound originates from, to which culture and community it belongs are obtained by conceptual handling of the sound. Conceptually handled sound assists envisaging of the culture, community and place structure regarding the sound. In other words, the sound events created by the place of sound landscapes become a representation that provides data on the city through a functional, semantic and aesthetic evaluation of sound objects. The sounds can carry information regarding city places, whereas they can be evaluated in a subjective structure when interpreted in terms of semantics. For this reason, the sound can carry both subjective and objective positions within a city place (Kaya, 2018: 27-28). The noise emerges in the presence of sounds that cannot be understood or create confusion of meaning, and the noise alienates individuals to their environment and suppress them physically and mentally (Karahan, 2018). This situation makes a negative influence on tourism demand in city enters where noise is significantly felt.

**Urban Tourism**

New trends leading to the emergence of different types of tourism enabled the development of regional integrated tourism products (Olcay and Giritlioglu, 2014: 3). The integrated and multidimensional structure of the products in tourism market is one of the most important steps in the growth of the market. In this context, the urban tourism recently grew and became a significant type of tourism (Secilmis, 2011: 38). The cities are in a state of flux from past to present and have a dynamic structure specific to them. Some researchers handled cities in terms of physics-place only, whereas some others tried to explained cities with their social, cultural and economic aspects. The cities handled with these factors are considered as living organisms (Ugurlu and Cekic, 2019: 287). The urban tourism is defined as tourism activities carried out in the city. The urban tourism based on human attractions covers various activities such as recreation, participation to special arrangements and business meetings, recreational shopping, visiting attractions like art galleries, concerts, festivals, exhibitions and museums, visiting relatives (Emekli, 2012: 73). The sources that are likely to serve to various events such like entertainment, shopping, sports, health, culture, congress tourism can be found together in the cities. Besides, the infrastructure and superstructure facilities of the cities make them become important tourism attraction centers (Yilmaz, 2011: 1). London, Paris, Prague and Montreal are among the most important destinations in the world where urban tourism takes place. The image and the tourism potential of those cities are very important in terms of actual tourism activities. For this reason, all current attraction factors should be used to the maximum extent in order to gain maximum favor from the urban tourism. Urban tourism allows tourists to discover the cities by experiencing the social, cultural and historic fabric of the cities (Giritlioglu and Avcikurt, 2010: 76-77).

**Noise and Noise Pollution**

Rapid increase of the population, industrialization and immigration disturb the natural and cultural balance of the cities. Social, cultural, economic and ecologic destruction of the cities turns them into environments that are insufficient for human life (Bayraktar, 1984; Yilmaz, 1994). Environmental problems such as soil erosion, destruction of forest areas, reduction of energy resources, destruction of plant and animal species, deterioration of ecology and ecosystem
balances, air, water and soil pollution, greenhouse effect caused by ozone layer depletion, international pollution transfers, nuclear pollution etc. can be listed as threats currently disturbing humanity (Madran, 1991: 139). Noise pollution is also one of the problems with increasing impact that needs to be solved.

The sound generated by waves in air pressure through a vibrating source is a physical phenomenon that stimulates hearing in living creatures (Yılmaz and Ozer, 1997: 516). Physically, sound is a vibration energy that can propagate in the form of longitudinal waves in a material environment. In other words, the sound is a pressure wave. The sound has a frequency and an intensity as it is a pressure wave. Frequency (tone/pitch of sound) is the number of vibrations per second and is measured in Hertz. The sound has to have a certain level of intensity to be heard. Because, the human ear has hearing thresholds at different frequencies, in different intensities. Essentially, the intensity of the sound is measured with the “BEL” unit. Bel is a unit used to compare sound intensities, which increases logarithmically with the pressure level of sound waves. The “dB” (decibel), which is used in practice, is one tenth of Bel (Sanlı, 1998: 2-3). For sound to exist, a source (an object that vibrates by increasing and decreasing its diameter) and a flexible environment (e.g. air) are required. The sound waves that are similar to the propagation of waves formed by a stone thrown into a still water distribute the sound energy to the environment by compressing and loosening the molecules of the medium (Aslan, 2009: 3). The pressure the sound waves make on the ear makes them heard. A sound in a range of 0 to 50 dB can be heard easily and people will not be bothered by it. However, the sounds beyond 75 dB are considered noise and exposition to such noise more than 8 hours per day is likely to cause hearing disorder (Kinaci, Albuz Pehlivan and Seyhan, 2011: 35). The noise is defined in the Regulation on Noise Control that came into effect by publication on Official Journal dated 11.12.1986 numbered 19308 as a sound spectrum with a randomized structure. In brief, the “noise” is an unwanted sound, hence is subjective (Anonymous, 1986).

The traffic and the industrial activities seem to be the most significant sources of noise pollution present in the cities in daily life. It is possible to say that the noise pollution occurs especially in industries such as metal, textile, foundries, chemical and automotive sub-industries (Çakır et al., 2018). The noises that constitute the acoustic pollution can be divided into two groups depending on the position of the source and the receivers in an environment and the propagation paths (Anonymous, 2011: 5). Outdoor noise sources: These are the noises produced by the sources outside the buildings and affecting both the volumes inside the buildings and the people using the open areas outside the buildings. These can be grouped as follows:

- Transportation noises (road, sea, railway, aircraft and airport noise)
- Industrial noise (noises produced by industrial vehicles, equipments and machinery as well as various activities in the workplace)
- Construction (construction site) noises (noises produced by road and building construction works and construction machinery)
- Noise related to human activities (loud speaking, yawping, children's sounds, sports fields, shooting areas, radio TV and music sounds, etc.)
- Entertainment and commercial specific noises (open-air cinemas, entertainment venues, salesman sounds, music sounds from music stores, etc.)
- Indoor noise sources: These are the noises produced by the sources inside the buildings.
- Speaking sounds
- Footstep sounds
- Household appliances’ noise
- High volume music
- Impact and rubbing sounds
- Door slams
- Office noises
- Garage noises
- Noises of various machinery and equipment (elevator, plumbing etc.)
- Special noise from all kinds of workplaces inside the building

**Effects of Noise on Human Health**

The pleasant sounds have been used for therapeutic purposes since past societies. In addition to music, psychotherapists use sounds such as streams, waterfalls, winds, waves and birds that exist in nature. Such sounds are effective in reducing depression and stress (Karamizrak, 2014; Yener, 2011). Noise affects human health negatively, regardless of its level and exposure period. Negative effects of noise pollution on human health can be grouped in two groups as physiological effects and psychological effects. It was clinically demonstrated that noise, physiologically, can cause transient or permanent loss of hearing, impaired heart rhythm, difficulty breathing, increased blood pressure, and sleep disorders. Psychologically, it can cause behavioral disorders such as stress, lack of concentration, decrease in job performance and anxiety (Erdogan and Yazgan, 2007: 205; Anonymous, 2011). It was found that people who were exposed to noise at about 100 dB for long term experienced 10 degree narrowing in the field of view, decreased sense of depth in vision and impaired night vision (Sansal, 2010: 9). Noise can cause digestion and hormone problems, damage to internal organs, hardening of the arteries, birth problems like disability at birth or stillbirths. As noise increases, some disruptions in communication can occur. For example, the individual may need to shout to communicate. The noise also affects the pituitary hormone. As noise increases, the autonomous responses also increase to the same extent. The researches made in relation with alpha and beta receptors revealed that the blood pressure increases due to noise (Bal, 2018: 6-7). It was observed in the researches that people who live nearby airports received more psychiatric consultations and used more sedatives and sleeping pills compared to normal ranges (Sansal, 2010: 9). Many specialists attract attention to the fact that the deafness problem might be experienced in global scale (Akkaya, 2014: 37).

**Table 1. Classification of Noises (Anonymous, 2011)**

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<thead>
<tr>
<th>Noise Level</th>
<th>Exposure Range (dBA)</th>
<th>Effects on Health</th>
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<tr>
<td>1st Level Noises</td>
<td>30-65</td>
<td>Discomfort, disturbance, anger, irritation, sleep disorder and concentration disorder</td>
</tr>
<tr>
<td>2nd Level Noises</td>
<td>65-90</td>
<td>Physiological reactions; increased blood pressure, accelerated heart rate and respiration, decreased brain fluid pressure, sudden reflexes</td>
</tr>
<tr>
<td>3rd Level Noises</td>
<td>90-120</td>
<td>Physiological reactions, headaches</td>
</tr>
<tr>
<td>4th Level Noises</td>
<td>120-140</td>
<td>Permanent damage in inner ear, impaired balance</td>
</tr>
<tr>
<td>5th Level Noises</td>
<td>Beyond 140</td>
<td>Severe brain damage, burst eardrum</td>
</tr>
</tbody>
</table>

According to data from the European Environment Agency, around 65% of the European population is exposed to ambient sound levels above 55 dBA, while about 17% is exposed to
According to the report named “World Population Prospects” issued by United Nations (UN), the world population of 7.7 billion with an increase of two billion in last three decades was predicted to reach up to 9.7 billion by 2050 (https://www.un.org/). It is possible to suggest that the city centers become more crowded in parallel with increasing world population. As a result of increased population, various environmental problems emerge. One of these environmental problems is the sound pollution which recently increasingly lifted its impact.

Relation Between Sound Pollution and Tourism

According to a study by Sanli (1998), the sound pollution in Kusadasi reached a level to threaten the health of tourists and the noise became an increasing environmental problem; and it was found in a study conducted by Cakir et al. (2018) that the sound pollution in Bodrum was considered as a problem by tourists. As a result of the interviews made with tourism stakeholders in Alacati within a framework of a study conducted by Alkan (2015), the sound pollution was determined as the biggest problem in the tourism of Alacati. The news published on the Tourism Today website on 16.07.2019 supports the result of Alkan's study. It is stated in the news that holidaymakers in Alacati terminated their reservations early and left the hotels because of the noise (www.tourismtoday.net). In addition, in a news published on Cyprus Post news website on 14.07.2017 it was stated that the noise pollution in Cyprus/Kyrenia...
has a negative impact on tourism, the number of tourist complaints in this direction increased and many tourists left Cyprus due to the noise and violations of the law (www.kibrispostasi.com).

**Discussion and Conclusion**

The “Directive on Assessment and Management of Environmental Noise” that was prepared for the purpose of making necessary measurements and assessments in order to ensure the necessary measures are taken to prevent the deterioration of the peace and quiet as well as physical and mental health of the people as a result of exposure to environmental noise came into force in the Official Journal dated 2010 numbered 27601. Within the scope of this directive, the noise maps are prepared particularly in city centers and touristic destinations in Turkey. Republic of Turkey, the Ministry of Environment and Urbanization prepared noise maps of 25 provinces, particularly Istanbul, Ankara, Izmir, Eskisehir and Adana by 2017 within the scope of Technical Assistance Project. The Ministry plans to complete the noise map of 41 more provinces until the end of 2019 (Anonymous, 2017). There are studies in national literature conducted on noise mapping in some cities. The noise measurements were made by Ozdemir et al. (1999) in city center of Konya, by Kalipci (2007) in city center of Giresun, by Ozyonar and Peker (2008) in city center of Sivas, by Ilgar (2012) in city center of Canakkale, by Morgul and Dal (2012) in city center of Sakarya, by Ozer (2014) in the city parks in Erzurum, by Sahin et al. (2016) in Havza, Samsun, and found sound pollution at some points of the cities. There are also studies on sound pollution in areas with entertainment venues in city centers. The sound measurements were made in the places where entertainment venues are located on Istiklal Street in Istanbul by Tufaner (2009), at Bosphorus by Sansal (2010), in Izmir by Turkekul (2012), in Besiktas and Sisli districts of Istanbul by Duran (2016), in Kurucesme region of Bosphorus by Bolukbasi and Yilmaz (2013), in Antalya by Sari et al. (2013), in Atakum, Samsun by Tuncer (2013), and they prepared the noise maps of these regions by these measurements and revealed the sound pollution at such points. When evaluated within the framework of tourism, the studies revealed that the noise has negative impacts also on employees alongside the locals and tourists. Employees in a noisy work environment are negatively affected physically and psychologically, and job satisfaction and job performances decrease due to this situation. Excessive noise produces negative effects on productivity and sense of good feeling resulting in stress (McDonald, 1989; Leather, Beale and Sullivan, 2003; Akgunduz, 2006; Tekin, 2010: Kaya, 2012; Gokgoz, 2013).

The high volume music broadcasting that lasts until late hours alongside the traffic and crowd - especially in touristic regions- in the cities produces a sound pollution. In 2002, the Ministry of Tourism issued two circulars on Noise Pollution in order to reduce the noise arising from tourism activities. In the circular dated 03.04.20102 numbered 2002/1, some regulations were made to prevent high volume music broadcasting by the restaurants and entertainment venues licensed by the Ministry of the Municipalities and to regulate the working hours of the licensed enterprises. In the circular dated 17.06.2002 numbered 2002/3, it was specified that the provisions of Environmental Law and the Noise Control Directive that was published relying on such law should be followed by the entertainment venues (Erdogan, 2003: 88).

In order to analyze the cultural character of cities, their acoustic structures can be reflected using sound mapping method. It is aimed to reveal the geographical, cultural, economic and ethnic diversity of cities with important projects carried out in the world such as the creation of sound maps for New York and Montreal (Akkaya, 2014: 51).
The sounds beyond approximately 75 dB are considered as noise. However, when evaluated in the context of tourism, it is considered that the definition of noise should be differentiated. Because, during the holidays, a high level sound (sounds in nature, sound of music, etc.) can be non-disturbing but entertaining and even relaxing for some tourists. For some tourists, a very low decibel sound can be disturbing, and this sound can be regarded as noise. For example, while sunbathing on a beach, there may be tourists disturbed by the sound of music broadcasting at a very low level from a touristic facility located over there, whereas there may also be tourists who are happy with the sound of a waterfall flowing very loudly in nature and not disturbed by that sound. From this point of view, in the context of tourism, the importance of sound carrying capacity comes forwards as other types of carrying capacity. The sound carrying capacity is considered to be an issue that needs to be emphasized and detailed for tourism venues.

Increased world population and spread mass tourism increase the environmental problems and the increasing environmental problems threaten the sustainability of tourism. The sound pollution, one of the environmental problems especially in city centers negatively affects the residents and the tourists, and this situation is also important in terms of the destination preference factors of the tourists. In the light of all data set forth, it is thought that the sound pollution should be handled especially in terms of tourism and the necessary measures should be taken by the competent authorities before it is too late. To determine by a sound measurement the noise sources in the cities, not to cause any disruptions in the auditing of entertainment venues and hotels, to make noise-reducing landscaping arrangements in these areas can be listed as the suggestions attributable to the competent authorities.

References


Tourism in Protected Areas: The Case of Yenice Forests

Eray Caglayan and Hakan Sezerel
Social Sciences Institute
Anadolu University, Turkey

Abstract

This study examines the emerging tourism movements in the Yenice Forests, which contain various protected areas from a sustainability perspective and to determine the extent to which they meet ecotourism principles. In the study, a mixed-method approach was adopted and a three-stage data collection process including systematic observation, questionnaire, and semi-structured interviews were conducted. The results obtained from the content analysis revealed that the tourism activities in the Yenice Forests are nature-based and that the activities performed by the tourists in the region are educational, but the tourism infrastructure in the region is not sufficient. Based on the survey findings, it was determined that tourism activities in the Yenice Forests partially meet the basic dimensions of ecotourism, the Yenice Forests have potential on ecotourism as a model in Turkey, but the tourism planning process should be completed with a more comprehensive and participatory approach including control, monitoring and evaluation activities; should be implemented.

Keywords: sustainable tourism, protected areas, ecotourism

Introduction

In spite of the occasional crises, tourism has achieved uninterrupted growth and has become the world's largest and fastest-growing sector (UNWTO, 2016). In parallel, nature-based tourism activities constitute 2% of all tourism activities at the end of the 1980s and currently constitute 20% (Buckley, 2009). As a result of this increase, the view that mass tourism has been replaced by nature tourism is becoming widespread (Weaver, 2012).

Designation of natural habitats with different protection statuses such as national parks or nature conservation areas to protect the biological values on earth are generally defined as protected areas and are considered as the most effective means of conserving and managing the natural heritage (Dudley et al., 2005; Dudley, 2013). Besides, nature-based tourism developed in protected areas has become a large and international industry with significant economic, social and environmental consequences at the local and global scale. Today, about half of all economic activities related to the travel and tourism sectors are consist of natural areas and cultural tourism activities closely related to those areas (Stueve, Cook and Drew, 2002).

Protected areas, which are the most important destinations for both domestic and foreign tourists for many tourism and recreational activities, play a vital role in ensuring sustainability in three priority areas of environment, socio-culture and economy. Meeting these three profit groups is also the basis of sustainable human development (Gurung, 2010). Additionally, it is argued that tourism should be considered as a development tool for supporting the continuity of the rural population in certain protected areas (Roberts and Hall, 2001; Sharpley and Pearce 2007). Similarly, Puhakka and Saarinen (2013) asserted that tourism is implemented as a priority policy which is considered
with increasing demand within the scope of socio-economic development. Francis (2007) stated that tourism is encouraged to reduce dependence on certain socio-economic activities in protected areas such as agriculture and/or mining.

Tourism can be an important tool that contributes to the protection of natural areas by increasing the environmental awareness of visitors and residents of protected areas. Moreover, tourism activities in protected areas should be carefully planned, managed and monitored to ensure long-term sustainability. Otherwise, negative effects will occur and tourism will make these areas worse (Eagles et al., 2002).

**Literature Review**

The protected area approach is the most important internationally recognized instrument for the protection of ecosystems and species. Protected areas protect ecosystems that meet a range of essential services and needs, such as watersheds and fertile soils for human well-being, as well as the protection of wild areas that contain natural resources and important cultural values, including forest products that local communities depend on to live. Besides, protected areas, are also important for ecological researches and education activities, and contribute significantly to local economies through sustainable and ecological forms of tourism (UNEP-WCMC, 2008).

Protected areas are an important component of tourism and recreation supply. Recreation consists of human activities or experiences in leisure time (McLean, Hurd and Rogers, 2008, p.45). Tourism can be an important tool for protecting natural areas and raising the environmental awareness of visitors and those living in and around the protected areas. These objectives can be achieved through the creation of financial resources through tourism and protection measures to be developed through appropriate information and training programs to be organized for local people and visitors. Furthermore, tourism activities in protected areas should be carefully planned, managed and monitored to ensure long-term sustainability. Otherwise, negative effects may occur and tourism may cause these areas to deteriorate (Eagles et al., 2002).

Protected areas and national parks are the main areas for nature tourism, including ecotourism (Ceballos-Lascurain, 1996). Unlike the ecotourism market, protected areas are attracting other forms of tourism that are not sensitive to the protection of nature.

Despite long-standing concerns about the environmental impacts of tourism, increasing policies to improve the socio-economic well-being of society in some protected areas have led to the development of tourism in these areas. Tourism potential; awareness-raising, supporting conservation efforts and the potential contribution of outdoor activities to health (Bushell and McCool, 2007), is an important factor among the reasons for declaring protected areas (Butler and Boyd, 2000). Also, there are cases where tourism is not supported because it may cause an excessive increase in the number of visits, focus on profit and the negative effects of inadequate planning (Bushell and McCool, 2007; Whitelaw, King & Tolkach, 2014). Nevertheless, some researchers argue that tourism should be considered as a development tool that supports the continuity of the rural population, especially for certain protected areas (Roberts and Hall, 2001; Sharpley and Pearce, 2007).
Similarly, Puhakka and Saarinen (2013) cited the national parks in Finland as an example of tourism, and stated that tourism was implemented as a priority policy which was considered with increasing demand within the scope of socio-economic development. Tourism can be encouraged in response to the reduction of dependence on certain socio-economic activities in protected areas such as agriculture and / or mine extraction (Francis, 2007) or the reduction of state resources (budget) in these areas (Francis, 2007; Whitelaw et al., 2014). The inclusion of sustainable development goals into tourism and sustainable development of tourism may encourage it to be recognized as a protected area activity (Weaver, 2006).

While tourism in protected areas integrates conservation and development (Godde et al., 1998; Kollmair et al., 2005), it offers important opportunities to local people in developing countries as a useful tool to reduce poverty (Morris and Vathana 2003; Chok et al., 2007). However, the continuous increase in visits to protected areas around the world complicates the work of protected area managers, who work on the one hand to conserve resources and who are responsible for the provision of recreational services. However, tourism activities in protected areas have various effects such as destruction of vegetation, erosion caused by walking paths, deterioration of cultural resources, crowds of visitors and recreation conflict (Marion and Reid, 2007).

These effects include various infrastructure investments that may adversely affect heritage values preserved in protected areas such as roads to access the natural and cultural heritage, accommodation, footpaths, bridges, signposts, parking lots, cable cars, visitors or training centers, administrative facilities that are the basis for the valid tourism industry. Visitors themselves can also negatively affect natural values by being too large in number or inappropriate behavior. While tourists benefit from protected areas, the negative consequences of tourism activities can have a lasting impact on the region and the experience of future visitors (Eagles et al., 2002; Leung, Marion and Farrell, 2001).

Likewise, the increase in recreational activities in protected areas all over the world, there is a significant trend in increasing tourism activities in protected areas of Turkey (C.O.B., 2007). This reveals the importance of better planning and monitoring to develop appropriate management strategies in protected areas. Unlike some countries such as Canada and the United States, where nature-based tourism activities are established as very good tourist products and developed on the basis of appropriate monitoring and development strategies, protected area management practices in Turkey is far more behind in implementing appropriate visitor monitoring and management strategies as most of the protected areas are lack of checkpoint, signage and maintenance. In addition, it is important to have a regular visitor monitoring system to ensure the balance between recreational and touristic use and protection of these areas, and without effective site management, it would be possible neither to develop recreational and touristic activities nor to protect these naturally overwhelmed areas (Caglayan et al., 2012).

**Methods**

Yenice is located 33 km west of Karabuk, at the junction of Yenice, Incedere and Bakraz creeks. The county has a surface area of 1150 km² and is 112 m high above the sea level. The region is under the influence of the West Black Sea climate which is humid, rainy and foggy in general. The average annual temperature is 8.8º C, humidity is 76.2% and total rainfall is around 1200 mm. Yenice has an area of 1150 km² and 85% of it is covered with forests (Lise, 2005).
Yenice Forests, which have a very rich in terms of biodiversity, are an extraordinary forested area with the protection statuses such as nature conservation area and wildlife development area it holds. Yenice Forests is defined as biodiversity hotspot by WWF-Turkey, one that must be protected among 100 hotspots in Europe (Lise, 2005). It is also identified as one of the 305 key biodiversity areas in Turkey in the evaluation made by Nature Society (Eken et al., 2006).

In spite of the large number of studies conducted in the relevant literature to date, there is still a need for explanations on the socio-cultural and environmental dimensions and interdisciplinary research studies to ensure the sustainability of tourism activities in protected areas (Butler, 1999; Liu, 2003; Weaver and Lawton 2007; Puustinen et al., 2009). In response to the arising need of sustainable management of protected areas in Turkey, this research aims to contribute specifically to the individuals and authorities for sustainable management of protected areas, visitor monitoring and identification of policies in Turkey.

This research is examining the emerging tourism movements in the Yenice Forests from a sustainability perspective and based on the analysis of the data obtained through the interviews with stakeholders contributing to the development of tourism in the region. Located in northwestern Turkey, and 750 sq km area covering Yenice Forests has been identified as one of the 100 biodiversity hotspots in Europe by WWF-Turkey which should be strictly protected (Lise, 2005). Additionally, Yenice Forests is one of the untouched Key Biodiversity Areas in Turkey with its monumental trees, natural old- growth forests, deep valleys, river ecosystems, and wildlife; and there is an increase in daily tourism activities in the area in recent years (Eken et al., 2006). In 2009, the Yenice Forests Nature Hiking Trails guide book (Demirel, 2009) which introduces the Yenice Forests as a popular destination for nature-based tourism activities such as hiking, mountain biking and, the canyoning was published. Promotional activities for Yenice Forests increased for the recent years and improved its popularity among many other hiking trails in Turkey and made it more known by hikers (KDMP, 2016).

Figure 1. Yenice forests (WWF-Turkey, 2009)
Considering the fact that it is easily reachable by a few hours driving from Ankara and Istanbul, and the global trends in nature tourism, policies and actions of local administrators to improve nature-based tourism activities in Yenice, it is expected to increase the number of tourists visiting the area in the near future (Sahinbas, 2016 and KDMP, 2016).

In the study, a mixed-method approach was adopted and a three-stage data collection process including systematic observation, questionnaire, and semi-structured interviews was conducted. The data was collected through observations and interviews to identify the current state of tourism and its reflections on current local life. Within this scope, interviews were conducted with representatives of the institutions and organizations responsible for the development of tourism and the management of Yenice Forests in Yenice District and the Karabuk Province. A questionnaire was conducted with predetermined stakeholders, then an appointment was made and semi-structured face-to-face and telephone interviews were conducted. As a qualitative research approach, observations, interviews, and questionnaires gathered information on the sustainable development of tourism in the field. In addition to this, descriptive analysis technique was applied to make suggestions to determine the policies that should be applied to ensure the sustainability of the natural and cultural environment in the region as part of the sustainable tourism.

Decoded texts of the recorded interviews were saved as each with a separate “Microsoft Word Document” file. Then, all forms were read without any marking and coding, and necessary corrections (punctuation, font, line spacing, etc.) were made. Afterward, all interview data were transferred to NVivo 11 program for content analysis and read again. Subsequently, all interview data were marked and coded. The predefined list of themes and codes was not used in this coding phase. All codes and themes were determined by the researcher. The codes obtained in the first evaluation were preliminary analyzed and the overlapped codes and contiguity were reviewed and compared with the models in the literature.

In this research 147 codes were identified and grouped under 3 different themes and 11 categories. The codes were parsed out according to words, phrases and sentences in accordance with the research purpose. The identified codes are grouped under 11 thematic categories as of attractiveness, nature of Yenice Forests and interaction with tourism, activities, infrastructure, environmental, economic, communication, accommodation, planning, socio-cultural, and governance. These categories were regrouped according to the basic criteria of ecotourism (Fennell and Weaver, 2005) in 3 thematic groups.

**Findings**

The results obtained from the content analysis revealed that the tourism activities in the Yenice Forests are nature-based and that the activities performed by the tourists in the region are educational, but the tourism infrastructure in the region is not sufficient. Based on the survey findings, it was determined that tourism activities in the Yenice Forests partially meet the basic dimensions of ecotourism, the Yenice Forests have a potential on ecotourism as a model in Turkey, but the tourism planning process should be completed with a more comprehensive and participatory approach including control, monitoring and evaluation activities; and should be implemented.
When the relationship between the research and the other empirical researches mentioned in the literature is examined; Lindberg, Enriquez and Sproule (1996) stated that tourism activities in three different protected areas in Belize have achieved the objectives of providing support for local economic benefit and local protection, but have not achieved the objective of creating financial support for protected area management. In another study, De Los Monteros (2002) found that tourism operators in protected areas on the Lapaz Bay are generally regarded as ecotourism initiatives and contribute to the protection of the region, but cannot afford the necessary protection costs. In this research, it was determined that tourism activities in Yenice Forests are considered as an economic activity as an alternative to forestry activities and a supportive sector for the protection of natural values in the region.

In contrast, Wunder (2000) found that ecotourism activities in the Cuyabeno Wildlife Reserve in the Ecuadorian Amazon provide significant additional income to the local population, and this study concludes that the current state of tourism activities in the Yenice Forests does not provide sufficient economic benefits to the local community.

Nyaupane and Thapa (2006) found that in the Annapurna Conservation Area, negative environmental impacts of tourism were less perceived than the positive effects by residents compared to protected area managers. Similarly, the results of this study suggest that the environmental impacts of tourism activities in the Yenice Forests are currently negligible by the interviewers.

Besides, when compared with conceptual researches; according to Ross and Wall (1999), the main function of ecotourism is the protection of natural and cultural resources, as well as its income-generation, education, local participation, and capacity building. According to Newsome et al. (2012), Page and Dowling (2002); ecotourism is an activity that is (i) nature-friendly, (ii) ecologically sustainable, (iii) educative, (iv) economically beneficial to local communities, as well as satisfying tourists. The analysis of the data obtained from the interviews with the participants within the scope of this research shows that the natural values of the Yenice Forests are the most important factors in the development of tourism activities. Tourism activities in the Yenice Forests are generally in harmony with nature, ecologically sustainable and educational, and therefore resemble with the researches were done by Newsome et al. (2012), Page and Dowling (2002), but are not economically beneficial to the local population.

Based on the findings of the research, tourism activities in Yenice Forests partially provide the basic dimensions of ecotourism, Yenice Forests that have the potential to be an example to Turkey in terms of ecotourism, however; it has been determined that the tourism planning process should be completed as soon as possible and put into practice with patrolling, monitoring and control activities. The possibility of increasing tourism pressure soon should not be ignored due to the proximity of the region to Istanbul and Ankara, the attractiveness of its natural beauties and the investments being made.

Conclusions

Fennell and Weaver (2005) stated that ecotourism is a nature-based activity and that tourism activities are based on establishing relationships with nature. They also stated that ecotourism products, which are based on nature, are dependent on nature itself to meet the interests, desires,
and expectations such as the course of natural scenery, hiking, wildlife observation, scuba diving and rafting. The findings obtained in this study were coded under the categories of attraction, nature, and interaction of Yenice Forests with tourism and grouped within the scope of nature-based theme.

The presence of block forests, wildlife development area and two nature conservation areas of Yenice Forests, the presence of geographic formations such as Seker Canyon, Goktepe, Subatan, and Sorgun plateaus, lakes and rivers were found to be the basis of tourism activities in Yenice Forests. All of the participants mentioned the natural values of the forest, namely the geographical view, as the reason for the tourists coming to Yenice Forests. In this context, tourism activities realized in order to establish a relationship with nature, to watch the forest landscape changing according to the season, to see the monument trees in the region, to get away from the stress of daily life and to participate in activities such as hiking, cycling and nature photography by observing wildlife can be defined as nature-based.

Although almost all nature-based tourism activities offer tourists the opportunity to learn to some extent, the most important element defining ecotourism is experience-based training and interpretation. Interpretation is an educational activity that aims to reveal meaning and relationships through first-hand use of real objects, directly through experience and through descriptive communication tools (Weaver, 2001).

According to this, the most important tourist activities in the Yenice Forests are nature walks, activities that require direct participation and physical effort, the opportunity to experience adventures and seeing, hearing, smelling and assimilating various wild plant and animal species, and activities that derive meaning from these experiences.

Blamey (2001) states that sustainable management of ecotourism activities is only possible when economically profitable, quality and local participation is encompassed both in the natural and cultural environment. This three-dimensional approach is consistent with Buckley's (1994) ecotourism view that is ecotourism based on nature, environmentally educative, sustainably managed, and supporting the protection of nature.

Fennell and Weaver (2005) argue that sustainability principles should be considered in the management of ecotourism and that sustainable management is valid in a situation where ecotourism improves or develops the ecological status of the environment in which it occurs or does not worsen the situation in a given time and place.

The findings of this study indicated that tourism activities in the Yenice Forests support the preservation of natural and cultural resources, that the activities carried out by tourists are generally experience-based and educational, in this sense they are similar to Ross and Wall (1999) researches, but the effect of local participation and capacity increase is limited. Accordingly, it can be argued that developing tourism activities in the Yenice Forests encompass the nature-based and educative dimensions, but the sustainable management dimension should be improved.

It was determined that the tourists have come to Yenice Forests because the region has a block forest structure, rich tree variety and geographical factors such as autumn color and monumental trees. Moreover, the nature of the activities consists of activities that require the active participation
of tourists. This situation can be accepted as an indication that the tourism activities in the region are nature-based.

The most intense and important activity made by tourists in the Yenice Forests is nature walks. This is followed by mountain biking and nature photography. Also, it was determined that activities related to canyon crossing, wildlife and plant species observation could be improved. It can be stated that these activities provide the educational dimension of ecotourism, which requires the active participation of people and enables learning while doing.

Research findings show that tourism infrastructure in Yenice Forests is not at the desired level. Nature hiking trails were implemented without comprehensive tourism planning and development of tourism infrastructure. Furthermore, the environmental impacts of tourism activities in Yenice Forests were found to be very limited. Furthermore, it can be said that the contribution of the developing tourism to Yenice's local economy is not significant and that although there is an accepting and supportive attitude towards the tourism activities of the local people, a limited number of people still have prejudice to tourism. However, the participation of local people in tourism services is very low. Despite this, it was determined that there were a serious desire and effort towards the development of nature-based tourism in Yenice, and this effort was directed by the district governorship, municipality, forest management directorate, and national parks branch directorate. Besides, there was an intense and regular communication flow between these stakeholders and the limited number of tourism enterprises in the region. Very limited accommodation capacity has increased slightly with the investment of the municipality in 2018, but it can be argued that there is still a need for the development of small-scale and local accommodation methods such as homestays and tent camping. For Yenice Forests, it is clear that a comprehensive and detailed tourism plan, which will take care of the natural and cultural elements of the region, should be prepared as soon as possible and implemented in all its dimensions. The initiative initiated by the district governorship in the development of tourism in Yenice has been taken over by the municipality in recent years, which may be positive in terms of effective coordination of tourism. All these elements can be evaluated within the scope of sustainable management dimension of ecotourism.

References


Achieving Sustainable Tourism Through Eco-Lodge Venture: Evidence From Eco-Lodge Cases

Niloofer Behnamshirazi¹, Habib Alipour¹, and Sahar Ebadinezhad²

¹Faculty of Tourism
Eastern Mediterranean University, North Cyprus
²Department of Computer Information System
Near East University, North Cyprus

Abstract

The appearance of Eco-lodges and their performance is a result of successful development of ecotourism, but there is barely research on this line of businesses. The purpose of this study is to find out what an Eco-lodge is, both in theory according to literature, and in practice based on the operation of ten Iranian case studies. The question if Eco-lodges may add sustainable development to the tourism sector will be investigated. We proposed a novel model in three different phases. Firstly, data collection has been done for ten case studies in 5 provinces in Iran that have different climates. These case studies are evaluated and scored based on sustainable Eco-lodge indicators. Secondly, a unique definition of Eco-lodge and its’ principles are proposed based on obtained results. Finally, innovation of central software platform for all Iran’s Eco-lodges monitoring are implementing. A qualitative methodology through semi-structured interviews and observation are applied in this study. Results implies that cases studied place a lot of emphasis on the sustainability of the environment in more practical terms than on the socioeconomic which seemed to be the focus of the theories of literature.

Keywords: sustainability, eco-lodge, eco-tourism, environment, socioeconomic, central software platform

Introduction

Recently, tourism has turned into a much more attended industry all over the world. This is because of the significant role it has taken in provoking investments, encouraging trade, and upgrading communication. Tourism is closely linked with most of the main sectors of the world economy. Tourism is such a complicated term to define as it exists in economic, socio-cultural and environmental aspects of life and is dependent upon different levels of service and production (Fennell, 2002). Additionally, Investigation on sustainable tourism glowing more from perspective of tourism academia.

Sustainability might be quite a contemporary concept, but it has gathered a number of studies and researches that are diversified and extremely broad. Regarding this concept, there are fundamental pre-requisites that constitute its bases, which are social, economic and environmental. As cited in Kiper (2013), and made by Hill and Gale (2009), different types of sustainable tourism are shown in Figure 1.

According to Honey (2008), ecotourism is mostly linked with nature-based tourism. Although it goes further than that, with focus on protecting the areas of nature and the wellbeing of the locals...
too. Ecotourism is considered to be an enormously growing sector of tourism. By substituting traditional hotels with a quantity of Eco-lodges that are sustainable, the industry of tourism can be curbed.

As cited in Kiper (2013), Hall asserts that the informed participatory inclusion of the necessary stakeholders who have relevancy and solid leadership politically to enable participation broadly and the establishment of consensus are requirements of sustainable tourism. “Achieving it requires monitoring of impacts, introducing the necessary preventive and/or corrective measures whenever necessary” (Kiper, 2013, p. 781). It is only via these essential actions that a destination can carry out accurate execution of sustainable models of business that are well-balanced, which has the ability of guaranteeing the environment’s preservation, and the betterment of wellbeing, socially. In the absence of a structure such as this, social exploitation and abuse of territory are just a few risks that can potentially occur especially in countries without well-structured related laws and policies.

![Figure 3. Substitute forms of tourism.](image)

Our research contribution is to discover the new meaning of an Eco-lodge in literature and theory, simultaneously based on the observation of 10 Iranian case studies while there is lack of proper meaning for Eco-lodge existence. In this regard, a concept for an Eco-lodge with principles suggested mainly on the premises of cases studied, are made and observed. Since, most of the previous studies are done based on one climate type, we are motivated to propose a novel model to achieve enhancement of sustainable environments by Eco-lodges in the tourism sector based on the climates of similarly situated lodges just as in any of the visited climatic zones.

The last ambition of our research is providing a systematic control system on Eco-lodges of Iran to manage their natural resources in a better way. While, there is no any appropriate monitoring system on Eco-lodges, we are motivated to design a Web CRM application to achieve our aim.

**Literature Review**

Since there are no adequate studies on sustainable tourism based on Eco-lodge, we describe the Eco-lodge definition standards and its impact on sustainability of tourism. Eco-lodge is a term
which first emanated in 1994 during the pioneering TIES Eco-lodge Forum in Maho Bay, defining Eco-lodge as an industry label for identifying a tourist lodge dependent on nature that meets the principles and philosophy of ecotourism (Hawkins, Woods, & Bittman, 1995). Hector Ceballos-Lascurain (1997, p. 4) refined the definition and stated that:

“The most important thing about an Eco-lodge is that the Eco-lodge is not the most important thing. It is the quality of the surrounding environment that counts most: the nearby natural and cultural attractions – and the way ecotourism circuits are set up, operated and marketed, and the way in which the local populations are actively involved in the process”.

Furthermore, the design, food and activities are singled out by Russell et al., as the essential factors that distinguishes a conventional resort from an Eco-lodge. The natural environment should have some integrations into the design versus being nurtured as an enclave; ‘good-and-hearty versus gourmet’ should define the food, while the activities ought to be bordered on the indicating of knowledge via nature, a contrast to being ‘relaxation and utility based’. These all demonstrate the aim to educate the visitors and achieve a blending of the lodge and the local environment, rather than the other way around, to make the surroundings major attractions, not the lodge.

According to Wood (2002), the Eco-lodge’s value is said to have as much importance in its structural settings. It is necessary for Eco-lodges to have settings that are well-protected without any plagues of over-development or problems of destruction of resources. An ecotourism’s property ebbs and flows with its capability to protect biodiversity that are essential, wildlife and landscapes that are flawless. Many Eco-lodges are able to directly manage their natural resources that they depend on for business, hence establishing their own private reserves. An Eco-lodge should meet certain key criteria according to the International Eco-lodge Guidelines (2002), such as handling and disposal of sewage and water is made more carefully and efficiently, conservation of the natural and cultural surrounding of the environment, less impact on surrounding nature while construction occurs, and etc.

Mehta (2007) asserts that an accommodation facility must be able to check five of the aforementioned criteria to be known as an Eco-lodge. Three of these criteria’s embody ecotourism's main principles which are nature's protection, advantages to the locals and the provision of programs of interpretation. There could be negative consequences on biodiversity in the surrounding areas if lodges fail to follow the sound practices and principles of ecotourism. There could also be blessed benefits to the community if lodges do not encourage participation amongst stakeholders such as the employment and tutoring of locals, local ownership, food purchase, crafts, and other supplies that local vendors offer, or the chance and avenue for the locals to learn about and use their natural resources and facilities. In some situations, the inability to include the locals may result in confrontation and strife within and amongst communities. If employment and practices of management is also poor, damages to the relations between communities and businesses could be infringed on (International Finance Corporation, 2004). Hence, the Eco-lodge could fail ultimately from losing its community support and selling point. Individual situations or locations might result to different principles being irrelevant, hence not all Eco-lodges will meet these principles (Mehta, 2007).
There could be extremely luxurious or rustic Eco-lodge where the accommodation in the ecotourism industry within the mid-range price. The types of accommodation ranges are enormous such as tent-camps that are luxurious in Africa, to the tent for backpackers in Alaska (Wood, 2002).

Coordinating an ecotourism with fulfilling itinerary demands a working relationship with the locals at an active level. Eco-lodges require local guides and interactions with the owners of the resources of tourism (Wood, 2002).

The operation and management of mainstream hotels differ from that of an Eco-lodge due to several reasons. Based on findings by the International Eco-lodge Guidelines (Mehta, Baez, & O’Loughlin, 2002), Eco-lodges are most likely found in areas of the Sahara or wilderness which are often undeveloped, very remote in many regions; thus, they are the final places to often receive investments of health, electricity, education, roads, portable water and etc. This tends to be highly challenging to the owners or care-takers of Eco-lodges, because they have a mandate of achieving development sustainably by providing support to local communities in a development program which is long-term and putting land-conservation programs in place with a limited external help. Education is one of the major avenues for the creation of ecotourism that are prosperous, and it hinges on the owners and caretakers of ecotourism to provide it (Wood, 2002).

**Analytical Framework**

*Sustainable Eco-Lodge Indicators*

Uniqueness of Eco-lodges is an important issue for ecotourism and tourism sector. As earlier described, Eco-lodges strive to attain sustainability through many ways such as promoting, adjusting to and preserving its natural environs and locals, and the economies which a traditional business for accommodation does not have necessarily. Thus, for an industry as such that is intense, the summative consequences of tourism sector fires climate change, as well as adding to the unsustainable usage of natural resources, losses in biodiversity, deforestation, pollution of water and air, degradation of land, etc. (Becken & Patterson, 2006; UNEP, 2010). By substituting traditional hotels with a quantity of Eco-lodges that are sustainable, the industry of tourism can be curbed.
For an evaluation carried out comparatively of picked case studies, nine elements indicating the environmental, social and economic sustainability conditions were picked. The social and economic ones are explained at once and should be referred to as indicators of socioeconomics onwards, since there is a close linkage. See also Figure 4.

Invocation of Web-Based Customer Relationship Management (CRM)

To minimize the feasible effect on environment and enhancing the sustainability of eco-lodges, combination of technology (software design) and tourism are implementing in this research. In this aim, we are innovating CRM-based platform for Iran Cultural Heritage, Handcraft and Tourism Organization (ICHHTO) in order to monitor work flow of Eco-lodges. CRM is a framework for analyzing and managing by Eco-lodge managers/owners and organization to associate between the Eco-lodge head office (ICHHTO) and clients which in our case represents as Eco-lodge managers/owners. This framework is capable to track any interaction with and within ICHHTO and analyzing data about clients’ data entry.

This platform is a web framework application that will be implement by JAVA to enhance the robustness and security of application. Implementation of CRM is complex and need for professional programmers will help us to accomplish this idea. Also, SQL will be adopted for connecting JAVA to the database.

This CRM has server and client side. The server side will be installed in the main office and has control on all existing Eco-lodges in Iran. The head office can score each Eco-lodge based on their attention to those nine important indicators of sustainability. In case that they see high difference ratio of environmental and socioeconomic factors on Eco-lodge score, they can warn them and guide them to keep the balance by using all principles. In the other hand, client side software will be used by all Eco-lodges. While, all owners and managers do not have adequate knowledge of using specific software and entering their data, integrated training should be considered from the head office for them. Head office is responsible to send professional staff to each city of Iran to cover training of Eco-lodges in that area. Consequently, to take advantage of this platform should take their steps based on the principles and regulation that governed by Iran Cultural Heritage, Handcraft and Tourism Organization (ICHHTO). The software process mode that is adapted in this research is Dynamic systems development method (DSDM). The milestone of our project is listed below:

- Milestone. 1: Initialization Planning and Requirement Analysis
- Milestone. 2: Setting Standards and Principles
- Milestone. 3: Report, procedures Implementation and Design
- Milestone. 4: Testing and Evaluation
- Milestone. 5: Maintenance and Support

The progress of our framework is in stage 3 which is time consuming and need of considering many details.
**Iran’s Country Profile**

This section introduces Iran country from a geographical, cultural, environmental and climate aspects.

**Geography**

Iran is a country located in the southwest of Asia, with an area of 1.648.195 sq. km. It has borders with Azerbaijan, Armenia, Turkmenistan, and the Caspian Sea to the north; to the east by Pakistan and Afghanistan, to the west by Iraq, to the northwest by Turkey, to the south by the Persian Gulf and the Gulf of Oman. Iran, as a country, has very rich natural and cultural heritage, which are very unique to the world.

**Historical and Cultural Resources**

A 10,000-year background of human history which includes rich ranges of cultural and historical provisions. The people of Persia have experienced a deep involvement in tourism. Historical facts which are recorded show that there is glaring evidence of hostels that are dated far back as 2000BC. The hostel owners provided drink, food, accommodation, and sex for the customers (O’Gorman, McLellan, & Baum, 2007).

There are 21 cultural sites inscribed on the World Heritage list of UNESCO, and applications for 56 locations have been submitted on the Tentative List (UNESCO, 2018).

The unique characteristics of Iran as a multi-ethnic country has posed complications for tourism. There are many people, languages, cultures and religious groups in Iran. There are individuals that can be found in certain several regions belonging to different tribes who speak different languages. For instance, in the northwest of the country, the people are Azeri Turks and their language is Turkish. The Baluch people are in the southeast, and they speak Baluchi. There are small nomadic tribes scattered all over the country, and they live in tents and speak several languages. Seven minority tribes and societies can be found in Iran, and there are five different languages (Kurdish, Turkmen, Azeri, Arabic, etc.). These have contributed to the diversity of the country’s rich culture, and can be crucial to the development of tourism.

**Nature and Environment**

There are five main biomes in Iran, to enable the Iranian habitats for supporting about 8,200 species of plants (a safe estimate) which around 1,900 are endemic. Along the Persian Gulf coast, there are about 8,900 hectares of mangroves and 12.4 million woodland hectares. According to studies in the field, there are around 500 species of birds and 160 species of mammals. Holding global significance, the wetlands of Iran is home to large populations of birds that migrate in the winter at these wetlands or utilize them on their way to and from wintering in the sub-continent of India or in Africa. Due to its dimensions and ecosystem of variable qualities, the Islamic Republic of Iran is one of the most crucial countries in the region of the Middle East and Western Asia for biological diversity’s conservation.
Methods

Methods of research that is applied in this study is qualitative. The Purposive Sampling is the Sampling process applied that falls within the non-probability sampling structure. Questions of semi-structured and open-ended formats are used on the interviewee who are chosen and consequently interviewed. The questions for the interview stem from the obtainable literature in social, economic and environmental sustainability. Researchers came in contact with the interviewed entities via phone and made interview arrangements, when the respondents were chosen on the topics’ relevancy. 49 questions of the interview were picked ahead of time and asked to the respondents, at the time being. Translations from Persian to English were made available for respondents without comprehension of the English language. The case studies data were respectively obtained through the questioning of managers and the staff. The MP3 recorder was used to record the interviews, and then transcribed, categorized and typed. Before the analysis of the data, it is essential to sieve raw data away, and transcribe them on statements matching, and then interpreting lastly.

The principles of qualitative analysis take off via word-to-word quotes, responses of participants paraphrased, documentation backed up, coding, categorization and transcription. Coding openly is administered in times where the steps involve break downs, comparisons, examinations, categorization and data conceptualization. Bryman (2012) refers to this as a coding process which yields concepts that are classified and transformed later into categories. In this regard, we explained analysis of our results in two categories of Socioeconomic and Environmental sustainability.

Results and Discussion

In this part of study, we allocated code numbers to each case studies for better data analyzing. Refer to the Figure 5 for the estimated location of each lodge.

Figure 5. Map of Iran with visited Eco-Lodges and their approximate spots: 1) Gilehboom, 2) Gilgamesh, 3) Ateshooni, 4) Barandaz, 5) Pouroyagh, 6) Ghavamiyeh, 7) Sabat, 8) Satiar, 9) Koochboom, 10) Amoo Ghodrat.
Description of Provinces

Gilan Province

Gilan province is the 10th largest province in the north part of this country and lies along the Caspian Sea. At the center of the province is the main city of Rasht and because of its heavy rainfalls, it is one of the most prosperous provinces in Iran. It has a lot of plant and animal species. Gilan is considered as one of the Iranian tourist hubs due to its rich nature and cultural heritage. The two case studies in Gilan are Gilehboom and Gilgamesh.

Isfahan Province

Isfahan province is a province in the middle of Iran. The center of this province is Isfahan. It is the sixth largest province and the third most populated province in Iran. Isfahan has temperate and dry climate because it is located in the center of Iran's plateau. Isfahan is one of the largest centers of producing various kinds of handicrafts in Iran. The two case studies in Gilan are Ateshooni and Barandaz.

Khorasan Razavi Province

Khorasan Razavi province is located in northeastern Iran. Mashhad is the center of the province. It is the second most populated province and the fifth largest province in Iran. Climatic variation in Khorasan; hot and dry in south parts and temperate in north parts, attracted many various tribes during different eras from ancient times. Two case studies in Khorasan Razavi are Pouryaghub lodge and Ghavamiyeh house.

Kermanshah Province

Kermanshah province is the 17th largest province of Iran and the 9th most populated province in the west of Iran. Kermanshah is the center of this province. Kermanshah province is a mountainous region that lies between the Iranian plateau and Mesopotamia plain. There are lots of peaks and heights of the Zagros all over the province. In fact, there is a set of parallel mountains which mountain plains are formed between them. Two case studies in Kermanshah are Sabat and Satiar.

Fars Province

Fars province is one of the provinces located in south of Iran and is the fourth largest and the fourth most populated province. Historically it was the developing capital of Persian civilization.

One of the most important nomadic regions of Iran is Fars province. The Qashqai are made up of five major tribes: The Amale (Qashqai) / Amaleh (Persian), the Dere-Shorlu/ Darreh-Shuri, the Kashkollu / Kashkuli, the Shishbeyli / Sheshboluki, and the Eymur/ Farsimadan. Apart from this, Ilah Khamseh (Arab, Inaloo, Baharloo, Nasr and Baseri) and Ilam Mamasani (Beckhsin, Javid, Zamani Zvary and Rostam) and smaller tribes like Kohmara and ... have kept their nomadic and unique culture and lifestyle which constitute part of the cultural heritage of Iran attract many tourists in Fars. Two case studies in Fars are Koochboom and Amoo Ghodrat.
**Description of Case Studies-History and Operation**

This part of the research provides a brief presentation of the Eco-lodges that have been studied concerning the immediate surroundings, the reason for their commencement and what they are comprised of nowadays. In the information denoted below, shows the conducted interviews with managers of lodges and stuff of the respective Eco-lodges and on thorough observations, conducted personally during the course of the visits. Additionally, we allocated code numbers to each case studies for better data analyzing. Refer to the Figure 5 for the estimated location of each lodge. Table 4 provides general information to gives an overview for comparison between the 10 Eco-loges that have been studied. All case studies except two of them in Gilan province are owned and run by locals only. The average duration of stay is 2 nights in all cases except the two cases in Kermanshah.

Diversity of different climates can be seen in Iran such as hot and desert that exist on the southeast and the southern coast; quite wet and mild on the Caspian Seas’ coast; dry and continental that govern on the plateau. Although the amount of rainfall in the north and west part of the country is more plentiful than the south and the east, but we can conclude that Iran is a dry country.

**Table 4. Eco-Lodge Characteristics**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>KHMORASAN RAZAVI No. 5</th>
<th>FARS No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodge owned by</td>
<td>Iranian investors</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
</tr>
<tr>
<td>Opened in</td>
<td>2012</td>
<td>1999</td>
<td>2016</td>
<td>2008</td>
</tr>
<tr>
<td>Average no. of guests per year</td>
<td>500</td>
<td>3500</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>Average duration of stay</td>
<td>2 nights</td>
<td>2 nights</td>
<td>2 nights</td>
<td>2 nights</td>
</tr>
<tr>
<td>* Climate</td>
<td>hot and humid with heavy rainfalls</td>
<td>Desert with no rainfalls</td>
<td>Hot and dry with almost no rainfalls</td>
<td>Cold in winter &amp; hot during summer with rainfalls</td>
</tr>
</tbody>
</table>

* Climate of the exact area which Eco-lodge is located (because in some provinces such as Isfahan climate changes in different parts)

**Description of Case Studies- Environmental Sustainability**

As highlighted earlier in Analytical Framework, the indicators which are selected based on the environmental sustainability of an Eco-lodge, include energy, water, food, waste and construction which are catered. The consequent part of this research is a description of the case studies pertaining to one of the mentioned indicators, one by one. The similarity and non-similarity of these case studies have resolved complications that are similar, same as on how they are solved, alongside the differing shortcomings that come with the local environment. Unless informed otherwise, the information that follows are based on the conducted with staffs and managers at each studied case, and on observations made personally, during the visitations.

**Construction**

The sustainability of the environment in terms of construction is bordered mainly on two elements which are design and material. Selecting materials that are more suited and proper can result to the decline of the effect of the environment, as well as the buildings’ design that can enable the decline of energy usage by adaptation to the local climate, providing the education to the visiting tourists.
in designs that are sustainable and offer experiences culturally that are very unique if local designs are traditionally used. According to Mehta et al. (2002), constructions that are planned cautiously and executed in the same vein, can be viewed as the cornerstone of instituting sustainable development successfully. Table 5 illustrates detail about construction factor.

Table 5. Analysis of Construction for All Case Studies

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>KHIRASAN RAZAVI No. 5</th>
<th>KERMANSHAH No. 7</th>
<th>FARS No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. guest capacity</td>
<td>17</td>
<td>40</td>
<td>30</td>
<td>70</td>
<td>25</td>
</tr>
<tr>
<td>No. of rooms</td>
<td>5</td>
<td>14</td>
<td>5</td>
<td>8</td>
<td>*2</td>
</tr>
<tr>
<td>Main building materials</td>
<td>Wood and mixture of mud and rice straw</td>
<td>Mud and straw</td>
<td>Mud and straw</td>
<td>Wood and stone</td>
<td>Goat hair, stone and wood</td>
</tr>
<tr>
<td>Type of design</td>
<td>Local traditional, some passive</td>
<td>Local traditional</td>
<td>Local traditional</td>
<td>Local traditional, some passive</td>
<td>Local traditional</td>
</tr>
<tr>
<td>Age of building</td>
<td>30 years</td>
<td>400 years 80 years</td>
<td>100 years 90 years</td>
<td>20 years 30 years</td>
<td>------</td>
</tr>
</tbody>
</table>

Note. *Tents

The material mostly used in Isfahan and Khorasan Razavi cases are mud and straw due to its hot and dry climate. Mud and straw are the perfect eco-friendly substance in this type of climate. It's sustainable, cheap, and you get raw material from the garden. It's easy to work with. If you build a wall and want a larger window, you saw the cob. If you want a smaller window, you add cob. It's that flexible.

Gilan province along Caspian Sea, mostly used wood and mixture of mud and rice straw because of its heavy rainfalls. Using wood in North part of Iran is very common, only for the pillars the buildings stand on. Wood can control changes in humidity even if the ventilation rate is relatively high. Rice straw is waterproof and almost free in the area because economic of the North part of Iran comes from growing rice.

Kermanshah cases are located in Zagros Mountains region, and have hot summers, cold winters and there are usually rainfalls in fall and spring. Earthquake in the province is common as well. Using wood and especially stone as a construction material in both houses is because stone is very thick and can keep the house warm in winter and cold in summer. Stone is a highly durable (in terms of earthquake), low maintenance building material which blends well with the natural landscape, and can easily be recycled for other building purposes.

Fars cases conducted by tents and built from goat hair, wood and stone. Using goat hair has several reasons; First of all, goat's hair is waterproof and suitable in rain. Second, goat's hair is available and affordable. Each family usually has 20 to 50 of goats that use goat hair to prepare a tent. Finally, it is lighter and easier than ewe and sheep hair, and is also easier to be carried. Using Wood and stone is only for the pillars the tents stand on. Weaving tents is the responsibility of women and men supply the stones and woods. On the basis of the information stated above, the Eco-lodges have utilized designs traditionally which is tuned to the specific region’s climate.

Water

Water can be very devastating as in floods, or living things in term of the location’s condition. For an Eco-lodge to function, it requires water, for sanitary purposes, cooling and heating,
consumption personally, machinery and so on. Mehta et al. (2002) states that in the third chapter of the ‘International Eco-lodge Guidelines’, four major aspects of managing good water are mentioned, which are its conservation, harvest, treatment and reuse. Detail of all case studies in respect of water factor are brought in Table 6.

The major sources of water for six out of ten Eco-lodges hail from springs that are of nature. The only lodges that obtain water from the system of the municipalities and don’t have any other water sources are Satiar and Pouryaghub. Ateshooni also gets its water from municipal system but uses natural spring for drinking. Barandaz uses Qanat water and drinking water is transported through the tanker to the village. Ghavamiyeh uses only Qanat water but for drinking there is filter to purify the water. Koochbooom and Amoo Ghodrat are the only lodges that uses natural resources such as river and springs. There are no lodges that can purchase water bottles that are purified. They only provide on request because they believe that the water provided by nature such as springs has no harmful bacteria.

The conservation of Water consists of the choice of processes and appliances which are low in consumption, and neglecting features that gulp lots of water like the gulf courses and pools for swimming. There are no private bathrooms in any Eco-lodge except for one room in Barandaz which has a capacity of 10 people. Every Eco-lodge had at least one project to reduce water. Except the cases in Fars province, all the lodges use bubble making tool in valves to reduce water consumption. Barandaz and Pouryaghub both uses a technique which doesn’t cost them anything and at the same time it reduces water consumption. They put a few rocks in a plastic bottle and then fill it with water and put it in toilet tank. They save almost 10 gallons of water every day. Having different source of water is a plus. Hence, if there is a failure of a source of water, supply still takes place. Fars cases are the only Eco-lodges that access to three different water sources. In all case studies, water has been conserved to reduce consumption, but the studies do not portray conservation as a very main issue. The trees and plants in the lodge of Pouryaghub are watered with the drip irrigation system.

Table 6. Analysis of Water for All Case Studies

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>GILAN No. 2</th>
<th>ISFAHAN No. 3</th>
<th>ISFAHAN No. 4</th>
<th>KHORASAN RAZAVI No. 5</th>
<th>KHORASAN RAZAVI No. 6</th>
<th>KERMANSHAI No. 7</th>
<th>KERMANSHAI No. 8</th>
<th>FARS No. 9</th>
<th>FARS No. 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption monitors</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Main water source</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Water harvesting</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Potable water source</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Water reuse</td>
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<tr>
<td>Kind of toilet</td>
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<tr>
<td>Private bathrooms</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>In one room</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Grey water treatment</td>
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<td>Rain</td>
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<tr>
<td>Municipal</td>
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<tr>
<td>Tanker</td>
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<td></td>
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<tr>
<td>River</td>
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<tr>
<td>Spring</td>
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<tr>
<td>Qanat</td>
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<td>Pit</td>
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</tbody>
</table>

Water consumption is a positive way of keeping up to date on the quantity of water utilized and taking notes of the efficiency employed in reaching potential efforts of conservation. Except two case studies in Fars province the rest of the case studies doesn’t monitor their water consumption.
Everyone in nomadic life has to use specific amount of water in a month, actually it is a rule or better to say lifestyle in nomadic life and if it finishes sooner, they cannot purchase water. Therefore, everyone is careful about the optimal use of water.

Reuse of water is an alternative means of reducing the net water consumption of the lodge. Gilehboom water system is semi-filter for agriculture purposes. Barandaz lodge reuse water which used in the kitchen to irritate the garden plants. Fars cases are reuse only water that doesn’t have any chemicals for farm animals.

The very first priority should be the treatment of wastewater. When waste water unleashed and it is not treated, it leads to ecological disruptions that are eutrophic, leads to the multiplication of algae and in the dispensation of toxins and diseases. By implementing water conservation and use of biodegradable washing products the production of wastewater is decreased, the treatment is made easier and the risk of any harmful substance being passed on is lowered. The only lodge that has done something to treat waste water is Gilgamesh. Before emission to the surrounding soil, with the usage of filter for organics in wastewater, treatment is made.

Energy

There is an infinite necessity for energy by operators of tourist lodge, and potentially not existent. Energy of electricity can be utilized for heating, ventilation, lighting, cooling and heating, pumping of water and appliances for cooking while fuel combustion or burning can be exploited for the production of heat like gas, coal and wood. By picking a source of energy renewal, putting the conservation of energy into practicality and the inspection of the consumptions by the lodges, the lowering of the use of resources and the impact of the environment can be expected by the Eco-lodges.

In terms of sources of energy, only 8 of the cases studied use gas majorly (three use gas cylinders) for warming up tap water and shower, a few woods for the heating of the rooms, except 2 case studies in Fars province which they use wood for heating shower, and 8 of them connected to a general grid for lighting and appliances and again except 1 case study in Fars province which uses only solar panels. In heating up the water, the utilized gas for heating is propane and methane. It is bought in a container of 25 or 30kgs, and is attached to a burner that is lit automatically as soon as the tap for warm water is used. Two case studies in Fars province have no gas and no electricity. They use wood for heating and cooking. Koochboom uses really small solar panels for only charging cell phones. “There is no need for electricity because the daily life begins and ends with sunrise and sunset” Bahman owner of Koochboom says. The reason that most of the lodges doesn’t have solar panels is due to the high expense of installation.

Energy conservation can become a possibility if for instance, the designs which are passive, are given natural cooling/heating, ventilations and lighting. A lot of building designs make suggestions that can be found in the book ‘International Eco-lodge Guidelines’ (Mehta at el., 2002). The key to conservation can be made via saving electricity on these appliances that are meant for it. The case studies used all saving bulbs which are studies of cashes. Lanterns are used for lighting only in the case of Amoo Ghodrat. There are no lodges that offer washing services, but they have washing machines that are striving daily with other pieces of laundry belonging to the lodge, and linens, and are not run unless they are full. In Gilehboom wide leaves are also used to cover the
building in order to keep it cool. Gilgamesh does not have any air conditioner for minimizing energy consumption and to keep the traditional state of the region. They also have wide windows in order to use natural sun light to bright the building.

As is with the case for water, the monitoring of the lodge and its energy is a great way of staying on top of things in the case of fluctuations in the usage and success of the efforts of conservation.

**Table 7. Analysis of Energy for All Case Studies**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>KHAMASAN RAZAVI No. 5</th>
<th>KERMANSHAH No. 7</th>
<th>FARS No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitors</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Consumption</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Main power</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Conservation</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Light bulbs used</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>General Grid</td>
<td>General Grid</td>
<td>Gas</td>
<td>Wood</td>
<td>Solar</td>
<td>Oil</td>
</tr>
<tr>
<td>Gas</td>
<td></td>
<td>Wood</td>
<td>Solar</td>
<td>Oil</td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td></td>
<td>Solar</td>
<td>Oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solar</td>
<td></td>
<td>Oil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The usage of electricity at the lodges are not calculated, but the quantity is made public on the electricity bill which is monthly, and hence a concern for them. Depending on occupancy and activities the electricity use is different in each lodge. For example, Barandaz and Ateshooni are only working 9 months and 3 months during summer they are close due to its desert climate. However, five lodges out of ten have notes in each room, reminding guests to turn off appliances that work with power before leaving the room. Pouryaghub is the only lodge who hasn’t done anything except LED lights yet to reduce power consumption. Owner of Sabat believes that they consume power much more than they expect each month and it’s because they have no monitoring on every building and this is one of the main plans in future to install solar panels and have a systematic monitoring every month. Table 7 demonstrates analysis of all case studies respect to Energy.

**Food**

Food is a matter that have lots of effects on the environment. They could range from groceries, the production, transportation and potential waste products from practice. Possible waste from the packaging of food that are not wasteful and edible, all have effects on the environment.

In all the cases, dishes are local and specified for the region and prepared by local women and is served in pottery and handmade dishes beside local drinks. Two case studies in Fars province are the only cases that produces 90% of the ingredients; such as dairy products, meat, vegetables. The rest of the cases purchase ingredients from local people or market in village. However, some cases such as Pouryaghub and Ghavamiyeh produce so many varieties of fruits and vegetables in the lodge. Sabat has 3000-meter garden and all the fruits and vegetables comes from the garden and the rest of the groceries are bought in local market or local people. Ateshooni and Barandaz due to its desert climate and poor soil cannot grow anything. Gilgamesh has permaculture due its benefits such as less waste, saves on water and its cost efficient.

Traditional dishes in Iran varies in each region. In Gilan province red meat is rarely used and due to its nature, most of the meals made of vegetables. In Khorasan Razavi province local cuisine are often vegetarian; however red meat is also used if guests request. In Kermanshah province red
meat is used extensively and surely one meal every day includes red meat because their most indigenous foods contain red meat. In spring, when there are variety of indigenous plants and vegetables, most foods are become vegetarian. In Fars province they rarely use red meat and most dishes are vegetarian. Although, different situation is seen at two cases in Isfahan province. Barandaz due to its high reservations from Iranians uses red meat in most of its meals and only on request makes vegetarian meal. However, in Ateshooni due to its high reservations from foreigners, they only use red meat on request. In Table 8 summery of case studies respect to Food is shown.

Table 8. Analysis of Food for All Case Studies

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 2</th>
<th>KHIRASAN RAZAVI No. 5</th>
<th>KERMANSHAH No. 7</th>
<th>FARS No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main source</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
</tr>
<tr>
<td>Serve red meat</td>
<td>Rarely</td>
<td>On demand</td>
<td>Daily</td>
<td>Rarely</td>
<td>Daily</td>
</tr>
<tr>
<td>Serve vegetarian</td>
<td>Daily</td>
<td>Daily</td>
<td>On demand</td>
<td>Daily</td>
<td>Sometimes</td>
</tr>
<tr>
<td>Produce own food</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Vegetables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Waste

There were different kinds of wastes that were formed which is a bit difficult to excuse for a business in operation, overall. It is very crucial to attempt to reduce the level of waste production, separate wastes that could be recycled and reused in accordance, survey the production of wastes and create separations to enable the tracking of trends and fluctuations, and have due information of trends, and routines for the municipality’s management of waste on a national level.

A strategy planned for the reduction of waste to a minimum, was not expressed by any of the cases studied. For instance, at the lodge of the Barandaz, they attempted to purchase from shops that utilize reduced packaging.

The separation of Waste was done via a few forms in most of the studied cases with passive need for separation. At Gilehboom, Gilgamesh, Barandaz, Koochboom and Amoo Ghodrat, there are five waste bins; for food waste, paper, metal, glass and plastic. Other cases trying to separate their waste but they are only separating organic waste. Organic waste is given to their farm animals in all the cases. The cases that separate their waste sending them to a recycling factory, even though in some regions there is not even a municipality. In Gilgamesh, according to the lodge’s law, guests should separate their waste.

Gilehboom is only lodge which compost food waste by worms to uses for its organic garden. Worm composting is using worms to recycle food scraps and other organic material into a valuable soil amendment called vermicomposting, or worm compost. Worms eat food scraps which become compost as they pass through the worm's body. Compost exits the worm through its' tail end.

In most of the regions there is no municipality and any waste management in the regions. Mostly they collect all the waste if it’s not separated and burn them. Barandaz separate all the waste except some such as tissue and because there is no municipality they have to burn them. Pouryaghub and
Ghavamiyeh are in a region that has municipality and collect wastes twice a week but because municipality doesn’t have any waste management they burn the wastes.

One of the positive actions that has been done about waste has happened in Gilgamesh. There is no municipality in the region therefore native people were taught in the lodge to separate their waste and now the entire village is separating their waste and sending them to the recycling factory. Koochboom and Amoo Ghodrat have incredibly low waste. However, they sell their waste to recycling factories because nomadic culture believes money is not the only answer but it makes a difference. Table 9 shows summery of the obtained result’s interpretation for all case studies respect to Waste.

**Table 9. Analysis of Waste for All Case Studies**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>KHERASAN No. 5</th>
<th>KERMANSHEH No. 7</th>
<th>FARS No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Monitors production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Separates</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Recycling system available</td>
<td>Third party</td>
<td>------</td>
<td>Municipality</td>
<td>third party</td>
<td>Third party</td>
</tr>
<tr>
<td>Compost on site</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Organic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dry Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Organic: majority of leftovers and food waste from kitchens; Dry waste: plastic, glass, paper, metal.

**Description of Case Studies- Socioeconomic Sustainability**

In this part of the research, a brief presentation of the investigated cases and the indicators of sustainability socioeconomically, these are the local community, staff, education for tourists and certification. Unless informed otherwise, the consequent information is on the basis of observations conducted personally and the interviewing of the managers of the lodge and staff in each respective studied case.

**Staff**

From the communities that are the closest, inhabitants of such communities are local, and constitute a strong majority of the kind of employees in every studied case. They had to help in the designation of inputs and the actual construction and building of hall. In addition, all the hired local farmers, traders, are requested to meet in the demands of the lodge for feeding, carpenters, guides and so on.

The owners of Gilan cases are Iranian investors. All the cases hire only locals or people from nearest town such as Local guides and kitchen and maintenance staff, housekeeping staff and etc. All administrative staff at the lodges are owners and even though 8 cases are run by locals who some of them are highly educated and have Master’s degree in tourism. Except Pouryaghub, Ghavamiyeh and Sabat the rest of cases owners are fluent in English. Only Satiar, Koochboom and Amoo Ghodrat staff are entirely family members but in case they need staff in high season they only employ locals. Salaries were difficult to get exact information on, which could be due to cultural or social conditions.

There was no evidence of any workers who felt displeased with the salary, or that were having any difficulties providing for their families. The studied cases visited, appeared to offer salaries in
fairness which is very vital as an indicator of the sustainability, socioeconomically. The only lodge who has best method of payment is Barandaz. Staff working for 9 months but get paid 10-month salary.

Sustainable working conditions also mean staff members should have a manageable workload. One way to check this could be to calculate the number of guests per staff member based both on the average conditions and on when the lodge is fully booked and maximum number of staff is onsite. An acceptable quota could be discussed between staff members at different Eco-lodges, but a comparison between the case studies shows that Gilehboom has the lowest number of guests per staff and Sabat has the highest.

The average number of guests per staff member is 5.2 (excluding Sabat), while Sabat has 8.7 guests per staff member. For a lodge like Sabat, with a capacity of 70 guests, it seems insufficient and straining on the staff members. Pouryaghub with 7.5 and Gilgamesh with 7.1 are in second and third place. On average over the year none of the lodges are fully booked, but it occurs regularly, especially during high season and hiring part time staff is one of their solution.

Working conditions and staff housing at the studied cases portray practices and conditions that are variant. Koochboom and Amoo Ghodrat can’t be analyzed in this section because all staff are family members and they live there and because of their lifestyle, they work from dawn to dusk even if they don’t have any guests. Satiar has also same situation but family members working hours depends on number of guests.

Other cases are in different conditions, for example, staff at Gilehboom, Gilgamesh and Ghavamiyeh working daily and get paid hourly so they actually don’t have any off days. Working hours depends on number of guests. And they don’t need a place to sleep because they are local. This method of payment (hourly) is not very secure for staff because everything depends on number of guests and they can’t have any plan for their salary.

Pouryaghub, Barandaz and Ateshooni have full time staff who are also sleep in the lodge. Food is also charge in the lodge. As we mentioned before, Barandaz and Ateshooni are located in desert and they are not working for 3 months during summer period. But in 9 months of operation there is no off day and before they employ anyone they mention this condition. Pouryaghub staff, working 7 days a week, there is no exact off day but they can have an hour off during the day.

Regarding gender equality, Gilehboom, Ateshooni, Ghavamiyeh and Satiar are the only cases that has fewer male workers than females. Three case studies have exact gender equality. These are Pouryaghub, Koochboom and Amoo Ghodrat. Only three case studies do not have gender equality such as Gilgamesh, Barandaz and Sabat. Cases shows that still in some aspects gender inequality is not extreme because only three cases have more men than woman.

Although women have the liberty to help out in any chores, they mainly work in housekeeping or as cooks in the kitchen, and it was believed that they preferred leaving the heavy physically engaging tasks to the males. There is a visible division of labor at every studied case, with the exception of the kitchen where both might work collaboratively. Usually, women often cater for the cleaning and cooking, and the middle man was guiding and maintenance. Table 10 shows summery of the obtained result’s interpretation for all case studies.
Table 10. Analysis of Staff for All Case Studies

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>Khorasan No. 5</th>
<th>Kermanshah No. 7</th>
<th>Fars No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of onsite staff</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Number of guests per staff</td>
<td>2.8</td>
<td>7.1</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Staff members that are women</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Origin of majority of staff</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
<td>Local</td>
</tr>
<tr>
<td>Onsite staff accommodation</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Work schedule</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

Note. Salary: data was not acquired during the visit.

Local Community

Stern et al. (2003) highlight that it is important that local inhabitants get involved in the management of an ecotourism business in order to increase its contribution to the local economy. This is easily done at eight Eco-lodges since the local tribes own both the lodges and the surrounding land. All revenue from the lodges goes back to the community.

In the studied cases, involving the local community have been done in different project types. Gilgamesh has a great role in educating the locals to preserve their environment; separating the waste was one of the projects. Satiar also has done some activities in terms of wildlife protection with educating local hunters about importance of wildlife and teaching them how to be a wildlife tour guide with their information about local animals. Barandaz has a project involving the manufacturing and crafting of jewelry that are traditional, by the local women, from materials obtained from seeds of plants, with the tourists patronizing them. Payment of revenue is made for new materials and income for the participating women. Gilgamesh is located in the heart of the forest, there are many fruit trees around the Eco-lodge, and so they taught native women that they can earn money by picking up these fruits and making jam, or drying some indigenous vegetables which is also organic and they can sell them in the lodge.

Table 11. Analysis of Local Community for All Case Studies

<table>
<thead>
<tr>
<th>Aspect</th>
<th>GILAN No. 1</th>
<th>ISFAHAN No. 3</th>
<th>Khorasan No. 5</th>
<th>Kermanshah No. 7</th>
<th>Fars No. 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance to nearest community</td>
<td>*Village</td>
<td>11km</td>
<td>*Village</td>
<td>*Village</td>
<td>1km</td>
</tr>
<tr>
<td>Cooperation/S support</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

Note. Village: Means case study located in the community

Ateshooni tried to preserve and revive the cultural heritage, natural environment, handicrafts and tourism. At present, economic prosperity is almost seen in people’s life and they benefited directly and indirectly from tourism. With the help of Ghavamiyeh lodge, three handicraft stores and three groceries have been opened since the launching of lodge in order to create more jobs in the village.
Holding various festivals is one of the most interesting programs in Sabat. For example, in the fall, they hold a two-day Pomegranate Festival. All pomegranate products as well as native foods and handicrafts are sold during this festival. Table 11 illustrates Analysis of Community for all case studies.

**Tourist Education**

Education of tourists by an Eco-lodge could be fostered on the understanding and gratitude in the awareness of the culture and environment of the culture. On the issue of awareness for the environment and cultural appreciation, it was quite obtainable or basic within all the studied courses done by the tourists, have guided along the trails in the fauna and flora, and shown the indigenous knowledge, names and uses for the plants, adjusted to the interests of the group. Upon the request of the tourists, guided tours were given.

Local tour guides were appointed for all cases with the exception of two guides that are astronomers for desert tours at night. Treating the arrivals or tourists to dishes that are traditional is a path to learn about the life and traditional cultures. Through highlighting things that can be locally grown, expressing the traits and components of the agricultural traditional products, and exhibiting the potential difficulties that might occur as a result of changes to the climate and its effects, providing both education environmentally and socioeconomically. Gilehboom’s lodge have been designed in the purpose of preserving native culture, art and sustainable development of the region. There are lots of interesting programs such as picking up oranges tour, environmental cleanup program, visiting from handicraft workshops and tea factories, farming tour, walking in the forest, training program such as pottery and sculpture, weaving special local tents, roofing, fishing, and finally music acquaintance specially Ghasem Abadi's songs. Short films have been produced about handicraft workshops, wildlife and vegetation in this Eco-lodge. These videos are distributed among the guests in order to make them more familiar with the area.

Cooperating in cooking local food and baking bread can be an enjoyable experience for every guest at Pouryaghub lodge. Sabat has plenty of antique items in the lodge. Next to each antique, there is a paper on which some information about related antique was written. Guests can freely visit all parts of the building, even the kitchen and ask questions about the recipes. At Amoo Ghodrat, the guests are taught how to feed sheep and produce dairy products. Playing native musical instruments such as Ney and put on costumes in order to be deeply acquainted with nomadic culture and life style. Cooking food on the fire in front of tourists or sheep grazing are some interesting programs done here. Important factors of Tourist education show in Table 12.

<table>
<thead>
<tr>
<th>Table 12. Analysis of Tourist Education for All Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspect</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Informati...</td>
</tr>
<tr>
<td>Tourist education</td>
</tr>
<tr>
<td>Informati...</td>
</tr>
<tr>
<td>Tourist education</td>
</tr>
</tbody>
</table>
Certification

Due to political issues and sanctions in Iran, economic activists in this country face difficulties. In addition, there is no possibility of issuing international certificates for Eco-lodges. Apart from this, more than a decade of the activities of Eco-lodges, Iran Cultural Heritage, Handcraft and Tourism Organization not only failed to effectively and significantly monitor and issue certificates, even didn’t recognize the Eco-lodges in the past few years. Issuing certificates in different provinces of Iran is now being carried out in a different procedure and there is no supervision.

Table 10. Score Table Respect to Sustainability Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Case study</th>
<th>Gilehboom</th>
<th>Gilgamech</th>
<th>Ateshooni</th>
<th>Barandaz</th>
<th>Pour-yaghab</th>
<th>Ghavamiyeh</th>
<th>Suhat</th>
<th>Sftar</th>
<th>Koochboom</th>
<th>Amoo Ghodrat</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Water</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Energy</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Food</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Waste</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Subtotal</td>
<td>9</td>
<td>8</td>
<td>3</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>13</td>
<td>13</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
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</tr>
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</table>

Table have an overview on the analyzed results from case studies. This table is facilitated of the studied case regarding the environmental indicators and sustainable socioeconomics described in the sections above. The number 0 stands for lackadaisical and weak efforts of sustainability. Table for facilitated overview of the case studies regarding their indicators of environmental and socioeconomic sustainability described in the above sections. 0 is given for none or weak sustainability efforts, 1 for some, 2 for strong and 3 for exceptional sustainability efforts. Points have been set for the over--all impression of each indicator and are based on the experiences and data acquired during the visits to the case studies.

Eco-Lodge Definition and Principles

With some modifications and impacts from other available definitions in literature, an official definition of Eco-lodge, we propose the novel definition for eco-lodge as follow:

Economic, social and environmental sustainability are sought after by an Eco-lodge via tourism in places of near proximity, which provides a long-term support to the local environment and communities, socially and economically, and propagates active understanding of the culture and environment, and appreciation and enlightenment amongst the visiting tourists, as well as the staff and locals.

Based on this definition above, the case studies in Fars, the other two in Gilan, Barandaz in Isfahan, are qualified for the title of Eco-lodges, while the other two studied cases in Khorasan Razavi, Ateshooni in Isfahan, and two also in Kermanshah, all appear to be outside the concept.
If a concept of Eco-lodge can be monitored highly well, and a standardized level can be made in official basis, Eco-lodges can include sustainability to the expansive sector of tourism. Whatever is considered to be sustainable changes with time, considering the average lengths of the exploitation of Earth by mankind, which makes it highly uneasy to ascertain whether Eco-lodges are sustainable or not.

To ensure the international sustenance of the concept of Eco-lodge for more trustworthy operations, and for the avoidance of a name misusage, an official definition of Eco-lodge with criteria and principles are a necessity. To achieve this, the bordering principles of this research's study are listed in Appendix. The criteria for the respective principles ought to be included for an image that is clearer and more detailed, based on what a true Eco-lodge resembles.

**Eco-Lodges CRM**

Recently, Eco-lodges and eco-tourism accommodation are getting more attention in the world especially in Iran. Eco-lodge seems a proper solution to tackle the most internal and external tourists’ demands and their satisfaction. In this regard, appropriate analysis, planning and security in term of pathology can be very effective to enhance the quality and quantity of ecotourism accommodation to accelerate the flow of that. Therefore, based on the obtained results from table 10 that illustrates our experience and analysis on eco-tourism accommodation and Eco-lodges, easily we can see unbalance usage of environmental and socioeconomic factors on most of the mentioned Eco-lodges. As it is mentioned before, there is no supervision on issuing certificates in different provinces of Iran. Also, there is not appropriate controlling mechanism on Iran’s Eco-lodges which approximately are around thousand. Hence, need of strong monitoring on Eco-lodges are very vital. This aim can be become applicable if and only if a systematic controlling and a central platform be existing through ICHHTO. This organization must consider reward and punishment approach for Eco-lodges according to their improvements or drawbacks in order to encourage lodge to be eco-friendlier and sustainable.

**Conclusions**

In this research we had overview on sustainable Eco-lodge. Moreover, we fulfilled the objectives of this study that classified in 3 different categories which are unique. The question if Eco-lodges may add sustainable development to the tourism sector has been investigated and as made visual in table 10, the cases studied place a lot of emphasis on the sustainability of the environment in more practical terms than on the socioeconomic, which seemed to be the focus of the theories of literature. In the first phase we defined a new concept and principles for Eco-lodge in respect to both environmental and socioeconomic indicators. In the second phase we analyzed how Eco-friendly are our case studies. Analyze and measurement of case studies are done based on sustainable Eco-lodge indicators by collecting data from 10 case studies from 5 provinces in Iran that have different climates. Third stage of this research belongs to introducing and innovating of Eco-lodge CRM for all Iran’s Eco-lodges in order to supervise and analyze the Eco-lodge performance by ICHHTO. The adapted methodology in this study was based on a qualitative approach through semi-structured interviews and observation. Results show that cases studied place a lot of emphasis on the sustainability of the environment in more practical terms than on the socioeconomic which seemed to be the focus of the theories of literature. Our intention for future study is accomplishing the Eco-lodge CRM framework. In addition, for an assessment that
is more accurate, on the sustainability of an Eco-lodge, the effects of the environment and emissions of the transportation of the visiting tourists to and from their lodges should be considered, particularly in flights that are international, but the budget and time resources for this research did not avail time for such in-depth analysis.

References


Appendix

Below, there are suggestions proffered for the principles that an operation in tourism ought to have to attain a righteous title of Eco-lodge, besides satisfying the definition of Eco-lodge suggested above. An anticipation is that a certification for Eco-lodge could survive eventually, and that there will be an added criterion relevant for each principle. An Eco-lodge ……

There are few generic principles of Eco-lodge:

1. ... is a consistent effort towards being sustainable environmentally, economically and socially, for as much as possible all through the operation, and urge everyone and competitors involved in the Eco-lodge to emulate this.
2. ... is an exchange of experiences and knowledge in cooperation with other Eco-lodges, and efforts to be a contributive part of a network of Eco-lodges globally, which encourages joint sustainability and causes of tourism in levels that are worldwide and international.

3. ...adapts a perspective which is eco-centric in its operations and provides responses to ecotourism’s philosophy by making a better life quality apriority over high standards of materialism.

4. ...is not solely managed on the premises of profits for economic motives nor for indefinite expansions.

5. ...is of close proximity to areas of nature and not relatively touched, but also not located in places that are obsolete or secluded.

6. ... stays up to date on the findings of research and news, as well as the alterations in policies at national levels, to enable an adaptation of the surroundings, and efforts to conserve on the basis of facts and knowledge that are proven.

Environmental principles:

7. ... encourages and promotes actively the conservation of the species that are endemic of the environment and nature, the sustainability and sustenance of the resources of nature, and implements a system of management that is sustainable.

8. ... utilizes food, energy and water, from numerous sources of sustainability to heighten the resilience and put the negative effects on the environment, in decline.

9. ... conserves water through reusing extensively and practices of saving water, and saves energy through practices of energy conservation, by also picking products that are not electrical and can save energy.

10. ... monitors water and energy usage, as well as waste production, so as to stay updated on issues of current concern, to track the effects of the efforts of conservation, and to keep down the effects of the environment.

11. ... applies a perspective of the circle of life on every commodity purchased or material selected.

12. ... applies an adaptive building design which is suitable for natural conditions of local sense, aesthetically and physically; thus, facilitating the recycling and a tear-down at the stage where life ends; also, basis upon sources that are locally obtained and materials that are reused.

13. ... takes up the accountability for waste that is produced and attempts to minimize wastewater through the limit on production and instead via the use of recycling, proper treatment and reuse of wastewater and waste that manufactured still.
Socioeconomic principles:

14. ... fails to condone values which are discriminatory on the basis of religion, nationality, gender, sexual orientation or sexuality of neither the locals, nor the workers and the tourists.

15. ... betters’ life quality for its workers and their families by according them appropriate robust salaries, and providing work conditions that are fair and safe for everyone, accommodation for staff if requested by them, and their freedom to join a union for workers.

16. ... employs the locals very often to encourage the economy of the local communities, and to engage them in the operation. If there is a lack of knowledge in performing a duty, the locals can do so physically, and people from far areas can be employed while the local inhabitants gain training and education for the job, via the arrangements of Eco-lodges.

17. ... contributes actively and passionately to the development of the local communities, in a sustainable fashion, through the promotion and support of healthcare, poverty alleviation, education and safety for the local area, and through the promotion of local businesses like the cooperatives for handicrafts, producers of agriculture, and service providers, to the visiting tourists.

18. ... provides consistent education for locals, staff and tourists, as well as training, on sustainability economically and environmentally, as well as socioeconomically; how Eco-lodges, tourism and the people are intertwined with sustainability; and offers encouragement to everyone that plays an active role in attaining sustainability.
Part 7: Finance & Banking
Modeling on a Flexible Loan Based on Its Borrower’s Asset With Credit Rating Migration

Jin Liang and Zhaoya Liu
School of Mathematical Sciences
Tong Ji University, China

Abstract

In order to consider the income uncertainty of a kind of borrower, a new loan repayment method, which depends on the borrower’s assets, is designed. This method is similar to the traditional way of “pay as you have”, which effectively decreases the possibility of default. However, it brings the unknown of the clear off time. According to the design, a mathematical model of the expectation of the residual loan value is established, which can be converted into a final value problem of a partial differential equation. Furthermore, credit rating migration risk of the borrower’s assets is involved into the model. The solution of the model and the expectation of the clear off time are analyzed and calculated. Finally, the results are numerically simulated.

Keywords: flexible loan, income uncertainty, loan repayment method, credit rating migration

Introduction

Loan is a credit activity in which banks or other financial institutions lend monetary funds on the basis of certain interest rates and conditions that must be returned in an agreed future time. It is also an important product in financial markets. For a loan, currently, there are many repayment methods, such as equal principal and interest repayment method, equal principal repayment method, and one-off repayment method etc. (see [1-5]). Most existing repayment methods only rely on the loan itself, and regardless of the changes in the status of the borrower. In fact, if borrowers’ assets or income are very uncertainty, the conventional repayment method often implies a greater risk of default. So that, it is necessary to design a new repayment method for this kind of borrowers.

In this paper, a flexible repayment method has been designed, where the payment intensity is a certain proportion of the borrowers’ assets at repayment time. In this way, it greatly reduces the possibility of the borrowers’ defaulting. Therefore, this method is very attractive both for the borrowers and the lenders, though the clear off time is unknown. It has practical and application significance. To study it, a mathematical model with credit rating migration risks of the expected value of the remaining loan is established. It is assumed that the borrower’s asset follows different stochastic processes according to predetermined credit rating regions. Under the framework of the structured approach, the model turns to a partial differential equations problem. The solution is calculated and the parameters are analyzed.

The construction of this paper is as follows: In following section 2, the model without credit rating migration is established and solved in analyzing form; In section 3, the model is extended to the case with credit ration migration; In section 4, numerical results are presented. The conclusion is in section 5.
Literature Review

There have been many studies on the methods of borrowing and repayment. Chen (2015) made a simple analysis of the three main repayment methods of loans. Wang et al. (2004) compared the two methods of repayment of equal principal and interest and equal principal. Wu (2012) gave the pricing and analysis of mortgage loans. Aguais and Forest (1998) built loan analysis system and made dynamic pricing of credit risks. Chmura’s (1995) article gave a model for measuring the expected return on loans. And it pointed out competition between banks forced banks to consider their overall relationship with customers on a larger scale. Fadil and Hershoff (1998) considered the loan collateral, pledged goods, and time limits, and developed a commercial loan pricing model. Altman’s (2002) loan pricing model linked loan value assessment to borrowers’ credit rating and estimated the loan cash flow. For credit rating migration with free boundary issues, we can refer to the article of Liang et al. (2016).

Modelling

Assumptions

1. Denote $S_t$ the borrower’s assets at time $t$ in the risk neutral world. It satisfies

$$dS_t = (r - \delta)S_t dt + \sigma S_t dW_t,$$

where $r$ is the risk free interest rate, and $\sigma$ represents volatility of the borrower’s assets. It is assumed to be a positive constant. $W_t$ is the standard Brownian motion.

2. The borrower continuously pays the loan. The repayment intensity at the time $t$ is $\delta S_t$. $\delta$, a positive constant, is the repayment ratio. It means that during time interval $dt$, the repayment amount equals the proportion of the borrower’s assets multiply $dt$.

3. Default is not considered.

4. The clear off time of the loan, the total debt at the initial and the lending rate are denoted by $T$, $Q$ and $q$ respectively.

5. Denote $\Phi(S, t)$ the expected remaining value of the loan at the time of $t$. It satisfies that $\Phi(S, 0) = Q$, $\Phi(S, T) = 0$.

Remark 1: $T$ is the expected time to pay off the loan, which is unknown at initial time. It depends on the initial value function. So, $T$ can be treated as a simple free boundary.

Cash Flow

According to the assumptions, in the time period $[0, t]$, the borrower repaid part of the loan, taking into account loan interest $q$, the borrower’s initial loan amount

$$Q = E \left[ \int_0^T \delta S_\theta e^{-q\theta} d\theta \right].$$

(2)
Then at the time of \( t \), the expected value of the borrower’s remaining loan can be expressed as conditional mathematical expectation:

\[
\Phi(S,t) = E \left[ \int_t^T \delta S e^{-\kappa(t-\theta)} d\theta | S_t = S \right].
\]  \hspace{1cm} (3)

Remark 2: \( T \) is the expected time to clear off the loan. It depends on the value function \( \Phi \), initial state of the asset \( S \) and \( Q \).

**PDE Problem**

By Feynman-Kac formula (e.g. see [12]), it is not difficult to get that \( \Phi \) is the function of the borrower’s assets \( S \) and time \( t \). It satisfies the following partial differential equations:

\[
\begin{cases}
\frac{\partial \Phi}{\partial t} + (r - \delta)S \frac{\partial \Phi}{\partial S} + \frac{\sigma^2}{2} S^2 \frac{\partial^2 \Phi}{\partial S^2} - q\Phi + \delta S = 0, & (0 < t < T, 0 < S < \infty), \\
\Phi(S, T) = 0.
\end{cases}
\]  \hspace{1cm} (4)

By partial differential equation theory, problem (4) is terminal problem of PDE. The terminal time \( T \) is determined by the additional initial condition \( \Phi(S, 0) = Q \).

**The Solution**

To solve the problem (4), we can use the similar solution method of Black-Scholes Equation. According to partial differential equation theory (see [13]), the solution to (4) is as follows:

\[
\Phi(S, t) = \frac{\delta S}{r - \delta - q} \left( e^{(r-\delta-q)(T-t)} - 1 \right).
\]  \hspace{1cm} (5)

In this way we obtain the equation solution of the value function, where \( T \) is the parameter. The initial condition \( \Phi(S, 0) = Q \) is to determine \( T \).

Remark 3: The solution (5) can be obtained directly from (1), (3). For the further consideration of the credit rating migration risk, the way of PDE is more convenient.

**Expected Time to Pay Off the Loan**

According to initial conditions: \( \Phi(S, 0) = Q \), combined with the equation solution (5), we can get the expression of \( T \):

\[
T = \frac{1}{r - \delta - q} \ln \left[ 1 - \left( \frac{q-r}{\delta} + 1 \right) \frac{Q}{S} \right].
\]  \hspace{1cm} (6)

That means, although the repayment method designed in this paper has brought about the uncertainty of the clear off time of the loan, by the borrower’s asset assumption and its initial situation, the expected clear off time can be obtained by (6).
Involving Credit Rating Migration

If consider credit rating migration risks, where a predetermined migration boundary \( S=K \), and it is in high rating when \( S>K \) and in low rating when \( S<K \). The volatilities and repayment rates in high and low ratings are \( \sigma_i \) and \( \delta_i \), \( i=1,2 \) respectively. Denote the bond value is \( \Phi_i \), \( i=1,2 \) in high and low rating respectively. Then the problem becomes:

\[
\begin{align*}
\frac{\partial \Phi_1}{\partial t} + (r - \delta_1)S \frac{\partial \Phi_1}{\partial S} + \frac{\sigma_1^2 S^2}{2} \frac{\partial^2 \Phi_1}{\partial S^2} - q \Phi_1 + \delta_1 S &= 0, \quad (0 < t < T, K < S < \infty), \\
\frac{\partial \Phi_2}{\partial t} + (r - \delta_2)S \frac{\partial \Phi_2}{\partial S} + \frac{\sigma_2^2 S^2}{2} \frac{\partial^2 \Phi_2}{\partial S^2} - q \Phi_2 + \delta_2 S &= 0, \quad (0 < t < T, 0 < S < K), \\
\Phi_1(K, t) &= \Phi_2(K, t), \quad (0 < t < T), \\
\Phi_1(S, T) &= 0, \quad (K < S < \infty) \\
\Phi_2(S, T) &= 0, \quad (0 < S < K),
\end{align*}
\]

Also to solve the problem we add an additional condition:

\[
\Phi_1(K, t) = \Phi_2(K, t) = \lambda W_1(K, t) + (1 - \lambda)W_2(K, t)
\]

where

\[
W_i(S, t) = \frac{\delta_i S}{r - \delta_i - q} \left( e^{(r - \delta_i - q)(T - t)} - 1 \right) \quad (i = 1, 2)
\]

Simulation

In order to calculate \( \Phi(S, t) \), we use Numerical Integration Method (see Yu 2012). The results are shown in Fig.1, which the parameters are chosen as follows

\[
r = 0.034; \quad q = 0.04; \quad \delta_1 = 0.08; \quad \delta_2 = 0.06; \quad \sigma_1 = 0.1; \quad \sigma_2 = 0.2; \quad K = 100000; \quad T = 3; \quad \lambda = 0.5.
\]

Figure 1. Relationship between borrower’s assets and initial loan amount.

From the Fig. 1 left, the value function has divided by a fixed boundary into two regions: low and high rating regions. And the value changes quite smoothly across the boundary.

From the Fig. 1 right, the results show that the relationship between borrower’s assets and the initial loan amount when we fix the loan period \( T \) and other parameters. The overall trend of the curve is rising, but it changes at the credit rating migration boundary.
To calculate $T$, we use the dichotomy (see Yu 2012) to calculate implicit expressions satisfied by $T$. The results in Fig.2 shows the effect of borrower’s initial assets on the expected clear off time of the loan. The accuracy of the dichotomy is $10^{-5}$, which the parameters are chosen as follows:

$r = 0.034; \ q = 0.04; \ \delta_1 = 0.08; \ \sigma_1 = 0.1; \ \delta_2 = 0.06; \ \sigma_2 = 0.2; \ K = 100000; \ \lambda = 0.5; \ Q = 2000;$

**Figure 2.** Relationship between initial assets $S_0$ and $T$.

As can be seen from Fig.2, the more borrower’s initial assets, the shorter the expected time to clear off the loan.

In order to analyze the effect of the initial loan amount on the expected clear off time, by fixing the initial assets and other parameters, we calculate corresponding numerical results and drawing, shown in Fig.3, which the parameters are chosen as follows:

- $r = 0.034; \ q = 0.04; \ \delta_1 = 0.08; \ \sigma_1 = 0.1; \ K = 100000; \ S_0 = 120000; \ \lambda = 0.5$ and
- $r = 0.034; \ q = 0.04; \ \delta_2 = 0.008; \ \sigma_2 = 0.2; \ K = 100000; \ S_0 = 80000; \ \lambda = 0.5$

**Figure 3.** Relationship between initial loan amount $Q$ and $T$.

The graphs show the relationship between the expected clear off time and the borrower’s initial loan amount. When other conditions remain the same, regardless of whether the borrower’s initial asset is in high or low rating region, the larger the initial loan amount, the longer the clear off time of the loan.
Conclusions

In this paper, we have designed a new loan repayment method for a class of borrowers with random assets or incomes. The repayment intensity is an agreed the borrower’s assets ratio. This method is similar to the traditional way “pay as you have”. The risk of credit rating migration of the borrower’s asset is also considered. Under the structured framework, a mathematical model for valuing the remaining loan is established, from which the expected clear off time can be calculated. The model is converted to a partial differential equation problem, whose analytical solution is obtained. Furthermore, numerical simulations and parameter discussions are presented.

References


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ING Bank Case in Electronic Banking Applications

Ilhan Kanusagi and Lamiha Ozturk

Faculty of Social Sciences,
Hasan Kalyoncu University, Turkey

Abstract

The rapid development of technology has brought many innovations and intense competition. At the same time, the rapid development of technology has transformed world economies into a global market. Today, internet and mobile phones have become an indispensable part of human life. As in every sector, it has taken its share from technological developments in banks. The intensive use of the Internet, the inevitable development of technology and the increasing competition made it obligatory for banks to carry out technology-oriented activities. Therefore, banks have turned to electronic banking applications. Banks are diversifying their electronic banking practices with an innovative approach in order to protect their assets, provide customer satisfaction and most importantly profitability. Thanks to the electronic banking applications offered by banks, time and space restrictions have been eliminated. It can grow without the need for branching and personnel employment in banks. In this regard, ING Bank, which operates in our country and uses electronic banking applications extensively, is discussed. ING Bank's electronic products and services, customer and employee structure are discussed.

Keywords: ING Bank, electronic banking applications, technological developments, banking

Introduction

Banking has undergone many changes since its inception. Banking; it is an economic system that carries itself to the present in a cumulative way. In the past, since the technology is almost nonexistent, it is seen that the services offered are less in the same direction. Today, banking offers a wider range of services with technological developments and electronic banking stands out. Accordingly, the development of banking from past to present is directly proportional to needs and technology. Banks that have adapted to the developing technology have started a new era in the banking system through innovation and technology-oriented efforts. It is possible to call this period “Electronic Banking.

As a result of the spread of Electronic Banking Applications, banks employ fewer staff, and opt for electronic services. Thus, the needs of the customers are met through electronic channels without opening a branch and employing personnel. The Bank provides 24/7 service to customers by eliminating time and space constraints through electronic channels. Customers can perform all banking transactions from their locations without going to the physical branch.

Today, many banks offer electronic banking services. ING Bank, one of these banks, stands out with its Electronic Banking Applications. ING Bank provides growth from branching with the electronic banking services it provides. The majority of ING Bank's services are technology-based. Sales volume through distribution channels continued to expand in 2018 and the share of distribution channels in total sales reached 41%. The ING Bank Hybrid Project has enabled all
households to select products without going to a branch without having to become an ING Bank customer. As a result, ING Bank extended 53% of its loans through non-branch channels in 2018.

- **Main Electronic Banking Services Provided By Ing Bank**
  - With ING in my pocket POS application, enterprises that are ING customers can make card payments from their mobile phones.
  - ING Bank offers its clients that find no ATM within a kilometer of their location to the other ATM services at no cost. These customers can then withdraw up to 1000 Turkish pounds from the ATM.
  - The Hesap Orange Account “application, which was launched in January 2011, offers its customers the opportunity to trade in foreign currency options such as US Dollars, Euros and British Pounds.
  - In 2011, efforts were made at ATMs to facilitate transactions for disabled citizens.
  - 2014 aims to digitize with the use of e-Invoice. Accordingly, an E-Archive application was created for companies.
  - In addition to the services provided at the Bank and its branches, the Bank provides 24/7 uninterrupted service through its 1,541 ATMs and electronic banking channels.
  - Since 2016, transactions such as credit card payments, foreign currency withdrawal and deposit transactions of ING Bank credit cards and other banks can be made from ING Bank ATMs.
  - Launched e-Turuncu in 2016 and aimed to add young users to its customer portfolio.
  - A fast and solution-oriented KGF credit system was established with the help of 7/24 unmanned robot technologies.
  - With the Paramara application, digital code purchase, online shopping, bill payment transactions can be performed without a bank account and outside working hours.
  - ama Parama Card olma is the first digital prepaid card. This card allows contactless shopping on NFC-enabled smartphones.
  - **Undertook many innovations with its slogan Yeni New Pieces to Old Village ”.**
  - Credit facilities are a prominent feature. For example, with the “My Credit Endless” application, customers can use the need limit granted to them via digital channels or physical ING Bank institutions without repeatedly applying.
  - Pensioners have the opportunity to withdraw money without paying any commission from all ATMs outside ING Bank ATMs in Turkey.
  - With the Peg Pegasus Card puan, points are offered for Pegasus tickets.
  - In 2017, ING Bank introduced its “Assistant” feature to its customers. In particular, users can easily and automatically monitor their financial transactions with instructions such as notification and smart actions.

**ING Bank Alternative Distribution Channels**

ING Bank effectively uses alternative distribution channels to provide uninterrupted banking services to its customers. For ING Bank, electronic banking is not only for customer satisfaction but also for its asset philosophy. It offers electronic banking services in many areas. It provides these services to its customers through alternative distribution channels. Alternative distribution channels used in this direction are stated as follows:
• Mobile Banking (ING Mobile),
• ATMs,
• Internet Banking,
• Telephone Banking,
• Smart Banking Robot.

The Effects of Electronic Banking on Personnel Employment at ING Bank

While ING Bank had higher number of branches and personnel in its first years of operation, it is observed that the number of employees and branches decreased each year compared to the previous year. On the other hand, ATMs, which follow the opposite direction of this decrease, increase every year compared to the previous year. Considering that all banking services are provided through ATMs, the increase in the number of ATMs eliminates the need for branches and personnel. Thanks to alternative distribution channels, ING Bank offers many products to customers through non-branch channels. Looking at the table, 30% of the sales made by banks in 2018 are realized through alternative distribution channels. This minimizes the need for marketing personnel in banks. Therefore, banks do not need personnel employment.

Table 1. Number of Branch Employees and Electronic Banking Data by ING Bank by Years

<table>
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<th>History (December)</th>
<th>Number of Branches</th>
<th>Number of Employees</th>
<th>Rate of Banking Transactions via Internet Branches %</th>
<th>Digital Channel Active Usage Rate %</th>
<th>Share of Sales via Alternative Distribution Channels in Total Sales %</th>
<th>Number of ATMs</th>
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<td>319</td>
<td>5,319</td>
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<td>24</td>
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</tr>
<tr>
<td>2014</td>
<td>316</td>
<td>6,156</td>
<td>-</td>
<td>18</td>
<td>29</td>
<td>1,615</td>
</tr>
<tr>
<td>2015</td>
<td>298</td>
<td>5,603</td>
<td>-</td>
<td>21</td>
<td>31</td>
<td>1,592</td>
</tr>
<tr>
<td>2016</td>
<td>268</td>
<td>5,284</td>
<td>-</td>
<td>25</td>
<td>35</td>
<td>1,540</td>
</tr>
<tr>
<td>2017</td>
<td>261</td>
<td>4,935</td>
<td>-</td>
<td>29,9</td>
<td>37</td>
<td>1,541</td>
</tr>
<tr>
<td>2018</td>
<td>226</td>
<td>4,520</td>
<td>-</td>
<td>30</td>
<td>41</td>
<td>1,486</td>
</tr>
</tbody>
</table>

Source: TBB: Compiled from Bank and sector information and ING Bank Annual Reports.

Methods

Survey method was used in the research. The questionnaire was prepared for the purpose of the study after the literature survey. The questionnaire used in the study was conducted face to face with ING Bank users included in the research. Since the universe of the research is very large, it becomes impossible to reach all users when time and cost are considered. Therefore, inferences were made on the sample created in the universe of the research. The sample of the study consisted of 60 participants from ING Bank customers in Gaziantep. The data obtained as a result of the survey application was transferred to SPPS program and evaluated statistically and finalized.

Identifying Customers Included in the Research

Since the research was carried out in Gaziantep, the scope of the research was limited to 3 branches of ING Bank in Gaziantep. However, since the manager working at ING Bank branch was not
allowed to conduct surveys within the branch, 60 users were reached at the branch exits and the survey was conducted face to face. As a result of the survey, 60 users were reached and the survey was completed. Considering that the minimum number of subjects required for sampling of statistical methods is 30 (1994) by Kalipsiz (1994), the number of questionnaires which are 60 can be considered as an acceptable rate.

**Preparation of Survey Form**

Necessary literature surveys were carried out to determine the questions in the questionnaire formed in line with the research objectives and the previous studies were taken into consideration. The questions included in the questionnaire were prepared on the Google Forms page by taking into consideration the issues specified by SEYIDOGLU (2016) and the points to be considered in the creation of the survey form. After determining the questions to be included in the survey, the questions in the pilot survey were compared with the objectives and assumptions of the research. As a result of this comparison, it was determined whether the questions in the survey serve the objectives and assumptions of the study. Before the finalization of the questionnaire, the pilot questionnaire was presented to the academics and the respondents who were interviewed and asked for their opinions. After this process, changes were made on the questions in the survey. He added explanations in parenthesis to some of the questions in the questionnaire, some questions were removed from the questionnaire and some questions were added to the questionnaire and the questionnaire was finalized.

**Data Acquisition Process**

First of all, further researches which are necessary to form the theoretical base of the subject discussed in the scope of the research have been examined and literature review has been made. In addition, TBB, BKM, ING Bank A.S. etc. Numerical data to be used in the research were collected by visiting web sites.

A pilot questionnaire was prepared on the Form Google Forms page. This draft questionnaire was firstly shared on the Internet via the Google Forms page. However, 23 feedbacks were received which did not show the expected interest. As a result, the survey was limited to 3 ING Bank branches in Gaziantep. However, since the surveys within the branch were not authorized by the competent authorities, the bank was ultimately carried out at the branch exits through face-to-face interviews with customers.

These participants voluntarily wanted to take part in the survey. The reason for insisting on conducting surveys at ING Bank branches is that it is difficult to meet ING Bank customers on the street. The reason for this is that ING Bank users are composed of working and educated individuals. As a result of this process, the answers given by 60 participants were accepted as correct and the survey was completed.

**Data Analysis**

The answers in the questionnaires obtained were coded and analyzed with SPSS (Statistical Package for Social Sciences) Version 22 and Windows 10.0 version. SPSS; is widely used in the analysis of the results of research conducted within the scope of social sciences. This program provides the user with comprehensive statistical analysis methods.
Findings

Demographic Characteristics of the Participants

- The distribution of the participants included in the study according to their age groups is as follows; 34 of the participants (56.7%) 26-39, 20 (33.3%) 18-25, 3 (5%) 40-54, 2 (3.3%) 55-65, 1 (1.7%) were over 65 years of age. 90% of the participants are young people.
- Gender distribution of the participants included in the study is as follows; 31 (51.7%) of the participants were male and 29 (48.3%) were female.
- The distribution of the participants according to their educational status is as follows; 40 (66.7%) graduated from university (associate degree-bachelor), 16 (26.7%) graduate / PhD graduate, 3 (5.0%) secondary education graduate, 1 (%) 1,7) He is a primary school graduate. When these rates are taken into consideration, it is noteworthy that the majority of ING Bank customers are educated with university and graduate / doctoral degrees. It is important data that 93.4% of the survey participants have university and higher education.
- Distribution of the participants according to their monthly income is as follows; According to the table, 23 (38.3%) of the participants were 3001-5000 TL, 15 (25%) of 2001-3000 TL, 15 (25%) of 5001 TL and above, 5 (8.3) of 1604 -2000 TL, 2 (3.3%) of the individuals with minimum wage (1604 TL) income. When the income levels of the participants are taken into consideration, 63.3% of ING Bank customers are households with monthly income of 3001 or more.
- The distribution of the participants according to their marital status is as follows; 31 (51.7%) of the participants were single and 29 (48.3%) were married.

Participants' Evaluations on the Bank's Products and Services

Considering the rates obtained in the study, ING Bank users' orange account advantages, low interest rate credit facilities, foreign exchange transactions and the possibility of investing with high interest rates to their customers are noteworthy reasons for ING Bank preference. In addition, reliability and the services offered by the mobile banking application are among the important reasons that ING Bank is preferred by customers.

In the answers given by the participants; Among the services offered by ING Bank unlike other banks, the Orange account attracts attention with a rate of 43.3%. The orange account helps ING Bank to gain the satisfaction of its customers with the advantages it offers. 26 of the 60 participants support the information provided by customer satisfaction by giving orange account answers.

The proportional response distribution as to whether the participants included in the study suggested the ING Bank to their environment is as follows; 40 (66.7%) of the participants answered yes, 14 (23.3%) no, 5 (8.3) absolutely yes, 1 (1.7%) gave no answer. 75% of the participants recommend ING Bank to their environment.

The distribution of the participants in the study showing whether they have an account in another bank other than ING Bank is as follows; 58 (96.7%) of the participants answered yes and 2 (3.3%) answered no. It is seen that ING Bank users have an account in another bank with a big share of 96.7%. 38 (63.3%) of the respondents stated that they have accounts in public banks, 13 (21.7%)
in both private and public banks and 7 (11.7%) in private banks. Considering these rates and ING Bank as a private bank, customers are satisfied with ING Bank and they do not give up state-funded public banks.

Proportionality of the participants' meeting with the bank is as follows; 17 (28.3%) of the participants were in the environment (by recommendation), 14 (23.3%) advertising, 11 (18.3%) internet, 8 (13.3%) television, 7 (11.7%) have a salary account, 2 (3.3%) are working at ING Bank, 1 (1.7%) stated that they have met via radio. In line with these ratios, the most important channels that introduce ING Bank to the customer are the environment (through suggestions), advertising and internet. In the first place, the way of getting acquainted with the suggestion shows once again the satisfaction of ING Bank users.

**SPSS Analysis Result Hypothesis Evaluation**

- There was no semantic difference between the participants' reasons for choosing the bank according to their gender.
- According to the marital status of the participants, there was no significant difference between the reasons for choosing the bank.
- There was no semantic difference between the participants' reasons for choosing the bank according to their age. The main reason for the lack of a semantic difference between the participants' ages and the reasons for choosing the bank is that the majority of ING Bank customers are young. Therefore, a large proportion of the participants included in the survey study, such as 54, are the result of users aged 18-39 years.
- There was no semantic difference between the participants' reasons for choosing the bank according to their monthly income. One of the factors that cause no semantic difference between the participants' reasons for choosing the bank according to their monthly income is that the majority of ING Bank customers are highly educated individuals. As a result, 54 of the participants in the survey consisted of individuals with salaries of over TL 2001. Therefore, the reasons for preference are equivalent to each other.
- There was no semantic difference between the participants' reasons for choosing the bank according to their educational background. The lack of semantic differentiation is that the majority of ING Bank users are highly educated individuals.
- ING Bank increased the number of university and graduate / doctoral graduates every year. This shows that ING Bank employs qualified personnel. Accordingly, “ING Bank employees consist of qualified personnel el”.

In line with this information, the reason why there is no semantic difference in the preference of ING Bank in case of different demographic characteristics of the products and services offered by ING Bank; ING Bank customers are mostly young people with high educational and income levels. This shows that ING Bank has a uniform customer profile. Therefore, ING Bank; is able to follow the technological developments and meet the demands of qualified customers.
Results and Conclusions

The banking sector is one of the basic building blocks of the economy. The fact that the banks operating in the financial markets have a strong and robust operation shows that the national economy is also strong and strong. Today, banks operate in electronic environment rather than traditional banking methods. The changing and developing sector structure made electronic banking applications compulsory for banks. Thanks to electronic banking, the concept of time and space has disappeared. Customers can carry out many banking transactions without going to the bank in line with their needs. This eliminates the customer's waste of time and expense.

It is possible to list the commonly used electronic banking services as ATM, POS, Internet Banking and Mobile Application. The most commonly performed transactions in these applications are invoice deposit, balance inquiry, credit and card transactions. Today, the intensive use of the Internet and telephone has made it necessary for banks to advance in the field of electronic banking and develop new products in order to ensure customer satisfaction. When the UMT reports and ING Annual reports are examined, it is seen that ING Bank has a high number of primary and secondary school graduates between 2008-2011. However, this ratio decreased every year compared to the previous year. ING Bank increased the number of university and graduate / doctoral graduates. This shows that ING Bank employs qualified personnel. Another conclusion is that ING Bank users should have a high level of education and that ING Bank employees must have a high level of education. Thus, an employee profile was created to meet the needs of customers. Independent Samples T-Test and One-Way Anova Test on the data obtained from the study. There was no semantic difference between. The reason for this is that, as stated above, the participants in the study are mostly young people with high educational and income levels. In view of these findings, the Bank needs to work for non-young, low-income, low-educated individuals to expand its customer portfolio.

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Credit Guarantee Schemes: A Critical Analysis of the Small Business Administration as a Model for Emerging Economies Developing Business and Entrepreneurship

Gary Bliss

College of Business
Florida State University, USA

Abstract

Using data from the U.S. Small Business Administration (SBA) to identify patterns in the application of credit guaranteed schemes in the United States, this study analyzed lending data for the two SBA marque programs, the SBA 7(a) loan guarantee and the SBA 504 subordinated debenture. The findings are intended to provide guidance to countries in the process of developing credit guarantee schemes and provide SBA policy makers with information about the efficacy of these programs. Focusing on consistent customer care among banks, three primary questions were explored: 1) Are banks over utilizing the 7(a) loan for longer term loans with higher principal balances when they could be using the 504 loan, which will provide a lower interest rate to the borrowers? 2) Given the neutralizing of credit risks provided by the SBA guarantee on 7(a) loans, are certain banks exercising market power and charging the entrepreneur higher interest rates? And, 3) Are existing businesses receiving more favorable loan terms and conditions, such as interest rates, time to maturity, and loan balances than are new businesses? The findings indicate that banks are over utilizing the SBA 7(a) loan program instead of using the 504 loan product to the detriment of the entrepreneur and US taxpayer. Further, banks with a national presence are charging higher interest rates on loans compared to community banks with the same SBA risk mitigating guarantee. Finally, new businesses with SBA loan guarantees are receiving more favorable terms than existing businesses, questioning the perceived benefits of relationship banking.

Keywords: credit guarantee schemes, Small Business Administration (SBA), entrepreneurial finance

Introduction

In the years following the global financial crisis, there has been a renewed interest in government or private assistance designed to help small enterprises (SMEs) obtain capital needed to survive and expand. This is especially true for emerging economies in developing countries that recognize the importance of the SME in the creation of jobs and economic prosperity. The World Bank and FIRST Initiative (World Bank, 2015) recognized the need for Credit Guarantee Schemes (CGS) throughout the world, especially as they pertain to assisting SMEs in developing countries. The World Bank also recognized the need for a common set of principles to assist governments in establishing best practices for CGSs. (OECD, 2013).

CGSs and PGSs are methods in which the government of a country, or a private entity provides guarantees to lenders for all or part of the debt of the SME, therefore providing the SME with needed capital while mitigating all or part of the risk to the lender. With renewed attention on the
SME and CGSs, this study focuses on the patterns in the application of SBA Credit Guarantee Schemes in the United States, which can contribute to the discussion on best practices for establishing and operating a CGS or PGS in developing countries.

Of particular interest in this study is the consistency of terms and conditions of SBA loans funded by banks. With the SBA 7(a) loan program providing banks the assurance that they will recover the principal on the guaranteed portion of loans in the event of a default by the borrower, these loans should have an equal risk characteristic. Therefore, with an equal risk return relationship, loan terms and conditions for SBA guaranteed loans should follow a consistent pattern.

SBA provides lending assistance through a variety of programs; however, the marquee loan programs are the 7(a) and the 504 (U.S. Small Business Administration, n.d). The 7(a) loan is the larger program and can be used for multiple purposes, including start up debt capital secured by real estate, equipment loans, and working capital loans. The SBA does not lend money directly to the borrower through the 7(a) program, but provides a guarantee to banks that originate these loans. The SBA Express loan provides for a maximum loan of $350,000 and SBA will guarantee 50% of the principal balance. For the 7(a) loan program, SBA will guarantee 85% of the principal balance on loans up to $150,000 and 75% for loans above $150,000. The maximum guarantee amount for a 7(a) loan is $3,750,000 on a maximum loan amount of $5,000,000. For international trade, and export financing, including working capital, SBA will provide guarantees to 90% of the maximum loan of $5,000,000 (U.S. Small Business Administration, n.d).

The interest rate structure for the 7(a) loan works in either a fixed rate or variable rate format with most loans having a variable rate tied to the lowest published prime interest rate, plus a spread. Individual banks are free to negotiate interest rates with their borrowers up to the maximum allowed by SBA. Maximum spreads above the published prime rate vary, based on the length of the loan and the amount of the loan. Loans with original maturities less than 7 years and in amounts greater than $50,000 have a maximum spread above prime of 2.25%. For loans of the same maturity and in amounts less than $25,000 banks can charge up to 4.25% above prime. For loans having maturities greater than 7 years, the maximum spreads range from 2.75% for loans greater than $50,000 to 4.75% for loans less than $25,000. (SBA Loan Fact Sheet)

The 504 loan program is a long term financing tool designed to foster economic development and create jobs. Fixed rate financing is provided for new or existing SMEs that will increase employment and economic development of the area in which the business is located. All projects are secured by either heavy equipment or real estate. Loans are fully amortizing over a 10 or a 20-year period, with the majority being 20-year amortizing loans secured by real estate. A typical 504 loan consists of bank funding of 50% of a project’s cost in a first lien position, 40% funding through a Certified Development Company (CDC) in a second lien position, and a 10% equity contribution. The 40% funded through the CDC is backed by a 100% guarantee from an SBA debenture, has a fixed interest rate, and the subordinate position effectively creates a very low risk lending scenario for a bank in the senior position.

Writing for the Wall Street Journal, Gwendolyn Bounds suggested the 504 loan program was underutilized and the 7(a) program was running out of money (Bounds, 2004). Recent evidence indicates the 7(a) program has had difficulty keeping up with loan demand. In a Congressional Hearing detailing the 7(a) program, William Manger, Associate Administrator for the Office of
Capital Access at the SBA, noted the need for emergency supplemental authorization increases in 2014 and 2015. He also revealed SBA’s concern about reaching loan authorization caps in fiscal year 2017 (SBA’s 7(a) Loan Program: A Detailed Review). Two critical questions arise from this evidence. First, is the 7(a) program misused by lenders; and second, are lenders guiding the entrepreneur to the product best suited for their business? This study suggests that there is a substantial amount of long-term real estate lending funded under the 7(a) program, instead of the 504. While not all long-term real estate loans are appropriate for the 504 program, lenders are overutilizing the 7(a) loan program at the expense of borrowers, who are often not well-informed about the alternative 504 loan.

The focus of this research was to determine if banks exercise consistent customer care when providing debt financing through the SBA loan programs, with three primary questions explored; 1) Are banks over utilizing the 7(a) loan for longer term loans with higher principal balances when they could be using the 504 loan, which will provide a lower interest rate to the borrowers? 2) Given the neutralizing of credit risks provided by the SBA guarantee for the 7(a) loan program, are certain banks exercising market power and charging the entrepreneur higher interest rates? And, 3) Are existing businesses receiving more favorable loan terms and conditions, such as interest rates, time to maturity, and loan balances than are new businesses?

**Literature Review**

One of the most challenging aspects of owning and sustaining a small business is accessing capital. Capital for a small business is primarily debt, which is why CGSs and PGSs have developed worldwide (Beck, Klapper, & Mendoza, 2010). Small businesses need funding to grow, and ideally all creditworthy borrowers should have frictionless access to capital for positive net present value investments. However, previous research has shown that historically, small businesses have had difficulty accessing capital markets (Berger and Udell, 1992 and 1995; Coleman, 2004; Stiglitz and Weiss, 1981; Petersen and Rajan, 1994; Blanchflower, Levine and Zimmerman, 2003; Cavalluzzo and Cavalluzzo, 1998; Cavalluzzo, Cavalluzzo and Wolken, 2002; Cole, 1998; Craig, Jackson, and Thomson, 2007, World Bank, 2015, OECD, 2013, Beck, Klapper & Mendoza, 2010). SBA recognizes the challenges small businesses face in raising capital and has attempted to smooth the credit market by providing loan guarantees (the 7(a) program) and direct financing (the 504 program).

SBA has also been successful in assisting firms in raising debt capital and overcoming credit rationing often associated with small businesses. Stiglitz and Weiss (1981) suggest that small firms are credit rationed primarily due to an adverse selection process and asymmetric information. Banks want to make loans that repay and make loan decisions in the absence of complete information. To compensate for risk, banks charge interest rates scaled by the level of perceived risk that the loan will not be repaid. The lack of complete information in the loan decision process then results in interest rates becoming a screening process. As Stiglitz and Weiss (1981) demonstrate, higher interest rates not only reduce the returns to the entrepreneur, but they also screen out the better borrowers who are unwilling to pay the higher rates. A higher interest rate on debt provides the incentive for an entrepreneur to take on a riskier project, which if successful, results in a good payoff. If the project is unsuccessful, there is a much higher likelihood that the entrepreneur will default on the loan. Therefore, to reduce adverse selection, banks limit the credit available to small firms.
Craig, et al. (2007) describes how the SBA assists small firms in obtaining capital by overcoming credit market friction created by information asymmetries and adverse selection, as posited by Stiglitz and Weiss, (1981). Craig et al. argue that a SBA guarantee reduces the probability of a loss to the bank resulting from a default on a loan, which increases the bank’s expected return on the risky loan. They further contend that lower interest rates associated with the presence of a guarantee have the effect of increasing the likelihood of a higher number of loan applications from low and average risk borrowers, which in turn increases the probability that the bank will select average risk borrowers. Banks also recognize that if borrowers are faced with higher interest rates, they are more likely to undertake riskier projects in an effort to repay the loan at the higher interest rate. Furthermore, Craig, et al. indicates that with the SBA guarantee, the larger group of applicants reduces adverse selection, and lower rates reduce borrower generated moral hazard.

Several researchers have determined that a small firm’s relationship with a bank is a factor in obtaining credit. Kane and Malkiel (1965) suggest that credit rationing occurs, but as the firm develops a profitable relationship with a bank, the bank is more willing to advance credit. Petersen and Rajan (1994) determine that small firms also face credit constraints due to limited relationships with a bank. They further indicate that relationships can be developed through the amount of information gathered over time on the firm and the amount of bank products used by the firm. Berger and Udell (1995) find that the longer the duration of the relationship between a small firm and a bank, the more likely the bank is to extend loans and reduce collateral requirements to the small firm. Since small new firms are normally constrained in their ability to develop relationships with banks, SBA is an institution that can assist in making debt capital from banks more available to them.

While the SBA is not without its critics (Conrad, 2007; DeRugy, 2007, 2008), the SBA steadfastly argues that it provides a vital service to small businesses (SBA/advocacy, 2011). Evidence of the impact of SBA can be demonstrated by loan volume and businesses assisted. Data provided by the SBA demonstrates the level of financial and counseling support provided during the period of this study. The evidence shows that prior to the recession of 2008 and 2009, the number of 7(a) and 504 loans increased, as did the total portfolio principal. Post-recession, loan volume has increased, and dollar amounts funded and unpaid loan balances have increased for the 7(a) loan program; however, the 504 loan program is relatively flat. So, why has the 7(a) program shown an increase while the 504 program has not? With more favorable terms and lower interest rates for the 504 loan program, logic would dictate that the 504 loan program should be increasing in loans funded and unpaid balances outstanding.

Methods

Sample

Two sets of data were used for this study, with the first set reviewing more than 400,000 loans authorized for a five-year period from fiscal year 2005 (beginning October 1, 2004) through 2009 (ending September 30, 2009). The first set data were reduced to relevant information, which included the loan amount, the interest rate, the length of time to maturity, and whether the recipient of the loan was a new or existing business. A script was written for these data to reduce the population to ten separate samples containing 1,000 randomly selected loans. This allowed for a more efficient management of the data files. The exact same analysis was conducted on each of
the ten separate samples of 1,000 with equal results, providing justification for using one sample of 1,000 randomly selected loans for the final analysis. Further, the information in this data set pertained to the SBA 7(a) loans exclusively. As such, this data set was sufficient in determining whether or not proper customer care was being exercised by banks originating the 7(a) loan.

The second set includes more extensive data on loans made through the 7(a) and 504 loan programs. Data for the loans in 7(a) loan program range from the fiscal year 1990 into fiscal year 2016. Data for the 504 loan program ranges from the fiscal year 2000 into the fiscal year 2016. Due to the size of the data set, a random selection of 5,000 loans from both the 7(a) and 504 data sets through fiscal year 2015 and a part of fiscal year 2016 was used. The final data set consisted of 5,000 7(a) loans and 5,000 504 loans from the fiscal year 2005 through the partial year 2016. These new data on 504 loans allow for a direct comparison of interest rate differentials between the 7(a) loans and the 504 loans made at the same time. According to the Central Limit Theorem, a sample size of 5,000 is adequate to make an inference about the entire population.

**Data Collection**

All data was provided by the U.S. Small Business Administration (SBA) through the Freedom of Information Act.

**Empirical Model**

With respect to question one, “Are banks over utilizing the 7(a) loan for longer term loans with higher principal balances when they could be using the 504 loan, which will provide a lower interest rate to the borrowers?” it is the contention of the researcher that banks are using the 7(a) program for longer term real estate loans, instead of directing those borrowers to the more appropriate 504 loan program. Generally, longer term real estate loans will have a higher loan balance than shorter term working capital loans. The data provided by the SBA did not reveal if a specific loan was collateralized with real estate; however, the SBA has stated that all loans maturing in 120 months or more must be secured by either heavy equipment or real estate. Therefore, any loan made through the 7(a) program with maturities greater than 120 months could likely have been placed in the 504 program as a viable and more cost efficient alternative.

If larger, longer term loans are funded through the 504 loan program, then the mean size for loans less than 120 months to maturity will be equal to the mean size for loans maturing in more than 120 months, which would indicate the proper use of the 7(a) product. Conversely, if banks are capitalizing on the lucrative 7(a) program, as predicted, the mean loan amount will be much higher for loans beyond 120 months to maturity. To test this hypothesis, several statistical methods were used, beginning with a contingency table to compare loan volume in numbers of loans made, dollar amount of the loans, and dollar volume as a percentage of total loans made by two metrics; months to maturity and interest rates. The contingency table grouped the loans into classes of loans maturing every 30 months and grouped interest rates in intervals of 2%. Results of this analysis demonstrated that the majority of the number of loans made had maturities from 60 to 89 months with interest rates from 4% to 16%. However, for the dollar volume of loans made, the majority of the loans with higher loan balances had maturities over 120 months and interest rates between 4% to 8%. To test if the differences in average loan balances were significant, the loans were separated into two different categories, loans maturing in less than, and loans maturing in more
than 120 months. A t-test of means, assuming unequal variances was then conducted with the loan balances being the variable of interest. The t-test of means allows for a direct comparison of the means of two separate groups, the average loan balances on loans maturing in less than 120 months, and the average loan balances on loans maturing in more than 120 months.

To validate the results, two additional tests were completed. First, loans were separated into four different maturity structures and a single factor Analysis of Variance (ANOVA) test was conducted with the hypothesis that loan amounts were equal across different maturity structures. The four maturity structures were as follows; loan balances by loans maturing from 60 to 84 months, 85 to 120 months, 121 to 240 months, and 241 months or more. An assumption of the ANOVA model is that all populations have an equal mean, which makes this model an ideal method to test the means of the four populations. Second, a simple ordinary least squared regression using the term of the loan as a predictor (x-variable) of the loan amount (y-variable). The regression equation was used as a robustness test to corroborate the results of the ANOVA.

For the entrepreneur seeking long-term debt capital, it is crucial to determine if the interest rate charged on the 7(a) loan is greater than the interest rate charged on the 504 loan with comparable terms. To determine if interest rates were equal, interest rates were compiled quarterly for 504 loans and compared head to head with interest rates for 7(a) loans maturing in 120 months or more between the first quarter of fiscal year 2005 and the fourth quarter of fiscal year 2015. To test if the differences in interest rates were significant, a t-test, paired two sample for means was completed.

With respect to question two, “Given the neutralizing of credit risks provided by the SBA guarantee, are specific banks exercising market power and charging the entrepreneur higher interest rates?” it was necessary to focus on the interest rates for 7(a) loans, as those are determined by the participating banks, within guidelines established by the SBA. Banks have the latitude to charge different rates on a 7(a) loan, whereas interest rates on the 504 loan are determined by market conditions for highly rated bonds. In a traditional borrower-lender relationship, the bank charges an interest rate commensurate with the risk, but with SBA providing a third-party guarantee, the risk is partially mitigated. Therefore, a portfolio of loans with the same guarantee and maturity structure at one bank should have the same yield as a similar portfolio at any given bank. If some banks are charging higher interest rates, this allows them to sell the guaranteed portion of SBA loans at a higher premium in the secondary market, thus further limiting the banks’ overall credit risk.

To investigate this, portfolios were developed for the top four SBA lenders in the sample of 5,000 7(a) loans, and a separate portfolio was developed for 200 randomly selected loans from the same sample. The 200 randomly generated loans were considered to be a separate control bank called “Random 200.” The top SBA banks and the number of loans reviewed for this test are included in Table 1. In developing the portfolio for each bank, care was taken to provide consistency in the portfolio to accurately compare banks. For each portfolio, loan maturities were limited to a range of 36 to 84 months, and the loans had guarantees limited to 50%. Further, loans with original loan balances greater than $500,000 were eliminated making every loan reviewed eligible for approval by the bank through a preferred lending program. As such, each portfolio had the same risk profile, and should therefore have the same interest rate yield.
Table 1. Top SBA Banks/Numbers of Loans Reviewed

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Number of Loans</th>
<th>Total Number of Loans in Final Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America National</td>
<td>279</td>
<td>239</td>
</tr>
<tr>
<td>Association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Bank National Association</td>
<td>265</td>
<td>204</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>329</td>
<td>161</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>423</td>
<td>361</td>
</tr>
<tr>
<td>Huntington National Bank</td>
<td>187</td>
<td>137</td>
</tr>
<tr>
<td>Random 200</td>
<td>200</td>
<td>137</td>
</tr>
</tbody>
</table>

The hypothesis is that each loan portfolio should have the same characteristics. Since the final sample of loans was winsorized to eliminate extremes, each portfolio should have the same average loan size and the same interest rate yield. The accepted statistical test to determine the equality of means for three or more populations is the single factor Analysis of Variance (ANOVA). For this inquiry the two separate factors of interest were average loan sizes and average interest rates requiring two separate ANOVA tests.

The first ANOVA was completed on loan sizes, with three different tests performed. Test one compared the average loan sizes between Bank of America, US National Bank, and Wells Fargo. The second test compared the average loan sizes between US National Bank, Wells Fargo, and JP Morgan. The third test compared all banks together. A reasonable assumption is that if the loan balances are equal, given the controlling factor of the equality of loan maturities, then the interest rates should be equal. To determine if interest rates were equal, it was necessary to complete a second ANOVA using the same variables.

With respect to question three, “Are existing businesses receiving more favorable loan terms and conditions, such as interest rates, time to maturity, and loan balances than are new businesses?” the first data set provided by the SBA was separated into two groups identified as new businesses and existing businesses with the purpose of making three key comparisons; 1) are interest rates the same for new businesses and existing businesses, 2) are the maturity structures the same for new businesses and existing businesses, and 3) are loan amounts the same for new businesses and existing businesses? If a small business has an existing relationship with a bank, it is thought to be more likely to receive favorable treatment by the bank when seeking debt capital. Also, new businesses usually do not have a well-established banking relationship, which keeps them from obtaining debt capital without the assistance of the SBA. One objective of this study is to determine if existing businesses are receiving preferential treatment over new businesses with respect interest rates, loan terms and loan amounts.

The data can be easily separated into new businesses or existing business allowing for a direct comparison of means for each variable of interest. The most appropriate statistical test to compare means of two populations is a t-test of means, assuming unequal variances. As such, a t-test comparing the means of new compared to existing businesses was completed for each of the three variables of interest.

Concerning interest rate differences, it was predicted that existing businesses with established banking relationships would receive more favorable interest rates than new businesses without a relationship. Concerning the differences in maturity structure of a loan, if relationships matter in obtaining debt capital, then it is logical to predict that existing businesses will receive more
favorable (longer) term loans than new businesses. Consistent with the testing of interest rates, this theory was tested using a t-test of means, with the length to maturity in months being the variable of interest. Finally, concerning differences in the average loan amounts for new versus existing customers based on relationship banking, it was predicted that the loan amounts would be higher for existing borrowers with an established banking relationship.

Findings

Findings with respect to the first question, “Are banks improperly utilizing the SBA 7(a) loan program?” follow. Results of the t-test show the average size for loans maturing in less than 120 months is approximately $67,000 whereas the average size for loans maturing in greater than 120 months is almost $511,000. The t-stat for this analysis was -27.81, and the p-value was essentially 0, supporting the claim that loans with larger original balances have longer maturities.

The results from the ANOVA to test if the loan amounts are equal across maturity structures were convincing as the F-test statistic was 690. This is a clear demonstration that there are significant differences in loan amounts as maturities are extended. As loan maturities grow in length, loan amounts become larger.

For the simple linear regression, the goal was to determine if the length to maturity of the loan was directly related to the loan amount. The hypothesis suggests that there is no prediction capability between loan term and amount. Alternatively, if there is a relationship, then maturity would be a strong predictor of loan amount, suggesting that banks are utilizing the long term 7(a) for larger real estate loans instead of using the 504 loan program.

Results of the regression demonstrate a strong relationship between the term of the loan and size, with a p-value of less than .01, and an adjusted R-square of .28, and a correlation factor of .53.

The evidence is clear that there is substantial use of the 7(a) loan for long term financing, and SBA guidelines state that loans with original maturities of over 120 months must be secured by real estate or heavy equipment. For the entrepreneur seeking long-term debt capital, this is a significant finding if the interest rate charged on the 7(a) loan is greater than the interest rate charged on the 504 loan with comparable terms.

To test if the differences in interest rates between the 7(a) and the 504 were significant, interest rates at funding dates of the loans were compiled for both programs from the first quarter of fiscal year 2005 through the forth quarter of fiscal year 2015 (Appendix). Using these data, a t-test, paired two sample for means was completed. Over the period, the average interest rate for the 7(a) was 6.91%, whereas, the average interest rate for the 504 was 5.60%. The t-stat for this test was 7.94, which confirms the significance of the differences in interest rates at the .01 level. The evidence is clear that interest rates for the 7(a) loan are much higher than those for the 504 loan.

Another interesting finding is that the average loan balance is not significantly different between the 7(a) and the 504. Similar to the analysis of interest rate differences between the programs, loan balances at original funding dates were compared between the two programs. Using a t-test of means, assuming unequal variances, the resulting t-stat with 390 degrees of freedom was .746, and a corresponding p-value of .456. This is very strong evidence that the average loan balances for long term loans are equal for both programs. In as much as both loan programs provide long term
financing and if the loan balances are the same between loan programs, then why aren’t the interest rates the same? This is clearly a question that should be of interest to the entrepreneur and to the policy makers at the SBA.

Findings with respect to the second question, “Given the neutralizing of credit risks provided by the SBA guarantee for the 7(a) loan program, are certain banks exercising market power and charging the entrepreneur higher interest rates?” address the hypothesis that each loan portfolio should have the same characteristics. A two-step approach was taken to analyze the SBA loan portfolio characteristics of the reviewed banks. The first approach was to determine if the average loan sizes were different between banks as the loan size is a determining factor of the interest rate charged on the loan. As previously stated, banks are allowed to charge higher rates on smaller loans. The second approach was to determine if interest rates were equal between the reviewed banks. Both approaches used a single factor ANOVA test.

As seen in Table 2, there is no significant difference in average loan sizes between Bank of America, US National, and Wells Fargo (Panel A). There is, however, a significant difference in average loan sizes when comparing US National, Wells Fargo and JP Morgan, with JP Morgan having the highest average loan balances (Panel B). Panel C includes all banks in the control portfolios and the results of the ANOVA confirm that not all banks have an equal portfolio. While JP Morgan is an anomaly, it is clear from these data that the banks with a national presence are not providing larger loans to the entrepreneur. The largest SBA lender in the United States is Wells Fargo, yet this lender has the lowest average loan size. Also, due to the winsorizing of the data, what is not shown is the fact that the smaller banks and Random 200 are making longer term, larger loans than the national banks are making.

<table>
<thead>
<tr>
<th>Panel A</th>
<th>Panel B</th>
<th>Panel C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Average Loan Size</td>
<td>Bank</td>
</tr>
<tr>
<td>B of A</td>
<td>$32,657.32</td>
<td>USNB</td>
</tr>
<tr>
<td>USNB</td>
<td>$35,046.08</td>
<td>Wells Fargo</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>$32,391.30</td>
<td>JP Morgan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>JP Morgan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Huntington</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Random 200</td>
</tr>
</tbody>
</table>

Note. Panel A uses a single factor ANOVA to compare the average loan size between three banks: Bank of America (B of A), USNB, and Wells Fargo. Panel B uses a single factor ANOVA to compare the average loan size between USNB, Wells Fargo, and JP Morgan. Panel C uses a single factor ANOVA to compare the average loan size between all banks in the sample, including a random selection of 200 community banks.

The analysis indicates that the average loan sizes for the control portfolios are equal between Bank of America, USNB, and Wells Fargo. Given this, it is a fair assumption that the interest rates on these portfolios should be equal as well. To test this assumption, this second step in the process was to group the banks in the same manner as the ANOVA in Table 2 and complete a single factor ANOVA with interest rates being the variable of interest. As seen in Table 3, there is a significant difference in the interest rates charged on loans of the same characteristics. Panel A compared the interest rates between the banks with the same average loan size and found that Bank of America has a significantly higher average interest rate supported by the f-statistic of over 229 and the p-
value of essentially 0. Panel B compared USNB, Wells Fargo, and JP Morgan, and found that there is a significant difference in the interest rates at the .05 level, but not at the .01 level. This is weak evidence at best as to a difference in interest rates, therefore, caution is appropriate when suggesting the portfolios of these three banks provide different yields. Panel C compared all banks in the control and the results show significant differences in the interest rates, with Bank of America again having the highest average interest rate at 13.18%. The lowest interest rate is provided by Huntington Bank at 5.85%. The t-stat for this test was 186.6 and a corresponding p-value of 0.000.

Evidence shows that banks with a national presence are not providing long term loans and they are charging substantially higher interest rates than those of smaller local banks, such as Huntington and Random 200. Clearly the large national banks are not providing appropriate customer care to businesses and entrepreneurs qualifying for SBA assistance. Moreover, an argument can be made that suggests these banks are profiting on the backs of the US taxpayers as they benefit from the guarantee provided by the SBA, while simultaneously charging entrepreneurs inordinately high interest rates. It is clear from this exercise that such banks tend to be more concerned with exercising their market power rather than providing quality customer care, regarding Credit Guarantee Schemes.

Table 3. Single Factor ANOVA to Compare Average Interest Rates Between Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Average Interest Rates</th>
<th>Bank</th>
<th>Average Interest Rates</th>
<th>Bank</th>
<th>Average Interest Rates</th>
</tr>
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<tbody>
<tr>
<td>B of A</td>
<td>13.18%</td>
<td>USNB</td>
<td>9.52%</td>
<td>B of A</td>
<td>13.18%</td>
</tr>
<tr>
<td>USNB</td>
<td>9.52%</td>
<td>Wells Fargo</td>
<td>8.84%</td>
<td>USNB</td>
<td>9.52%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>8.84%</td>
<td>JP Morgan</td>
<td>9.06%</td>
<td>Wells Fargo</td>
<td>8.84%</td>
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<tr>
<td>JP Morgan</td>
<td>9.06%</td>
<td>Huntington</td>
<td>5.85%</td>
<td>JP Morgan</td>
<td>9.06%</td>
</tr>
<tr>
<td>Huntington</td>
<td>5.85%</td>
<td>Random 200</td>
<td>9.04%</td>
<td></td>
<td></td>
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</tbody>
</table>

F-stat: 229. P-value: 0.000  F-stat: 3.80. P-value: 0.023  F-stat: 186.6. P-value: 0.000

Note. Panel A uses a single factor ANOVA to compare the average interest rates between three banks: Bank of America (B of A), USNB, and Wells Fargo. Panel B uses a single factor ANOVA to compare the average interest rates between USNB, Wells Fargo, and JP Morgan. Panel C uses a single factor ANOVA to compare the average interest rates between all banks in the sample, including a random selection of 200 community banks.

Findings with respect to the third question, “Are existing businesses receiving more favorable loan terms and conditions, such as interest rates, time to maturity, and loan balances than are new businesses?” were surprising and unexpected. The prediction was that an existing business would receive more favorable terms than a new business in all three categories; interest rates, time to maturity, and loan balances. The assumption is based on the relationship that the existing business has developed with the lending institution, allowing the lender to analyze historical information of the existing business. With this soft information developed through the relationship, the existing business should receive more favorable terms than a new business (Berger and Udell, 1995). To test this theory, loans were divided into the two categories; one category being loans to existing businesses, and the other category being loans new businesses. The data set included the mean interest rate, the loan term in length to maturity, and the loan amount for 2,728 loans to new business and 5,268 loans to existing businesses. A two-sample t-test of means, assuming unequal variances was then conducted separately for all three categories. As demonstrated in Table 4, new businesses received more favorable terms than existing businesses in each of the three categories.
being reviewed. In Panel A, interest rates are lower for new business borrowers; however, a t-stat of -1.32 results in a p-value of 0.187. Effectively, there is no difference in interest rates for new businesses compared to existing businesses. In Panel B, the average length to maturity for a loan to a new business was 97.79 months, whereas the average length to maturity for a loan to an existing business was 93.99 months. For this test, the t-stat was 2.80, and p-value was 0.005, indicating a significant difference in length to maturity between loans to new and existing businesses. Finally, in Panel C, the average loan to a new business was $168,594, whereas the average loan to an existing business was $155,934. The difference is significant at the 0.10 level as the t-stat is 1.84 and p-value is 0.066.

All of these findings were contrary to what was predicted and provided evidence that the SBA does mitigate risk and smooths credit frictions, allowing new borrowers to obtain interest rates that are the same as existing borrowers. Further, this is evidence that the guarantees provided by the SBA allow new businesses to receive loans with longer terms to maturity, and higher average original balances.

Table 4. Results of T test of Means Comparing Loan Terms Between New and Existing Businesses

<table>
<thead>
<tr>
<th>Panel A-Interest Rates</th>
<th>Panel B-Length to Maturity</th>
<th>Panel C-Avg. Loan Amount</th>
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<tr>
<td>9.35%</td>
<td>9.42%</td>
<td>97.79 mos.</td>
</tr>
<tr>
<td>t-stat</td>
<td>-1.32</td>
<td>t-stat</td>
</tr>
<tr>
<td>p-value</td>
<td>0.187</td>
<td>p-value</td>
</tr>
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</table>

Note. In each of the three panels above, a t-test of means, assuming unequal variances, was used to determine if differences existed between loan terms for new businesses compared to existing businesses. Panel A considers differences in interest rates. Panel B considers differences in time to maturity of the loans when originally funded. Panel C considers differences in average loan amounts when the loans were originally funded.

Conclusion

The purpose of this study was to review the lending patterns of banks utilizing SBA credit guarantee schemes to provide relevant information and guidance to emerging economies in developing credit guarantee schemes. A goal of the research was to determine if banks were exercising consistent customer care when providing debt financing through the SBA loan programs. Three primary questions were asked; 1) Are banks over utilizing the 7(a) loan for longer term loans with higher principal balances when they could be using the 504 loan, which will provide a lower interest rate to the borrowers? 2) Given the neutralizing of credit risks provided by the SBA guarantee, are specific banks exercising market power and charging the entrepreneur higher interest rates? And, 3) Are existing businesses receiving more favorable loan terms and conditions, such as interest rates, time to maturity, and loan balances than are new businesses?

Utilizing data provided by the SBA on over 400,000 loans authorized during the fiscal years 2005 through 2009, and extending the data through fiscal year 2015, evidence supports the hypothesis that banks were over utilizing the more costly 7(a) loan program and bypassing the more appropriate 504 loan program. This problem was recognized by Bounds (2004) and the current study supports her contention that bank customers are not being properly served. Significantly, the current findings demonstrate that the 504 loan interest rates are much lower than the 7(a) loan.
interest rates. As such, an important focus of further research would determine why banks are not using the 504 loan program? One argument is that banks prefer the 7(a) loan because the higher interest rate will increase the premium to the bank should they sell the guaranteed portion in the secondary market, thereby offsetting risk associated with the non-guaranteed portion. Further, if the originating bank portfolios the loan, the guaranteed portion is not subject to loan loss reserves. A contrary argument is that interest rates for the 504 program should be higher because the 504 is in a second lien position, adding to the risk profile, which should be reflected in the interest rates charged on the loan. Because of future interest rate uncertainty, another logical argument is that the 504 loan should have a higher interest rate at origination.

In answer to the second question, this study determined that some banks charge higher interest rates than others. Given a normal risk return relationship, banks should be able to charge an interest rate on a loan that is commensurate with the risk; however, since SBA has partially mitigated the risk with their guarantee, interest rates on SBA guaranteed loans should be the same throughout the banking industry. Interestingly, this research finds that banks with a national presence are charging higher rates than local banks and are not providing longer-term financing to the degree that community banks are. With a government guarantee of debt capital, banks can be motivated to extend loans at high interest rates knowing that if the loans fail, there is a put option method to collect the principal on the guaranteed portion. Also, banks often sell their guaranteed portion to other banks or investors. These actions may well constitute moral hazard lending, and merit further study.

The third study question asks if banking relationships matter or does SBA smooth credit frictions, allowing new businesses access to debt capital. Following Kane and Malkiel (1965), Berger and Udell (1992 and 1995), Stiglitz and Weiss (1981), it was predicted that new businesses without an established banking relationship would not receive equal terms, conditions and funds for loans as existing businesses. However, Craig et al (2007) suggested that one role of the SBA is to provide a source of debt capital for credit worthy small business enterprises. The findings of this research support Craig et al (2007). There was no significant difference in interest rates for new and existing borrowers, and new borrowers actually received more favorable terms and higher loan amounts than existing borrowers. Future research should review why new businesses receive more favorable treatment, and if an existing relationship can be detrimental to the borrower.

The data provided by the SBA for this study prompted other questions that are excellent topics for future research. For example, the 504 loan program is designed to be an economic development tool requiring job support at the level of one job for every $65,000 of 504 debt. SBA defines job support as jobs created plus jobs retained as a result of the loan. The 7(a) loan program does not have a requirement to support jobs, yet the data shows that the 7(a) supports substantially more jobs than the 504 loan program. This raises questions as to the accuracy of the data and the validity of the policy. Another critical topic is that of moral hazard lending. Are banks that charging higher interest rates on 7(a) loans with the intent to sell the guaranteed portion at a premium, reducing their credit risk exposure, and developing an attitude of complacency in collecting these loans?

This study demonstrates the over utilization of the SBA 7(a) program and an inconsistency in the interest rates charged by specific banks funding SBA loans. It further confirms that SBA does provide a method to smooth credit frictions, allowing small businesses to obtain debt capital. This
is valuable information for countries developing credit guarantee schemes to assist in entrepreneurial development.

References


136
## Appendix

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<th>2010Q1</th>
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<td>8.08%</td>
<td>8.51%</td>
<td>8.35%</td>
<td>6.73%</td>
<td>6.03%</td>
<td>5.79%</td>
<td>5.75%</td>
<td>5.85%</td>
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<td>5.52%</td>
</tr>
<tr>
<td>504 Average</td>
<td>5.88%</td>
<td>6.45%</td>
<td>6.42%</td>
<td>6.43%</td>
<td>7.15%</td>
<td>5.43%</td>
<td>5.20%</td>
<td>5.99%</td>
<td>5.68%</td>
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<td>Net Difference</td>
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<td>2.53%</td>
<td>3.09%</td>
<td>1.92%</td>
<td>-0.42%</td>
<td>0.60%</td>
<td>-0.59%</td>
<td>0.29%</td>
<td>0.36%</td>
<td>0.85%</td>
<td>0.53%</td>
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<td>6.91%</td>
<td>7.42%</td>
<td>8.08%</td>
<td>8.51%</td>
<td>8.35%</td>
<td>6.73%</td>
<td>6.03%</td>
<td>5.79%</td>
<td>5.75%</td>
<td>5.85%</td>
<td>5.48%</td>
<td>5.52%</td>
</tr>
<tr>
<td>504 Average</td>
<td>5.60%</td>
<td>5.88%</td>
<td>6.45%</td>
<td>6.42%</td>
<td>6.43%</td>
<td>7.15%</td>
<td>5.43%</td>
<td>5.20%</td>
<td>5.99%</td>
<td>5.68%</td>
<td>4.90%</td>
<td>5.13%</td>
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<td>Net Difference</td>
<td>1.31%</td>
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<td>2.53%</td>
<td>3.09%</td>
<td>1.92%</td>
<td>-0.42%</td>
<td>0.60%</td>
<td>-0.59%</td>
<td>0.29%</td>
<td>0.36%</td>
<td>0.85%</td>
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An Analysis on Return Performances of City Indices From BIST

Neslihan Fidan Kececi and Yonca Erdem Demirtas

School of Business
Istanbul University, Turkey

Abstract

The city index, traded on Borsa Istanbul A.S. (BIST) is an investment tool that allows investors to invest in a particular city. There are a number of studies that analyze price and return performances of the city indices from BIST. However, it is not adequate to define risk with a single distribution measure, such as mean and variance only. As a nonparametric measure Stochastic Dominance takes into account the whole distribution of return series. In this study, we focus on Second-Order Stochastic Dominance (SSD) rule to measure the relative efficiency of the return of the City Indices in BIST. In our analysis, we try to measure the efficiency of city indices regarding their daily, weekly and monthly returns respectively. According to the results, Antalya city index has been the most dominated index between the other 10 indices. Besides, Istanbul city index second-order stochastically dominates BIST100 index in monthly returns. An application of the portfolio optimization with SSD constraints, minimum variance portfolio optimization models, also viewed. The results are important for researchers and investors seeking profitable investment tools and also can be evaluated in terms of regionally in future works.

Keywords: stochastic dominance, stochastic order, efficiency, conditional value-at-risk, CVaR.

Introduction

In financial markets, indices are defined as indicators that measure the change in price of investment tools over a certain period of time. Index is an important indicator in terms of monitoring the direction of the stock exchange they are traded on and determining the direction and components of price movements of investment tools. Without stock indices, investors will seek to diversify their portfolios by investing every individual stock. This means that a lot of time and cost is required, as well as spending a lot of time to manage the portfolio. Investors can trade on stock index through their broker.

Borsa Istanbul A.S. (BIST) have taken step to develop its position in the domestic environment. As a new financial product, the city indices reflect the price and return performance of the companies belong the city. City indices are calculated for cities at least 5 companies whose equities are traded on BIST. The main features of those companies are they have their main production premises or registered offices in the same city (Sehir Endeksleri, 2019). Thus, investors are allowed to invest in a city through the exchange traded funds. This opportunity allows the financial investor to compare portfolio return with alternative instruments such as the index.

City Indices has been traded in BIST, to monitor the equity performances of the related companies since February 16, 2009. Currently calculated city indices are Adana, Ankara, Antalya, Balikesir, Bursa, Denizli, Istanbul, Izmir, Kayseri, Kocaeli, Konya and Tekirdag.
In the rest of the paper, we mention about the studies on the city indices from BIST. The next chapter, we refer first and second degree stochastic dominance rule and related portfolio selection models. Then we conducted our analysis on the 10 city index from BIST regarding their daily, weekly and monthly returns between September/2013 and August/2019.

**Literature Review**

There are a few analyses on city indices traded on BIST. In Bayramoglu and Pekkaya (2010), their study adverts the utilization of city indices in finance and regional effects. They only provide descriptive statistics, Sharpe ratios and correlation matrices are made on 9 city indices Daily returns from BIST between February-May in 2009.

Another study dealing with City indices from BIST was conducted by Zeren (2011). In the study, specifically for Tekirdag (XSTKR) city index, the relationship between the period in which the city index started to be calculated and the previous period was investigated and the effects of this situation on the companies were examined. According to the findings of the author, XSTKR has not yet had the expected effect on the companies and has not contributed to their financial performance as expected.

In Aksoy (2014), they analyze the stocks monthly returns from BIST in terms of their located city and conclude that the stock returns of companies headquartered in the same city show a strong degree of co-movement. According to their results, geographic region is an important determinant of stock returns for BIST. In Akel (2014), descriptive statistics, daily stock return and risk relationships of city indices are discussed. According to the results of the study, during the related time period between February 2009 and 2014, the maximum return was obtained in the XSTKR index, while the XSKON index has the lowest return. However, the most volatile index is XSTKR and the most stable index is XSIST. As a result of the correlation analysis, a positive correlation was found between city indices.

In Konak and Obekcan (2017), they underline the relationship between City Indices from BIST and BIST100 Index which is considered as a benchmark index of Turkey in general. According to their co-integration test results, in general, the positive shocks of the BIST100 Index have a positive causal relationship with city indices. Moreover, it can be concluded that BIST100 Index has an impact on the City Indices, but it should be noted that this effect is different from city to city.

Kula and Baykut (2018) analyze the volatility of city indices and they reveal that XSKOC is the most volatile and XSKAY is the most stable indices in terms of TIC coefficient. The results also indicate that, according to the daily volatilities, XSANT is the most volatile one while XSKOC is the most stable index.

Bayrakdaroglu and Tepeli (2018) studied on the balance of city indexes operating in the BIST in terms of risk-return using the financial asset market line. Their daily data belong to between December 2012-December 2017 period of 12 city indices from BIST. According to their results, XSKON, XSIST, XSISM, XSDNZ, XSANK, XSANT, XSBAL indices are overvalued, XSTKR, XSBUR, XSKOC, XSADA and XSKAY indices are underestimated indices. They conclude that
their study provides evaluation opportunity of the investor to make an investment decision by comparing the high or low yield city indices with the BIST100 Index.

According to our literature review, there is not any analysis which use the stochastic dominance rule in first and second degree on the city indices from BIST. In this study, we focused on measuring the efficiency of stock indices by cities they come from. We use “Second Order Stochastic Dominance” rule to measure relative efficiency. As a decision rule that does not take into account the parameters of any particular probability distribution, stochastic dominance takes into account all the properties of the distribution. With this property of the second order stochastic dominance rule, the estimation error on parameters do not occur. Also, instead of just two parameters such as mean and variance from the normal distribution, the entire distribution of return series is examined.

**Stochastic Dominance**

Asset managers make their portfolio risk forecast on a return series by using a distribution of portfolio return. As an expected portfolio return and risk, two parameters of the normal distribution, mean and variance of the portfolio returns, are identified as two portfolio performance measures by Markowitz (1952). However, in many works, it is revealed that asset returns do not come from the normal distribution. If a distribution function represents the asset return series well, it also provides a consistent estimation of portfolio return risk.

In this context, nonparametric measures are alternative approaches for portfolio selection problems. Various applications with stochastic dominance rule to the portfolio selection problem are conducted (Whitmore and Findlay, 1978). In the recent approaches, it has been shown that dominance constrained portfolio optimization problem can be solved efficiently. Dentcheva and Ruszczyński (2006) introduced an efficient algorithm to solve the portfolio optimization model involving second order stochastic dominance constraints. Branda and Kopa (2012) determined efficiency between stock indices by using first order stochastic dominance and second order stochastic dominance rules.

Particularly for skewed distributions, Hanoch and Levy (1969) emphasize the stochastic dominance rule which is an optimal selection criterion taking into account the whole distribution and refer to the inadequacy of defining risk with a single distribution measure, such as variance only. Stochastic dominance is an approach independent of distribution of return series for portfolio selection problem. Although it is difficult to determine its starting point, the conditions of first order stochastic dominance and second order stochastic dominance were first mentioned by Hadar and Russell (1969) in 1969.

Statistically, Stochastic Dominance is the case in which the cumulative distribution value of a preferred expectation never exceeds the cumulative distribution value of the second preference. This definition of stochastic dominance is briefly given as the definition of first order stochastic dominance (Hadar and Russell, 1971). Next subsections include first order stochastic dominance and second order stochastic dominance definitions respectively.
**First Order Stochastic Dominance (FSD)**

Let $x$ is a random variable and its cumulative probability distribution function $f$ has $f(x) \geq 0$ ($\forall x \in \mathbb{R}$) condition. For a continuous random variable $x$, the twice cumulative probability function denoted by $F(x)$ is given by

$$F(x) = \int_{-\infty}^{x} f(t) \, dt$$

(1)

Therefore, for the distribution functions $f$ and $g$, FSD rule is given as;

$$f(x) \leq g(x), \forall x \in R$$

(2)

According to this rule, if the expected utility of $f$ is not less than expected utility of $g$. Moreover, it can be said that $f$ stochastically dominates $g$ in the first order and it is denoted by $f \succeq 1 g$ (Hadar and Russel, 1971). Branda and Kopa (2012) describe FSD rule by the index returns; the i-th index dominates the j-th index with respect to the FSD if

$$Eu(r_i) \leq Eu(r_j)$$

(3)

for all utility functions with strict inequality for at least one utility function. In the next subsection let us rewrite second order stochastic dominance rule.

**Second Order Stochastic Dominance (SSD)**

For integrable random variables $x$ and the distribution functions $f$ and $g$, SSD rule is given as;

$$\int_{-\infty}^{x} f(t) \, dt \leq \int_{-\infty}^{x} g(t) \, dt, \forall x \in R$$

(4)

and it is denoted by $f \succeq 2 g$ (Hadar and Russel, 1971). By using the shortfalls of a random variable $x$ for each target value $\eta$, the SSD rule is defined as follows

$$E([\eta - f]_+) \leq E([\eta - g]_+), \quad \forall \eta \in R$$

(5)

where, $[\eta - f]_+ = max(0, \eta - f)$. Assuming that $\eta$ is discrete set of scenarios, relation (5) corresponds to finite number of inequalities

$$E([\eta_i - f]_+) \leq E([\eta_i - g]_+), \quad i = 1, 2, ..., N$$

(6)

for $N$ number of scenarios. Every single one of these inequalities in (4)-(5)-(6), which can be a constraint in an optimization problem, expresses that $f$ dominates $g$ in the second order for each $\eta_1, \eta_2, ..., \eta_N$ respectively (Ogryczak and Ruszczynski, 1999). Using SSD rule, we can test the relative efficiency of stock index pairs. If the $Y$ index has a discrete distribution with realization $Y = y_1, y_2, ..., y_N$, the $X$ index dominates the $Y$ index in the second order

$$E([y_i - X]_+) \leq E([y_i - Y]_+), \quad i = 1, 2, ..., N$$

(7)
Branda and Kopa (2012) determined the efficiency of index returns between two stock indices by comparison their sorted returns in ascending order. Then, they defined SSD portfolio efficiency measure via CVaR constraints calculated by the average of sorted returns in a given percentage of return series (Kopa and Chovanec, 2008, Branda and Kopa, 2012). In our study, we implement SSD efficiency rule to index pairs directly as in Branda and Kopa (2012) definition. Accordingly, let \( d_{it}, t = 1, 2, ..., T \) denotes sorted returns of the i-th index in ascending order. Following Branda and Kopa (2012), FSD rule given as:

\[
 d_{it} \geq d_{jt}, \quad t = 1, 2, ..., T
\]  

This inequation indicates that i-th index stochastically dominates the j-th index in the first degree. Therefore, SSD efficiency is perform using the criterion in Branda and Kopa (2012):

\[
 \sum_{t=1}^{s} d_{it} \geq \sum_{t=1}^{s} d_{jt}, \quad s = 1, 2, ..., T
\]  

After SSD rule for pairwise efficiencies, let us examine the portfolio selection model in the next subsection.

**Portfolio Optimization With SSD Constraints**

Let us denote:

- \( w_j \) = portfolio weight of the instrument \( j, j = 1, ..., n \).
- \( p_i \) = probability of scenario \( i, i = 1, ..., N \).
- \( r_{ij} \) = return of instrument \( j \) on scenario \( i \).
- \( w \) = vector of portfolio weights, \( w = (w_1, w_2, ..., w_n)^T \).
- \( r(w) \) = portfolio return as a function of portfolio weights \( w \).
- \( \bar{r}(w) \) = expected portfolio return as a function of portfolio weights \( w \).

Portfolio return on scenario \( i \) equals:

\[
 r_i(w) = \sum_{j=1}^{n} w_j r_{ij}, \quad i = 1, 2, ..., N.
\]  

Expected portfolio return equals:

\[
 \bar{r}(w) = \sum_{j=1}^{N} p_j r_j(w).
\]  

As a benchmark portfolio \( Y \) has a discrete distribution and \( y_i (i = 1, 2, ..., N) \) are scenarios of \( Y \). We want to obtain an optimal portfolio which SSD dominates the benchmark portfolio \( Y \).
Let us denote by $W$ the set of feasible portfolios which shows that the problem does not allow for short sale on instruments:

$$W = \{ w \in \mathbb{R}^n : w_j \geq 0, \ j = 1,2,\ldots,n \}.$$ 

The optimization problem is formulated as follows:

$$\maximize_w \bar{r}(w)$$
subject to
$$\bar{r}(w) \succeq \mathbb{Y}$$
$$w \in W$$

(12)

Next section includes the analysis of pairwise efficiency on City Indices from BIST and the solution of the optimization problem in (12) for the same data set accordingly.

**SSD Efficiency Analysis on City Indices From BIST**

The data consist of 10 city indices. We consider the index returns, $r_{ij}$, on a daily, weekly and monthly basis respectively and calculate using the natural logarithm of the ratio of the index values, $f_i$,

$$r_{ij} = \ln \left( \frac{f_i}{f_{i-1}} \right)$$

Index values are provided through the online www.investing.com1 platform at 25.08.2019. Between September/2013 and August/2019, city indices for Denizli (XSDNZ) and Konya (XSKON), the prices are not available online. Therefore, we use the data with 10 stock indices which exclude these two indices. For each index, data include 1500 daily, 313 weekly and 72 monthly index values between September/2013 and August/2019. We assumed the returns as equally probable scenarios. The descriptive statistics of the indices, for the daily, weekly and monthly basis of the whole time period for the analysis are given with the Table 1, respectively.

<table>
<thead>
<tr>
<th>Index Code</th>
<th>Mean Daily</th>
<th>Standard Deviation Daily</th>
<th>Mean Weekly</th>
<th>Standard Deviation Weekly</th>
<th>Mean Monthly</th>
<th>Standard Deviation Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>XSADA</td>
<td>0.0010</td>
<td>0.0182</td>
<td>0.0050</td>
<td>0.0424</td>
<td>0.0215</td>
<td>0.0815</td>
</tr>
<tr>
<td>XSANK</td>
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<td>0.0015</td>
<td>0.0308</td>
<td>0.0065</td>
<td>0.0625</td>
</tr>
<tr>
<td>XSANT</td>
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<td>0.0203</td>
<td>0.0009</td>
<td>0.0437</td>
<td>0.0040</td>
<td>0.0906</td>
</tr>
<tr>
<td>XSBAL</td>
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<td>0.0180</td>
<td>-0.0127</td>
<td>0.5515</td>
<td>0.0089</td>
<td>0.1004</td>
</tr>
<tr>
<td>XSBUR</td>
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<td>0.0167</td>
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<td>1.1621</td>
<td>0.0079</td>
<td>0.0637</td>
</tr>
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<td>0.0122</td>
<td>0.0012</td>
<td>0.0277</td>
<td>0.0053</td>
<td>0.0555</td>
</tr>
<tr>
<td>XSIZM</td>
<td>0.0004</td>
<td>0.0149</td>
<td>0.0021</td>
<td>0.0341</td>
<td>0.0093</td>
<td>0.0712</td>
</tr>
<tr>
<td>XSKAY</td>
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<td>0.0187</td>
<td>0.0062</td>
<td>0.0428</td>
<td>0.0269</td>
<td>0.0919</td>
</tr>
<tr>
<td>XSKOC</td>
<td>0.0007</td>
<td>0.0154</td>
<td>0.0033</td>
<td>0.0323</td>
<td>0.0144</td>
<td>0.0621</td>
</tr>
<tr>
<td>XSTKR</td>
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<td>0.0184</td>
<td>0.0016</td>
<td>0.0384</td>
<td>0.0071</td>
<td>0.0784</td>
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<tr>
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<td>0.0003</td>
<td>0.0134</td>
<td>0.0012</td>
<td>0.0300</td>
<td>0.0052</td>
<td>0.0588</td>
</tr>
</tbody>
</table>

According to the BIST regulations, for the manufacturing companies, the city where a minimum 50% of the production takes place and for the service companies, the city where a minimum 50% of the operating income is obtained is taken into account. Otherwise, the city where the registered company office is located is taken into consideration. For holdings, communication and construction companies, the city where the registered office is located is taken into account. The companies from the financial markets for instance banks, factoring companies, etc. are not included in the city indices (Sehir Endeksleri, 2019).

Currently number of companies in the Adana (XSADA), Ankara (XSANK), Antalya (XSANT), Balikesir (XSBAL), Bursa (XSBUR), Istanbul (XSIST), Izmir (XSIZM), Kayseri (XSKAY), Kocaeli (XSKOC) and Tekirdag (XSTKR) indices are given the Table 2.

<table>
<thead>
<tr>
<th>Index Code</th>
<th>XSADA</th>
<th>XSANK</th>
<th>XSANT</th>
<th>XSBAL</th>
<th>XSIST</th>
<th>XSIZM</th>
<th>XSKAY</th>
<th>XSKOC</th>
<th>XSTKR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
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<td>4</td>
<td>4</td>
<td>15</td>
<td>97</td>
<td>25</td>
<td>7</td>
<td>19</td>
</tr>
</tbody>
</table>

Using SSD rule we can test stock index pairs efficiency. If the \( Y \) index has a discrete distribution with realization \( Y = y_1, y_2, ..., y_N \), the \( X \) index dominates the \( Y \) index in the second order

\[
E((y_i - X)_+) \leq E((y_i - Y)_+), \quad i = 1, 2, ..., N
\]  

(13)

In our empirical study, we implement SSD pairwise efficiency directly as in Branda and Kopa (2012). In our analysis, the optimization model in (12) has rewritten in (14) according to the benchmark portfolio \( Y \) having a discrete distribution. Therefore, regarding to the optimization problem we conducted in our analysis is obtained in (14):

\[
\text{maximize}_w \bar{r}(w)
\]

subject to

\[
E([y_i - r(w)]_+) \leq E([y_i - Y]_+), \quad i = 1, 2, ..., N
\]

\[
w_j \geq 0, \quad j = 1, ..., n
\]

\[
0 \leq w_j \leq 1, \quad j = 1, ..., n
\]

(14)

**Findings**

Table 3 includes the pairwise efficiency of the city indices according to the daily, weekly and monthly returns respectively. According to the findings obtained on the basis of daily returns, all 10 indices except Adana dominate the Antalya city index in second order. Specifically, Izmir and Kocaeli city indices dominate Balikesir and Tekirdag city indices in second order.

For weekly returns, all the indices dominate Balikesir and Bursa city indices in second order. All indices except Adana dominate also Antalya city index. In a weekly basis, only Izmir and Kocaeli cities dominate Tekirdag index. As an important finding, Istanbul city index second order stochastically dominates BIST100 index.

Regarding the monthly returns, except Balikesir all the indices dominate Antalya city index. Kocaeli city is the most dominating index in monthly basis with six city indices (Ankara, Antalya, Balikesir, Bursa, Izmir and Tekirdag).
In the Appendix, we give the correlation matrices of the index return series in the daily weekly and monthly basis as additional information to be able to make comparison with Table 3. We also conducted a minimum variance portfolio optimization model which yields a SSD portfolio over BIST100. Table 4 shows the optimal portfolio weights and mean and variance statistics belongs to optimized portfolio.

**Tablo 3. Pairwise SSD Efficiency Based on Daily Returns**

<table>
<thead>
<tr>
<th>City Index</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADANA (XSADA)</td>
<td></td>
<td>XSBAL, XSBUR</td>
<td>XSANT, XSBAL, XSIZM, XSTKR</td>
</tr>
<tr>
<td>ANKARA (XSANK)</td>
<td>XSANT</td>
<td>XSBUR</td>
<td>XSANT</td>
</tr>
<tr>
<td>ANTALYA (XSANT)</td>
<td></td>
<td>XSBAL, XSBUR</td>
<td>XSANT</td>
</tr>
<tr>
<td>BALIKESIR (XSBAL)</td>
<td>XSANT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BURSA (XSBUR)</td>
<td>XSANT</td>
<td></td>
<td>XSBUR, XSANT</td>
</tr>
<tr>
<td>ISTANBUL (XSIST)</td>
<td>XSANT</td>
<td></td>
<td>XSBAL, XSANT</td>
</tr>
<tr>
<td>IZMIR (XSIZM)</td>
<td>XSANT, XSBAL</td>
<td>XSTKR</td>
<td>XSBAL, XSANT</td>
</tr>
<tr>
<td>KAYSERI (XSKAY)</td>
<td>XSANT</td>
<td></td>
<td>XSBAL, XSANT</td>
</tr>
<tr>
<td>KOCAELI (XSKOC)</td>
<td>XSANT, XSBAL</td>
<td>XSTKR</td>
<td>XSBAL, XSANT, XSIZM, XSTKR</td>
</tr>
<tr>
<td>TEKIRDAĞ (XSTKR)</td>
<td>XSANT</td>
<td></td>
<td>XSBAL, XSANT</td>
</tr>
<tr>
<td>BIST100</td>
<td>XSANT</td>
<td></td>
<td>XSBUR</td>
</tr>
</tbody>
</table>

**Tablo 4. Optimal Portfolio Weights and Mean and Variance Statistics**

<table>
<thead>
<tr>
<th>City Index</th>
<th>Daily Weights</th>
<th>Weekly Weights</th>
<th>Monthly Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADANA (XSADA)</td>
<td>0.1190</td>
<td>0.0730</td>
<td>0.0650</td>
</tr>
<tr>
<td>ANKARA (XSANK)</td>
<td>0.0773</td>
<td>0.1107</td>
<td>0.0000</td>
</tr>
<tr>
<td>ANTALYA (XSANT)</td>
<td>0.0485</td>
<td>0.0000</td>
<td>0.0228</td>
</tr>
<tr>
<td>BALIKESIR (XSBAL)</td>
<td>0.0000</td>
<td>0.0014</td>
<td>0.0000</td>
</tr>
<tr>
<td>BURSA (XSBUR)</td>
<td>0.0123</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>ISTANBUL (XSIST)</td>
<td>0.3766</td>
<td>0.3046</td>
<td>0.2931</td>
</tr>
<tr>
<td>IZMIR (XSIZM)</td>
<td>0.1121</td>
<td>0.1254</td>
<td>0.0444</td>
</tr>
<tr>
<td>KAYSERI (XSKAY)</td>
<td>0.0251</td>
<td>0.0529</td>
<td>0.0201</td>
</tr>
<tr>
<td>KOCAELI (XSKOC)</td>
<td>0.2070</td>
<td>0.2613</td>
<td>0.3811</td>
</tr>
<tr>
<td>TEKIRDAĞ (XSTKR)</td>
<td>0.0219</td>
<td>0.0708</td>
<td>0.2134</td>
</tr>
<tr>
<td>Mean</td>
<td>0.00048</td>
<td>0.00024</td>
<td>0.01062</td>
</tr>
</tbody>
</table>

**Conclusions**

Investors want to diversify their portfolios by considering every individual stock. However, it requires a lot of time and cost, as well as spending a lot of time to manage their portfolio. Indices are defined as indicators that measure the change in price of financial instruments over a certain period of time and provide an information to the investors and economist about the direction of the exchange markets in worldwide.

In this analysis, we conducted SSD-pairwise efficiency rule to see one to one performances of the stock indices traded in BIST. The SSD-pairwise efficiency provides more specific information about the efficiency of an index. For weekly returns, as an important finding, Istanbul city index
SSD dominates BIST100 index. Antalya city index is the most dominated index by the other city indices.

Also the solution of the portfolio selection problem indicates that we can obtain a more effective portfolio than BIST100 regarding the SSD rule that is related to index rate of returns. Results are important for researchers and investors seeking profitable investment tools and also can be evaluated in terms of regionally in financial issues.

It should be noted that, as future research, these results can be enriched by taking into account new variables that consider company specifics and regional differences.

References


Konak, F., & Obekcan, M. Co-Integration and Causality among Borsa Istanbul City Indices and Borsa Istanbul 100 Index, International Journal of Business and Management Invention 6(10), 38-45.


### Appendix: Correlation Coefficients of Daily, Weekly and Monthly Returns Respectively

<table>
<thead>
<tr>
<th></th>
<th>XSADA</th>
<th>XSANK</th>
<th>XSAN</th>
<th>XSBUR</th>
<th>XSIST</th>
<th>XSIZM</th>
<th>XSKOC</th>
<th>XSTKR</th>
<th>BIST100</th>
</tr>
</thead>
<tbody>
<tr>
<td>XSADA</td>
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<td>0.2967</td>
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<td>0.4195</td>
<td>0.3756</td>
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</tr>
<tr>
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</tr>
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<td>0.2742</td>
</tr>
<tr>
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<td>0.4666</td>
<td>0.5956</td>
<td>0.5146</td>
<td>0.5125</td>
<td>0.3624</td>
</tr>
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<td>XSKOC</td>
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<td>0.5376</td>
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</tr>
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</table>

<table>
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<tr>
<th></th>
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<th>XSBUR</th>
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</tr>
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</tr>
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<td>0.0309</td>
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<td>0.3290</td>
</tr>
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<td>0.0335</td>
<td>1</td>
<td>-0.0545</td>
<td>0.0186</td>
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</tr>
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Part 8: Food and Beverage Management
Spatial Analysis of Cooking Oils Usage in Turkey: Example of Bulgur Pilaff and Casserole Meal

Onder Yayla¹ and Semra Gunay Aktas²

¹Applied Science School of Kadirli
Osmaniye Korkut Ata University, Turkey

²Tourism Faculty
Anadolu University, Turkey

Abstract

It is known that various factors play different roles in the destination choices of tourists. However, regardless of the type of tourism, food and beverages are the most important factors affecting the destination choices of tourists. Nowadays, especially with the effect of healthy lifestyle trends, people pay attention to the type and amount of fat used in the preparation of the meals they consume. Determining the types and amount of fat used in meals in Turkey is specifically important for the development of gastronomic tourism. In this study, it was aimed to determine the common cooking oils used in Turkish cuisine, which is one of the essential cuisines in the world, and to evaluate their usage rate in the meals. In this study, bulgur pilaff and casserole meal, two of the commonly consumed in Turkey, were determined, and recipes for them were collected from 620 different districts of Turkey. The spatial statistical analysis method was used in the analysis of the study data. In this context, it was attempted to identify spatial clusters in Turkey according to cooking oils usage rate. In conclusion, the use of margarine and maize oil in Turkey is too low; olive oil use is high in the west and south parts of Turkey; and in the east, sunflower seed oil was used extensively. Also, it has been found that butter is heavily used in Turkey's inland areas than other parts. According to the research, it was seen that butter is used as a secondary oil instead of primary oil in meals to accompany olive oil or sunflower seed oil. It was determined that sheep tail fat was also used as secondary oil in the southeastern of Turkey. The study will contribute to the creation of gastronomic routes for Turkish cuisine and increase the satisfaction levels of the visitors.

Keywords: Turkish cuisine, Turkish bulgur pilaff, Turkish casserole meal, oil use in Turkish cuisine, spatial statistical analysis methods

Introduction

A country's success in tourism depends on the ability of its destinations to produce and supply. Transportation opportunities, attractions, accommodation services, information and promotion of a region are important factors that create the tourism supply (Tribe and Snaith, 2005). Although these factors are important promoters for the tourism sector, they may not always be sufficient for tourists to visit a region (Kivela and Crotts, 2005). However, especially in recent years, gastronomic tourism has come to the forefront as a factor that can enable tourists to travel to a certain destination (Hall and Mitchell, 2000; Fields, 2001; Hjalager, 2002; Richards, 2002; Scarpato, 2002; Hall and Sharples, 2003; Quan and Wang, 2004; Santich, 2004; Long, 2004; Henderson, 2004; Kivela and Crotts, 2005; Hashimoto and Telfer, 2006; Ignatov and Smith, 2006; Wolf, 2006; Kivela and Crotts, 2006; Batra, 2008; McKercher et al., 2008; Smith and Xiao, 2008;
Horng and Tsai, 2010; Sariisik and Ozbay, 2015). Regardless of the purpose for which tourists are located in a destination, one of the most basic requirements of tourists in this destination is eating and drinking activities. Therefore, eating and drinking activities which is called as gastronomy in general are an integral part of tourists' travel experiences. Especially in recent years, gastronomy has become an important factor in the selection of destinations for individuals planning to travel.

Gastronomy can be one of the primary elements in the choice of certain destinations (Brisson, 2012), or it can be a sufficient element in choosing some destinations (Fox, 2007). The pleasure and satisfaction of individuals from cuisine they experience at the destination have a positive effect on the choice of destination, accommodation periods and thus expenditures (Hall and Sharples, 2003; Hall and Mitchell, 2005). All these positive effects cause tourism destinations to use gastronomy as the main attraction element (Hall and Mitchell, 2005). In the cuisine of societies, the influence of the cultures is seen and the richness of the flavors in their cuisine shows the diversity and contributes positively to the development of gastronomy. Besides, the conditions in the geography where the communities are located and the cultural diversity of different regions in the same geography are very significant for the expansion of food culture and the emergence of different flavors.

**Methods**

Taking into account the type and amount of oil used in the specific meals, the purpose of the study is the creation of Turkey's oil map through bulgur pilaf and casserole meal. In this context, it is necessary to determine what type and how much of fat that people use in bulgur pilaf and casserole meal in Turkey. Therefore, this study was carried out with the screening model which is one of the quantitative research methods. The objective of the quantitative research method is to objectively measure the social behavior of individuals through observation, experiment and/or test and to explain them with numerical data (Bedir Eristi, 2013: 9). Screening models are a quantitative research approach that tries to define a situation that exists in the past or present. In this approach, the subject of the research is tried to be defined in its conditions and as it is without attempting to change or influence it. In the screening approach, the researcher has to interpret the object or individual directly by himself or by referring to various records and source persons previously kept by others and integrating the scattered data to be obtained by integrating with his observations (Karasar, 2014: 77). Detailed information about the sample of the research, the process of data collection and the analysis of the data are explained in the relevant headings.

**Sample**

Spatial analysis methods was used in the study, therefore, Turkey has been scanned in the district level. Thus, the research universe consists of 973 districts in Turkey. It is important to reach the whole research universe to reveal the differences and similarities in Turkish food culture and flavor understanding with spatial statistical analysis. However, since the respondents did not allocate sufficient time to describe all the requested food recipes for meals were collected from 620 districts throughout the country.
Data Collection

Data were collected between March 2017 and December 2018. With this study, it was aimed to collect at least one recipe from each of the 973 districts in Turkey. To increase the reliability of the data, to ensure consistency and to represent the districts, the recipes were collected through the headmen (reeves/mukhtars). Turkey Headman Confederation was informed about the study. Also, a letter of support was received from the Confederation. Moreover, the contact information of all headmen registered in the Confederation was collected and contacted with them. They were asked whether they would voluntarily participate in the study. In terms of the Turkish family structure, nutrition in the family is generally the responsibility of women (Ates, Ballar and Pekcan, 1986: 72; Surucuoğlu and Balgamis, 1987: 48). The responsibility of cooking in the family is largely for women in Turkey, especially women were preferred when collecting data within the scope of the research, and it was thought that the answer to the research problem would be more accurate and faster by the women among headmen. The headmen of the neighborhoods in the districts where there were no women headmen or did not participate were randomly called and asked for recipes of bulgur pilaff and casserole meal. In the study, the purposeful sampling method was used to collect data from female mukhtars in sampling selection (Kabakci Yurdakul, 2013: 81); in the collection of male mukhtars, the simple random sampling method was used (Kabakci Yurdakul, 2013: 84). Within the scope of the research, a data collection form was sent to 1073 headmen in total across the country. 234 headmen responded to our call and sent recipes of the meals. Then, the data collection form was transferred to the online environment and the data collection was conducted through an online questionnaire. Social media was actively used in the data collection process. A survey link was sent to people/groups/pages/communities who had opened an account with an open identity on social media, and the data of the missing districts were collected through it. During the data collection process, it was considered that people who should be included in the sample of the research have been living in the same district for a long time. In this process, the purposeful sampling method was used, and recipes for meals were collected from 3070 people in total. So as to confirm the reliability of the data collected, support needed was received from the Turkish Culinary Federation. When the accuracy of the collected data was suspected, the opinions of the chefs who were members of the associations affiliated to the Federation living in the related district were obtained. Additionally, a panel of five experts was formed and the final controls of the data were performed.

Empirical Model

Different methods were used for data analysis and different statistical programs were used for each method. In the research, maps showing the spatial distribution of data were prepared. Visualization of the data helps to establish or verify hypotheses and to assess the appropriateness of the models. Furthermore, visual data discovery can easily handle non-homogeneous and noisy data, and because visual discovery is intuitive, it does not require an understanding of complex mathematical or statistical algorithms or parameters (Keim, 2002, p. 1). Natural break method was used in the preparation of maps. In the natural break method, a nonlinear algorithm is used to group observations to maximize intra-group homogeneity. In other words, breaking points giving the groups with the greatest internal similarity were determined (Anselin, 2018). MapInfo 17 Pro programs were used for drawing the maps. Material and quantity data of the meal were entered into the database at the district scale. Inverse Distance Weighted Algorithm (IDW) was used in drawing the maps. It is assumed that the data sets at each point with the measured value have a
local effect on the unmeasured areas, and this effect decreases depending on the distance. While estimating the values of unmeasured points, the IDW weighs the points closer to the measured values more than the distances. The IDW cross-evaluates to select the most appropriate strong value ($\rho$). The lowest root of the square of the arithmetic mean gives the estimation error when the measured point and the values in the predicted spatial are compared in the cross-assessment. Each measured point is assigned a weighted point inversely proportional to the increase in distance to find the most appropriate strong value. Strong points are calculated on the defined surface (Kalipeni and Zulu, 2008). The maps prepared with IDW were then classified into three groups (high, medium and low-level oil usage) and recorded in the database for registration. The oil of the meals was overlapped, and maps were drawn.

Findings

The findings related to the usage rates of different types of oils used in bulgur pilaff and casserole meal are shown in Figure 1.1 for olive oil, Figure 1.2 for sunflower seed oil and Figure 1.3 for butter.

According to Figure 1, the usage rate of olive oil in bulgur pilaff and casserole meal is low in Amasya, Tokat and Gumushane in the Black Sea Region; in Konya, Ankara, Yozgat and Sivas in the Central Anatolia Region; in Hakkari, Van, Agri, Mus, Erzurum and Erzincan in the Eastern Anatolia Region. On the other hand, in Kars and Ardahan in eastern; in Gaziantep and Sanliurfa in southern and in Izmir and Denizli in western, olive oil usage rate in meals in Turkey is above the provincial average. Olive oil usage rate in meals is moderate in other provinces of Turkey.

![Figure 1](image_url)

**Figure 1.** Overlap maps on the usage rate of olive oil in bulgur pilaff and casserole meal.

According to Figure 2, the sunflower usage rate in bulgur pilaff and casserole meal is low in Konya and Aksaray in the Central Anatolia Region; in Erzurum, Kars and Ardahan in the Eastern Anatolia Region; in Canakkale, Balikesir, Manisa and Mugla in the Aegean Region; and in Antalya in the Mediterranean Region. It is determined that sunflower seed oil usage rate in bulgur pilaff and casserole meal is high in some districts of Thrace; in Bitlis, Mus and Diyarbakir in Eastern; in Sanliurfa in Southeastern Anatolia; in Kayseri and Kirikkale in Central Anatolia Region. The rate of sunflower seed oil usage in meals is moderate for the inhabitants of other provinces of Turkey.
Figure 2. Overlap maps on the usage rate of sunflower seed oil in bulgur pilaf and casserole meal.

As seen in Figure 3, according to the overlay analysis findings, butter rate used in casserole meal and bulgur pilaf is low in southern Turkey, and spatial clustering is observed. The high usage rate of butter is located in the north-eastern part of Turkey. According to the findings, butter is an oil accompanying sunflower seed oil or olive oil. It is generally used in conjunction with one of the other oils rather than being used alone in cooking the respective meals.

Figure 3. Overlap maps on the usage rate of butter in bulgur pilaf and casserole meal.

Conclusions

Ever since human existence, people need food and drinks to survive. Being a large country in terms of geographical boundaries, experiencing different climatic zones and living since prehistoric times, the cultural heritage shows great diversity in this geography where wars and migrations are mixed and fused. All of these reasons, it is seen that in Turkey the same meal prepared in different materials and quantity. The purpose of this study, Turkey's considering the number of materials used and cooked anywhere, in particular, is to determine the different flavors of food in Turkey in terms of oil usage. This study aims to determine different flavor zones in terms of the type and amount of fat used in casserole meal and bulgur pilaf in Turkey. Accordingly, it is intended to reveal the spatial distribution of the flavor concept in Turkey through fat usage. Black Sea Region, Central Anatolia Region and East Anatolia Region generally use less olive oil in bulgur pilaf and casserole meal. On the other hand, in Kars and Ardahan in eastern; in Gaziantep and Sanliurfa in southern; and in Denizli and Izmir in western, olive oil usage is above the average of Turkey. Olive oil usage rate in respective meals in other places of Turkey is moderate.

Central Anatolia Region, Eastern Anatolia Region, Aegean Region and Mediterranean Region generally use less sunflower seed oil in bulgur pilaf and casserole meal. In Bitlis, Mus and Diyarbakir in Eastern; in Sanliurfa and Diyarbakir in Southeast Anatolia Region; in Kayseri and Kirikkale in the Central Anatolia Region; and in Kutahya and Thrace in Aegean region, it is determined that the rate of olive oil used in cooking bulgur pilaf and casserole meal is high. The rate of olive oil used in bulgur pilaf and casserole meal preparation by other inhabitants is moderate.
Butter usage rate in bulgur pilaff and casserole meal is low in southern Turkey, and it is seen that it creates clustering spatially. The high butter usage rate in the districts is located in the north-eastern part of Turkey. According to the research findings, butter is an oil that accompanies sunflower seed oil or olive oil. It is generally used in conjunction with one of the other oils rather than being used alone in cooking the respective dishes.

References


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The Cuisine and Its Historical Development

Bulent Aydin¹ and Abdulkadir Corbaci²

¹College of Tourism and Hotel Management
   University of Batman, Turkey

²Faculty of Tourism
   University of Adiyaman, Turkey

Abstract

The purpose of the study is to evaluate Turkish Cuisine and its historical process. This research is a conceptual study. According to results The Turkish cuisine has been considered as a synthesis cuisine having a rich cultural background. The interactions with many different cultures have enabled the cuisine to enrich and diversify. In general, the Turkish cuisine has been examined in two periods, that is; the Turkish cuisine before settling in Anatolia and the Turkish cuisine after settling in Anatolia. The Turkish cuisine in the period that began after settling in Anatolia was shaped in three sub-periods. These periods are the Seljuks and the Principalities (Beyliks), the Ottomans, and the Republic of Turkey. According this research there was no conceptual integrity regarding the Turkish cuisine in the past. Whereas some sources preferred the terms “Ottoman”, “Istanbul” or “Palace” cuisine; the others preferred the terms “Anatolian” or “Turkish” cuisine. However, although it was referred to with different terms in the past, today this cuisine is widely known as the “Turkish cuisine.”

Keywords: cuisine, Turkish cuisine, development of Turkish Cuisine

Introduction

A debate has been going about when and under what conditions the first human being was on the earth. Hence, there has been no clear evidence about the diet of the first human being. The archaeological excavations have continuously changed the common knowledge about the history of humanity and conveyed them to these days. Particularly, the debate on how the first human being was nourished has been going on from past to present. It is not exactly known whether or not the first human being knew how to use the fire and what was exactly included in their diet. Based on the remains of a human being who lived half a million years ago and the materials in the cave, it was found that 70% of the diet of this human being was based on meat (Tannahill, 1988). Although, accordingly, it is thought that the first human beings, who provided most of their daily nutrition from the foods like meat, knew how to use the fire, there is no exact finding. It is also unclear what kind of culinary culture these people had in this period.

It is known that the first human beings lived in a clan system and there was a division of labor based on physical power between the men and women in terms of providing food. During this period, using simple and natural tools, the people both protected themselves against the external dangers and obtained the hunting materials needed for their nutrition. The humanity’s this struggle for survival has also been the guarantee for the future civilizations. In pointing out the stages of mankind, John Lubbock (1968) emphasized the importance of the first human being on the path of civilization until the transition to the agrarian society. According to him, the history of humanity...
is comprised of three stages, that is; hunting, fishing, and gathering stage; agriculture stage; and civilization stage (Kozak et al., 2013, p.8). Therefore, as it can be seen in the historical classification of the humanity, it is possible to state that a cumulative food and beverage culture may have developed in the first stage; that is, until the transition from the hunting, fishing, and gathering stage to the agriculture stage; and that this cultural capital may have reached to the population level with the agrarian society. In this regard, we can see the contribution of the prehistoric humanity to the formation of the today's world cuisine.

All societies in the world have their own culinary culture. An indigenous tribe in Africa, the Aborigines in Australia, and the Eskimos living in the northern circumpolar region; they all have a culinary culture. However, these culinary cultures are considered as a part of the culinary cultures of the countries they are located in and are named after the country or region. Therefore, falling within the culinary culture of the country that is the super culture, each subculture can be considered within the scope of the world cuisine. It becomes possible here to examine the different cultures within the same country within the context of world cuisines through bringing them together under the same roof.

The dishes underlie the culinary culture. The dish is not only a source of energy provided in order to eat one's fill, to suppress the hunger, and to survive. It is also a culture for each nation (Dogdubay and Giritlioglu, p.434) and an art that they have developed since the ages ago and that has been reflected to the present (Akman, 1998, p.10). When the history of cuisine is examined (Bober, 2003; Civitello, 2011) it is seen that the cuisines in the world have been inherited from the civilizations such as Mesopotamia, Egypt, Hellene, China, Rome (Dogdubay and Giritlioglu, 2011 p.436). It is asserted that, among the world cuisines, the first feast was also given in Mesopotamia (Pilcher, 2008, p.9). Mesopotamia is also the leading place in terms of the settled life and agriculture in the history of humanity (Duzgun & Ozkaya, 2015). Mesopotamian civilizations affected both their periods and the future periods in terms of the cuisine they have. It is suggested that the cuisines they affected are as follows; Anatolian Cuisine, Chinese Cuisine, Japanese Cuisine, Cuisine in the Asian region, Egyptian Cuisine, Ancient Greek Cuisine, Roman Cuisine, French Cuisine, British Cuisine, Northern European Cuisine, North American Cuisine (Duzgun and Ozkaya, 2015, p.43; Dogdubay and Giritlioglu, 2011, p.433) Therefore, today corresponding to Turkey, Iraq, Iran, and Syria; Mesopotamia has made important contributions to the history of cuisine and that is why it has an important position in the history of cuisine.

While, saying “Tell me what you eat and I'll tell you what you are” (Cetin, 2008, p.27), Brillant-Savarin, one of the epicures, points out the effect of food on the character; saying “We are what our ancestors ate and drank”, Gary Nabhan admits that we follow our ancestors in terms of food and beverage. However, although the basic foodstuffs inherited from our ancestors have remained similar, the culinary cultures have changed throughout history and new cuisines have emerged. These changes have taken shape both by the effect of the climate, geography, culture, and religious belief in which the societies were and by the ways such as the trade, migration, and war. For example, the nations such as the Arabs and Turks had the alcoholic beverages in their cuisine before the Islam; but after adopting this religion, they took these beverages off their menus and instead tended towards the beverages that were not inconvenient in terms of their religion. Furthermore, while since they were easy to care for and reproduced fast, in the early ages in Mesopotamia the meat needs were met by the pigs (Pilcher, 2008, p.8); today, due to the religious beliefs of the communities in the region known as Mesopotamia, the pigs are not raised and their
meat is not eaten. A similar example can be given for the Anatolia, the heir of Mesopotamia. Today, the rich culinary culture in Turkey which is called Turkish cuisine or the Anatolian cuisine has shaped by means of the migrations, wars, and the trade and thus turned into one of the synthesis cuisines consisting of different cultural backgrounds.

Having a common background, the world culinary culture is being classified and examined by the countries or regions today and it is seen that each country has created a new original culture along the history. There are many different classifications for the world cuisines. However, it is stated that the world cuisines are basically examined under nine headings (Ozgen, 2013, p.8). These nine cuisines are as follows; the French Cuisine, Turkish Cuisine, Far East Cuisine, North and South American Cuisine, Southern European Cuisine, Northern European Cuisine, Central Asian Cuisine, Middle East Cuisine, and the African Cuisine.

Although the cuisines of all countries come under the roof of the world cuisine, the famous cuisines of the certain countries or the regions consisting of countries stand out. The geographies where these cuisines stand out can also differ from each other. For example, in the studies conducted on this field it was found that the most prominent cuisines in the USA were the Chinese, French, Greek, Italian, Japanese, Mexican, Middle Eastern, and Thai cuisines (see: Roseman, Kim and Zhang, 2013). Furthermore, it was stated that in Europe, from within the continent, the Italian, French, Greek, and Turkish cuisines were common; and the Chinese, Japanese, Indian, and Thai cuisine could be seen from the outside of the continent (Cohen and Avieli, 2004, p.765). It is understood that these widely seen cuisines generally belong to either the developed or developing countries.

Among the world cuisines; the Turkish, French, and Chinese cuisines are pointed out as the richest cuisines (Ertas and Karadag, 2013; Talas, 2005). There are two reasons why the Turkish cuisine is pointed out as a rich cuisine. First, it is in the world's most important geography, and second, thanks to the nomadic culture, it has interacted with many cultures (Talas, 2005, p.281). This cuisine is also at the position of today’s heir to a region like Mesopotamia that has inspired the world cuisine. In this regard, it seems important to examine the cuisine in question and to reveal its contributions to the world culinary culture. Today, this cuisine is widely seen in many continents and countries, especially in Europe. It has a culinary feature that is represented in the world especially under the brands of the Turkish restaurants.

**Literature Review**

*Turkish Cuisine (Anatolian Cuisine)*

It is known that since the kitchen, as a physical space, had an important place in the Anatolian culture, it was built in a wide place within the houses or independent from the house in a space called court (Gurkan, 2001). However, the term “Turkish cuisine”, which is being discussed here, have different meanings. When the term “Turkish cuisine” is used, the culture of food and beverage should be understood rather than a physical place. According to Gokce (1982), “the nutrition cultures of the nations are often called cuisine.” “When we talk about the Turkish cuisine; we understand all the Turkish foods and beverages, the tools and equipment used in the preparation of these foods, the food traditions” (Gokce, 1982, p.1-13). Mankan (2012, p.20) describes the Turkish cuisine as follows: “When we talk about the Turkish cuisine, we should understand the
foods and beverages providing the nutrition of the people living in Turkey; their preparation, cooking, preservation; the necessary tools and techniques for these processes; eating habits; all practices and beliefs developed around the kitchen.”

When the historical sources on the Turkish cuisine are analyzed, it is noted that there has been a conceptual divergence. Whereas some sources preferred the terms “Ottoman”, “Istanbul” or “Palace” cuisine; the others preferred the terms “Anatolian” or “Turkish” cuisine. Halici (1982) stated that when the term “Turkish cuisine” is used, it is understood as “Istanbul cuisine.” Therefore, it is understood that there was no conceptual integrity regarding the cuisine in question in the past. However, although there were different conceptualizations in the past, today this cuisine is widely known as the “Turkish cuisine.” When it is considered that the cuisines in the world are generally conceptualized by the name of their country; it can be stated that such a conceptualization is appropriate.

The Turkish cuisine is one of the rare cuisines that have a rich cultural background. This culinary culture began in the 200s BC and reached today by interacting with other cultures until the 21st century (Kizildemir et al., 2014, p.193). The Turkish cuisine means a cultural journey, which has been affected from the rich cultural background of the regions including the Central Asia, China, Mesopotamia, Africa, Balkans, Europe, and even America and has also affected the culinary cultures in these regions. Therefore, the Turkish cuisine can also be referred to as the meeting point of a rich cultural background. For this reason, it is a cuisine having a rich variety and flavor. Considering the rich historical background of the Turkish cuisine, Ogel (1982) and Bulduk (1993) says “when we talk about the Turkish cuisine, the Turkish history should come to mind.” According to Halici (2009, p.17), the Turkish culinary culture is a composition brought by the Central Asian, Catalhoyuk, and Anatolian civilizations from the middle ages to the present day. Therefore, she stated that, likewise the Turkish history, the culinary history could be examined within the context of Central Asia, Seljuk, Ottoman, and Republican periods.

In general, it is possible to examine the Turkish cuisine in two periods. These are the Turkish cuisine before settling in Anatolia and the Turkish cuisine after settling in Anatolia. The Turkish cuisine in the period that began after settling in Anatolia was shaped in three sub-periods. These periods are the Seljuks and the Principalities (Beyliks), the Ottomans, and the Republic of Turkey. It is accepted that the period of Central Asia (before settling in Anatolia) was before 1040, the period of Seljuks and Principalities was between 1040 and 1299, the period of Ottomans was between 1299 and 1923, and finally the period of Republic is after 1923 (Halici, 2009). Furthermore, according to Halici (2009, p.17), the Turkish cuisine can be categorized into two, that is, classic and folk cuisine. She suggests that the classic cuisine is the cuisine that developed in Istanbul in the palaces, mansions, and the restaurants and took its final form in the late 19th and early 20th centuries; on the other hand, the folk cuisine is a cuisine that includes the local foods in Anatolia along with the classic cuisine and still lives in Anatolia.

The Turkish Cuisine Before Settling in Anatolia (The Period Before 1040)

It is known that the geographies where the societies live affect their culinary cultures. The Turks lived in the Central Asia before settling in Anatolia. The Turks lived a nomadic life in tribes in this geography (Sandikcioglu, 2016). It is stated that, with its wide steppes and mostly non-arable lands, this geography introduced a diet based on the livestock and thus affected the dietary habits
(Sahin, 2016, p.23-40). The fact that their nutrition culture was based on the livestock is seen as one of the important indicators that they consumed the meat and meat products more. Furthermore, it is understood from this information that the food of animal origin such as the milk and dairy products were among the basic products that made up this cuisine. The examples for these products are as follows: milk, yogurt, kumiss, kefir, cheese, curd, dry cottage cheese, and dried curd (Ertas and Karadag, 2013, p.119).

The people living in this region have had various geographical advantages and disadvantages in terms of the cuisine. The geographical conditions in this region have affected the products grown and the animals raised and by doing so, have also affected the culinary culture (Gursoy, 2004). Although there is little diversity in the culinary culture of the region in terms of the agricultural products, it is known that there are also some agricultural products. It is stated that especially the cereal, vegetables, and the fruits were produced in the region and these products were among the products consumed in this cuisine (Sahin, 2016, p.23-40). The agricultural products grown in this region is desiccated in the summer and stored for consumption in winter months (Sandikcioglu, 2016).

The Turkish cuisine has a rich historical and cultural background. The sources written by Yusuf Has Hacib (Kutadgu Bilig) and Kasgarli Mahmud (Divânu Lugati‘t-Turk) are among the first sources on the Turkish cuisine in the 11th century. Kutadgu Bilig mostly focused on the preparation of banquet, what should be served and how they should be served, the Turkish table manners of the 11th century, and the points to take into consideration by age while eating (Genc, 1982, p.57). On the other hand, in Divânu Lugati‘t-Turk, not only was the 11th century Turkish cuisine introduced in terms of the cultural kitchenware as a physical space, but also the detailed information on the methods of preparing foods and beverages was included (Genc, 1982, p.57).

The beverages consumed in the Central Asian Turkish communities are categorized into two parts. These are the beverages used as nutrients in daily life and the intoxicating (alcoholic) beverages. The beverages consumed as nutrients in daily life include the milk, kumiss, ayran (diluted salted yogurt drink), serbet (sweetened fruit juice), vinegar, molasses, rose honey, and sira (slightly fermented grape juice). The intoxicating beverages are the wine, the wine made of kumiss, and the Uğut (wine made of the fruit and vegetable puree) (Sahin, 2016, p.23-40).

It is stated that in the Central Asian Turks the kitchen was generally called “as evi (food house)” or “aslik (the place for food)” and the pots and pans in the kitchen were called “canak (pot)” The kitchenware made of metal, earth, wood, and leather were used in the kitchen (Sahin, 2016, p.23-40). This kitchenware are as follows (Halici, 2009, p.28-31);

The kitchenware made of wood are the kneading board, dough kneading trough, stand for the low round dining table, thin rolling pin, rolling pin, wooden spoons, spoon holder.

Those made of copper are the trays used as a table for serving meals, bowls, water pannikins, the ones with handle, trays, pots, yogurt and milk containers, various large deep dishes, shallow frying-pans, perforated and non-perforated ladles, colanders, pans, chopper knives, and dinner buckets.

Those made of brass are the garlic press, coffee grinder, and the pitchers for salep and sherbet.

And there is also enamelware, earthenware, porcelains, glasses and others.
Despite the utensils mentioned above, it is stated that in Central Asia the knowledge in cooking was quite poor and the tools used were very few (Tezcan, 1982, p.121) and it was quite simple and limited in terms of menu (Bilgin and Samanci, 2008). Therefore, it can be said that after the migration to Anatolia, a rich knowledge in terms of food and tool developed by means of being affected by the civilizations on the path and in Anatolia. It is known that until the migration, the Turkish culinary culture was shaped under the influence of Chinese, Indian, Iranian, and especially the Islamic culture.

**The Turkish Cuisine After Settling in Anatolia (The Period After 1040)**

Although the Turks started settling in Anatolia in the Anatolian Seljuks period (in 1071), some small settlements had begun before this date. However, the real big migration began after 1071 and Anatolia became their new homeland. After settling in Anatolia, there have been great changes in the culinary culture thanks to both the geography and the experiences of the civilizations there. The interaction with the communities living in these lands started and as a natural consequence, the culinary culture was affected by this interaction (Ertas and Karadag, 2013, p.119). It is suggested that especially thanks to this interaction, the cuisine became more diversified, enriched and turned into a cuisine that is the richest and has the most diversity (Gursoy, 2004).

The culinary culture of the Turks who settled in Anatolia was shaped in three periods. These periods are the Seljuks and the Principalities (Beyliks), the Ottomans, and the Republic of Turkey. Furthermore, it is also known that the Byzantine Empire still existed in Anatolia during the periods of the Seljuks and the Ottomans and this neighboring state had a significant effect on the culinary culture.

**The Period of Principalities (Beyliks) and Seljuks in the Turkish Cuisine (1040-1299)**

It is accepted that the period of Seljuks and Beyliks played an important role in formation of the Turkish culinary culture (Sahin, 2016). The Turkish cuisine was brought from the Central Asia to Anatolia by the Seljuks, affected from the Arabic and Persian cultures during this migration and the other cultures in Anatolia as well, and shaped under the influence of all these cultures (Samanci, 2016, p.86-100). For example, the desserts such as “Tavukgöğsü (white pudding with chicken breast)” and “Kazandibi (pudding with a caramel base)” entered into the Turkish cuisine by means of being influenced by the Romans (Guler, 2010, p.27). However, it is known that the nomadic tradition was still continuing in this period and but they focused on the products grown on the fertile lands. One of the innovations the Anatolia brought to the culinary culture was the fishery products (Sahin, 2016).

The types of the dishes, cooking and preservation techniques of the Seljuks created an original culinary culture (Guler, 2010, p.25). The desserts and sherbets also have an important place in the Seljukian cuisine. Especially after the meals, the desserts and sherbet are served (Sahin, 2016, p.30-50). In this period, there are two meals, that is, brunch and dinner (Kizildemir, 2014, p.196). The meals are eaten on a tray supported by a stand used as a table for serving meals and the table manners are as follows: using the right hand for eating, starting the meal by reciting Bismillah, eating from right in front of you, not touching your hands to the food, and washing hands before and after the meal (Kizildemir, 2014, p.197).
**Ottoman Period Turkish Cuisine (1299-1923)**

The Ottoman period is one of the longest periods in the history of the Turkish cuisine. This was the period when the diversity and richness reached to the highest level in the Turkish cuisine. During the Ottoman period, there was a rich culinary culture affected by Europe, Asia, Africa, and America. The different climates of this wide continents and the diversity of the products there as a result of these climates naturally reflected on the cuisine (Bilgin, 2004, p.260). On the other hand, the multi-nationality of the Ottoman Empire also reflected on the cuisine as a richness through affecting the cultural exchange (Bulduk, 1993; Gursoy, 2004; Basaran and Guldemir, 2016). Furthermore, it is also stated that there was a continues interaction with different cultures through the trade, diplomacy, and conquests and the culinary culture was enriched with these interactions (Sandikcioglu, 2016, s.11-15).

The cultures making up the Ottoman cuisine are as follows (Sandikcioglu, 2016, p.11-15; Basaran and Guldemir, 2016, p.60-66): Central Asian culture, Chinese culture, Iranian culture, Arabic culture, Byzantine culture, European culture, Mediterranean culture and the cultures originating from various religions. It is known that not only was the Ottoman cuisine affected from other cultures, but also it affected the other cuisines. The certain products that originated from the Ottoman cuisine and spread all over the world are as follows (Sandikcioglu, 2016, p.145-155): Sherbets, coffee, yogurt, baklava, Turkish delight, doner kebab, rice, pastrami, croissant, salep, corn, meatball, stuffed vegetables, turkey, and Turkish turban squash etc.

There were two different culinary cultures in the Ottoman Empire, the first was the culinary culture around the palace and the second was the cuisines of the communities living within the borders of the empire (Basaran and Guldemir, 2016, p.52). There were kitchens in different numbers (7, 8, and 9 varieties) in the palace and the largest of them belonged to the Sultan (Bilgin, 2004, p56-60). Furthermore, the kitchens were divided into categories in themselves by the field of specialization (Bilgin, 2004, p.263-269; Samanci, 2008, p.201). The Ottoman cuisine or palace cuisine was introduced as having the culinary art, food culture, table richness, and the diversity of food (Haydaroglu et al., 2003, p.9). The skills of the chefs in the palace played an important role in this diversity.

Traditionally, in the Ottoman society, the food was eaten on a tray used as a table for serving meals or on a tablecloth lay on the ground, with a spoon or hand from a plate placed in the middle of the tray or tablecloth (Samanci, 2016, p.86-100). This style of eating habit, in which the people sit on the ground on a cloth made of leather, was called “bulgârî” (Sandikcioglu, 2016). It is particularly stated that this style of table setting was the same both in the palace and in the cities or in the countryside (Samanci, 2016). It is known that a separate plate was not given to everyone, each food was put on a plate, and everyone ate from this plate (Sandikcioglu, 2016). Therefore, it is understood that there was no difference in the style of table setting depending on any social stratum. However, there was a procedure and a hierarchy in the palace in terms of who will eat on which table (Sandikcioglu, 2016). In terms of the number of the meal in a day, there were two meals (Basaran and Guldemir, 2016, pp. 60-64). However, these procedures regarding the table manners began to change with the influence of the West in the 19th century. Particularly in the palace and its environment, the European style (alafranga) way of eating, that is, sitting at a table rather than sitting on the ground, eating using fork and knife, and using the porcelain and table sets similar to those in Europe started to be preferred (Sandikcioglu, 2016, p.14-15).
The 18th and 19th centuries are accepted as the beginning of the effect of Westernization in the Ottoman cuisine. These years are also known as the beginning of the decline in the Ottoman state. Although it is stated that unlike most of the institutions, the cuisine reached its peak (Gursoy, 2004) in this period; the cuisine was also adversely affected by the decline. It is stated that the problems experienced by the state due to the decline primarily affected the palace cuisine, the female servants (odalisque or other officials) replaced the professional male chefs especially in the mansions, and thus the meals cooked in the good times of the state were forgotten (Toygar, 1993).

According to Toygar (1982, p.154), in the Tanzimat period, as a result of the interaction with the West, the culinary culture was also affected and the changes started. The effects of Western cuisine, especially the French cuisine, on the Turkish food culture increased in this period (Baysal, 1993; Sandikcioglu, 2016). However, while this effect was felt more on the palace cuisine, it was felt less on the local cuisines, that is, the folk cuisine (Toygar, 1982, p.154). The interaction with the West has led to the influx of the unhealthy fast foods such as hamburgers into the Turkish cuisine. This has been a negative situation for the Turkish cuisine. Since the fast foods in the Turkish cuisine (Turkish pizza with ground meat, kebabs, milk puddings, etc.) are served with both onion, parsley, and various vegetables; they are accepted as being healthier than the fast foods of the West (Baysal, 1993). While in the fast food of the Turkish cuisine, four food groups are consumed together and therefore it is more balanced; in the Western-style fast foods (such as hamburger), the food is served with potato and coke and therefore it is rich in fat but poor in calcium and A, C vitamins (Baysal, 1993).

Another negative situation for the Turkish cuisine has been the fact that the West was seen as a symbol of the modern culture and the people tried to resemble this culture. This tendency to resemble the West has also manifested itself in the culinary culture as in all other fields. The rich Turkish cuisine that was especially shaped by the historical background was forsaken and a great interest was shown in the Western cuisine, especially the French cuisine. Such that, the French cuisine became one of the cuisines used along with the traditional cuisine when the foreign guests were being hosted (Samanci, 2008, p.208; Sandikcioglu, 2016). Preferring the French cuisine in this period is explained by the fact that the French cuisine was in vogue in Europe and at the top of the gastronomic world (Samanci, 2008, p.216). The influence of the Western cuisine increased more with the opening of the Western-style hotels such as Tokatliyan and Pera Palas in the 19th century and the service of the French-style dishes in these places (Toygar, 1993). For example, the desserts such as the cream-cakes and cakes prepared with the chemical leavening agents were adopted as a result of the interaction with the West (Baysal, 1993). The desserts in which the biological leavening agents were used in the Turkish cuisine long ago instead of these desserts are as follows: The pastry such as Halva (a sweetmeat like dessert mostly made with semolina or flour), baklava (multi-layered flaky pastry with walnuts, pistachios, etc.), sobiyet (multi-flaked pastry with cream and pistachio filling), and kadayif (oven baked shredded pastry with pistachio filling in thick syrup angel’s hair dessert), etc. Furthermore, it is known that the Western-style restaurants had a major effect on the culinary culture. This effect has contributed to the emergence of the new hybrid dishes such as “hunkârbegendi” (literally means sultans delight, eggplant puree topped with the cubes of sauteed lamb) which have the Turkish and European characteristics (Samanci, 2008, p.217). It is stated that especially with the proclamation of the republic, the influence of the West on the Turkish cuisine was felt more (Baysal, 1993; Samanci, 2016). However, according to Samanci (2008), this influence manifested itself in the form of Turkish
style and European style, resulted in new interpretations, and thus created a synthesized culinary culture.

To sum up the culinary culture of the Ottoman period; in this period, there were three kinds of culinary culture, that is; palace, mansion, and folk cuisine. Among these culinary cultures, the one that changed the most rapidly was the mansion culinary culture, which constituted the palace and its environment. Because the geographical and cultural differences seen with the expansion of the borders of the state first affected the culinary culture of the palace and its environment. As the Ottoman Empire expanded its border, the culinary culture also expanded and enriched. The Ottoman Empire did not try to resemble to any state or culture due to the pride of being a major country. This also affected the Ottoman culinary culture. When the new cultures are encountered, they are included into the existing culture and synthesized. However, as a result of living together for years, the changes in the folk cuisine take place more slowly and in the long-term. Therefore, the most original culinary culture in the Ottoman Empire has continued within the folk cuisine. Especially in the Tanzimat period (18th and 19th centuries), unlike its previous behaviors, the Ottoman Empire started to see the Western civilization as superior to itself and tried to resemble the West structurally. After this period, it started to prefer the Western cuisine in terms of both the table culture and the food. This situation gained momentum with the opening of the Western-style institutions. After this process, the Turkish cuisine was gradually forsaken (especially when the foreign guests were hosted) and the Western cuisine was preferred rather than the Turkish cuisine. However, this great change within the palace and its environment did not affect the folk culinary culture too much. The communities living in Anatolia maintained their own culinary culture (local culinary culture). The Western culinary culture that emerged in the late periods of the Ottomans was called “Alafranga (Western style) culinary culture” and the traditional Turkish culinary culture was called “Alaturka (Turkish style) cuisine culture.” From these two culinary culture, the Turkish cuisine, which took shape in the late periods of the Ottomans, inclined more to the Western-style culinary culture with the proclamation of the Republic. In the Republican period, while the Alafranga culinary culture was encouraged in all cities, the Alaturka culinary culture was pushed to the outside of the cities, that is, the countryside. Thus, the superiority of and the admiration to the European gastronomy that began in the Ottoman period was transferred to the Republican period and continued more powerfully.

**Turkish Cuisine in the Republican Period (From 1923 to the Present)**

The Turkish cuisine was brought from the Central Asia to Anatolia by the Seljuks, affected from the Arabic and Persian cultures during this migration and the other cultures in Anatolia as well, and shaped under the influence of all these cultures. After the Seljuks, this cuisine was bequeathed to the Principalities (Beyliks) and the Ottomans. As for the Ottoman period, a common culture was created in terms of the culinary culture with the expansion of the borders of the empire, especially towards the west, and the increase in the numbers of the communities living within these borders (Greeks, Armenians, Jews, Muslims). This culinary culture was intensely influenced by the West in the late 19th century and paved the way for the emergence of the culinary practices, that is, traditional and modern. The culinary culture that changed in the last periods of the Ottomans was bequeathed to the Republican period in a way that the influence of the West was dominant.
The curiosity for the Western culture, which started in the 19th century and also continued in the Republican period, also created a dilemma in the culinary culture. When the sources published in these periods were examined, it was seen that they discussed both the Alaturka and Alafranga culinary culture. In this period, adopting the Western culinary culture as a standard for the modernity and promoting this culture in the cities negatively affected the traditional Turkish culinary culture. The traditional culinary culture has turned into a culinary culture that should be outside the city. So, the traditional cuisine was pushed to the countryside during the Republican period. This situation has had a major effect on the Turkish culinary culture and has caused it to reshape under the Western influence. This influence is one of the reasons for the fact that some foods and beverages are not known today (Esir, 2006). According to Samanci (2016), although there has been an intense western influence in the Republican period, it is not possible to say that Alafranga dishes caused the traditional dishes to be completely forgotten. The fact that the traditional and Western dishes are served side by side has been put forward as a justification for this situation. Hence, according to Samanci (2016), these two different food styles have created a synthesized cuisine. However, although it is thought that these two types of food have been side by side, it is known that most of the culinary culture inherited from the Ottoman period could not be preserved in this new period.

Two types of cuisine stand out in the Republican period. The first is the cuisine which is accepted as an indicator of Westernization and stands out in the cities; the second is the local cuisine, which stands out in the countryside and still continues its presence today. However, unlike this classification, there are those who classify the cuisines into two, that is, Istanbul cuisine and Anatolian cuisine (Kizildemir, 2014, p.202). While the Istanbul cuisine has been considered as the legacy of the rich Ottoman cuisine shaped by the influence of the palaces and mansions, the Anatolian cuisine (the cuisine except the Istanbul cuisine) has been considered as the urban cuisine shaped by the interaction with the West and the rural cuisine shaped away from this interaction. It is known that the traditional Turkish cuisine manners is still being preserved, especially in the rural cuisine.

In the Republican period, Anatolia has been divided into seven geographical regions. Thus, the Turkish cuisine has also been classified based on these regions. Each of these regions has a unique climate and a rich culinary culture. These regions are called; Eastern Anatolia, Southeastern Anatolia, Central Anatolia, Black Sea, Aegean, Mediterranean, and Marmara. Therefore, the Turkish cuisine has become the name given to the common culture made up from the combination of these regions including Istanbul. Since the climate, geographical characteristics, and the subcultures of each region vary, their culinary concepts have also varied. This has reflected on the Turkish cuisine as a richness. In a study carried out to determine the different flavors across all the regions of Turkey, it was found that there were 2205 different types of foods and beverages, and this richness was verified (Sahin and Unver, 2015, p.65). It should be noted that this number does not include the flavors forgotten over time. As is known, many flavors of the Turkish cuisine could not be preserved and were forgotten during the Republican period.

In Turkey, the cuisine concept varies depending on the regions. In this regard, the Turkish cuisine concept can be summarized by region as follows.

In the Eastern Anatolia region where the climatic conditions are harsh, there is a culinary concept based on the mutton, dairy products, wheat, and the legumes.
In the Southeastern Anatolia region, there is a culinary concept based on the bulgur (cracked wheat), icli kofte (fist sized bulgur balls filled with seasoned minced meat), spicy kebabs and the desserts with syrup.

In the Central Anatolia region, there is a culinary concept based on the cereals, legumes, various herbs, dried fruits, molasses, poppy, and sesame.

In the Black Sea region, there is a culinary concept based on the corn, savoy cabbage, and anchovy.

In the Aegean region, there is a culinary concept based on the fruit, vegetable, herb, and olive oil with less meat and more fish consumption.

In the Mediterranean region, there is a culinary concept based on the dishes with vegetable and meat, wrapped foods (such as the stuffed vine leaves), stuffed vegetables, meatballs, manti (Turkish ravioli), soups, borek (a general name for filled pastries in various shapes), pasta, and the desserts such as kadayif (oven baked shredded pastry with pistachio filling in thick syrup angel’s hair dessert)

In the Marmara region, there is a culinary concept based on the soup, bean, leaf wrap, kebab, pilaf, pickles, salad, hosaf (dried fruit compote), rice pudding, halvah (a sweetmeat like dessert mostly made with semolina or flour) and other desserts types (Samanci, 2016, p.86-100).

According to Halici (2009), the Turkish cuisine has unique flavors due to the geographical differences in Anatolia. Therefore, with its seven regions, the Turkish cuisine has a rich diversity. However, this richness has not been used enough due to the urbanization process (Samlier et al., 2008), the adoption of the Western-style food and desserts, proliferation of the fast food restaurants and adoption of the foods served in these restaurants, the adaptation of traditional the Turkish foods to the fastfood culture, proliferation of the restaurants serving international cuisine, the effect of the media (Samanci, 2016), insufficient representation of the Turkish cuisine in the commercial restaurant menus, and the increasing presence of the women in the business life and the fact that women cannot spend enough time for cooking. According to Toygar (1993), the Turkish cuisine was not used by the tourism businesses for a period of time on the grounds that the tourists may find it strange, and the Western cuisine was preferred instead. While this situation paved the way for that the chefs were trained on the Western cuisine and these chefs were preferred, those who knew the Turkish cuisine have been stuck in the small businesses and this rich diversity has been forgotten. The indifference of the businesses to the Turkish cuisine for a long time caused the chefs not to learn this cuisine. However, since the tourists visiting the country demanded the Turkish food and wanted to taste it, the need for the Turkish cuisine has increased. Since there were no chefs who knew the Turkish cuisine and would meet this need, the touristic businesses gave this task to the existing chefs (Toygar, 1993). Thus, upon the demands, the Turkish tourism, which opened to the foreign countries based on the West cuisine due to the commercial concerns, inclined to use the Turkish cuisine again. However, due to the fact that the majority of the chefs in these businesses were the foreign nationals and were specialized on the Western cuisine rather than the Turkish, they could not duly represent the Turkish cuisine. The dishes cooked by the foreign chefs have been presented as the Turkish cuisine and this led to a misrepresentation. However, today, the interest in Turkish cuisine has increased and the rich cuisine culture has started to be served again due to the increasing number of gastronomy travels, the desire of the visitors to experience...
the original culture of the place they traveled, the attractiveness of the culinary culture, and the fact that the cuisine creates an image for the destination. Furthermore, in this regard, the number of the gastronomy departments have increased in the universities and an increasing number of students have graduated from these departments as the individuals equipped with the knowledge about both the Turkish cuisine and the world cuisine. On the other hand, the cuisine museums opened locally (Yesilyurt and Arica, 2018) have been one of the results of this interest.

Assessment

The Turkish cuisine has been considered as a synthesis cuisine having a rich cultural background. The interactions with many different cultures have enabled the cuisine to enrich and diversify. This Turkish cuisine has also been at the position of today’s heir to Mesopotamia, a region that has been an inspiration to the world cuisine. The transition to the settled life and agricultural society was first started in Mesopotamia and this is an important feature for the Turkish cuisine. Another important feature of the Turkish cuisine is that it is one of the richest cuisines in the world. The main reason for this richness is the opportunity to communicate with many cultures through the nomadic culture and the great states established. Therefore, we can state that not only has been the Turkish cuisine affected from many cultures in different geographies in the world, but also it affected the cultures in these geographies. In this regard, it was the meeting point of a rich cultural background and it has been also one of the starting points of the cultural journey.

It is known that there was no conceptual integrity regarding the Turkish cuisine in the past. Whereas some sources preferred the terms “Ottoman”, “Istanbul” or “Palace” cuisine; the others preferred the terms “Anatolian” or “Turkish” cuisine. However, although it was referred to with different terms in the past, today this cuisine is widely known as the “Turkish cuisine.” It can be stated that such a conceptualization is also appropriate in terms of eliminating the confusion.

In general, the Turkish cuisine has been examined in two periods, that is; the Turkish cuisine before settling in Anatolia and the Turkish cuisine after settling in Anatolia. The period before settling in Anatolia is also known as the Central Asian period and refers to the period before 1040. The Turkish cuisine in the period that began after settling in Anatolia was shaped in three sub-periods. These periods are the Seljuks and the Principalities (Beyliks), the Ottomans, and the Republic of Turkey. The Seljuks and Principalities (Beyliks) refer to the period of 1040-1299, the Ottomans refer to the period of 1299-1923, and finally the Republican period refers to period after 1923. The Turkish cuisine is also classified as the classic cuisine and the folk cuisine.

With the effect of the geography, the Turkish cuisine culture before settling in Anatolia was heavily based on the meat and dairy products. In this geography, the most interacted culture was the Chinese culture. The transition of the Turkish cuisine to Anatolia was realized with the Seljuks. After settling in Anatolia, there have been great changes in the culinary culture thanks to both the geography and the experiences of the civilizations there. The interaction with the communities living in these lands started and as a natural consequence, the culinary culture was affected by this interaction. The interactions with the Arab, Moroccans, and the Romans in the Seljuks period also shaped the cuisine. The Ottoman period was the most long-lasting period of the Turkish cuisine. This period is also known as the period having the most diversity and richness. In this period, the Ottoman Empire was one of the most powerful states in the world and had very wide lands, and this enabled the empire to interact with many cultures. On the other hand, the empire was a
multinational state and this fact facilitated the reflection of the differences to the cuisine as a richness. During the Ottoman period, there was a rich culinary culture affected by Europe, Asia, Africa, and America. During the imperial years, the products adopted from the different cultures were synthesized and brought into the cuisine as a gain for a long time. However, in the last years of the empire, especially with the beginning of the period of decline, the European cuisine, especially the French cuisine, started to be imitated. In this period, the Turkish cuisine became of secondary importance. In this period, the French cuisine products were processed rather than the Turkish ones. The French cuisine was preferred especially for the banquets or the hosting of the important guests. Therefore, in this period, the political and military superiority of the Europe was also accepted as superiority in terms of cuisine.

The false notion that Europe is superior in terms of cuisine has continued in the Republican period. In this period, the Western-style culinary culture was considered as a means of modernization and the Turkish culinary culture was forsaken. In this period, the Turkish cuisine was treated as a cuisine that was mostly in the rural areas outside the city. Consequently, in the Republican period, the Turkish cuisine was reshaped under the intense influence of the Western cuisine. The escape from the traditional Turkish cuisine seen in the Republican period has also manifested itself in the tourism sector. For many years, the Western cuisine was served even for the tourists visiting the country. However, the return to the Turkish cuisine has begun due to the reasons such as the increasing demand of the tourists for the traditional Turkish cuisine and their desire to experience the products that belong to this cuisine. Especially the increase in numbers of the gastronomy travels has made the original cuisine of the countries even more important and the Turkish cuisine has also been positively affected from this. Today, the Turkish cuisine has reached the interest it deserved and the studies on it have gained momentum. Furthermore, the new generation, who are being educated in the gastronomy departments of both the high schools and the universities, are being equipped with the knowledge and experience on the Turkish cuisine and play a major role in handing down this cuisine to the future. In short, today, the problems emerged in the Turkish cuisine with decline of the Ottoman Empire have been replaced by the intense interest in the Turkish cuisine.

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169


Using Turkish Cultural Motifs in Recreation Activities: The Case of Holiday Villages

Abdulkadir Corbaci
Faculty of Tourism
Adıyaman University, Turkey

Abstract

Tourism is a social, cultural, and economic phenomenon comprised of the recreational activities for spending leisure time. The tourism movement is a series of activities in which the tourists desire to observe different socio-cultural values in the destination country, which cannot be limited to the attractiveness of the sea, sand, and the sun. In this regard, it is of importance to preserve, sustain, and promote the values of the country and to organize the archaeological and historical values, traditional aspects, cultural richness, and natural beauties of the country in a way to serve the tourism. Holiday villages offer a rich variety of natural beauties, archaeological values, traditional culture, and folkloric richness in terms of recreation activities. Within this context, the purpose of this study is to examine which Turkish cultural elements have been being used in the recreation activities in the holiday villages in Turkey. Furthermore, in this study, some suggestions were put forward in terms of how to use the traditional Turkish cultural elements in the holiday villages.

Keywords: leisure time, recreation, tourism, holiday villages, Turkish culture

Introduction

In this era, when the individual and social values and the value criteria change rapidly, these changes have some important effects on the life of societies. Especially with the development of industrialization and urbanization movements; open areas have disappeared, the nature has been destroyed, and cities have been deprived of green spaces and, as a result, great changes have occurred in human life. These changes have caused people to live in concrete jungles away from nature, which in turn has paved the way for the physical and mental problems. In the industrialized societies, the pressure faced by the individuals makes them want to spend their leisure times in the recreational activities. Recreational activities function as a way for people to hold on to the life through relaxing physically and spiritually. Today, the people with financial means move away from the environment they are in for their short or long holidays and benefit from the recreational opportunities they can find in a new environment. Tourism is one of the recreational activities that enable today's people to spend their leisure times traveling and having fun. According to the definition of Toskay (1983), tourism refers to the peoples’ travel outside the place where they reside, work, and meet their usual needs and the set of events and relationships originating from their temporary accommodation and demands for the goods and services produced by the tourism businesses there. Sustainability of tourism activities depends on well-protected environment and social values. The main tourist attractions in Turkey include nature, archaeological and historical remains, folkloric richness, and hospitality. Each tourist attraction is important in terms of the supply potential of the country and it is obvious that the supply resources have an important role in the competitiveness and continuity of the tourism sector on an international scale. On the other hand, the availability of modern and high-capacity accommodation establishments is important for
reaching the goals set in tourism policies. In this regard, the holiday villages, which represent a large share in the accommodation establishments in Turkey, are the businesses that can offer a rich variety of recreation activities incorporating natural beauties, archaeological values, traditional cultural assets, and folkloric richness. The rich alternatives offered by holiday villages make them important in terms of representing the culture of the country. From this point of view, the purpose of this study is to examine which Turkish cultural elements have been being used in the recreation activities in the holiday villages. In this study, it is aimed to find out how the traditional Turkish cultural elements are currently being used in the holiday villages and, based on this finding, to develop some suggestions on how to use them in the future.

**Literature Review**

**Leisure and Tourism**

In English, the word 'leisure' originates from the word 'Licere', which means ‘being given an opportunity' or 'being free' (Torkildsen, 1990, p. 174). Referring to the times apart from when people meet their vital needs such as working, eating/drinking, and sleeping; leisure is the time when people voluntarily engage in entertainment, rest, and personal activities in line with their personal preferences (Tel, 2007). With the effect of the changes experienced in the social, economic, political, and technological fields; the concept of leisure has been perceived and evaluated differently throughout the human history (Arıca et al. 2015). Within this context, different definitions and approaches have been introduced in the literature to explain the term “leisure.” Based on these approaches, it is seen that the views on the concept of leisure have been categorized in four groups. These views are as follows:

1) **The classical view on leisure**: Leisure refers to the times when people engage in the activities involving art, political debates, and general learning rather than the activities carried out for the occupational purposes (Soule, 1986).

2) **The view that sees leisure as a function of a social class**: Veblen views leisure as the life of the privileged class. According to the Marxist writers, leisure is the symbol of the bourgeoisie (Vickerman, 1975). The concepts such as working, saving, and capital accumulation emerged with the advent of industrial revolution and leisure was considered as wastefulness and laziness (Sağcan, 1969).

3) **The view that sees the concept of leisure as the activity engaged in during free time**: In the approach that considers the leisure as a concept consisting of free time activities, leisure is explained as the group of activities preferred in free time (Dumazedier, 1960).

4) **The view that accepts the concept of leisure as free time**: The most widely accepted approach for defining the term “leisure” is to refer it as the non-compulsory time. Based on this approach, leisure is defined as the free time available after one meets his/her essential needs of subsistence, work, and work-related activities (Middleton, 1981).

Even though there has been no generally accepted definition for leisure, and it has been explained with different approaches; basically, the activities carried out at home and outside the home are within the scope of leisure (Tribe, 1995). On the other hand, according to another widely accepted view, travel and tourism activities are the main activities in which leisure is spent (Köybaşi, 2006;
Tourism, as a field of activity to spend leisure, is one of the most popular and rapidly developing activities of today. The shortened hours of work, the increase in education level, the decrease in the need based on physical power, and the development of the activities that meet the wide demands of tourists enabled tourism to be accepted as an important leisure activity (Leigfield, 2001). According to Martin and Mason (1982), tourism serves three basic functions as leisure time activity. These functions are as follows:

- Stress relief and rest
- Entertainment and relaxation
- Personal and social development

Considering the functions of tourism and the changing demographic structure of individuals, it is obvious that tourism will maintain its importance as a leisure time activity on an international scale, as is the case today.

The World Tourism Organization (WTO) defines tourism as follows: “Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.” (WTO, 2019, p.1) Consciously running the multi-functional recreation areas already existing in nature or created by human beings for the economic and commercial purposes constitutes the tourism activities. While the transportation is the dynamic element of tourism, the accommodation establishments are its static element (Kınacı, Pehlivan & Seyhan, 2011). Tourism activities require tourism businesses. Tourism businesses are defined as the businesses that produce and market services for meeting the travel and accommodation needs and other related needs arising from the temporary movement. The tourism industry consists of four mutually complementary business groups: (i) accommodation businesses, (ii) transportation businesses, (iii) travel agencies, and (iv) the businesses providing complementary services such as entertainment, food and beverage, souvenirs, and guidance (Çolakoğlu & Çolakoğlu, 2007).

Transportation businesses offer the services of transporting tourists from their country to the tourist attraction they want to go, providing transportation to the attractions in and around the touristic region, and transporting them back to their country. The businesses providing complementary services are the businesses that ensure the tourists to spend their holidays in a more joyful, different atmosphere and offer the services of entertainment, food and beverage, souvenirs, and guidance at various stages of tourism activities. Travel agencies are the rapidly developing businesses, which take advantage of the opportunities brought by the era, that sell the products (hotel rooms, flight ticket, and etc.) of the businesses producing touristic goods and services on their behalf; in return they earn a certain commission; combine various travel related services in one package and organize tours; and also offer other services such as information, car rental, and travel insurance (Çolakoğlu & Çolakoğlu, 2007). Accommodation businesses, on the other hand, carry out the activities for meeting the needs of tourists in terms of temporary accommodation, food and beverage, and entertainment during their travel or vacation. Accommodation businesses can be classified differently in terms of functions and activities they fulfill. The main accommodation businesses are as follows; hotels,
pensions, auberge, camping, spas and similar health facilities, hostels, home pensions, urban hotels, apart hotels, and holiday villages.

**Holiday Villages and the Turkish Cultural Motifs as Recreation Activities**

Holiday villages are the businesses that can offer a rich variety of recreation activities incorporating natural beauties, archaeological values, traditional cultural assets, and folkloric richness. Holiday villages have come to existence by means of improving the motels to serve mass tourism. In the European countries such as Italy and Switzerland after the 1950s, a group of 20 or more prefabricated single-story motels, with a gas station and a small restaurant, located along the road following the rural landscape were called holiday village. Following this process, the increased need for recreation at the international level and, accordingly, the development of domestic and foreign tourism movements caused an increase in the number of holiday villages. The holiday villages were classified as 'mountain holiday villages' and 'coastal holiday villages' depending on which specific recreation forms their establishment sites could offer. Diversified holiday villages have gained a structure able to serve different functions. So, the functions of holiday villages are as follows:

a) A comfortable and clean accommodation in an environment where the natural landscape beauties are preserved,

b) Meeting the needs for food and beverage,

c) Offering active and passive recreation opportunities (rest, entertainment, sports activities, and interesting landscape beauties).

The holiday villages which can fulfill the aforementioned functions the best serve as the businesses both meeting the needs of tourists and providing income for the country. On the other hand, the main purpose of the holiday villages is to create opportunities for the tourists who are longing to move away from their routine, monotonous lives in the crowded and gloomy cities and live in a natural environment. They also provide the tourists with enjoyable and beneficial recreation activities in which they can spend their free time during the holiday (Bayraktar, 1975).

In general, recreation activities are classified as outdoor and indoor recreation activities. There are hundreds of recreational activities that give the opportunity to rest (sea, coasts, beach, pine trees, groves, etc.), to engage in physical activities (mountain trips, game arcades, boat trips, swimming, etc.), and to receive education (archaeological centers, old cities, foreign plants, and wild animals). The main purpose of these activities is to offer the tourists a comfortable, free, and attractive living condition in a natural environment that they longed for and where they can make the most of their free times. With these activities, it is desired to meet the needs of tourists for spiritual renewal, rest, and entertainment (Kraus, 1978). By this means, it is aimed to fulfill the functions of improving the health of people and society, enhancing the intellectual life, providing education, making it possible to learn new things, and organizing the social life. In addition to all these activities, there are some cultural components important for both tourism and holiday villages. Consisting of folk dances, folk music, handicrafts, Turkish cuisine, Turkish culture and traditions; these components are of great importance in terms of promoting national values, provided that the culture and history, the values hidden in culture, and the artistic heritage contribute to tourism and
they are preserved. Before mentioning the cultural values that can be offered in tourism and holiday villages, the concept of culture will be defined.

Culture is defined as the overall body of systems of nations which is comprised of the patterns of emotions, thoughts, and behaviors; the knowledge, art, and skills; the historical awareness; the evident objective social structure of the nation; the lifestyles comprising the forms and contents of religion, morals, law, language, art, literature, economic and technological institutions (Yücel, 1990). There are different geographical structures and historical heritages in each country. Each human community has its own unique lives, characters, and understanding of art and culture. As these various arts and cultures gain a national identity through getting deepened and enriched, their importance and value also increase over time. No matter how much known these components are, they have always been a matter of curiosity for people in the throughout the history. Human beings desire to live a better and more beautiful life and observe and experience the differences, which has led to the development of tourism movements based on national culture and art (Toskay, 1978).

The fact that Turkey has a deep-rooted history and a rich historical and cultural heritage as well as natural beauties gives it great and various opportunities in terms of tourism. However, it encounters some problems in using these opportunities and offering them to the tourists. In addition to all these problems, the behaviors not taking the cultural values into account in the areas where tourism movements take place destroy these values (Eroğli, 1991). The folkloric issues especially such as the folk dances, folk music, handicrafts, Turkish cuisine, Turkish culture and traditions are either ignored in tourism activities or degenerated since they are not used to serve their purpose. However, Turkey still has some cultural heritages and artistic assets that are hidden in its culture and the value of which has not been appreciated by the tourism sector (Oral, 1989: 66-67; Kınacı et al. 2011). Therefore, the tourism sector should offer the national values of the traditional culture that tourists can understand, without steering away from the spirit and excitement of the culture and art. Offering the cultural values to serve for the touristic purposes will promote the revival of the tourism in the country. In this regard, the Turkish art and culture elements can be considered in the following headings:

a) The sports culture in Turks: In Turks, sport is one of the national cultural assets reflecting strength, agility, and physical abilities. The Huns, Gokturks, Kharzem Shah State, Samanids, Seljuks, Ottoman Empire and other Turkish states made great progresses in the sports branches such as wrestling, hunting, horse riding, equitation, sword, archery, running, jumping and tenpin, using mace and war club, javelin, skiing, çögen, gökbürü, tepük, tomak, and matrak (Kaplan, 1987).

b) Turkish music culture and traditional musical instruments: Every society evolved into a nation has a unique music. Music is one of the main components of culture. Turkish music is the national art brought by the Seljuk Turks from Turkistan to the Anatolia in the eleventh century. It has had great effects on the geographical areas over which the Turkish states ruled. Turkish music has developed in two directions: folk music and divan (classical) music (Atlığ, 1990). On the other hand, there is a rich variety of traditional instruments used in performing the musical works. The traditional musical instruments are classified as follows: percussion instruments, wind instruments, string instruments, and bowed string instruments (Yalgin, 1940).
c) *Turkish folk dancing*: Folk dancing is the expression of the feelings, thoughts, and tastes of the Anatolian Turks with a unique understanding. Folk dancing is one of the fundamental components of culture since it reflects the lifestyle originating from the traditions and customs of the nation (Uysal & Günay, 1990). The Turkish folk dances are classified as follows: *Bar, halay, hora, horon, kaşık (spoon) dance, yalli, zeybek*, and *çiftetelli* (Baykurt, 1976).

d) *Traditional Turkish Theater*: The traditional theatrical plays are classified as follows: *orta oyunu* (traditional improvised theater), puppet play, *karagöz* (shadow play), *meddah* (traditional story teller), and *hokkabaz* (magician).

e) *Game and Entertainment Culture*: One of the rich branches of Turkish folklore is the games (And, 1974). These games and entertainment events are as follows: The games for the children, the youth, and adults; meeting and entertainment culture; and the traditional engagement ceremony, henna night, wedding ceremony, and circumcision ceremony.

f) *Traditional Turkish Clothes and Handicrafts*: Although the clothes worn by the Anatolian people look similar, their dressing styles and preferred colors vary from region to region. Old dressing traditions have been maintained especially in small settlements of Anatolia (Uysal & Günay, 1990). Besides, the traditional handicrafts make an important contribution to the cultural richness of the country. Baykurt (1976) classifies the traditional handicrafts as follows: (i) the handicrafts by the substances they are made of (made of wood, mine, soil, animals, and plants), (ii) the handicrafts by the making techniques (embossing, knitting, cutting, button, burning, etching, dyeing, and embroidery), and (iii) the handicrafts by where they are used (clothes, animal equipment, sitting, covering, furniture, defense and hunting, food and drink, agricultural and other vehicles).

g) *Traditional Turkish Cuisine Culture*: Turks have a rich cuisine culture. Turkish cuisine is classified into two groups: palace cuisine and folk cuisine. The palace cuisine always served as a laboratory that was in search for innovation and created rich and delicious varieties. On the other hand, folk cuisine is a cuisine that has developed in line with the economic opportunities of the region and the people's cooking habits. Turkish cuisine is based on animal products. The main products of Turkish cuisine are as follows: bakery and pastry products, dried fruits, dried vegetable dishes, meat dishes, fish and seafood, egg dishes, dairy products, various sweets and desserts, and agricultural products (Kaşay & Ülkücan, 1961; Yaman, 1991).

h) *Traditional Turkish Folk Literature*: The Turkish folk literature consists of the works that have reached the literary eloquence, pleasure, thought, and expression and the anonymous works, which have lived in oral tradition and been inherited from generation to generation, such as epic, legend, folk poetry, chansonette, threnody, folk song, riddle, fairy tale, folk tale, anecdotal jokes, proverbs, idioms, and tongue twisters (Uysal & Güney, 1990).

i) *Traditional Turkish Festivals, Fests, Feasts, and Commemorative Ceremonies*: These ceremonies consist of the national or international activities organized on certain days with the purpose of both promoting certain features of a region and promoting the place where they are organized (Tan, 1988).
Conclusions

Since the early ages, human beings have attached great importance to the activities related to the rest, entertainment, and relaxation along with various functions of life. Therefore, throughout the history, individuals have participated in different recreation activities in nature due to the compulsory or non-compulsory reasons. However, with the international developments, recreational activities have comprised all these behaviors and become an important part of the daily life of individuals.

The Second World War was a turning point in this process. With the developments in the transportation network after the World War II; the working hours got shorter, the free times got longer, and the per capita income increased, which have prompted the individuals to look for different recreation opportunities. Being a social, cultural, and economic phenomenon, tourism is a recreational movement developing day by day. The tourists participating in tourism activities have a high amount of free time since they are free from all kinds of responsibilities during the holidays. In this regard, tourists think that they can find a different and interesting social and physical environment and the attractive events which they can participate in and get information from. So, it is of importance to preserve, sustain, and promote the values of the country and to organize the archaeological and historical values, traditional aspects, cultural richness, and natural beauties of the country in this way. The participation of tourists in different and well-organized recreational activities will allow them to relieve from the physical and mental fatigue caused by work and city life.

With its rich nature and cultural values, Turkey has a high potential for tourism. This richness makes it possible to get large-scale benefits from the tourism industry in case a enough touristic system is established. Among the accommodation establishments, the holiday villages have an important potential in this system in terms of recreational activities. Both being in an environment with internal and external recreation opportunities and being able to meet the active and passive recreation needs enable the holiday villages to function as the organizations dedicated to prepare all kinds of opportunities related to holiday recreation and to play an important role in the development of tourism sector in the country. Holiday villages are important in terms of offering not only the touristic recreation activities but also the traditional cultural values in Turkey. In this regard, the inclusion of Turkish Sports Culture, Turkish Music Culture, Turkish Folk Dances, Traditional Turkish Theater, Turkish Game and Entertainment Culture, Traditional Clothes and Handicrafts, Traditional Turkish Folk Literature, Traditional Turkish Festivals, Fests, Feasts and Commemorative Ceremonies in the recreation activities in the holiday villages will allow the use of cultural values in tourism. By this means, it will be possible to meet the demands and expectations of the tourists who desire to know cultural values and travel for this purpose. Furthermore, the inclusion of foods and beverages from the Turkish Cuisine Culture in the menus of the businesses will make it more effective to use the country values in a touristic sense. Considering the increasing importance of gastronomy tourism in the international tourism market, it would not be wrong to say that using the cuisine culture in tourism is an important power in terms of tourism supply of the country.

Considering the fact that one of the travel motivations of the tourists is to experience the unique cultural, artistic, and historical values of the touristic destination; it is evident that the integration of these cultural elements into the tourism activities will bring along the economic benefits.
However, the sustainability of these economic benefits necessitates both using the cultural values for the touristic purposes and preserving these values. In case these cultural values cannot be preserved and are rendered artificial, the tourists’ motivation to travel to these destinations will be affected negatively, and thus countries may lose the opportunity to obtain sustainable benefits from tourism. Therefore, in the recreational use of cultural values in holiday villages, preserving the essence and not allowing the values to be rendered artificial will serve as one of the important drivers of the development of tourism in the country.

Acknowledgment

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References


Part 9: Hospitality & Tourism/Smart Tourism
Development and Validation of a Festival Personality Scale

Deniz Karagoz

Faculty of Tourism
Anadolu University, Turkey

Abstract

The main purpose of this research is to develop a scale for measuring festival personality and examine the effects of the developed scale on attendees’ self-congruity and festival loyalty using a two-stage mixing method. A list of human personality traits was generated from former personality scales, and in-depth interviews were conducted with festival attendees. Results yield a 21-item four-dimensional festival personality scale (exceptional, cozy, competent, and reliable) with desirable reliability, construct validity and predictive validity. The results indicate that festival personality is a significant determinant on attendees’ self-congruity and festival loyalty. The implications of the study enrich the existing literature on tourism and event marketing, especially within the festival context. Discussions and implications for destination marketers, limitations and suggestions for future research are also provided in this study.

Keywords: festival personality, self-congruity, festival loyalty

Introduction & Background

Nowadays, festivals are in intense competition with other events and leisure activities. In the cases of such intense competition, destination personality plays an important role in differentiating the festivals and positioning them successfully in the minds of attendees. It is seen that marketers start a dialogue with consumers through personality path by creating a brand personality based on attendees’ personality traits and perceptions regarding festivals. In this way, they start a dialogue with consumers through personality traits, which help consumers to quickly choose a certain brand (Banerjee, 2016). Brand personality and consumer behavior have raised an increasing interest among researchers in the field of tourism over the last two decades. Brand personality, which started with Aaker's research in the field of marketing, has been extensively studied in the context of destinations in the field of tourism. Destination personality has emerged with the idea that the personality characteristics of brands can be seen in destinations as well. Ekinci & Hosany (2006), who adapted Aaker's (1997) brand personality concept defined destination personality as all of the human characteristics associated with a destination. Researchers have examined the relationships between destination personality and various variables such as self-congruence (Murphy, Benckendorff & Moscardo 2007b; Usakli & Baloglu, 2011; Hultman, Skarmeas, Oghazi & Beheshti, 2015; Kumar, 2016), satisfaction (Chen & Phou, 2013; Hultman et al., 2015; Chi, Pan & Chiappa, 2018), behavioural intention (Hossany, Ekinci & Uysal, 2007; Usakli & Baloglu, 2011; Guiry, M. & Vequist IV, DG, 2015) and destination image (Ekinci, Sirakaya & Baloglu, 2007; Sahin & Baloglu, 2011; Chen & Phou, 2013; Papadimitriou, Apostolopoulos & Kaplanidou, 2015). Apart from tourism destinations, brand personality concept has been examined within the context of hotels (Lee & Back, 2010), sports teams and events (Lee & Cho, 2009; Braunstein & Ross, 2010; Tsiontou 2012; Alexandris, 2016), cultural events (d'Astous, Colbert & d'Astous, 2006), music activities (Goncalves, Guerreiro, Mendes & Pereira, 2018) and exhibition (Rai & Nayak, 2018). However, the researches on the concept of personality festival were limited in
tourism and event literature. Therefore, this study examine the concept of personality within the context of a festival event.

While most of the studies investigating brand and destination personality use Aaker's (1994; 1997) five-dimensional brand personality scale (BPS), Smith (1994) states that Aaker's scale was developed to measure the brand personality of manufactured products, and that the scale failed to capture some dimensions of experiential products such as tourism products which include both tangible elements (e.g., buildings, beaches, flora and fauna) as well as intangible elements (service, hospitality). Similarly, some researchers have concluded that five dimensions of BPS cannot be reproduced in the context of tourism for the products exhibiting experiential, intangible and unique characteristics (Ekinci & Hosany, 2006; Usakli & Baloglu, 2011; Kim & Lehto, 2013; Pan, Zhang, Gursoy & Lu, 2017; Kumar & Nayak, 2017). For this reason, researchers have defined and developed different scales in order to measure destination personality. Because each events and festivals, like destinations, has its unique characteristics and nature, a scale needs to be developed in order to examine a festival's personality in comprehensive. Therefore, this study aims to develop a festival personality and examine the validity of the developed scale. This scale will help event researchers and managers determine the personality traits that attendees associate with a festival, and ultimately help them position the festival based on these characteristics.

Methods

A Brief Description of the Study Setting

The International Eskisehir Film Festival which has been held for 17 years was chosen as the field of the study. First of all, this festival has been held regularly for 17 years, and it attracts national and international attention. Secondly, the festival includes multiple categories such as workshops, seminars, applications, film screenings and parties. The third and most important of all is that the festival takes place in the minds of the attendees as an individual or body organ of Anadolu University, where it has been organized. For this reason, the festival is of particular importance for both students, local people and cinephiles (a person who is fond of motion pictures).

Scale Development

Generation of Festival Personality Traits

In this study, exploratory and descriptive studies were considered and used together to develop a comprehensive festival personality scale. To develop a valid and reliable festival scale, the standard scale development and validation process proposed by Churchill (1979) was followed. Since there are no studies on the personality traits of the festivals in the literature, five persons, three of whom were female and two of whom were male, were interviewed in order to identify the festival personality traits, and they were asked to express the personality traits that they would attribute to the festival when they thought of it as a person. The attendees were chosen according to their duration of participation in the activities, the number of participated activities and their professions. Participants were chosen according to their participation status in the festival in the last five years, yearly participation in other activities such as interviews and workshops except for the film sessions and being students or not being students. In the interview, participants were asked to think of the festival considered within the scope of the study as an individual and to associate it
with human personality traits and to explain the reason for the suggested traits. As a result of the interviews conducted with the participants, a total of 29 personality traits were identified. In order to increase the number of traits, the other scales developed in this field were also included in the study. The items in the brand and destination personality scale of Aaker (1997) BPS (42 items) and Chi et al. (2018), Murphy et al. (2007a), Ekinci & Hosany (2006) were added to the already developed 29 items in the first step. After eliminating the repeated items, a list of 92 traits was obtained.

In this study, Aaker's (1997) BPS was used because it is the most comprehensive instrument for measuring brand personality and has been commonly used within the context of destination personality. Besides, the scales of Chi et al. (2018), Murphy et al. (2007a), Ekinci & Hosany (2006) were also adapted for this study. In order to test the surface validity of the final item pool, a total of 31 participants (19 females, 12 males; 22 university students and nine from other professions) were asked to rate each of the adjectives in the list in terms of their “use of probability” to describe the personality of the event. The ratings were done on the five intermittent scales ranging from “improbable” at one end and to “probable” at the other end. The adjectives with three or more scores were separated to use in the study. This process resulted in the elimination of 39 personality traits. Thus, a comprehensive list of 53 adjectives was obtained.

**Pilot Study**

Since the festival investigated within the scope of this study was held once a year, the pilot study was conducted with 102 people who attended the relevant festival before and were familiar with the festival. Attendees were asked to think and remember the last festival they attended and to evaluate each personality trait on a five-point Likert-type scale (ranging from 1 = Definitely not defining to 5 = Definitely defining). The data of the study were collected using a self-administered questionnaire method. After the elimination of the questionnaires with missing values, a total of 97 questionnaires were retained for the final analysis. Exploratory factor analysis (EFA) was performed to find out the underlying structures of the festival personality scale. After each item which was found to have failed to meet the set criteria such as low factor loading values and high cross-loading values was excluded from the analysis, the event personality scale was found to consist of 21 items and four dimensions. The four factors were labeled as follows: exceptional (6 items), cozy (6 items), competent (5 items), and reliable (4 items).

**Sample Design and Data Collection**

In this study, a non-probability convenience sampling approach was used to collect data. The sample was collected using a self-administrated questionnaire method. In the first part of the questionnaire, the participants were asked to consider the festival as a person and to evaluate 21 festival traits on the given 7-point Likert scale (ranging from 1 = doesn’t describe the event at all to 7 = describes the event perfectly). In the second part of the questionnaire, the questions and expressions evaluating the participants' self-congruity and festival loyalty variables were included. These variables were measured with a 7-point Likert scale (ranging from 1 = strongly disagree to 7 = strongly agree). All the scale items were adapted from the relevant literature. Three items regarding self-congruity were adapted from Pan et al. (2017), three items regarding festival loyalty were adapted from Yoon, Lee & Lee (2010). The last part of the questionnaire includes socio-demographic questions such as gender, age, education level and level of participation in the
festival. During the four days of the festival, a total of 290 surveys were filled by the respondents and 279 of them were found to be valid responses.

Data Analysis

SPSS 22.0 was used to evaluate the descriptive statistics, reliability analyses and internal consistency of the structures and demographic characteristics of the sample. Partial Least Square (PLS) technique was used to evaluate the validity and reliability of the scale. PLS is suggested to be a powerful method for the analysis of the data collected from small groups and which do not have normal distribution (Simkin & McLeod, 2010; Ali, Amin & Cobanoglu, 2016) and its use in the analysis of theoretical models in the field of tourism has been increasing (Ali, Kim, Li & Cobanoglu, 2018). In the study, SmartPLS 3.1 software was used by applying bootstrapping technique (500 resample) to evaluate factor loads and path coefficients.

Findings

Sample Description

The proportion of the male participants was slightly higher (55.0%) than that of the female participants. The majority of the participants were in the age group of 23-29 (42.4%), followed by the age groups of 16-22 (40.6%) and 30-30 (10.9%). The participants’ level of education was fairly high, and 78.3% of them were found to have a BA degree and the remaining 17.3 % were found to have a post-graduate degree. Most of the respondents were found to have attended the festival for 2-3 times (40.9%), followed by those attending 4-5 times (26.5%), the first time (22.7%) and six times and above (9.9%). Overall speaking, the sample was a good mix of younger and more educated people and those familiar with the festival.

Evaluations of Latent Structure and Scale Validity

The measurement model was used to confirm the latent factor structure of the festival personality scale and to further purify the results of the EFA. In the evaluation of the measurement model, firstly, the indicator reliability of the four dimensions determined by EFA analysis was examined.

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<tr>
<th>Table 1. Measurement Properties of the Festival Personality Scale</th>
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<td>Factor and Items</td>
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<td>Exceptional</td>
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<tr>
<td>Competent</td>
</tr>
<tr>
<td>Exciting</td>
</tr>
<tr>
<td>Up-to-date</td>
</tr>
<tr>
<td>Successful</td>
</tr>
</tbody>
</table>
All of the load values (.874-.753) except for the two indicator variables (the variables of extraordinary and warm-blooded) examined in the study are above the specified value of 0.70 which is the threshold value (Hair et al. 2013). The reliability was calculated using Cronbach's alpha and composite reliability, while validity was measured using convergent, discriminant and predictive validity. As shown in Table 1, the Cronbach's alpha score was well above the threshold value, 0.70 (.843-.888). CR values (.902-.885) were found to be over 0.70 as suggested by Hair et al. (2013). The value of AVE should exceed 0.5 to suggest an adequate convergent validity (Bagozzi & Yi, 1988); all dimensions in the scale were found to have exceeded the recommended level (.601-.675).

One of the most commonly used methods for examining discriminant validity is the Fornell-Larcker criterion (Henseler et al., 2015). Table 2 shows that the square root of the AVE (diagonal values) of each construct is larger than its corresponding correlation coefficients pointing towards adequate discriminant validity.

Table 2. Discriminant Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional</td>
<td>0.775</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliable</td>
<td>0.552</td>
<td>0.821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cozy</td>
<td>0.544</td>
<td>0.637</td>
<td>0.778</td>
<td></td>
</tr>
<tr>
<td>Competent</td>
<td>0.666</td>
<td>0.544</td>
<td>0.505</td>
<td>0.779</td>
</tr>
</tbody>
</table>

In addition to the Fornell Lacker criterion, the heterotrait-monotrait ratio (HTMT) of the correlations was examined in the evaluation of discriminant validity. HTMT results show that the correlation values corresponding to the respective constructs did not violate HTMT0.85 (Kline, 2011), indicating that discriminant validity had been achieved (Table 3).

Table 3. Heterotrait-Monotrait (HTMT)

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional</td>
<td>0.637</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliable</td>
<td>0.626</td>
<td>0.732</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cozy</td>
<td>0.774</td>
<td>0.639</td>
<td>0.589</td>
<td></td>
</tr>
</tbody>
</table>

An additional perspective on the factor analytical structure can be achieved by introducing higher-order factor models (also known as secondary order) (Joreskog, 1969; Marsh & Hocevar, 1985). Therefore, the main benefit of applying a second-order factor analysis is to obtain a larger picture of a theoretical concept or generalization level that is not explained by only first-order factor analysis (Gorsuch, 1983). High-order factors are the core part of the generalizability issue. Accordingly, in this study, second-order factor analysis was applied to the event personality scale in order to improve/increase the generalizability of the factor structure. Similarly, Brakus et al. (2009) and Hultman et al. (2015) examined destination personality as a second-level factor structure. The high order latent variable (festival personality) was set up through the repeated use of the manifest variables of the first-order factors and was restructured as a reflective model. Table 4 shows the loadings of the first-order constructs on the designated second-order construct.
indicating that festival personality scale is a second-order factor with four significant first-order dimensions including “reliable”, “cozy”, “competent” and “exceptional”.

The four first-order constructs were significantly associated with the festival personality scale. “Exceptional” had the largest and highest positive beta weight (β=0.884; t = 61.133; p < 0.01). The reflective second-order measurement model was also evaluated investigating multi-collinearity. High level of multi-collinearity makes it difficult to evaluate the individual contribution of each component (Diamantopoulos & Siguaw, 2006). As shown in Table 4, the VIF values for the two contracts are 1.00, and they are below the cut-off value of 3.3 (Diamantopoulos & Siguaw, 2006), indicating that there is an absence of multi-collinearity.

**Table 4.** Weights of the First-Order Constructs on the Designated Second-Order Construct

<table>
<thead>
<tr>
<th>Second-order construct</th>
<th>First-order constructs</th>
<th>Loadings</th>
<th>CR</th>
<th>AVE</th>
<th>t-value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Festival Personality</td>
<td>Exceptional</td>
<td>0.884</td>
<td>0.931</td>
<td>0.420</td>
<td>61.133**</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Cozy</td>
<td>0.881</td>
<td></td>
<td></td>
<td>34.461**</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Competent</td>
<td>0.850</td>
<td></td>
<td></td>
<td>40.724**</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Reliable</td>
<td>0.716</td>
<td></td>
<td></td>
<td>24.459**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*Note. Critical t-values **2.58 (p < 0.01)*

**Predictive Validity**

The predictive validity of the festival personality scale was measured to examine whether the scale predicted theoretically the related structures. Nunnally (1978) stated that, in testing the structural validity of the scale, the scale should be examined whether it behaves in the way that the widely accepted theoretical framework predicts. For this purpose, self-congruence (Murphy et al. 2007b; Usakli & Baloglu, 2011; Hultman et al., 2015; Kumar, 2016) and festival loyalty (Murphy et al., 2007b; Hossany, Ekinci & Uysal, 2007; Guiry, M. & Vequist IV, DG, 2015; Usakli & Baloglu, 2011) have been chosen as the criterion variables which festival personality predict.

In the analysis of the structural model, as suggested by Hair et. al. (2013), the basic measurements such as R2, β and t-values, the predictive relevance (Q2), effect size (ƒ2) measurements and the bootstrapping process with 500 resample process were investigated (Figure 1 and Table 5). R2 values are above the cut-off point (0.10) in PLS-SEM. ƒ2 values of direct paths in inner model are significant and are above the threshold values of 0.02 (small), 0.15 (medium) and 0.35 (large) recommended by Cohen (1988). The model’s predictive validity was analyzed using Stonee Geisser test criterion Q2 (Chin. 2010). If Q2> 0, the model has predictive relevance. Q2 is 0.413 for “exceptional”, 0.412 for “cozy”, 0.368 for “competent”, 0.320 for “reliable”, 0.229 for “self-congruence”, and 0.279 for “festival loyalty”; all scales are seen to have predictive relevance. The results showed that the festival personality dimension predicted all the criterion variables significantly. There was a positive, significant relationship between festival personality and self-congruity (β = .545, p <.01) and festival loyalty (β = .474, p <.01)

**Table 5.** Predictive Validity of Festival Destination Personality Scale: The Relationships With Self-Congruity and Festival Loyalty

<table>
<thead>
<tr>
<th>Path</th>
<th>β</th>
<th>t-values</th>
<th>ƒ2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional – festival personality</td>
<td>0.883</td>
<td>60.688</td>
<td>3.533</td>
</tr>
<tr>
<td>Cozy – festival personality</td>
<td>0.813</td>
<td>34.586</td>
<td>1.930</td>
</tr>
<tr>
<td>Competent - festival personality</td>
<td>0.829</td>
<td>41.336</td>
<td>2.234</td>
</tr>
<tr>
<td>Reliable - festival personality</td>
<td>0.716</td>
<td>23.618</td>
<td>1.046</td>
</tr>
<tr>
<td>Festival personality - self-congruence</td>
<td>0.545</td>
<td>11.575</td>
<td>0.424</td>
</tr>
<tr>
<td>Festival personality - festival loyalty</td>
<td>0.474</td>
<td>13.097</td>
<td>0.558</td>
</tr>
</tbody>
</table>
Conclusions

As in brands, shops and destinations, attendees can be expected to attribute human characteristics to events and create organized mental representations. Accordingly, this study aimed to develop and test a festival personality scale. The findings of this study provided empirical support for the necessity of developing a festival personality scale in order to better understand the attendees' perceptions of the festival personality. The findings of the study demonstrated that festival attendees associate the event with four different personality dimensions: exceptional, cozy, competent, and reliable. The findings demonstrate that the participants use festival-specific features that are not found in Aaker's BPS in the formation of festival personality perceptions. This result is consistent with the findings of Kumar & Nayak (2017) and, Pan et al. (2017), differently from BPS, found out that the personality characteristics of Indian destinations consisted of six dimensions (courteousness, vibrancy, conformity, liveliness, viciousness, and tranquillity). Similarly, Pan et al. (2017) found out that tourists' perceptions of destination personality differed based on cultural context, and that the destination personality scale consisted of five dimensions (competence, sacredness, vibrancy, femininity, and excitement). The festival personality scale developed with this study confirms prior conception that festival personality is associated with attendees' self-congruity and loyalty towards a festival. The findings of the study are consistent with the findings that the greater the match between the destination and the visitor, the more likely the visitor's intention to return to the destination by having a positive attitude towards that destination (Sirgy & Su, 2000; Murphy et al. 2007a; Usakli & Baloglu, 2011; Hultman et al., 2015; Gambling, 2016). The findings of this research have some specific practical results for the marketers and other interested stakeholders of festivals. First of all, event marketers can make successful positioning by taking advantage of festival personality scale dimensions. The study findings will also help event managers and marketers better understand the festival personality as a brand. The scale developed with this study will also help event marketers to match the attendees' personality to the festival's personality. As with any research, this study also had some limitations that offer opportunities for further exploration in the field. The most important limitation of the study includes sampling and the sampling technique used. In this study, the sample was small and convenience sampling was used and the data was collected from only one festival. Therefore, the results need to be carefully generalized to a broader population.

References


An Assessment of the Marketing Budget in the Tourism Businesses

Resat Arica¹, Abdulkadir Corbaci¹, and Bulent Aydin²

¹Faculty of Tourism
University of Adiyaman, Turkey

²College of Tourism and Hotel Management
University of Batman, Turkey

Abstract

The aim of the study is to create a framework for the marketing budget for the tourism businesses by examining the marketing budget, the environments and factors affecting the marketing budget, and the methods used in the marketing budgeting. Research is a conceptual study. Literature related to the subject was examined and secondary data were used. The results show that both the sectoral differences and the businesses’ environmental differences such as the international environment, natural environment, macro environment, market environment, and organization environment diversify the methods used to determine the marketing budget. When the literature is examined, it is seen that there are various methods for determining the budget. However, it is stated that, for the tourism businesses, the most appropriate budget determination method among these methods are the flexible budgeting method and the activity-based budgeting method.

Keywords: marketing budget in tourism, tourism businesses, tourism, marketing, budget

Introduction

In the tourism sector which has a fragile and changing structure, the investment and operating costs are quite high and there is an ever-changing situation in terms of demand. This, on the one hand, increases the financial risks and the operational risks in the sector, and on the other hand, it can put pressure on the businesses in an economic sense (Karadeniz, Unur, Kosker & Zencir 2015: 95). Therefore, the businesses are selective in their financial planning and they carry out the budgeting activities in order to use their limited resources in an optimal way (Moutinho, 1987: 16). On the other hand, the budgeting is used as a planning and control tool in the tourism industry at every phase, starting from the establishment phase of the businesses (Seaton & Bennett, 1996).

The fact that in the tourism industry the products are mainly the service products, the consumers have go to the place where the products are located, and it is required to convince the consumers for this makes the marketing budget one of the dominant items in the general budget items. With the marketing budget, the following activities can be carried out; the customer and market selection, determination of markets to be reached in future, segmentation of the markets, marketing strategies of the services produced, determination of the human resources, analysis of the competitors' promotion efforts. Thus, it becomes possible for the managements to use the resources efficiently and effectively, to find the best ways to penetrate the marketing systems and to ensure the efficiency in the practice, and to reach a certain sales and profit target (Moutinho, 1987). However, in the tourism businesses, the determination of the marketing budget is one of the most difficult processes for the marketing analysts and managers (Kotler, Bowen & Makens, 1999; Fischer, Albers, Wanger & Frie, 2011) The characteristics peculiar to the sector, the complexity of the budgeting process, and the difficulty of determining the budgeting process make the process difficult. Therefore, the study aims to create a framework for the marketing budget in the tourism businesses by examining the marketing budget, the environments and factors affecting the marketing budget, and the methods used in the marketing budgeting.
of the marketing budget items, the rapidly changing market environment, the sectoral competition, the differentiating business structure of the enterprises in the sector are important issues in determining the marketing budget. In this regard, most of the tourism businesses experience problems in how to prepare a marketing budget and how much efficiency will be gained from the budgets prepared (Kotler & Armstrong, 2010). When the related literature is examined, it is seen that in the first studies on the marketing budget it was questioned who determined the marketing budget and what the sources of the marketing budget were (Piercy, 1986: 55). However, it is seen that an important part of the studies on the marketing budget have centered in the budgeting methods in the production and service sector (Piercy, 1986; Seaton & Bennett, 1996; Xiaobei & Shengli, 2011; Sen, Pazarceviren & Zengin, 2013). Furthermore, the determination of the marketing budget in the businesses operating in the manufacturing and service sector (Seaton & Bennett, 1996), the marketing budgeting process (Guiltinan & Paul, 1982; Moutinho, 1987; Sen et al. 2013), the environmental factors effective in the marketing budget of the businesses (Lilien, Silk, Choffray & Rao, 1976; Piercy, 1986), the expense components that make up the marketing budget (Piercy, 1986; Bardakoglu, 2016), and the budgeting costs in the marketing (Turgay, 2014) have been examined in many studies. Besides, both the advantages (Moutinho, 1987; Islamoglu, 2013) and the disadvantages (Xiaobei & Shengli, 2011; Islamoglu, 2013) of the marketing budgeting were discussed in the studies. However, it was observed that although the marketing budget has been examined in many aspects, there were limited studies in the tourism sector. From this standpoint, in this study, it is aimed to create a framework for the marketing budget for the tourism businesses through examining the literature on the marketing budget. Furthermore, it is also aimed to provide information on the marketing budget, the environments and factors affecting the marketing budget, and the methods used in the marketing budgeting.

**Literature Review**

The budget is a formal statement that shows how to use the resources of the business for the next period in line with the objectives determined (Kaygusuz & Doruk, 2009: 43). According to Gunduz (2007: 9) the budget is a detailed plan that states and quantitatively describes how the business will generate resources and how it will use these resources in a certain period. The results of the activities to be realized for the budgeted period can be estimated by means of the budget (Kaygusuz & Doruk, 2009). The budgets preparing process is known as the budgeting. The budgeting is the general name for the necessary techniques and methods which show, quantitatively and in advance, the works to be carried out in a certain time period (Haftaci, 2007: 1). Every structure with an economic asset has an operating budget and a budgeting approach. Here, as for the definition of the operating budget; the operating budget is a report or a series of reports that specify the policies to be followed in the next period by the business in order to achieve the objectives set in advance and explain the works to be carried out in monetary and quantitative terms (Yalkin, 1977: 4). In the businesses, the budget is prepared in two ways, that is, the general budget and the unit budgets. The general budget is prepared in detail for each unit of the business and reflects the planned activities of all units (Yalkin, 1977). In the businesses, the marketing is one of the most sensitive units budgeted in the operating expenses (Piercy, 1986). The marketing budget is a planned arrangement of the variables that determine the marketing performance of the business in order to, first of all, select the customer and the markets and to reach the markets that may be preferred in future (Moutinho, 1987: 17). According to Seaton & Bennett (1996: 228) the marketing budget is explained as the budget comprised of the amounts that the businesses spend on the marketing activities. In another definition, the marketing budget is explained as the
expenditures that the businesses use for the marketing activities in order to achieve their operational objectives (Xiaobei & Shengli 2011:1309). In general, the marketing budget falls within the marketing, sales, and distribution expenses budget within the operating expenses budget of the businesses (Cam, 2007; Sen et al. 2013). The main purpose of preparing the marketing budget in the businesses is to plan and control all the initiative to be undertaken for the marketing the products produced. In addition to this, ensuring a balance between the sales, distribution, and financing elements; determining the cash needed for the sales; and ensuring the control of the sales expenses are among the objectives of the preparation of the marketing budget (Cam, 2007). However, from past to present, the objectives of the marketing budget, its share in the general budget, and the marketing budget items have gone through certain stages and undergone some structural changes When this change is considered in terms of the marketing approaches; it can be discussed with the framework of the production, product, sales, modern, and postmodern marketing approaches.

The production-oriented approach prevailed in the period of the transition to the mass production, which began with the industrial revolution and continued until the 1930s. In this period, when the businesses forgot the customers and focused more on the production, there was no marketing unit in the businesses. Since the demand was higher than the supply in this period, the problem of finding customers for the products produced was of the secondary importance (Tek, 1997: 11; Uygur, 2007: 16). Therefore, it can be stated that in the period when the production-oriented approach prevailed, the marketing budget was less important in the businesses and the operating budget was organized by the production department and the finance department.

In the product-oriented approach, all business efforts are conditioned within the framework of improving the product quality. This approach is based on the idea that it is sufficient to offer the customers the products that are the best, of the highest quality, of the highest performance, and the newest. (Uygur, 2007:16). Since the businesses were focused on improving the quality of the products, the considerations on the marketing budget remained in the background. According to the sales-oriented approach in which the production is abundant and the consumption is in an increase, the customers will not sufficiently purchase the products of the business unless the businesses put an important effort to attract the interest of the customers (Tek, 1997:12). During the period when this approach prevails, there is a quest for how to ensure that the customers purchase the product. Hence, the sales approach paved the way for the promotion of the product and the development of advertising activities. Thus, the marketing budgets were included in the business budgets during this period, and the advertising and discount campaigns became the important items of the marketing budgets of the businesses (Uygur, 2007: 17).

The modern marketing concept (1950-1970) was the period when the market problems emerged and the philosophy of identifying and fulfilling the wants was dominant rather than producing and selling goods. In this concept, in which the priority is given to the customer and the idea that is focused on making the product appropriate to the needs of the customer prevails; the marketing managers attach the highest priority to meeting the wants and expectations of the customers (Tek, 1997). However, in this period when the production was not a problem anymore, it became a main problem to make the consumers like the products, to persuade the consumers and sale the services, and thus to make the businesses permanent and long-lasting in the market (Inal & Sezgin, 2010: 287). In the modern marketing concept, in which the profitability is targeted through the sales volume, the sales and promotion tools are frequently used (Kotler et al. 1999). In this period, the
advertising, customer services, and the market research became the important items of the marketing budget and the share of the marketing budget within the overall budget significantly increased.

The postmodern concept developed after the 1970s and has continued until today. In the market where the competition got fierce, the consumer activities were diversified and complicated, and the consumers became conscious; the concept such as gaining customer, customer relations, customers retention, and presenting the brand messages have become important in this period (Rizaoglu, 2007). However, the rapid development of the communication technology, the needs of the information society, the efforts to secure peace, the transition to a unipolar world, the formation of new power centers, and the new balances created by these developments after the 1980s brought in their wake the transformations in the marketing budgeting approaches (Piercy, 1986: 55; Islamoglu, 2013: 17). While the situations in question have sharply increased the marketing expenses of the businesses in the market, the share of the marketing expenditures within the operational costs of the businesses gradually increased (Xiaobei & Shengli, 2011: 1309). As these developments dominated the market, the marketing management and marketing budgeting has become more complex and critical fields for the businesses (Piercy, 1986: 47; Inal & Sezgin, 2010: 290).

Today, it is accepted that the marketing budget, which is shaped focusing on increasing the total utility, fulfills the two basic functions of the marketing for the businesses (Haftaci, 2007). The first is to create and manage the demand for the products and services; the other is to meet the demand created. While the demand creation costs include the items such as the market researches, advertising, promotion expenses, and the personnel wages; the cost of meeting the demand includes the items such as the storage, transportation, order processing, follow-up expenses, and the customer service expenses. The businesses have to prepare their plans in a comprehensive, detailed, realistic, and flexible way in order to effectively and beneficially use their marketing budget in the management of both the demand creation and the cost of meeting the demand. The businesses are experiencing difficulties in this regard. The leading difficulty is the fact that there is a lack of standardization for the marketing budget components determined by the businesses. Thus, it is observed that although the components of the marketing budget have been studied in the period beginning from the first studies on marketing budget until today, there has been no consensus. The differentiation of the industries in which the businesses operate underlies this situation. The components of the marketing budget for many sectors have been evaluated and the different components have been pointed out in the marketing budgeting.

In his study on the marketing budget in the production sector, Piercy (1986) suggested that the marketing budget consisted of the direct and indirect expenses. In this study, it was pointed out that the followings made up the cost components of the marketing budget; the personnel expenses, office and equipment costs, marketing mix costs, cost of each element of the product policy, pricing (discounts and price lists), communication, advertising and promotion (advertising media, production costs, sales promotions, public relations, sales offices and the field costs, distribution, market selection, and the service abandonment costs. In another study, it was stated that the types of the expenses that made up the marketing budget in the production sector were as follows; the expenses for the materials used in the marketing activities, personnel expenses, outsourced services, distribution expenses, transportation expenses, export freight payments, port expenses, loading and unloading expenses, sales commissions, miscellaneous expenses, insurance expenses,
rent expenses, travel expenses, depreciation expenses, fair expenses, hospitality and accommodation expenses, and the visit expenses of the firms (Kaygusuz & Doruk, 2009:489).

Hopkins & Bailey (1971) explained the expense components of the marketing budget in the service sector as follows: the market research and sales research costs; the business, service, and marketing planning expenses; the business and service promotion expenditures; sales promotion expenses; sales training costs; sales development costs; public relations costs; taxes; new product planning costs; the expenses in the procurement relations; physical transportation fees; the expenditures for the foreign marketing activities; the costs of the mergers and new partnerships; and the expenses for the service pricing, customer services, and the sales management. Xiaobei & Shengli (2011: 1311) examined the marketing budget expenditures in the production and service sectors under three headings. These are the fixed expenses (basic salary for the salesperson in case the salesperson is fixed, office expenses), variable costs (expenses aimed at promoting the products, commission award to the salespeople) and semi-fixed expenses (after-sales service expenses, advertising expenses, expenses for the public relations activities). In the research carried out by CMO Company, it was found that the expense items of the marketing budget were comprised of the direct marketing expenditures, social media expenditures, marketing research expenditures, other expenses related with the marketing, marketing training expenses, and the salesperson wages.

In the studies in which the marketing budget items were evaluated in terms of the tourism sector, it was found that the expenditures had a structure similar to the service sector. Moutinho (1987: 19) explained the marketing budget in the hotel businesses as being comprised of: the promotion expenses (consumers, merchants, guides, and telephone directories), direct mail, brochures, special projects, promotions, sales promotion activities, local interaction costs, competitions, direct sales, exhibitions, and the promotional trips. Seaton & Bennett (1996) categorized the costs used in calculating the marketing budget in the travel agencies into two items, that is, the fixed expenses and the production expenses. While the fixed expenses were comprised of the personnel expenses, rent expenses, communication expenses, depreciations, taxes and charges; the production expenses were comprised of the cost of promotion tools, the expenses for the brochure and catalog printing and distribution, advertising costs, personal sales, and the public relations. Colakoglu & Colakoglu (2007: 100-106) evaluated the marketing budget in the travel agencies in terms of the establishment expenses and the annual operating expenses. According to the researchers, the annual operating expenses were made up from the combination of the fixed and variable expenses. While the fixed expenses were comprised of the personnel and rent expenses, insurance, and the membership fees for the professional associations and the publications; the variable expenses were comprised of the advertising and promotion expenses, newspaper advertisements, fair participations, outdoor advertisements, brochures, mail, telephone, and the opening cocktail. Rizaoglu (2007: 46) considered the components of the marketing budget in the tourism businesses as the researching the qualification of tourist demand; researching the qualification of the touristic presentation; developing and planning touristic products; and conducting the pricing, promotion, and distribution activities of the touristic products. In another study, the followings were explained as the important items in determining the marketing budget in the tourism businesses: the promotion activities, public relations (internal and external customers), advertising (messages and the audio, visual, and written tools), personal sales, and the sales development (competitions, discounts, and coupon distributions apart from the public relations, advertising, and personal sales) (Inal & Sezgin 2010:228).
Based on these studies, it is seen that the marketing budget items vary according to the field in which the business operates. In this regard, Seaton & Bennett (1996) stated that how much budget an organization would allocate to the marketing and the content of the budget could vary at the sectoral level. For example, there are big differences between the distribution and transportation expenses of a business producing industrial or consumer goods and those of the tourism businesses. While the advertising and promotion expenses of a business producing industrial products are lower, those of the businesses producing consumer goods and tourism businesses can be higher (Seaton & Bennett, 1996). Furthermore, while most of the budget in the consumption market is used for sales promotion and advertising, most of the budget in the industrial market is allocated to the personal sales activities (Altunisik et al. 2006). On the other hand, the marketing budget varies depending on the type, class, and size of the business; the financial resources of the business; and the competition structure of the market (Altunisik, 2012: 99).

The sectoral differences in the marketing budget make it inconsistent what to include in the marketing budget in the tourism sector and necessitate the classification of the marketing budget items. Hence, when the studies are considered, the items that make up the marketing budget in the tourism businesses can be evaluated within the scope of the fixed and variable expenses. The fixed expenses are the expenses having a low rate of variability that the businesses have to pay in general. The businesses prioritize the fixed expenses and include them into the marketing budget (Xiaobei & Shengli, 2011:1310). As for the variable expenses, they are the expenses incurred for using the marketing tools, considering the financial position of the businesses under the conditions of competition and opportunity in the market (Xiaobei & Shengli, 2011:1312). Below are given the expenditure items used to determine the marketing budget in the tourism businesses (See the Table 1).

### Table 1. Expenditure Components of the Marketing Budget

<table>
<thead>
<tr>
<th>Fixed Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent expenses, consumption expenses (energy, water, etc.), office and equipment expenses, taxes and charges, personnel employment costs, insurance expenditures, communication expenses, depreciation expenses, membership fees for the professional associations and the publications.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market and sales research costs (market analysis and field costs), new service planning costs, sales promotions, cost of the promotion tools, public relations expenditures (internal and external customers), service abandonment costs, advertising expenditures (newspaper, outdoor advertisement), brochure and catalog printing-distribution fees, personal sales expenses, fair-exhibition participation fees, sales development expenditures (competitions, discounts, and coupon distributions apart from the public relations, advertising, and personal sales), commissions paid to the salespersons, website costs, social media expenditures, digital marketing costs, lead generation costs.</td>
</tr>
</tbody>
</table>

Since the marketing budgeting is based on the estimated and average figures rather than the actual figures, it serves as a basis for the profit planning in the businesses. Therefore, the preparation of the decisions regarding the marketing budgets of the businesses requires a special attention and effort.
Figure 1. Marketing environment factors affecting the determination of the marketing budget

Notwithstanding this, the macro-environmental factors and the ever-changing conditions seen in this factors make it difficult for the tourism businesses to determine the items that can be used most efficiently and effectively from the marketing budget expenditure items and make the marketing budget estimations difficult (Piercy, 1986: 46). Islamoglu (2013: 68) evaluates the marketing environment factors that have an effect on determining the marketing budget strategies in enterprises in five categories (See the Figure 1).

The international environment consists of the forces that are global in nature and cannot be brought under control. The improvements in the international communication and transportation opportunities; the economic rise of the Asian countries; the rise of the commercial blocs such as the EU and NAFTA; the proliferation of the privatization efforts, the development of the universal lifestyles day by day; the proliferation of multinational corporations; the rise in the religious beliefs; and the opportunities and threats of the information age, etc. are the forces that determine the international environment. The businesses follow these forces and determine their behaviors according to the trends in these forces (Islamoglu, 2013). In order to be effective in the market, especially the multinational structure of the tourism makes it essential for the businesses to position their marketing activities and budgets within this framework, in other words, to take into account the international environmental conditions (Icoz, 2001). The natural environment explains the geographical features of the market, such as the mountains, plains, and the rivers. For example, in the tourism sector, the marketing budget items for the cold climate individuals should be different than those for the warm climate individuals. Macro environment consists of the economic, legal and political, socio-cultural, technological and competitive environment. Since the marketing strategies will change depending on the economic level of the market, the marketing budgets of tourism businesses will also differ. The socio-cultural characteristics of the market where the services are provided may also cause some differences in the marketing strategies and budgets of tourism businesses (Islamoglu, 2013). On the other hand, the fact that the businesses structure their marketing budgets in the line with the technological developments points to the effect of the macro-environmental factors (Piercy, 1986).

The market environment consists of the factors such as the customers, purchasing power, consumer behavior, and the demand. The organization environment consists of the site of establishment, distribution channels, departments, resources, and the organizational structure of the business. It affects the marketing plans and budgets of the businesses (Islamoglu, 2013). The businesses
develop their marketing budget models through harmonizing their marketing budget plans and policies with the organization environment (Piercy, 1986).

When the studies are examined, it is seen that both macro and micro factors cause most of the businesses to have difficulties in estimating the marketing costs. These difficulties make it essential for the businesses to use the different approaches in preparing the marketing budgets. However, since the existing marketing budgeting methods are not good enough, the researchers are on a quest for a reasonable method to determine the marketing expenditure budgets. Therefore, in the literature, there are many approaches used in determining the marketing budget.

According to Moutinho (1987), the methods that the businesses can use in budgeting are as follows: the zero-based budgeting, efficiency-risk coefficient, asset revenue generating efficiency, and the critical ratio method. Kotler, Bowen & Makens (1999) divides the methods to be used to determine the marketing budget into four. These methods are the affordable (low cost) method, sales percentage method, competitive parity method, and the objective and task method. According to Xiaobei & Shengli (2011), the businesses can adopt the following methods in determining their marketing budget: the method of acting according to one’s true capability, the method of prices fluctuating in response to market conditions, the analytic method of market opportunities, rolling budget method, and the flexible budget method. According to Islamoglu (2013), the methods that can be adopted in preparing the marketing budget are as follows: the continuation of the results approach, the objective-based marketing budget, the estimation-based marketing budget, and the optimization approach. According to Kotler & Armstrong (2010), the marketing budget is determined in the businesses adopting the affordable method, sales percentage method, competitive parity method, and the objective and task method.

Based on all this information, it is seen that the businesses use various methods in determining their marketing budgets (Kotler et al. 2006; Kotler & Armstrong, 2010). Each of these methods has both advantages and disadvantages. This has led the researchers to be on a quest for the methods to determine the marketing expenditure budget. However, the methods suggested by Kotler, Bowen & Makens (1999) and Kotler & Armstrong (2010) have been mostly accepted in the literature. These methods are described below in more detail.

Affordable method is a low-cost method generally adopted by the small businesses. In this method, the businesses determine the marketing budget focusing on their general budgets. The adoption of this method by the businesses prevents incurring a high amount of expenditure on the marketing activities. In this method, in which the expenditure incurred is generally less than the determined budget expenditures, the advertising expenditures take an important place. However, in the budgeting created using this method, the effect of promotions on the sales volume is completely ignored and this makes the annual promotion budgets unclear. The sales percentage method is a method used effectively by many firms. The marketing budget represents a percentage of current or estimated sales or a part of the sale prices. One of the most important advantages of this method is that it helps the business managers in deciding on the sales and promotions, determining the sale price, and calculating the profit by the units. However, one of the major disadvantages of this method is that the calculations are made only based on the current resources and the competitors are ignored. In the competitive parity method, the businesses determine their marketing budgets focusing on the expenditures of their competitors. This budgeting method represents the shared wisdom in the market. The businesses’ determining their budget considering
the competitors and the marketing expenditures may lead to the budgeting wars in this method. The objective and task method is the logical budget allotment method. The businesses define their special objectives, determine what needs to be done in order to achieve these objectives, and determine their costs, and then decides on their budgets. Being very difficult to use, this method may cause the managers to have difficulty in determining the budget.

Although the methods above are used in general for budgeting in the businesses, this may differ in the tourism businesses. In the tourism businesses, the marketing budget is a part of the production process. Therefore, while in the preparation and production phases of the production process, the market research, customer research, touristic region selection, and the tour details are effective in determining the budget; in the marketing stage, the preparation of promotional tools (brochure and catalog distribution, advertisement, personal sales, and public relations) become effective in budgeting (Seaton & Bennett, 1996: 230). In the tourism businesses, the marketing budget varies depending on the business activities and it is shaped under the influence of different factors. Therefore, it has been pointed out in the studies that the flexible budgeting method and the activity-based budgeting method can be used in determining the marketing budget in the tourism businesses. Moutinho (1987) suggests that the flexible budgeting method should be adopted in the tourism businesses. The flexibility refers to determining the marketing budget in line with the foreseeable competencies within the framework of the variable and fixed costs. Considering the fact that the marketing budget should be adapted to the rapidly changing environment in today's conditions, the importance of flexible budgeting is understood. Using the flexible budgeting method in the determining the marketing budget enables the businesses to adapt to the environmental changes or to manage the uncertainty caused by the environment in a fast and cost-efficient way. Furthermore, it contributes to the creation of systems to be used in periodically evaluating the marketing expenditures (Xiaobei & Shengli, 2011: 1310-1313).

On the other hand, Sen, Pazarceviren & Zengin (2013) suggested that the activity-based budgeting would be effective and beneficial in the tourism businesses. The activity-based budgeting is a budgeting system that focuses on the budgeting the operating costs in the business. This budgeting method is important for the businesses having a high diversity of activity and cost. On the one hand, a database supporting the strategic management can be created using this method; on the other hand, it prevents the excessive resource and capacity use in the budgeting process. By this means, the repetitive activities without an added value can be eliminated and it becomes possible to effectively and objectively carry out the cost control and performance evaluation (Sen et al. 2013: 69).

Assessment

The marketing is one of the most important fields of activity in the tourism industry. The main purpose of marketing is to understand the consumer correctly, to reach them with the right product, to ensure the consumption, to satisfy the consumer, and to establish a sustainable relationship. The tourism industry is a service-oriented sector. In this sector, the marketing of the touristic products and services is very important in terms of profitability. However, the sector has a structure that is highly variable, dynamic, and highly competitive. This makes it essential for the businesses to plan the marketing budgeting activities depending on the environmental changes.
It is known that almost every business or organization has a budget. However, the share allocated to the marketing budget within the general budget has varied over the years. On the other hand, this change has also been observed in the general budget items. The position of the marketing budget within the general budget structures of the businesses has been parallel to the development in their marketing approaches. In this respect, it is understood that since there was no need for the marketing activities in the periods when the production- and product-oriented approach prevailed, there was no need for a marketing budget within the general budget items either. The period when the marketing budget started to be included in the general budget was the period when the sales-oriented approach prevailed. During this period, the businesses carried out intensive advertising and promotion activities and they put an effort to realize the consumption. In this respect, in this period, the marketing budget became an important component within the operating budget. As for the modern and postmodern periods, in these periods the significance of the marketing was better understood and the budgets allocated to the marketing increased. The dynamic structure of the marketing and its ever-changing nature have led to the creation of new marketing approaches today. Particularly the value-based exchange relationships established based on the needs and wants of the consumers, the relational marketing, the opportunities offered by the technology, and the new concepts such as digital marketing made the marketing budget dominant within the operating budget. However, the sector in which the businesses operate may differentiate the marketing budget items and the amounts of budget allocated. Whereas in some sectors, for example, the sectors producing the industrial products, the amount allocated to budget items such as advertising and promotion are lower; in the sectors producing the consumer products, the amount allocated to these items make up the majority of the marketing budget. Likewise, in the tourism businesses, after the investment phase, the marketing makes up the majority of the general budget.

Both the sectoral differences and the businesses’ environmental differences such as the international environment, natural environment, macro environment, market environment, and organization environment diversify the methods used to determine the marketing budget. When the literature is examined, it is seen that there are various methods for determining the budget. In general, these methods are summarized as follows: the zero-based budgeting, efficiency-risk coefficient, asset revenue generating efficiency, the critical ratio method, affordable (low cost) method, sales percentage method, competitive parity method, the objective and task method, the method of acting according to one’s true capability, the method of prices fluctuating in response to market conditions, the analytic method of market opportunities, rolling budget method, the flexible budget method, the continuation of the results approach, the objective-based marketing budget, the estimation-based marketing budget, the optimization approach, and the activity-based budgeting method. However, it is stated that, for the tourism businesses, the most appropriate budget determination method among these methods are the flexible budgeting method and the activity-based budgeting method.

The fields of activity, types and classes of the businesses are important in determining the marketing budget of tourism businesses. Hence, the marketing budget components and budgeting methods of an accommodation business and the travel agency cannot be expected to be similar. Therefore, in the marketing budget of the tourism businesses, the accurate and fast planning is only possible by means of the data banks created by the enterprises considering the structure of the businesses. At this point, it is important to ensure that the information is accurate and reliable. The more accurate and reliable the information is, the more accurate the budget determination will be.
The collected information should be used in the calculating the marketing budgets. Furthermore, when the technological developments witnessed today are considered, it is seen that it has become necessary for the businesses to create digital marketing budgets along with the traditional marketing budgets.

References

Destination Experience: Making the Tourism Cities 5-Star

Mehmet Cihan Yavuz
Karatas School of Tourism and Hotel Management
Cukurova University, Turkey

Abstract

Thanks to the investments made in the capacity and quality accommodation, Turkey drew a rising chart success in tourism in the last three decades. However, tourism and consumer trends have been changing in recent years. 5-star accommodation infrastructures alone cannot provide sufficient satisfaction for the masses demanding value-added destination services, spending more per capita, and demanding individual experiences. Also, the airport-hotel-airport cycle, although seen as controlled and safe for tourists, does not contribute to the tourist's ability to experience destination-specific attractions and to ensure that other stakeholders in the destination benefit from tourism sufficiently. It is true that to date, various unconscious tourism stakeholders have also had some serious mistakes that have caused tourists to close to 5-star hotels. Now, in line with the new tourism and consumer trends, it is needed to approach the identification and solution of problems related to infrastructure, security, information, image, aesthetics, stakeholder relations and exploitation of technology in the streets and all touchpoints of the city in order to gain gains from the tourism that changes the shell. With the “5-Star Destination” approach, it is thought that the streets of the tourism city would be safer, there would be no unwanted surprises, and a controlled situation and image will encourage tourists to go out of the 5-star hotels more. In this way, we evaluate that changing tourism and consumer needs can be better met; value-added tourism productions will increase, tourism revenues will spread to other stakeholders in the destination, destination image and sustainability can be improved. In this respect, the present study considers the destination experience as a whole. In addition to 5-star hotels, the study aims to draw attention to the importance of making the destination 5-star with investments such as airports, reception units, essential tourism services, security and information systems, tourist health and emergency systems, urban transportation infrastructure, highlighting attraction and activities, urban cosmetics, street hygiene, food and beverage and shopping opportunities, awareness raising trainings for stakeholders, prices and payment infrastructures, investments in common infrastructures that will facilitate the lives of local people, systems for efficient, sustainable use of the city's natural resources. In this study, the negative experiences of foreign tourists are revealed by using qualitative research methods. The findings for Istanbul are seen as dramatic. According to results, the sustainability of tourism in Istanbul, which is one of the most tourist-attracting towns of Turkey is under risk unless some new, innovative, and technological solutions will be developed by tourism stakeholders.

Keywords: destination experience, destination touchpoints, 5-star destination, tourism city, Istanbul

Introduction

Increasing the number of tourists does not seem to be a top priority for cities such as Istanbul, which are among the top destinations in the world (Istanbul Valiliği, 2019; TripAdvisor, 2019). With its cultural and historical richness, hospitality, and many features waiting to be experienced,
the priority for a destination like Istanbul is to increase the number of qualified tourists. Increasing the number of qualified tourists is possible by further improving the sub-components of the tourism sector and the necessary destination infrastructures in which tourists come into contact with the city streets.

Istanbul, which is the case we have discussed in this study, has developed in terms of hospitality, owned hotels, travel agencies, museums, food and beverage facilities, entertainment facilities, culture, art and activity facilities in terms of sub-components of the tourism sector. However, there are still unresolved issues regarding the touchpoints on the streets, which increase the per capita tourist income and affect the provision of value-added services outside the hotels. New challenges are added to these problems due to ever-changing tourism trends, consumer demands and expectations and rapidly changing technology.

For the sustainable development of tourism in a destination, resources need to be used efficiently in cooperation with relevant stakeholders. In this point, attracting eligible tourists to the destination is one of the critical issues. And also, it is necessary to ensure that the destination experience of the tourists is outstanding, use the destination resources optimal and spread the tourism revenues to the base. It is a prerequisite that city destinations can become a brand in the world by deliberately handling these issues in a planned manner and managing them consciously. Because destination brand can be defined as (Ritchie & Ritchie (1998); Blain, Levy & Ritchie, 2005):

“a name, symbol, logo, word mark or other graphic that both identifies and differentiates the destination; furthermore, it conveys the promise of a memorable travel experience that is uniquely associated with the destination; it also serves to consolidate and reinforce the recollection of pleasurable memories of the destination experience”.

In this study, first of all, it is aimed to identify the problems that the tourists experience on the streets, which prevent them from increasing the Istanbul destination experience. The issues were identified through the analysis of negative comments on the TripAdvisor travel website about the tourist experience in Istanbul. The study also sheds light on the idea of developing smart tourism application proposals for these problems by supporting new technologies, smart city applications, and exemplary applications of other destinations.

**Literature Review**

Tourism is a sector based on experience. Tourists traveling for reasons of rest, renewal and excitement are satisfied when they get the experiences they expect. This is desirable for destination management because it positively affects the desired behavior of tourists towards destinations (Caldeira & Kastenholz, 2018; Koo et al., 2012, Gitelson and Crompton, 1984; Oppermann, 1997). The tourists who leave the destination happily can come to the destination again, recommend the destination to others, and tend to spend more as long as they stay in the destination. Therefore, understanding and managing the destination experience should be seen as one of the most critical tasks of destination management.

Destination experience is based on many components such as infrastructure, superstructure, services, service quality, hospitality, aesthetics, gastronomy, physical geography, festivals and events, living indigenous culture, ambiance, emotions (Sahin & Guzel, 2018). Destination
administrations must ensure that these components of the destination are provided at an adequate and high-quality level to be successful in creating positive experiences. For this purpose, it should regularly investigate the destination experiences of tourists, identify problems, and resolve them in consultation and cooperation with tourism stakeholders. If this is not done, the destination will not be successful in improving the experience in the long run and have a sustainable tourism sector, even if it has the best attractiveness.

The destination is the main product of tourism consumed holistically by tourists (Buhalís, 2000). Therefore, the destination experience requires more than tourism services such as hospitality, food and beverage, travel agency, transportation, public services - even if they are very well presented. That is to say, during the destination promotion phase, the image of the destination experience is reflected in the outside world rather than the individual cases of the destination experience components, which affect the preferences of tourists and destination branding (Hudson & Ritchie, 2009). Therefore, in order to have a good destination experience, the presentation of the basic components of the destination as a good and sufficient is seen as a hygiene factor.

The reflection of the destination experience to the outside world can be through the planned efforts of destination management - mostly positive - as well as the sharing of experiences of destinations through travel websites - often risky and harmful. Second, it is undesirable because of the potential to include negative assessments more and unmanageable, but it is inevitable where destination management is weak - or worse yet.

Destination experience needs to be measured. As it is done in many travel websites, these evaluations can be made on a 5-point Likert-type scale. As very qualified 5-star hotels, a destination with an excellent level of experience can be defined as a “5-star destination. In this study, the use of the phrase “5-Star was preferred to indicate that the overall experience of destinations was of high quality. Examples of TripAdvisor scale star units have the following meanings (TripAdvisor, 2019): “5 = Excellent”, “4 = Very Good”, “3 = Average”, “2 = Poor” and “1 = Terrible”.

The level of experience increases towards 5-stars with a positive evaluation of a destination element by tourists, and 1-star with a negative assessment. The expression “Making a tourism city 5-star” refers to the aim of bringing the general level of experience of tourists closer to perfection. While 4-star and 5-star destinations generally represent smooth and desired destinations, 1-star and 2-star destinations can be considered as problematic, distant destinations. In this study, the case of Istanbul is discussed, and the evaluations of foreign tourists who make a 1-star and 2-star rating on the Istanbul destiny experience are examined. From this point of view, it can be determined from the eyes of the tourists themselves which important questions Istanbul has to solve in tourism.

Methods

In this study, comments and evaluation texts about the experiences of foreign tourists in Istanbul city destinations were used as data sources. Therefore, qualitative data analysis methods were used in the study. Each comment and/or evaluation text was subjected to content analysis. As a result of the analysis, the problems that prevented the experience of the destination contained in the text to be positive were classified under common headings.
Sample

In the analysis of urban elements such as streets, shopkeepers, people, infrastructure and superstructure and transportation services that negatively affect the destination experiences of tourists in Istanbul in general, users who leave negative comments on these elements constitute the research universe. The sample is all foreign tourists who write negative comments in English with the words 'poor' and 'terrible' on the two main tourist areas of Istanbul (Sultanahmet Area + Grand Bazaar and Beyoglu + Istiklal Street) which are identified as a pilot on TripAdvisor website.

Data Collection

TripAdvisor travel through the web filtering process as a result of the Sultanahmet Area + Grand Bazaar 48 'poor' and 27 'terrible' total 75; For Beyoglu + Istiklal Street, 95 'poor' and 64 'terrible' individual comments were obtained with a total of 159 samples. The total number of observations analyzed in the scope of the study is 234.

Data Source

The data source used in the study is the TripAdvisor travel website. The data were obtained from the website in question on 01.09.2019.

Conceptual Model

The quality of destination experience depends on the quality of the components of the destination. These components of the destination also determine the competitiveness of the destination. As the quality of the components of the destination increases, the destination experience of the tourists become more positive, and the satisfaction of tourists increases. Satisfied with the experience, the tourist may display some of the behaviors favored by destination management, such as spending more time on the destination, spending more on consumption and spending, revisiting the destination, recommending the destination to others.

Source: Adapted from Tian-Cole, Crompton & Wilson (2002); Cong (2016) and Canny (2014); El-Said & Aziz (2019). Figure 1. Conceptual model: Relationship between destination experience and increase in tourist quality and spending per capita.
In the relevant literature previously, El-Said & Aziz (2019), Cong (2016), Canny (2014), and Tian-Cole, Crompton & Willson (2002). This situation is summarized in Figure I, which has been similarly expressed by other researchers.

**Findings**

After the content analysis applied to the research data, observations with semantic similarities are summarized under the main headings. The findings in the two central touristic districts of Istanbul, which are designated as pilots, are tabulated side by side. Thus, a comparison of the problems and their densities between the two districts can be made. The findings of Sultanahmet-Grand Bazaar and Beyoglu-Istiklal regions are shown at Table 1.

### Table 1. Problems Tourists Experienced in Sultanahmet and Beyoglu Districts

<table>
<thead>
<tr>
<th>Sultanahmet-Grand Bazaar District</th>
<th>Beyoglu-Istiklal District</th>
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<tbody>
<tr>
<td><strong>1- Destination Management and City Infrastructure</strong></td>
<td><strong>1- Destination Management and Infrastructure</strong></td>
</tr>
<tr>
<td>“My low rating is due more to the non- or mis-management of the area by the governmental representative tourism bodies rather than by it itself. I found it completely uncosciousable that nobody - INCLUDING the govt tourist office!”</td>
<td>“No Indigenous Vibes Here; Istiklal didn't turn up to my expectations. I had a vibrant, Lit place in mind. It was just a boring, long street with stores of the same global brands on both sides along with some sprinkling of eateries in between”</td>
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<td>“Had a specific map of this area itself with all the special attractions clearly marked on it. Yes, they all had maps that included this area in a much bigger map of the whole historic city, which made this area about 1 or 2 inches big on paper and totally useless. But no map of this area itself, to scale and with all the attractions well marked, their hours of operation and significance was to be found no matter how hard I looked.”</td>
<td>“What’s the point of visiting it?: Shopping? Go to malls, same shops lower prices, So unless you visiting a specific place: a resturant, madame tussauds, galata tower, there is no point of going”</td>
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<td>“The signs to each attraction were haphazardly placed and there were not enough of them. Turkish board of tourism - you can do better than this!”</td>
<td>“Certainly nothing close to oxford street!: As popularly referred as Istanbul’s oxford steeet, I’m afraid that Istiklal is nothing close to it. It does have many shops and runs a long way but you will be met with people who will try to con you, will stare at you, indulge in catcalling and women/men are recommended to keep their bags/wallets close to them.”</td>
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<tr>
<td>“Overrated, overrated, overrated!: Istanbul ranks no 1 city in Europe? Really? We cant wait to get out of here. We are staying in good accomodation in the old city next to Blue Mosque. We couldnt be better located! Walk out your door and get ready to be bombarbied with sleezy, pushy sellers of everything you can imagine, most of whom are blowing smoke in your face and wont take no for an answer. Some nice buildings but no way does it compare to London, Paris, Rome, Praque or most of the other cities we have visited. HOW CAN THIS RANK NO 1?</td>
<td>“Tram and candy; the only two picturesque things in the entire street - the most representative - tram and sweet shops; the rest is grey, poor and substandard.”</td>
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<td>“Don't stay in this district.”</td>
<td>“And biggest minus point is lack of green. It is used to have some trees.”</td>
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<td>“Nice historical place but beware. The overall feel of the area, sadly, is a theme park version of Turkey during the Ottoman period.”</td>
<td>“The amount of cigarette smoke on this street as wide as a freeway is as bad as any heavily polluted industrial town. You cannot see or breathe properly due to all the cigarette smoke.”</td>
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<tr>
<td>It a great place to visit, but if you want to experience the real Turkey, eat Turkish food or meet Turkish people, this is not the place. It has been built and maintained mainly for tourists and will not give you the real Turkish experience.”</td>
<td>“No Indigenous Vibes Here; Istiklal didn't turn up to my expectations. I had a vibrant, Lit place in mind. It was just a boring, long street with stores of the same global brands on both sides along with some sprinkling of eateries in between”</td>
</tr>
<tr>
<td>“Can't Miss it BUT.... be prepared for the negatives”</td>
<td>“Certainly nothing close to oxford street!: As popularly referred as Istanbul’s oxford steeet, I’m afraid that Istiklal is nothing close to it. It does have many shops and runs a long way but you will be met with people who will try to con you, will stare at you, indulge in catcalling and women/men are recommended to keep their bags/wallets close to them.”</td>
</tr>
<tr>
<td>“There are so many places to visit in Istanbul compared to this region that has lost it's charm last three years.”</td>
<td>“Tram and candy; the only two picturesque things in the entire street - the most representative - tram and sweet shops; the rest is grey, poor and substandard.”</td>
</tr>
<tr>
<td>“This historic district has been destroyed by mass tourism.”</td>
<td>“And biggest minus point is lack of green. It is used to have some trees.”</td>
</tr>
<tr>
<td>“Dirty overated city.”</td>
<td>“The amount of cigarette smoke on this street as wide as a freeway is as bad as any heavily polluted industrial town. You cannot see or breathe properly due to all the cigarette smoke.”</td>
</tr>
<tr>
<td>“Disapointing. There is nothing European about this city. It's dirty and very polluted.”</td>
<td>“No Indigenous Vibes Here; Istiklal didn't turn up to my expectations. I had a vibrant, Lit place in mind. It was just a boring, long street with stores of the same global brands on both sides along with some sprinkling of eateries in between”</td>
</tr>
<tr>
<td>“Poor district and very crowdy...”</td>
<td>“Certainly nothing close to oxford street!: As popularly referred as Istanbul’s oxford steeet, I’m afraid that Istiklal is nothing close to it. It does have many shops and runs a long way but you will be met with people who will try to con you, will stare at you, indulge in catcalling and women/men are recommended to keep their bags/wallets close to them.”</td>
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<tr>
<td>“The whole area needs care and upkeep. For a decade it's been a building site, it's shocking how the country cannot invest in basic infrastructure and maintenance. It doesn't take a great deal of effort to fix sidewalks, instll crossing signals, fill potholes or maintain historical buildings. It seems to be left to anyone who has a bucket of cement to have a go at a bit of DIY.”</td>
<td>“Tram and candy; the only two picturesque things in the entire street - the most representative - tram and sweet shops; the rest is grey, poor and substandard.”</td>
</tr>
<tr>
<td>There were also stray dogs running around, barking and fighting with each other around the area, which took some getting use to. They have tags in their ears which one of the locals said were a sign that they have been vaccinated.</td>
<td>“Tram and candy; the only two picturesque things in the entire street - the most representative - tram and sweet shops; the rest is grey, poor and substandard.”</td>
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### 2- Security and Safety

**Sultanahmet-Grand Bazaar District**

“Women travelers—be sure not to go out at night, but as a woman even traveling with a man I would not come here at night. Day time is ok. After 8 p.m, stay inside unless you want death stares”

“This area is a touristic spot but just be careful of the locals trying to scam you, especially if you are female.”

“SCAM CENTRAL, Wow, I really was disappointed my with the experience. I felt like everywhere I went, the people were trying to rip me off. People will try anything to scam you. It is too bad that a few bad apples can change your experience.”

“Full of scammers, getting your attention back, it happened too many times for my liking. So many crooks and carpet sellers! We also watched a three person team of cops taking advantage of tourists trying to get money from an ATM. there are plenty of scammers who wander around. The classic conversation usually starts with “do you have lighter?” And if you reply them in English, they would know that you can speak English, then, they would try to make friend with you. Finally you will be end up in carpet shops or some night club which are truly expensive.”

Take care of your belongings. They take every visitor as commodity. take care of your wallet, do not keep anything in every back pockets. specially be careful in tram and rush areas, infact gang of 4-6 persons create artificial rush and pick up your valuables.”

“A beautiful ‘had been’ city. However our experience was marred by pickpockets. It was worse as the Istanbul police was unhelpful and unfriendly. During our adversity we felt let down. Advise to tourist to be extra careful.”

“Scam, scam, scam… Scammers everywhere. Police are not functioning at all. Will not come back. Definitely. I will only come back after the scam syndicate has been handled by authorities thoroughly.”

“Please be aware of the fake banknote as well. I got the fake 200TRY from Sultanahmet tram station.”

“I am in disbelief that TripAdvisor recommends Istanbul as the top destination to visit in 2014. It is beautiful and unique but I believe that changes need to be made before this is recommended with such a prestige title.”

“When a shoe cleaner walks in front and drops his brush - this purposeful action is done so that the ‘tourist’ picks up the brush and is then hooked thinking that the vendor wishes to return the favour by cleaning shoes. No so, they are looking to charge a phenomenal amount.

**Beyoglu-Istiklal District**

“Club street look like run by mobs”

I don’t suggest this place: There are many homeless people will bother you.

High risk of stealing,

Very bad, horrific experience

“It is so crowded that it would be nearly impossible to figure out the thief in case your wallet or bag gets snapped.”

“I must to say in my last travel to this place my money was stolen. Keep away”

“Walking from one end to the other of Istiklal Street of Beyoglu District I was harassed by about 4 beggars who did not hesitate to contact me physically.”

“Small kids begging on the street do touch you to get attention and force you to donate some cash. They followed me and kept harassing until I gave some cash to one of them.”

“I did not feel safe from their physical contacts and had to put my wallet in the inner pocket of my jacket.”

“If you are trying to use the small paths around the area is a little bit scary and more dark.”

“Not safety for alone womans.”

“If you are solo traveler female definitely avoid this noisy place. Bars,discos,clubs,strange people;scams…”

“Please be very very careful in Istanbul. A gang of girls stole my wallet full of dollars and Liras from Metro at Istiklal.”

“A lot of people, mostly men, sitting around doing nothing at corners. Others are doing things you would not want to know about. A lot of people following other people, a sense of insecurity.”

“ow it's filled with beggers and thievies.”

“Beware of pickpockets!”

“Robbery; This is street is full of rubbers that wait for you to go to some silence street.”

“Seedy; post sunset until the early hours, this street turns into a seedy/mucky district. Men pestering you to come to their nightclub, meet sex workers or smoke shisha. Avoid!”

3- Prices and Shopkeepers Behavior

**Sultanahmet-Grand Bazaar District**

“One big tourist trap… overpriced, very touristy. Touts are very annoying, persistent and rude. Endless requests to buy some crap carpet I don't want or need.”

“Oh dear, I hate piazzza! Many people wanting to sell things that I don't need…”

“Turkish shopkeepers are always miser and penny pincher.”

“Grand Bazar - full of predators and perverts, Very disgusted by recent experience at this cesspool. Slimy shop operators groping and fondling women at every opportunity. Sleazy high pressure barkers nearly every ten feet in this place of over priced tourist trinkets. Experience sickened me with the human garbage that worked at several shops in the labyrinth of junk.”

“Pushy vendors; How many carpets does a person need? Stay clear of the rug shops and trinket shops in this area, you will be gouged on prices, and sucked into buying something you may not want. Super touristy, this place was so packed with tourists and hawkers we had to get out as soon as possible. It's hard to enjoy the sights here.”

“You get the hunch it is very touristic in terms of prices but quality is poor.”

“Too many people trying to scam you to buy something. Turks have become very dishonest and the prices have gone up. Not a great place to visit. Turkey overall has changed significantly and has lost its charm. Prices are high service has deteriorated.”

“if you are fair/tall or somehow not Turkish looking (I don't know how the profiling happens) you get hassled constantly.”

**Beyoglu-Istiklal District**

“Prices much higher compared to a normal neighbourhood in Istanbul.”

“Beware of overpriced food and merchandise for tourists.”

“I found the general attitude of staff in shops (not naming any particular ones) as quite rude. It's as though they couldn't be bothered to be there.”

“The sellers there are noisy and follow people to buy from them. They are truly expensive.”

“Beware of overpriced food and merchandise for tourists.”

“I found the general attitude of staff in shops (not naming any particular ones) as quite rude. It's as though they couldn't be bothered to be there.”

“The sellers there are noisy and follow people to buy from them. They cannot stop talking and bothering you until you buy from them.”

“Also taxi guys are a big loot too. They charge you much higher and if you ask them to turn on meter they will take longer route or a wrong route.”

“Tramline: We were so excited to go on this tram but got confused about how to pay for the ride. You have to insert money in a machine for the ticket. Simple you may think!! Nevertheless we struggled! The driver watched us and when we asked for help he just shrugged his shoulders and ignored us.”

“Clubs; don't go to any clubs here. All are run by scammers and gangs. You enter the club, full of young beautiful women, who will entice you to buy them drinks. The bartender will advise you that you must pay the bill when you leave. That way they take advantage of your ignorance and before you know it the bill is more than you anticipated.”
<table>
<thead>
<tr>
<th>Sultanahmet-Grand Bazaar District</th>
<th>Beyoglu-Istiklal District</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Our feeling was that they just wanted to rip you off. Unhelpful, confusing and expensive. Do go to the Hagia Sophia, the Blue Mosque and the Topkapi Palace, but don't spend any money in the area. Maybe then they will appreciate the visitors.”</td>
<td>“Taxis are waiting to fleece tourists like vultures.”</td>
</tr>
<tr>
<td>“You only gave me a 5- once you have given them a 50 TL, they are pretty slick at changing the 50 to 5.”</td>
<td>“Experienced a taxi cab driver charging triple rates.”</td>
</tr>
<tr>
<td>“…if you wanna use a taxi, some drivers ask 10 lira, some 50 (!) for the same route. If you plan to visit Istanbul (which is definitely worth it), forget Sultanahmet...”</td>
<td>“…if you wanna use a taxi, some drivers ask 10 lira, some 50 (!) for the same route. If you plan to visit Istanbul (which is definitely worth it), forget Sultanahmet...”</td>
</tr>
</tbody>
</table>

4- Gastronomy

“Hiding many tourist traps in terms of dining, lodging etc.”

“Another surprise, since so many of our friends raved about the absolutely great Turkish food, generally it was disappointing.”

“Don't eat here.”

“Impossible to get good, reasonably priced food. Shops are all overpriced.”

“Every store sells the same thing, prices are crazy as we found the same things at a local grocery for 1/4 of the price.”

“Average food with high prices”

“Food prices are expensive and there is no service quality.”

5- People and Intolerance

“The men on the street, and the shopkeepers (not all, but too many) are truly rude and obnoxious. This is not a reason to avoid many stops here, just be aware of what to expect.”

“Most of the local men there made us feel so uncomfortable with their stares and some of their comments. One guy who was walking down the street, randomly stopped and was trying so hard to get us to go with him to "get some coffee" and visit his "souvenir store".”

“Ramadan is on at present so don't try and get a drink anywhere.”

“Rude in history, the people are rude, crude and discourteous. Take care of your belongings. They take every visitor as commodity. Take care of your wallet, do not keep anything in every back pockets. specially be careful in tram and rush areas, infact gang of 4-6 persons create artificial rush and pick up your valuables.”

“Everyone trying to push in without lines, while trying to take off our shoes just for a quick glimpse”

“The lady who did my hair seemed in such a rush she dragged the brushes and combs through my hair ripping it out from the roots it was painful…”

“It was a cold rainy day and all of the sights and attractions were closed due to a visit by the Greek Prime Minister.”

5- People and Intolerance

“Too much people… ooooooo much!!”

“Busy at all times.”

“Crowded; A typically very crowded area of shopping. The street is fun to walk around and feel the general atmosphere if you don’t mind the crowd.”

“This street is packed with tourists and is both a tourist trap because everybody will always try to rip you of.”

“People in general don't speak English here and are rude.”

“No one can speak English.”

6- Traffic

“Try to see the mosques and museums on slow days.”

“The traffic makes it only possible to do one outing a day. Plan wisely.”

“Never be here in the evenings during rush hours. Too much traffic.”

7- Tour Operators ve Tourist Guides

“XXX Tours is incompetent and their staff are rude. The organization of the tour was mindless. First, we had to walk about 8km from their office to the Blue Mosque. Then we had to walk about a kilometer up the "touts' alley," the Hippodrome, to Hagia Sophia. Then we had to walk back down the same kilometer to "lunch" (which was mediocre). Then we were supposed to walk once more up the same kilometer to the "cistern." What moron designed this tour?"

“Unlicensed tour guides!”

8- Family Friendliness

“Bleh not a great family place to visit but worth to spend 10 minutes and then go see something else.”

“Our kids really did not enjoy it”

“8- Family Friendliness

“If you are with family don't waste your time there nothing to see…”

“in terms of a security perspective, I would not advise family to spend any time there all here unless it's because you need to access an embassy…”

Table 1 summarizes the main problems in Istanbul's two most touristic districts, Sultanahmet and Beyoglu-Istiklal Street, under eight (8) main headings:

- Destination Management and City Infrastructure
- Security and Safety
- Prices and Shopkeepers Behavior
- Gastronomy
- People and Intolerance
- Traffic
- Tour Operators and Tourist Guides
- Family Friendliness

'Destination Management and City Infrastructure' constitutes the leading problem group for both districts. Accordingly, city infrastructures are seen as insufficient and neglected for tourists. There are also shortcomings in destination management. Another vital issue is heading security. The scam, street connoisseurs, pickpockets, beggars as well as taxi drivers, carpet, souvenir and tour sellers, shoe-shiners, and the people in the district have settled in general. There is a high-risk perception, especially for female tourists. The fact that prices are too high and shopkeepers are putting excessive sales pressure is seen as a general problem.

On the other hand, product and service quality is in poor condition. Restaurants are considered to be overly expensive and dirty, far from reflecting Turkish culinary culture. The regions are very crowded, and people are experienced as rude, discourteous, and inappropriate behavior. It was also stated that it was difficult to find an English-speaking person. The traffic in the Sultanahmet area is disturbing. It was pointed out that the tour operators were indifferent to this region and the presence of unlicensed tour guides. It seems challenging to say family-friendly for both districts.

Conclusions

The success of a tourism destination is possible only if all its sub-components are complete and sufficient. Excellent hotels + bad restaurants cannot provide a good destination experience. As strong as the main attraction elements of the destination, after a specific time, tourists begin to move away from destinations. As a result, the destination does not receive tourism revenue, and its image is also disrupted. One of the most striking examples of this, Turkey is Istanbul. Despite its rich cultural heritage, some tourists call Istanbul 'touristy, overly expensive, dirty, discourteous, and neglected'. Although it is still regarded as a beautiful, fascinating place by people from all over the world, it has lost its charm. In this study, the problems that caused Istanbul to lose its magic as a tourism destination were identified through the experiences of foreign tourists. Solving the administrative and infrastructural issues of tourism in Istanbul is essential to ensure sustainability. Today, Istanbul hosts almost as much tourist population as its population. It is unlikely that Istanbul will develop solutions with traditional methods and procedures. It makes sense to develop solutions by making use of improving communication and infrastructure technologies and smart city applications at the highest level. In Istanbul, as the tourist contact points and the problems with the people are solved and the streets become 5-star, the destination experience will increase and the satisfaction, purchase and recommendation behaviors of the tourists will improve positively.
References


Operational Design as a Framework for Developing Diligence-Based Strategy in Food and Beverage Operations: A Case Study Approach

Emre Erbas

The School of Tourism and Hospitality Management
Burdur Mehmet Akif Ersoy University, Turkey

Abstract

Designing of operations is crucial to develop and implement strategic activities appropriate for the success of the planned business model. At its most basic level, understanding the structural relationships of business operations from a holistic view may help us to better see the diligent execution of fundamental activities within dynamic environmental changes without losing the sense of main strategy and competitive advantage. In this context, considering the hospitality industry characteristics, it is critical to reveal the very nature of operational interactions with appropriate structural modeling techniques. Therefore, in this study, how interpretive structural modeling (ISM) helps us to gain a holistic view to the structural design of operations is exemplified within the context of a restaurant operation has been illustrated. Additionally, how the use of ISM within operations design matters for the development of diligence based strategies is discussed in order to refer to the contribution of the study to the behavioral strategic management literature. The revealed intricate interplay between operations in the case restaurant shows that there is a need to control the boomerang effect by designing operational activities as complementary and supportive way to increase the multiplicative power of operations as proposed in diligence based strategy approach.

Keywords: interpretive structural modeling, food and beverage, operations management, case study, diligence based strategy, strategic management

Introduction

Operational design (OD) helps managers to identify the functional aspects of work flow, processes, standards, and systems, and align them to fit the business strategies for the success of business model. OD starts with the operational environment to draw a frame for sustainable development within dynamic business environment. By design, managers gain a holistic perspective to the business ecosystem and make wise trade-offs. In another word, within a well-established designing, decision makers link tactical actions in operations to strategic aims (Dickens, 2010). Blending the organizations hard and soft assets within the firm’s goals and objectives, firms need to be aware of what and how operations are to be interrelated and critical in the value chain. For example, developing an integrated set of operations research models focusing on prediction of customer arrivals, determining the optimum labor for service standards, and scheduling staff to minimize salary, TacoBell (a fast-food business model) have saved over $53 million in labor costs (Hueter & Swart, 1998). In another example, in the strategic operations in the supply chain management of Starbucks, the demand-forecasting operations based on daily results determines the push and pull supply chain operations such as combinational office automation and manual monitoring the inventory, which then dynamize menu design operations as relevant to the firm’s consumer orientation strategy. To succeed in these operations, as back of the house operations;
strict tracking of production process and pricing of raw materials in the markets are followed synchronously for customer orientation. As is seen, the intricate operational network is made up by multiple layers which complicate the understanding of operational design (Tang, 2017). On the other hand, the importance of the diligent execution of fundamental activities as in the example of Starbucks matters more than the analysis of competitive advantages in today’s knowledge economy (Powell, 2017). Hence, a structural and hierarchical relationship between operations is important to understand how fundamental activities can be designed in harmony with firm operations to implement corporate strategy of the firm. Because, besides additive, the multiplicative relationships among fundamental activities of operations create the strategic capital (Powell, 2017). In this context, firms need to be aware of the complementary nature of operations within firm’s strategies to getting successful outcomes (Kortmann, Gelhard, Zimmermann, & Piller 2014). Yet already, the fluency and efficiency of the operational processes is the primary preoccupation of managers when designing customer experiences especially when the service entails multiple channels and service providers (Patricio, Fisk, & Falcao, 2008).

However, understanding of how the design of operations contributes to strategic outlook without managerial bias is mostly devoid in operation management research. In this context, the diligence-based strategy (DBS) proposed by Powell (2017) can help us to explain the relevance of ISM in operations design free of managerial bias. According to DBS, the focused critical activities of a firm are relatively prioritized within the context of the firm’s capability to execute that activity (Powell, 2017) as in the application of ISM. Namely, in ISM, a complex pattern of a contextual relationship is efficiently constructed by a directed graph based on a relative comparison among a set of elements (Malone, 1975). In markets labour-driven rather than rational economic agents, the diligent execution of fundamental activities matters more than the analysis of competitive advantages (Powell, 2017). Especially, rising operational intricacy such as the need for integrated supply chain management systems and real time logistics proves that understanding operational elements is more important than ever (Morrison, Kinley, & Ficery, 2018).

Even though methods to design and analyze strategies at operational level have advanced in the past decade (Sainsbury, et al., 2000), in hospitality research, the designing perspective to operations management is still limited. The studies in hospitality generally have focused on the specific aspects of operations rather than to develop a holistic approach to the operations. For instance, operational improvement on revenue management (Kimes, 2008); decision-based framework of restaurant profitability management for the most profitable planning and control of the restaurant operations (Thompson, 2010); impact of restaurant operating expenses on the profitability (Mun and Jang, 2018); and firm-size in the operational efficiency in restaurants (Alberca & Parte, 2018) are among the research. In this context, we want to illustrate a framework for holistic understanding of the specific ways (i.e., inter-linkages among operational activities) in which a manager control and manage day-to-day operational design as to implement strategies of firms. To do this, in this study, the interlinkages between the main operations within the case restaurant will be examined. Using interpretive structural modeling the research presents a hierarchy-based model that picturize the interplay between the operations based on their driving power and dependence of basic operational activities.
Literature Review

Within operational activities, there are a range of alternative policies and systems that represent the characteristics and the ecosystems of hospitality businesses (Diaz & Rodriguez, 2007; Jones, 1999; Alberca & Parte, 2018). Hence, at the operational level, what to design can be explained by the key results areas that are assets, employees, capacity (or customers), productivity, service, income (or control), and quality (Jones, 1999: 429). These are the reflections that compose the business model in the business service delivery system (Lockwood & Jones, 1989). For example, while quality control is delegated to the master franchisee in international restaurant chains, it is applied by the whole staff in non-chain restaurants.

Heizer, Render and Munson (2017: 4) define operations management (OM) as “the set of activities that creates value in the form of goods and services by transforming inputs into outputs”. Southern (2000: 214) define it as “the design and control of transformation systems to deliver the services, including products, of an organization at the right quality, at the right price, and at the right time”. Shim and Siegel (1999) takes attention to strategic side of operations and they proposed a concept called “operations strategy” and they relate it with determining extensive policies and plans for utilizing the production inputs of the business to best back up the organization’s long-term competitive strategy (e.g., vertical integration, dynamic capability, sourcing policies). As seen, OM is much in depth to systems thinking, which is inside the concepts of managing change (Southern, 2000: 212). Hence, OM’s main objective is to provide flexibility (i.e. in product, product mix, volume, delivery) to the organizational system (Slack, Chambera, & Johnston, 2007). Slack, Chambera and Johnston (2007) remark the role of operation in a strategic manner that the function of operation is to articulate a set of general principles which will lead the decision making in business. They discourse on the term “operations strategy” and examine it under two substances; i) the content of operations strategy is the certain decisions and actions which determine the operations role, objectives and activities and, ii) the process of operations strategy is the technique that is utilized to take the certain ‘content’ decisions. As seen from definitions, OM is a fuzzy concept that is all about the production activities in the organization. To put it into a certain point, operations management is defined in this study as “designing the alignment of operational activities according to their interrelationships depending on the business model and its ecosystem”. Similar to helicopter view, all decision makers draw the boundary of operational outcomes, but wiser decision makers will take a broader-level view that put more emphasize on the interactional outcomes of operations. Hence understanding the operations from the designing perspective is vital for not only operations managers but also upper level managers. For example, Ahrens and Chapman (2004), in their study of a single restaurant case, emphasized the operational management as a basement for development of better management control systems.

The operational design will deliver the coordination between operations and mainly creates the advantages in the following areas (Coates, Duffy, Whitfield, & Hills, 2004, p. 442-443):

- Coherence, integrating, or linking together, resource effort and tasks within an organization in a harmonious manner to avoid chaos;
- Communication, interaction involving the exchange of structured and meaningful data, information and knowledge;
- Task management, the organization and control of tasks, and the dependencies between them, such that they can be undertaken and completed in a structured manner;
Schedule management, managing the planning and dynamic assignment of tasks to resources, and the enactment of the resulting schedules, throughout a changeable design development process;

Resource management, organizing and controlling resources to enable their continuous optimized utilization throughout a changeable design development process.

Clarifying the determinant factors on operational efficiency may help managers to define their business strategy (Alberca & Parte, 2018). As everyday fundamentals of business success, the operations need to be mastered and executed in a dynamic manner. Because, the success of today’s firms depends on developing diligence based strategies (DBS) implemented as daily fundamental activities (Powell, 2017). Powell (2017) likens DBS to climbing the Everest. Here, the success is not linked to choosing the right path but on the climber’s proficiency to cope with the conditions of the actual climb. Climbers still have to make choices, but the critical choices do not contain the analysis of paths. Hence, in diligence-based strategy, the main unit of analysis is the activities something people do such as developing new services, communicating, managing costs, and procuring inputs (Powell, 2017). Therefore, DBS is not an operational or tactical program, a checklist of factors, or a boxes-and-arrows system of transactions (Powell, 2017: 181). Having identified a variety of fundamental activities, executives must then examine how these activities interoperate by creating multiplicative relationship to drive business success (Powell, 2017). The multiplicative function emphasizes that activities are not substitutes, but interoperate in a complementary and assistive way. Hence, this paper contends that examining the operational design will provide a framework for planning diligence based strategies. In this manner, understanding the structural relationships between key operations will be useful in developing daily realities of fundamental business practice rather than only focusing on traditional abstractions of big strategy as suggested by Powell (2017). However, how operations can be aligned or designed successfully still remains unanswered in hospitality industry. Therefore, we believe that it is useful to understand the structural design of operations in a more interpretable way for operations managers seeks to develop the daily fundamentals as connected to the firm’s business model and the main strategy. To address this, this paper defines interpretive structural modeling (ISM) as an integrated operational design tool that allows a clear look for diligence development of fundamental activates in a case restaurant operation. Determining the relative power of each operational activity, ISM helps us to understand the complementarity or multiplicative nature of DBS.

Methods

Sample

An operation manager of a chain restaurant (i.e., a casual restaurant) is reviewed for the two-phase data collection process.

Data Collection

The first phase of the data collection process is an unstructured interview. The purpose of this interview was to identify the operational activities in the case restaurant which also refers to the first step of ISM (i.e., establishment of contextual relationships among the elements). In the
following phase, a questionnaire-based interview was organized. In the questionnaire, pairwise comparison of main operations that were identified in the first phase was administered.

**Data Source**

The operations that were identified from the unstructured interview composed the second part of the questionnaire-based interview. These are i) control of work flow (instructions, workflow diagram, information flow); ii) cost control (standard recipes, waste management, merchandising); iii) inspecting product standards (correct temperature, appearance, side products); iv) customer relations (needs, desires, complaints handling, satisfaction measurement); v) ensuring accountability and governance with suppliers and employees; vi) data management (forecasting, inventory, recipe management, point of sale); and vii) covering corporate identity (checking with corporate items such as proper use of colors, smell, grooming).

**Empirical Model**

The final model from the interpretive structural modeling process represents the research model as can be seen in Figure 1. As a soft operations research (OR) family of approaches, ISM helps to identify hierarchical structure of the related enablers within a system either by a digraph (directed graph) or by a matrix (Dev & Shankar, 2016). It is defined as interpretive method based on group consensus on whether and how attributes are interrelated based on a structural mapping (Watson, 1978). We used ISM technique to reveal the interplay between the identified operations of the case restaurant. ISM is executed based on the following steps (Poduval, Pramod, & Raj, 2015; Warfield, 1974; Watson, 1978):

- Listing of the elements related to problem (investigating structural relationship between the elements (i.e., case restaurant operations)
- Establishment of contextual relationships among the elements
- Structural self-interaction matrix (SSIM) is obtained by pair wise comparison to check the transitivity
- Reachability matrix (RM) is developed using SSIM and further partitioned into different levels
- Developing a conical matrix based on RM and rearrangement of the variables with respect to the levels they are identified with
- Development of a directed graph (digraph) removing transitivity links to draw ISM model

**Findings**

The findings represent the steps of ISM as identified above. Hence the findings begin with the results from the created structural self-interaction matrix.

**Creating Structural Self-Interaction Matrix**

Development of SSIM is done by pairwise comparison of elements. Elements are called as enablers. Presence of a relation between any two elements (i and j) and the correlated direction of the relation is examined. Four symbols indicate the pair-wise relationships between the elements i
and j (Poduval, et al., 2015): V: enabler i will facilitate enabler j; A: enabler j will facilitate
enabler i; X: enabler i and j will facilitate each other; and O: enablers i and j are unrelated
(independent to each other).

This step deals with the building of the reachability matrix of M. It is a binary matrix because the
entry V, A, X and O of the SSIM are replaced with 1 and 0 regarding the above procedures. For
instance, control of workflow is improved by cost control. This unidirectional reverse relationship
has been entered as ‘A’ in Table 1.

Relying on the manager’s response, the structural self-interaction matrix (SSIM) was developed
for the seven restaurant operations as enablers of each other. The SSIM is depicted based on the
transformed pairwise comparison and presented in Table 1.

Table 1. Structural Self-Interaction Matrix

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Enablers</th>
<th>7</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Control of workflow</td>
<td>A</td>
<td>X</td>
<td>X</td>
<td>O</td>
<td>A</td>
<td>V</td>
</tr>
<tr>
<td>2</td>
<td>Cost control</td>
<td>O</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Inspecting product standards</td>
<td>X</td>
<td>X</td>
<td>O</td>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Customer relations</td>
<td>A</td>
<td>O</td>
<td>V</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Governance with suppliers/employees</td>
<td>O</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Data management</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Covering corporate identity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reachability Matrix Level Partitioning

A structural self-interaction matrix was used to construct the reachability matrix, representing the
interrelationships among the variables in binary form. This is done by properly appointing V, A, X and O by 1 and 0 with reference to the following rules (Poduval, et al., 2015):

- If the (i, j) entry in the SSIM is V, then the (i, j) entry in the reachability matrix becomes 1 and the (j, i) entry becomes 0;
- If the (i, j) entry in the SSIM is A, then the (i, j) entry in the reachability matrix becomes 0 and the (j, i) entry becomes 1;
- If the (i, j) entry in the SSIM is X, then the (i, j) entry in the reachability matrix becomes 1 and the (j, i) entry also becomes 1; and
- If the (i, j) entry in the SSIM is O, then the (i, j) entry in the reachability matrix becomes 0 and the (j, i) entry also becomes 0.

Here the transitivity is given attention which creates the relationship between various enablers. It
is a basic assumption in ISM that leads to the final reachability matrix. It states that if element A
is related to B and B is related to C, it may be inferred that A is related to C. Indirect relationships
are determined by raising the initial reachability matrix (with diagonal entries set to 1) to
consecutive powers until no new entries are received (Malone, 1975). Thus, the final reachability
matrix is given in Table 2.
Table 2. Final Reachability Matrix

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Enablers</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Driving</th>
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<td>1</td>
<td>Control of workflow</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Cost control</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Inspecting product standards</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Customer relations</td>
<td>1*</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1*</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Governance with supp./employ.</td>
<td>1</td>
<td>1*</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Data management</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Covering corporate identity</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Dependence</td>
<td></td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>42</td>
</tr>
</tbody>
</table>

*Transitive relationship.

Depending on their driving and dependence power, the operations will later be divided as autonomous, dependent, linkage and independent in MICMAC analysis. The final reachability matrix leads to the reachability and antecedent set for each types of tourism (Warfield, 1974). The reachability set R (si) of the element si is the set of elements determined in the columns that comprise 1 in row si. Likewise, the antecedent set A (si) of the element si is the set of elements ascertained in the rows which comprise 1 in the column si (Pfohl, Gallus, & Thomas, 2011).

Table 3. Enabler Level Iteration Method

<table>
<thead>
<tr>
<th>Levels</th>
<th>Serial no.</th>
<th>Reachability set</th>
<th>Antecedents set</th>
<th>Intersection set</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1</td>
<td>1,2,3,4,5,6</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,4,5,6,7</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,4,5,6,7</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,4,6,7</td>
<td>1,2,3,4,6,7</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,4,7</td>
<td>1,2,3,4,7</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>1,2,5,6</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,5,6</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>1,2,3,5,6</td>
<td>1,2,3,4,5,6,7</td>
<td>1,2,3,5,6</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>1,3,4,5,6,7</td>
<td>2,3,4,7</td>
<td>3,4,7</td>
</tr>
<tr>
<td>II</td>
<td>2</td>
<td>2,3,4,7</td>
<td>2,3,4</td>
<td>2,3,4</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>2,3,4,7</td>
<td>2,3,4</td>
<td>2,3,4</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>2,3,4,7</td>
<td>2,3,4</td>
<td>2,3,4</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>3,4,7</td>
<td>2,3,4</td>
<td>3,4,7</td>
</tr>
<tr>
<td>III</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

When intersection set and reachability set coincides, then top level is appointed and the variable is excluded from ensuing step, until the methodology creates a last cycle, which thus prompts the most minimal level. Table 3 demonstrates the primary cycle wherein the cost control (1) was found at level I on the grounds that the reachability and intersection set for variable 1 totally coincide. Subsequently, cycles were rehashed until the level of every variable was acquired. This entire process finalized in three iterations and three levels have been reached as in Table 3.

Developing a Conical Matrix

All the rows and column of the reachability matrix were reorganized with reference to their level in iteration step (Table 3) to produce conical matrix (Table 4) which was then used in developing the final diagram (Figure 1). It is developed by aggregated together the variables in the same level, across rows and columns of the final reachability matrix (Attri, Dev, & Sharma, 2013).
Table 4. Conical Form of Reachability Matrix With Driving Power and Dependence of Enablers

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Enablers</th>
<th>1</th>
<th>5</th>
<th>6</th>
<th>3</th>
<th>4</th>
<th>7</th>
<th>2</th>
<th>Driving power</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Control of workflow</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1*</td>
<td>0</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Governance with suppliers/employees</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1*</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Data management</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1*</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Inspecting product standards</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Customer relations</td>
<td>1*</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Covering corporate identity</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Cost control</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1*</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Dependence</td>
<td></td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>42</td>
</tr>
</tbody>
</table>

*Transitive relationship.

Higher driving power shows the degree of gravity that the variable has on the other variables whereas higher dependence power shows the degree to which the variables are affected by or depends on the other variables. As in Figure 1, cost control is the most influential operation in the model because of its influence on the other factors at the other two levels of the hierarchy.

![ISM model digraph for case restaurant operation.](image)

The operations management must pay its full attention to cost control as the rest of operations are dependent on it. As per the digraph, the three operations - inspecting product standards (3), customer relations (4) and covering corporate identity (7) - appearing at level II could be grouped as core restaurant operations in the business model as they are placed at the center of the hierarchy. The other operations (control of workflow, governance with suppliers/employees, and data management), on the other hand, are dependent operations that produce feedback for the driving of operations.

**MICMAC Analysis**

The purpose of MICMAC (Cross-Impact Matrix Multiplication Applied to Classification) analysis is to show the driving and dependence power of the types of operations in the case restaurant.
Figure 2. Cluster of operations in the MICMAC analysis.

In this step, based on the driving and dependence power of the variables from the conical form of the reachability matrix, the variables are classified into four categories as autonomous (do not affect the system to a great extent), linkage (cause instability of the system as their power of affecting and getting affected by other variables is high), dependent (variables that are sensitive to the action taken on the influent variables), and independent (strongly influence the system but is not influenced by the system) as given in Figure 2 (Poduval, et al., 2015).

As can be seen in Figure 2, operations are interlinked. For example, cost control is dependent upon the control of workflow. Hence, a holistic approach must be developed when making adjustments in operations that is to keep in mind; the change will affect the whole operational design.

Conclusions

The intricate nature of operations in the case restaurant brings to mind boomerang effect. The boomerang effect occurs as the ‘not sought-after fact’ surfacing on the daily operations. It is associated with the by-product or an unintentional consequence of an intentional action (Degravel, 1994 as cited in Degravel, 2007). If consciously managed, boomerang effect could provide the supplier with a competitive advantage, with a positive learning experience, and with the opportunity to improve operational and strategic processes (Degravel, 2007). Similarly, the case restaurant may take advantage of the boomerang effect in favor of multiplicative feature of diligence based strategies.

In the current study, ISM is proposed as a useful tool for the development of diligence based strategies as relevant to key operations and the business strategy. Focusing on multiplicative performance, diligence-based strategy guides executives into a balanced consideration of the organization’s portfolio of fundamental activities as well as effective resource allocation free of managerial bias in this multiplicative system (Powell, 2017).

The hospitality operations must carefully identify what operations they manage, and be aware of the interplay between operations regarding the business model. Following this, the
interconnectedness of operations should be designed on a regular base to keep up with the dynamic environmental change. Because, the operations that have high driving power or dependence depend on the environmental changes creating the ecosystem of the business. In this manner, tools and approaches such as ISM matter in helping decision makers to seize and take actions accordingly. Future studies may apply the ISM in broader levels of units of analysis. Moreover, understanding the how interrelationships between the operations differ under different contexts such as financial changes, location, concepts, and type of ownership etc. can produce many useful implications.

References


Examining the Competitive Advantage of Gastronomy Tourism With Diamond Model

Onur Dirlik¹ and Zeynep Karsavuran²

¹Faculty of Economics and Administrative Sciences
Eskisehir Osmangazi University, Turkey

²Tourism Faculty
Akdeniz University, Turkey

Abstract

The aim of this study is to examine the necessary factors for a gastronomy tourism destination to have a sustainable competitive advantage within the framework of Porter’s diamond model. For this purpose, the case of Sanliurfa, Turkey is examined as an emerging gastronomy tourism destination. The government (especially Ministry of Culture and Tourism), factor conditions of the region, demand conditions, related and supporting institutions, and sustainable competition strategies are discussed as dimensions of competition diamond for the development of gastronomy tourism in the city. Study findings showed that despite the attempts and initiatives to develop and promote gastronomic tourism products, dimensions of competition diamond are not sufficiently clustered in the destination. There is a need to develop the five factors and to strengthen interactions between these factors in order to create a sustainable competitive advantage.

Keywords: gastronomy tourism, destination competitiveness, sustainable competitive advantage, diamond model

Introduction

Tourism industry has always been one of the major contributors in Turkey's development plans. Considering the macroeconomic conditions, tourism plays a critical role in terms of foreign currency inflow to the country. In particular, during the stagnation period faced by 2018, tourism revenues are vital for Turkey. The ratio of tourism revenues to export revenues is 17.5% in 2018 (TURSAB, 2019). However, there is a need to discuss strategies and development plans along with the extent of planned implementations.

In this context, the aim of this study is examining Sanliurfa as being one of Turkey's most important destinations by adopting Porter's diamond model, specifically using the cluster framework. The reason to choose this conceptual framework is that Sanliurfa is one of the emerging gastronomy tourism destinations in Turkey. In order for destinations to take share from international tourism market, it should be ensured that there is an advanced market knowledge and that tourism destination is positioned in the international market thanks to supporting conditions. Although Turkey is one of the top tourism destinations, it needs a planned development model of emerging destinations like Sanliurfa.
Cluster Approach and Porter's Diamond Model

There has been an increasing interest recently in the role of local services and products in the global economy. On the one hand, some argue that globalization has diminished the importance of place in economic activity and has gradually caused losing its significance. On the other hand, others argue against it, claim that globalization actually promotes greater regional economic diverseness. They argue that regional economies are the focal point rather than national economies in terms of creating wealth and promoting world trade (Martin & Sunley, 2005: 433).

Although the origins of interest in the geography of economic activity dates back to Marshal (1920), studies on this subject were later developed by economists such as Perroux (1950), Hirschman (1958) and Jacobs (1961) (Breschi & Malerba, 2005: 1). The renascent interest in geography reflects a trend in the contemporary studies of economics. The rediscovery of geographical place and space in the field of economics is a result of the growing recognition that economic growth and performance differences between regions primarily depend on a number of factors and resources (knowledge, competencies, qualified human resources, institutional and organizational structures), which are peculiar to specific locations and immobile in their nature. For other sectors which are based on production, this phenomenon might be debatable, but for tourism industry, local resources are more likely to provide a competitive advantage. Local resources are relatively more significant for tourism destinations since the factors that constitute the attractions of destinations are often embedded in the geography, history and culture of that geographical location. Thus, the mobilization of the services offered by a destination is not possible and from that point, characteristics of a tourism destination should be considered as a source of competitive advantage. In this case, what is needed for sustainable tourism to develop, is to organize the favorable conditions in destinations that will ensure the competitive advantage. This paper discusses the institutional mechanisms that should be established in the geographical region in order to ensure the sustainable and competitive advantage of Sanliurfa cuisine as a local resource.

Diamond model is one of the most common models in evaluating institutional mechanisms that will contribute to local resources and create a competitive advantage in a specific geographical region. This model was created by Michael Porter, one of the most influential advocates of localism in the economy. The concept of industry or business clusters he has developed, has quickly become one of the common concepts in this field of research. While the importance of geographic location is expected to diminish due to rapid transportation, high speed communication and accessible markets in a global economy, Porter (1998a: 90) argues the opposite. In a global economy, sustainable competitive advantages are often highly localized thanks to the high level of specialization, knowledge, institutions, competition, related businesses and customers with high demands.

Porter introduced the cluster not only as an analytic concept, but also as a key policy tool (Martin & Sunley, 2005: 434). As being the famous creator and advocate of this idea, Porter has been consulted by policymakers around the world to identify key clusters of their nation or region, or to seek advice on how to improve the identified clusters. Policy makers of international organizations (such as OECD and World Bank), national governments (such as the United Kingdom, France, Germany, the Netherlands, Portugal, and New Zealand), regional development agencies (such as the new Regional Development Agencies in the UK), local governments (including various US
states) have been eager to support local clusters. The interest mentioned in this policy was not only limited to developed economies, but was implemented in a growing number of developing countries, too (World Bank, 2000). Clusters have become a kind of academic trend and/or a policy fashion worldwide. One factor that supported this situation was the increasing association of the concept with the “new economy” or knowledge economy.

Porter argues that a country's success depends on a favorable national “competition diamond” which could also be adopted to tourism destinations (see Figure 1). There are five groups of factors in this model: government; strategy, structure and rivalry for the region; factor conditions; demand conditions; related and supporting organizations. The more developed and dense the interactions between these five sets of factors, the higher the productivity of the region (Porter, 1990).

![Diamond model for competitiveness of destinations.](https://scholarcommons.usf.edu/anaheipublishing/vol1/iss2019/1)

Figure 1. Diamond model for competitiveness of destinations.

Porter argued that the intensity of interaction in the diamond of competition would increase if the relevant firms were also geographically localized or clustered. If the relevant industries are also geographically concentrated, the clustering process and intense exchange among the factors in the cluster will function better (Porter, 1990: 157). According to Porter (1990: 120), the agglomeration of the same firms in certain geographical locations is surprisingly observed around the globe. More specifically, the most globally competitive factors of a country are also likely to be geographically clustered in certain regions. The competitive diamond is the driving force behind this cluster development. Considering the importance of the tourism industry for Turkey's economy, the organizations for potential tourism destinations should also be developed in the framework of such a model. The attractions alone are not enough for tourists to visit a destination, but related structures and organizations should be available and clustered in a destination to be able to provide a better tourist experience.

Scholars in the field of economic geography have made great efforts recently to examine local industrial specialization, spatial economic agglomeration and regional development (Martin & Sunley, 2005: 435). In this process, they have derived a number of neologisms such as industrial
districts, new industrial landscapes, regional production or service complexes, regional innovation environment, network structure regions and learning regions. Wilk and Fensterseifer (2003: 996) argue that competition in the world of alliances and coalitions is increasingly taking place between supply chains, firm networks or clusters, which in turn promotes cluster formation. A number of researchers argue that the main purpose of industrial clusters is to gain a global leadership position compared to their rivals, and to make the organizations that are participating in cluster globally competitive (Dayasindhu, 2002: 554). Inferring a similar conclusion for tourism destinations is plausible. Destinations around the world compete among themselves not only through the attraction elements of the destination, but also through the services provided by the tourism establishments and other supporting industries clustered in the destination. For example, the Eiffel Tower, which is one of the most important tourism attractions, is a sustainable attraction center not only for offering tourists experiencing the architectural work but also to experience other clustered tourist activities in the city of Paris.

An important characteristic of clusters is the availability of firms providing specialized inputs (Khan & Ghani, 2004: 224). Several factors have been identified that lead to the emergence of clusters (Krugman, 1991; Porter, 1998b). Local demand, the presence of supplier industries including natural resources, innovative firms and chance factors are some of them. When a cluster is formed, a self-reinforcing cycle continues to grow, especially with the support of local public and private institutions. As a result, the initial transient advantages are generally fixed within the cluster. This impact stems from the various agglomeration economies that have led new specialized firms to be positioned within the cluster and to benefit from increasing economies of scale.

From this point of view, there is a need for professionalized companies organized around the centers of attraction and providing services for the maintenance of the cluster in tourism destinations. Thus, in order to serve the gastronomic products as a tourist attraction and to sustain this service, all companies and supporting organizations in the supply chain are needed in addition to the unique culinary culture. According to the diamond model, accommodation establishments, agencies, tourism offices, non-governmental organizations (NGOs), well-trained labor, and government support could be discussed as some of the important factors in cluster configuration.

**Research Methods**

This paper uses the case study method. In this study, Sanliurfa cuisine has been selected as a case of tourism attraction and it has been investigated in order to understand the cluster conditions in order to meet the requirements of a sustainable competitive tourism destination. Sanliurfa is considered and selected as a relevant case in this study since the city has a wide range of attractions as a tourism destination and also endeavor to position itself as a gastronomy tourism center recently.

Sanliurfa is a province in southeastern Turkey. Locating on Mesopotamia lands, the city has a number of important ancient cites. For example, Sanliurfa’s Gobeklitepe is one of the most significant cultural heritages of human history by predating Stonehenge by 6000 years (Turkey Home, 2019). Gobeklitepe has been included in UNESCO’s World Heritage List and has an important place for tourism marketing since Turkey has declared 2019 the Year of Gobeklitepe.
In addition, the city has also religious tourism centers which are regarded as holy sites by Jews, Christians and Muslims, and renowned as “city of prophets”.

Recently, the city has also attempted to develop gastronomy tourism. In order to examine this process and cluster conditions of the city, relevant documents such as studies, reports, webpages of public institutions and NGOs, statistics for tourism establishments, services provided, and newspapers are reviewed. Within the scope of the study, policies, strategies and current state of the region are evaluated based on the dimensions presented by the diamond model. These dimensions are as follows for the case in the study;

The first one of the necessary factors for a competitive tourism cluster is the support of the government to the region. Within the scope of this dimension, the study includes the supports provided by public institutions for the region, and policies and incentives of the Ministry of Culture and Tourism. The second dimension which is discussed in this research is factor conditions. Factors such as fundamental resources, geographic location, capital, human resources, infrastructure (e.g. transportation), advanced production factors (e.g. technology) and infrastructure, and superstructure are included in the evaluations of these factor conditions. The third dimension is defined as demand conditions (e.g. size and potential of the market and customer specification). The fourth dimension is defined as related and supporting organizations (e.g. local tourism organizations, NGOs, regional boards of cultural protection). Finally, the competitive strategy of the destination is examined and the relations between the other factors is discussed.

Study Findings

Government

Turkey's socio-economic patterns show that the government is the most important actor in planning of industrial development since the early years of the republic. The first major investments were made or supported by the nation state through the subsidies and incentive plans. The government is still the central decision maker in many production and service sectors. In fact, this situation has caused private sector representatives to wait for the state investments, and to refrain from some activities and investments in many sectors.

As in many other industries, the development in the tourism industry in Turkey has also been initiated by the investment of public funds (Kozak, 1992). The first major accommodation establishments, for example, were founded by the government, and tourism development was realized through development projects and incentives provided by the nation state. Therefore, it would not be wrong to define the Ministry of Tourism as the driving force for Sanliurfa’s tourism to position itself competitively in the international market. In developing economies like Turkey, the investment and support wave coming from the center enables the creation of competitive regions with the following interest of the private sector and stakeholders over time.

Yet, it is not possible to infer that a serious breakthrough has been made for Sanliurfa’s cuisine in terms of developing gastronomy tourism. Despite the increasing awareness in gastronomic products to develop and promote the destinations, the plans and activities of the Ministry of Tourism are still at the initial stages. Biggest cities such as Hong Kong (Kivela & Crotts, 2006; Okumus Okumus, & McKercher, 2007) or rural destinations that do not have much attractiveness
(Gyimothy & Mykletun, 2009) successfully position themselves as gastronomy destinations but, for Turkey, gastronomy is one of the newly introduced and emerging markets compared to other tourism activities.

The review of annual report of Ministry of Tourism points out that Turkish cuisine has been introduced in international events such as in the scope of 2018 Turkey's tourism year activities held in China, the Turkish coffee festival in Ukraine, ITB Berlin Tourism Fair, FITUR Tourism Fair, and MITT Moscow Fair. The Ministry has also published a book entitled “Anatolian Culinary Arts” which consisted of selected dishes from all geographical regions of the country, and distributed 10,000 copies. Although these activities are important for the promotion and preservation of the culinary culture, they are not among the first-hand facilitating activities for the visitors to experience the Turkish cuisine. In addition, the review of 2015-2019 strategic plan showed that no strategy for the competitiveness of Sanliurfa’s cuisine has been on the agenda. In order to gain a competitive advantage, the Ministry should provide support to local enterprises and provide incentives for input costs and/or service expenses. Sanliurfa is an attractive tourist destination with its rich culinary culture, historical and geographical beauties. The Ministry needs to work with local stakeholders in order to develop strategies to provide the tourist with the opportunity to experience culinary culture.

In brief, the incentives and supports of the government are yet to be defined as weak. The state in developing countries such as Turkey always be seen as a pioneer. Thus, decisions of policy makers to make investments in the city would create a chance for the destination to gain a competitive advantage.

**Factor Conditions**

In order to offer tourism experience, availability of services of many industries is required to work in coordination. First, transportation facilities are of the importance for tourists to be able to visit the destination. Sanliurfa has an airport which ease the accessibility of the city from remote destinations. There are scheduled flights from Ankara, Istanbul, and Izmir to the Sanliurfa Airport. The city is also easily accessible by highways.

The official figures represent the capacity for other important tourism activities; accommodation and travel. The number of accommodation establishments certified by the Ministry of Culture and Tourism is 23 in the city which has 1,288 room supply (Ministry of Culture and Tourism, 2019). In addition, according to the data provided by Sanliurfa Provincial Directorate of Culture and Tourism, there are 37 hotels certified by the local municipalities around the city. Each tour operator or travel agency has to be member of Association of Turkish Travel Agencies (TURSAB) in Turkey, and the number of travel agencies registered in Sanliurfa is 41.

Restaurants are in crucial position as places for experiencing the culinary heritage. The number of establishments for eating and drinking is about 500 in the city (SGK, 2019). However, gastronomy tourism products do not only consist of physical substances. Smith and Xiao (2008) examined gastronomy tourism resources in detail and listed them as facilities (such as buildings, structures, land uses, routes), activities (dining and purchasing, tours, education/observation), events (consumer shows, festivals), and organizations (food and beverage classification systems, associations). A review of the services provided by tour operators and travel agencies to the region
show that “gastronomy tours” or “gourmet tours” are offered to the travelers. Especially Gaziantep (which is included in UNESCO Creative Cities Network under the “gastronomy” category) and Mardin are included together with Sanliurfa in these packaged tours. In addition, Sanliurfa’s traditional “sira gecesi” is included in these tours which includes traditional ceremonies, music and food offerings, and has a potential to provide a truly memorable tourist experience. These findings are significant to show the current state of the factor conditions. Private sectors, especially the travel agencies use gastronomy as an important element in their products.

**Demand Conditions**

According to the UNWTO Gastronomy Tourism Report, gastronomy is a distinctive and strategic element in defining the image and brand of destinations and it is regarded as a driving force for tourism development (UNWTO, 2017). Gastronomy tourism is one of the most important growing markets in the tourism industry. Studies in the gastronomy field of research points out the effect of gastronomy in destination choice, visitors’ satisfaction and revisit intentions. Kivela and Crotts (2006) conducted a study with 1,200 tourists visiting Hong Kong and indicated that the main reason for visiting the destination was food for approximately 21% of the respondents. Björk and Kauppinen-Raisanen (2016) also confirmed that food motivation is a determinant variable for destination choice and holiday satisfaction. A study with 387 domestic tourists visiting Sanliurfa showed that for 56% of respondents, cuisine is one of the reasons to visit the city (Celik & Aksoy, 2017). In this study, cuisine is the second mostly mentioned reason right after the historical monuments.

The study findings and reports point out an increasing number of people who travel for food experiences. In fact, for visitors with different motivations to travel, food has still an indispensable place. Beyond being vital need for continuation of the travel, culinary related experiences might become a peak tourism experience during the holidays, even though it was not one of the main motivations earlier to travel (Quan & Wang, 2004). Considering these study findings and sector reports, it is plausible to infer that an important segment of gastronomy tourists exists and this segment has considerable expendable income and high expectations. They are also ready to travel various destinations for authentic food experiences. A destination that positions and markets itself could benefit from this growing demand worldwide.

**Related and Supporting Organizations**

Tourism industry is dependent on a wide range of suppliers and supporting organizations. In addition to tourism establishments and the support from the government, presence of related and supporting organizations is an important factor for a competitive cluster. For Sanliurfa, it is possible to observe the contribution of supporting organizations to the gastronomy tourism to develop. A Gastronomy Center has been established in Harran (a district of Sanliurfa) under the leadership of Harran District Governorate and financed by the GAP Regional Development Agency and the United Nations. The aim of the gastronomy project is twofold; one is contributing regional development by training local women to cook and serve traditional dishes, and thus providing them employment. The second aim is offering Mesopotamian Food to the visitors of the city, and thus developing gastronomic tourism products.
A number of activities and gastronomy festivals are held in Sanliurfa in the scope of 2019 the year of Gobeklitepe. For example, Gastronomy Culture and Tourism Association has organized Gastronomy Festival with children coming from nine countries. Another event was the “Tradition and Future - Sanliurfa International Kitchen Workshop” with the collaboration between city governorate and municipality. Regional Development Agency is also supporting organizations and activities.

**Competitive Strategies of the Destination**

The tourism strategy of the region in general is differentiation as in many tourism destinations that have distinctive culture and history. It should be noted, however, that this strategy was not planned and deliberately designed, but was emergent. No solid findings for a planned development are observed in this study. Despite the emergent structure, promotions of the areas that differ from other destinations are intense. The year 2019 was chosen as the year of Gobeklitepe. In addition, the Balikligol lake -the living space of the sacred carps, Halil-ur Rahman Mosque are unique tourist attractions which are not imitable and ensure differentiation.

However, in order to sustain the differentiation of the region with tourist attractions and to gain a competitive advantage, variety of tourist experiences should be offered together. In the present case, the culinary culture has not yet been made as attractive as the others for the tourists coming to the region and has not been strategically positioned as a differentiation factor. For this reason, it is possible to infer that the city has an emergent differentiation strategy. Strategy formation of the province is not deliberate, but emergent. However, in order for this strategy to provide a competitive advantage in the long term, it is necessary to identify the weaknesses and potential threats for the destination, and identify a long-term strategic competitive strategy with its strengths.

**Discussion and Conclusions**

The institutional mechanisms that should be established in a geographical region in order to ensure the sustainable and competitive advantage are examined in this study. Specifically, the paper focused on Sanliurfa’s cuisine as a local resource that could be developed and used for competitiveness of the destination. Diamond model as one of the most common models in evaluating institutional mechanisms that will contribute to local resources and create a competitive advantage in a specific geographical region is adopted to tourism destinations. Five dimensions of the diamond (government, factor conditions, demand conditions, related and supporting organizations, competitive strategies of the destination) are examined for the development process of gastronomy tourism in Sanliurfa. For that purpose, relevant documents such as studies, reports, webpages of public institutions and NGOs, statistics for tourism establishments, services provided, and newspapers are reviewed. Study findings showed the increasing awareness of local stakeholders in gastronomy tourism and their initial attempts to promote the city as a gastronomy destination. The Gastronomy Center which has been established in the city by a district governorate is an important indicator of these attempts to take share from the market of gastronomy tourism. Despite these attempts and developments, dimensions of the competition diamond as explicated by Porter (1990) are not clustered in the city in its present situation.

Demand for gastronomic tourism products are increasing and gastronomy tourism is one of the growing markets of the tourism industry globally. The demand conditions are substantial for taking
share from this market and achieving a competitive position in the international market. Along with the international market, the demand for the tourism service in the home country, in terms of its composition, quantity and quality, is usually one of the factors that determine the advantages of tourism establishments (Parra-López, Estevez, & Navarro, 2011). A study conducted by Celik and Aksoy (2017) showed that cuisine is one of the reasons for 56% of domestic tourists visiting Sanliurfa. Thus, there are satisfactory demand conditions that would also contribute to the development of gastronomy tourism in Sanliurfa. However, the existing drawbacks with other dimensions of competition diamond make the competition of the destination difficult. Factor conditions such as the transport system, accommodation establishments, restaurants, communications network, generalization of the different methods of payment, health infrastructures, modernization of public works are available; but competence and experience of workforce specialized in the sector are not sufficient. It is also possible to observe the related and supporting sectors and organizations such as public organizations, local and international development agencies, the development and promotion of cultural tourism activities. However, they remain rather limited. Porter (1990) gives special value to the possibility of innovation and perfection in these sectors. Gastronomy tourism in Sanliurfa is in the early stages and related and supporting organizations are not innovative or perfect as defined by Porter. The incentives and supports of the government are also found to be weak and no sufficient measures for strategy formation and implications are taken.

Porter (1990) explains that the more developed and dense the interactions between the five sets of factors (government, factor conditions, demand conditions, related and supporting organizations, competitive strategies of the destination), the higher the competitiveness of the region. In the case of Sanliurfa, despite the attempts and initiatives to develop and promote gastronomy tourism in the city, dimensions of competition diamond are not sufficiently clustered in the destination. The five factors should be developed and interactions should be strengthened between the dimensions in order to create a sustainable competitive advantage.

References


Enhancing the Cultural Tourism Experience Through Augmented Reality

Eda Avci

Efes Vocational School
Dokuz Eylul University, Turkey

Abstract

Cultural tourism provides significant economic and social contributions to destinations, and therefore countries make great efforts to attract more cultural tourists. In order to meet the changing consumer demands and expectations in accordance with technological developments, destinations are trying to integrate cultural heritage sites into technological applications such as augmented reality. Augmented reality applications, which are defined as real-world environment gaining a physical appearance with computer-generated data, allow tourists to access the information in cultural heritage sites in accordance with their wishes and needs and to create their own experiences. When the related literature is examined; although there are many researches about current state and development of modern technologies such as augmented reality, it is noteworthy that the number of researches on subject of cultural tourism and touristic experience is limited. In this study, it is aimed to reveal the role and importance of augmented reality technologies in creating memorable experiences within the scope of cultural tourism. For this purpose, the literature about the touristic experience and the impacts of technological developments on touristic experience is reviewed and 50 AR Applications for cultural heritage sites (archaeological sites, museums and art galleries) in 11 different countries where the augmented reality technology is used are examined. In accordance with the findings, the suggestions have been developed for the cultural heritage sites to be more adapted and improved with the augmented reality technology to enhance the cultural heritage tourism experience.

Keywords: augmented reality (AR), cultural tourism, cultural heritage sites, memorable experience

Introduction

Augmented reality is generally defined as a combination of virtual and real objects to increase the significance of an environment (Graham & Zook, 2013). Although, Augmented Reality has existed since the 1960s as a concept, it has developed in the last 20 years in parallel with technological developments, and its use in many important fields, especially in education and medicine, has increased (Osterlund & Lawrence, 2012). Computer-generated content with augmented reality is digitally placed directly within the users’ field of view, thus creating an illusion of the virtual and real objects together (tom Dieck & Jung, 2015).

The concept of virtual reality has been brought to the agenda with wearable computers which have emerged in parallel with technological developments. A wearable computer is generally defined as any technological equipment that performs calculations or data collection on a device that is not excessively obstructive to the body and can sometimes be worn embedded in clothing (Jhajharia, et al., 2014). Augmented Reality is a variation of Virtual Reality. With Augmented Reality, the user can enrich the real world with 3D graphics embedded in his field of vision. Augmented reality (AR) strengthens the real-world environment with virtual knowledge by improving people’s senses.
and skills. AR combines virtual characters with the real world and allows real-time interaction of content to be recorded in 3D (Azuma, 1997).

One of the first wearable devices to facilitate augmented reality is Google Glass, which combines computers on a head-mounted display (Rhodes & Allen, 2014). VR headsets such as Oculus Rift and Google Cardboard have improved user interaction in virtual environments and created opportunities to overcome challenges such as instant overlay (Bonetti, et al., 2018). On the other hand, with the increasing use of smartphones, Mobile Augmented Reality Applications (MAR) began to be developed in the mid-1990s. Mobile Augmented Reality means combining wireless communication with location-based computing services (LBS) and augmented reality to create an integrated communication environment. Mobile Augmented Reality applications enable the use of smartphone cabins with applications such as Mayar, Wikitude and Juniao (Olsson, et al., 2011). Augmented Reality applications, with a tremendous growth rate, are designed with the smartphone’s features in mind to provide clear and accurate information and content due to the physical limitations of smartphones (Lee & Chung, 2009). According to a study, the AR market is projected to have a large growth rate of 79.6% between 2015 and 2020 (Business Wire, 2015).

Mobile Augmented Reality applications provide significant benefits with mobility, ease of use, wearability, environmental sensitivity, having many models and flexibility, visual alerts and reminders. MAR applications are applications that have great benefits to people in both social and industrial terms, but also have many technical limitations such as outdoor and portability usage, depth perception, monitoring and measurement, user experience, overload and over strain (Van Krevelen & Poelman, 2010). Therefore, it is emphasized that aesthetics, curiosity, usability, interaction, motivation, satisfaction, self-efficacy, perceived control, pleasure, focused attention and attention should be taken into consideration in the design of MAR applications (Baker et al., 2017).

Augmented Reality (AR) is a technological approach that allows users to see the real world in an advanced flawless way where digital objects are combined with physical ones. With this technology, users have the advantage of getting information, browsing the media and experiencing stories that are naturally incorporated into their environment. Thus, they can access information about their current location and have an enjoyable and direct way to interact with the content of the application. The ability of a modern mobile device to provide AR experiences to its users without extra cost or equipment has led to widespread use of this technology in many industries, including tourism (Serino et al., 2016).

The main purpose of this study is to examine the impact of AR applications on touristic experience in terms of cultural heritage tourism and to reveal its importance. For this purpose, firstly, a literature review including the concept of AR, cultural heritage tourism and touristic experience was conducted. Then cultural heritage sites in Turkey and in the world using the AR application has been determined. Web sites of cultural heritage sites such as museums, art galleries and historical sites reached as a result of different sources examined, were analyzed by content analysis method and the AR application and content used were determined. The findings obtained were tabulated. In the conclusion part of the study, suggestions on the importance of AR technologies in the formation of cultural heritage tourism and memorable touristic experiences and the adaptation of cultural heritage areas to AR technologies are presented.
Literature Review

Cultural Heritage Tourism Experience and Augmented Reality

Information and Communication Technologies has become one of the most important information tools in the 21st century and influenced the way people live, learn and work, and how institutions interact with society. For this reason, tourism enterprises are forced to support innovative applications and use new systems that create attractive multimedia content for tourists in order to reach wider masses (Fritz, et al., 2005). Innovation, which is defined as developing by focusing on novelty (Johannesson et al., 2001), affects many industries including tourism and supports economic growth, competitiveness, jobs and long-term sustainability at national level (Hjalager, 2010). Innovation is very important for the tourism industry in terms of creativity, problem solving and developing new ways of thinking. While innovation brings new opportunities and players to the industry, it also serves as a locomotive for business sustainability (Moscardo, 2008).

The fact that today’s smartphones can access Augmented Reality data at any time and process with a large amount of computational power makes people prefer AR applications during their travels. Because virtual reality applications require external resources and hardware, such as a head-mounted device (HMD) or a powerful computer to run virtual programs, makes the augmented reality applications that can be accessed anywhere on the mobile phone instead of virtual reality (Zheng & Ni, 2006). Combining the latest technological device trends, such as spectacles and head-mounted displays, AR enables tourists to discover new information by following the traces of heritage around a city (tom Dieck, et al., 2016).

When the related literature is examined, it is seen that there are many researches about tourist destinations and information technologies. (Chung, et al., 2014 ; Chung, et al., 2015 ; Han et, et al., 2015 ; Chung, et al., 2018). According to the authors, destinations with AR technology affect tourists’ purchasing intentions and such destinations attract more attention. According to Alzuza-Sorzabal, et al., (2007), tourists who have access to AR applications in the destinations they visit, have more lasting experiences. Han, et al. (2013) states that the elements required for the development of mobile AR applications in line with the needs and expectations of tourists are available in 7 dimensions: local content, review / social networking, personalization and user authorization, maps and easy navigation, multilingual and internationality, current information and speed. In his study, Weber (2014) reveals the importance of developing user-centered game design in order to improve the experience of tourists in museums. Lee, et al. (2015), in its study evaluating the effects of AR aesthetics on perceived characteristics (perceived benefit, perceived ease of use and perceived pleasure), revealed that cultural differences are an important factor affecting perception. Jung et al. (2016) emphasize that augmented reality practices affect the tour experience and the re-purchase intention.

Tourists are constantly moving during their travels and therefore mobile technology is naturally used actively in new services in tourism (Gretzel, 2015). Mobile travel guides and augmented reality applications offer tourists the opportunity to collect information instantly during their travels (Jung, et al., 2015). Augmented Reality that covers digital content to real objects changes the way tourists see historical buildings and museums (Yuen, et al., 2011). These new technologies, increasing the imagination, create an enjoyable and a realistic learning environment in the destination (Leue et al., Quoted from 2015 by tom Dieck, et al., 2018).
Developments in information technology offer tourists a new way to enjoy the tourism experience (Chung, et al., 2018). Information and communication technologies, ranging from websites, interactive ordering systems (e-Table technology), interactive mobile platforms (iPads) and various social media channels (Facebook and Twitter), are increasingly being used to develop tourist destinations and enhance the tourism experience (Neuhofer, et al., 2014).

For mobile devices with AR capabilities, various applications have been developed to provide useful information. These applications maximize the satisfaction of tourists. The Ubiquitous application, which is used to obtain information and to find directions about the places to visit, is one of the first examples of the use of AR technologies in tourism, but it is still one of the most widely used applications. (Obeidy, et al., 2017).

AR technologies have become a useful tool for spreading cultural heritage and creating a more enjoyable experience for visitors (Casella & Coelho, 2013; Galatis, et al., 2016). Hoppala, LoCloud, Tagging Creaditor, TaleBlazer and Aris (Fidas et al., 2015) are other applications developed as AR applications are discovered as an important tool that supports the economics of experience in the context of cultural tourism. Toskana + is an iOS supported application that provides information about accommodation, eating and drinking, entertainment venues, sightseeing areas in Tosda region. Layar, which provides information about the Basel region in English, German, French and Spanish and is used by iOS, Android operating system, Symbian operating system and BlackBerry operating system, is among the examples to be used in tourism applications. With the Street Museum, visitors can explore the city of London and get detailed information about the artifacts in the museums (Oppermann & Specht, 1999; Kounavis, et al., 2012).

With the increasing use of smart technologies in the tourism industry, the concept of smart destinations has emerged. Smart destinations are defined as a destination that provide visitors with the information and experience, they need through information systems (Lamsfus, et al., 2015). Thanks to smart destinations, service providers and tourists create the tourist experience together (Buonincontri & Micera, 2016). Thanks to real-time synchronization, information is collected and updated at any time, not limited to moments of face-to-face interaction between tourism service providers and tourists. Therefore, to be considered “smart” the technologies applied to improve the tourism experience for visitors should have important features such as collecting information, allowing mobile connection anywhere and providing real-time synchronized information (Neuhofer et al., 2015).

The most innovative tourism practices adopting a smart approach provides location-based services, AR systems, tourist navigation, location finding, information and booking, games and entertainment services, social events and photo sharing services (Lamsfus, et al., 2010). Mobile devices can connect users to remote repositories, exchange location-based data, disseminate social information, and uncover new experiential opportunities (Dickinson, et al., 2014).

Among the tourist destination sources, cultural heritage sites and attractions, including museums, monuments, art galleries, theaters, archaeological sites, historical and religious sites, cultural festivals and events, can significantly benefit from intelligent technologies (Buonincontri & Marasco, 2017). Marasco, et al., (2018) and Puyuelo et al., (2013) argue that visual appeal that can be created in the virtual environment can increase the competitiveness of a destination.
Tourism offers tourists the opportunity to develop their skills by experiencing different cultures, situations, places and people (Falk et al., 2012). Historical sites, museums and art galleries (Packer & Ballantyne, 2002; De Jong, 2011), which are facilitators of lifelong learning, are the most important attraction centers of cultural tourism. According to Jung & Han, (2014), cultural heritage sites are among the key elements of tourism. The International Council of Monuments and Sites (ICOMOS) and UNESCO are just a few examples of organizations that aim to protect monuments and historical sites around the world (Patuelli, et al., 2013).

Every year, millions of tourists travel to experience cultural forms such as heritage, ethnicity, cuisine, crafts, arts or music. According to Kerstetter, et al., (2001), cultural tourists generally consist of people with higher disposable income. According to Ismagilova, et al. (2015), the main motivation of cultural tourists is the desire to learn by themselves. This request directs tourists to audio guides or mobile applications that allow them to check information according to their interests and needs. Since the 1950s, audio guides have been widely used by many tourists around the world (Linzer, 2013). According to Sheng and Chen (2012), augmented reality applications such as audio guides and mobile applications or wearable technologies can enhance tourists’ learning experiences in historical sites, museums and art galleries.

Cultural tourism destinations are “experimental” products that can make it easier to feel fun, escape from routine, share valuable time with family and friends (McIntosh, 1999). AR applications create enjoyable, meaningful and advanced tourism experiences (Jung et al., 2015). The nature of AR allows tourists to enjoy the immersive experience in an almost real setting (Di Serio, et al., 2013). Cultural heritage tourism destinations, including museums and art galleries, are looking for ways to improve the learning experience of their visitors (Hooper-Greenhill, et al., 2003). According to Charitonos, et al. (2012) mobile technologies can be used to improve the learning experience. The aim of the development of AR in cultural heritage areas is to increase the interaction between the visited areas and visitors and to create memorable experiences (Jung et al., 2015). For this reason, AR technologies used in cultural heritage sites are generally composed of educational and entertaining content (Haugstvedt & Krogstie, 2012). In recent years, the use of wearable computers has increased in museums and art galleries, and Google Glass has been designed to improve the user experience (Fiolet, 2014).

Cultural heritage sites are often destroyed and distanced from their original appearance. Therefore, visitors often need a guide to understand the area better. Supporting the information provided by the guides with digital technologies provides important advantages for the visitors. With the applications such as audio, video, 3D content, the original texture of the area becomes more visible and these applications can meet the personal needs and expectations of the visitors. Therefore, AR practices are considered as next generation guidelines for cultural areas and institutions (Yovcheva, et al., 2013). In addition, the fact that AR applications can be designed according to the structure of the cultural heritage field allows the use of this technology in many cultural heritage fields (Ekonomou & Vosinakis, 2018). Research clearly demonstrates the benefits of technology to support and enhance visitors’ experience in heritage sites (Fritz, et al., 2005; Angelopoulou, et al., 2012; Fino, et al., 2013; Han, et al., 2013; Cranmer) , et al., 2017; Kourouthanassis, et al., 2015; Tom Dieck & Jung, 2017).

The rapid progression of mobile and wearable computers has given another dimension to the potential to enhance visitor experience in museums and art galleries (tom Dieck, et al., 2018).
According to Cucchiara and Del Bimbo (2014), the use of mobile augmented reality applications in museums and art galleries has many advantages, such as providing additional information, especially for things that cannot be seen with bare eye. Therefore, one of the areas where Mobile AR applications are most commonly used is cultural heritage tourism (Adhani & Rambli, 2012; Tutunea, 2013). Cultural heritage sites are the most popular tourist attractions in the world, but it is not always possible to fully explore the rich history, cultural and architectural elements that attract tourists (Kerstetter, et al., 2001). Because, in these areas, the original physical structure is often disrupted and people’s past lives are no longer concrete (Caton & Santos, 2007). Moreover, these regions are being destroyed day by day by forcing the carrying capacity due to too many tourists. This situation may negatively affect the tourist phrase (Paquet & Viktor, 2005). The use of augmented reality applications in the field of tourism gains importance at this point. Recent developments in information technology enable visitors to better explore and perceive cultural heritage areas by overcoming time, space and language barriers. With the AR applications that add digitized virtual information to the real image, tourists’ cognitive ability increases, and they can perceive the environment better (Azuma, et. Al., 2001).

In addition to museums and art galleries that actively use digital technologies, as well as the development of the concept of cultural parks, augmented reality technologies have gained great importance in the virtual reconstruction of historical monuments. The most important benefit of Augmented Reality technologies for the dissemination of archaeological heritage is the possibility of simultaneously visualizing actual resources and almost completed images. It helps archaeologists or historians to show the structures as they were in the period they belong (Fritz, et al., 2005).

Methods

In this research whose main purpose is to reveal the importance and place of augmented reality applications in creating memorable touristic experiences, qualitative research methods that enable in-depth information gathering in one area were utilized. Within the scope of the research, in line with the information obtained from different sources (articles, papers, web site), 50 different AR applications used in cultural heritage areas in 11 countries were reached. As a result of the content analysis, the name of the AR application, the country and cultural heritage point of the application were determined and the benefit of the application in terms of cultural heritage tourism was examined in detail. The findings obtained are important in terms of reflecting the AR application examples designed within the scope of cultural heritage tourism as a whole and providing detailed information on the subject. On the other hand, the fact that there are many cultural heritage sites around the world and that the AR applications and contents used throughout the world cannot be reached within the scope of the study constitutes the limitation of the research. In qualitative research, the quality of the data obtained through sampling is taken into consideration, not the quantity. Therefore, the research can be considered as a contribution to literature since it deals with a current issue and limited research on cultural heritage tourism experience and augmented reality in the related literature.

Findings

In the light of the information obtained from the examination of different sources, 50 different AR applications used in cultural heritage areas in 11 countries were examined. The content of the
application and which cultural heritage was used were determined and the findings were presented in a Table 1. In addition, the detailed explanations of AR applications are shown in the table in order to be better perceived by the readers.

Table 1. Augmented Reality Applications for Cultural Heritage Sites

<table>
<thead>
<tr>
<th>Name of AR Application</th>
<th>Country</th>
<th>Cultural Heritage Site</th>
<th>Description of AR Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seljuk Civilization</td>
<td>Turkey</td>
<td>The Kayseri Museum of Seljuk Civilization</td>
<td>A museum designed to take the visitors on a journey in time and space, to Seljuk Civilization with 12 applications.</td>
</tr>
<tr>
<td>Reo-Tek</td>
<td>Turkey</td>
<td>The Urfah City Museum</td>
<td>The application consists of Interactive 3D Visual Analysis Systems in which ancient city of Gobekli Tepe was reconstructed, the graphic content and topographic map which controlled with a kiosk and showing the importance of Ataturk Dam, Storytelling Installation in which the lives of the prophets are told with 3-layered holograms, Archeological Excavation Game in which visitors can experience a real excavation taking place in Gobekli Tepe and a matching game in which visitors are required to match the objects found in the excavation site.</td>
</tr>
<tr>
<td>Reo-Tek</td>
<td>Turkey</td>
<td>The Kaman-Kalehoyuk Archaeology Museum</td>
<td>For the museum, three interactive applications like Web based Virtual Museum Tour, Digital Guide and Interactive Museum Information System are developed. Web based Virtual Museum Tour aims to inform visitors about the museum and current exhibitions. Digital Guide assists visitors during their museum tour providing detailed information about the exhibits. Interactive Museum Information System welcomes visitors with a virtual assistant and provides a 3D virtual tour in the Kaman-Kalehoyuk layers belonging to Chalcolithic, Neolithic and Hittite periods.</td>
</tr>
<tr>
<td>Reo-Tek</td>
<td>Turkey</td>
<td>The Aphrodisias Museum</td>
<td>Ancient City 3D Exploration System at the entrance of museum gives the visitors an opportunity to wander around the antique living city of Aphrodisias. Application allows users to see important buildings such as Aphrodit Temple, Sebasteion Temple, Tetrapylon in 3D and reach related information. Museum Information System is an information kiosk which aims to inform visitors about the history and the architecture of the museum, the history of the antique city, important remains and archaeological working sites.</td>
</tr>
<tr>
<td>Etkivizyon®</td>
<td>Turkey</td>
<td>500th Anniversary of Piri Reis and His Maps Exhibition</td>
<td>Interactive installation set up on an 80 m² area has been developed for 500th anniversary of Piri Reis and His Maps Exhibition at Besiktas Naval Museum which is included in the 2013 celebrations and commemorations program of UNESCO. Etkivizyon® system developed with the support of TUBITAK is utilized to develop an 80 m² interactive surface and a vertical display area within two themes. First theme is inspired from the map of Piri Reis and animated by the interaction of the visitors. Second theme is based on sea life. A real-time ecosystem is created within a hydro-dynamically and optically simulated sea environment within several fish types which can seek food, escaping from visitors while trying to stay in herd group. Also, a gigantic humpback whale is reveals itself to lucky visitors.</td>
</tr>
<tr>
<td>Virtual Marbling Studio</td>
<td>Turkey</td>
<td>Ottoman Archives Museum</td>
<td>The application enables visitors to experience marbling art interactively by using touch system developed for General Directorate of State Archives, Ottoman Archives. Virtual Marbling Studio aims to introduce marbling art for the visitors who have never experienced marbling and to endeavor this special Ottoman art to them. Visitors can experience marbling art by using all its elements like tray, gum tragacanth, comb, brushes, stirring sticks and variety of colors placed on the screen. Users can create their own marbling patterns representing their imagination by using all these tools.</td>
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<tr>
<td>MM</td>
<td>Turkey</td>
<td>Gordion Museum</td>
<td>An interactive exploration system of MM Tumulus and the monumental tomb inside the tumuli which is believed to belong to King Middas has been developed for Gordion Museum. Tumulus exploration system is designed to enable the museum visitors to see the MM tumulus, its construction layers, the monumental tomb believed to be the King Middas’ tomb and all the objects inside the tomb on site with a trackball controlled cylindrical screen. Visitors can see the construction phases of the tumulus with informative animations and as they venture forth in their discovery inside the tomb, they are debriefed about the architectural structure of the tomb and relics found during excavations.</td>
</tr>
<tr>
<td>Perge Theater</td>
<td>Turkey</td>
<td>Antalya Archaeology Museum</td>
<td>Ancient Perge Theater Visualizer and Twelve Labors of Hercules applications have been developed for Antalya Archaeology Museum. Perge Theater Inspection System provides information about 16 statues remaining from ancient Perge Theater. The system enables visitors to see the statues on their original places and to inspect 3D scanned models of them in all angles. 16 statues remained from Ancient Perge Theater are digitalized with 3D scanning technique and modelled to be included in Perge Theater Visualizer. Visitors get</td>
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<tr>
<td>Name of AR Application</td>
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<td>Cultural Heritage Site</td>
<td>Description of AR Application</td>
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<tr>
<td>Virtual Pottery Workshop</td>
<td>Turkey</td>
<td>Traditional pottery</td>
<td>Offers the experience of shaping clay with their hands to the users.</td>
</tr>
<tr>
<td>Black Sea Fishes</td>
<td>Turkey</td>
<td>Samsun City History Museum</td>
<td>Digital Book and Virtual Life Simulation of Black Sea Fishes applications have been developed for Samsun City History Museum. Black Sea Fishes Virtual Life Simulation application has also developed to inform visitors about endemic sea creatures in Black Sea habitat. Instead of serving with an information index, the application creates an enjoying platform for visitors to explore underwater world.</td>
</tr>
<tr>
<td>Harbor Ship Simulator</td>
<td>Turkey</td>
<td>Alanya Archaeology Museum</td>
<td>Alanya Harbor Ship Simulator enables users to interact with controls of a realistic steer and throttle hardware, produced from real sailing equipment. The ship simulator enables visitors to explore the historical Alanya environment while viewing the historical ships of the civilizations which have visited Alanya Harbor.</td>
</tr>
<tr>
<td>Virtual Ceramic and Glass Workshops</td>
<td>Turkey</td>
<td>Ethnography Museum of Ankara</td>
<td>Virtual Ceramic and Glass Workshops applications are designed to enable users to experience shaping glass and ceramic in an amusing and engaging way and learn the techniques.</td>
</tr>
<tr>
<td>Scenic Binoculars and Turkish Painters Information System</td>
<td>Turkey</td>
<td>The State Art and Sculpture Museum</td>
<td>The Digital Book is a giant information kiosk measuring 1 by 1.5 meters, enriching the experience of the visitors. As they use hand gestures to flip the pages, the pages come alive, and animations and videos enhance the delivery of key information. The installation provides information about the architecture and history of the museum building, and important art pieces exhibited in the museum.</td>
</tr>
<tr>
<td>Virtual Hattusa Tour Dead Burial Ritual 3D Vase Inspection</td>
<td>Turkey</td>
<td>Corum Archaeology Museum</td>
<td>Hattusa town with a Hittite chariot with this system which consists of a cylindrical screen and a 2 axes chariot simulator. As visitor take the reins in their hands, they travel through the time. For a more engulfing experience, monks passing by, citizens, soldiers, animals and plants of region has been placed as the visitor rides through the town’s ancient roads that curls between the temples, between the borders of the city walls. Fauna and flora of the region has been recreated considering the circumstances of the Hittite Era. Visitors can examine the burial ritual of a noble Hatti princess in an interactive way with a large touchscreen mounted on a wall of the museum.</td>
</tr>
<tr>
<td>Kibyra Ancient City Virtual Pottery Workshop</td>
<td>Turkey</td>
<td>Burdur Museum of Archaeology</td>
<td>In the application an ancient city virtual tour with a kiosk controlled cylindrical screen and Kibyra Ancient City has been recreated for this system. Visitors can see the ancient city from the point they want from the system on the kiosk. Visitors can also zoom onto the important buildings on the scene, get information about them and compare them to the ruins of today. Virtual Pottery Workshop application offers the experience of shaping clay with their hands to the users. The system has been designed with the notion of giving the most correct form of information by directly participating the user in the process of making the product. It is possible to create pots of desired form and assigning desired textures on to them. Virtual Sculpture Workshop enables the users the get information about sculptures and their production methods and experience an application of one these methods.</td>
</tr>
<tr>
<td>Name of AR Application</td>
<td>Country</td>
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<td>Description of AR Application</td>
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<tr>
<td>Etkivizyon</td>
<td>Turkey</td>
<td>Gaziantep Zeugma Museum</td>
<td>Renowned as the world’s largest mosaic museum, an interactive mosaic pool projection with the dimensions of 6x4 meters has been set up in the Gaziantep Zeugma Museum and supported by TUBITAK. 5 mosaics have been represented with a minute-long themes with simultaneous 3D interaction. Superior to alike systems, fish with artificial intelligence which show schooling behavior such as fleeing when visitors come close, then searching for food, changing their forms in unison with hydrodynamic changes have been added to most themes. In a similar way, floating leaves move to show the mosaics hidden underneath as the visitors walk towards them to appeal to the visitors’ sense of wonder. The surface of the water is also embellished with light effects to create a realistic water effect with diffraction and caustics.</td>
</tr>
<tr>
<td>Reo-Tek</td>
<td>Turkey</td>
<td>Maras Archaeology Museum</td>
<td>A hologram of a goddess figure, a storytelling projection inside a cave wall and an interactive virtual life animation of the extinct Maras elephant were installed in the museum. A panoramic projection of the Gavur Lake scenery has been applied to the wall behind the actual bones of the elephant. When the visitors first walk into the room, they see the bones in front of the dry bottom of the lake, afterwards, with a sudden flash of light visitors move backwards in time 3000 years ago, when the elephants were still alive in Maras region. Apart from the elephants, deer, birds and fish also move in interaction with each other. The virtual scenery of the lake is not a video, it is a 3D life simulation. In addition, a section from the life of a caveman is shown with a projection system in the artificial cave inside the museum. Apart from that, a mother goddess figurine is presented as a hologram towards the end of the cave. The relic shown with the hologram technology belongs to 10.700 B.C. and is accepted as the oldest baked mother goddess figurine in Anatolia and Asia Minor.</td>
</tr>
<tr>
<td>Living Paintings</td>
<td>Turkey</td>
<td>Esiksehir Science Experiment Center</td>
<td>Science Experiment Center Project which is a first and one of the most important constructions in Science Art and Culture Park of in Esiksehir. The application has been set up in the entrance hall of the newly opened Science Center. Paintings that speak with each other, offer a different experience and inform the visitors at the same time. Oil paintings of scientists such as Hypatia, Ali Kuscu, Einstein, Newton, Madam Curie, Rosalind Franklin introduces the Science Center and their selves by conversing with each other.</td>
</tr>
<tr>
<td>Chariot Simulator Digital Book</td>
<td>Turkey</td>
<td>Esiksehir Archaeology Museum</td>
<td>Layered Hologram Developed only for Esiksehir ETI Archaeology Museum, floating digital images of the relics in the museum are recreated and shown in a display case. Visitors can observe the artifacts from all angles with this system instead of seeing it from a single angle such as in a conventional system. Virtual King’s Tomb Tour A King’s Tomb located in Alpu town of Esiksehir has been interpreted with 3D technologies. Visitors experience the journey of an archaeologist who discovers the tomb and their adventure begins at the entrance of the tumulus. As visitors venture forth in their discovery, they are debriefed about the architectural structure of the tomb and relics found during excavation. Digital Book A 1.5x1 meters dimensioned giant book that visitors can interact without touching, which aims to give information in an entertaining way. As the history of the museum and excavations are told, pictures in pages come alive and information are given with the company of animations and videos.</td>
</tr>
<tr>
<td>Layered hologram system 3D Touchscreen Etkivizyon</td>
<td>Turkey</td>
<td>Museum of Mineral Research and Expedition</td>
<td>3D Dioramas in which backgrounds and real objects are interlaced, realistic cave and life-like dinosaur interpretations has been produced. A scaled model of the Solar System from fiberglass, a mechanical 3D Earth model which can be opened up to see the inner layers, A planets and orbits poster, Illustrations of the Earth’s formation, Nature dioramas that have their backgrounds interlaced with real objects, display case arrangements, realistic cave and life-like dinosaur interpretations have been made in collaboration with architecture Guner Mutaf.</td>
</tr>
<tr>
<td>ArtTripper Uffizi Guide</td>
<td>Italy</td>
<td>Uffizi Galery</td>
<td>The mobile application offers visitors the opportunity to make emotional tours.</td>
</tr>
<tr>
<td>Basilicata Emotion</td>
<td>Italy</td>
<td>Basilicata Region</td>
<td>The application provides visitors with an emotional and interactive map to plan the visit of the Basilicata Region.</td>
</tr>
<tr>
<td>Casa Noha</td>
<td>Italy</td>
<td>Municipality of Matera/Fondo Ambiente Italiano</td>
<td>The application provides a technological and immersive environment that helps visitors learn more about the history and traditions of heritage sites.</td>
</tr>
<tr>
<td>Iuvanum in AR</td>
<td>Italy</td>
<td>Municipality of Monenerodomo</td>
<td>The application is a multimedia guide that provides information on topics of interest to visitors, and alerts when the point of interest is approached.</td>
</tr>
<tr>
<td>Palace San Teodoro Experience</td>
<td>Italy</td>
<td>San Teodoro Palace</td>
<td>The application that can be accessed by a headset device that allows time travel to learn about the history of the palace.</td>
</tr>
<tr>
<td>Name of AR Application</td>
<td>Country</td>
<td>Cultural Heritage Site</td>
<td>Description of AR Application</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------</td>
<td>------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>SmartArt</td>
<td>Italy</td>
<td>Galileo Museum of Florence</td>
<td>With this application, which was awarded in the “Make Culture in European” competition in 2013, visitors can access the video and photo content of the works and create a storytelling for sharing on social media.</td>
</tr>
<tr>
<td>HoloMaps/ HoloTour</td>
<td>Italy</td>
<td>Colosseum</td>
<td>The applications which was developed by Microsoft enable visitors to visit heritage site through 360-degree video content and spatial audio.</td>
</tr>
<tr>
<td>Terrae Motus Exhibitor</td>
<td>Italy</td>
<td>Royal Palace of Caserta</td>
<td>With this application, users can visit the Terrae Motus contemporary art collection on the web or explore the artwork in 3D using QR codes.</td>
</tr>
<tr>
<td>VersoVerdi App</td>
<td>Italy</td>
<td>The Music Castle of Noceto</td>
<td>Visitors can have memorable experiences via this application which can create content by determining the mood of them.</td>
</tr>
<tr>
<td>Art Lens</td>
<td>USA</td>
<td>Cleveland Museum of Art</td>
<td>It is a mobile application that provides visitors with information on more than 4,100 objects in the museum. In addition to providing information to visitors, it offers opportunities such as creating favorites lists, sharing information through social media or creating a private tour. The application has received many awards.</td>
</tr>
<tr>
<td>Gallery One</td>
<td>USA</td>
<td>Cleveland Museum of Art</td>
<td>The application offers visitors the opportunity to explore and experience cultural resources through games and activities.</td>
</tr>
<tr>
<td>MoMa Apps</td>
<td>USA</td>
<td>MoMA New York</td>
<td>The application allows visitors to find exhibitions, create collections, plan a visit, listen to a special soundtrack, send virtual postcards, take multimedia tours or create their own artwork inspired by MoMa’s collection.</td>
</tr>
<tr>
<td>Rebwick Gallery WONDER 360</td>
<td>USA</td>
<td>Smithsonian American Art Museum</td>
<td>It is a huge application that allows visitors to access the artworks and artist videos in the museum in 3D.</td>
</tr>
<tr>
<td>Heroes and Legends</td>
<td>USA</td>
<td>The Kennedy Space Centre, Merritt Island</td>
<td>In the Kennedy Space Centre, an AR experience shows a key moment the history of America’s space program. The display shows the Gemini 9 space capsule and uses AR to project a hologram of Cernan over it. Visitors can view the ordeal as he struggles to get back inside the capsule. The exhibition uses AR holograms throughout. This technology gives faces and voices to the people who worked on the space program. Visitors can hear stories from NASA legends told in their own words.</td>
</tr>
<tr>
<td>Invasive Species</td>
<td>USA</td>
<td>The Pérez Art Museum, Miami</td>
<td>The installation involved a series of digital images and species. These include eerie 3D models evoking creepy-crawlies, jellyfish or cryptic signs. Felice wanted to interact with the architecture of the building and transform it. The exhibition is a comment on the fragility of our ecosystem and the threat of climate change. It transports visitors to a future version of the building, taken over by invasive species.</td>
</tr>
<tr>
<td>App Love Art</td>
<td>UK</td>
<td>The National Gallery of London</td>
<td>The artifacts, created by the museum director, artists and experts, are introduced with videos and audio interviews via this mobile application that created to experience 250 masterpieces.</td>
</tr>
<tr>
<td>Geevor Museum App</td>
<td>UK</td>
<td>Geevor Tin Mine Museum</td>
<td>The application allows visitors to understand the museum and its history through overlaid text, video, audio, 3D animations.</td>
</tr>
<tr>
<td>Museum Zoom App</td>
<td>UK</td>
<td>Manchester Art Gallery</td>
<td>The application allows visitors to choose a picture, explore information, get suggestions for other pictures, and share experiences on social media.</td>
</tr>
<tr>
<td>Sutton Hoo Game</td>
<td>UK</td>
<td>British Museum</td>
<td>With the application, visitors can discover the works in the museum. In addition, multi-user version of the application and groups can use the application at the same time.</td>
</tr>
<tr>
<td>BirdHIVE</td>
<td>UK</td>
<td>Lahe District National Park</td>
<td>The application accessible with a headset device, provides detailed information about the ones in the national park by revising the flight of a bird with 360 drone film.</td>
</tr>
<tr>
<td>Deoksugung, My Hands</td>
<td>Korea</td>
<td>Deoksugung Palace</td>
<td>The application contains 1,634 pictures, videos and 3D images of the palace and nearby points of interest.</td>
</tr>
<tr>
<td>NIHIC</td>
<td>Seoul</td>
<td>Gyeongbokgung Palace</td>
<td>The application provides the high-definition images and videos of the Korean traditional practice that have been designated intangible assets, including crafts, sculpture and lacquer.</td>
</tr>
<tr>
<td>Archeoguide</td>
<td>Greece</td>
<td>Olympia</td>
<td>The application offers personalized augmented reality tours of archaeological sites. It uses outdoor tracking, mobile computing,3D visualization, and augmented reality techniques to enhance information presentation, reconstruct ruined sites, and simulate ancient life</td>
</tr>
<tr>
<td>Oracle of Delphi</td>
<td>Greece</td>
<td>Delphi</td>
<td>With the application, visitors can see an ancient temple in its original form and watch digital ancient athletes running in the stadium.</td>
</tr>
<tr>
<td>ReBlink</td>
<td>Canada</td>
<td>The Art Gallery of Ontario, Toronto</td>
<td>In this application, digital artist Alex Mayhew create an AR installation by reimagining some of the existing pieces in the museum collection. This gave visitors the opportunity to view them in a new light. Visitors used their phones or tablets to see the subjects come alive and be transported to our 21st-century reality.</td>
</tr>
<tr>
<td>Story of the Forest.</td>
<td>Singapore</td>
<td>The National Museum of Singapore</td>
<td>The application has been turned into three-dimensional animations that visitors can interact with. Visitors download an app and can then use the camera on their phone or tablet to explore the paintings. Visitors can hunt for and ‘catch’ items (plants and animals) within the paintings. They can then add them to their own virtual collection as they walk around the museum. The app shows more information about them once they have been collected. Users can learn facts such as habitat, diet and how rare the species are.</td>
</tr>
<tr>
<td>Name of AR Application</td>
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</tr>
<tr>
<td>------------------------</td>
<td>---------</td>
<td>------------------------</td>
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</tr>
<tr>
<td>Mood App</td>
<td>Holland</td>
<td>Stedelijk Museum of Amsterdam</td>
<td>The application provides audio tours according to the emotional mood of the visitors. Visitors can also create their own audio guides that others can listen to.</td>
</tr>
<tr>
<td>Hermitage Museum App</td>
<td>Russia</td>
<td>The State Hermitage Museum</td>
<td>The application constantly sends notifications to visitors about courses and workshops organized by the museum on issues related to history, art and culture.</td>
</tr>
<tr>
<td>eMotion</td>
<td>France</td>
<td>35 Major Art Museums</td>
<td>In France, 35 major art museums have attempted to revive art exhibitions through the application. With the project, the characters are revived, and stories are told on objects such as photographs, art and digital animation.</td>
</tr>
<tr>
<td>HoloMaps HoloTour</td>
<td>Peru</td>
<td>Machu Picchu</td>
<td>The applications which was developed by Microsoft enable visitors to visit heritage site through 360-degree video content and spatial audio.</td>
</tr>
</tbody>
</table>


When the Table 1. is examined, it is seen that AR technology has developed significantly all over the world and there are many existing approaches in terms of system configuration. According to findings, it is clear that information technologies are used to improve the visitor experience in cultural heritage areas all over the world. When the content of the applications is examined, it is noteworthy that many of the applications can be accessed by mobile devices. The ability of a modern mobile devices to reach information in anytime and anywhere have led to widespread use of this in cultural heritage sites. Until about ten years ago, while AR applications for cultural heritage sites required the use of special equipment, today an ancient temple can be seen in its original form with applications that can present animated 3D objects on the real world view, visitors can watch digital ancient athletes running in the stadium, get detailed information about the works in the museum and art gallery, and relive the history. Therefore, AR technologies are considered as a useful tool for spreading cultural heritage and creating a more enjoyable experience for visitors. These applications that are easily accessible from mobile devices with GPS functionality, provide a highly dynamic experience by allowing users to explore the world. With these applications, unnecessary information is eliminated, and people can access the most accurate information about destinations, museums, historical sites or tourist services.

Conclusions

The emergence of smart technologies has provided exceptional opportunities to market cultural tourism centers and to facilitate and enrich visitors’ experiences. With the combination of screen capability in today’s smartphones with content awareness of users, AR applications create extraordinary values and create a great potential for tourists to increase their travel experience. Thanks to especially mobile AR applications with multiple layers of reality, tourists can explore the environment more.

Nowadays, smartphones have become a very convenient and attractive platform for AR technology. Modern smartphones have a built-in camera that allows AR applications to run smoothly by users. With this camera, 3D applications related to cultural assets or museums can be developed and thus, with a mobile application that is easy to carry and providing information, special opportunities can be created to improve the travel experience of tourists. On the other hand, it should be noted that an internet connection is required to increase access to applications designed to be easily downloaded from the Google platform. Therefore, a policy should be pursued in order to increase the internet access points in cultural heritage sites.
In recent years, an experience-oriented approach has been adopted more and more to successfully deal with current market conditions in managing the relationship between visitors and cultural heritage resources. Cultural heritage institutions such as museums, archaeological parks and theaters must adopt a more visitor-oriented approach that emphasizes the quality of cultural experience in line with consumer expectations and demands. It makes more sense when it is supported by sound, touch, smell, taste as well as experience of visiting cultural and historical places. AR applications enhance the learning and aesthetic experience by addressing the five senses of visitors. When the visited area is associated with authentic, emotional and spiritual experiences, the experience’s rememberability increases. The persistence of the experience gained during the visit becomes permanent with learning and aesthetic perception. Moreover, the increase in the level of education and entertainment supported by technological devices during the visit affects the satisfaction of the visitors, the word of mouth and the re-purchase intention. Therefore, AR applications are considered as a powerful stimulus of experience economy.

In addition to providing important information to tourists during the visit, AR technologies also provide the opportunity to instantly share their experiences and opinions about destinations. Therefore, mobile AR applications that provide social interaction between users are accepted as social applications. AR applications, which can be personalized according to the wishes and expectations of the visitors, make significant contributions to both tourists and service providers in support of a much more memorable experience. The quality of AR applications affects the behavioral intention of cultural heritage areas and if the user is satisfied with the application, he shows a positive attitude towards the destination and decides to visit again. The main reasons why destinations that want to enhance cultural heritage tourism should be using AR technology are summarized below.

Good stories blended with good AR experiences make knowledge reach out to more audiences and users become more connected and more interested in learning.

AR is attractive especially the new generation to actively participate in the learning process. By using AR apps, museum visitors can better understand complex relations and processes, reconstruct the past, envision the future and share the experience along the journey.

By integrating some playful AR elements into family-oriented games, families can play and learn together around a city, a garden, a museum or other locations. With the AR app, visitors, both young and new, able to engage in interactive and rewarding exploration missions together, learning, sharing and having lots of fun along the way.

Cultural heritage sites can include many different types of AR features into their projects because of augmented content itself can flexibly be presented in the form of video, 3D, audio, text and more.

Apart from spreading knowledge the main purpose of cultural heritage sites is to preserve and protect their valuable pieces. AR able to provide it.

By adding and layering digital augmentations over a point of interest, cultural heritage sites able to provide rich and detailed access to pieces. This not only helps to describe the object in question
but also responds to the story behind an era, a style, an influence, allowing users to really intensify their discovery.

AR experiences can easily access with smart devices which are in practically everyone’s modern daily lives and do not require extra equipment to work. Even if AR may not yet be as widely known as virtual reality (VR), it has the potential to become a much more used, and much more world-changing technology.

Augmented reality has the potential to change many aspects involved in cultural sites and forward-thinking destinations know this and are already acting by adding AR technology to their cultural sites.

If destinations want their visitors to come back, they must give a good reason for them to do. Since AR can be combined with other technologies on cultural sites, destinations are increasingly using it to refresh themselves. By adding a digital layer of fresh interactive content on top of the existing physical display, cultural sites can offer their visitors a modern and attractive reason to visit and revisit.

Consequently, AR technologies can be described for the cultural heritage sites as engaging, revitalizing, enjoyable and interactive, readily available and easily accessible, giving visitors an extra reason to visit and revisit. Especially the cultural cities that have entered the UNESCO list with their unique heritage areas should be expanded the accessibility of augmented reality technologies. Although it is noteworthy that many countries have invested in AR technologies, there are many places that do not even have internet access. The high cost of technological investments causes the use of AR to be limited in certain areas. Today, while AR applications allow the digital content to be placed in the real environment, also provide preserving the original structure. In this way, information becomes accessible and understandable even for non-expert visitors, which has a positive impact on the visiting experience. Researches show that cultural tourism has become one of the dominant and successful tourism areas where mobile AR applications serve. Therefore, AR technologies need further support in the field of cultural heritage tourism. When the related literature is examined; although there are many researches about current state and development of modern technologies such as augmented reality, it is noteworthy that the number of researches on subject of cultural tourism and touristic experience is limited.

References


Peer to Peer Accommodation and Sharing Economy From Tourist’ Perspective: A Quantitative Research

Cigdem Ozkan
Ayvacik Vocational School
Canakkale Onsekiz Mart University, Turkey

Abstract

The aim of this study is to reveal the reasons of preference of those who prefer to stay with airbnb by in-depth interview. For this purpose, in June- August 2019, a interview was held with people who prefer Airibnb in Canakkale. Totaly, 15 people were interviewed after the accommodation. In the research, semi-structured interview questions were formed and the results of the interviews were evaluated under factors identified. According to the findings obtained from the research, all interviewees stated that they preferred Airbnb because they found it economical and safe. They also stated that the Airbnb system found the reservation system useful. Airbnb is attractive because it has accommodation options suitable for all budgets and styles. Moreover, “we do not have to pay too much accommodation fee” when the number of people is more. Price, confortable, reliability, sense of freedom, desire to see historical and natural beauties, home benefit are motivator factor for Airbnb Canakkale consumers to choose Airbnb.

Keywords: Airbnb, sharing economy, tourism industry, qualitative research

Introduction

Peer-to-peer markets, collectively known as the sharing economy, have emerged as alternative suppliers of goods and services traditionally provided by long established industries.

The sharing economy has many positive aspects. Airbnb, a provider of travel accommodation and a Pioneer of “sharing economy” has served million costumer since its launch in 2008, without owning a single room. Although valuation of Airbnb remains difficult due to its private ownership, By mid-2017, Airbnb’s valuation stood at $ 31 Bn (Thomas, 2017). The core strength of the Airbnb value proposition appears to be its capacity to combine practical attributes (such as home benefits and novelty) with an “authentic” travel experience compared with a traditional hotel (Guttentag et al., 2017). The emergence of Airbnb as a sharing platform is both a remarkable and a novel development that presents a serious threat to the economic sustainability of the hotel industry. Indeed, hotels are characterized by important fixed operating costs, rendering their profitability vulnerable to any adverse shock in demand, such as the introduction of peer-to-peer sharing platforms. (Akbar and Tracogna, 2018: 91). There are a lot of studies have established the impacts of Airbnb on the hotel sector.

Airbnb is committed to fostering trust between guests, hosts, neighbors, and civic leaders. Together, Airbnb ensure that global community has safe and positive experiences while using Airbnb. Hosts are empowered to welcome thoughtful and respectful guests, and they always have the final say about who they invite to share their home.
Airbnb has become one of the largest accommodation companies in the World if counted by the rooms available. Its rapid growth has been enabled by a phenomenon known as sharing economy. People are less inclined to own things and are getting used to sharing what they own with other people. Peer-to-peer accommodation happens when a person rents an apartment or a room they own to another person and this is typically enabled by digital platforms such as Airbnb.

The aim of this study is to reveal the reasons of preference of those who prefer to stay with Airbnb and what is important in peer-to-peer accommodation from traveler perspective by in-depth interview.

**Literature Review**

Airbnb is the most successful P2P platform in the field of accommodation. It connects people who have space to spare (hosts) with those who are looking for a place to stay (guests). Airbnb reaches more than 2,000,000 listings in 190 countries, mainly entire apartments and homes (57%) and private rooms (41%). Airbnb's valuation of over $10 billion now exceeds that of well-established global hotel chains like Hyatt (Zervas, Proserpio, & Byers, 2014).

Airbnb proposed a novel business model, built around modern internet technologies and Airbnb's distinct appeal, centred on cost-savings, household amenities and the potential for more authentic local experiences. Most importantly, Airbnb's relatively low costs appear to be a major draw (Guttentag, 2013).

It has been argued by Airbnb that its listings are more scattered than hotels, so Airbnb guests may be especially likely to disperse their spending in neighbourhoods that do not typically receive many tourists (Guttentag, 2013). However, as Zervas et al. (2014) point out, Airbnb can potentially expand supply wherever houses and apartment buildings already exist, in contrast to hotels, which must be built at locations in accordance with local zoning requirements.

Tussyadiah and Pesonen (2016), found out that sharing economy and peer-to-peer accommodation especially are good for tourism destinations. Availability of peer-to-peer accommodation enables wider selection of destinations for tourists, increase length of stay, travel frequency and number of activities tourists participate in the destination. Especially travelers’ desires for more meaningful social interactions with locals and unique experiences in authentic settings drive them to travel more often, stay longer, and participate in more activities.

Tussyadiah and Pesonen (2016) explored the market characteristics and the factors that drive and hinder the use of P2P accommodation to better explain the phenomenon of collaborative consumption in the tourism and hospitality marketplace. Using responses from travellers residing in the United States and Finland, exploratory factor analyses revealed two factors that drive the use of P2P accommodation: social appeal (desire for community and sustainability) and economic appeal (cost savings). The barriers include issues of trust, efficicacy and familiarity with the system, and cost.

Pesonen, Tussyadiah (2017) examined the drivers of peer-to-peer accommodation in more detail and focused on different P2P accommodation user groups. In that study has been found out that the major drivers affecting the use of P2P accommodation services are the age of consumers, active use of the Internet and online technologies, and the frequency of international travel. Cluster
analysis identified two user profiles corresponding to consumer motivations for using P2P accommodation services. The first consumer group uses P2P accommodation services to make their trips more convenient, while the second uses them mostly for social reasons.

**Methods**

In this research, interview method was used as a data collection tool. Interview is the most commonly used data collection tool in qualitative research (Yıldırım & Simsek, 2011: 119). In this study, one of the qualitative research designs, “Case Study Design” was used. Qualitative case study is to investigate the factors (environment, individuals, events, processes, etc.) related to a situation with a holistic approach and to investigate how they are affected by the situation and how they affect the situation (Yıldırım & Simsek, 2011: 77).

In this study, four semi-structured interview questions were prepared in order to reveal the opinions of airbnb tourists and their reasons for choosing airbnb. In this study, in-depth interviews were conducted with 15 people who stayed with airbnb between June and August in Canakkale. In total, there are eight respondents in our qualitative studies, which is considered to be suitable for a qualitative studies (Saunders et al., 2010).

The purpose of the research is to explore the reasons why airbnb prefer airbnb and their thoughts about airbnb.

**Respondents Profile for Qualitative Study**

The demographics, name, nights of accommodation and number of staying people for the respondents are shown in Table 1. The descriptions of data are as following: when look at the age, in this study has been found that more respondents are concentrating on the age of 31-40, taking % 60 of total respondents. Fort the gender, % 53.3 of the respondents are female and % 56.7 are male. According to the overnight stay period, % 46.6 of respondents stayed between 3-4 nights. Considering the number of people staying, it is seen that 80% of the respondents are 3-6 people.

<table>
<thead>
<tr>
<th>Name</th>
<th>Gender</th>
<th>Age</th>
<th>Number of Staying People</th>
<th>Number of Overnight stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Bahadir</td>
<td>Male</td>
<td>25</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Mr. Gökmen</td>
<td>Male</td>
<td>35</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Mr. İbrahim</td>
<td>Male</td>
<td>45</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Mr. Omer</td>
<td>Male</td>
<td>46</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Mr. Adem</td>
<td>Male</td>
<td>38</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Mrs. Aleyna</td>
<td>Female</td>
<td>35</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Mrs. Pınar</td>
<td>Female</td>
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<td>2</td>
</tr>
<tr>
<td>Mrs. Muserref</td>
<td>Female</td>
<td>40</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Mrs. Cansu</td>
<td>Female</td>
<td>42</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Mrs. Fatma</td>
<td>Female</td>
<td>44</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Mrs. Mukadde</td>
<td>Female</td>
<td>50</td>
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</tr>
<tr>
<td>Mr. Adil</td>
<td>Male</td>
<td>25</td>
<td>3</td>
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</tr>
<tr>
<td>Mrs. Gülcan</td>
<td>Female</td>
<td>26</td>
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<td>6</td>
</tr>
<tr>
<td>Mrs. Guler</td>
<td>Female</td>
<td>33</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Mr. Ali</td>
<td>Male</td>
<td>34</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
**Semi-Structured Interview**

In this study, interview guide was designed and it includes three parts: the respondent’s background, the reasons that preference them to choose Airbnb and thinking about Airbnb. There are four questions in total.

During the interview, the respondents were encouraged to talk freely about their experiences within the frames of the interview questions (Bryman and Bell, 2011). Fifteen interviewees were interviewed face to face in Canakkale. The questions varied according to respondents’ answers. With the respondents’ permission, all interviews were audio recorded and the interview lasted an average of about 20 minutes. All interviews were conducted in Turkey, which is the native language for both respondents and researchers.

**Data Coding and Analysis**

After the interview, all the answers were transcribed and analyzed. Data have been coded the transcription according to Strauss and Cabin’s approach (1998), which contained three steps, open coding, axial coding and selective coding. First, after the open coding, data have been analyzed and identified the initial concept obtained from the literature. The words and phrase which frequently talked by the interviewees has been extracted regarding thoughts and reasons for choosing Airbnb and request to stay with Airbnb again, such as low price, home feeling, cooking in the apartment, reliable, playing TV games, and so on.

In the axial coding process, the relationships between each concept and grouped has been studied and analyzed into four main categories. There are some related subcategories in each main category. The relationships between these categories and combine has been analyzed into higher-order categories.

Interview questions directed to the participants:

- What do you choose Airbnb?
- Do you find reliable accommodation with Airbnb?
- Are you planning to stay again with Airbnb?
- Why did you choose to stay with Airbnb?

**Findings**

The findings of the interviews were grouped under four main categories. These are general thoughts about Airbnb, reliability, intention to come again, reasons for choosing Airbnb. The resulting table for the categories is as follows.
Table 2. The Results of Semi-Structured Interviews

<table>
<thead>
<tr>
<th>Categories</th>
<th>Quotes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>General thoughts about Airbnb</td>
<td>“Airbnb is cheaper than other accommodations.” (All participants)</td>
<td>Price and comfortable are motivator for Airbnb.</td>
</tr>
<tr>
<td></td>
<td>“Airbnb is comfortable, cheaper, reliable.” (All participants).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“I prepared it because I can use all room in flat and kitchen. I cook my meal.” (Bahadir)</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>“I trust Airbnb platform and payment system.” (Gulcan)</td>
<td>Reliability and trust are motivator for Airbnb.</td>
</tr>
<tr>
<td></td>
<td>“I find it safe because the information about the house is published in a clear, understandable manner and we can see customer evaluations.” (Omer)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Having a mutual satisfaction assessment increases the reliability.” (Gulcan)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“I had some concerns about security, but I realized my concerns were unnecessary.” (Pinar)</td>
<td></td>
</tr>
<tr>
<td>Intention to come again</td>
<td>All participants expressed their intention to stay again.</td>
<td>Guests staying with airbnb have a high desire to come back.</td>
</tr>
<tr>
<td></td>
<td>“I would like to make accommodation with Airbnb again, but the house we stayed in was a bit old. I’m going to choose a new house before I make a reservation.” (Ali)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“If I found clear house like these house, I will rent again for another holidays”. (Mukaddes)</td>
<td></td>
</tr>
<tr>
<td>Reasons for choosing Airbnb</td>
<td>“The price is cheap and I like to choose Airbnb.” (All participants)</td>
<td>Price, crowded group, occupancy rate of hotels, long stay accommodations, desire to see historical and natural beauties, sense of freedom, home benefit are motivator for Airbnb.</td>
</tr>
<tr>
<td></td>
<td>“We are crowded group, we founds, it is suitable to make an economical stay.” (Muserref)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“I choose Airbnb so “It was full of hotels in the area”. But We will come again Airbnb.” (Ibrahim).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“I prepared it because I can use all room in flat and kitchen. I cook my meal.” (Bahadir)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Gokmen stated that he had to make a long stay in order to see all the historical and natural beauties of Canakkale and to get to know his culture and he thought that the most suitable accommodation type would be with Airbnb. He said that because of his accommodation with Airbnb, the costs were reduced and they could explore the beauties of the region more freely.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Thanks to Airbnb, I take advantage of home facilities. For example, I can cook.” (Aleyna)</td>
<td></td>
</tr>
</tbody>
</table>

Conclusions

In addition, all participants stated that they will stay at Airbnb again on their next holiday. It is concluded that there is a parallel relationship between his thoughts about Airbnb and the reasons for choosing Airbnb. Price, comfortable, reliability, sense of freedom, desire to see historical and natural beauties, home benefit are motivator factor for Airbnb Canakkale consumers to choose Airbnb. In their study, Gong and Zheng (2018) concluded that price, trust and enjoyment were the most important motivational factors for Chinese customers to choose Airbnb. So et. Al. (2018) reported distrust as a significant constrain factor to American and Canadian consumers. In different, This study has been found trust significantly motivate Canakkale consumers’ attitude toward choose Airbnb. Considering price, comfortable, trust and reliability play the most significant role to motivate Canakkale consumers to use Airbnb.

Airbnb’s first goal was to offer cheaper accommodation and an opportunity to get to know local cultures. Today, an alternative to traditional accommodation, Airbnb has become a reservation system for commercial purposes for people who want to rent their homes or rooms. Besides, it is
a good alternative for people who want to stay for less, to be free, to find the opportunity to cook at home.

**Limitation and Future Research**

This study was conducted with people who stay with Airbnb in Canakkale. It also conducted similar studies from different Provinces Turkey can be reached at the thought of using the Airbnb system in Turkey. In addition, a quantitative study can be conducted by examining the quantitative studies conducted for guests using Airbnb.

**References**


Part 10: Human Resource Management
The Relationship Between Tourist Profile and Job Satisfaction in Accommodation Enterprises: The Case of Beyoğlu

Kivanc Inelmen and Oyku Ozturk
Department of Tourism Administration
Bogazici University, Turkey

Abstract

Turkey has been subject to an international wave of terror and internal political crises that resulted in a change of foreign tourism demand compared with the previous years. The visitor profile shifted from the predominantly European to mostly Middle Eastern tourists, thus posing some challenges to the hotels in Istanbul and their employees. The main purpose of this research was to investigate the effect of nationality-based tourist profile change on non-managerial employees’ job satisfaction in recent years in the context of Istanbul. Through interviews of 10 hotel managers and contend analysis of this data a qualitative investigation was realized that provided the job satisfaction facets of in the “Additional Payments” and “Benefits” and “Contingent Rewards” have experienced a significant decrease. This could be considered a warning sign for managers at all levels, as these facets are important for the hotel employees’ job satisfaction levels. On the basis of the interviews, it was concluded that two outcomes of the guest profile change that influence the employees most were increased workload and decrease in the additional payments, among others. This issue needs to be tackled for the competitiveness of the sector and may well require crisis management. As guest and employee relationships are very important, any discord in this relationship can affect the overall success of the tourism industry and also the organizations within. Thus, it could be suggested that the results of this study can be valuable both for policy makers and managers alike.

Keywords: non-managerial employees, job satisfaction, tourist profile change, Istanbul

Introduction

The latest wave of globalization has accompanied by an increase in ease and speed of transportation opportunities, and tourism industry has developed rapidly to become one of the most important sources of economic development and employment across the globe (Crouch and Ritchie, 1999). Similarly, tourism has become one of the leading industries and one of the drivers for economic development in Turkey after 1980s with government incentives and with the quick expansion in the market (Bahar, 2006). According to the World Tourism Organization (UNWTO, 2018), with 37.6 million visitors, Turkey was the world 8th most visited country in 2014 and the share of tourism revenues in its GDP has increased steadily over a 5-year period starting with 2010. However, parallel to tourism being an industry that is easily affected by external factors, in 2015 Turkey had to endure these effects’ impact on foreign tourist arrivals and loss in GDP. When we look at the tourism statistics, Turkey experienced 6.2% loss in 2015, and around 30% decline in 2016 in visitor arrivals, followed by an modest increase of 3.1% in 2017 (tursab.org.tr, 2019). This decline was mainly due to the fact that Turkey has been subject to an international wave of terror and internal political crises that resulted in this trend in foreign tourism demand compared with the previous years (Culture and Tourism Ministry, 2017).
Following these political conditions and events, there have been remarkable changes in the tourism industry of Turkey, especially in the visitors' profile. It would not be an exaggeration to claim that Istanbul is the city that has the highest potential for foreign visitors in Turkey. But, the fluctuations in the number of foreign visitors influence Istanbul the most. According to Istanbul Tourism Statistics (Turizm Istatistikleri, 2019), the number of foreign visitors in Istanbul was 12 million in 2015, this number of visitors was determined to be about 9 million in 2016. In addition to this, it was possible to observe that there were changes in the top ten countries where sending visitors to Turkey. Tourism statistics (Turizm Istatistikleri, 2015) show that the top three countries sending the most visitors to Turkey were Germany, Iran, and U.S.A. Along with the international wave of terror and political crises during the period, and the tourism policies pursued, Saudi Arabia rose to the third place in 2016, whereas Western tourists lost their prevalence. Except for minor changes, this situation has remained the same during the following years of 2017 and 2018. With this, the visitor profile began to shift from the predominantly European to mostly Middle Eastern tourists, thus posing some challenges to the hotels in Istanbul and their employees.

This change in the international tourists’ nationality based profile was one of the starting points of our study. It was observable that the effect of this change was remarkable, especially on accommodation sector employees who interact with guests directly. According to Dann (1993) nationality is but one variable that should be considered in predicting variation in tourist behavior and tourist behavior is perceived to differ by nationality (Pizam and Sussmann, 1995). It is inevitable that the exposure of employees to such a change may cause certain effects in the accommodation sector. The encounters between guest and employees are very important and also very fragile, since differing cultural norms and values can create misunderstandings (Cushner and Brislin, 1996). When we look at the employee and sector’s success together, job satisfaction stands out as an important topic that has been focused extensively in the literature. The aforementioned changes resulted in sort of a cultural shock due to this nationality based profile change, and it was deemed to affect the employees’ job satisfaction. It is important because workplaces are more productive when people are happy with their work and happy employees have higher level of job satisfaction since they feel comfortable with organization (Ketchain, 2003). It could be argued that if the hotel management does not take required actions, the decrease in the success of the enterprises will be inevitable. If this observed change and its effects were indeed the case, the hotel managers should be made fully aware of the problems and take the necessary actions, ensure the economic and social sustainability of the organization. Due to its potential importance for the accommodation sector in Istanbul, we determined to take this issue under investigation.

Methods

The main purpose of this research was to investigate the effect of nationality-based tourist profile change on non-managerial employees’ job satisfaction in recent years in the context of Beyoglu, Istanbul. Beyoglu has been chosen as the main data collection sight due to its tourist density, location and recent media news related to topic. The primary data collection of the present research was designed as a two-part qualitative study, which consisted of the preliminary and main phases of the research. For this study the viewpoint of hotel managers, who were able to provide comparative information about before and after the year 2015 that was designated as a turning point, were sought. The preliminary research was conducted for the hospitality sector that consists of both restaurants and accommodation enterprises. Five restaurants and hotels were chosen by convenience, as they were deemed to be within the scope of this research. After this phase of the
study, we decided to concentrate on the accommodation enterprises due to the reported differences between the restaurants and hotels. In a nutshell, we have observed that the hotel managers consistently reported that especially their frontline employees were seriously affected by the alternation from the predominantly European-American to the Middle Eastern profile. In contrast, according to the restaurant managers, their employees did not feel such a drastic change, as their encounters with this profile were limited.

For the main study, we predicated on Spector's Job Descriptive Index (JDI) to measure job satisfaction, since this framework is used widely to measure job satisfaction comprehensively, focusing on nine facets. And also it is generally used for specific industries such as tourism and has been implemented in various countries successfully that have similarity with Turkey in economic context. Considering findings of preliminary research, the course of the study and the characteristics of the sector, the factors were determined as “Pay”, “Promotion”, “Contingent Rewards” and “Benefits” which can be affected by visitor profile and external issues directly. In addition to this, again as a result of our interviews, we realized that several concepts which are related to job satisfaction were repeated many times during preliminary research. Therefore, the factors have reshaped based on our observations and preliminary research and we added “Additional Payment,” which is a very critical in the income of front-line employees, “Workload” caused by visitor profile, and Attitudes of Visitors and Managers. The interviews were designed based on these facets we have mentioned. In the main study, 10 hotel managers were interviewed. The managers were sampled by snowball method. Interviews were conducted in the format of approximately 90-minute face to face meetings, where primary data for this study was collected. As a result of the data collection, we obtained our findings through content analysis and ethnographic summary methods.

Findings

In the present research, the findings were quite remarkable. The interviewed managers has experience in Beyoglu region for at least 7 years, so they could provide us with the necessary background, and comparative historic information about the situation that emerged after the change in the nationality based tourist profile in the destination. First of all, ten in ten hotel managers agree with profile change from Europe to Middle East. Moreover, managers correlate this change with several different reasons, which are economic, politics, safety issues, religion, promotion and marketing, and finally culture according to the results of our content analysis (see Table 1).

<table>
<thead>
<tr>
<th>Profile Change Reason</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Reasons</td>
<td>6</td>
</tr>
<tr>
<td>Politics</td>
<td>6</td>
</tr>
<tr>
<td>Safety Issues</td>
<td>3</td>
</tr>
<tr>
<td>Religion</td>
<td>3</td>
</tr>
<tr>
<td>Promotion and Marketing</td>
<td>2</td>
</tr>
<tr>
<td>Culture</td>
<td>2</td>
</tr>
</tbody>
</table>

According to the information that is gathered from managers about the turnover rate, there is no obvious relationship between the turnover rate and tourist profile change. Nine of 10 interviewees stated that the turnover rates in their hotels were low and they could be referred to reasons as
economic conditions and seasonality. Interestingly, when we wanted to talk about the turnover rate, most managers pointed to housekeeping (HK) because they associate housekeeping employees' low levels of education and their quick turnover due to small wage differences.

“Departments like housekeeping, where salaries are not too high, can leave for small salary increases. Profile change has no effect.”

However, some operational differences in hotels may vary according to the needs and habits of the visitor profile. For this reason, we have added probing questions about whether there is an operational difference due to profile change to our interview. It emerged in the content analysis that the most common operational changes resulting from these interviews were about the issue of adaptation, such as the addition of new items to their services and the reorganization of some hotel rules according to the habits and needs of the new profile (see Table 2).

Table 2. Operational Differences Due to the Profile Change

<table>
<thead>
<tr>
<th>Operational Difference</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in workload of HK</td>
<td>4</td>
</tr>
<tr>
<td>Employee Trainee</td>
<td>3</td>
</tr>
<tr>
<td>Extra employee in HK</td>
<td>2</td>
</tr>
<tr>
<td>Arabic Speaking Employee</td>
<td>2</td>
</tr>
<tr>
<td>New menu items</td>
<td>2</td>
</tr>
<tr>
<td>New room service items</td>
<td>2</td>
</tr>
<tr>
<td>Increased security measures</td>
<td>1</td>
</tr>
<tr>
<td>Increased in payment of HK</td>
<td>1</td>
</tr>
<tr>
<td>New warning signs</td>
<td>1</td>
</tr>
<tr>
<td>Change in language</td>
<td>1</td>
</tr>
</tbody>
</table>

When it comes to pay and additional payment issues, in these hotel managers’ opinion, there is an increase in salaries irrelevant to the guest profile. Salary is nonetheless an important factor in job satisfaction during other periods. However, it should be noted that these increases in payment are not adequate for employees because of the increase in inflation and the accompanying recession in Turkey’s economy during the same period. On the other hand, according to interviewees:

“The most important part of the tourism employees’ income is the tip and additional payments.”

However, eight in 10 managers also stated that there is a decrease in additional payment and underlying reasons of this situation is the profile change and they associated decrease in additional income with consumer habits. And the new dominant profile consumer habits are mostly tends to consume outside, not to spend at the hotel. They also stated that the guests from the new profile were not inclined to tip and do not frequently use additional income services such as restaurant or room service, as can be seen in the statement below:

“This destination is very rich in food and beverage sector, restaurant and room service does not service much, which means a decrease in additional payments.”

In the context of benefits and contingent rewards, six managers indicated that there was a decline, and the shown reason for this was the economic recession. However, the chain hotels have given more priority to these benefits and rewards than others, but in general there is a decline which is irrelevant to the visitors profile change. According to an interviewee:
“We didn't fire our employees in times of economic hardship, when many hotels were shrinking. The most important reason for this is the fact that we have a strong company behind us, and we have not changed anything that we provide to our employees.’’

Promotion is another facet related to job satisfaction in a positive way. Surprisingly, there is an increase in promotional opportunities according to six managers. Regardless of the profile change, managers expressed that they want to keep the qualified employees by increasing promotion opportunities since they need them, especially during the crisis period.

“It was difficult to find new employees because there were no qualified ones in the sector. Therefore, we had to increase the promotion opportunities for our employees.”

The workload was an interesting concept that came up as a surprise in the preliminary research, and all the managers pointed to this, when the topic is nationality based profile change in Istanbul. Therefore, it takes a place as a facet in the study. All interviewed managers confirmed an increase in their workload and stated that this was directly proportional to the new profile. The habits of the new predominantly Middle Eastern guest profile, family structures and crowded travel styles were also cited as reasons. In addition, the departments that are most affected by the workload were housekeeping and frontline departments, like F&B that are frontline and thus have much interaction with the guests.

Moreover, the findings in regard to the perceived guests’ attitudes were quite remarkable, and in our opinion, it is worth sharing. In the interviews, almost all of the ten hotel managers evaluated this new predominantly Middle Eastern profile in a pretty negative way. In contrast, generally there were almost no complaints about other European, American and Asian tourists and also the managers expressed that communicating with American and European tourists is easier for the frontline employees. As a manager puts it:

“European and American tourists do not see you as a servant, appreciate your service through a tip and always thank.”

As it is mentioned above, in nine out of 10 interviews we have conducted, the comments contained some biases against the new tourist profile. The most frequently and repeated answers are summarized in Table 3. When managers compare the new tourist profile with others, they also highlighted some of the guests’ from the new profiles having certain attitudes towards their employees. The perceived attitudes of these guests were frequently mentioned by the interviewed hotel managers:

Table 3. Perceived Attitudes

<table>
<thead>
<tr>
<th>Perception</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Demanding Attitude</td>
<td>5</td>
</tr>
<tr>
<td>See as a Servant</td>
<td>4</td>
</tr>
<tr>
<td>High Complaint Attitude</td>
<td>3</td>
</tr>
<tr>
<td>High Problem Potential</td>
<td>3</td>
</tr>
<tr>
<td>Sexual Harassment</td>
<td>3</td>
</tr>
<tr>
<td>Mandatory Attitude</td>
<td>2</td>
</tr>
<tr>
<td>Accusing Attitude</td>
<td>2</td>
</tr>
<tr>
<td>Not Appreciative Attitude</td>
<td>2</td>
</tr>
<tr>
<td>Aggressive Attitude</td>
<td>2</td>
</tr>
</tbody>
</table>
In the case of the managers, we see that all of them are aware of the profile change. In the face of this change, their approach towards their employees could generally be interpreted in three ways: Supportive, High Tolerance or in a few cases Oppressive. It could be argued that all three of these approached have their impact on the employees’ job satisfaction. As one of the interviewees explains:

“During the crisis, hotel management should understand the hardship of their employees and it should try to increase their motivation.”

**Discussion and Conclusions**

In the present investigation, several important points have been identified. Firstly, shift from European countries to the Middle Eastern in guest profile is fully supported as it was ratified by all of the 10 hotel managers. This profile change means a need for cultural change in service and it is inevitable to accept that as some of the tourist behaviors that the service providers are familiar with have changed due to national characteristics. These differences can lead to conflicts and misunderstandings between employees and guests. It should be added that such drastic changes have the potential to adversely affect employees’ job satisfaction as well as motivations, and success of accommodation enterprises. The information gathered from the managers was parallel with the estimates that a change in the nationality of the visitor profile was reflected in the tourist behavior (Pizam and Sussmann, 1995) and these different and unfamiliar tourist behaviors are prone to cause problems between tourists and service providers (Cushner and Brislin, 1996).

Additionally, it was confirmed that some of the facets of job satisfaction were indeed related to profile change. We found that some facets that were handled changed positively and some negatively. As noted above, most of the managers expressed that there is a significant decrease in the “Additional Payment” and “Benefits” and “Contingent Rewards” which is important for the hotel employees’ job satisfaction levels. On the basis of the interviews, it can be concluded that only two of these factors were related to the guest profile: “workload” and “additional payments”. Although only these two factors seem to be directly related to guest profile change, hotel managements made many operational changes with the aim of adapting to this alternation. In addition, contrary to prediction, it was concluded that some facets are not related to profile change directly, such as “Turnover”, “Benefits”, “Contingent Rewards” and “Promotion”. Another point worth mentioning is that the hotel departments most affected by the change of visitor profile are referred to as frontline departments and especially housekeeping. This is very important since it can be a guide for managers to determine where to start a solution if they need to take an action. Since is remarkable that the housekeeping is dramatically affected by this change, it can be worthy to study this department in more detail.

Furthermore, it should be mentioned here, according to interviews, almost all of the 10 hotel managers evaluated this new predominantly Middle Eastern profile in a negative way. In fact, as the literature indicates, different cultures and unfamiliar tourist behavior can lead to misunderstandings and nervous communication between employees and tourists (Cushner and Brislin, 1996). Here, it is important to note that the expressions of managers and employees include strict comments and statements which point at prejudices and this can be topic of investigation in itself. However, guest and employee relationships are very important why any negative situation on this relationship affects the success of the sector and the organizations within. In other aspects
such conflicts and other negative situations can be seen as a major threat for the accommodation enterprises to reap economic benefits.

In conclusion, this alternation in tourism sector needs to be identified correctly and the operational structure of accommodation enterprises should be modified with the aim of increasing service quality. During this process, managers should take necessary actions to deal with all unfavorable conditions and both customer and employee satisfaction also should be taken into consideration by them. Otherwise, due to the mentioned negative effects job satisfaction and consequently productivity can well be destined to decrease (Ketchain, 2003) and these hospitality enterprises may not be able to ensure their economic sustainability. Also this situation would be incompatible with the side mission of tourism to establish peaceful bridges between different cultures.

In this context, these problems may require crisis management, and the results of this investigation could be remarkable for managers and policy makers to identify problems which are directly related to profile change and determining the action plans. However, in order to improve the structural regulations, it is necessary to conduct more comprehensive studies that include both tourism professionals and academicians. Due to time and resource constraints, the scope of the present study may be deemed insufficient for definitive conclusions. Although the managers, who were according to us in the best position to provide comparative information, through surveys directly with seasoned employees, future studies may deliver more comprehensive results.

Acknowledgements

The authors would like to acknowledge Merve Tanisik and Yagmur Bakkal’s contributions to an early phase of this study.

References

Assessing the Influence of Cultural Intelligence (CQ) of Project Manager on Team Performance: Study on Project Team Working Under the Umbrella of CPEC

Ahsan Tahir and Osman Khan
The Department of Business and Management
IQRA University, Pakistan

Abstract

Today’s global market is developing and intellectuals around the world are connecting to pursue idea to achieve meaningful innovation. Project success is driven by team performance however, team performance is impacted by culturally diverse conglomerate of various skilled individuals. Project manager operates in the capacity of team leader where he is responsible to coordinate with members to achieve a successful outcome. Since, team dynamics change due to cultural diversity hence, the aim of the research is to explore the impact of cultural intelligence of project manager on team performance. To investigate the relationship research has resorted to quantitative method to evaluate impact of cultural intelligence on team performance. The population targeted for this research are project managers leading team to achieve project success under the umbrella of CPEC. The data was collected from the sample size of 30 team leaders to check the significance of cultural intelligence on team performance. Regression analysis was used to analyze the data by using SPSS software. The findings of the research show that there is a strong correlation and impact of cultural intelligence of project manager on team performance. It is recommended that a project manager leading project under CPEC must be high on cultural intelligence to ensure project are executed and culminated in an effective manner.

Keywords: cultural intelligence, team performance, project culture, project success

Introduction

The business environment has globalized to a degree where having a multi-cultural team is not a choice rather it is a part of the organizational framework. Hence, cultural intelligence is not a luxury recruitment skill rather a necessary factor to perform in an international setting. Moreover, the globalization in project operations has increased the competition by multiple degrees. The project aims to explore the international dimension of projects being initiated under CPEC. The mega projects in Pakistan have a strong representation of multicultural resources where dominantly Chinese and Sub-cultures of Pakistan combine to present a very dynamic environment. Projects being executed under the umbrella of CPEC are of strategic nature and any failure would translate into multi-billion dollars going to waste. The project will be assessing the cultural intelligence of Project Managers and would determine its influence on the team dynamics. Moreover, the goal of this research is to also determine many situations where cultural intelligence is counterproductive and under what conditions produce positive results for the team outcome.
Background & Rationale

Hunter, Neely Jr, and Gutworth (2017) discuss the creativity in global teams working on international projects, the argument presented is that multi-national teams are a necessary element for executing work in an organization to achieve success. Similarly, Cramton and Hinds (2014); Gibson, Huang, Kirkman, and Shapiro (2014) have also discussed implication of cultural component especially in a team environment in a business setting. This discussion determines that implications of cultural dimension in a business are true and undisputed. However, the project setting of any organization very dynamic and different presenting challenges in terms of time and cost.

Konanahalli et al. (2014, p. 423) discusses the imbalance of literature present on the aspect of globalized project teams moreover, author recognizes the fact that projects-based organizations are entering a phase of intensive internationalization. There are many aspects of the business that cannot be done effectively in one country. According to NTCP model the complexity of mega projects is highly intensive where cultural differentiation can hinder the outcome of the project and requires effective communication plan to manage. Many authors have highlighted that project success remains a key aspect for managing project outcomes and cultural differentiation and its management define the outcome for any organization (Kubicek, Bhanugopan, & O’Neill, 2017).

Problem Identification

The problem is identified through new reports and official reports that have highlighted the fact that negotiations are not effectively being executed in CPEC. Both cultures have a lot of differentiations hence communication being taking place is not fast paced. Moreover, the political structures are different which heightens the cultural dimension. This can be induced that similar problems will be experienced during the planning and execution phase of the project. Hence, the project aims to determine the capabilities of a project manager in terms of his/her cultural intelligence. Moreover, some scholars have debated that there is no relationship of cultural intelligence on actual performance of the team. However, there is a lack of empirical evidence to back the claim. Nevertheless, the project’s approach is to effectively explore situations that might yield no effect or a positive impact of cultural intelligence on the results of a multi-cultural team. Additionally, the project tries to provide empirical evidence to subside the lack of empirical evidence by exploring impact of cultural intelligence of Project Manager on the successful team performance.

Problem Statement

There is no satisfactory amount of literature presenting arguments or verified reasons explaining the notion why cultural intelligence does not yield effective performance results within a team setting nor when can it produce effective results. Moreover, there is no empirical evidence supporting the claims. The second area of problem is to understand the impact of cultural intelligence of leader (Project Manager) on project team performance. Many international project recruiters are considering giving high weightage to cultural intelligence in a project manager. Their focus is not clearly directed as lack of evidence supporting the hypothesis. Hence, the project aims to explore the impact of the cultural intelligence of project manager on the project team performance.
**Research Objectives**

The objectives of the research are given below:

- To determine how cultural intelligence of project manager impact project team outcome.
- To empirically map relation of cultural intelligence of project manager with project team performance.
- To assess impact of cultural intelligence of project manager with project team performance.

**Research Question**

The research questions of the research are as follows:

- How cultural intelligence of project manager impact on project team environment?
- What is the impact of cultural intelligence of project manager on project team environment?

**Project Significance**

The results of the project will help Pakistani policy makers to decide on if cultural intelligence can be considered a key aspect of defining success in project team environment. The results of the study will also determine scenario-based implications of cultural intelligence of project manager on project team outcome. Which would allow designing of training manual that would-be scenario specific. This would empower project managers across the country to better utilize their cultural intelligence to achieve desired results. Moreover, the research would contribute to the academic knowledge by defining situations in which if cultural intelligence utilized would produce result. These scenarios would provide further avenues for testing for confirmation.

**Literature Review**

**Cultural Intelligence**

Ang et al. (2007) has presented Cultural Intelligence as a core aspect to improve individual competence. This can be measured using cognitive which is a competence based measure that would be utilized to assess project managers knowledge regarding the norms, practices, and conventions used in diverse cultural setting where these processes are adopted or learnt via educational process and through personal experiences. Van Dyne, Ang, and Koh (2008) adds that it also includes the knowledge regarding the legal system, social fabrics, and their value system.

Motivational Cultural Intelligence represents capability of an individual to direct his/her attention and energy towards efforts to learn regarding the situational culture of culturally diverse group. High score on this parameter proves that individual is confident in their abilities to manage cross cultural interactions. Moreover, this represents high level of self-efficacy (Ng & Earley, 2006).

Finally, the research will measure the cultural intelligence on the behavioural aspect where it determines the verbal and nonverbal aspect of the communication initiated by the individual during their interaction with different cultures (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011). This
determines if they use appropriate tone coupled with gestures and facial expressions to get the message across.

**The Effects of CQ on Team Performance**

The proponents of incremental effects of cultural diversity are of the view that having greater diversity results in greater number of ideas, which leads to more effective problem solving. This makes its focus on the belief that team diversity creates such benefits that create greater performance on tasks which require creativity (Ang & Van Dyne, 2015). There is a presence of different levels of personal experiences which contribute towards different perspectives of a task at hand. They are better equipped as compared to homogenous groups having more non-redundant cognitive resources (Ott & Michailova, 2018).

According to Peng, Van Dyne, and Oh (2015) Social Identity Theory (SIT) on the other hand has its own claims, according to this theory demographic diversity leads to hindering supportive team processes for e.g. communication flow, cohesiveness, intra-group trust. Homogenous work groups have more inherent capability of working more smoothly with higher quality relations among its team members. SIT is of the opinion that teams which are culturally diverse are more fragmented which don’t give the requisite amount of performance, especially during the early conception of the team.

It is necessary to look into the mechanisms which enable the team members help translate their differences enabling them to get a performance advantage, cultural diversity alone is not sufficient to bring about a superior team performance. There are several factors falling under the cross-cultural capital which affect the performance of teams (Mao & Shen, 2015). It is argued that cultural intelligence is one of the factors which enables individuals to feel more at home with each other enabling them to operate better in a culturally diverse situation. Teams with a higher cultural intelligence will perform better accepting each other’s cultural differences and utilizing them to maximize their output (Chua, 2018).

CQ is a form intelligence which helps managers determine how the team will grasp each other’s culturally diverse situation (Mathew & Javalgi, 2018). It is a multi-dimensional construct which follows the framework proposed by Sternberg in 1986. He proposed four different aspects of intelligence i.e. metacognition, cognition, motivation and behavioral capabilities. Individuals who have a higher score on cognitive CQ are more equipped to analyze the effects of Cultural intelligence on a team’s creativity and overall performance (Buehler, 2018). They make accurate interpretations about how the group will operate. Similarly, metacognitive CQ helps people determine things which are on a higher order of cognitive processes.

They are better equipped to organize and comprehend cultural knowledge. This enables the team members to be aware of what people of different cultures prefer and what are their intentions during cross cultural interactions (Barakat, Lorenz, Ramsey, & Cretoiu, 2015). While motivational CQ helps determine an individual’s ability to sustain functional features in different environments, this is the inherent ability to initiate, maintain, sustain a continuous learning. Behavioral CQ helps determine an individual’s ability to use the proper verbal and nonverbal communication when interacting with people from diverse cultures (Presbitero & Toledano, 2018). The four dimensions are different from each other in their qualitative perspectives and each one of them contributes in
its own way to conjure up the cultural interaction needed to maximize a team’s performance. The four dimensions are considered to be independent of each other but in some cases, they tend to be positively and moderately correlated.

Methods

The research philosophy following foundationalism ontology and positivist epistemology is guided to choose quantitative as its methodological position. The nature of query under discussion was to explore to evaluate impact of cultural intelligence of project manager on project team performance. The query guides the researcher to explore experiences of project managers where they were required to use culturally intelligent decision making to produce the right results or when did they felt cultural intelligence has not contributed in their quest to enable team synergy and improve their performance.

Research Design

To successfully answer the research questions the project will utilize quantitative research method as the research design. The 1st phase of the study is qualitative this approach is effective in determining the experiences of project manager and team in regard to use/application of concepts of cultural intelligence to improve team performance. The empirical data would explain if they were successful in utilizing to gain a successful outcome.

Measures

Cognitive Cultural Intelligence is a competence based measure that would be utilized to assess project managers knowledge regarding the norms, practices, and conventions used in diverse cultural setting where these processes are adopted or leant via educational process and through personal experiences (Ang et al., 2007). It also includes the knowledge regarding the legal system, social fabrics, and their value system (Van Dyne et al., 2008).

Motivational Cultural Intelligence represents capability of an individual to direct his/her attention and energy towards efforts to learn regarding the situational culture of culturally diverse group. High score on this parameter proves that individual is confident in their abilities to manage cross cultural interactions. Moreover, this represents high level of self-efficacy (Ng & Earley, 2006).

Finally, the research will measure the cultural intelligence on the behavioral aspect where it determines the verbal and nonverbal aspect of the communication initiated by the individual during their interaction with different cultures (Rockstuhl et al., 2011). This determines if they use appropriate tone coupled with gestures and facial expressions to get the message across.

Sample

The population of the research was all the project managers and team operating on the project under the umbrella of team performance. The population of the study are the project managers or the individuals working as team leaders in projects initiated under CPEC domain. The population has been known by making inquiries from CPEC excellence center. The sample will be selected using simple random sampling technique the size of the sample is 30 and it will be increased as the study progresses.
**Data Collection**

The qualitative study will be carried out by using survey questionnaire where open-ended questions will ask to determine experiences of the project managers in utilization of cultural intelligence in managing teams and reaping positive outcomes. The quantitative questionnaire will have closed-ended questions that has quantified cultural intelligence and team performance on 5 Likert Scale.

**Data Analysis**

The analysis of the data is undertaken by apply OLS linear regression to understand the if the impact of the cultural intelligence on team performance. The t-statistics has been used to gain the beta values and also assumptions have been tested to ensure all the results are within parametric domain.

**Findings**

**Demographic Analysis**

The demographic analysis was conducted with the help of 30 respondents. The questionnaire consists of four demographic factors which include gender, age, profession, marital status. The further explanation of these demographic factors is discussed below by using frequency tables and pie charts.

<table>
<thead>
<tr>
<th>Table 13. Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Male</td>
<td>20</td>
<td>66.7</td>
</tr>
<tr>
<td>Female</td>
<td>10</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Figure 6. Gender**

In this research a survey was conducted to observe the influence CQ has on Team Performance. For this purpose, total 50 questionnaires were sent to the managers within CPEC excellence center, Pakistan, out of which only 30 were correctly filled. The sample composed of 10 females and 20 males.
Table 14. Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>20-25</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>26-30</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>31-35</td>
<td>12</td>
<td>40.0</td>
</tr>
<tr>
<td>36-40</td>
<td>10</td>
<td>33.3</td>
</tr>
<tr>
<td>41-45</td>
<td>2</td>
<td>6.7</td>
</tr>
<tr>
<td>46-50</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>51-55</td>
<td>1</td>
<td>3.3</td>
</tr>
</tbody>
</table>

For this study out of 30 respondents 1 lie between 20-25, 3 lies between 26-30, 12 lies between 31-35, 10 lies between 36-40, 2 lies between 41-45, 1 lie between 46-50 and 1 lie between 51 and above. In this survey most of the respondents 40% lies in the age group of 31-35.

Reliability Analysis

According to Danes and Mann (1984) Cronbach’s Alpha co-efficient measures the internal consistency of the instrument to check the reliability. Cronbach’s co-efficient is widely used in the research studies to set the reliability of the instruments. The value of Cronbach’s alpha above 0.6 is acceptable. The following table no.1 shows the reliability analysis.

Table 15. Reliability of Cultural Intelligence

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.875</td>
<td>20</td>
</tr>
</tbody>
</table>

For the reliability of data, the value of Cronbach’s Alpha should be greater than 0.6, the result of the reliability table has shown that the Cronbach’s Alpha value of cultural intelligence is 0.875>0.6. The value is acceptable and significant.

Table 16. Reliability of Team Performance

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.891</td>
<td>20</td>
</tr>
</tbody>
</table>

The result of the reliability table has shown that the Cronbach’s Alpha value of Team Performance is 0.891>0.6. The value is acceptable and significant. The estimated Cronbach’s for the constructs were 0.875 and 0.891 shows the reliability of scale; means all the items are consistent (greater than 0.6) so it means the instrument that is used for survey of analysis is reliable. All variable reliability analysis is acceptable.

Normality Analysis

Normality test is to check the normal distribution of data. According to Kline (2011) to check the normality of data, Skewness and Kurtosis values are required to lie within series of ±1 and ±3 respectively.
Table 17. Normality Tests

<table>
<thead>
<tr>
<th></th>
<th>Skewness</th>
<th></th>
<th>Kurtosis</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Std. Error</td>
<td>Statistic</td>
<td>Std. Error</td>
</tr>
<tr>
<td>TP</td>
<td>-0.084</td>
<td>.427</td>
<td>0.282</td>
<td>.833</td>
</tr>
<tr>
<td>CQ</td>
<td>0.142</td>
<td>.427</td>
<td>-0.737</td>
<td>.833</td>
</tr>
</tbody>
</table>

The table no.6 shows the results of normality analysis, the values of skewness and kurtosis of the observed variables lie between ±1 and ±3 respectively which describes that data is normally distributed.

Descriptive Statistics

In quantitative research descriptive analysis is used to describe the main features of data collected. It summarizes the data collected from respondents through questionnaire in quantitative way. During the process of SPSS descriptive analysis used in all the data in order to measure descriptive statistics. Descriptive analysis is used to evaluate the nature of all the responses.

Table 18. Descriptive Analysis

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>TP</td>
<td>4.0717</td>
<td>.39143</td>
<td>30</td>
</tr>
<tr>
<td>CQ</td>
<td>3.6900</td>
<td>.43518</td>
<td>30</td>
</tr>
</tbody>
</table>

The following table no.7 shows the agreement of respondents with variables of study. The descriptive statistics gives the general detail and conclusion related to the number of sample size and the examination which is developed in relation to the data. For example, sample size N=30, mean Value statistic and standard deviation related to the data. The term means relates to the averages; that is measured by the addition of all considerable numbers and after that this aggregate sum is divided by the total number of items. The term standard deviation can be described as; it is the average point by which numbers deviate from the mean value. In simple words, we can say that the descriptive statistics shows a large amount of information in the organized, systematic and proper way. The mean value of Team performance is 4.0717 and value of standard deviation is .39143. The mean value of cultural intelligence is 3.6900 and value of standard deviation is .43518. The number of small values reveals the fact that the value of numbers covers favorable influence between the variables and on the other hand the large number of values displays the fact that relationship between the variable is reverse. It means the number consists of unfavorable effect.

Correlation Analysis

According to Pallant (2005) correlation analysis is used to describe the strength of relationship between variables. Pearson correlation value ranges from -1 to +1 and it is represented as r. if the value of r=0 it means there is no relationship between two variables. Pearson correlation analysis shows the direction of the relationship between two variables whether it is positive or negative. The positive r shows that there is a positive relationship between variable which means that increase or decrease in one variable will cause increase or decrease in the other variable. The negative r shows that there is a negative relationship between two variables and decrease in one variable will result in to increase in other variable and vice versa.
Table 19. Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>TL</th>
<th>CQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>CQ</td>
<td>.441</td>
<td>1.000</td>
</tr>
<tr>
<td>CQ</td>
<td>.007</td>
<td>.007</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

The following table indicates that in this study of CPEC organization the positive relationship among the variables. In correlation matrix this research shows that Team Performance has a positive relationship with cultural intelligence ($r=.007$). The correlation table shows that all the variables are positively correlated, the positive correlation is found.

**Regression Analysis**

Linear regression analysis was conducted to determine the relationship between independent variable (cultural intelligence) and dependent variable (Team Performance) and the regression analysis basically determines that how much an independent variable brings change in to dependent variable and also identifies the positivity or negativity of the relationship between dependent and independent variables. In this section hypothesis are tested with the help of regression analysis (Baron & Kenny, 1986).

Table 20. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.608</td>
<td>.567</td>
<td>4.601</td>
<td>.000</td>
</tr>
<tr>
<td>CQ</td>
<td>.397</td>
<td>.153</td>
<td>.441</td>
<td>2.601</td>
</tr>
</tbody>
</table>

Note. a. Dependent Variable: TL

The result supported that there is a regression between cultural intelligence and Team Performance. The beta value represents the change whether it is a positive or negative, t-value also shows the direct or inverse relationship. The table no.9 shows the beta value is .441 and t-value is 2.601. So, the relationship between cultural intelligence and Team Performance is positive. Beta value indicates that if there is one unit increase in cultural intelligence then it brings 44 percent change in Team Performance. Significant value of this relationship is .015 which indicates that this relation is significant ($p < .05$).

The correlation $r$ tells the strength of linear association between independent and dependent variable, on the other hand the R Square is also known as coefficient of determination and it is used to explain how much variability of one variable can be caused by its relationship to another variable. The coefficient of determination is the square of the correlation coefficient, which allows it to display the degree of linear correlation between two variables. R square is the square of correlation between two variables. R is always between -1 and 1. The R-squared value R 2 is always between 0 and 1. The adjusted R-square is a modified version of R2 for the number of predictors in a model.
The Durbin Watson is a test for autocorrelation in the regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4, value of 2.0 means that there is no autocorrelation. Values from zero to 2.0 indicate positive autocorrelation and values from 2.0 to 4.0 indicate negative autocorrelation.

**Table 21. Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.441a</td>
<td>.195</td>
<td>.166</td>
<td>.35752</td>
<td>1.731</td>
</tr>
</tbody>
</table>

*Note: a. Predictors: (Constant), CQ. b. Dependent Variable: TL.*

The value of R square .195 which means that cultural intelligence has explained 19 percent variance in Team Performance. The value of Durbin Watson is 1.731 which means there is a positive autocorrelation.

**Analysis of Variance**

Analysis of variance (ANOVA) is a collection of statistical models and their associated evaluation procedures such as the "variation" among and between groups, used to analyze the differences among group means in a sample. ANOVA was developed by statistician and evolutionary biologist Ronald Fisher.

**Table 11. Analysis of Variance (ANOVA)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.865</td>
<td>1</td>
<td>.865</td>
<td>6.764</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>3.579</td>
<td>28</td>
<td>.128</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4.443</td>
<td>29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: a. Dependent Variable: TL. b. Predictors: (Constant), CQ*

**Conclusions**

The purpose of this study is to investigate the relationship between cultural intelligence (CQ) and team performance. The study measures individual’s CQ to predict the performance of teams. This study and past studies have exhibited that Cultural Intelligence (CQ) plays an important role in the performance of teams. The data analysis results indicated that Cultural Intelligence (CQ) had positive impact on team performance which is in line with the findings of previous researchers.

Based on results of mean value (4.77 out of 7) concerning 20 questions to measure cultural intelligence (CQ), it indicates that project managers in general hold higher level of CQ. Since the hypothesis is accepted, it could be explained that project managers who are aware of other cultures knowledge, norms and values tend to impact positively on the performance of teams This result in is aligned with the study by Moon (2013) In other words, the higher the capacity they have to function in a diverse setting the more positive impact they have on performance of team.

In specific, CPEC Excellence Centre research project managers working in teams understand each other’s cultures, cultural backgrounds, and behave appropriately while interacting with each other. This develops mutual understanding between team members and minimizes the conflict ultimately enhances the performance of a team. According to Earley & Gardner (2005) a team with high CQ is more likely to observe interactions between team members and create influential team identities.
for team members which allows members of teams to mutually interact and enhance team performance. Furthermore, teams with high CQ gives more energy to help other team members to overcome difficulties in cultural-context.

This study is further supported by Groves and Feyerherm (2011) who have recommended that CQ is considered as leadership competency especially in a diverse team environment to positively affect the performance of teams. While this study does not focus on leadership CQ alone but all individuals CQ at team level that determines CQ to have a positive impact on team performance.

Since Cultural Intelligence (CQ) proves to be a significant contributing factor to a successful team performance, the managers and organizations should hold cultural programs, trainings and other related sessions to provide workforce with tools and guidance that can increase their CQ level within their respective teams. It will increase the harmony within the team and enhance the performance. This can be achieved by introducing regular learning programs. Cultural Intelligence would be helpful to individual team members and team leaders too. Similarly, by acquiring cultural intelligence (CQ) skill manager or a team leader maybe able to communicate and cope with team conflicts in a more effective way.

**Limitations**

Time limit is the main limitation of this research study. Data is collected from students working in research groups and most of the respondents show non-serious attitude towards questionnaire. Furthermore, data is collection from one department and one university. The size of sample is just 40 which is not sufficient to generalize for other parts of the country, regions or other countries.

**Future Research**

While conducting this study influence of team’s internal structure such as cultural intelligence of team leader, similarities and dissimilates or teams, level of diversity of the teams is not considered. It is therefore suggested that these aspects may be considered for the future research.

**References**


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The Roles of Job Satisfaction and Motivation on Employees' Intentions to Use Social Media for Businesses: Towards a Multilevel and Integrative Organizational Model

Francesca Di Virgilio¹, Monica Valderrama Santome², and Carlos Toural³

¹Departement of Economics
University of Molise, Italy

²Departamento de Comunicación Audiovisual y Publicidad
University of Vigo, Spain

³Departamento de Ciencias de la Comunicación
University of Santiago de Compostela, Spain

Abstract

Social media use within the workplace is widespread, a growing number of companies recognizes the significant role that social media play as a means of communication and as a driving force in creating new business opportunities. The purpose of this theoretical paper is to develop a multi-level and integrative model to explore whether job satisfaction exist simultaneously with extrinsic motivation and/or intrinsic motivation and positively affects on employees' intentions to use social media for businesses. The major goal of this paper is to provide a basic framework to the study of employees intention to use social media for businesses in a way that describes the reciprocal and multilevel nature of the process.

Keywords: social media, motivation, job satisfaction, TPB, job role, employment status

Introduction

Social media are dramatically changing the relationship among individuals, firms, and societies. A growing number of companies recognizes the significant role that social media play as a means of communication and as a driving force in creating new business opportunities, but a number of firms are slow in adopting social media as a strategy to leverage business opportunities (Kim & Ko, 2012; Sashi, 2012, Chang et al., 2015; Culnan et al., 2010; Wu, 2016; Hansen & Levin, 2016; Robertson & Kee, 2017; Di Virgilio, 2018a).

Taken together, the studies reviewed signal the increasing need to investigate social media within the workplace in the age of new technology. In particular, there is urgency for studies with a strong theoretical foundation that might offer a last in guidance within a phenomenon that evolves dramatically on a daily basis.

More specifically, the extant research on social media has been placing its focus on how large-size companies or incumbents adopt and use social media. Therefore, the literature has been dealing with the investigation of antecedents, moderators, mediators and outcomes of social media adoption, as well as its impacts on improving businesses. However, despite this research interest, the available literature has been criticized for lacking a bonding theory to organize the findings and guide future research. This study is an attempt to take on this challenging task. Hence, the
purpose of this paper is not breaking new grounds in social media literature. Rather, the major goal is to provide a basic framework to the study of employees intention to use social media for businesses in a way that describes the reciprocal and multilevel nature of the process.

By extending the findings of social connectedness from interpersonal use of social media to the workplace, the purpose of this paper is to develop a multi-level and integrative model to explore whether job satisfaction exist simultaneously with extrinsic motivation and/or intrinsic motivation and positively affects on employees' intentions to use social media for businesses (Miao et al., 2007; Hansen & Levin, 2016). This study describes an attempt to develop a multi-level and integrative model based on the theory of planned behavior (TPB) (Ajzen, 1991; Fishbein & Ajzen, 1975) in order to identify the underlying factors and conditions that drive employees to engage in social media at work for businesses. Inevitably multi-level in nature, the model demonstrates the interplay between organizational-level (job roles and employment statuses) and individual-level (motivation and job satisfaction) in influencing the outcomes of social activities. Job satisfaction and motivation have been broadly characterized as one of the more powerful predictors of human behavior, a key predictor of performance for practitioners and a crucial elements in creating theories of behavior for theorists. Thus, it is not surprising that motivation and job satisfaction appear in a variety of discipline journals, nor that business researchers and managers have great interest in understanding individuals' motivation and job satisfaction to use social media technologies on behalf of businesses.

However, to better understand the process and to be able to give actionable recommendations to both organizations and employees, a multi-level and integrative model of social media strategy for business opportunity based on the findings of both employee motivation and job satisfaction literatures is necessary.

In this scenario, we organized the paper in different parts. In the first part we make a contribution to the body of literature by examining components of theory of planned behavior, the functionalities of social media practice and user behavior at work. In the second part, we analyze a review of the variables which have been discussed in employee motivation and job satisfaction literatures will be presented with the goal of identifying key constructs that influence employee to use social media for businesses. Given the vast literature examining employee motivation and job satisfaction, this review will be selective with only the most relevant concepts being included. Second, utilizing these key variables and concepts, an integration of both literatures with the goal of generating a multi-level and integrative model will be attempted. Finally we identify eight directions which are the results of the literature review. We close the paper by discussing future research directions for this work.

Thanks to this research, we now have a good amount of information about the role of social media mechanisms for businesses, and as a useful guide to future research on social media innovation and social media strategy as a whole.
Conceptual Background

Components of Theory of Planned Behavior: Behavioral Intention and Behavioral Usage

The relationship between behavioral intention and behavioral usage is shaped by the theory of planned behavior (TPB). The theory of planned behavior (TPB) (Ajzen, 1991; Fishbein & Ajzen, 1975) posits that an individual's intention to engage in a behavior is shaped by his or her attitudes toward the behavior, the subjective norms and the perceived behavioral control; whereas his or her intentions and perceived behavioral control have an impact on actual behavior. The TPB has been used to explore the acceptance of computer and ICT technologies since the 1980s (Davis et al., 1989; Jiang et al., 2016; Kim, et al., 2016; Mou & Lin, 2015; Taylor & Todd, 1995). Cho et al. (2015) suggested that the TPB is useful for exploring the influence of social and psychological variables on users’ behavioral intention.

The general premise of the TPB is that an individual is more likely to adopt a behavior when he or she holds a favorable attitude towards it; he or she perceives what other individuals think about his or her behavior, with the result of taking more control over the expected barriers (Ajzen, 1991). According to the TPB (Ajzen, 1991; Fishbein & Ajzen, 1975), an individual’s attitude toward a particular behavior is one of the most significant predictors of an individual’s intention to engage in that behavior and as well as of his/her actual behavior. The attitude toward the behavior is defined as the degree to which the individual has a positive evaluation of the behavior in question. Fishbein and Ajzen (1975) identified two other important factors that affect behavioral intention: subjective norms that can be seen as the perceived social pressure on the individual to engage in a specific behavior; perceived behavioral control, which refers to the individual's perception of the ease of engaging in a behavior. In addition, an individual's behavioral intention and perceived behavioral control directly influence his or her actual behavior. Bai, Tang, Yang and Gong (2014) highlighted that subjective norms or perceived pressure from significant others have a great impact on an individual’s intention to make choices more freely. As stated above, attitude is a strong predictor of behavioral intention (Ajzen, 1991; Mou & Lin, 2015). Indeed we propose in our model that employee’s behavioral intention has a significant positive effect on behavioral usage of social media technology for businesses, and behavioral usage of social media technology has a significant positive effect on firm value creation.

Social Media Practice and User Behavior at Work

In the last years, several authors (Ngai et al., 2015; Di Virgilio, 2018a; Enders et al., 2008; Kietzman, et al., 2011) remarked how companies have paradigmatically changed the way they are organized and managed, as well as how they compete. The broad social media practice embeds a number of new tools and approaches that have the potential to support or enhance these strategic, organizational and managerial modifications (Ngai et al., 2015; Di Virgilio, 2018a), to innovate their business models and managerial practices (He et al., 2013; Luo et al., 2013, Ghezzi et al., 2016).

Treem and Leonardi (2012) present a comprehensive literature review of social media in organizations. They note that social media, like Facebook, lists the interests and hobbies of other workers. This provides an easy way for an individual to see who knows what in an organization. In fact, Treem and Leonardi support the use of social media for internal task-efficiency within
organizations. They advance the argument to support the available social media options for the purposes of visibility of tasks, work behavior, and the workflow of work-related activities. Leftheriotis and Giannakos (2014) note that social media may offer benefits to organizations by stimulating work performance. Sun and Shang (2014) maintain that companies should encourage employees to use social media for work-related tasks. In particular, intention to use social media appears to be amplified in the case of employees in marketing/sales versus diminished in the case of individuals in other departments, consistent with the idea that the customer-facing nature of some jobs impacts intention to use social media technologies for businesses (Agnihotri et al. 2012; Behringer & Sassenberg, 2015; Bharadwaj, 2000; Di Virgilio, 2018a,b). Wahlroos (2010) examines the role of benefits, costs, and experience with social media in relation to individual factors to share knowledge among employees using social media. Positive results can be achieved only through proper training and control of those users and employees who are in charge to use companies’ social media platforms or to gather customer related information (Kaplan & Haenlein, 2010; Martini, et al., 2013; Di Virgilio, 2018b, Di Virgilio & Antonelli, 2018). In particular employees communicate in social media and contribute to the company’s image and reputation (Julich, 2012). The external public perceives the employees as true ambassadors of the company and thus feedback takes on a major role in building its reputation (Badea, 2014).

In this study, we propose that part of the explanation why some employees use social media technology on behalf of the organization less than other employees could be their job role/focus, specifically regarding the difference in the “customer-facing” nature of their jobs (Robertson & Kee, 2017; Hansen & Levin, 2016). Engaging in discussion with consumers in social media on behalf of a business is inherently a marketing/sales activity. And while some may agree with the concept espoused by Peter Drucker that firms do two things innovation and marketing, the reality exists that goals and mentalities can differ across the organization's departments or within a company's strategic business units (e.g., Kahn & Mentzer, 1994). As stated by Dougherty (1992, p. 179), different departments can be viewed as “different thought worlds.” Indeed, we note that a common sample focus of the motivation model in business research is that of sales or marketing employees (Miao et al., 2007).

Thus, while a business may hope that all of its employees would equally engage in social media discussions about the organization, we posit that individuals in marketing and sales-related positions are more likely to act on intentions to engage in social media technology usage. Indeed, the marketing and sales employees might frequently use social media technology because they perceive an expectation to do so. That is, the technology would appear to be crucial to performing their jobs, perhaps even mandatory at times (Levin et al., 2012). Conversely, other employees might infrequently use social media technology because they perceive a lack of expectation to use it. In short, the technology is not crucial to performing their jobs. Finally, we propose that behavioral usage of social media can be influenced by several factors where employment status can be one of them. Communication researchers have addressed contractual obligation (or short-term employment) to an organization (Gossett, 2001), explaining that temporary or contract employees may identify with organizations differently, as compared to those with differing employment statuses. Taken together, these new inclinations about how workers are employed justifies the need to study employment status as a factor related to social media use for businesses.
**Employee Motivation to Use Social Media**

Motivation has been broadly characterized as one of the more powerful predictors of human behavior a key predictor of performance for practitioners and a crucial element in creating theories of behavior for theorists (Steers et al., 2004).

While most research studies and textbooks continue to treat motivation, a few studies have suggested a bi-dimensional construct comprised of extrinsic motivation and intrinsic motivation (Hansen & Levin, 2016). Extrinsic motivation refers to performing an activity as a means to an end; that is, to achieve a potentially desired outcome or reward. Outcomes and rewards can be tangible, such as a monetary bonus, certificate, prize, award, etc., or intangible such as a skill that is perceived to be useful or needed in the future or that improves one's social standing, etc. (Davis et al., 1992; Porter & Lawler, 1968; Vallerand et al., 1992).

Drawing on expectancy theory, as the individual's degree of extrinsic motivation increases, the individual's degree of value derived from the performance of the behavior should increase as mediated by the intention to perform the behavior and the actual performance of the behavior (Vroom, 1964). In short, extrinsic motivation should increase behavioral intention. Extant empirical business research finds a positive relationship between extrinsic motivation and behavioral intention (see, e.g., Hansen & Levin, 2010; Levin et al., 2012). Thus, we expect individuals with higher degrees of extrinsic motivation to be more likely to use social media technology on behalf of the businesses.

Intrinsic motivation refers to performing an activity for the inherent enjoyment, pleasure, or satisfaction derived from the activity (Davis et al., 1992; Levin et al., 2012; Vallerand et al., 1992). An individual with higher degrees of intrinsic motivation develops skills and knowledge through his or her personal volition, and such individuals enjoy performing activities without the presence of any extrinsic rewards or punishments (Hansen & Levin, 2010). Drawing on expectancy theory, as the individual's degree of intrinsic motivation increases, the individual's degree of value derived from the performance of the behavior should increase as mediated by the intention to perform the behavior and the actual performance of the behavior (Vroom, 1964).

Consistent with self-determination theory (Deci et al., 1989), intrinsic motivation is also expected to correspond positively with extrinsic motivation; this theorized relationship has been supported in prior research (Levin et al., 2012).

**Job Satisfaction at Work**

Job satisfaction is a frequently studied dependent variable in communication research in the workplace (Staw, 1984). Locke (1976) defines job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences” (p. 1297). Employees who are more satisfied with their daily work are more likely to help organizations reach their goals efficiently (Scott & Stephens, 2009). In other words, job satisfaction can reap positive benefits within workplace tasks, roles, and relationships. Organizational research has generally viewed job satisfaction as a variable that is created internally through workplace interactions, practices, routines, and policies.
Perhaps by allowing employees time to utilize social media for businesses, both during the workday as a break, and outside of work, job satisfaction may flourish.

**Theorized Model**

Considering the research literature we have constructed a theoretical multi-level and integrative model: to explore the relationship between individual level (extrinsic and intrinsic motivation, job satisfaction) and organizational level (job role and employment status) to use social media on behalf of businesses. There is also the assumption that time spent on social media during work is real work, making managers create policy that not prohibits social media use during work, to highlight potential positive outcomes of social media use at work.

In this section we outline the descriptions of our proposed logic, resulting in the theorized model illustrated in Fig. 1.

![Diagram of the theorized model](image-url)

**Figure 1.** The theoretical multi-level and integrative model: Summarizes the relationships among the identified variables.

The following propositions come from the following statements which are:

The TPB states that there is a direct effect on employees behavioral intention to use social media for businesses.

Extrinsic motivation has a significant positive effect on an employee's intention to use social media technologies on behalf of the business.

Intrinsic motivation has a significant positive effect on an employee's intention to use social media technology on behalf of the business.

The significant positive effect of behavioral intention on behavioral usage of social media is amplified (i.e., more positive) for employees who have marketing/sales job roles versus for employees who have other job roles.

Full time employees experience the highest degree of job satisfaction and they spend more time on social media compared to their non-full time counterparts.
Job satisfaction has a significant positive effect on an employee's intention to use social media technologies on behalf of the business.

Behavioral intention has a significant positive effect on behavioral usage of social media technology.

Behavioral usage of social media technology has a significant positive effect on perceived value creation.

In summary, we posit that employees more satisfied and motivated performing are more likely to intend to use the social media technology for the businesses.

**Conclusions and Future Research Directions**

Use of social media has become one of the most dominant tools for marketing and networking for firms operating in the business system. However, reviewing and synthesizing the literature indicate that there is a gap in the area of social media use behavior of firms in dealing with online networks to increase their performance. Social media technologies permit many opportunities for businesses to compete or fail in the market. It is important for employees to engage with customers in social media about the business. However, wanting employees to use social media does not equate to usage. Even behavioral intention does not always translate into behavioral usage of social media technologies on behalf of businesses by employees. Rather, it appears that the connection between intention and usage is amplified or diminished depending on the employee's job role, consistent with the idea that goals and mentalities differ across business departments and units (Hansen & Levin, 2016; Dougherty, 1992; Kahn & Mentzer, 1994). Thus, the practice of simply expecting employees across all departments to equally act on intentions given the same set of organizational policies (to encourage motivations) would appear to be ineffective. Also job satisfaction plays an important role in the formation of intention to use the social media on behalf of business.

Using the theory of planned behaviour, this paper provides an analytical framework to explore social media use, investigating the influence of group variables on our construct. Our study shows that there are some important potential applications of multilevel model in the study of social media strategy, with an outline of the major theoretical approaches to these applications. Practitioners can use this theoretical multilevel model to evaluate behaviour of employees and better target future social media interventions towards those groups most likely to benefit. These study open a new avenue of research on how social media policy implementation can take place through the interactive effect of firm value creation involvement in social media strategy.

The theoretical model that we propose will accomplish an important goal with respect to employee’s behavior. It introduces the mediation effect of motivation (extrinsic and intrinsic) and job satisfaction on the direct effect performed on the employees' behavioral intentions on behavioral use and it expands the area of effect to the social media platform.

In order to achieve an efficient, flexible and meaningful feeling of human-computer interaction, the main features to develop are the interactivity and the multimodality. The issue of how to effectively design and deploy social media strategy in this approach is most certainly an additional future research direction.
A future research direction can assess the model empirically by targeting a panel of employees in order to observe them on social media behavioral usage.

Future studies may also examine our model in different cultural contexts and generations, in which employees will have different job roles and employment statuses; it is possible that some employees may place higher values on some preferred networks because they better fit their needs. Finally, future studies, to investigate the relationships between social media (such as Facebook, LinkedIn) use and various organizational variables. Also, a more complex construct of time is organizational temporality, which can be measured to understand how employees experience time at work (e.g., urgency, pace, scarcity, nonlinearity). Last, scholars can take a qualitative approach to understand how coworkers use Facebook, beyond simply in terms of the amount of clock time. This will help us further grasp what social media interactions look like inside and outside the workplace. The model assumes unidirectional relationships among constructs, yet bidirectional linkages exist and need further investigation.

References


Part 11: Innovation & Entrepreneurship
Hospitality Infusion: Making Hospitals More Hospitable

Damien L. Duchamp, Christina Caruso, Tatyana Simmons, Claudia Velis, and Daisy Lau

Department of Hospitality and Tourism Management
St. Joseph’s College - Brooklyn, United States

Abstract

The guest experience begins from the moment they walk in and lasts until the moment they leave. The hospitality we find in a hotel and the methods they use to make a guest feel like they’re at home, can be applied to health care facilities for the betterment of patients and those that visit them. This ‘hospitality infusion’ plan is an overview of three phases: the Welcome, the Day-to-Day experience, and the Sendoff. Each plays a part in the overall guest experience. The plan is supported by research that illustrates how hospitality can be a healer. Best practices in hospitality can aid in the process of patient care, and the little things that go beyond health care can create a positive experience for all.

Keywords: hospital, medical, recovery, hospitality, healing, patient experience

Introduction

What is the purpose of hotels and resorts for travelers? What are the experiences of those who visit health care facilities? Each person has a personal story related to one of these questions. What do we really know about healing environments? When we think of one, what do we envision? When this question was asked of hospitality students, there was a clear disconnect with what they had experienced in hospitals. Words like ‘cold,’ ‘impersonal,’ and ‘uncaring’ were shared. Students were challenged to develop a plan for infusing what hotels do well into the health care environment - specifically hospitals. What should be the standard for hospitals around the world when delivering the patient experience? What are strategies for improving the guest experience - not just for patients, but also their friends and family members. Students focused on three phases of the guest experience; the Welcome, the Day-to-Day and the Sendoff.

Research

In order to properly develop the infusion plan, the class first looked for supporting research. In a 2002 OR Manager article the anonymous author suggested that when people are experiencing some type of stress that even a few minutes of exposure to nature is helpful. According to Ulrich “patients with the tree view had shorter postoperative hospital stays, had fewer negative evaluative comments from nurses, took fewer moderate and strong analgesic doses, and had slightly lower scores for minor postsurgical complications” (1984). This of course brings up the question of logistics, in that not every hospital has the benefit of adjacent nature.

The 2002 article provided more clues for the development of an infusion plan. From surveys of patient satisfaction, patients and families identified several areas for the plan to focus. The first was the responsiveness of the nursing staff. When the guest (either patient or family/friend) needs something, how soon are they getting it? They also referred to invasions of privacy. While not everyone can afford a private room in a hospital, what are or should be the standards for privacy?
Is a curtain enough? Patients and family equally stressed how important it is for support to be present; i.e. how easily can family and friends communicate with the patient, and how easily can they visit?

The research also spoke about the ‘brick and mortar’ realities of a hospital. While certainly there are facilities that are taking cues from hotels and other progressive living environments, many still follow the old playbook; square, flat, white, cold. Research suggests however that good design can actually be cost-effective if features are considered early in the design process. Douglas & Douglas stressed this point in a 2004 article; “the design of the built environment of the hospital can have a major effect on the degree of ‘social interaction’ that takes place.” The research also pointed to the vital link that exists between the environment and the organizational culture within a hospital; “patients perceived the built environment of the hospital as a supportive health environment.” In short, something as simple as giving a patient more to look at could potentially improve their condition.

Ulrich highlighted two other areas needing attention. He suggested giving greater priority to staff lounges because they “speak loudly about the respect the organization accords the staff.” He highlighted the importance for staff needing a place for privacy and rest, citing that the common practice is to have lounges that are “rudimentary and sterile.” If you know that your staff is going to need to rest somewhere on a regular basis, why not make it more appealing? Ulrich goes on to emphasize the need for spaces where one can recharge their batteries. He suggests the idea of a garden; “(it) doesn't have to be big, and it should be close by. More hospitals are creating gardens, but you have to keep it from becoming a smoker's refuge.” (1984).

The work by Ulrich has a lot to unpack as it pertains to the modern medical environment. Clouded by regulations and struggles for political control, the priority of improving the patient experience is likely not present. Ulrich says more on the subject:

Although the findings suggest that the natural scene had comparatively therapeutic influences, it should be recognized that the “built” view in this study was a comparatively monotonous one, a largely featureless brick wall. The conclusions cannot be extended to all built views, nor to other patient groups, such as long-term patients, who may suffer from low arousal or boredom rather than from the anxiety problems typically associated with surgeries. Perhaps to a chronically understimulated patient, a built view such as a lively city street might be more stimulating and hence more therapeutic than many natural views. These cautions notwithstanding, the results imply that hospital design and siting decisions should take into account the quality of patient window views. (1984)

Findings

Using their collective knowledge of the hotel environment, the class created a template for modern medical facilities, bridging the gap between research and practical application.

Welcome

The welcome is the most important part of any guest experience. The way you treat a guest as soon as they arrive at an establishment is the first impression on how their visit will be. It should be friendly, calm and fast; the welcome should be efficient and helpful from the very beginning. This may seem obvious for a hotel, but what about a hospital? Hospitals are an emotional place for many, and it can be overwhelming when one is told they will need to stay for a while. A health
care facility is not generally designed to feel like home. There are different ways we can welcome
the guest to alleviate their stress and create an environment that mimics hotel-like qualities. In an
interview with Dr. Roger Ulrich, he explains “we know so much about patient satisfaction, yet we
often create these “ambulatory surgery factories” that are the patient's typical introduction to the
local hospital.” He goes on to illustrate how important every experience is to the patient, including
the parking lot and access points to the hospital (OR, 2000). Are they clear? Is it easy to get in?
Why create stress before the patient and/or family/friends even get into the building?

Hospitals have a stigma of being uncomfortable and that they all look the same. Some people sit
in waiting rooms for hours, on stiff chairs, and with nothing but white walls to stare at. How can
we make them more comfortable and how can we take the stigma away? The use of colors in
different environments is a universal language we all understand in a subtle way. The use of colors
that promote happiness or calmness can change the energy of the waiting room or patient rooms.
This can be done by the way the walls are painted, the color of the furniture, rugs, curtains, even
the use of flowers around the lobby/waiting room can give a sense of comfort to the guests.

The smell of the lobby and patient rooms can use aromatherapy, which promotes stress relief and
helps guests feel calm. There should be more than one front desk so patients and their families
with different needs have more than one place to go. There should be an area for the families of
the patients to be able to get the things they would need if they have to stay overnight with the
patient. Family members may have a hectic night or day making sure their loved one is well. We
must make sure we aren’t caring just for the patient but also for those who visit them and - their
comfort as a guest is equally important.

Below is a list of actions that can be taken to better the needs of patient and guests upon arrival
and stay:

* Information/guest pass entrance
* Positive greeting when patients or guests arrive
* Offer free coffee, water, or other refreshments
* Designated areas for women to breastfeed babies
  • A waiting center with couches and coffee tables
  • Televisions
  • Restaurant/Diner
  • WiFi
  • Gift shop or “Bodega” that will sell snacks
  • Warm patient rooms with comfortable furniture for guests
* star signifies strategies that have little to no cost

Day-to-Day

The “day-to-day” experience while the patient is the hospital should feel relaxing and easy. The
hospital should be accommodating to patients and guests in ways similar to how hotels
accommodate their guests. They should seek to help the patient forget the stress of having to be in
a hospital regardless of their condition. The same goes for the guest(s) who have to be there with
their loved ones. How can we ensure that the patients are taken care of beyond their health care?
Some people stay for hours while others have to stay for weeks. There should be more to offer these individuals.

Below is a list of amenities that we can offer the patients and guests while they are staying at the hospital:

Food Options: (food options should be different for each patient and each case)

- Food Trucks
  - Themed days; i.e. Cultural Food Day, Taco Tuesday, Sunday Brunch
- Ice Cream

Activities:

- Rooftop garden
- Classes; e.g. Art, Yoga, Meditation, Gardening
- TV Options & Technology; e.g. Netflix, Hulu, Amazon Prime, iPads, Laptops
- Movie Theater
- Game room that features not only an arcade, but also good for games such as bingo
  - Group/therapy center
  - Center where patients can interact with patients from different wings
  - Religion hours
  - Wall space dedicated for patient art
- Day Care
- Spa

Pampering:

- Nails
- Hair
- Wigs/Scarfs

Amenities/Services:

- All languages available
- Better robes or cover ups
- Restaurants that give good quality food/healthy foods
- Food that is gluten free, vegan options
- Accessible bathrooms
- iPads should enable patients to ask for things or to know what activities are being held
- iPads can also communicate when doctors and nurses have their rounds
- iPads can centralize the meal experience; tracking allergies and preferences

Sendoff

Lastly, the sendoff is the absolute last impression the patient and guests will have of the hospital. It is the last chance to really offer them the complete experience of caring beyond just their health but how they’re treated as a person. If someone is in a hospital for weeks or months, there can be a bond that is made between a nurse or doctor. This person should be a part of the sendoff of the
patient. For the kids who are leaving maybe they can give them a custom teddy bear with a shirt that says “stay healthy” and holding a balloon. For a newborn, a balloon saying the gender of the baby should accompany the mother being pushed out in a wheelchair.

Administratively, there is always something that elongates the process of discharges in hospitals. People have to wait hours just to fill out simple paperwork that should not take so much time. One thing that can shorten this process is simplifying the paperwork and applying technology. By having an iPad in the room, the paperwork can be filled out pre-discharge. When it is complete it can be printed out or can be stored on a patient portal or drive.

Arrangements should be made to ensure the individual is taken care of regarding transportation from room to lobby, and lobby to wherever their destination is via car service. The same people that greeted them during their arrival can also be the ones to say “Goodbye!” It’s really important to make sure that patient really sees that they are respected and were cared for from beginning straight to the end.

Below is a list of things that can be offered to patients and guests on their way out of the hospital:

* A thank you card or balloons
* Someone to help access transportation home
* Doctors, nurses, and individuals who played a part in the recovery of a patient
* iPads used for a quicker way to discharge a patient

**Conclusion**

The research exists to support health care practitioners doing more in the area of patient experience. The funding is becoming more available, thanks in large part to budgets being tied to satisfaction scores. As outlined above, there are many things that can be done; small investment, huge impact. In the end, there is a basic question; if the patient experience is better, do they heal better and faster? While the exact answer still deserves exploration, there is enough evidence to suggest that enhancements to the environment can have a positive impact. A hospital doesn’t have to have a stigma, it doesn’t have to look like a hospital, it can feel like a home, a place where you’ll become better with your health and feel appreciated. Patients should feel like a person, one who can choose what they want to eat, watch what they want, or choose to take a class and be creative. Health care hospitality is on one hand the natural evolution of what has been done for years, and at the same time a return to its foundation.

**References**


Part 12: International Trade
The Effect of Recent Changes in Turkish Exchange Legislation on Operations of Foreign Trade and Accounting

Mehmet Melemen¹, Sezayi Dumanoglu², and Hanifi Ayboga²

¹Vocational School of Social Sciences Foreign Trade
²Vocational School of Social Sciences Accounting and Tax Applications
Marmara University, Turkey

Abstract

Foreign currency bringing duration is one of the most important measures taken on 4th September 2018 to reduce the effects of exchange rate shock of Turkish economy during the summer of 2018 and to raise the value of Turkish Lira. Until this date, bringing of export sales were left to the free use of the exporter and after that date, it was made compulsory to bring 80% of export sales in 180 days in Turkey and to convert it into Turkish Lira. Apart from exceptions the obligation to bring foreign currency will have a negative impact on foreign trade futures sales, payment methods and foreign exchange transactions in the bank. The effects of this arrangement on export, marketing and competitiveness in export and accounting record and follow-up system will be discussed in detail in this study.

Keywords: exchange regulation, foreign trade, accounting, law

Introduction

On September 2018 it was made compulsory by Communiqué to bring 80% of export sales within 180 days in Turkey because of macro economy and foreign effects fluctuates exchange rates. Export incomes were released use of money for exporter before that date. Thus Communiqué effects negatively competitiveness of the firms, and firms have to record new transactions. On the other hand because of firms must record new financial and accounting transactions, accounting and financial tracking becomes compulsory.

This alteration regarding decree no 32 the protection of the value of Turkish Currency led Turkish foreign Exchange legislation 10 years ago. The Communiqué on 2008 released exporters use export sales incomes without any obligation after 10 years this restriction placed. (Aktas, 2018, p.1).

Important Articles of the Last Amendment of Bringing Export Currencies to Domestic

On 2008 February obligation removed by Turkish Ministry of Treasury and Finance and export revenues released free. Exporters were not compulsory to bring export revenues to from that date. (APAK, 2018, p.1).

Until 8 February 2008, 100.000 USD or more export sale amount is compulsory to bring and document to country with that amendment obligation of bringing foreign currency removed. On 4 September 2018 with amendment on Communiqué No 32 on the protection of the value of Turkish currency (04.09.2018 date and 30525 dated official gazette) following changes made (TCMB, 2019, p.5-6);
With this Communiqué it became compulsory to bring exporter’s export revenues to Turkey and convert foreign currencies to Turkish Lira. On the other hand exporters have this transaction with document of foreign Exchange Certificate (DAB) at the bank. 180 days time period starts at the beginning of the first exporting date. If it coincides with last day’s holiday first working day will become the deadline. Fetch time of export sales are up to 180 days. Exporters are free to Exchange currencies to benefit 180 days time period. Briefly export income of Turkish residents will be transferred to an intermediary bank or brought to Turkey within 180 days after the payment is made by the importer.

Moreover, at least 80% of the export income will be sold to a bank in Turkey by the exporter.

In addition, the obligation to bring the export revenue and to sell it to banks within a period of 365 days for the exportation to be made abroad by the contracting companies, within 180 days for the exportation to be made through consignment, within 90 days in case that the goods temporarily exported abroad are not brought in the country within the given period or additional time or that they are sold within the said period, within 90 days for the exportation by credit or lease, has also been imposed.

With the Communiqué, time limits have also been set for the export against advance foreign exchange by way of compulsory exports within 24 months for cash exchange. In this respect, all cash advances that are not returned in one time or that are not exported in due time will be subject to prefinancing provisions.

With the Communiqué export income could be brought to Turkey in accordance with following payment terms such as advance payment, cash against the goods with acceptance, documents against payment with acceptance, letter of credit with acceptance, cash against the goods, documents against payment and letter of credit.

For the exports made by contracting companies, the period of bringing foreign currency is 365 days and by the end of 365 days, 80% of the export amount should be linked to the DAB (Foreign Exchange Purchase Certificate).

In consignment sales, after the sale, for the goods sold in fairs and exhibitions, the amount of shipped goods must be brought to the country within 180 days after the end of the fair.

Exported foreign currencies can be used for import without being cashed within 180 days. The Bank does not require any exchange rate difference for this transaction. This new regulation does not cover transit trade.

The necessity of bringing foreign currencies to the country is only for the export of goods and it is not compulsory to apply this legislation in the export of services (Demirel, 2019, p.4).

Exports to Free Zones are under the scope of this new regulation, while exports to Iran, Libya and Syria are outside the scope of this Communiqué. The rules of this regulation shall not be applied to Micro Exports (Exports with Electronic Customs Declaration-ETGB).

Exports up to 100 thousand usd without force majeures up to 10% (10 thousand usd in 100 thousand USD export) deficiency without consideration by the banks over 90.000 usd export file
is closed by bringing 72,000 USD. If there is a force majeure in exports up to 200 thousand USD, tax offices will close the file by seeing that 80% of 180,000 usd have come without seeing the lack of up to 10%. If there is a force majeure for missing amounts in exports exceeding 200,000 and usd The Ministry of Treasury and Finance is authorized.

The Communiqué declares the termination, bankruptcy and concordat of the importer or exporter company; strikes, lockouts and mediums; natural disaster, war and blockade; that there is a case of filing a lawsuit or an arbitration for dispute and applying with the documents certifying this. and counted them as force majeure conditions that prevent the export costs to be collected and sold to banks within the period (Akbiyikli & Baysal, 2018, p.1). If there is a Force Majeure, the Tax Offices may give additional periods of 6 months for the files transferred to them by the banks.

**Transactions Burden of Foreign Trade Obligation to Bring Export Revenues to Domestic**

From 2008 to September 2018, the export companies that use export amount freely and do not devote any time to close the export files will receive support from either the bank or the export personnel employed within this scope. It is possible to categorize the additional obligations of this amendment for export companies as follows;

a) First of all responsibility of bringing the export revenue to the country shall not exceed 180 days from the date of actual exportation and it shall be obligatory to sell at least 80% of such revenue to a bank belongs to exporting company.

**Example for period calculating:**

<table>
<thead>
<tr>
<th>Actual Export Date</th>
<th>Export Amount</th>
<th>Exchange rate at actual export date</th>
<th>Exchange rate at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>:18.07.2019</td>
<td>:150.000 USD</td>
<td>:1 USD =5,75 TL</td>
<td>:1 usd = 5.80 TL</td>
</tr>
</tbody>
</table>

Last Closing Period of Export Amount: (18.07.2019-14.01.2020) / 180 days.

If the exporting company brings the foreign exchange income immediately after the export, it can convert and cash the export currencies at the exchange rate advantageous. If it doesn't want to, it can keep his foreign currency until the end of the period and cash the 80%. If the export amount comes partially, it can be exchanged at the time of arrival or at the end of the period at once.
b) Since the foreign currencies will be kept in the bank until 180th day, the exchange rate given by the bank may not be competitive when it is converted to Turkish Lira to cover 80%.

If the exchange rate is advantageous in the days following the 180th day, it will be possible to process the exchange rate at a lower rate since it is not possible for the exporter to hold foreign currencies longer.

In the period in which the value of exports is allowed to be used freely, the exporter company can exchange foreign currency as long as he wants and exchange it at the bank or exchange rate, but with the new Communiqué, the exchange rate up to 180 days and the exchange currency has been obliged to change.

c) In the scope of this Communiqué, the introduction of TL or Foreign Exchange in return for the export amount made in TL is also permitted, and it is not clear whether collections in TL are still allowed for exports whose invoices are issued in foreign currency and export declarations are issued.

d) Export accounts which are not closed within the period shall be notified to the relevant Tax Office or Tax Office Directorate in writing indicating the stages of the transaction within 5 working days by the intermediary banks. The related Tax Office or the Tax Office will send a 90-day notice to the related parties within 10 business days following the notification. During this period, it is necessary to close the accounts or document the cases of force majeure or justification. With this amendment, both banks and tax offices have an additional burden of files, which may result in less time for monitoring other businesses.

e) In case of force majeure reasons, additional time shall be given by the related Tax Office or Tax Office Directorate for the period of six months for the continuation of the force majeure. In case of justifiable circumstances other than force majeure conditions, requests for additional time up to six months for the closure of accounts, quarterly periods in accordance with the written declaration stating the justifiable status of the companies, by the related Tax Office or Tax Office Directorate, the additional time demands after six months It is examined and finalized by the Ministry of Finance.

f) If the exporting company is to grant a term of more than 180 days to its customer / importer, it must be determined by a contract. Long-term sales of more than 180 days will be quite difficult if the buyer does not want to make a contract. In case the buyer does not comply with the term and is not paid (not force majeure), the exporter will face sanctions. The most significant obligation of this regulation (Communiqué) or the weakening effect of competition in exports is that the maturity is automatically limited to 180 days, the contract condition is required for the additional period and the buyer has to pay the amount of export within 90 days at the end of the contract.

g) The maturity structure When the structure of Turkey payments used to export so often specific and not connected to the definitive document, Resident goods which form of payment determined by the buyer's payment terms dispenser (CAD) can be understood from the following chart that came first. When payment is made in pieces in the form of cash against goods, it is possible to pass even 180 days from time to time. Due to intense competition in exports, some economically strong buyers determine the term with or without certification, sometimes quite long, and choose
to work with the manufacturer or exporter who accepts it. In general, the way of payment is determined due to the structure of goods in export. The exporter cannot be decisive in Turkey because of this reason.

Table 1. Distribution of Payment Terms of Export Used in Turkey 2014-2018

<table>
<thead>
<tr>
<th>Payment Terms</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Against Goods</td>
<td>102,834</td>
<td>94,970</td>
<td>94,866</td>
<td>99,707</td>
<td>111,965</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 65.3</td>
<td>% 66.0</td>
<td>% 66.6</td>
<td>% 63.5</td>
<td>% 66.7</td>
</tr>
<tr>
<td>Cash Against Documents</td>
<td>24,229</td>
<td>21,415</td>
<td>20,611</td>
<td>21,508</td>
<td>22,460</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 9.5</td>
<td>% 9.7</td>
<td>% 10.9</td>
<td>% 13.5</td>
<td>% 10.4</td>
</tr>
<tr>
<td>Cash Payment</td>
<td>14,929</td>
<td>13,947</td>
<td>15,531</td>
<td>21,207</td>
<td>17,536</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 9.5</td>
<td>% 9.7</td>
<td>% 10.9</td>
<td>% 13.5</td>
<td>% 10.4</td>
</tr>
<tr>
<td>Letter of Credit</td>
<td>11,240</td>
<td>9,694</td>
<td>8,156</td>
<td>9,551</td>
<td>10,407</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 7.1</td>
<td>% 6.7</td>
<td>% 5.7</td>
<td>% 6.1</td>
<td>% 6.2</td>
</tr>
<tr>
<td>Deferred letter of credit</td>
<td>2,449</td>
<td>2,104</td>
<td>1,648</td>
<td>1,838</td>
<td>2,530</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 1.6</td>
<td>% 1.5</td>
<td>% 1.2</td>
<td>% 1.2</td>
<td>% 1.5</td>
</tr>
<tr>
<td>Free Export</td>
<td>1,601</td>
<td>1,414</td>
<td>1,424</td>
<td>2,330</td>
<td>1,644</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 1.0</td>
<td>% 1.0</td>
<td>% 1.0</td>
<td>% 1.5</td>
<td>% 1.0</td>
</tr>
<tr>
<td>Barter</td>
<td>19</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 0.0</td>
<td>% 0.0</td>
<td>% 0.0</td>
<td>% 0.0</td>
<td>% 0.0</td>
</tr>
<tr>
<td>Other</td>
<td>287</td>
<td>288</td>
<td>293</td>
<td>851</td>
<td>1,374</td>
</tr>
<tr>
<td>Share in General</td>
<td>% 0.2</td>
<td>% 0.2</td>
<td>% 0.2</td>
<td>% 0.5</td>
<td>% 0.8</td>
</tr>
<tr>
<td>Total</td>
<td>157,610</td>
<td>143,839</td>
<td>142,532</td>
<td>156,993</td>
<td>167,921</td>
</tr>
</tbody>
</table>


The regulation regarding the decision no. 32 takes away the possibility of the exporter to use the foreign currency freely and the necessity of this foreign currency to be brought into the country. The message appears very clear. “As a country, we need a lot of foreign currency, so we risked going back ten years ago in foreign exchange legislation. (Aktas, 2018, p.1.)

The sanction to be applied for foreign currencies not brought into the country in time

Although it is not very clear in this new regulation, when the steps leading to the conclusion of transactions are followed, it is seen that the only regulation that will be the source of punishment or sanction is the Law on the Protection of the Value of the Turkish Currency. According to Article 3 of the Law No. 1567 on the Protection of the Value of Turkish Currency, those who import and export all kinds of goods, assets, services and capital, or those who intermediate these works, do not bring their receivables arising from these transactions to the country within the determined periods, the% of the fair value of the assets they are obliged to bring to the country. They are punished with an administrative fine of up to 5. Those who bring their receivables to the country until the decision on the administrative fine is finalized shall be fined in accordance with the provision of the first paragraph of this Law (administrative fine from 3000 TL to 25000 TL). However, the administrative fine to be imposed may not exceed 2.5% of the amount of money that must be brought into the country. On the other hand, those who engage in transactions with the intent of smuggling foreign currency or Turkish currency in import, export and other foreign exchange transactions shall be punished with an administrative fine equal to the fair value of the assets they are obliged to bring or missed.
if this act remains at the undertaking stage, the penalty to be imposed is reduced by half (TPKK Law, 2019, p.5).

Differences of the Obligation to Bring Foreign Currency in Terms of Accounting Transactions and Records and Producing Financial Information;

1- In the process of bringing 80% of the Export Amount in Foreign Currency to the Domestic Bank by means of the bank within 180 days at the latest and converting it to TL. if there is a positive exchange rate difference in the entrance of the export amount from abroad to the domestic bank's Foreign Currency Deposit account, 602-OTHER REVENUES ACCOUNT used as creditor, if negative exchange rate difference 612-OTHER DISCOUNTS ACCOUNT (-) used as debtor.

<table>
<thead>
<tr>
<th>102- BANKS ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>102.02 Foreign Currency Deposits</td>
</tr>
<tr>
<td>612-OTHER DISCOUNTS ACCOUNT (-)</td>
</tr>
<tr>
<td>120- BUYERS ACCOUNT</td>
</tr>
<tr>
<td>120.02 Foreign Buyers</td>
</tr>
<tr>
<td>602-OTHER INCOME ACCOUNT</td>
</tr>
</tbody>
</table>

If there is a positive exchange rate difference in the conversion of the export amount recorded as Foreign Currency Deposits into TL 646- EXCHANGE PROFIT ACCOUNT 656- EXCHANGE LOSS ACCOUNT (-) is used as debtor

<table>
<thead>
<tr>
<th>100- CASH ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.01 Turkish Lira</td>
</tr>
<tr>
<td>102- BANKS ACCOUNT</td>
</tr>
<tr>
<td>102.01 TL.DEPOSIT</td>
</tr>
<tr>
<td>656-EXCHANGE LOSS ACCOUNT(-)</td>
</tr>
<tr>
<td>102-BANKS ACCOUNT</td>
</tr>
<tr>
<td>102.02 FOREIGN CURRENCY DEPOSIT</td>
</tr>
<tr>
<td>646-EXCHANGE PROFIT ACCOUNT</td>
</tr>
</tbody>
</table>

2- If 20% or all of the export amount is brought into the country in TL or foreign currency and can be used freely as foreign currency or TL

<table>
<thead>
<tr>
<th>100 CASH ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.01 TL CASH</td>
</tr>
<tr>
<td>100.02 FOREIGN CURRENCY CASH</td>
</tr>
<tr>
<td>102- BANKS ACCOUNT</td>
</tr>
<tr>
<td>102.01 TL DEPOSIT</td>
</tr>
<tr>
<td>102.02 FOREIGN CURRENCY DEPOSIT</td>
</tr>
<tr>
<td>120- BUYERS ACCOUNT</td>
</tr>
<tr>
<td>120.02 Foreign Buyers</td>
</tr>
</tbody>
</table>
If 20% or all of the export amount from abroad is entered into the domestic bank Foreign Currency Deposit account, if there is a positive exchange rate difference, 602-OTHER REVENUES, if there is a negative exchange rate difference 612-OTHER DISCOUNTS (-) is used as debtor.

If there is a positive exchange rate difference in the conversion of the export value recorded as Foreign Currency Deposits into TL 646-EXCHANGE PROFIT used as creditor, if there is a negative exchange rate difference 656-EXCHANGE LOSS (-) used as debtor.

3- Performing the offsetting transaction by using the whole export amount as the import amount

320-SELLERS
   320.02 FOREIGN SELLERS
   120- BUYERS
      120.02 Foreign Buyers

4- The following accounting records can be made for payment from cash or bank accounts if an sanction-penalty is applied for the export currencies that are not brought into the country in time.

4.1- In the case that the sanction is applied during the accounting period in which the export is made;

4.1.1- If the exported product is produced;

620- COST OF SALES GOODS ACCOUNT
   100- CASH
   102-ACCOUNT

4.1.2-If the exported product is imported and exported for the purpose of being ready for export without any change;

621- COST OF COMMERCIAL GOODS SOLD
   100-CASH
   102-BANKS ACCOUNT

4.1.3. If the export product is service;

622- COST OF SERVICE SOLD
   100- CASH
   102-BANKS ACCOUNT
4.2 - In case the sanction is applied outside the accounting period in which the export is made;
689- OTHER EXTRAORDINARY EXPENSES AND LOSS
100-CASH
102-BANKS ACCOUNT

5- The sanctions for export currencies that are not brought to the country in time are applied as sanctions and the sanctions faced by the exporting enterprise are considered as expenses in terms of management science. However, in terms of Turkish Tax Laws, the tax base is not considered as an expense in the determination of the expense should be considered as an Unacceptable Expense.

Exporting enterprises calculate the Commercial Profits by following the mentioned sanction amounts in the accounting records as expense element in the determination of the period profit loss. They make this calculation in the income statement during the financial year.

In the determination of the tax bases, they add the sanction amounts to the tax bases as unacceptable expenses and calculate their financial profits and subject them to tax.

6- The information that the management of the exporting enterprise will use in the management decisions; In order to be comparable, verifiable, timely, understandable, which have basic qualitative features and supportive qualitative features as appropriate, realistic presentation, it is necessary to analyze profitability analysis, cost analysis, financial analysis, marketing strategy, competitiveness, legal and political issues, etc. For each reason, detailed records of each export dossier should be made in terms of accounting records and in order to measure the activity efficiency of other departments of the enterprise. Because the actual export dates and contracts of each export file may be different from each other, it is very important to ensure that 80% of the export prices are brought into the country within 180 days, so that the exporting enterprise does not face sanctions.

Conclusion

2018 Year in September, export amount of domestic to the introduction of related amendments to Turkey's exports used in the payment structure As of cash against the goods (open account) or term of payment exporter of competition adversely affecting because of the weight seems to be quite high. The obligation of converting the export currencies left to free use with the amendment made ten years ago into a Turkish Lira at a rate of 80% for a certain period of time brings new bureaucratic burden on exporters and banks, adversely affects the maturities, and on exporters who do not follow their files carefully according to the Law on the Protection of the Turkish Currency. if there is no force majeure, it shall pay a fine of 5% of the minimum export value or irregularity fine up to TL 3000 to those who bring the required foreign exchange to Turkey until this penalty is finalized. With this arrangement, new workload is brought to exporters, different accounts should be used in terms of accounting records and export files should be followed separately. This communiqué, which was first applied for a period of 6 months, has been extended for a second period of 6 months, and exporters should closely follow developments in legislation.
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Turk Parasini Kiymetini Koruma hakkinda 32 sayili Karara Iliskin Tebliğ (Ihracat Bedelleri hakkinda), Tebliğ No : 2018-
Turkish Tax Laws
Turkish Accounting System uniform account plan
Part 13: Leisure Management
Effective Use of Local Dances in Creating Destination Experience: The Case of Adana Ciftetellisi and International Orange Blossom Carnival

Mehmet Cihan Yavuz and Muzaffer Sumbul

1Karatas School of Tourism and Hotel Management
2Faculty of Communication
Cukurova University, Turkey

Abstract

Festival, carnival and events have become increasingly popular nowadays to attract tourists to a particular city or destination. In this respect, it can be said that festivals and special local events are used as a critical element in regional development strategies worldwide. Festivals attract tourists and visitors to destinations with promotions, and they are instrumental in both the promotion of tourism destinations and the revival of economic activities in the local area. Thanks to the festivals, local employment opportunities increase in the short term and contribute to local and regional economic development in the long run. From local beer to watermelon, wrestling to dogs, jazz to salsa, many local cultural elements can be the central theme of the festival. It is of great importance that the festival be held at a time other than many tourist arrivals of the year and that the originality of the themes is high in terms of making a more elevated and sustainable contribution to economic development. In this study, the importance and effect of local dances as a cultural theme contributing to the authenticity of the festival was examined. In the present study, the International Orange Flower Carnival was examined as a case study. The event has been held in Adana in early April every year since 2013. The central theme of the event, which was held for the 7th time in April 2019, is orange blossom with a sweet smell. The most prominent thematic element enriching the carnival has been various dance performances. As one of the local dances, Ciftetelli has a special place among these dance performances within the scope of the carnival. The factors that make Ciftetelli special, apart from being local, originality, ease of participation, visuality, conformity to improvised figures, non-discrimination of gender, providing intimacy but providing a reasonable distance requirement, and even being preferable for general individuals from different cultures, etc. can be sorted as. In this study, Ciftetelli was analyzed to understand how to increase the effect of dance to create destination experience with the help of data obtained from a pilot study. The pilot study was carried out with the participation of local and foreign (Erasmus) university students and folk dancer lovers during the early festival preparations. The project presented data on the participants' basic dance training, dance performances, participation in performance, and observation of post-performance responses. The data were collected by using the content analysis method from the electronic comment and evaluation texts left on the Facebook account by the project participants. The results of the study are expected to contribute to the development of local dances, local festivals as a means of promotion, development, and branding of a destination.

Keywords: destination experience, eWOM, local dance, Adana ciftetellisi, orange blossom carnival, Adana
Introduction

Tourism is a tool that has the potential of both earning foreign income and improving the image of the country. International tourist traffic in the world as of the end of 2018 is 1.4 billion, and the total tourism output is $ 1.7 trillion (WTO, 2019). Incomes from the tourism of some countries have been higher than the national income of many nations. As a result, each state has entered into various efforts to benefit from the blessings of more or less tourism.

Local attractions are the source of tourism activities. These charms can be tangible elements such as history (e.g., Canakkale), archeological (e.g., Ephesus), natural (e.g., Pamukkale), human-made attractions (e.g., Eiffel Tower), as well as intangible cultural heritage elements such as culture, lifestyles, dances, rituals, and arts. Intangible cultural heritage elements are beneficial in differentiating destinations from others and making them unique. Indeed, there may be very high waterfalls in many places, but each of them may have a unique position from others, thanks to intangible cultural heritage elements such as unique stories, historical narratives and / or legends.

Dances have a special place in intangible cultural heritage elements with their unique, almost unique observations from other destinations, fun, meaningful, visual, developing, and evolving features. Many destinations around the world have become famous and renowned for their unique dance. With their reputation and recognition, they attracted tourists, developed new touristic products supporting the theme of dance and contributed to their economic development.

Our Case destination Adana is a city with abundant tangible and intangible cultural heritage elements. To date, the city of Adana has tried to benefit from many promotional activities and tools (e.g., exhibitions, advertisements, brochures, maps, TV films, web, social media, festivals, and events). One of them is the 'Orange Flower Carnival'. The carnival, which has been held in Adana since the beginning of April every year since 2013, has been admired, adopted by the local and national public and gained international character.

The most important factors that make the event successful are the professional organization and management of the carnival as well as the ownership and active participation of the local people. The local people conveyed their culture, their own life, energy, and synergy to the carnival through various activities. One of these activities is 'Adana Ciftetellisi'. The subject of this study is to investigate how Ciftetelli performances performed within the scope of the International Orange Flower Carnival can be increased in creating a destination experience. The research data were obtained from a pilot working group which was formed by the participation of local and foreign university students and folk dance lovers. The project presented data on the stages of the training of the participants, basic Ciftetelli training, Ciftetelli performances, participation status to performance, and post-performance responses. The data were collected by using the content analysis method from the electronic comment and evaluation texts left on the Facebook account by the project participants. At the end of the study, the relations of the participant experiences with the destination experience and destination promotion were interpreted.

Literature Review

Festivals, carnivals, and various local events have become more and more popular nowadays to attract tourists to a particular city or destination. These activities, which have become an essential
tool in tourism promotion, can be said to be used as a critical element in regional development strategies worldwide (Stankova & Vassenska, 2015: 120; Getz, 2008). One of the essential reasons why festivals and events stand out in publicity is that they are experiential. Since festivals and carnival events are based on local food, dance, music, entertainment, and sports, tourists participating in these events experience intense experiences. Experiential marketing practice is observed as tourists share these unique and emotional experiences they have gained at festivals, carnivals, and events with other potential travelers. Today, promotion with the destination experience has become much more useful than traditional media.

Promotion of tourism in a destination is as important as it has strong attractiveness for the development of tourism. Destination promotion can be done in a traditional way, as well as by the word-of-mouth (WOM) introduction of former visitors with positive destination experience. Due to the increasing competition, marketer and communicators endeavor to highlight the value of the emotional experiences potentially included in tourism products because tourists/visitors search for satisfaction and memorable experiences (Serra-Cantallops, Ramon-Cardona & Salvi, 2018: 154). Fortunately, consumers share their unforgettable experiences about user-generated content (UGC) via social networking sites (SNSs) in the form of suggestions, videos, and blogs (Kim & Johnson, 2016; Kirilenko, Stepchenkova, Kim, & Li, 2017; Fantano & Di Pietro, 2013). Now, this behavior of the consumer has been recognized as a revolutionary development in recent years in terms of product marketing and other consumers' decision-making processes (Nam, Joshi, & Kannan, 2017).

Nowadays, consumers can quickly spread their emotions, thoughts, and comments about their experiences through new internet-based communication tools. The potential of these unique contents to be produced by countless individuals and spread to countless individuals brings with it the possibility of adding a spirit, emotion, original story and uniqueness to the promotion of what is experienced. One of the most commonly used UGC content types is electronic WOM (eWOM), defined as 'any positive or negative expression made by potential, real or former customers about a product or company' (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004, 39). Unlike traditional WOM based on face-to-face communication, eWOM has become a powerful method of communication, written, accessible, and read on the Internet, and containing some emotional elements (Munar & Jacobsen, 2014). Some researchers note that it is more effective than traditional, personal WOM for reasons such as speed, relevance, availability, and no pressure to face-to-face communication (Sun, Youn, Wu & Kuntaraporn, 2006). eWOM can be used to guide pre-purchase consumers or to share post-experience comments (Moliner-Velázquez, Fuentes-Blasco & Gil-Saura, 2018). The importance of eWOM is particularly high in the tourism area due to the increasing number of online travel reviews on SNSs, TripAdvisor, Booking.com (Buzova, Sanz-Blas & Cervera-Taulet, 2019). Today, many travelers decide where their destination will be by being influenced by the comments and introductions of their own experiences left over by the new media. Now the tasks of destination marketer are much more comfortable. Therefore, eWOM type data were used in the present study.

The experiential content shared by travelers reflected in the new media is mostly about what they do and activities. Dance is at the forefront of these activities. Adana Ciftetellisi, which is the main subject of this study, is a sincere and entertaining local dance with its visuality and originality. With these features, it is a type of activity suitable for transferring experiences and interpretations of these experiences with visual accompaniment in new media. Ciftetelli is a dance which is still
widely performed in traditional culture and also takes place in Adana folk dance repertoire. Ciftetelli is a popular dance with an exuberant-joyful step and musical feature in the stage and tradition (Sumbul & Peker, 2015).

T. C. According to the sources of the Ministry of Culture and Tourism General Directorate of Fine Arts, Ciftetelli is Istanbul folklore. It's a kind of dance music. It is an entertainment element that is applied for weddings and recreation places of Old Istanbul on various occasions. In addition to the ones whose melodies have been determined, they are performed with percussion instruments, while the plectrum holds the rhythm, while wind and stringed instruments play improvised melodies that are appropriate to the rhythm. Since the bow is often touched by two strings at the same time, it is possible that it has taken the name 'Ciftetelli'. Ciftetelli kinds were composed by Nîm Sofyan and Duyek. Occasionally slower but usually performed quickly. There are also Ciftetelli who are verbal. Bahariye, Sandal, Kusdili Ciftetelli are the most common ones (T.R. Ministry of Culture and Tourism, 2019). Although it is a local dance type owned by several different cities, Adana Ciftetellisi has a special place among them. The elements that make Adana Ciftetelli special, apart from being local, are originality, ease of participation, visuality, conformity to improvised figures, non-discrimination of gender, providing intimacy, but providing a reasonable distance requirement and being preferable even for general individuals from different cultures, etc. (Sumbul & Peker, 2015). With these characteristics, Ciftt Adana Ciftetellisi is a prominent local cultural element that fits the spirit of the International Orange Blossom Carnival event and contributes to its authenticity.

The principal element that enriches the event is various dance and music performances, especially in Adana Ciftetellisi. International Orange Blossom Carnival is the first street carnival in Turkey. Since the first year of the festival, it has received the support of local people, attracted visitors from outside the city, and made a significant contribution to the promotion and economy of the town. Approximately 1.5 million people from Turkey and abroad participated in the 7th International Orange Blossom Carnival in 2019, which lasted for five days between 3-7 April (NisandaAdanada.com, 2019). Approximately 150 thousand of this number is composed of extra-urban participants. The carnival has an average of 100 inner-events per year. Only the contribution of the festival to the economy of Adana is calculated as 80-85 million TL annually. Considering those staying in Mersin to the Mersin economy due to lack of accommodation in Adana, the contribution of the carnival reaches 100 million TL (Bozkurt, 2018).

Methods

The data used in this study were obtained from a group of 200 university students, 6 Erasmus students and 20 folk dancers who participated in the International Orange Blossom Carnival between 2015-2018 to train and dance under the 'Adana Performing Ciftetelli-Adana Ciftetelli Oyunuyor' Project. All members participating in the project are members of a closed Facebook account called 'Adana Ciftetelli Oyunuyor' (See Figure I).
Data were taken from electronic commentary and evaluation texts shared by 226 members of this Facebook group. The qualitative data analysis method was used in the study. Interpretation and evaluation texts were subjected to content analysis. As a result of the investigation, Adana Ciftetelli experiences of the participants were summarized.

**Sample**

The sample is all members registered to the closed Facebook account of ‘Adana Performing Ciftetelli’ project (See Figure II). Since the number of members is 226, a full count has been made and all comments and evaluation texts have been included in the analysis.

**Data Collection**

Fifty-three (53) data sets were obtained from all closed Facebook group members of ‘Adana Performing Ciftetelli’ project.
Data Source

The data sets used in the research belonged to the years 2015-2018 and were downloaded on 01.09.2019 from the related internet address.

Conceptual Model

The experiences of the consumer create positive feelings and satisfaction for the product. The satisfaction of the tourist as a result of the positive experience in the destination increases the loyalty to the destination and the reputation level of the destination. Positive emotions as a result of experience, improve the willingness to recommend the product to others. The tourist/visitor communicates his positive experience to others through various methods such as eWOM. This not only promotes the destination but also improves the reputation and image of the destination, which is now a proven quality, for potential tourists and visitors. Serra-Cantallops, Ramon-Cardona & Salvi (2018) found a significant relationship between ‘consumer experience’ and ‘eWOM’, Customer Satisfaction ’and‘Reputation at p <0.001 significance level. Also, they found a significant relationship between ‘Consumer Satisfaction’ and ‘Reputation’ and 'Loyalty' at p <0.001 significance level. In the same study, a significant correlation was found between ‘Reputation’ and ‘Loyalty at p <0.01 and ‘eWOM' and 'Loyalty' at p <0.05 significance level. The element experienced in the present study is Adana Ciftetellisi, a local dance. Participating in the ‘Adana Ciftetellisi’ training and events organized within the International Orange Blossom Carnival, the group left electronic comments and evaluations about their experiences through their Facebook groups. The potential impact of eWOM-type data on destination promotion, improvement of destination reputation, and increased loyalty of existing participants to destinations was explored with this pilot study. The extensive network of relations that expresses this situation is shown Figure III.

Figure 3. Conceptual Model: Relationship between emotional experience and eWOM (destination promotion; destination reputation and destination loyalty).

Findings

Content analysis was applied to the research data. Statistics were obtained for the participants who made experience evaluations, those who shared their emotional experience, who gained a sense of
satisfaction from experience, who evaluated the destination reputation more positively as a result of the experience and who thought to rejoin the event due to their experience. The research findings are summarized in Table 1.

Table 1. Ciftetelli Group's Experience Reviews

<table>
<thead>
<tr>
<th>eWOM items</th>
<th>Emotional Experience</th>
<th>Satisfaction</th>
<th>Reputation</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Let's write a letter. Let's have feelings. Let's have thoughts. From the day we first started to work. We had fun, and we worked, and proudly all Adana danced Ciftetelli with us. Let's see what we started, and please continue…”</td>
<td>Entertainment</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“I loved the project that is aiming to make people dance Ciftetelli all over Adana!”</td>
<td>Happiness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“We wanted to throw a pinch of salt into the friendship soup. Health in our efforts…”</td>
<td>Friendship Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Carnival was festive, lively, one of the essential activities showing the entertaining face of Adana came to life…”</td>
<td>Entertainment</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“It was delightful for our entire team to participate in the orange blossom carnival with Ciftetelli project.”</td>
<td>Joy Unity</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Health in our efforts ☺”</td>
<td>Joy</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Thank you very much for everything for allowing us to participate in such beautiful events☺”</td>
<td>Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Is there another chance for those who can't attend? ☺”</td>
<td>The sadness of not being able to attend</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“You don't get something for nothing…”</td>
<td>Devotion</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“From now on, I'm a volunteer participant to all the dual projects. Hopefully ☺”</td>
<td>Volunteerism</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“It was beautiful, we danced…”</td>
<td>Entertainment Joy Unity</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Beautiful young people…”</td>
<td>Happiness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>“April in Adana, at the carnival!!”</td>
<td>Happiness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>“We have a carnival ... Orange Blossom Carnival in April!!”</td>
<td>Happiness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>“When I first heard about the project, I couldn't imagine the fun, crowds, enthusiasm, joy, and many other emotions I couldn't even imagine…”</td>
<td>Entertainment Enthusiasm Joy</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“I went to the hall with great excitement running every day at noon, lived my best moments there, what we had fit in half an hour. I knew new people, and I danced halay with people I didn't know. As the festival day approached, entertainment increased, and excitement grew for me. I couldn't participate in that festival. I couldn't live that atmosphere, and I was left unfinished. I'm sure it was a lot of fun, but I've had the rehearsal enthusiasm to the end, thank you very much to everyone who made me live it…”</td>
<td>Excitement Joy Happiness Entertainment Devotion The sadness of not being able to attend Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“April in Adana, in this beautiful carnival, Hope to meet again; In the most beautiful moments! 😊👍💞”</td>
<td>Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Thanks to everyone who contributed to this carnival 😊”</td>
<td>Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Returning from vacation while trying to get used to the absence of my mother, family, friends; When I heard this beautiful project, I felt renewed with the excitement of the children who will attend the April 23 performances. When I said exactly how it would be, I found myself at the door of the dormitory wearing my shoes. I don't know if you ask the rest. My knees were untied; I found myself in that enthusiastic crowd. The lights, the number of people that I do not know, and the people on the platform that I do not know... The most beautiful of those moments I never wanted to end was the Everest of happiness and devoted efforts. My friends, endless thanks…”</td>
<td>Happiness Pride Excitement Regeneration Enthusiasm Happiness Devotion Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“You're smiling faces of Adana. We all proud of you…”</td>
<td>Happiness Pride</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“The year was going so boring that one year could only go so boring. The students who study for KPSS know the faintness of social life and how monotonous the days are progressing ... until I join the carnival with the Ciftetelli group ☺”</td>
<td>Unusuality Regeneration Entertainment</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“Thank you all ☺”</td>
<td>Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>“I was delighted to be in the same project team with such beautiful people☺”</td>
<td>Happiness Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
**eWOM items**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Emotional Experience</th>
<th>Satisfaction</th>
<th>Reputation</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;First of all, I am pleased to be on this project. Although I did not attend the carnival for some reason, my mind and heart were always in the festival.&quot;</td>
<td>Happiness</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>&quot;Ciftetelli project was one of the beauties I will never forget. In particular, the rehearsals were so much fun that we could not take our speed; we were starting to dance halay, making 'zilgit' and losing ourselves...&quot;</td>
<td>Happiness Entertainment Unity</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;The atmosphere there was completely different; there was sincerity; there was an emotion; there was enthusiasm. So, in short, I was fortunate to be a part of it. 😊&quot;</td>
<td>Sincerity Emotional adaptation Enthusiasm Happiness Sansli olma Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;I want to thank everyone who contributed to this project...&quot;</td>
<td>Happiness Thankfulness</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;I'm looking forward to joining more such beautiful projects...&quot;</td>
<td>Happiness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>&quot;I was very jealous of those who played with Fatih Terim on stage…”</td>
<td>The sadness of not being able to attend</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;It was charming and fun work. Smiling face, sincerity, and devotion united everyone as one heart…”</td>
<td>Happiness Entertainment Sincerity Devotion Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;If so many people's heart bumps for Ciftetelli, I applaud us. Endless thanks for everything.&quot;</td>
<td>Unity Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;It was a first for me. It was the first carnival and concert I ever attended. After an intense exam period, we dived into the festival. We laughed, we had fun, we were excited…”</td>
<td>Entertainment Enthusiasm Relaxation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Everything was perfect dancing Ciftetelli with Fatih Terim and other celebrities😊&quot;</td>
<td>Happiness Unusuality</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;I want to thank all those who contributed to us to be a part of this beautiful project and everyone who participated. I'm looking forward to next April 4, beautiful carnival, good luck 😊😊&quot;</td>
<td>Happiness Thankfulness Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;It felt like medicine! I hope we will be involved in many more projects together 😊&quot;</td>
<td>Happiness Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;Imagine a city on the streets; people are having fun in colorful costumes, singing and singing when they don't enter their houses until the first light of the morning ... That city is Adana. The Orange Blossom Carnival was again very colorful…”</td>
<td>Entertainment Unusuality</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>&quot;We became famous 😊&quot;</td>
<td>Joy</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;The whole country knows us now 😊&quot;</td>
<td>Joy</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;Come on, Adana, to dance Ciftetelli. Continue having fun!&quot;</td>
<td>Unity Entertainment</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Our preparations were the most fun part.”</td>
<td>Devotion Unity Entertainment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Bravo!”</td>
<td>Pride Happiness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;We want to thank everyone who contributed to this happiness and this excitement.”</td>
<td>Happiness Excitement Thankfulness</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;Carnival is a significant organization for Adana. It's just as vital that we're all part of this. Participants learned what this experience means by living it.”</td>
<td>Unity Happiness Thankfulness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>&quot;It was an enjoyable experience for a lot of my friends. Hopefully, we will be together again in new projects…&quot;</td>
<td>Happiness Unity</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>&quot;Heartfelt thanks to the beautiful people who participated in the Ciftetelli…”</td>
<td>Unity Happiness Thankfulness</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;😊 Since the first day of this project, which started with the slogan &quot;#AdanaCiftetelliOyuyor&quot;, I can say that the joy, enthusiasm, and friendship crowned with a great closing.”</td>
<td>Joy Enthusiasm Friendship Excitement</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
Table 2. Emotions Associated With Ciftetelli Experience and Their Thematic Emphasis

<table>
<thead>
<tr>
<th>Happiness (30)</th>
<th>The Unity (18)</th>
<th>Devotion (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joy (10)</td>
<td>The sadness of not being able to attend (4)</td>
<td>Volunteerism (1)</td>
</tr>
<tr>
<td>Enthusiasm (5)</td>
<td>Friendship (2)</td>
<td>Success (1)</td>
</tr>
<tr>
<td>Excitement (4)</td>
<td>Sincerity (2)</td>
<td>‘Devotion’ Total = 9</td>
</tr>
<tr>
<td>Unusuality (4)</td>
<td>Emotional adaptation (1)</td>
<td>Regeneration (3)</td>
</tr>
<tr>
<td>‘Happiness-Fun’ Total = 65</td>
<td>Sense of belonging (1)</td>
<td>Hope (3)</td>
</tr>
<tr>
<td></td>
<td>‘Unity-Friendship’ Total = 28</td>
<td>Relaxation (1)</td>
</tr>
<tr>
<td></td>
<td>Thankfulness (12)</td>
<td>‘Regeneration’ Total = 7</td>
</tr>
<tr>
<td></td>
<td>Pride (4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Being lucky (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>‘Thankfulness’ Total = 17</td>
<td></td>
</tr>
</tbody>
</table>

The content of the texts is 43, which implies that they are satisfied with their experience (81.1%). Similarly, the number of those who evaluated destination reputation more positively as a result of their experience was 23, with a ratio of 43.4% to the total number of observations. The number of those implying that they intend to rejoin the event and/or return to the destination after their experience is 33 and the ratio of these to the total number of observations is 62.3%.

Conclusions

Destination promotion tools evolve and change in parallel with the rapid development of technology. With the spread of the Internet and personal communication technologies and tools, destination promotion has changed its dimension. It is no longer sufficient to introduce destinations with conventional means of advertising and communication. For example, WOM was an essential and useful promotional tool in the past. But nowadays, face-to-face interactions have become more
difficult. With the development and expansion of personal communication technology, tools, and SNSs, eWOM replaced the other. The users can produce eWOM based on their unique experiences and distribute them over SNSs. Destination managers who have become aware of this have already started to use SNSs and UGCs. Destination management, which can manage UGCs through SNSs by making the most of the Internet facilities, will be able to gain further positions in competition than others.

In this study, a pilot study was conducted to understand the situation of the International Orange Blossom Carnival to improve it further for supporting the promotion of Adana destination. The pilot research was based on data obtained from individuals participating in the Adana Ciftetellisi, which was conducted at the carnival. At the end of the study, it was determined that individuals who participated in Adana Ciftetellisi training and execution activities had positive experiences. The participants were also highly satisfied with their carnival and destination experience. As a result of the experience of Ciftetelli, it was observed that the participants' desire to re-participate in the carnival / destination was strengthened.

This pilot study, whose data is analyzed using qualitative analysis methods, will also be supported by quantitative data sets and appropriate analysis methods. The study points out that the use of SNSs and UGC-based applications with a focus on destination experience in the promotion area, due to the demand of the speed, convenience, wishes and preferences of the consumers, can provide destination management with efficiency and comfort.

References


Comparison of Turkish Airlines and Aegean Airlines Loyalty Programs via Frequent Flyer Money Saver Analysis

Bora Suavi Unsal
College of Business
Embry Riddle Aeronautical University, United States

Abstract

Airline alliances work perfectly for paid flight segments, but there are difficulties for passengers who want to redeem frequent flyer miles. Most of the time, airlines decline to book requests for award mile seats to not only their partner airline customers but also their own customers. According to Elliot (2016), 630 million members are enrolled in different airline loyalty programs worldwide, but they lost 1 trillion award miles over the past five years. So, the global frequent flyer loyalty programs are not working as effectively as they once did. To overcome the problems associated with redeeming award seats on flights, a more useful and effective system is necessary to fulfill passenger expectations. In this study, a new quantitative approach called Frequent Flyer Money Saver (FFMS) analysis was used to compare the loyalty programs of Turkish Airlines and Aegean Airlines. According to the results, increasing the number of reserved frequent flyer program seats on selected flights significantly increases savings from loyalty programs. Conversely, as the weekly frequency of flights between two destinations increases, savings from loyalty programs decrease.

Keywords: frequent flyer miles, aviation credit cards, award miles, available seat

Introduction

Since the deregulation of the airline industry, many airlines have started programs designed to encourage airline customers to accumulate frequent flyer program miles that can be redeemed for free air travel or other rewards. According to Elliot (2016), 630 million members are enrolled in 81 different airline loyalty programs (all members of Star Alliance, Sky Team and One World strategic alliances) worldwide, but they lost 1 trillion award miles over the past five years. Airline alliances work perfectly for paid flight segments, but there are difficulties for passengers who want to redeem frequent flyer miles. Most of the time, airlines decline to book requests for award mile seats to not only their partner airline customers but also their own customers. So, the global frequent flyer loyalty programs are not working as effectively as they once did. Vinod (2011) noted that “Loyalty is not just a program, but also a framework to reward and retain profitable customers to loyal repeat customers.” Miles earned under frequent flyer loyalty programs may be based on the class of the fare, the distance flown on the airline or its partners, or the amount paid for the ticket. There are other ways to earn miles, as well. For example, in recent years, more miles have been earned using co-branded credit and debit cards than by air travel. Another way to earn points is by spending money at associated retail outlets, car rental companies, hotels, or other associated businesses. Points can be redeemed for air travel, other goods or services, or increased benefits (such as travel class upgrades, airport lounge access, fast-track access, or priority bookings). However, the most useful way of earning miles is using airline co-branded credit cards promoted...
by airline-bank partnerships. According to Turkish Airlines (2018), the airline give more than 1
tillion airline miles to airline and bank co-branded credit card holders during the year of 2017.

In this study, the frequent flyer loyalty programs of Turkish Airlines (Miles&Smiles) and Aegean
Airlines (Miles+Bonus) were compared with regard to their program specifications that require a
certain level of official credit card expenditures to fly free using one of the reserved seats for each
particular plane type. The reason for selecting these two airline loyalty programs for this study is
that both airlines operate from a single hub in the same geographic location. Istanbul’s Ataturk
International Airport (IST) is used as a hub by Turkish Airlines, and Athens International Airport
(ATH) is the hub for Aegean Airlines. In addition, both of these airlines are members of the Star
Alliance program.

**Literature Review**

The airline frequent flyer programs promise a great variety of free services. However, in reality,
customers face problems utilizing these services. One problem is that, as the number of loyalty
program members increases, the availability of certain awards diminishes, including free seats on
flights. According to Brunger (2013), airline revenue management divisions view free seats
reserved for frequent flyer customers as a liability, and therefore, the number of available award
seats are limited. As a result, customers sometimes cannot fly free no matter how many frequent
flyer miles they have earned. The situation gets worse when passengers need to book flights on
partner airlines within their program’s alliance. Most airlines prefer to reserve their higher class
free seats for their own frequent flyer program customers. Another problem related to frequent
flyer programs is the exchange rate of frequent flyer miles to other services proposed by airline
partner companies. According to Unsal (2018), if you want to use your miles to upgrade your
tickets you will change 10.000 miles with 85$, but if you use your miles to purchase a good from
a store you can exchange 10.000 miles with 5$. Dostov and Shust (2014) argued that no one is in
charge of surveying frequent flyer mile transactions globally, and countries require different
accounting models and have varying regulations for the way airlines convey their frequent flyer
information to the public. However, most of the time, no one controls frequent flyer program mile
earnings, and airline companies put in place whatever rules and regulations they think will
maximize their shareholder benefits. Dostov and Shuts (2014) stated that “In reality, uncontrolled
frequent flyer programs and exchange rates are a violation of customers’ rights”. You can see from
Fig. I that most of the airline miles awarded by US airline frequent flyer program have never been
redeemed, and passengers are not successful zin getting seat upgrades using their airline miles.

![Miles apart](Image)

**Source:** “Funny Money,” The Economist (2005)

**Figure 1.** Airline mile redemption chart.
A majority of scholarly publications that are centered around the airline industry have focused on qualitative research about increasing customer loyalty for specific airlines by adopting frequent flyer programs. But there is a gap in the literature in that no studies thus far have focused on comparing different frequent flyer programs by analyzing savings related to official credit card expenditures. Not any quantitative study about how much money you can save from airline tickets when you use airline promoted credit cards have been done so far. It is unclear that if you spend 10,000 $ with the airline promoted credit card, you can have a ticket worth 100$ or 1000$ ? In marketing of airline co-branded credit cards, customers must be informed about how much they will be save when they are using these cards %5 or %40 to purchase a future airline ticket.

The contribution of this study to the existing literature is, therefore, that a new quantitative model was used to demonstrate the weakness in these airline loyalty programs, demonstrating why these airlines’ customers cannot use their airline miles for award ticket redemptions more easily. The Frequent Flyer Money Saver (FFMS) analysis was first introduced by Unsal (2018), and in the first implementation of the FFMS analysis, the author included the level of difficulty in booking a free ticket as a variable in the formula. But the results of the study showed that the difficulty of booking had no significant effect on the FFMS ratio. Moreover, the difficulty level of booking is just based on personal experience of employees. It is not a scientifically collected data from a data set. So, it may cause obtaining wrong coefficients during the calculations. Therefore, in this study, this variable is omitted from the calculations. The major contribution of this paper to the existing literature is that the FFMS ratio is a unique tool that enables comparison of the savings ratio for airline tickets when we use airline–bank co-branded credit cards.

After comparing two different airline loyalty programs and investigating the factors in the calculations that affect the FFMS ratio, the FFMS study will be extended to include all commercial carriers under strategic airline alliances that also promote official credit cards.

Selection of Airlines

Aegean Airlines is the full-service flagship carrier of Greece. The carrier operates on an extensive domestic network and provides scheduled passenger services to international destinations in Europe, the Middle East, and Africa. Aegean also operates seasonal charter services to a significant number of Greek and international destinations. The carrier is a member of the Star Alliance and operates from its hub at ATH. In 2013, Aegean Airlines completed the acquisition of Olympic Air, and both carriers now operate as separate airline brands under the Aegean Airlines Group. According to CAPA (2018), the airline has 49 narrow-body aircraft in the fleet. According to the same statistics, Aegean Airlines ranked 137th for total number of seats and 153rd for weekly frequency globally in 2018. This airline has a loyalty program called Miles&Bonus, which allows members to collect airline miles and book award seats on flights via the Miles&Bonus credit card offered by Alpha Bank.

Based at Istanbul (IST), Turkish Airlines is the national airline of Turkey and the country’s largest carrier. Turkish Airlines operates a network of domestic and regional services throughout Turkey and the Middle East in addition to international services to Europe, Africa, North America, South America, and Asia. The carrier operates passenger services to over 270 destinations via IST and secondary hubs at Ankara’s Esenboga International Airport (ESB) and Adnan Menderes International Airport (ADB) in Izmir. According to CAPA (2018), the airline has 194 narrow-body
and 103 wide-body aircraft in their fleet. According to the same statistics, Turkish Airlines ranked 10th for total number of seats and 11th for weekly frequency globally in 2018. This airline has a loyalty program called Miles&Smiles, which allows members to collect airline miles and book award seats on flights via the Miles&Smiles credit card offered by Garanti Bank (2018).

**Mathematical Model**

To overcome the problems associated with redeeming free seats on flights using frequent flyer miles, a new quantitative approach that enables comparison of the specifications for different aspects of frequent flyer loyalty programs is needed. In the current study, a new quantitative approach called the FFMS analysis was used to determine the factors that affect money-saving ratios when redeeming free flights with respect to official credit card expenditures. The Turkish Airlines Miles&Smiles and Aegean Airlines Miles&Bonus frequent flyer program specifications were used to conduct the quantitative study for this research.

The reasons behind the selection of the variables are, the available seats reserved for award mile redemption during the ticketed process is highly depended to the seat number reserved for each particular flight route. If there is no space reserved for frequent flyer mile redemptions, no matter the number of accumulated miles, passengers cannot travel freely. The weekly frequency also has a significant effect on the award ticket redemptions. As the frequency in a particular flight route increases, it increases the possibility of finding an available seat. On the contrary, the flight frequency has a negative correlation with the price of the flight tickets. As the frequency increases, the ticket prices fall. So, this variable is selected due to its significant effect on the FFMS ratio. Lastly, the flight distance has a significant effect during the calculation of required miles to travel with award miles during the flight. Turkish airlines require a standard amount of miles regarding each geographical section of the world. On the contrary, Aegean requires a different amount of miles to each different distance flown. As a result, all of three variables have selected due to their contributions on the calculation of FFMS ratio.

The mathematical model for the FFMS calculation is as follows:

\[
FFMS\ Ratio = f \ (available\ seat,\ distance\ between\ cities,\ frequency\ of\ route) \tag{1}
\]

\[
(FFMS\ Ratio)_i = \frac{(Net\ Ticket\ Price)_i}{(Credit\ Card\ Expenditure)_i} = \beta_0 + \beta_1(distance\ between\ cities)_i + \beta_2(available\ seat)_i + \beta_3(route\ frequency)_i + u \tag{2}
\]

where the dependent variable is the FFMS ratio, and the independent variables are

- distance between cities = flying distance between two cities (in miles);
- available seats = the number of seats reserved for mileage bookings;
- route frequency = the number of flights between two cities each week;
- credit card expenditure = the credit card expenditure required to get the selected ticket free;
- net ticket price = the ticket price between two destinations (excluding taxes); and
- \( u \) = the error term.

All of the quantitative data regarding credit card expenditures were obtained directly from the reservation section of the Turkish Airlines and Aegean Airlines websites. The credit card
expenditure rates required to get award airline tickets were obtained from the websites of Garanti Bank (2018) and Alpha Bank (2018) (official bank partners of Turkish Airlines and Aegean Airlines, respectively). Ticket prices were obtained on 15 October 2018 for round-trip flights the third week of November. The route frequency indicates the number of total flights that particular week between the two selected cities, and the number of business class flights observed was less than economy flights because certain routes were served by planes with single-class cabin configurations.

The research questions in this study were (a) can people save a significant amount of money using frequent flyer credit cards issued by an airline, such as in bank partnerships? (b) Do frequent flyer programs of different airlines provide different FFMS ratios? and (c) Is it possible to increase passenger traffic by changing the loyalty program specifications for the airlines? The hypotheses were the following:

- H1: The airline FFMS ratio negatively correlates with the flying distance between two cities.
- H2: The airline FFMS ratio positively correlates with the number of available seats reserved for frequent flyer customers.
- H3: The airline FFMS ratio negatively correlates with the weekly frequency of flights between two cities.

After collection, the data were coded using SAS software (IBM Corp., Armonk, NY, US). The summary statistics were calculated, and the detailed results of the regression analyses are given in following sections.

**Data**

The Turkish Airlines data contain information on round-trip tickets for 300 different departure points on Turkish Airlines flights, including on AnadoluJet (a trademark of Turkish Airlines). Data were obtained from the Turkish Airlines website (2018) on 15 October 2018 for round-trip tickets in the third week of November. For domestic flights, there were 76 flights originating from IST or Sabiha Gokcen International Airport (SAW) in Istanbul, ESB in Ankara, Yenisehir Airport (YEI) in Bursa, and Trabzon Airport (TZX) in Trabzon on flights operated by Turkish Airlines and AnadoluJet. For international flights, there were 224 flights originating from IST, SAW, and ESB. Airports in Istanbul serve 220 international routes per week, whereas the airport in Ankara serves just three international routes. The distribution of routes and flight data regarding destinations are shown in Table 1.

**Table 1. Route and Flight Distribution for Turkish Airlines**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Number of routes</th>
<th>Percentage of routes</th>
<th>Number of flights</th>
<th>Percentage of flights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>76</td>
<td>25.3%</td>
<td>2,035</td>
<td>44.4%</td>
</tr>
<tr>
<td>Europe 1</td>
<td>27</td>
<td>9.0%</td>
<td>374</td>
<td>8.2%</td>
</tr>
<tr>
<td>Europe 2</td>
<td>78</td>
<td>26.0%</td>
<td>1,162</td>
<td>25.3%</td>
</tr>
<tr>
<td>Middle and North Africa</td>
<td>36</td>
<td>12.0%</td>
<td>245</td>
<td>5.3%</td>
</tr>
<tr>
<td>South Africa</td>
<td>7</td>
<td>2.3%</td>
<td>35</td>
<td>0.8%</td>
</tr>
<tr>
<td>Middle East</td>
<td>22</td>
<td>7.3%</td>
<td>354</td>
<td>7.7%</td>
</tr>
<tr>
<td>Middle Asia</td>
<td>15</td>
<td>5.0%</td>
<td>109</td>
<td>2.4%</td>
</tr>
<tr>
<td>Far East</td>
<td>19</td>
<td>6.3%</td>
<td>134</td>
<td>2.9%</td>
</tr>
<tr>
<td>North America</td>
<td>12</td>
<td>4.0%</td>
<td>85</td>
<td>1.9%</td>
</tr>
<tr>
<td>South America</td>
<td>5</td>
<td>1.7%</td>
<td>19</td>
<td>0.4%</td>
</tr>
<tr>
<td>Oceania</td>
<td>3</td>
<td>1.0%</td>
<td>35</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>100.0%</td>
<td>4,587</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
The summary statistics for the merged data calculated in SAS are shown in Table 2.

### Table 2. Summary Statistics for Turkish Airlines

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Std dev</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance between two cities (miles)</td>
<td>4,587</td>
<td>1,849.16</td>
<td>1,849.25</td>
<td>148.00</td>
<td>10,587.00</td>
</tr>
<tr>
<td>Ticket price, economy – USD</td>
<td>4,587</td>
<td>280.75</td>
<td>372.55</td>
<td>1.11</td>
<td>2,685.83</td>
</tr>
<tr>
<td>Ticket price, business – USD</td>
<td>4,112</td>
<td>1,546.28</td>
<td>1,280.27</td>
<td>202.77</td>
<td>6,220.56</td>
</tr>
<tr>
<td>Available seats – economy</td>
<td>4,587</td>
<td>80.47</td>
<td>114.28</td>
<td>2.00</td>
<td>1,200.00</td>
</tr>
<tr>
<td>Available seats – business</td>
<td>4,112</td>
<td>71.32</td>
<td>102.69</td>
<td>2.00</td>
<td>985.00</td>
</tr>
<tr>
<td>Weekly frequency</td>
<td>4,587</td>
<td>15.29</td>
<td>22.91</td>
<td>2.00</td>
<td>240.00</td>
</tr>
<tr>
<td>Required credit card expenditure for economy class flights – USD</td>
<td>4,587</td>
<td>6,643.52</td>
<td>5,069.76</td>
<td>2,083.33</td>
<td>22,222.22</td>
</tr>
<tr>
<td>Required credit card expenditure for business class flights – USD</td>
<td>4,112</td>
<td>10,983.40</td>
<td>7,070.85</td>
<td>3,472.22</td>
<td>30,555.56</td>
</tr>
<tr>
<td>FFMS for economy flights</td>
<td>4,587</td>
<td>3.4%</td>
<td>3.5%</td>
<td>0.5%</td>
<td>22.4%</td>
</tr>
<tr>
<td>FFMS for business flights</td>
<td>4,112</td>
<td>12.91%</td>
<td>5.7%</td>
<td>4.7%</td>
<td>41.0%</td>
</tr>
</tbody>
</table>

There are fewer observations of business class flights than economy class flights because some of the routes are served by planes with single-class cabin configurations. The FFMS ratio for business class is greater than that for economy class due to higher ticket prices, and because the cabin size on business class flights is limited, there are fewer available seats reserved for award tickets in this class than with economy class. The Aegean Airlines data (2018) contain flights for round-trip tickets from 84 different departure points on Aegean Airlines flights, including Olympic Air (a trademark of Aegean Airlines). Data were obtained from the Aegean Airlines website (2018) on 15 October 2018 for the third week of November. Domestic flights amounted to 28 destinations, all originating from ATH and operated by Olympic Air. Also originating from ATH were 56 international flights. The summary statistics for the merged data were calculated in SAS and are shown in Table 3.

### Table 3. Summary Statistics for Aegean Airlines

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Std dev</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance between two cities (in miles)</td>
<td>886</td>
<td>764.33</td>
<td>538.37</td>
<td>3.00</td>
<td>1,813.00</td>
</tr>
<tr>
<td>Ticket price, economy – USD</td>
<td>886</td>
<td>211.16</td>
<td>146.88</td>
<td>43.70</td>
<td>673.90</td>
</tr>
<tr>
<td>Ticket price, business – USD</td>
<td>683</td>
<td>505.23</td>
<td>208.94</td>
<td>164.45</td>
<td>934.95</td>
</tr>
<tr>
<td>Available seats – economy</td>
<td>886</td>
<td>52.73</td>
<td>60.43</td>
<td>5.00</td>
<td>350.00</td>
</tr>
<tr>
<td>Available seats – business</td>
<td>683</td>
<td>66.96</td>
<td>71.77</td>
<td>5.00</td>
<td>350.00</td>
</tr>
<tr>
<td>Weekly frequency</td>
<td>886</td>
<td>10.54</td>
<td>12.08</td>
<td>1.00</td>
<td>70.00</td>
</tr>
<tr>
<td>Required credit card expenditure for economy class flights – USD</td>
<td>886</td>
<td>2,846.89</td>
<td>847.52</td>
<td>2,083.33</td>
<td>5,036.11</td>
</tr>
<tr>
<td>Required credit card expenditure for business class flights – USD</td>
<td>683</td>
<td>4,792.40</td>
<td>1,190.61</td>
<td>2,777.78</td>
<td>7,470.83</td>
</tr>
<tr>
<td>FFMS for economy flights</td>
<td>886</td>
<td>6.0%</td>
<td>3.27%</td>
<td>1.82%</td>
<td>16.39%</td>
</tr>
<tr>
<td>FFMS for business flights</td>
<td>683</td>
<td>9.0%</td>
<td>2.71%</td>
<td>5.14%</td>
<td>17.44%</td>
</tr>
</tbody>
</table>

### Results

In the first regression, calculations were made for economy class flights, and in the second regression, calculations were made for business class flights. After running the regression model for Turkish Airlines, the results were not significant at the 1% level, and the coefficients had different signs. According to the R-squared, our model explains approximately 24% of economy class flights and 14% of business class flights. Therefore, our regression may be faulty in the presence of heteroskedasticity among the independent variables, meaning that the regression must be tested for heteroskedasticity. According to the White test for heteroskedasticity, as described by Wooldridge (2016), both of our coefficients for the FFMS ratio hat and the FFMS ratio hat squared are significantly different from zero, at a 1% level of significance. The F-statistics were too high at 550 for economy class and 207 for business class and significance at 1%. Thus, the null...
hypothesis about homoskedasticity is rejected, and there is heteroskedasticity among the variables in our original model that need to be corrected. For the correction of heteroskedasticity in the model, the weighted least squares estimation technique described by Wooldridge (2016) was used, and the results of the weighted least squares model are given in Table 4.

**Table 4. Regression Results for Turkish Airlines**

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>FFMS for economy flights</th>
<th>FFMS for business flights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parameter estimate (standard error)</td>
<td>Parameter estimate (standard error)</td>
<td></td>
</tr>
<tr>
<td>N (Number of observations)</td>
<td>4,587</td>
<td>4,112</td>
</tr>
<tr>
<td>$\beta_0$ (Intercept)</td>
<td>$-0.09954^{***}$ (0.00274)</td>
<td>$-0.1942^{***}$ (0.0062)</td>
</tr>
<tr>
<td>$\beta_1$ (Coefficient of distance between two cities)</td>
<td>$0.00001200^{***}$ (0.0000148)</td>
<td>$0.00001011^{***}$ (0.00000258)</td>
</tr>
<tr>
<td>$\beta_2$ (Coefficient of available seats)</td>
<td>$0.00092770^{***}$ (0.0011698)</td>
<td>$0.00061491^{***}$ (0.00017601)</td>
</tr>
<tr>
<td>$\beta_3$ (Coefficient of weekly frequency)</td>
<td>$-0.0045000^{***}$ (0.00059188)</td>
<td>$-0.00209^{***}$ (0.000076)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.9402</td>
<td>0.9244</td>
</tr>
<tr>
<td>F-statistic</td>
<td>31.18***</td>
<td>14.56***</td>
</tr>
</tbody>
</table>

*** Indicates significance at 1% level.

- H1: $\beta_1$ is the coefficient of distance between two cities. It is negative at the 1% level and significant for both classes of travel.
- The further the distance traveled, the lower the FFMS ratio will be for both classes of travel.
- H2: $\beta_2$ is the coefficient of available seats. It is positive at the 1% level and significant for both classes of travel.

This means that the greater the number of available seats, the higher the FFMS ratio will be.

H3: $\beta_3$ is the coefficient of weekly frequency. It is negative at the 1% level and significant for both classes of travel.

This means that the greater the weekly frequency of flights, the lower the FFMS ratio will be. If a route has a frequency of multiple trips, it means there are more passengers demanding that route, so the savings for both classes of travel are lower.

**Table 5. Regression Results for Aegean Airlines**

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>FFMS for economy flights</th>
<th>FFMS for business flights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parameter estimate (standard error)</td>
<td>Parameter estimate (standard error)</td>
<td></td>
</tr>
<tr>
<td>N (Number of observations)</td>
<td>886</td>
<td>683</td>
</tr>
<tr>
<td>$\beta_0$ (Intercept)</td>
<td>$-0.09547^{***}$ (0.00486)</td>
<td>$-0.12200^{***}$ (0.01304)</td>
</tr>
<tr>
<td>$\beta_1$ (Coefficient of distance between two cities)</td>
<td>$0.000003417^{***}$ (0.00000560)</td>
<td>Not Significant</td>
</tr>
<tr>
<td>$\beta_2$ (Coefficient of available seats)</td>
<td>$0.00019933^{***}$ (0.00002002)</td>
<td>$0.00026063^{***}$ (0.00004097)</td>
</tr>
<tr>
<td>$\beta_3$ (Coefficient of weekly frequency)</td>
<td>Not significant</td>
<td>Not significant</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.9527</td>
<td>0.9381</td>
</tr>
<tr>
<td>F-statistic</td>
<td>18.26***</td>
<td>3.60***</td>
</tr>
</tbody>
</table>

*** Indicates significance at 1% level.

According to the White test for heteroskedasticity with the Aegean Airlines regressions, our coefficients for both the FFMS ratio hat and the FFMS ratio hat squared were significantly
different from zero, at a 1% level of significance. The F-statistics are too high at 64 for economy class and 25 for business class with significance at the 1% level. Thus, the null hypothesis about homoskedasticity is rejected. Because there was heteroskedasticity among the variables in our original model, we needed to correct it. For the correction of the heteroskedasticity in the model, the weighted least squares estimation technique was used, and the corrected results of the weighted least squares model are given in Table 5.

We can summarize the test results as follows:

H1: $\hat{\beta}_1$ is the coefficient of distance between two cities. It is negative at the 1% level and significant for economy class but not significant for business class.

The greater the distance traveled, the lower the FFMS ratio will be for economy class. The required number of miles to get an award ticket on longer routes, in particular, is three to four times higher than shorter routes, So, for economy class, the FFMS ratio will decrease when traveling farther.

H2: $\hat{\beta}_2$ is the coefficient of available seats. It is positive at the 1% level and significant for both classes of travel.

This means that the more seats that are available, the higher the FFMS ratio will be.

H3: $\hat{\beta}_3$ is the coefficient of weekly frequency. It is significant at the 1% level and negative for economy class. However, it is not significant for business class.

This means that the more frequent there are flights for a route per week, the lower the FFMS ratio will be. The weekly frequency is very high for relatively close international routes (flight time less than two hours). These routes are served multiple times every day, so the average ticket price for each particular flight is lower than for other international routes. Thus, the reason the FFMS ratio is negative is due to lower demand.

A comparison of different frequent flyer program specifications for Turkish Airlines and Aegean Airlines is given in Fig. 2.

<table>
<thead>
<tr>
<th>Comparison of Frequent Flyer Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFMS for Business Flights</td>
</tr>
<tr>
<td>FFMS For Economy Flights</td>
</tr>
<tr>
<td>Required Credit Card Expenditure for Business Class Flights USD</td>
</tr>
<tr>
<td>Required Credit Card Expenditure for Economy Class Flights USD</td>
</tr>
<tr>
<td>Weekly Frequency</td>
</tr>
<tr>
<td>Available Seats Business</td>
</tr>
<tr>
<td>Available Seats Economy</td>
</tr>
<tr>
<td>Ticket Price Business USD</td>
</tr>
<tr>
<td>Ticket Price Economy USD</td>
</tr>
<tr>
<td>Distance Between Two Cities (Miles)</td>
</tr>
</tbody>
</table>

![Figure 2](image-url)

**Figure 2.** Frequent flyer program comparison via FFMS analysis.
The comparisons of the multiple regression results for Turkish Airlines and Aegean Airlines economy class and business class are given in Fig. III and Fig. IV, respectively.

According to the R-squared results obtained during the calculations, our model helps explain more than 92% of the variables in the study. Therefore, all of our calculations are valid.

According to the obtained results, the FFMS ratio in economy class is higher for Aegean Airlines; however, the FFMS ratio in business class is higher for Turkish Airlines. The reason for this is that Aegean Airlines offers better prices for economy class on European routes.

**Figure 3.** Comparison of multiple regression results – Economy class.

**Figure 4.** Comparison of multiple regression results – Business class.
Regarding the required credit card expenditures, Aegean Airlines offers an option that is at least 20% better than Turkish Airlines, meaning that passengers have to spend 20% less before eligibility to travel free in either class.

The effect of weekly frequency is negative for Turkish Airlines flights. The price of an economy class ticket is lower than a business class ticket, and this is the primary reason for the higher coefficient on business class flights. As the weekly frequency increases, the availability of cheaper tickets also increases for both classes of travel.

These findings indicate that in order to increase passenger satisfaction with increasing the issued award ticket numbers more from loyalty programs, Aegean Airlines needs to increase the number of available seats on flights. They could consider purchasing more wide-body aircraft or increasing the number of routes (but not frequency). Turkish Airlines needs to lower the miles required for travel with award miles significantly, although the weekly frequency and number of seats allocated are sufficient.

Conclusions

This paper utilizes the new quantitative tool of the FFMS analysis to examine changes in the FFMS ratio for Turkish Airlines and Aegean Airlines flights that are explained by the desired traveling distance between two cities, the number of available seats for award tickets, and weekly flight frequency. The FFMS analyzing tool helps us understand the factors affecting award mile seat demand on Turkish Airlines and Aegean Airlines flights. Our calculations revealed that the FFMS ratio is highly correlated with demand for a particular flight. The reason behind this is that the airlines are using a dynamic pricing algorithm.

Data regarding FFMS calculations were obtained directly from airline reservation websites for a round-trip ticket the third week of November 2018, and the observations included all flight pricing information for the specified week. The FFMS ratios were calculated from the obtained data, and several multiple regressions were conducted using SAS statistical analysis software.

After the regressions, all variables except the weekly frequency on Aegean Airlines were significant for economy class flights, at 1%. According to these results, the FFMS ratio for economy class is higher for Aegean Airlines; however, the FFMS ratio for business class is higher on Turkish Airlines. This is because Aegean Airlines offers better prices for economy class on European routes, but Aegean does not operate long-haul flights in either economy or business class. The required level of credit card expenditure to obtain an award ticket is significantly higher for Turkish Airlines, and the reason for the result of a negative coefficient with weekly frequency is that, as the daily frequency increases, the price of tickets lowers, which causes a reduction in the FFMS ratio.

With regard to business class flights, weekly frequency and the distance between two cities were not significant for Aegean Airlines. This is because the flight schedule for Aegean Airlines is relatively small and stable in comparison to Turkish Airlines. Most of the flights on Aegean Airlines are short-haul flights that take under two hours, and most of these flights were operated once a day during the observation period. The result of a negative coefficient for weekly frequency and distance with Turkish Airlines can be explained by the fact that, as flight routes go farther
distances, the number of required miles to buy an award ticket becomes three to four times greater than for shorter routes. Flights in business class are extremely expensive, and it is quite difficult to find available seats on these aircraft. For example, Singapore Airlines award tickets were generally sold out approximately 11 months before departure date. So, it is reasonable to receive a negative coefficient from the model regarding travel distance.

In order to increase passenger satisfaction from loyalty programs, Aegean Airlines needs to increase the number of available seats on flights via the acquisition of more wide-body aircraft or an increase in the number of routes. With regard to Turkish Airlines, they need to lower the required miles to travel using award miles by at least 20% in order to compete with Aegean’s loyalty program.

Further Study

One extension of this research will be to analyze all flag carrier commercial aviation companies under strategic airline alliances that also promote their official credit cards. This will allow for comparison of all the frequent flyer programs simultaneously. Such a comparison could help airlines to redesign their loyalty program specifications so that passengers would be able to collect and redeem their frequent flyer miles more easily. If the airlines want to increase passenger demand and loyalty, they need to increase their overall service quality, and if they successfully adopt this strategy, it could boost business volume for the aviation industry significantly.

Additionally, the FFMS analysis tool can be used to analyze the loyalty programs of international cruise ship companies. The cabin marketing and pricing strategies of cruise ships are similar to aviation seat marketing, and most of the cruise companies are already promoting their official credit cards, making it possible to compare the specifications of cruise ship loyalty programs using the FFMS analysis.

References


Part 14: Management
The Impact of Conflict on Organizational Commitment

Ali Sukru Cetinkaya
Faculty of Economics and Business Administration
Selcuk University, Turkey

Abstract

Conflict is inevitable in organizations since there is always interactions among employees. Conflict is generally perceived as a negative concept at the first stage. However, conflict can bring benefits to enterprises as long as it is managed correctly. It can be said that conflicts in enterprises have a direct impact on the organizational commitment of employees. In this study, the effect of conflict on organizational commitment was investigated. There is a limited research focused on the conflict and organizational commitment in the literature. Thus, this research aimed to contribute to fulfill this gap, and provide practitioners useful ideas. This is an empirically designed research. Survey data were collected from 200 randomly selected respondents working in food and beverage enterprises operating in the province of Konya. Descriptive statics, Explanatory Factor Analysis and multiple regression techniques were employed for the data analysis. Results demonstrated that there is a significant relationship between work-based conflict and all dimensions of the organizational commitment. However, interrelation-based conflict has effect only on the continuity commitment dimension of the organizational commitment. Results revealed that work-based conflict affects organizational commitment directly. It is empirically proved that there is great importance to eliminate especially work-based conflict sources in the organization.

Keywords: conflict, interrelation-based conflict, work-based conflict, organizational commitment

Introduction

Employees’ organizational commitment is essential for organizations success. Employees having higher level of organizational commitment gives more than expected to the organization. On the other hand, conflict in an organization can deteriorate the relationship in the work environment, and decrease commitment of employees and organizational performance. Therefore, it is worth to investigate the relationship between organizational commitment and conflict in organizations. This empirical research aimed to find out this relationship.

Organizational Commitment

Organizational commitment is the degree of the union that the employee establishes with the organization, identification with the organization and feeling himself or herself as a part of the organization (Bulbul, 2007; Gurkan, 2006, p. 9). It is the emotional attachment of the individual to the aims and values of the organization regardless of the interests (Bozkurt & Irfan, 2013).

Organizational commitment is not a visible phenomenon, but is understood by individuals' behaviors. Organizational commitment becomes apparent when individuals adopt organization's goals and values, sacrifice for the organization, have a strong desire for membership to continue, and have identification with the identity of the organization (Dolu, 2011).
Because it is a subjective phenomenon, organizational commitment can be at different levels in individuals. Individual and organizational factors are effective in the differentiation of the perception of organizational commitment. Individual factors are expressed as job expectations, psychological contract and personal characteristics (Gulova & Demirsoy, 2012). Organizational factors can be listed as the management style used by the managers (Ozcan, 2008, p. 19), general opinion of the employee about the organization (finding the organization reliable), meeting the expectations (wages, etc.) (Gurkan, 2006, p. 39), opportunities that the organization provided (Gursoy, 2014, p. 60), and appreciation and rewards (Ozcan, 2008, p. 21).

Organizational commitment is widely studied in the literature. Becker's Side Betting Approach, one of the pioneering approaches of the field, implies that the individual tends to pursue these behaviors by thinking about the investments he will lose when he discards showing a consistent set of behaviors (Meyer & Allen, 1984). The individual invests in the organization by stating a kind of bet by revealing something that he values. The higher the value given to the organization, the greater the commitment to the organization (Akgun, 2015, p. 49).

According to Salancik's approach, the individual exhibits behaviors consistent with their previous behaviors. According to this approach, organizational commitment stems from perceived limitations and shared values and goals (Bulbul, 2007, p. 14).

Meyer and Allen (1991) examined organizational commitment in three dimensions: Emotional commitment, continuity of commitment, and normative commitment. Emotional commitment is the identification and integration of the individual with the organization; continuity of commitment is the need to stay in the organization, and normative commitment is that the individual stays in the organization because of emotions such as friendship.

The high degree of organizational commitment in individuals provides many benefits to enterprises. Employees with a high level of commitment have less tendency to absenteeism and leave jobs, are willing to spend more time and effort on the job, are dependent on group unity and increase group productivity. On the other hand, the high level of organizational commitment may cause some negative consequences in enterprises. High organizational commitment can lead to organizational inflexibility, lack of innovation and harmony; suppress individual development, creativity, innovation and mobility; cause anger and enmity against high performing employees, and even display illegal and unethical actions on behalf of the organization (Dogan & Kilic, 2007).

**Conflict in Organizations**

Conflict can be defined as disputes arising from differences in status, resource, power, belief, desire or preference between two or more persons or groups (Kocel, 2018, p. 664). Depending on various reasons within the conflict, often emotionally based behaviors and feelings can take place, like disappointment, resentment, anger, competition etc. (Guney, 1998, p. 56). The aim of the parties to the conflict is to ensure the acceptance of their preferences, to obtain a resource advantage, to harm the opposite side or to intimidate the other party (Kosehan, 2005, p. 16).

Conflict can be classified in different types depending on the way of its appearance (implicit, perceived, felt, obvious), parties involved (in-person, interpersonal, between person and group, in-
group, inter-group, inter-organizational), level in the organization (vertical, horizontal and command-staff), and its main reasons (Yelkikalan, 2006).

The word conflict is often associated with negative concepts such as demolition, resentment, disagreement, hostility, war, anxiety, tension, perseverance, violence, threat, success, suffer, and despair. At the same time, conflict is also associated with the concepts of empowering, activating, creativity, encouraging, opportunity and enriching. Conflict is inevitable as differences are inevitable in the preferences, demands, values and interests of the parties involved in communication and interaction. The best way in conflict management is to prevent devastating effect of conflict (Kosehan, 2005).

It is not possible to eliminate conflicts in organizations since individuals are constantly interacting. But, it is possible to get benefits of conflict in organizations unless it is not at a destructive level. Differences within the organization may be the source of progress and development (Kosehan, 2005, p. 20).

Conflict in organizations can be managed using different methods like integration (win-win), compliance (self-sacrifice), domination (win-loss), avoidance (non-party) or reconciliation (mutual sacrifice) (Aykan, 2008).

The consequences of the conflict can have positive and negative consequences for the organization. The consequence of the conflict are closely related to the management style. A well-managed and directed conflict has positive effects on the organization. On the other hand, when the conflict is not managed effectively, the organization experiences a great cost. (Kosehan, 2005, p. 121). The hypothesis proposed in this research:

H1: Conflict in organizations affects organizational commitment.

Methods

The study is an empirical research. Survey technique was used as data collection tool. The questionnaire consisted of three parts. The first part included demographic information, the second part contained statements about employees' perceptions of conflict and the third part contained statements related to organizational commitment.

The conflict scale was adapted from the studies conducted by Ozdemir (2003) and Engin (2010). All items were responded to on a 5-point Likert-type scale ranging from “1. Never” to “5. Always”. Organizational commitment scale was developed by Meyer and Allen (1991) and adapted to Turkish by Wasti (2000). All items were responded to on a 5-point Likert-type scale ranging from ‘1’ (strongly disagree) to ‘5’ (strongly agree)

The population of the research is enterprises operating in Konya in food and beverage sector. Data was analyzed based on 200 valid responses received from randomly selected samples. The criteria of at least 5 responses per proposed variable was provided in the research (Gurbuz & Sahin, 2014). To ensure validity of the questionnaire, opinions of 4 expert from the field were taken, a pilot survey was performed with 20 valid responses from the target group, and then the questionnaire was given the final version.
Data Analysis and Findings

Data analysis were performed by conducting descriptive statistics, exploratory factor analysis and multiple linear regression techniques. When examined the demographics of respondents, it was recognized that more of the respondents were male (60.5%), single (68%), at the age group of 18-29 (65.5%), holding undergraduate degree (34%), and employed less than 1 year (45.5%) as worker (66%). When examined the demographics of the firms that respondents work; most of the companies were at the legal status of limited company (68.5%), employing 10-15 employees (66%), and operating in food and beverage industry.

Since the validity and reliability of the organizational commitment scale was provided, composite variables of emotional commitment, continuity of commitment and normative commitment were generated. The conflict scale was adapted from two different studies. Therefore, an Explanatory Factor Analysis was applied to this scale.

Explanatory Factor Analysis for the Scale of Conflict

In the Explanatory Factor Analysis, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) value was 0.919. This value indicated good sample adequacy. Bartlett’s Test of Sphericity showed a significant result ($\chi^2=1123.449$, df=66, $p<0.001$). This means that the factor analysis could be applied to variables. Basic components factor analysis based on the method of “oblimin” was employed to the scale (Table 1). Those with a factor load of 0.40 and higher were combined as suggested by Hair et al (1998).

<table>
<thead>
<tr>
<th>Pattern Matrix</th>
<th>Components Interaction</th>
<th>Task</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive communication caused by the fact that the employees are very close to each other causes conflicts.</td>
<td>0.861</td>
<td></td>
</tr>
<tr>
<td>In our unit, when new employees are hired, existing employees cannot adapt to these people and this leads to conflicts.</td>
<td>0.809</td>
<td></td>
</tr>
<tr>
<td>Disdain, humiliation, contempt, etc. behaviors cause conflicts.</td>
<td>0.764</td>
<td></td>
</tr>
<tr>
<td>The fact that the employee's job is considered insignificant compared to others causes the employee to have an internal conflict.</td>
<td>0.748</td>
<td></td>
</tr>
<tr>
<td>When a new employee is hired in our unit, there are conflicts arising from the fear of losing their jobs.</td>
<td>0.720</td>
<td></td>
</tr>
<tr>
<td>The employee who is not satisfied with the job position in our unit causes the employee to have an internal conflict.</td>
<td>0.686</td>
<td></td>
</tr>
<tr>
<td>The inability of the employees to express their opinions causes conflicts.</td>
<td>0.659</td>
<td></td>
</tr>
<tr>
<td>The lack of communication between employees in our unit causes conflict.</td>
<td>0.577</td>
<td></td>
</tr>
<tr>
<td>The struggle for power among employees causes conflict.</td>
<td>0.559</td>
<td></td>
</tr>
<tr>
<td>In our unit, problems arising from mutual task dependence in performing the works cause conflicts.</td>
<td>0.858</td>
<td></td>
</tr>
<tr>
<td>Employees of the unit consider their business as priority and important and this cause conflicts.</td>
<td>0.789</td>
<td></td>
</tr>
<tr>
<td>The lack of authority and responsibilities given to those who work in our department leads to conflicts.</td>
<td>0.774</td>
<td></td>
</tr>
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</table>


Explanatory Factor Analysis of the conflict scale revealed that the scale should has two-components which named “interaction” (eigen value: 6.151; explained variance: 51.255%; $\alpha$: 0.912) and “task” (eigenvalue: 1.083; explained variance: 9.022%; $\alpha$: 0.785). Components with more than 1 eigenvalue on the conflict scale represented 62.277% of the total variance. The $\alpha$ values of the components were higher than 0.78 revealing that items provided good internal consistency. Compound variables were generated, and subsequent data analysis conducted by considering these compound variables.
**Linear Regression Analysis**

The research hypothesis was tested by using multiple regression technique. According to the results of the regression analysis (Table 2), the task-based conflict had relationship with all dimensions of the organizational commitment (emotional commitment: $R^2 = 0.815, p = 0.542$; continuity of commitment: $R^2 = 0.000, p = 0.023$; normative commitment: $R^2 = 0.226, p < 0.001$). On the other hand, there was no statistically significant relationship between interaction-based conflict and emotional and normative commitment dimensions of the organizational commitment. ($R^2 = 0.815, p = 0.542$; $R^2 = 0.226, p = 0.669$).

<table>
<thead>
<tr>
<th>Table 2. Multiple Regression Analysis</th>
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</thead>
<tbody>
<tr>
<td><strong>The Dependent Variable</strong></td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Emotional Commitment</td>
</tr>
<tr>
<td>Continued Commitment</td>
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<tr>
<td>Normative Commitment</td>
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According to the results of multiple regression model, the null hypothesis was partially rejected. In other words, the H1 hypothesis “conflict in enterprises affects organizational commitment” was partially supported.

**Conclusion and Suggestions**

In this study, the effect of conflict on organizational commitment was investigated. The analysis of the available data showed that the task dimension of the conflict is effective in all three dimensions of organizational commitment. On the other hand, the interaction dimension of the conflict was effective only with continuity commitment. It can be said that task-based conflicts directly affect employees' loyalty to the organization. In this respect, eliminating sources of task-related conflicts in enterprises is of great importance.

The research is limited to Konya province and service sector. Therefore, future studies in this area can be done with wide participation in different provinces and different sectors to make comparisons.

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Acknowledgements

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Workplace Violence: A Theoretical Review

Ali Sukru Cetinkaya¹, Muhammad Rashid¹, and Sobia Nasir²

¹Faculty of Economics and Administrative Sciences
Selcuk University, Turkey

²Department of Business Administration
Yasar University, Turkey

Abstract

The idea of workplace violence is a challenging and complex phenomenon for both employees and organizations. Though, the topic is under research due to the increasing cost of organizations in terms of a high level of turnover, increasing level of stress among the employees, and decreasing level of commitment with the organizations. Additionally, our theoretical review discovers that various organizational fields have a different kind of experiences with workplace violence, while some occupations are subject to different kind of violence by unique aggressors. This theoretical study reviewed the previous research and put forward certain recommendations for the practitioners to adapt and introduce different kind of training, short courses, and educational programs in order to control this challenging situation. The study is novel as we are not targeting a broader concept of workplace aggression which has get the wide popularity among the scholars and literature of organizational behavior. The study is also unique as we are not going to focus particular type of violence such as mild or sever one type of workplace violence, besides that we are targeting overall workplace violence and its prevalence at different levels in an organization. Lastly, the study is important as we will determine the role of customer violence which is least research area in the literature.

Keywords: workplace violence, non-physical violence, physical violence

Introduction

Workplace violence is a stimulating behavior which happens almost in all organizations nowadays. The descriptions of violence are mostly labelled with the title of deviant. Many titles have been used to explain workplace violence such as an antisocial actions (Greenberg & Giacalone, 1997), counterproductive work behaviors (Mangione & Quinn, 1975), disobedient behaviors (Puffer, 1987), misconduct at workplace (Vardi & Wiener, 1996), and revenge inside the organization (Skarlicki & Folger, 1997). Violence is an aggressive behavior with the intent to cause harm (physical or psychological) (Englander, 2012, p. 2). Violence at the workplace depicts the set of activities such as physical assault, threatening activities, or non-physical abuse which happens in an organization. The examples of workplace violence range from physical to non-physical activities which can take some time worse situations (Shier, Nicholas, & Graham, 2018, p. 4). The idea of workplace violence examples among the staff members; discontented staff complain not about the choices that were took, but about how the decisions were communicated (Schweiger, Ivancevich, & Power, 1987). An association between the incidences of organizational changes for example layoffs, compensation, hiring the outside potential and confronting violence in an organization. This association may happen due to perceptions regarding organizational justice.
Literature has depicted that the violence at the workplace can prevail at different levels of an organization. It comes from different sources such as supervisor, coworkers, and clients as well. As per an estimate of 136 meta-analysis investigations indicated that the ratio of organizational violence is 36% for physical violence and 70% for the non-physical violence (Spector, Zhou, & Che, 2014). Researchers recommended that workplace violence just like an igloo (Baron & Neuman, 1996), there might other kinds of workplace violence can exist in an organization. Yet the lower level of workplace aggression covers verbal violence, workplace harassment, backbiting, hide the resources or an important information, and physical misconduct (Robinson & Bennett, 1995).

Large number of literature on violence consisting of direct, active, physical and verbal behaviors (Folger & Baron, 1996). Yet the craving to impose damage can be spoken through different types of workplace violence. The research has indicated a different kind of workplace violence such as workplace bullying, incivility, social undermining, and interpersonal conflict. These types of workplace violence noticeable in the literature and vary from mild to severe degree of violence at the workplace. Further, due to the prevalence of violence, the organizations are confronted with challenges cost in term of high level of turnover, increase in work withdrawal, lack of employee commitment.

**Antecedents of Workplace Violence**

The reason of violence at workplace can be contextual, cultural, organizational, environmental, and psychosocial, for examples, long waiting ques, frequent interruptions, uncertainty regarding treating the customer, increasing employee workloads, and decreasing injustice at workplace less of aggression management programs, and lack of trust level between peers (Zhang, Wang, & Xiec, 2017, p. 9).

**Workplace Violence and Different Cultural Settings**

As per the literature the characteristics of culture may common across similar cultures. These dimensions may be elucidated differently as a utility of different cultural setting. One cultural setting that has key inferences for the construal of workplace violence is the cultural logics of integrity, self-respect, and face (Leung & Cohen, 2011). Cultural/ logic explain different types of scripts set of actions, practices, and cultural patterns around the main theme giving them a meaning and a certain logical consistency and coherence for the people of culture. These logics vary with respect to the meaning and importance of social context countries and nation image, norms of exchange, punishment, and trustworthiness.

A number of cultural characteristics have been defined by Hofstede such as power distance, uncertainty avoidance, individualistic, collectivism, masculinity, and long term versus short term orientation. Though, the prominent role of workplace violence is focused on two most frequently prevailing cultural dimensions such as individualistic and collectivism. (Hofstede, 2001) indicated that cultural differences reflected different types of workplace violence. For collectivist settings, he stressed the position of always maintaining harmony and avoiding clashes for employees yet, he emphasized that confrontations; for individualist were seen as normal and speaking one’s mind in the collectivist workplace, the virtues of harmony and maintaining the face supremely.
The appearance of violence at the workplace has been widely recognized. A range of literature has reflected on a broader perspective of workplace aggression (Hershcovis, Turner, & Barling, 2007). While the idea of workplace violence is lacked behind. Therefore, this study is an effort to examine the challenging situation of workplace violence and its ultimate consequences for the employees and organization in the light of literature. In doing so, the main aim of the study will lead toward two research questions: To what degree different sources contribute isolated in order to the prediction of the workplace violence particular if comes from client or customer? Secondly, did different cultures represent the different types of workplace aggression?

**Workplace Violence**

Workplace violence is consider an intentional trick to use the authority, to threat someone, or actual, against another person or against a group, in work-related circumstances, that either results in or has a high degree of likelihood of resulting in injury, death, psychological harm, mal development, or deprivation (Yenealem, Woldegebriel, & Olana, 2019, p. 1). Workplace violence refers as the intense set of physical or nonphysical activities directed toward a person in an organization (Gacki-Smith, Juarez, & Boyett, 2009), covers physical activities sabotage, or nonphysical use of abusive language (Haines, Marchand, & Harvey, 2006). Additionally, if the violence situations increase at workplace the situation can worse and may even lead toward the human death cases. Workplace violence is a noticeable phenomenon and creates a negative influence on a victim’s feeling (Lord, 1998). Initial literature relevant to the workplace violence opened the path for advancement and a better understanding of the idea (Baron, Neuman, & Geddes, 1999; Keashly & Neuman, 2004). Scholar attention with the organizational violence has become a part of organization life, initiated not only by the leaders who are working at high positions but as well as all other levels for example coworkers and customers (Stutzenberger & Fisher, 2014).

The history of organizational brutality in the workplace is a growing phenomenon (Al-Bashtawy & Aljezawi, 2016). Violence situations at workplace have been noticeable from the beginning of the 1980s (Kinney & Johnson, 1993), while in 1992, identified that workplace violence became a critical challenge (Kinney & Johnson, 1993). Yet, the experience of workplace violence varies from country to country and culture to culture. Due to the cultural differences, the severity and meaning of aggression are different. Prior examinations have also reflected that workplace violence is noticeable and high in service sectors, such as health, education, telecommunication, retail, and legal service organizations (Piquero, Piquero, & Craig, 2013; Spector et al., 2014).

**Typology of Workplace Violence**

An initial classification of workplace violence comes from the topology of Bass, which varies from overt to covert, direct to indirect and physical to a nonphysical set of behaviors. Most frequently two dominant types of classifications are noticeable in the literature non-physical, and physical (Aquino & Thau, 2009). Non-physical violence refers to threats, abusive language, bad looks, provocative or an aggressive body language. On the other hand, physical violence, explains the situations of violence and harm for both employee and organization such as pushing someone, misuse of an organizational assert (Barbero, Hernández, & Esteban, 2012). The concept of workplace violence explains the set of behaviors or actions of an individuals which lead with the intention to give harm to other employees or organizations (Neuman & Baron, 2005). Yet a number
of typologies of workplace violence have been anticipated by different authors across different fields for example service, psychology, and education. These vary along the degree of harshness, forms, motivation, temporal representation, proactivity, and target among the other employees (Farmer & Aman, 2009). Typology of violence explained four main kinds of workplace violence. Workplace violence type one is the intention of a perpetrator (i.e., threatening, injuring, or killing the pharmacist). Violence major second type depicts the customer to employee violence (i.e., verbally threatened by family or visitors). The third kind of workplace violence is employee-to-employee violence (e.g., a fired an employee, kills the dismissing supervisor a fistfight occurs after increasing conflict between two employees). Workplace violence fourth is when an intimate partner of an employee invades the work area (i.e., beating or killing the other subordinates). Workplace violence comes under Type three of workplace violence typology of coworker to coworker violence. In contrast, (Bowie, 2002) recommended the need to change the typology of violence to comprise psychological violence and harassment. A similar typology is inclusive of psychological violence developed alike to the (Alert, 2004) typology. The prolonged workplace violence type (Bowie, Fisher, & Cooper, 2005) is more inclusive of the outside violence that settings an organization.

**Theoretical Foundation of Workplace Violence**

A number of theories in the literature of organizational violence are playing essential part and entails from classical to environmental, and psychological to cognitive such as justice theory (Lind & Tyler, 1988), frustration-aggression (Scherlag, Lau, & Helfant, 1969; Spector, 1978), aggression (Neuman & Baron, 1997), and theory of social information (Salancik & Pfeffer, 1978).

**Justice Theory**

Justice theory was coined for the first time in 1971 by John rawal. The theory refers that the injustice situations which happens at workplace. As theory refers that the fairness of equality corresponds to the degree of nature in the old-style theory of the social agreement. This real place of the theory is not the, thought, of as an actual past set of actions, less ratio of literature as an original condition of culture. It is determined as a purely theoretical condition characterized so as to lead to a certain start of fairness in an organization (Rawal, 1971).

**Frustration Aggression Theory**

Frustration aggression theory defines that workplace violence is always a result of frustration and inversely indicate the existence of frustration and always leads to some types of workplace violence. The theory was introduced by (Dollard, Miller, & Doob, 1939) to link the Freudian idea of stimulus-response interactions. As the theory considers as an inner drive set of actions to frustrating external stimuli from the environment.

**Types of Workplace Violence**

Abusive supervision explained the perceptions of a supervisor about their subordinates or in other words the degree to which manger entail in the constant display of hostile physical or nonphysical set of actions, apart from physical contact (Tepper, 2000). The influence of abusive supervision is around 13.6% among the employees (Schat, Frone, & Kelloway, 2006) and shows in a different ways, covering: angry outbursts directed at the subordinate; mocking or ridiculing the subordinate
in public; scapegoating behaviors in which the coworkers are forced to take the guilt for an action not their own; and failing to give an appropriate credit to a subordinate for success (Keashly, Trott, & MacLean, 1994).

The second type of workplace violence is Bullying, introduced by (Einarsen, 2000) as a state in which an employee is repeatedly subjected to a negative set of activities such as constant abuse through other employees or managers; mocking or offensive/hurtful comments; ridicule; and exclusion from social groups at the job.

The third type of violence is Social undermining, has been introduced by (Duffy, Ganster, & Pagon, 2002) as any behavior that is anticipated to hide an employee’s capability to create and maintain the following: a favorable status; success in their work; and positive interpersonal association at the job. Yet literature assessing the occurrence of social undermining is limited, a study by (Duffy, Ganster, & Shaw, 2006) depicted that social undermining is powerfully connected to multiple levels in an organization.

Workplace Incivility is the fourth kind of violence at the workplace. The idea was coined by (Andersson & Pearson, 1999) as nonstandard behavior that is low in intensity and divide by a vague intent to harm the employees. The verbal or nonverbal acts are generally established in the form of aggressive and rude behaviors directed at another organizational member. The literature has reflected a number of outcome behaviors with incivility such as outcomes, including job dissatisfaction, depression, counterproductive work behaviors, and turnover intent. Scholars have examined the factors which enforce the violence in organizations (Ghaziri, Zhu, & Lipscomb, 2014; Hahn, Muller, & Hantikainen, 2013). The features of employees and customers, the interaction among the workplace violence, environment, and organizational factors are prominent factors for the appearance of violence in an organization (Hahn, Muller, & Needham, 2010). Previous studies have examined these factors (Lina & Liu, 2005; Park, Cho, & Hong, 2015) and explained the consequences at the individual and organizational level as well.

Workplace violence has serious challenges and issues for an organization, its employees and customers as well. Workplace violence increases the degree of turnover which is always costly for the firms. It reduces the productivity of an organization. Violence in the organization enhances the errors and reduce the overall quality of an organization (Bush & Gilliland, 1995). On the other hand violence in an organization increases withdrawal among employees, increases counterwork behavior and revenge situations, enhance the dis-satisfaction and create critical hostile work environment (Aiken, Clarke, & Sloane, 2001).

**Discussion and Conclusion**

The findings of the previous literature reflect that violence is a critical and challenging situation for both workplace and its employee. The results provided support with the previous studies. The results indicated that cultural dimensions of workplace violence are consistent with the previous literature findings. Prominently the findings of the literature reflect that direct, indirect type of aggression, honor and pride are dominant in the literature. This is also supported by the findings that individual culture and collectivist culture have a different type of aggression and its consequences on employees. The literature explains that characteristic of workplace violence and involve behaviors leads toward making someone feel inferior, less authoritative, humiliated or
worthless. The findings also reveal that Asian countries shows that the assaults on ones’ honor, particularly by the damage to an individual social standing. Mostly consider or perceive a threat to self-worth and employees are used to show the social exclusion as a consequence (Gelfand, Severance, & Lee, 2015). The organizations are facing a high level of employee turnover, less commitment and decreasing degree of job satisfaction due to violence at the workplace (Hershcovis, 2011; Inness, Barling, & Turner, 2005). The findings reveals that nonphysical violence is more common as compared to physical one particularly in the case of Israel and Pakistan (Gelfand et al., 2015). The findings also show that public and private universities employees are facing different types of violence and public employee feel more secure for their job as compare to the private sector. Further, the literature also shows that the individualist and collectivist culture countries workplace violence and styles are different. In one culture if one thing is sign of honor in other culture the same behavior consider the symptoms of insult. The findings also reveals that Arabian countries have more covert violence behaviors as compared to North America. The findings also depict that in Asian countries if employees confront workplace violence it hurts their self-respect. People show more withdrawal as compare to defend their self in these kinds of events. The sources of these violent situations are enforced by different sources but most prominent is immediate boss and leaders are responsible for it. The literature also reflects a few examples when the source of workplace violence is customers which is consistent with previous results as well (Sliter, Sliter, & Jex, 2012).

**Practical Implications**

The findings of literature have a number of implications that government, leaders and mangers should try to introduce different programs and trainings in order to reduce the stress and control this challenging situation of workplace violence. Additionally, these remedial programs against violence at workplace should be arranged and prioritized by organizations through educational training programs and workplace safety protocols.

**Limitations of the Study**

The study only focused on prior literature. The focus of this theoretical study was the violence, its sources, culture, and consequences. The study is lacking as the relevance of different theories has explained with the workplace violence but particular one theory has not discussed in the literature. The target of the study was on over all context.

**Future Research Directions**

For the future, different mediators and moderators can be considered in this relationship in a quantitative research design. For the future study social exchange theory, stressor model and other relevant theories can discussed as per the framework of the study. Further, for the future interview technique can be used for the more clear understanding and collect the data about the workplace violence. The observation can also use as an alternative method. Mixed method can also be used to get the better understanding about the concept. For the future the study can be examine in the Asian context as those countries have collectivist culture and so the representation and challenges of the workplace violence can be expected different from individualistic countries.
References


The Effects of Workplace Incivility on Turnover Intention: The Mediating Role of Job Embeddedness

Mert Gurlek

School of Tourism and Hotel Management
Burdur Mehmet Akif Ersoy University, Turkey

Abstract

This study aims at revealing the relationships among workplace incivility, job embeddedness and turnover intention. The relationships among the variables were tested using the structural equation modelling. Data were collected from full-time hotel employees (N=410) in Antalya province. Results showed that workplace incivility had a negative impact on job embeddedness while having a positive impact on turnover intention. In addition, job embeddedness played a partial mediator role on workplace incivility’s effect on turnover intention. Particularly, workplace incivility reduced job embeddedness, and consequently, increased turnover intention.

Keywords: workplace incivility, job embeddedness, turnover intention, hotel industry

Introduction

Labour-intense nature of hotel industry renders the human resources more important compared to other sectors (Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010; Bratton & Watson, 2018): Turnover and high labour mobility are very critical problems in tourism industry (Davidson, Timo, & Wang, 2010; Baum, 2018). High turnover rates cause direct impacts such as training of new employees, loss of organizational knowledge and compensation, and indirect impacts such as low service quality and customer dissatisfaction (Robinson et al, 2014; Mohsin, Lengler, & Kumar, 2013; Karatepe & Shahriari, 2014; Ozturk & Karatepe, 2019). Therefore, many researchers examined the factors influencing employees’ intention to stay in the organization. Significant number of the researches focused on job satisfaction and organizational commitment as the factors with positive impact on staying in the organization (e.g. Marsh & Mannari, 1977; Shore & Martin, 1989; Jarros, 1997). On the other hand, Mitchell, Holtom, Lee, Sablyniski, and Erez (2001) suggested a term called ‘job embeddedness’ referring to the group of factors affecting the intention to stay in the organization and found out that job embeddedness is a better antecedent than job satisfaction and organizational commitment.

Individuals with job embeddedness are supposed to not to show any turnover intention. Nevertheless, the deviation behaviors they are exposed to in the organization could reduce their job embeddedness levels (Avey, Wu, & Holley, 2015). When employees’ job embeddedness levels decrease, their turnover intentions increase (Holtom & Inderrieden, 2006; Karatepe, 2013; Self & Gordon, 2019). “Workplace incivility is low-intensity deviant behavior with ambiguous intent to harm the target, in violation of workplace norms for mutual respect. Uncivil behaviors are characteristically rude and discourteous, displaying a lack of regard for others” (Andersson & Pearson, 1999, p. 457). Employees’ being subject to deviant behaviors has a negative impact on the success of organization. Despite of having the lowest intensity among the deviant behaviors, workplace incivility causes low job satisfaction (Reio & Ghosh, 2009; Koon & Pun, 2019), various psychological problems (Cortina et al., 2001; Demsky, Fritz, Hammer, & Black, 2018), and...
turnover (Ghosh, Reio, & Bang, 2013). Therefore, examination of the negative consequences of workplace incivility could be valuable for researchers and practitioners. The present research seeks an answer for the question ‘How can workplace incivility increase the turnover intention?’ Job embeddedness could be an answer for this question. More clearly, job embeddedness levels of employees perceiving an uncivil working environment could decrease, which might result in turnover intention.

As a result of the literature review, any study examining the relationships among workplace incivility, job embeddedness and turnover intention could not be encountered. In order to eliminate this information gap, it is aimed in this study to examine the job embeddedness’ mediator role on the effect of workplace incivility on turnover intention. The present study is expected to contribute to literature in two ways. First, it proposes a model showing how workplace incivility affects turnover intention in hotel industry. Second, it provides up-to-date information on the levels of job embeddedness and workplace incivility in Turkish hotel industry.

**Literature Review**

*Workplace Incivility*

Workplace incivility refers to less deviant behaviors with unclear intention which occur as a result of the deterioration of mutual respect in a working place. In other words, they are rude and not-welcomed behaviors lacking respect towards others (Andersson & Pearson, 1999). Workplace incivility differs from other mistreatment behaviors in organizations. Anderson and Pearson (1999) explained this difference as follows: Although incivility is a deviant behavior like aggressiveness, its intensity is low and the intention to harm is uncertain. Low intensity, unclear intention and norm violation differentiate workplace incivility from other deviant behaviors. Intention uncertainty means that it is hard to tell whether the individual showing incivility behavior has the intention to harm or not while low intensity means that negative behaviors are less detrimental. On the other hand, norm violation refers to the violation of the rules of civility and respect that individuals are supposed to follow in their relationships (Anderson & Pearson, 1999). Although incivility behaviors are less detrimental, they could create negative consequences on individuals. Researches emphasize that individuals subjected to workplace incivility suffer from high job stress (Cortina & Magley, 2009; Park, Fritz, & Jex, 2018), low job satisfaction (Reio & Ghosh, 2009; Morrow, McElroy, & Scheibe, 2011) and certain psychological problems, and their turnover rate is high (Bartlett, Bartlett, & Reio, 2008; Kanten, 2014).

*Job Embeddedness*

Effective management of employee turnover is important for organizations. High employee turnover rate brings along economic costs and causes deterioration of social and communication structure in the organization and reduction in harmony and commitment among the employees continuing working in the workplace in question (Bergiel, Nguyen, Clenney, & Stephen Taylor, 2009). Therefore, researchers tried to answer the questions of “why do people leave their job?” and “why do people stay in the organization?” (Mitchell et al., 2001, p. 1102). At the beginning, researchers sought answers for those questions through examining such subject as job satisfaction, organizational commitment, the presence of alternative jobs (Griffeth et al., 2000; Maertz & Campion, 1998).
Mitchell et al., (2001) suggested a new structure called job embeddedness in order to understand why employees continue working in their workplaces. Job embeddedness refers to the group of factors affecting employees’ intention to stay in the organization. These factors are categorized under three groups: links, fit and sacrifice. Link refers to formal or informal connections of an employee with the organization itself or with the surrounding environment. There is a psychological and financial communication network which embodies employee’s living environment, colleagues and other friends. Strong link between the individual and the network increases commitment to job and organization. Fit refers to the compatibility of employee’s personal values, future plans and skills with the organization whereas sacrifice means particular material and psychological benefits that will be forfeited by the employee as a result of leaving the job (Mitchell et al., 2001). High levels of these three components create a pressure on employee to stay in the organization (Ng & Feldman, 2010). Job embeddedness is beneficial for both organizations and individuals because employees with job embeddedness would work harder to do their best in job, would have low absenteeism, would exhibit positive organizational behaviors and have less intent to leave the job (Kanten, Kanten, & Gurlek, 2015; Holtom & Darabi, 2018).

**Hypotheses**

Any study having examined the relationship between workplace incivility and job embeddedness could be found in literature. Nevertheless, previous studies revealed that certain deviant behaviors reduced job embeddedness. For instance, Avey et al. (2015) found a negative relationship between abusive supervision and job embeddedness. Collins and Mossholder (2017) reveal a negative relationship between production deviation and job embeddedness. Mitchell et al. (2001) suggested the term ‘job embeddedness’ as a replacement for the antecedents (job satisfaction, organizational commitment, seeking for alternative jobs) affecting to stay in organization, and revealed that job embeddedness is a better antecedent than others. Having examined the literature, it was observed that workplace incivility had a negative impact on organizational outcomes such as job satisfaction (Morrow, McElroy, & Scheibe, 2011) and organizational commitment (Smith, Andrusyszyn, & Laschinger, 2010; Liu, Zhou, & Che, 2018) In the light of the above-mentioned arguments, hypothesis was developed as follows:

H1: Workplace incivility affects job embeddedness in a negative and significant way.

Incivility behaviors in a workplace bring along negative consequences. The most important one of those consequences is the occurrence of turnover intention, or leaving the job (Sharma & Singh, 2016). Many researches in literature show that workplace incivility causes turnover intention (Pearson & Porath, 2005; Oyeleye, Hanson, O’Connor, & Dunn, 2013). Based on this argument, the following hypothesis was proposed:

H2: Job embeddedness affects turnover intention in a negative and significant way.
H3: Workplace incivility affects turnover intention in a positive and significant way.

The present study expects job embeddedness to play a mediator role on workplace incivility’s effect on turnover intention. Despite the fact that any study having directly examined this effect could not be found in literature, it was mentioned in some studies that job embeddedness could play a mediator role between certain job factors and employee attitudes and behaviors (Holtom & Inderrieden, 2006; Harrisa, Wheelerb & Kacmarc, 2011). In this regard, job embeddedness levels of employees subjecting to incivility behaviors in workplace are expected to decrease, and as a result, their turnover intention is expected to increase.

H4: Job embeddedness plays a mediator role on workplace incivility’s effect on turnover intention.

Methods

Sample

Research sample is composed of employees working in four and five-star hotels in Antalya province. Convenience sampling method was used in this process. Antalya is a destination where the highest number of hotel business in Turkey (Gurlek & Tuna, 2018). There are 321 five-star hotels in Antalya (Ministry of Culture and Tourism, 2019). Therefore, it is a very suitable destination as a research context.

Data Collection

Data were collected from 410 hotel employees. 54.3% of respondents are female whereas 45.2% of them are male. 41.9% of employees are at the age range of 18-25, 36.2% of them are at the age range of 26-33, 19.5% of them are at the age range of 34-41 and 2.4% of them are at the age range of 42-49. 71.9% of employees graduated from high school, 22.4% of them graduated from associate degree programs, 4.8% of them graduated from bachelor’s degree programs and 1.0% of them graduated from post-graduate degree program. Working experience in the same organization was 1-4 years for 82.9% of employees, 5-8 years for 12.9% and more than 9 years for 4.3%.

Scales

To measure workplace incivility, the scale adapted by Kanten (2014) in previous studies (Martin & Hine, 2005; Cortina, Magley, Williams, & Langhout, 2001) was used. In the scale there are 7 statements for exclusionary behavior, 4 statements for gossip, 5 statements for hostile behavior and 7 statements for privacy invasion. Since the statement of privacy invasion was found inconvenient in the pilot study (n=50) for employees in tourism industry, it was excluded from the scale. Exploratory factor analysis was utilized to ensure structural validity of the scale. As a result of the principal component analysis, the research sample was found to be sufficient (KMO value= .747) for factor analysis. Since factor loadings of 5 statements were found to be below .50, they were excluded from the analysis. It was observed that the remaining statements supported 3-factor structure. As a result of the reliability analysis, Cronbach’s alpha coefficient of the scale was noted as 0.829.

In order to measure job embeddedness levels of employees, the scale developed by Ng and Feldman (2009) was used. Since the scale was adopted from English literature, language validity
test was performed. 3 English lecturers were asked to carry out back-to-translation on the statements (Brislin, 1976). The scale is composed of 15 statements and 3 dimensions, and there are 5 items in each dimension. As a result of the principal component analysis, it was verified that the research sample was adequate (KMO value=.747) for factor analysis. Since factor loadings of 4 statements were found to be below .50, they were excluded from the analysis. It was observed that the remaining statements supported 3-factor structure. As a result of the reliability analysis, Cronbach’s alpha coefficient of the scale was noted as .860.

Turnover intention was measured using scale developed by Boshoff and Allen (2000). Since the scale was adopted from English literature, language validity test was performed. 3 English lecturers were asked to carry out back-to-translation on the statements (Brislin, 1976). The scale is composed of 3 items and one dimension. 3 items support the one-factor structure of the scale. As a result of the principal component analysis, the research sample was found to be sufficient (KMO value=.738) for factor analysis. Cronbach’s alpha coefficient was noted as .867 in the light of the reliability analysis results.

Following the exploratory factor analysis, goodness of fit indices of the scales were calculated via confirmatory factor analysis. For analyzing the data LISREL 8.80 program was used. Table 1 below shows the goodness of fit indices.

<table>
<thead>
<tr>
<th>Variables</th>
<th>χ²</th>
<th>df</th>
<th>χ²/df</th>
<th>CFI</th>
<th>NFI</th>
<th>NNFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace incivility</td>
<td>69.02</td>
<td>38</td>
<td>1.81</td>
<td>0.98</td>
<td>0.96</td>
<td>0.97</td>
<td>0.062</td>
</tr>
<tr>
<td>Job embeddedness</td>
<td>71.09</td>
<td>37</td>
<td>1.92</td>
<td>0.98</td>
<td>0.96</td>
<td>0.97</td>
<td>0.061</td>
</tr>
<tr>
<td>Turnover intention</td>
<td>4.44</td>
<td>2</td>
<td>2.22</td>
<td>0.99</td>
<td>0.99</td>
<td>0.99</td>
<td>0.066</td>
</tr>
</tbody>
</table>

Note: χ² = chi square; CFI= comparative fit index; NFI= formed fit index; RMSEA= root mean square error of approximation; NNFI= non-normed fit index.

**Measurement Model**

In order to test the research model, two-step approach by Anderson and Gerbing (1988) was used. According to this approach, measurement model is assessed separately from the structural equation modeling. On the condition that measurement model has acceptable fit indices, structural equation modeling is tested. For testing the measurement model, confirmatory factor analysis was performed. In line with the analysis results, the measurement model fits to data (χ²= 417.97, df= 270, χ²/df= 1.54, CFI = 0.97, NFI = 0.91, NNFI = 0.96, RMSEA=0.051). In addition, all standardized values range between 0.56 and 0.98 (Schermelleh-Engel et al., 2003; Meydan & Sesen, 2011).

<table>
<thead>
<tr>
<th>Variables</th>
<th>λ</th>
<th>a</th>
<th>CR**</th>
<th>AVE***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hostility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1</td>
<td>0.56</td>
<td></td>
<td>0.85</td>
<td>0.83</td>
</tr>
<tr>
<td>H2</td>
<td>0.75</td>
<td></td>
<td>0.85</td>
<td>0.51</td>
</tr>
<tr>
<td>H3</td>
<td>0.76</td>
<td></td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>0.85</td>
<td></td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>H5</td>
<td>0.63</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exclusionary Behavior</td>
<td>0.82</td>
<td>0.82</td>
<td>0.89</td>
<td>0.74</td>
</tr>
<tr>
<td>E1</td>
<td>0.89</td>
<td></td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>E2</td>
<td>0.73</td>
<td></td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>E4</td>
<td>0.95</td>
<td></td>
<td>0.74</td>
<td></td>
</tr>
</tbody>
</table>
It is seen on Table 2 that composite reliability (CR) values range between 0.83 and 0.92. Any value above 0.60 is considered acceptable (Bagozzi and Yi, 1988). Average variance extracted (AVE) ranges between 0.51 and 0.92. In accordance with the argument obtained, it can be indicated that the measurement model satisfies the discriminant validity (Fornell & Larcker, 1981).

**Findings**

Structural equation modeling (SEM) was used in order to test the hypotheses in the research. “Structural equation modeling (SEM) provide us with excellent tools for conducting preliminary evaluation of validity and reliability of measurement instruments...” (Raines-Eudy, 2000, p. 124). Moreover, It simplifies the analysis process by providing indices for model and data fit (Kline, 2011). To be able to mention about the mediator effect, the following conditions have to be met (Baron and Kenny, 1986): (1) There must be a relationship between independent variable (workplace incivility) and mediator variable (job embeddedness). (2) there must be a relationship between independent variable and dependent variable. (3) there must be a relationship between mediator variable and dependent variable. (4) when mediator variable is included in research model, there must be a relationship between mediator variable (job embeddedness) and dependent variable, and the relationship between independent variable (workplace incivility) and dependent variable (turnover intention) should reduce or disappear. In addition to these conditions, the final situation was assessed through the comparison of full and partial mediation models by chi-square difference test (Karatepe, 2013).

As a result of correlation analysis on the variables, a negative relationship between workplace incivility and job embeddedness ($r = -0.257; p<0.01$), a positive relationship between workplace incivility and turnover intention ($r = 0.279; p<0.01$) and a negative relationship between job embeddedness and turnover intention ($r = -0.237; p<0.01$) were found. These results indicate that three conditions laid down by Baron and Kenny (1986) were fulfilled.
Table 3. Standard Deviation, Mean and Correlation of Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Workplace incivility</td>
<td>2.23</td>
<td>0.65</td>
<td></td>
<td>-0.257**</td>
<td>1</td>
</tr>
<tr>
<td>2. Job embeddedness</td>
<td>2.90</td>
<td>0.78</td>
<td>-0.257**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Turnover intention</td>
<td>2.47</td>
<td>1.03</td>
<td>0.279**</td>
<td>-0.237**</td>
<td>1</td>
</tr>
</tbody>
</table>

** p < 0.01.

According to SEM results, workplace incivility had a negative and significant impact on job embeddedness ($\beta = -0.45$; t-value = -2.90; p < 0.01) whereas job embeddedness had a negative and significant impact on turnover intention ($\beta = -0.25$; t-value = -2.70; p < 0.01). On the other hand, workplace incivility had a positive and significant impact on turnover intention ($\beta = 0.23$; t-value = 2.19; p < 0.01). In line with these results, H1, H2 and H3 hypotheses were supported.

Figure 3. Results of structural equation model.

Having compared the full mediator model (X2= 57.17; df=32; X2/df=1.78; RMSEA=0.061; CFI=0.97; NFI=0.93; NNFI=0.95) and partial mediator model (X2= 52.02; df=31; X2/df=1.67; RMSEA=0.057; CFI=0.97; NFI=0.93; NNFI=0.96) based on X2 difference test (p < 0.01), it was observed that partial mediator model had better fit indices ($\Delta$X2= 5.16; df=1). For the calculation of indirect impacts, the formula of MacKinnon, Warsi, and Dwyer (1995) was utilized. Indirect impact equals to a x b (a refers to the path coefficient of the relationship between independent variable and mediator variable while b refers to path coefficient of the relationship between mediator variable and dependent variable).

For the calculation of significance level, the sobel test was used. Various methods are utilized for testing the mediation hypotheses. In a study carried out in Monte Carlo, MacKinon et al. (1995) found that the sobel test showed the best performance among other methods. In the light of the results, the indirect impact of workplace incivility on turnover intention was fixed at 0.11 under the mediation of job embeddedness. According to the sobel test results, this impact is statistically significant (z-value= 2.021; p < 0.05). Therefore, H4 hypothesis is supported. Furthermore, the research results show that the last condition laid down by Baron and Kenny (1986) was satisfied. In this regard, workplace incivility partially affects turnover intention through job embeddedness.
Conclusions

Research results support the theoretical model and all hypotheses. In accordance with the findings, hotel employees’ job embeddedness levels decrease, and turnover intentions increase when they are exposed to incivility behaviors. The present study contributes to literature on a few aspects. First, it is seen that workplace incivility has not yet been examined although certain detrimental behaviors in organizations such as sexual harassment (Eaton, 2004), harassment (Blosio & Hoel, 2008), sabotage (Harris & Ogbonna, 2002) mobbing (McMahon, 2000) and organizational deviance (Demir & Tutuncu, 2010) were focused on in the hospitality industry. Moreover, the number of studies on job embeddedness in the hospitality industry is limited (Robinson et al., 2014; Karatepe, 2013; Karatepe & Ngeche, 2012; Shahriari, 2011; Yam, Raybould, & Gordon, 2018; Chen & Ayoun, 2019; Yang, Guo, Wang, & Li, 2019). Any study examining these relationships all together could not be found in the field of hospitality management. Second, revealing how workplace incivility would affect turnover intention in hotel industry, the present study contributes to the existing knowledge background on turnover in hotel companies. Since tourism is a labour-intensive industry, employee behaviors are of vital importance. High turnover rate brings along negative consequences (training of employees, loss of organizational knowledge, low service quality etc.) for hotel companies. This study has several contributions to practical field. Job embeddedness creates positive outcomes (low turnover rate, high performance) for organizations (Burton, 2015). Therefore, organizations should take steps to encourage job embeddedness for employees, and managers should be aware of incivility behaviors in the organization (Pearson & Porath, 2005) because job embeddedness levels of employees exposed to incivility behaviors could decrease and they could leave the job. Organizations and managers should report incivility behaviors and make sure that employees exhibiting those behaviors are trained on the subject (Barlett et al., 2008) Through promoting individual capabilities such as conflict management, negotiation, stress management, relaxation skills, appropriate etiquette, incivility behaviors can be avoided (Reio, Meeker, & Reio, 2013).

Despite the fact that theoretical model developed in the current study is supported, there are certain limitations as is in each research. First, the research model was tested in four and five-star hotels. Different hospitality companies type could be focused on in future studies. In addition, it was worked on a limited sample due to financial restrictions. Future studies could test the research hypotheses on a larger sample. On the other hand, in order to increase the explanatory power of the research model, job engagement and job involvement could be included as a mediator variable while organizational support could be included as a moderator variable. In spite of the above-mentioned restrictions, this study provided new knowledge on workplace incivility and job embeddedness in Turkish hotel industry.

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348


Effects of Institutions on a Firm’s Political Behavior

Kenneth (Kyeungrae) Oh
The College of Business
Charleston Southern University, United States

Abstract

Linking new institutional economics (NIE) with the literature on corporate political strategy (CPS), this study develops an integrative model to illustrate the interactions between institutions and firms’ political behaviors such as lobbying and bribing. This study examines how and why institutions matter in firms’ choices of lobbying and bribing, using data on approximately 15,000 firms in 26 transition economies. The results show that weak institutions cause more bribing but less lobbying, and individual institutions have differential effects on firms’ political behaviors. In two distinct time periods demarcated by the critical event of EU accession, as institutions evolve to feature more market competition, firms are more engaged in lobbying and less involved in bribing, suggesting that lobbying is a substitute for bribing over time. The study and its evidence illustrate a potential policy implication for fighting against bribing and for building a new institution of lobbying in transition economies.

Keywords: corporate political strategy, bribing, lobbying, institution, EU, transition economies

Introduction

How would a firm’s political behavior be affected by institutions? The importance of institutions for firms’ behavior and performance has been widely acknowledged (Acemoglu & Johnson, 2005; Ingram & Silverman, 2002; North, 1990). However, a detailed picture of the interactions of institutions with economies and organizations is not yet sufficiently clear. Likewise, Peng, Wang, and Jiang (2008) have called for inquiries as to how and why institutions matter beyond the obvious notion that institutions matter. Less attention has been paid to how specific institutions influence firms’ political behavior and how institutions and firms interact with each other. The current study attends to fill this void by exploring how weak institutional development affects firms’ political activities in the context of transition economies.

After the fall of communism in 1989, a massive and relatively sudden change in the rules of the game took place in Central and Eastern Europe (CEE) and the former Soviet Union (FSU). Market mechanisms, however, do not develop overnight. Although central planning has been eliminated, it does not guarantee successful transition to a market economy without relevant institutional development (Hoff & Stiglitz, 2004; Svejnar, 2002). New institutional economics (NIE) literature states that institutional development is path-dependent in the sense that institutions are inherently associated with the unique history, culture, and initial state of each country (Aoki, 2001; Beck & Laeven, 2005; Stark, 1996). Accordingly, transition countries have showed diverse variations of institutional development in terms of its speed, process, and performance, which is necessary and sufficient conditions for the transition to a market economy to gain sustainable long-term growth (Beck & Laeven, 2005; Svejnar, 1991; 2002; Schleifer, 1997). Given an incomplete and tardy development of market institutions in the transition process, thus provide fertile grounds for political behaviors by firms (Shleifer & Treisman, 2005; Stark, 1996; Nee, 1992).
The focus in this study is on this variation in institutional development across countries, as well as its impact on firms’ political behaviors. Especially, the paper investigates the effects of institutional development on firms’ political behaviors, represented by lobbying and bribing. How would institutional underdevelopment affect firms’ engagement in certain political actions? Does the deficiency of market institutions lead to more or less active engagement in lobbying and/or bribing among firms? Lastly, how does such a pattern of political behavior change over time as institutions evolve?

To answer these questions, this study investigates the effects of institutional underdevelopment on firms’ political behaviors as an inherent aspect of economic organizations, using about 20,000 firms in 26 transition countries (Salorio, Boddewyn, & Dahan, 2005; Pfeffer & Salancik, 1978). Facing severe deficiency of relevant market-compatible institutions, the empirical analysis with the structural equational modeling (SEM) shows that firms’ political behaviors become more salient in order to reduce risks and uncertainties. In transition economies, firms need to rely heavily on political behaviors in order to compensate for highly imperfect or non-existent market institutions (Peng & Heath, 1996; Salorio et al., 2005). In particular, in the absence of appropriate institutions, the role of government in the competitive environment of firms would become much more critical due to its primary role of serving as a rule-maker, resource allocator, and regulator. In this sense, firms are more likely to approach government officials to secure their interests in both legal and illegal ways. Under this reasoning, this study examines the degree of firms’ political engagement in bribing and lobbying according to the extent to the deficiency of market-based institutional development.

The study makes three contributions to the research on CPS and NIE. First, the paper integrates new institutional economics with research on corporate political behaviors, which provides a legitimate reason for why firms are involved in political activity. Second, this study empirically verifies four constructs of market-supporting institutions, an area that is left unexplored but is indispensable for advancing this line of research. Lastly, the static model is expanded into a dynamic model by incorporating the change of institutions over time both before and after a critical event, the EU accession. Accordingly, this study incorporates temporal effects into the model, adopting two distinct time periods in order to investigate the progress of institutional development and its impact on firms’ political behaviors in transition economies.

Literature Review

Institutions and Corporate Political Behaviors

Popularly known as the rules of the game, institutions can generally be defined as the humanly devised schemas, norms, and regulations that enable and constrain the behavior of social actors and make social life predictable and meaningful (North, 1990; Scott, 2001). Institutions are not only exogenous, but also endogenous (Aoki, 2001). They are embedded in social and economic environments and historical fabrics, which is why institutions vary across countries. During the transition process, market capitalism as an institution may be conceived as an exogenous pressure but it should be associated with the endogenous features of institutions in CEE and FSU. It invites a great deal of variation of institutional development across countries, enabling the analysis of firm-level variance in behaviors contingent on variations corresponding to exogenous institutional environments.
Institutional change in transition economies is subject to path-dependence (Murrell & Olson, 1991; Poirrot, 1996; Denzau & North, 1993). It is significantly influenced by the initial conditions and its speed of process (Marangos, 2005; Roland, 1994). It naturally necessitates researchers to incorporate the dynamic features of institutional change in their model rather than describe the static model (Peng, 2003).

Beyond the definition of an institution, there are difficulties in obtaining adequate measures of relevant dimensions of the institutional environment (Oxley, 1999) because institutions are multidimensional. Prior research often uses a dichotomous typology such as formal and informal (North 1990) or predatory and developmental institutions (Acemoglu & Robinson, 2002; Shleifer & Vishny, 1999). From a macro-systemic approach of classification (Roland, 2002), the study categorizes institutions into market, legal, and political institutions. Specifically, it highlights financial institutions, property rights, government regulation, and legal institutions.

**Firms’ Political Actions in Transition Economies: Lobbying and Bribing**

As corporate political actions, lobbying and bribing coexist in transition economies. Basically, bribing is parallel to lobbying in the form of influence buying through other means (Harstad & Svensson, 2006; Svensson, 2005). However, lobbying is legal and bribing is illegal. Firms in transition economies may utilize both types of strategies for political influence.

**Table 1. Lobbying Versus Bribing**

<table>
<thead>
<tr>
<th></th>
<th>Lobbying</th>
<th>Bribing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Practice of attempting to directly influence the actions of government</td>
<td>Attempts to get around existing rules or policies</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Activities that aim at changing existing rules or policies</td>
<td>Bend the rules</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>Policy-making institutions</td>
<td>Bureaucrats</td>
</tr>
<tr>
<td><strong>Legitimacy</strong></td>
<td>Legal and regulated</td>
<td>Illegal</td>
</tr>
<tr>
<td><strong>Participation</strong></td>
<td>Collective political actions*</td>
<td>Individual firm-level political actions</td>
</tr>
<tr>
<td><strong>Effects</strong></td>
<td>Longer-term effects;</td>
<td>Immediate effects;</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Affects all firms</td>
<td>Firm-specific</td>
</tr>
<tr>
<td><strong>Prevalence</strong></td>
<td>More in richer countries</td>
<td>More in poorer countries</td>
</tr>
</tbody>
</table>

*Source: Adapted from Campos and Giovannoni (2006), Grossman and Helpman (2001), Harstad and Svensson (2006), Olson (1965), and Svensson (2005)*

The first difference is that lobbying through an industry or trade association is generally considered to be a legitimate political action by firms, whereas bribing would be conceived as an illegitimate political behavior. Second, this study differentiates lobbying as a collective way of political influence from bribing as an individual firm-level political strategy (Svensson, 2005). Given the secrecy nature of bribing, bribing is not easy to be done collectively among several firms and thus may be part of an individual firm-level strategy (Harstad & Svensson, 2006; Svensson, 2005). On the other hand, since lobbying is usually to change the rules of the game in an industry and thus benefit most firms in the same industry, it is more likely to be done in a collective way (Campos & Giovannoni, 2006; Harstad & Svensson, 2006; Svensson, 2005).

Third, such change by lobbying would be somewhat more permanent while an enduring benefit from bribing tends to be arbitrary in the sense that a bureaucrat cannot credibly commit not to ask for bribes in the future (Rodriguez et al., 2005; Svensson, 2005). Lastly, lobbying is directed at changing a rule or a policy by targeting rule making institutions and officials involved, whereas
bribing tends to get around and to bend existing rules and policies (Campos & Giovannoni, 2006; Harstad & Svensson, 2006; Svensson, 2005).

In transition economies with significant institutional voids, two distinct political actions may be interchangeably or complementarily used to reduce uncertainty. Boundaries between bribing and lobbying are often blurred. This study, however, distinguishes lobbying as collective political actions through an industry or trade association from bribing as an individual firm-level illegal political action. Given fertile grounds for lobbying and bribing in transition economies, this study focuses on the interaction between institutions and firms’ political actions.

**Theory and Hypotheses**

**Institutional Development and Firms’ Political Behaviors**

In transition economies, underdevelopment of market-supporting institutions engenders high risks and uncertainty (Meyer & Peng, 2005). NIE scholars claim that institutions play a key role in reducing uncertainty by establishing a stable structure for human interaction (Commons, 1970; North, 1990). Without supporting market and legal institutions to create a degree of order and certainty, or security of expectations (Commons, 1970), firms seek a safeguard to fill such voids of institutions by engaging in political actions. In the transition period, legislation tends to lag behind the pace of restructuring of the economy and economic institutions, which leads to the absence of legal regulations or strict controls. Such a situation serves as a breeding ground for the political activities of firms, including lobbying and bribing. Overall nascence and underdevelopment of procedural and regulatory norms creates a favorable setting for the political involvement of firms. With a lack of appropriate institutions, the inevitable role of government in the competitive environment of firms would become much more critical due to its primary role and increased engagement in resource distribution, rule constitution, regulation setting, and structuring the rules of the game (Khan, 1998; Gong, 2002; Shue, 1984). Therefore, in this context, firms are tempted to invigorate their political behaviors in order to secure their opportunities and resources by approaching governmental officials in both legal and illegal ways.

In this sense, a firm’s degree of political behavior would be a function of extent of the deficiency of institutional development. Weak institutions also promote an intervention of the state. In a snail’s pace of institutional transition, government continues to retain control over economic life (Shleifer 1997). An interventionist government may act like grabbing hands (Frye & Shleifer, 1997; Shleifer & Vishny, 1999) pressing with regulation and predatory policies, which would facilitate firms’ lobbying (Solanko, 2003). By the same logic of state capture, high barriers to new business entry and soft budget constraints on firms are significant institutional factors engendering corruption (Broadman & Recanatini, 2002). Taken together, weak institutional development may facilitate government intervention which induces firms’ engagement in political activities.

However, firms’ choices of political actions among diverse sets of political options are not uniform. This variation may be contingent on the different institutional arrangements in different countries (Hillman & Keim, 1995). Under institutional environments in which private property rights are not well protected, the rules of the game are unstable, and legal enforcement systems are not promising, firms are more inclined to embrace bribing rather than lobbying as a political investment. According to the Corruption Perception Index (CPI), CEE and FSU countries record
high levels of corruption. Where corruption is highly prevalent, the risk of being caught and punished is significantly decreased and bribing may become more attractive (Murphy, Shleifer, & Vishny, 1993; Rose-Ackerman, 1975; Mauro, 1998). In such a situation, while bribery is illegal, it has been considered to be an effective business operation because it provides immediate benefits to the recipient and often conveys benefits to the payee (Boddewyn, 1988; Lenway, Morck & Yeung, 1996; Ring, Lenway & Govekar, 1990). By contrast, lobbying through trade or industry associations is relatively indirect and inefficient because of its nature as a collective way of seeking common interests. Moreover, it suffers from the problem of free-riders (Olson, 1965). Accordingly:

Hypothesis 1. The more market-supporting institutions are underdeveloped, the more likely firms will engage in bribing, rather than lobbying.

The intensity of the effects of different types of institutions on firms’ political actions, however, may not be uniform. North (1990) points out that the role of government and a political process must enter into the theory of institutional economics. In fact, the state factor plays a mediating role between institutions’ and firms’ political actions (Schleifer, 1997). Therefore, this study predicts that the more an institution is cohesively associated with the state, the greater its impact on firms’ political behaviors. In this sense, higher governmental regulation may lead to more bribing and lobbying of government officials to influence policies and circumvent regulatory constraints (Broadman & Recanatini, 2002; Frye & Shleifer, 1997; Solanko, 2003). By definition, lobbying tends to aim at policy-making institutions by targeting higher-level government politicians, whereas bribing tends to avoid policy constraints by focusing on lower-level bureaucrats (Damania et al., 2004; Campos & Giovannoni, 2006). As such, government regulations are intimately related to both lobbying and bribing since they are commonly intertwined with lower- and higher-level governmental officials. Therefore,

Hypothesis 2a. A high level of government regulations will be positively related to the extent of firms’ bribing.

Hypothesis 2b. A high level of government regulations will be positively related to the extent of firms’ lobbying.

As institutions are interdependent (Ingram & Silverman, 2002), the development of financial institutions, legal institutions, and property rights institutions, in particular, go hand in hand (Berglof & Bolton, 2002; Claessens & Laeven, 2003). A country’s financial development is closely related to its legal frameworks (La Porta et al., 1998) and property rights institutions (Acemoglu & Johnson, 2005), and property rights cannot be secured without effective enforcement by legal institutions. In half of transition economies, the largest banks are still state-owned. Therefore, competition and enforcement systems are weak, while cronyism and corruption remain pervasive. Thus, the allocation of financial resources is not necessarily based on economic logic but may be on non-competition factors. For example, in the 1990s, Viktor Gerashchenko, the first chairman of the central bank in Russia, undermined the government’s attempt to stabilize the economy by increasing the money supply to bail out ailing banks and firms, and was involved in corruption scandals of misusing IMF funding (Berglof & Bolton, 2002). In such a situation, firms may seek benefits by paying bribes to powerful officials. By contrast, given insecure property rights and legal systems as well as poorly developed financial institutions, firms are less likely to
engage in lobbying through trade or industry associations since it may be ineffective, inefficient, and highly risky in the context of unstable institutions due to its nature of collective action.

Property rights institutions provide checks and protection against expropriation from government and power elites (Acemoglu & Johnson, 2005). The property rights literature focuses on securing intangible assets such as patents, copyrights, and trademarks rather than tangible assets, which leads to firms’ optimal resource allocation, investment, and growth (Claessens & Laeven, 2003). In transition economies, however, tangible assets such as land ownership are also critical for investment decisions (Besley, 1995). Russia and FSU have limited legal basis for private ownership of land and the (local) government has retained close to a monopoly on commercial land (Rapaczynski, 1996). Weak protection for private property rights heightens the possibility of expropriation by government and power elites and dampens incentives to invest. In this sense, Acemoglu and Johnson (2005) argued that, when property rights institutions fail to protect citizens, there are limited options for recourse because the failure results from the absence of a check on the use of political power by the government and elites. By this reasoning, this study predicts that weak property rights institutions encourage firms’ involvement in bribing. However, it conjectures that lobbying through trade or industry organizations may differ from the case of bribing.

Legal institutions encompass rules of law, legal effectiveness, and law enforcement to protect contracts and property rights. Effective legal institutions are conducive to strong investor protection and financial market development (La Porta et al., 1998). By contrast, under weak legal institutions, firms do not trust the legal system to protect their rights, and the resulting low level of trust in a society makes public and private institutions less effective (La Porta et al., 1997). Similarly, North (1990) argued that the inability of developing low-cost enforcement contracts causes historical stagnation and contemporary underdevelopment. From a firm’s view, when an economy fails to establish appropriate legal institutions, firms tend to seek alternatives to protect themselves from expropriation and secure their survival. Bribing may be an option when the level of corruption is high and the benefits from bribing, therefore, exceed the cost and risk from punishment once caught (Shleifer & Vishny, 1993; Svensson, 2003). On the other hand, lobbying through trade or industry organizations is more effective and attractive in the legal form of influencing strategies. High uncertainty and risks from the lack of legal protection cause fewer firms to participate in lobbying. In sum, considering the nature of collective action in lobbying, lobbying through a trade or business association needs to be differentiated from lobbying at the firm level. In this sense, this study can interpret that firms may rely less on the industry or collective level of lobbying in the setting of weak market-supporting institutions since free riders are hard to detect and discourage (Olson, 1965). Moreover, less developed institutions make lobbying less effective (Harstad & Svensson, 2006; Campos & Giovannoni, 2006), which in turn dampens a firm’s incentive to participate in lobbying. Thus:

Hypothesis 2c. Underdevelopment of financial institutions will be positively related to the extent of firms’ bribing while it will be negatively related to the degree of firms’ lobbying.

Hypothesis 2d. Underdevelopment of property right institutions will be positively related to the extent of firms’ bribing while it will be negatively related to the degree of firms’ lobbying.

Hypothesis 2e. Underdevelopment of legal institutions will be positively related to the extent of firms’ bribing while it will be negatively related to the degree of firms’ lobbying.
Effect of a Critical Event (EU Accession) on Firms’ Choices of Lobbying and Bribing

Institutional change has path-dependent characteristics in that institutions are largely endogenous, rather than exogenous, and are embedded in historical and socio-political contexts (Acemoglu, 2005; Murrell, 1995; Roland, 1994). Extending the static model, a dynamic model is adopted in this study by incorporating a critical, exogenous event, such as EU accession, by which a country drives institutional change. This study sets up two qualitatively distinct time periods to compare firms’ differential utilization of political actions under marked differences in the evolutionary path of institutional development. A country’s accession to the European Union (EU) functions as a watershed demarcating a noticeable leap in institutional development. For membership, the Copenhagen criteria require that the candidate country achieve the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities, as well as the existence of a functioning market economy, and the capacity to cope with competitive pressure and market forces within the EU. This accession process requires certain transition economies to adopt the EU requirements and, thereby, establish appropriate financial, legal, regulatory, and political institutions (Berglof & Bolton, 2002). In 2004, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia became EU members. Then in 2007, Bulgaria and Romania joined. In this respect, two data-collection spells of 2002 and 2005 are qualitatively different because 2004 represents a landmark distinguishing pre- and post period of EU accession.

In most transition economies, institutions are not static, so firms’ choices of political actions evolve along with the changes of institutions and exogenous events. In the beginning of the transition, firms seek relationships with officials to take advantage of political influence as a way to counter the lack of appropriate institutions. Considering the high degree of corruption in transition countries both before and after transition, bribing may be considered to be one of the main alternatives of firms’ political actions since the benefits outweigh the costs (Shleifer & Vishny, 1993, 1994; Weymouth, 2013). Under institutional underdevelopment, firms may resort to both lobbying and bribing, which means that the two forms of government influence are complementary. As institutions are developed, however, the relationship between lobbying and bribing may become substitutable rather than complementary. As Harstad and Svensson (2006) showed, firms bribe when the level of development is low but switch to lobbying when the level of development is sufficiently high. Lobbying will tend to be the dominant method of influence at higher levels of development while bribing will tend to dominate at low levels of development where bribes are relatively inexpensive (Campos & Giovannoni, 2006). Political instability may make lobbying less effective because of lack of commitment (Harstad & Sevensson, 2006).

When market and legal institutions efficiently support market capitalism, the rules of market games are institutionalized and the benefits of bribing appear to be reduced, leading firms to replace it with other forms of political actions. For instance, Coase’s theorem posits that clear property rights are essential for a well-functioning market economy. For market capitalism to function efficiently, it is imperative that the institutional structure provide protection of property rights, enforced contracts, imposed financial discipline, and a generally stable legal environment (Murrell, 1991; Svejnar, 1991; Kornai, 1995). Such stable market and legal institutions decrease the necessity of bribing, and also increase the risk of being caught and of contaminating a briber’s reputation. In a nutshell, as market institutions make progress, lobbying is tandem with market capitalism and becomes salient as a means of political action. On the contrary, bribing will turn
out to be costly since full-fledged institutions supporting a market-based system shrink the space where bribing can play a role, and both the risks of being caught and the associated penalty for bribery increase (Djankov, La Porta, Lopez-De-Silanes, & Shleifer, 2002). Thus, this study argues that the two forms of political actions are substitutes rather than complements as institutions become better developed. Therefore:

Hypothesis 3. As market and legal institutions become significantly more developed by new access to EU market, firms are more likely to be involved in lobbying and less likely to be engaged in bribing.

Methods

Sample (Data)

The main data source of the study is the Business Environment and Enterprise Performance Survey (BEEPS), which is conducted by the European Bank for Reconstruction and Development (EBRD) and the World Bank. It compiles three rounds of surveys – 1999, 2002, and 2005 – amounting to approximately 20,000 firms in 26 transition countries (see Table 2). The second and the third rounds of the survey (around 15,000 firms and 26 countries) are placed into the analysis because of differences of measures in some of the main variables in the first round of survey. The survey examines the quality of the business environment as determined by a wide range of interactions between firms and the state in countries in CEE and the FSU. It is surveyed through face-to-face interviews with high-level firm managers and owners in site visits. This survey is designed to assess the quality of the business environment, including governance, financial market, legal system, corruption, labor market, infrastructure, and policy uncertainty.

Table 2. Sample Description: Countries and the Number of Firms Interviewed

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania (170)</td>
<td>Albania (204)</td>
<td>Armenia (351)</td>
</tr>
<tr>
<td>Azerbaijan (170)</td>
<td>Belarus (250)</td>
<td>Azerbaijan (350)</td>
</tr>
<tr>
<td>Belgium (182)</td>
<td>Bulgaria (250)</td>
<td>Armenia (350)</td>
</tr>
<tr>
<td>Croatia (187)</td>
<td>Czech Republic (268)</td>
<td>Croatia (236)</td>
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<tr>
<td>Estonia (170)</td>
<td>Estonia (174)</td>
<td>Estonia (219)</td>
</tr>
<tr>
<td>Hungary (250)</td>
<td>Kazakhstan (250)</td>
<td>Hungary (610)</td>
</tr>
<tr>
<td>Kyrgyzstan (173)</td>
<td>Latvia (176)</td>
<td>Kyrgyzstan (202)</td>
</tr>
<tr>
<td>Lithuania (200)</td>
<td>Macedonia (170)</td>
<td>Lithuania (205)</td>
</tr>
<tr>
<td>Moldova (174)</td>
<td>Poland (500)</td>
<td>Moldova (350)</td>
</tr>
<tr>
<td>Serbia &amp; Montenegro (250)</td>
<td>Serbia &amp; Montenegro (300)</td>
<td>Serbia &amp; Montenegro (300)</td>
</tr>
<tr>
<td>Romania (255)</td>
<td>Russia (506)</td>
<td>Romania (600)</td>
</tr>
<tr>
<td>Slovakia (170)</td>
<td>Slovenia (188)</td>
<td>Slovakia (220)</td>
</tr>
<tr>
<td>Tajikistan (176)</td>
<td>Ukraine (463)</td>
<td>Tajikistan (200)</td>
</tr>
<tr>
<td>Uzbekistan (260)</td>
<td>(Turkey: 514)*</td>
<td>Uzbekistan (300)</td>
</tr>
</tbody>
</table>

Total 26 countries (6153) 26 countries (9098)

* Turkey is excluded in the sample since it cannot be classified into a transition economy.

To ensure the representativeness of the sample, the survey specifies and strictly administers the general distribution criteria in each country, such as sector, size, ownership, exporters, and location. It intends to produce a stratified sample with representation by various types of firms. The sectoral composition of service and manufacturing is placed on the sample according to the contribution of each sector to GDP in each country. In addition, at least 10 percent of the sample is allotted to small-sized, foreign-owned, and exporting firms, respectively (EBRD, 2005). Through these sampling methods, although the sample is heavily weighted toward privately owned
firms, minimum quotas are used to ensure the representation of state-owned firms and firms with foreign ownership (Hellman & Schankerman, 2000).

**Variables**

Lobbying is measured by three items that ask how beneficial the firm’s engagement in lobbying through business or trade associations is in: (a) lobbying the government, (b) resolution of disputes, and (c) accrediting standards or reputational benefits. These measures reflect the extent of lobbying by business or trade organizations corresponding to its return to an industry or a firm. It is constructed by the measures of the extent of lobbying, by which firms are able to influence policy decisions through the provision of private benefits to politicians and bureaucrats. Bribing is a composite measure of three items in terms of how much or often the firm bribes for the purpose of: (a) getting public services, (b) obtaining business licenses and permits, and (c) dealing with taxes and tax collection. These items are used to measure the degree of bribing, through which firms are able to gain private interests from governmental officials.

Institutional development is measured by four institutional components in market and legal institutional environments. Shown in Table 3 of the measurement model, financial institution is an aggregated measure of two financial obstacles in terms of: (a) access to financing, and (b) terms of financing. Land property rights is a latent variable based on two composite measures in terms of: (a) access to land, and (b) title or leasing of land. Government regulation is measured by regulatory obstacles on: (a) customs and trade regulations, (b) business licensing and permits, (c) labor regulations, and (d) uncertainty about regulatory policies. Legal institutions are assessed using a three-item scale in terms of: (a) fairness and impartiality, (b) uncorrupted system, and (c) enforcement of its decision.

This study includes several control variables to rule out possible alternative explanation. The level of corruption serves as a control when predicting firms’ political actions. The literature on corruption suggests that the level of corruption is positively related to the amount of bribing by firms (Svensson, 2003; Uhlenbruck, Rodriguez, Doh, and Eden, 2006). Corruption is measured with two items comprising: (a) pervasiveness of corruption, and (b) the predictability of corruption rules in advance. This study also includes the firm size and industry as control variables since past studies show that the firm size and industry would affect the degree of bribing and lobbying (Campos & Giovannoni, 2006; Chong & Gradstein, 2010; Macher et al., 2011). Firm size is captured by the natural logarithm of the number of employees. Industry is classified into eight categories such as (a) mining and quarrying, (b) construction, (c) manufacturing, (d) transport storage and communication, (e) wholesale, retail, and repairs, (f) real estates, renting, and business services, (g) hotel and restaurants, (h) other. In addition, firm performance is also added as a control variable. It is captured by (a) a firm’s profit and (b) a reinvestment ratio.

In order to deal with potential common method bias, this study applied procedural remedies in data collection stage as well as in ex post statistical analyses (Chang et al., 2010; Podsakoff et al., 2003). First, the survey protected anonymity of respondents by assuring confidentiality. Second, it used the Harman’s single factor test for 19 items of institutional characteristics. The results exhibited seven factors with eigenvalues higher than 1.0, which suggests that the majority of the variance between variables is not accounted by one general factor. Third, it used a direct measure of a latent common factor (Podsakoff et al., 2003). All significant constructs are remained significant with a
latent factor of corruption, suggesting that common method bias was not a significant problem in this study.

Analyses

Since diverse types of institutions interact and are inherently associated with each other, namely institutional endogeneity, the structural equation modeling (SEM) is appropriate for the analysis. Such characteristics critically violate the basic assumption of regression analysis, which is that the independent variables are linearly independent (Greene, 2003). On the contrary, the SEM incorporates and addresses this interdependence issue among variables and constructs by allowing covariance among exogenous and latent variables. Second, since a set of institutions is highly correlated and constructs are yet established, this research needs to identify clusters of institutional variables to conceptualize institutional systems (Temple, 1999). Furthermore, this study aims to disentangle the relative importance of different institutions – financial institutions, land property rights, regulations, market competition rules, corruption, and legal institutions – on firms’ political actions. The SEM provides the standardized factor loadings and the t-value statistics to verify the latent constructs that are measured with multiple indicators (Bollen, 1989; Bentler, 1990). In this sense, SEM is deemed appropriate in that the model contains several latent variables, whose validity and reliability need to be verified. Lastly, this study incorporates the coexistence of two distinct political actions—lobbying and bribing—as dependent variables. Considering this aspect of the model, the SEM is effective to test such a model that is path analytic with mediating variables. Such a model can be addressed by SEM, integrating a measurement model with a structural (theoretical) model. It is comprised of confirmatory factor analysis (CFA) and the path analysis model. An SEM approach allows measurement errors in the exogenous as well as the endogenous variables, and also permits covariance among exogenous and latent variables. When it comes to the issue of reverse causality, the SEM model can verify the causality between two latent variables.

Findings

Measurement Model

The study uses confirmatory factor analysis with LISREL and maximum-likelihood estimation to assess the psychometric properties of the scaled items for constructs derived from the survey instrument in a measurement model.

Table 3. A Measurement Model: Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>Estimate (ML)</th>
<th>SE</th>
<th>Critical Ratio</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to financing</td>
<td>1</td>
<td></td>
<td>0.87</td>
<td></td>
</tr>
<tr>
<td>2. Cost of financing</td>
<td>1</td>
<td>0.06</td>
<td>17.15</td>
<td>0.86</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Land Property Rights</th>
<th>Estimate (ML)</th>
<th>SE</th>
<th>Critical Ratio</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to land</td>
<td>1</td>
<td></td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>2. Title or leasing of land</td>
<td>1.16</td>
<td>0.07</td>
<td>16.24</td>
<td>0.71</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government Regulation</th>
<th>Estimate (ML)</th>
<th>SE</th>
<th>Critical Ratio</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customs and trade regulations</td>
<td>1</td>
<td></td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>2. Business licensing and permits</td>
<td>1.09</td>
<td>0.05</td>
<td>20.24</td>
<td>0.8</td>
</tr>
<tr>
<td>3. Labor regulations</td>
<td>0.79</td>
<td>0.05</td>
<td>17.17</td>
<td>0.58</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Institutions</th>
<th>Estimate (ML)</th>
<th>SE</th>
<th>Critical Ratio</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fair and impartial</td>
<td>1</td>
<td></td>
<td>1.17</td>
<td></td>
</tr>
<tr>
<td>2. Uncorroborated</td>
<td>1.06</td>
<td>0.04</td>
<td>25.37</td>
<td>1.24</td>
</tr>
<tr>
<td>3. Able to enforce its decisions</td>
<td>0.67</td>
<td>0.04</td>
<td>18.75</td>
<td>0.78</td>
</tr>
</tbody>
</table>
Corruptions*

1. Pervasiveness of corruption (How common?) 1 1.29
2. Predictability of corruption (How uncertain?) 1.02 0.04 26.41 1.31

Lobbying
1. Lobbying government 1 0.74
2. Lobbying for resolution of disputes 1.19 0.07 16.93 0.68
3. Lobbying for accrediting standards 0.93 0.06 16.43 0.69

Bribing
1. Bribe to get and maintain public service 1 0.63
2. Bribe to obtain business licenses and permits 1.72 0.08 21.15 1.09
3. Bribe to obtain government contracts 1.49 0.08 18.63 0.94
4. Bribe to deal with taxes and tax collection 1.52 0.08 19.94 0.96

* This latent variable is for testing a common method bias

An iterative process was used to respecify the measurement model on the basis of both content and statistical considerations (Anderson & Gerbing, 1988). Table 3 shows the estimated parameters for each construct as well as standardized loadings and t-values to assess the significance of these loadings.

A satisfactory fit is achieved ($\chi^2 = 486.7$, d.f. = 194, < 0.001, RMSE = 0.034, CFI = 0.98, GFI = 0.97, NFI = 0.97). The ratio of $\chi^2$ to degrees of freedom is 2.508, denoting that a value of less than 3 for the ratio indicates a good fit (Carmines & McIver, 1981). A CFI value of 0.9 or above is also considered an indication of good fit (Bentler & Bonett, 1980; Kleine, 1998). Although the $\chi^2$ statistic is still significant, the measurement model is considered to be acceptable, given the other supportive indexes (Anderson & Gerbing, 1988). As Bollen (1989) suggested, this study assesses measurement validity by examining the size & statistical significance of $\lambda$, which includes the standardized and unstandardized coefficients of individual observed measures and their associated latent variables. As shown in Table 3, all measures indicate acceptable regression weights that are uniformly significant, which suggests that the measures in the study have acceptable validity. In order to test reliability, it uses the magnitude of the direct relations determined by the squared correlation between a given variable & its associated latent variable (Bollen, 1989; Goerzen & Beamish, 2003). In Table 3, the minimum R2 value is 33.64 for “labor regulations”, explaining 33.64 percent of the variance in government regulations. Other variables have higher R2 values, denoting acceptable measurement reliability.

**Construct Validity**

Following Fornell and Larcker (1981: 45-46), the reliability for the construct $\eta$ is calculated using the formula of $(\sum \lambda y_i)^2 / ((\sum \lambda y_i)^2 + \sum \text{var}(\varepsilon_i))$.

**Table 4. Construct Validity and Reliability**

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Lobbying</th>
<th>Bribing</th>
<th>Firm Performance</th>
<th>Financial Institutions</th>
<th>Land Property Rights</th>
<th>Government Regulation</th>
<th>Corruption</th>
<th>Legal Constitutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying</td>
<td>0.9972</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bribing</td>
<td>0.0064</td>
<td>0.9972</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Performance</td>
<td>0.0000</td>
<td>0.0100</td>
<td>0.9547</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>0.0081</td>
<td>0.0961</td>
<td>0.0009</td>
<td>0.9988</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Property Rights</td>
<td>0.0361</td>
<td>0.1521</td>
<td>0.0016</td>
<td>0.1369</td>
<td>0.9972</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Regulation</td>
<td>0.0225</td>
<td>0.1521</td>
<td>0.0016</td>
<td>0.3025</td>
<td>0.4489</td>
<td>0.9983</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td>0.0004</td>
<td>0.4489</td>
<td>0.0049</td>
<td>0.0441</td>
<td>0.0841</td>
<td>0.1225</td>
<td>0.9998</td>
<td>0.9995</td>
</tr>
<tr>
<td>Legal Constitutions</td>
<td>0.0081</td>
<td>0.0841</td>
<td>0.0009</td>
<td>0.0196</td>
<td>0.0361</td>
<td>0.0361</td>
<td>0.0961</td>
<td>0.9995</td>
</tr>
</tbody>
</table>

* Average variances explained $((\sum \lambda y_i)^2 / ((\sum \lambda y_i)^2 + \sum \text{var}(\varepsilon_i)))$ 0.5 are in the bold diagonal column. Other values represent the shared variance between constructs.
The reliability of each construct $\xi$ is acceptable. For assessment of the discriminant validity of constructs, the average variance extracted ($((\sum \lambda yi)^2 / ((\sum \lambda yi)^2 + \sum \text{var}(\varepsilon i)))^{0.5}$) and the shared variance between the constructs are compared, following Fornell and Larcker (1981). The diagonal elements are higher than the off-diagonal ones in the corresponding rows and columns, suggesting adequate discriminant validity in the current study.

**Fit Indices of the Structural Model**

Once the measurement model is deemed to be satisfactory, the fitness test of the model with the confirmatory sample is followed. The standard measure of model fit includes the $\chi^2$ value and diverse fit indices. The study uses standard fitness indices such as the Comparative Fit Index (Bentler, 1990), the Goodness of Fit Index (Joreskog & Sorbom, 1981), Root Mean Square Error of Approximation, and Standardized Root Mean Square Residual to converge on an overall model fit. The overall $\chi^2$ value is 411.46, with a degree of freedom equal to 191 ($P < 0.001$), and the goodness of fit measures for the model (2002) indicate a strong model (the goodness of fit index (GFI) = 0.97, the comparative fit index (CFI) = 0.98, the root mean square error of approximation (RMSEA) = 0.03, and standardized root mean square residual (SRMR) = 0.048). The GFI and CFI are greater than 0.90, the SRMR is less than 0.050, and the RMSEA is less than 0.080 (Baum & Wally, 2003; Joreskog & Sorbom, 1993; Medsker, Williams, & Holohan, 1994). The model for 2005 also indicates that the hypothesized model is quite fitted with the data: $\chi^2 = 319.57$, $p < 0.001$, d.f. = 158, CFI = 0.99, GFI = 0.98, RMSEA = 0.027, and SRMR = 0.038.

**Structural Model Analyses**

Tables 5, 6, and 7 provide more detailed figures of the standardized path coefficients, standard errors, statistical significances, and critical ratios, which are equivalent to t-statistics in structural models.

**Table 5. A Structural Model: Path Analysis (From $\xi$ (Ksi) to $\eta$ (Eta) Variables)**

<table>
<thead>
<tr>
<th>Institutional Underdevelopment</th>
<th>Lobbying</th>
<th>Bribing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>-0.17*</td>
<td>0.09*</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Land Property Rights</td>
<td>-0.07</td>
<td>0.31***</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Government Regulation</td>
<td>0.04</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.08)</td>
</tr>
<tr>
<td>Legal Institutions</td>
<td>-0.14***</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Corruption (Control variable)</td>
<td>-0.50***</td>
<td>0.29***</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.03)</td>
</tr>
</tbody>
</table>

| Chi-Square ($\chi^2$)         | 411.46   |
| DF (Degree of Freedom)        | 191      |
| CFI (Comparative Fit Index)   | 0.98     |
| GFI (Goodness of Fit Index)   | 0.97     |
| RMSEA (Root Mean Square Error of Approximation) | 0.03 |
| SRMR (Standardized Root Mean Square Residual) | 0.048 |

† $p < .10$, * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (2-tailed); Standard errors are in parenthesis.
Table 6. A Structural Model: Path Analysis (Among η (Eta) Variables)

<table>
<thead>
<tr>
<th>Path From</th>
<th>Path To</th>
<th>Coefficient</th>
<th>SE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribing</td>
<td>Lobbying</td>
<td>1.57***</td>
<td>(0.12)</td>
<td>13.11</td>
</tr>
<tr>
<td>Lobbying</td>
<td>Bribing</td>
<td>-0.65***</td>
<td>(0.10)</td>
<td>-6.53</td>
</tr>
</tbody>
</table>

Index of Fitness

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square (χ²)</td>
<td>411.46</td>
<td></td>
</tr>
<tr>
<td>DF (Degree of Freedom)</td>
<td>191</td>
<td></td>
</tr>
<tr>
<td>CFI (Comparative Fit Index)</td>
<td>0.98</td>
<td></td>
</tr>
<tr>
<td>GFI (Goodness of Fit Index)</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
<td>RMSEA (Root Mean Square Error of Approximation)</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>SRMR (Standardized Root Mean Square Residual)</td>
<td>0.048</td>
<td></td>
</tr>
</tbody>
</table>

† p < .10, * p < 0.05; ** p < 0.01; *** p < 0.001 (2-tailed); Standard errors are in parenthesis.
- CR (Critical Ratio): It is equivalent to t-statistics and is used to assess the statistical significance of the coefficients.

Hypothesis 1 suggests that the underdevelopment of market and legal institutions facilitates firms’ engagement in bribing, but frustrates their involvement in lobbying, as a political action. As shown in Table 5, the two components of institutions – financial institutions and land property rights – are positively associated with firms’ bribing, while financial institutions and legal institutions have a negative relationship with lobbying. In other words, underdevelopment of institutions expedites illegal political actions, but frustrates legal political action. Overall, the results support Hypothesis 1 with respect to both bribing and lobbying. Among four institutions, government regulations present the positive relationship expected for both bribing and lobbying but fail to reach significant levels. Hypothesis 2 predicts that the four institutions differentially impact firms’ political actions. As presented in Table 5, each institution’s development differentially affects firms’ political activities. Financial institutions’ influence is consistent with the prediction, such that they have a positive impact on bribing, but negatively affect lobbying (p < 0.05). Underdevelopment of land property rights has a strong relationship with only bribing, whereas underdevelopment of legal institutions has a negative association with only lobbying. Thus, Hypothesis 2a is supported and half of Hypotheses 2b and 2d are supported. Other hypotheses are consistent with predictions but do not reach significant levels.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>-0.14*</td>
<td>-0.14</td>
<td>0.07†</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.09)</td>
<td>(0.04)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Land Property Rights</td>
<td>-2.11</td>
<td>-1.43</td>
<td>1.67</td>
<td>1.11</td>
</tr>
<tr>
<td></td>
<td>(-0.07)</td>
<td>(0.11)</td>
<td>(0.08)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Government Regulation</td>
<td>0.03</td>
<td>0.69***</td>
<td>0</td>
<td>-0.12</td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.16)</td>
<td>(0.08)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>Legal Institutions</td>
<td>-0.14***</td>
<td>0.04</td>
<td>0.01</td>
<td>0.14***</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.06)</td>
<td>(0.02)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Corruption (Control variable)</td>
<td>-4.33</td>
<td>0.7</td>
<td>0.23</td>
<td>5.31</td>
</tr>
<tr>
<td></td>
<td>(-0.48***</td>
<td>(0.05)</td>
<td>(0.03)</td>
<td>(0.03)</td>
</tr>
</tbody>
</table>

Index of Fitness

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square (χ²)</td>
<td>411.46</td>
<td>319.57</td>
</tr>
<tr>
<td>DF (Degree of Freedom)</td>
<td>191</td>
<td>158</td>
</tr>
<tr>
<td>CFI (Comparative Fit Index)</td>
<td>0.98</td>
<td>0.99</td>
</tr>
<tr>
<td>GFI (Goodness of Fit Index)</td>
<td>0.97</td>
<td>0.98</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.03</td>
<td>0.027</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.048</td>
<td>0.038</td>
</tr>
</tbody>
</table>

† p < .10, * p < 0.05; ** p < 0.01; *** p < 0.001 (2-tailed); Standard errors are in parenthesis.
- The statistics under the standard error is equivalent to t-statistics and it is used to assess the statistical significance of the coefficients.
- RMSEA: Root Mean Square Error of Approximation; SRMR: Standardized Root Mean Square Residual
Hypothesis 3 proposes that, as market and legal institutions become more developed, firms are more likely to be involved in lobbying and less likely to be engaged in bribing. The results in Table 7 strongly support Hypothesis 3. As predicted, firms are more involved in lobbying and less engaged in bribing. In particular, all of the relationships between institutions and lobbying become positive except for financial institutions, with land property rights and government appearing to be positive and significant (p < 0.001), while legal institutions change to positive but are not significant. The relationship between institutions and bribing becomes weaker and insignificant except for legal institutions, which become significant (p < 0.001). Corruption maintains its significance but the strength of the relationship is weakened. These results may suggest that EU accession and assessment play a crucial role in transition economies in substantially changing the relationship between the two time periods of 2002 and 2005.

Conclusions, Limitations, and Future Research

Starting to fill the void on how institutions matter in terms of their impact on corporate political strategy, this study investigates firms’ political behaviors as a response to, and interactions with, less-developed market institutions. The paper shows that firms are more actively engaged in political actions such as bribing and lobbying during the nascent stage of market and legal institutional development in order to influence policy and government officials. This research also clearly illustrates the temporal effects of institutional change on firms’ political courses of action. As market institutions progress, firms are more likely to engage in lobbying over bribing. The EU accession functions as a turning point, suggesting that such an event facilitates institutional development and in turn induces lobbying but diminishes bribing. In this sense, the two main political actions by firms would be substitutes in the long run.

This study makes at least three contributions to the literature. First, it shows an interdisciplinary integration of NIE with corporate political strategy (CPS) in management, which provides a legitimate reason and mechanism for why firms are involved in political activities under weak institutional development. This study incorporates two distinct political actions—bribing and lobbying—and reveals differential effects of four dimensions of institutions on these political actions, which is the first endeavor in this line of research.

Second, the relationship between lobbying and bribing is examined in dynamic contexts. This study firstly explores the relationship over time by distinguishing the pre- and the post-period (2002 and 2005) of EU accession in the transition countries in order to endorse the progress of institutional development and its impact on firms’ political behaviors in transition economies. The paper demonstrates that lobbying is substitute for bribing in the dynamic model.

Third, this study empirically verifies four constructs of market-supporting institutions, an area which is left unexplored but is indispensable for advancing this line of research. By using SEM with LISREL, this study can fit the complex model specification containing a measurement model of four dimensions of institutions and a structural model having multiple paths among variables, allowing covariance among variables so that this study more sophistically examines the relationship between lobbying and bribing.

This research has some limitations, which point out future directions. First, future studies need to expand the time span. This study covers two discrete time periods, 2002 and 2005, to compare the
evolving features of the relationship between institutional development and firms’ political actions. Thus, it can compare the change of the relationship given a three-year change among institutions in transition countries, although there is a watershed, EU accession, between the two time periods. If the study expands into more time periods and covers a longer period that can reflect the initial status of institutional development, it could provide a more clear-cut picture of the time effects of institutional development on firms’ political behaviors. Second, survey data are prone to problems such as misreporting, socially desirable response, and missing values. In particular, when it comes to bribing and lobbying data, given the nature of secrecy and sensitivity, respondents may provide under-represented information.

By integrating institutional development with firm political actions, this study shows that weak institutions facilitate firms’ political actions. In the absence of market-supporting institutions, firms are more likely to engage in bribing rather than lobbying, while firms are more likely to involve in lobbying as institutions evolve to feature more market competition, which indicates that lobbying is a substitute for bribing in a more developed institutional environment.

References


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Managing Distrust in Occupational Safety and Management: Contextual Manifestations and How It Might Best Be Overcome

Cihangir Gumustas\textsuperscript{1} and Fatma Kusku\textsuperscript{2}

\textsuperscript{1}Institute of Social Sciences
\textsuperscript{2}Faculty of Management
Istanbul Technical University, Turkey

Abstract

Instead of using the current understanding of organizational distrust, it is performed an exploratory qualitative analysis to reveal the manifestations of organizational distrust in occupational safety context in Turkey, and how to best manage its consequences. In line with this goal, data collected from occupational health and safety specialists (N=189), and occupational health and safety academicians (N=23). It is found that the model of Mayer, Davis, and Schoorman (1995) was also valid in terms of organizational distrust, and also it is found organizational distrust has also environmental manifestations as well. Moreover, the manifestations of Mayer et al. (1995) also were found to be context sensitive, such as involving socio-economic factors, which play an important role on organizational distrust formation. This paper also investigates how to deal with distrust in order to manage its negative impact on safety performance. Lastly, basing upon these evidences, managerial implications for organizations are discussed to deal with organizational distrust.

Keywords: trust, distrust, occupational safety, qualitative study

Introduction

In the recent years, there has been a growing evidence about the significance of trust and distrust between corporate and site management (Gunningham and Sinclair, 2011; 2014). The concepts of trust-distrust and occupational safety are quite important for high reliability organizations in order to prevent accidents. Therefore, in order to prevent potential accidents, understanding the dynamics of (dis)trust in these organizations is becoming more vital.

Nonetheless, the number of studies focusing on the concept through the lenses of occupational safety is limited (Gunningham and Sinclair, 2014), and the dynamics of (dis)trust in occupational safety is not well understood (Conchie and Donald, 2008). Therefore, the dynamics underlying distrust in such an environment, and the most effective policies to reduce distrust between the organization and workers are becoming more important.

An exploratory approach is used to understand the manifestations of organizational distrust in the context indicated, and how its consequences might best be managed. The main objective is to enrich its boundaries and the content of organizational distrust, and how its negative effects on organizations are eliminated, rather than providing generalizable results. In the following sections, the concepts of trust and distrust will be examined, and the relationship between contextual factors and distrust will be discussed. After explaining the research methodology, results will be discussed, and managerial implications will be provided.
Literature Review

**What Is Trust and Distrust**

Trust is defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other part” (Mayer, Davis, and Schoorman, 1995, p. 712). In contrast, distrust is defined as “confident negative expectations regarding another's conduct” (Lewicki, McAllister, and Bies, 1998, p. 430). In terms of occupational safety, trust is best understood as “an individual’s inclination to rely on another person (or organization), based on expectations that he or she (or the organization) will act safely or intends to act safely” (Gunningham and Sinclair, 2011, p.451). Two main but contradictory approaches have been developed to theorize trust and distrust. According to the first approach, uni-dimensional view, the concepts of trust and distrust are on opposite ends of a continuum (Worchel, 1979; Lumineau, 2017). According to this approach, trust and distrust are seen as a complete alternative and are mutually exclusive. From this point of view, the increase in trust level indicates a decrease in the level of distrust.

On the other hand, according to the second approach called bi-dimensional view, trust and distrust are different concepts that can theoretically vary independently (Lewicki et al. 1998). Furthermore, recent empirical studies suggest that high trust does not mean low distrust (eg Cho, 2006; Dimoka, 2010). According to these studies, distrust is not only a lack of trust or low trust; distrust can also act independently of the concept of trust (Saunders, Dietz and Thornhill, 2014). Accordingly, Lewicki et al. (1998) argued that a person may experience high trust / high distrust at the same time. Based on the above discussion, it is seen that the studies on the relationship between trust and distrust in the literature have not reached conclusive results. Hence, both views in the relevant literature are considered in this study.

**Antecedents of Trust and Distrust**

According to Mayer et al., (1995), trust is composed of ability, benevolence, and integrity. In particular, ability is defined as the belief in the ability of another to do as they claim they will do (Gefen, 2002) and measures confidence in another’s skills and performance capability (Gefen, 2002; McKnight, Choudhury, and Kacmar, 2002). Benevolence is defined as the belief in the good intentions and kindness of another toward the individual (Gefen, 2002) and is the extent to which the individual believes that another (person or organization, depending on the context) cares about the individual’s concerns and wants to act in good faith at all times toward the individual (Gefen, 2002). Integrity is defined as the belief in the honesty and truthfulness of another (McKnight et al., 2002). In contrast to the prior conceptualizations of trust, this definition differentiates trust from its antecedents. In addition, in Mayer et al.’s (1995) model, both propensity to trust, which refers to trustor willingness to rely on others, and the perceived characteristics of the trustee influence trust.

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2Lewicki et al., (1998) definition of distrust is used because no definition of distrust by Mayer and his colleagues is available to our knowledge.
Although scholars claim that trust is a multifaceted concept (Gefen, 2002; Pavlou and Dimoka, 2006), distrust has only recently been identified by its different components. If trust and distrust are considered as two separate structures, it would be reasonable to expect them to have different antecedents as well. In addition, although there are many studies on the nature and dimensions of trust (for example, Mayer et al., 1995; Clark and Ward, 2006), there is little research on the nature and underlying dimensions of distrust (Dimoka, 2010).

In terms of organizational trust, Schoorman, Mayer and Davis, (2007) suggest that when employees assess the trustworthiness of their organizations, they can take ability, benevolence and integrity into account, similar to dyadic personal trust relationships. Thus, the authors argue that Integrative Trust Model offered by Mayer et al. (1995) is also compatible with organizational level. Moreover, Gillespie and Dietz (2009) adapt Integrative Trust Model to the organizational level in their study. Specifically, Gillespie and Dietz (2009, p.128) defined ability as “the organization's collective competencies and characteristics that enable it to function reliably and effectively to meet its goals and responsibilities”, benevolence as “organizational action indicating genuine care and concern for the well-being of stakeholders”, and integrity as “organizational action that consistently adheres to moral principles and a code of conduct acceptable to employees, such as honesty and fairness.” However, in terms of organizational insecurity, the number of studies related to the extent to which employees do not trust their organization and the antecedents of organizational distrust is limited (Guo, Lumineau and Lewicki 2017). Yet, there is limited knowledge on how distrust develops differently from trust, especially at the organizational level. Therefore, this study aims to improve the current understanding on this subject.

Methods

A qualitative approach is used to determine the contextual manifestations of organizational distrust, namely content analysis. An online questionnaire involving open-ended questions was given to the academicians who teach in the occupational health and safety (OHS) program, and certified OHS experts who are thought to have the most reliable and rich information about the subject. Accordingly, the faculty members in the field of occupational safety were reached via e-mail. In order to reach a representative sample of occupational safety experts, Linkedin social network, which is a professional social networking platform for business people to communicate and exchange information with others, was used. The total number of participants in the study was 212 (189 OHS specialists, 23 academics). Participants were asked to identify distrust, and to discuss what characteristics and behaviors of their organizations affect their development of distrust, and how to reduce distrust within organizations.

In total, 385 valid statements were generated from the valid answers of 204 participants. These statements were coded, according to the coding guide developed by reading the relevant literature and findings, by doctoral students, one of whom was the author of the first study, and the other was blinded to the research question. Specifically, the responses of the participants were divided into labels expressing different views and opinions (Duriau, Reger and Pfarrer, 2007). After a pilot coding, the scope and content of the coding guide were revised as needed. Subsequently, the coders simultaneously identify organizational distrust manifestations, mark each factor and match the corresponding tag number given in the coding manual. Later, the two coders came together to compare their lists and resolved the inconsistencies in the list through extensive discussions. The second author of the study then compared the lists coders developed to identify and label the
manifestations appropriately. The main focus at this stage was to make a parsimonious classification. Interrater reliability coefficient was calculated to determine whether both encoders consistently encode the items. The interrater reliability coefficient was found to be 0.768. This ratio is above the minimum acceptable reliability value for exploratory studies and therefore the inter-rater consistency is acceptable (Krippendorf, 2004).

Findings

**Contextual Manifestations of Distrust**

According to the content analysis of the responses, four organizational distrust elements are found, and they are presented in Table 1. Most of the organizational distrust manifestations are grouped under the main categories of Malevolence, Incompetence, Deceit, which are more or less equivalent to, respectively, Benevolence, Ability, and Integrity model offered by Mayer et al. (1995). In addition to these three dimensions of organizational distrust, it is also identified one distinct category unique to the research context, namely Environmental Factors. In terms of malevolence, participants emphasized that organizations place a lot of emphasis on maximizing profits and minimizing costs, and even treat job security as a cost center. Because of organizations’ attitude of treating job security as a cost center, organizations cut down from the employees’ welfare, through pushing occupational safety background. Moreover, it was seen that the job security of the employees itself was not provided to employees, creating distrust in the employees towards their organization. The fact that the working environment, which is another element of the organization's own Inappropriateness of the working environment is also widely emphasized by many respondents. Specifically, unsuitable dining halls and dormitories are also highlighted by the respondents as important factors of organizational distrust development. Furthermore, it is clearly stated by the participants that the employees are generally seen as worthless assets by their organizations.

**Table 1. List and Frequency of Antecedents of Organizational Distrust**

<table>
<thead>
<tr>
<th>Antecedents*</th>
<th>N**</th>
<th>%***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malevolence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit maximization pressures</td>
<td>52</td>
<td>13.5</td>
</tr>
<tr>
<td>Insufficient wages and incomplete social security</td>
<td>37</td>
<td>9.6</td>
</tr>
<tr>
<td>Job insecurity</td>
<td>37</td>
<td>9.6</td>
</tr>
<tr>
<td>Seeing workers as unworthy</td>
<td>34</td>
<td>8.8</td>
</tr>
<tr>
<td>Inappropriate working conditions</td>
<td>33</td>
<td>8.5</td>
</tr>
<tr>
<td>Lack of occupational safety trainings</td>
<td>14</td>
<td>3.6</td>
</tr>
<tr>
<td>Seeing occupational safety as a cost center</td>
<td>12</td>
<td>3.1</td>
</tr>
<tr>
<td>Incompetence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficiency/Inability of managers</td>
<td>29</td>
<td>7.5</td>
</tr>
<tr>
<td>Previously experienced accidents</td>
<td>18</td>
<td>4.7</td>
</tr>
<tr>
<td>Deceit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pretending to take occupational safety measures</td>
<td>38</td>
<td>9.9</td>
</tr>
<tr>
<td>Failure to keep promises given after an accident</td>
<td>5</td>
<td>1.3</td>
</tr>
<tr>
<td>Environmental Factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The sector itself is dangerous</td>
<td>29</td>
<td>7.5</td>
</tr>
<tr>
<td>Prevalent subcontracting in the sector</td>
<td>17</td>
<td>4.4</td>
</tr>
<tr>
<td>Inadequacy of the state to prevent accidents and protect workers</td>
<td>14</td>
<td>3.6</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>385</td>
<td>100</td>
</tr>
</tbody>
</table>

*Labels are ranked according to their frequency; from more to less.

**N represents the total number of statements (209) generated from the responses of 204 participants.

***Frequency is calculated by dividing the number of the given statement by the total number of statements used in the coding process (209).
In the deceit dimension, the respondents emphasized that both the employees and other stakeholders are deceived by organizations through not taking the necessary occupational safety measures, which are forced by the government through the law. In other words, organizations act as if they are paying attention to occupational safety measures, try to overcome legally imposed safety obligations, and make employees and other stakeholders believe in themselves. Accordingly, the discrepancy between what the administration says about occupational safety measures and what they actually do about occupational safety measures causes employees to not trust their organizations.

In the incompetence dimension, there are two antecedents, namely inadequacy of managers (lack of competence) and previous accidents occurred in the organization. Respondents emphasize that the lack of competence and lack of professionalism of the managers in the organizations play a big role on both preventing the accidents, and taking the necessary safety measures. Specifically, it is important that the concept of occupational safety is generally based on the discretion of bosses in the family-owned organizations, which take a great part of Turkish business environment. Moreover, participants also noted that in family-owned construction organizations, managers are often family members rather than professional managers with special expertise in the field and who take work safety seriously.

When the dimensions of environmental factors are examined, it is seen that the sector itself is in a high-risk group, and thus employees do not trust their organizations because of the high accident and mortality rates. Subcontracting, which is widespread in the sector, is another factor that increases the distrust of employees regarding their organizations. According to the comments of the participants, it is seen that many jobs are carried out by more than one subcontractor in a particular project and the employees have doubts about who their main interlocutors are. In addition, the participants also felt that each subcontractor handed over responsibility for occupational safety to other subcontractors. Accordingly, such an indifference to occupational safety causes organizational distrust among employees. In this dimension, employees' distrust on independent regulatory bodies (such as the government or professional chambers) is also evident. Some of the respondents emphasized that state and regulatory agencies attributed a superficial importance to occupational safety, and that audits are made cursory. In addition, the participants also stated that in the case of possible accidents these institutions are inclined to support the employer, rather than the employees. Thus, employees, despite the focus is on an external organization, developed distrust toward their own organizations due to the belief that no one will take care of their safety.

**Managing Distrust**

Drawing on the qualitative data, it is possible to identify a number of ways that site management can use in order to overcome distrust. Accordingly, combined with the literature related to trust, practical steps to be taken in order to reduce the effects of distrust in the occupational health and safety field are developed

**Occupational Health and Safety Applications and Audit**

The role of state and other regulatory bodies is crucial in order to establish safety within the organization (He, Dong, Rose, Li, Yin, and Cao, 2016). Accordingly, it is also found that lack of
trust to the government and regulatory bodies can exacerbate distrust among the employees working in high-reliability organizations. According to the results, many participants frequently emphasized the importance of state controlled safety audits. In particular, messages, audits, and even penalties issued by state and other regulatory bodies, particularly how much they value safety and well-being of the workers, may have greater influence on decreasing workers’ distrust. Specifically, many respondents noted that state and regulatory bodies are the major actors, who would eliminate distrust because most of the workers do not believe that their organizations will take safety measures without an external coercion or threat of sanctions.

**Improvements in Basic Rights and Working Environment**

In this section, it is found that the organizations should not only provide minimum monetary obligations but also provide certain financial improvements as well, including fair wages, complete social security support, and job security. It is found that many organizations do not offer even the hygiene factors to their employees, and employees feel demotivation. Accordingly, they do not distrust their organization as well. In order to overcome this issue, improvements in basic rights and working environment, including dining halls and accommodation, should be performed. As a result, employees may feel that their organization pays attention to their well-being, in terms of monetary conditions and working conditions, and may develop trust in return.

**Organizational Safety Leadership**

Another finding is that lack of organizational safety leadership can worsen distrust at organization, including negative consequences for safety. Specifically, senior management sets the priorities, develop the values, and give the necessary resources that will influence safety culture within the organization. Therefore, messages given by top management, particularly as to whether and how much they value safety and the wellbeing of the workforce, will influence employees’ trust and attitudes about safety behavior.

**Conclusions**

In this study, by using content analysis, it is aimed to understand how organizational distrust develops in occupational safety context. Findings revealed that antecedents of organizational distrust are parallel to those classified in the literature, however there are noticeable alterations derived from the context. Specifically, Integrated Trust Model developed by Mayer and colleagues (1995) is also a valuable guide in defining the antecedents of organizational distrust. This finding is also supported in other studies (see Hodson, 2004; Schoorman et al., 2007; Gillespie and Dietz, 2009). Opposite ends of Ability, Benevolence, and Integrity, which are respectively Incompetence, Malevolence, and Deceit of the organization seem to be important characteristics of organizational (dis)trustworthiness. Furthermore, environmental factors emerged as an additional antecedent as well. The role of contextual factors on the development of organizational distrust supports Sitkin and Roth’s (1993) argument that trust is best conceptualized as context-specific rather than generalizable. Moreover, parallel with our findings regarding the manifestations of distrust, it has been determined that insecurity can be best overcome by state control, improvements in wages and working conditions and corporate security leadership.
Moreover, the typical operationalization of affect-based trust (e.g., McAllister, 1995) involves items mainly based on workplace interactions, presumably assuming that the hygiene factors have already been solved, and no longer an issue. However, one the most significant finding of this study is the outcome about the noticeable influence of hygiene factors on the development of organizational distrust. The main reason behind this finding might be that Turkey is a developing country. Another reflection of being a developed country in this study is the direct influence of state on the execution of occupational safety measures, which then leads to organizational distrust. As Tsui (2004) put, the major contributors to the body of global management knowledge are scholars in the developed economies of the U.S. and Western Europe, where the concepts and theories are based on studies of wealthy Western firm operating under liberal states that do not intervene economic process often. In contrary, our findings are indigenous to this economic context and specific to this juncture of the Turkey’s development level as well. Thus, our findings contribute to the lack of management studies from developing countries.

Managerial Implications

As a result, it can be argued that organizations have many areas of action in terms of managing organizational distrust. From this point of view, firstly, the elimination of deficiencies in monetary and social rights, giving more room for professional managers, providing job security to employees, improving the work environment, respecting the employees can be effective in eliminating the insecurity of the employees. Moreover, rather than pretending as if occupational safety measures are taken, the actual fulfillment of the safety measures is more important both to eliminate the distrust and to prevent possible accidents. On the other hand, organizations have a more limited power in the areas outside their control, such as the area of state and regulatory agencies. Nevertheless, it can be aimed to eliminate the factors that cause distrust by pressuring the regulatory institutions in the medium-long term.

Limitations and Further Research

Relying on a qualitative methodology, our results should be assessed by the possibility of certain biases inherent to such research design. For instance, inherent to the nature of content analysis, generalizability is an important concern. Thus, it is important to keep in mind that our results are more exploratory, rather than being generalizable. Moreover, in depth interviews, instead of online questionnaires might be more useful to obtain richer data about distrust formation as well. Additionally, another qualitative method, namely, critical incident technique, which asks participants to note a real-life event about distrust formation, might yield to richer insights. Thus, future studies may apply these methods to reduce the biases in our study. Another future research idea is based on quantitative confirmation of the findings in this study. As a next step, further researchers might focus on testing the distrust antecedents obtained in this study by relying on more robust methodologies, such as exploratory and confirmatory factor analyses, in order to test the generalizability of the findings. Last but not least, our study is mainly limited to one industry, namely construction industry. Therefore, future studies focusing on cross industry or even cross national comparisons might reveal other important contextual and cultural differences as well.
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Business-NGO Interactions, Corporate Sustainability Performance and Competitiveness

Tuba Bozaykut-Buk

The Faculty of Business Management
Istanbul Medipol University, Turkey

Abstract

The development of corporate sustainability has benefited a lot from NGOs and NGO reactions to social, ecological and ethical problems arisen from corporate actions. NGOs also contribute to create an awareness for the criticality of the equal distribution of resources for both current and future corporate activities. Additionally, having valuable resources and capabilities, NGOs are critical partners for corporate sustainability practices. Within this framework, this study argues that business-NGO interactions developed for sustainability practices can offer competitive advantages to the companies. To understand the role of business-NGO interactions for a strong sustainability performance and competitive advantage, Turkcell- one of the leading companies both in the market and in social responsibility projects- is analyzed. The preliminary study results indicate that Turkcell is mainly collaborating with international and national sectoral NGOs and puts greater emphasis on complying with international sustainability standards for a better corporate sustainability performance and competitive position in the market.

Keywords: corporate sustainability performance, competitive advantage, business-NGO interactions, case study

Introduction

The industrialization together with globalization cause many problems humanity currently faces such as unfair distribution and use of global resources, environmental destruction and income inequality (Chomsky, 1999). Accordingly, societies expect not only from governments but also from companies to find solutions to increasing ecological and social problems. These expectations especially coming from civil society force companies to adopt responsible production and consumption methods for economic and social sustainability. Thereby, companies are expected to rethink when using resources for achieving eco-efficiency and for reducing the harm given to the environment. On the other side of the coin, all these institutional responses also hold opportunities for companies. For instance, having sustainability strategies and practices can create a favorable sustainability reputation accelerating organizational performance, innovation, shareholder value and competitiveness (Gupta & Benson, 2011).

The possible positive outcomes of adopting sustainability strategies together with civil pressure for responsible business practices facilitate the development of corporate sustainability practices. Among others, NGO pressure for sustainability is significant because NGOs act as settlers of sustainable standards for companies and protectors of equal distribution of resources (Murphy & Bendell, 1999). Although past examples direct a tenser and conflict-based relationship, it is now evident that NGOs and companies should interact more than ever for a sustainable world.
In line with this context, the current study aims at investing the potential of business-NGO interactions in terms of corporate sustainability performance (CSP) and competitive advantage. The study starts with a short debate on business-NGO interactions related with CSP. The discussion continues with the introduction of the research methodology. As the current study covers the preliminary stage of the research, it concludes by discussing implications for the next stages of the research.

**Literature Review**

Both United Nations and many NGOs put great efforts for sustainable development. Besides forming a sustainability awareness, these efforts also promote the emergence of international and local sustainability governance mechanisms such as Sustainability Indexes, Sustainability Working Groups, Sustainability Programs. Similarly, stakeholders start to pay greater attention to environmental strategies and programs of the companies, whereas investors show more interest in companies that relate business strategies with ecological and social sustainability strategies (Cheng, Green, & Ko, 2014). Thereby, companies are under pressure for redesigning their operations as responses to global and local sustainability goals for a better performance in the market (Atkinson, Hett, & Newcombe, 2000; Nicolăescu, Alpopi, & Zaharia, 2015).

As the practices of sustainability create a difference in value creation for stakeholders, the competition and competitive advantage in the market is also restructured. In other words, competition for increased market value covers henceforth responsible ecological, social, governance practices. Different than traditional performance evaluations, to sustainability perspective, the financial success has to be supported with strong ecological and social performances. Therefore, sustainability approach redefines performance and success criteria for companies by introducing CSP concept. CSP combines economic success criteria with ecological and social success factors with a holistic approach. All three dimensions support each other and have to be designed with equal care.

Developing a strong CSP is related with high integration of business with sustainability strategies, and thereby has the potential of creating competitive advantage over other companies (Porter & Kramer, 2007). To Barney (1991), competitive advantage refers to the implementation of value creating strategies that cannot be easily imitated by competitors. Based on this perspective, previous studies have found that companies developing and implementing sustainability strategies can differentiate themselves in their high concern for sustainable development (López, García, & Rodríguez, 2007). Also, it can be indicated that sustainability practices increase corporate performance, especially considering their contributions to internal processes such as quality management, waste management, and R&D management (Orlitzky, Schmidt, & Rynes, 2003). Therefore, having a strong CSP enhancing corporate performance can create a differentiation for the given company in the competition.

For generating value to stakeholders through a strong CSP, companies need partners to collaborate for resources, skills and networks for sustainability practices (Kuenkel & Aitken, 2015). As noted before, NGOs’ contribution and dedication to sustainable development make them critical partners for companies for a better CSP. NGOs can be described as civil society groups based on voluntary actions for economic and social development (Murphy & Bendell, 1999). Following the sustainability movement, many NGOs focusing on sustainability issues such as World Resource
Institute, The World Business Council for Sustainable Development are established. Additionally, NGOs for setting international standards for sustainability are set up as in the examples of The Sustainability Accounting Standards Board and Global Reporting Initiative (GRI). These NGOs’ contribution to responsible business practices and sustainable development are acknowledged as highly critical. For instance, a recent study -the 2019 SustainAbility Leaders Survey by GlobeScan- show that 807 sustainability leaders think that NGOs make the greatest contribution to sustainable development since Rio Summit in 1992. The same survey results indicate World Wildlife Fund (WWF), Greenpeace, World Resources Institute, Oxfam and The Nature Conservancy as leading NGOs for sustainable development.

Within the sustainability framework, companies can interact with NGOs for a varied reason. Firstly, Besides ISO, there are some sectoral NGOs that can certify the quality of products. These NGOs function as providers of accreditation, certification or labelling of business processes and products. Companies feel the pressure to comply with the standardization set by these NGOs for legitimizing the quality of operations and products, and thereby put efforts on complying with these standards (Poret, 2019). Being a signatory of standardization agreements or preparing sustainability disclosures based on GRI criteria can be examples of NGO interactions related with this motive. Being certified or accredited by these standard setter NGOs can create competitive advantage as these quality ensuring activities can differentiate the company from others (Poret, 2019). Further to this, business-NGOs collaborations are notable for joint projects on economic, social, and ecological concerns. These joint projects offer opportunities for competitive advantage. Collaborating with NGOs in terms of ecological and social projects also carry the potential of creating differentiation about the given company’s sustainability efforts and performance (Poret, 2019). These efforts are called as “strategic social responsibility” activities (Baron, 2001) as social responsibility projects can differentiate the company and promote company’s competitiveness in the market (Poret, 2014; Porter & Kramer, 2002). Giving donations, becoming sponsorships for social NGOs can also be evaluated as example strategic social responsibility projects. In sum, all these interactions with NGOs are critical in promoting CSP and the sustainability reputation, and thereby have the potential of creating a positive stance in the competitiveness.

Methods

Elkington’s (1997) triple bottom line performance approach is adopted in this study to analyze business-NGO interactions in terms of CSP. Previous studies point out that Elkington’s approach offers a balanced framework for sustainability evaluating economic, social and, ecological dimensions of CSR equally, not favoring one over other (Alhaddi, 2015; Hussain, Rigoni, & Orij, 2018; Rogers & Hudson, 2011). Economic dimension refers to ethical economic operations, whereas ecological dimension relates to responsible production and consumption for decreasing the ecological problems. Business concerns related with equal opportunities, human rights and alleviation of poverty represent the social dimension of corporate sustainability. Further, these dimensions are highly interconnected. For instance, economic dimension also covers socio-economic sub-dimension as in the example of providing opportunities for gender equality at workplace.

In line with triple bottom line performance approach, this preliminary phase of the research covers a case study method for analyzing business-NGO interactions in terms of CSP. The case study method aims at explaining the phenomenon of interest in depth by selecting a case that can offer
high information density (Creswell, 2013). In this context, a company that is among the leaders of the industry and that has a high level of NGO interaction is tried to be chosen for the case analysis.

**Sample**

The increasing importance of communication and access to information increase the level of competition in the communication industry. Therefore, Turkcell is identified as the case company by being one of the leading companies in Turkish communication industry. Having 4,065 employees, Turkcell is listed on the New York Stock Exchange. Also, the company is listed in Bosra Istanbul Sustainability Index starting from the establishment of the Index in 2014. In 2018, Turkcell announced its’ turnover and total asset value as TRY 21.3 billion and TRY 42.8 billion, respectively. Moreover, according to 2018 Electronic Communications Market Data Report, Turkcell has the highest net sales revenue compared to close competitors such as Vodafone and Turk Telekom. Turkcell is also famous for its’ social responsibility projects such as Snowdrops (Kardelenler) formed with the Association in Support of Contemporary Living for providing education opportunities for underprivileged girls in Turkey.

**Data Collection**

Corporate disclosures related with Turkcell’s sustainability practices such as corporate social responsibility page and 2018 sustainability report are analyzed for the preliminary stage of this research. For the following phase, to strengthen the empirical basis of the study, Vodafone and Turk Telekom’s sustainability disclosures are to be examined to have a deeper understanding for NGO interactions for CSP and competitiveness.

**Findings**

On the corporate website, Turkcell has a separate part for NGOs under the title of “NGO Relations”. This section also has subparts as “Corporate Stakeholders”, “Board Memberships” and “Reports”. In the main page of “NGO Relations”, the reasons for interacting with NGOs are explained as follows: “a. Supporting NGO activities (engaging in communication activities, providing content to the Board of Directors, commissions and working groups, organizing events, providing content support to publications, sharing information on current issues), b. Sharing information and opinions for the industrial development c. lobbying for the improvement of Turkey’s promotion and competitiveness”.

In the “Corporate Stakeholders” section, 46 sectoral NGOs are listed as partners of the company. Also, in the “Board Memberships” page, the board memberships of Information Security Association, World GSM Association, and Mobile Operators Association are given. Finally, in the “Report” section, reports prepared by the sectoral NGOs are shared (e.g. YASED National Broadband Plan, May 2017; MOBILSIAD Electronic Communications Sector Broadband Impact Assessment and Work Plan for Turkey, March 2016, etc.). It is also noteworthy that Turkcell prepares a “Sponsorship Request Form” for NGOs and presents the form on the corporate website.

Embracing Elkington’s triple bottom line performance framework, Turkcell-NGO interactions taking place in 2018 are listed based on Turkcell’s corporate disclosures (Table 1).
It can be inferred from Table 1 that Turkcell is highly collaborating with international sectoral NGOs such as GSM Association (GSMA). Like many international sectoral NGOs, GSMA is a significant actor for determining sustainability standards for communications industry. Becoming a board member of this reputable NGO, Turkcell implies that great concern is given to sustainable business operations and qualified services. Additionally, signing Humanitarian Crises Communication Contract by GSM Association exemplifies Turkcell’s efforts in combining business strategy and sustainability. Turkcell gives its’ word to offer its’ services to the society’s benefit in case of a disaster by signing the contract. Moreover, this act of Turkcell not only indicates compliance with the globally acknowledged sectoral association but also provides the competitive advantage of strengthening corporate legitimacy for the suitability of the forthcoming activities.

Table 1. Turkcell-NGO Interactions Related With Corporate Sustainability Performance

<table>
<thead>
<tr>
<th>CSP Dimension</th>
<th>NGO Interactions</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Having board memberships in Information Security Association, GSM Association and Mobile Operators</td>
<td>Developing dialogue for industrial development</td>
</tr>
<tr>
<td>Economic</td>
<td>Developing the first global application (Hizli Giris) that meets GSM Association criteria for commercial sustainability</td>
<td>Developing products that comply with industrial sustainability standards</td>
</tr>
<tr>
<td>Economic-Ecological</td>
<td>Acquiring Energy Management System Standards ISO 50001 and ISO 14064 Corporate Greenhouse Gas Emissions certificates</td>
<td>Demonstrating that business operations comply with international ecological sustainability standards</td>
</tr>
<tr>
<td>Economic-Social</td>
<td>Being a signatory of the Humanitarian Crises Communication Contract designed by GSM Association</td>
<td>Taking social responsibility based on its’ core business function in times of crises</td>
</tr>
<tr>
<td>Economic-Social</td>
<td>Forming a joint project with The Union of Chambers and Commodity Exchanges of Turkey (TOBB): Women Developers of the Future Project- providing women with software training</td>
<td>Taking social responsibility based on its’ core business function to strengthen the position of women in the society</td>
</tr>
<tr>
<td>Economic-Social</td>
<td>Forming a joint project with Khan Academy and Turkish Red Crescent: Hello Hope Project- developing applications for refugees’ social adaptation to Turkish language and social life</td>
<td>Taking social responsibility based on its’ core business function for reducing social inequalities</td>
</tr>
<tr>
<td>Social</td>
<td>Providing sponsorship for The Disabled Sports Federation</td>
<td>Taking social responsibility for providing opportunities for social integration and professional development of disabled individuals</td>
</tr>
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</table>

Having ISO certificates together with CIPS certificate also ensure company’s service quality to customers and can create a differentiation in the market. Furthermore, collaborating with The Union of Chambers and Commodity Exchanges of Turkey (TOBB) and Khan Academy for providing equal opportunities to disadvantaged groups can be regarded as examples of strategic philanthropic activities promoting company’s sustainability reputation and competitiveness in the eyes of the stakeholders. Designing new products to meet disadvantaged groups in cooperation with NGOs can result in improving the innovation capability of the company and can generate new markets. Also, project with TOBB targeting at women employment or income generation can have a positive impact on CSP together with the company reputation in the labor market. In short, it can be stated that all these given NGO interactions are critical for Turkcell’s CSP.

Conclusions

As competitiveness is related with having resources and capabilities that are hard to be imitated by others (Hart, 1995), companies look for partners that can provide the missing resources in the competition. In this study, Turkcell’s interactions with NGOs point out that the company mostly engage with NGOs in line with the core business function and strategies. In other words, in line with the basic premise of the sustainability approach, Turkcell is mainly focused with integrating...
sustainability with strategy. However, the social and ecological perspective of CSP seems to have a secondary place compared with the place given to the economic concerns in corporate disclosures. For instance, having board members in the international sectoral NGOs can create the opportunity of becoming a sectoral development facilitator. This opportunity also creates other positive consequences such as increased brand equity, sustainability reputation, and higher advantages in competition in the market.

Developing products or business processes that comply with international sustainability standards can be another competitive advantage source for companies. For instance, Turkcell’s newly introduced application, Hizli Giris, is designed in line with GSM Association criteria for commercial sustainability. Another example from Turkcell is having CIPS for supply chain operations. Therefore, following sectoral or standardization NGOs and get certificates for responsible business practices becomes critical in ensuring the quality of products, in return can create a differentiation in the market.

As a listed company both in New York and Istanbul Stock Exchange, Turkcell has to attract investors’ attention for a profitable stock value. As previously noted, investors show greater interest to companies that can combine business strategies with sustainability strategies. However, Turkcell’s interactions with NGOs that are specialized in ecological and social development seems limited. Therefore, to strengthen the social and ecological dimension of CSP, Turkcell can interact more with ecological and social NGOs. To support this proposition, Chen et al.’s (2006) study on Taiwanese companies operating in the information and electronics industries can be given. According to Chen et al.’s study results, green product and process innovation is found out to provide competitive advantage in the information and electronics industry. Thereby, it can be suggested that Turkcell can collaborate more with ecological NGOs for green innovation. Therefore, both on the industry and company level, the increased levels of business-NGO interactions imply a developed CSP through efficient use resources, responsible production and consumption and a higher level of innovation capability (McWilliams & Siegel, 2001, 2011).

The competition in the communication industry requires attention especially in terms of increased interest in telecommunication services. Moreover, the industry relies heavily on technological innovation and has significant social and ecological impacts such as health concerns, energy consumption and electronic wastes (Runhaar & Lafferty, 2009). Thereby, it is noteworthy to analyze business-NGO interactions in terms of CSP in the given industry. However, the main limitation of this research is to analyze one company in a single year. Acknowledging this limited empirical data, the research is going to be developed further to cover the analysis of Turk Telekom and Vodafone’s interactions with NGOs and the comparison of three companies to have a deeper analysis of NGO interactions related with CSP and competitiveness in the communication industry.

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www.turkecell.com.tr
Part 15: Social Science Studies
The AREA Method: Countering Bias & Building Trust in Decision-Making

Cheryl Strauss Einhorn
Columbia Business School, USA

Abstract

Leaders running local, national or global organizations encounter challenges delivering day to day work related to their mission. At the same time, leaders face a range of other complex decisions such as how to adapt their business model to meet changing needs, how to diversity revenue to become more sustainable, or what path to scale you might pursue if you want to reach more customers? While those kinds of questions are difficult on their own, leaders also operate in a rich stakeholder environment that includes team and board members, customers, policy makers and public officials. You may have a well-defined process for strategic planning or feasibility assessment but there is often a need for a holistic and systematic way to make big decisions better. That’s what the AREA Method offers.

Keywords: AREA method, building trust, decision making

Case Study

John Christopher, the founder of the non-profit Oda Foundation, which provides basic healthcare services to people in the rural village of Oda, Nepal, had been thinking about how to expand his non-profit’s impact when an earthquake struck Nepal in 2015. Since John’s organization was already fully operational and on the ground, he and his organization had an unexpected opportunity to become a go-to organization for aid groups wanting to come into Nepal in the wake of the disastrous earthquake.

At the time of the earthquake, Oda’s health clinic was serving about 1,000 patients a month, addressing a broad range of health problems including acute respiratory infections, typhoid fever, and trauma from common accidents and injuries. Oda was also conducting small education seminars, such as one focused on keeping teenage girls in school by providing education about, and hygiene products for, menstruation.

John had quickly seen that his foundation could make a real difference. Since opening its doors on December 12, 2013, Oda has served about 25,000 of the addressable area’s approximately 50,000 residents and the number of easily preventable deaths dropped to zero in 2014, from 50 in 2013. The menstrual hygiene education campaign had reduced school absences in the village by about 70%.

But what was the best way to transform his on-the-ground clinic into a more useful health service provider for Nepal? How could he best serve the health needs of a country that suddenly looked very different from the country where he’d operated for the past two years?

He laid out three different paths he might follow. Path One: expand beyond his rural clinic by opening a new health clinic on a main road where his staff could easily service more patients. Path Two: accept the Nepalese government’s offer to partner with their existing health clinics to expand
the government’s treatment and care. Path Three: in a country with such treacherous terrain, invest in drones to drop and deliver medical kits to more remote areas that had little or no access to healthcare facilities.

John was stumped. Which option should he choose? The strategies were very different from one another. How could he decide which course of action was the right one? He didn’t want to rush to judgment, even though time was of the essence. How could he swiftly arrive at a well-reasoned and researched outcome to make an educated decision for a future that at first glance seemed so unpredictable?

John was faced with a high-stakes decision: a decision that would have a long-term impact on the well-being of his foundation and its reputation, a decision that needed to be made with incomplete information amid a volatile backdrop, in a changing environment with an urgent need for medical care.

That’s the problem that John came to me with just after the earthquake. We had met just days before the earthquake, in the halls at Columbia University’s Business School, where I was co-teaching a course in Advanced Investment Research. For this course, I was modeling and teaching a research and decision-making system that I’d developed, and which I call the AREA Method. I realized AREA was applicable to John’s decision and agreed to help him think it through.

As a journalist, teacher, consultant, mother, sister, wife, daughter and friend, I’ve learned that there are few absolutes – and many gray areas. We each experience the world differently, bringing our own viewpoint — and biases — to everything we do. That’s why I put together the AREA Method: as a way to navigate gray areas and avoid those mental shortcuts that enable us to make small decisions easily but may impair our judgment when making big decisions. In short, I was searching for a way to make big decisions better.

But in developing AREA, I realized that the process does much more than provide a research and decision-making roadmap, it makes your work work for you. It heightens your awareness of the motivations and incentives of others. It helps you to avoid bias in your work and to engage with people and problems more mindfully. For while decision making is about ideas, ideas aren’t enough; there is an important gap between having ideas and making good decisions about what to do with those ideas.

The AREA process gets its name from the perspectives that it addresses: Absolute, Relative, Exploration & Exploitation and Analysis. The first A, or Absolute, refers to primary, uninfluenced information from the source, or sources, at the center of your research and decision making process. R, or Relative, refers to the perspectives of outsiders around your research subject. It is secondary information, or information that has been filtered through sources connected to your subject. E, or Exploration and Exploitation, are the twin engines of creativity, one being about expanding your research breadth and the other about depth. Exploration asks you to listen to other peoples’ perspectives by developing sources and interviewing. Exploitation asks you to focus inward, on you as the decision maker, to examine how you process information, examining and challenging your own assumptions and judgment. The second A, Analysis, synthesizes all of these perspectives, processing and interpreting the information you’ve collected.
By emphasizing perspective-taking, AREA acknowledges that although you may think that you understand how to solve a particular problem, your understanding of that problem is most likely incomplete and different from how other key actors see it. By walking in their shoes, you will better recognize their considerations and incentives. You may even come to understand the facts differently. Further, by moving through a research and decision making process that acknowledges the need for empathy and understanding, you can also better manage your own perspective, assumptions and judgments and more easily make a thoughtful and successful decision.

In addition, AREA inverts traditional decision making. It begins with framing your decision not as a problem per se, but instead asking you something that you can often much more easily define: What constitutes a good outcome for you personally? It turns decision making upside down so that instead of focusing on what you don’t know, you can focus on what matters to you in the outcome.

By defining what matters, what I call your Critical Concepts, AREA gets at what you are really solving for. The Critical Concepts not only get at the driving purpose behind your decision but also they keep your work targeted and focused on the few key factors that you really need to understand.
Initially, John had one overarching Critical Concept, which was to help more Nepalese people quickly. But which expansion plan was best?

He began gathering Absolute data, information directly from the target of his decision. In this case it was information from the Nepalese government about healthcare and population data. This process clarified his Critical Concepts so that by the end of the first stage of research, “I had five critical concepts,” says John. “I needed to understand whether each option had government support as well as community support. I needed to know what costs were involved, and what impact the option would have on healthcare in our remote Kalikot region. And I needed to figure out whether each option fit with our core competencies. Was it something we were good at and we had had success with?”

For his Relative and Exploration research, John conducted a literature review, completed an industry mapping exercise and interviewed other non-profits that worked in emerging nations after a natural disaster, or specialized in healthcare, or knew or had familiarity with Nepal’s government. He ruled out the drone delivery kit option, as both the technology and infrastructure necessary weren’t available in Nepal.

This narrowed John’s expansion options down to two: to open a second clinic, or to partner with the government in providing medical care and/or education. John’s research also helped him to narrow his CC’s down to three. First, did Oda have buy-in from both the government and the community for both options? It was not sufficient to only have buy-in from one of his two constituencies. Second, did Oda have the operational capacity to succeed in both options? And third, was each option financially prudent? Would he be using Oda’s money in the best way possible?

Throughout his research process, John kept finding data that suggested that partnering with the government would be a mistake. He learned that the government’s clinics had a poor reputation. Yet, by following the AREA method, John was able to fully understand the risks associated both with opening a second clinic and with working with the government. The risks were of different magnitude and, it turned out, one set could be more easily addressed than the other.

Opening a second clinic seemed to best draw on Oda’s core competencies. However, John’s Exploitation work, a series of exercises exploring his assumptions alongside his evidence, revealed something quite unexpected: opening a second clinic was the option that had a strong likelihood of bankrupting the organization. Not only did it require hefty upfront capital costs to fix and retrofit the building, but there was also no good way to limit patient flow and therefore to ensure that the patient traffic wouldn’t exceed Oda’s ability to cover the costs of treatment. While this option met John’s first Critical Concept (government support), it did not meet his second relating to quality care, or his third CC related to financial efficacy. It was a no-go.

Yet recognizing the risks of opening a second clinic allowed John to use his final phase of AREA, Analysis, to focus on solvability. Could he find a way to work with the government, yet work around the government’s poor healthcare reputation?

AREA Analysis guided him through a Pre-Mortem, an exercise that improves decision making by imagining that your decision has failed, then investigating how and why it did so and then
constructing a plan to prevent that failure. The exercise helped John realize that by designing an education campaign, Oda could maintain its independence and replicate the previously successful education campaign that kept girls in school during their monthly menstrual cycle. This gave John confidence and certainty that his decision could succeed. He ultimately realized that partnering with the government met all of his Critical Concepts: it was his best option.

By following the AREA Method John not only came to an unexpected decision to partner with the government, but was also more clearly able to articulate his goals for Oda, as well as his process, and this led to greater donor buy-in. So by the time John completed his AREA research, current and new donors had covered the full cost of the project.

Ultimately, by using data supported by AREA, the Oda Foundation raised close to $200,000 in cash and in-kind donations through the first 8 months of 2015, more than doubling his 2014 fundraising total. In other words, by the time John made the decision to partner with the government he’d already fully funded the plan.

He’d identified new potential donors and was able to reach out to them as part of his Exploration work. “They were taken with our mission and with the depth of my focus, with my research and due-diligence,” says John. “It enabled me to raise more money than I’ve ever raised before –and more quickly.”

Not every AREA research project will have such a “happy ending,” but by following the AREA Method, I believe that you too will be able to better articulate your goals and your path to success. By making thoughtful, confident decisions anchored in research, you will be able to articulate the “what” the “why” and the “how” of your decision in ways that resonate with others. You will have written out the thinking behind your decision and your picture of success in a vivid, compelling way.

At its heart, the AREA process of perspective-taking uniquely combines the social performance side of human behavior with the metric and evaluation aspects of decision making so that you solve problems holistically. It’s meant to help you check your ego, enable you to better judge the incentives of others, and explore a situation more objectively. In so doing, it builds both self-awareness and empathy. As AREA becomes second nature it can be part of the frame you bring to the world around you. As a result, it may allow you to live your life more mindfully and deliberately. With the right framework, the right approach to decision-making -- the right process -- you can turn good ideas into great thinking.
The Effects of Global Economic Dynamics on the National State

Mehtap Yesilorman

Faculty of Economics and Administrative Sciences
Firat University, Turkey

Abstract

The basic dynamics of the phenomenon of globalization is the economy. Because globalization is a process of transformation pioneered by economic parameters. In this process, all the relations and institutions of the capitalist economy by reconstructed on a global scale and the transition to the global economy has been ensured. This new economic order, in which global capitalism plays a leading role, has an impact on the other areas of social life. Nation-state is the leading structure affected by global capitalism. Thus, it has been put forward that global capitalism limits the power of the nation-state in the field of economy. The subject of this study is how to explain the crisis that the nation state has entered in the face of the global economy. The aim of the study was to determine the negative effects of the global economy on the nation state. In the study based on the theoretical data obtained from the literature research, the situation of the nation state against the globalizing economy was tried to be determined. Based on the current literature, it has been determined that the process of globalization erodes the economic function of the nation state.

Keywords: globalization, economic dynamics, global economy, global capitalism, nation state

Introduction

Globalization represents a complex multidimensional process including economic, social, cultural, political and informational dimensions. Among these dimensions, it is argued that the economic aspect leads to the emergence of globalization. This process, known as economic globalization, refers to the sustainability and dissemination of economic activities worldwide. The expansion of production and financial activities to transnational areas has led to the development of “multinational corporations”, “international economic organizations” and “regional trade systems” as well as mutual cooperation between national economies (Gongen, 2013, p. 122-123). Because according to many globalization; It is the name given to the growth of capitalism on a world scale. The term “global capitalism”, which shows the dialogue between the phenomena of capitalism and globalization, has taken its place in the terminology of social sciences. In some scientific sources, capitalism, which remains the sole system of the contemporary world economy, is considered identical to the concept of economy and the terms of “global economy” or “economic globalization” are used instead of global capitalism. Regardless of which conceptualizations are used, what is meant is; that capitalism evolves on a world scale and takes on a new form called globalization. The new form in question, means that capitalism and its problems are globalized together; it characterizes an order of distortion where problems are felt at the global level. Accordingly, globalization; has become the target of some criticisms that is the permanency of the old colonial order and it has developed as a new form of imperialism due to the spread of unemployment, poverty and income inequalities caused by capitalism worldwide. One of the most remarkable criticisms of globalization in this regard is that the erosion of the effectiveness of the nation-state. Some developments, which are interpreted as the losing their power both
economically and politically in the face of globalizing world, cause some worries about the future of the nation states.

The growth of capitalism as the general framework of economic activities around the world is seen as the main cause of the phenomenon of globalization, as previously emphasized. In plain terms, globalization first appeared in the field of economics; then spread towards different fields of activity of the society. However, as a nation-based political actor, the nation state has lagged behind this race and failed to globalize. The emergence of multinational companies operating worldwide has become a symbol of globalization. These companies are able to penetrate the scope of authority of nation-states as they operate on a very broad area that crosses national borders. It has been suggested that this situation, which reduced the effectiveness of nation-states, while previously was the determining factor in the economy, produced negative results on behalf of nation-states. On the other hand, it is believed that the establishment of a number of supranational organizations such as IMF, WB and WTO that govern and supervise the global economy diminishes the power of nation-states in the economic field. It is claimed that the influence of the nation-state, whose decision-making power is diminished, against these global economic forces has begun to fray out.

**Literature Review**

Globalization can be described as the only process of change that can coincide with the transformation created by industrialization throughout the history of civilization. Because industrialization, while expanding the volume of industrial production; globalization has extended the volume of the capitalist economy. Though globalization rises above the capitalist economic heritage that began with industrialization, both globalization and capitalism processes have been the main agents or initiators of a major socio-economic transformation. These processes of change, starting with the developments in the economy, are not limited to economic changes; they have also been the gateway to the transition to new social structures. The transition to a new structure in globalization, which is one of these two processes, characterizes a total transformation on a world scale. Namely, as Giddens said, globalization; it has made individuals, groups and nations interdependent with each other as a phenomenon pointing out that all of us who change the way the world appears and the way we look at it all live in a “one world”. Although economic forces are an inseparable part of the process, they alone are not enough to reveal globalization; the process of globalization came into being with the combination of other political, social, cultural and economic factors. Best of all; with the developments in information and communication technologies (Giddens, 2005, p. 51–52), world societies have entered into a process of integration. Thus, as Giddens points out, globalization; as a multidimensional process involving many factors, it has initiated a structural and functional change on a world scale. However, it does not seem possible to explain globalization for one reason, as Robertson put it, the only phenomenon that is significant in terms of the global system's own arguments; global interdependence (Friedman, 1996, p. 83). The basis of this interdependence relationship is economic. In other words, socio-cultural and political changes at the global level have been the precursors of interactions and cooperations in the field of economy. Therefore, economic developments can be considered as an important access point for understanding the motives of the globalization process.

Globalization is an inevitable process, as Ohmae calls it, for the societies of the era we are alive (Ohmae, 2006, p. 267). This view accepts all societies in the world as a part of the globalization
process, regardless of their level of socio-economic development. However, involvement in the process is shaped on the basis of the level of social and economic development. The most disadvantaged countries in In the face of globalization growing avalanche are seen as developing third world countries as always. The rules of this transformation, in which most of them are caught unprepared, are determined by the developed world powers. Bu nedenle, gelişmekte olan toplumlarnın sureci ilişkin dezavantajlarını minimize etmek için bazı farklı strateji, kavram ve yontemler belirleme yoluna gidildiği goze çarpmaktadır. Therefore, it is outstanding that some different strategies, concepts and methods have been adopted to minimize the disadvantages of developing societies. In this context, for example, Falk uses the concept of “globalization from below and its allies” against “globalization from above” as defined by the great powers to define post-Cold War global capitalism. The historical role of globalization from below is to provide an alternative to the ideological and political sphere currently occupied by market-oriented and statist perspectives, and to challenge globalization from above, by opposing the extremes and distortions of globalization (Falk, 2002, p. 135–136). Globalization from below is thus spreading from the south and from the third world and is used as a strategy to transform the negativities of globalization and to ensure that the return generated by globalization is shared equally in the world. Through such strategies, developing societies endeavour to minimize their weakness in the face of globalization.

As the different societies subject to globalization process, it cannot be said that various elements within these societies can globalize in the same way and speed. For example, as mentioned earlier, while the economy is rapidly globalizing, the nation-state is not globalizing. In fact, the nation-state is often regarded as the main obstacle to globalization. For example, with the restructuring policies developed after the economic crisis in the 1970s, pressure was exerted on nation-states in order to reduce the weight of the state in the economy, privatization, liberalization and deregulation, and it was foreseen that the state would have to change freely in order to overcome the crisis (Karabag, 2006, p. 198–199). This movement, called the “new right” has argued that the market economy should be the only sovereign by showing how wrong the economic activity of the state is with these restructuring programs. There is the aiming of increase the capital gain of the strongest in the behind of the abstraction of nation states’ functions in the field of economy (Kazgan, 2000, p. 37). Efforts to remove the nation-state from the economy in this way have been carried out in a zero-sum game style aimed at narrowing the power and activity area of the nation state while expanding the gain and scope of free market elements. Thus, it is claimed that the weakening of the national state against the global powers, whose effectiveness in the global economy has been weakened, has directly affected the relations of power and sovereignty in the socio-economic and political sphere, and thus leads to the damping of the nation state.

**Methods**

As stated earlier, globalization has been the first in the world economy. The global economic structure has brought a whole new economic order and operations with multinational companies and supranational organizations. It is argued that this new order limits the effectiveness of the nation-state against the global economic forces and its decision-making power and erodes its influence. It is a matter of curiosity about the future of the nation state that remains from globalization against the globalizing economy. Thus the subject of this paper is how to solve this equation of inequality between the globalizing economy and the non-globalizing nation state. In this study, which aims to determine whether the nation state has started to fade out as suggested,
an analysis has been carried out at the theoretical level. In the line with the analysis of the data obtained from the literature research, it has been tried to be determined the situation of the nation state against the globalizing economy.

In this research, which is planned as a descriptive study, first the introduction of the phenomenon of globalization is given in order to describe the crisis of the nation state against globalization. Subsequently, the negative effects of globalization on the nation-state, the departure of financial activities from national borders; It is tried to be examined within the framework of some global economic dynamics such as establishment of multinational companies and supranational organizations. In this study, literature review was used as data collection technique. The research data collected from the available sources on the subject and the views of the scientists were analyzed at the theoretical level by direct inference. The data obtained as a result of the analysis were interpreted and reported as research results.

Findings

It has already been mentioned that there is a general opinion that the globalizing economy is eroding the nation-state by narrowing its area of authority and influence. For example, in the 21st century, Ohmae argued that the basic concepts of the 19th-century nation-state model would become incapable as factors such as investments, industry, information technology and individual consumers crossed the national boundaries relatively freely. Even going a little further, the investments are no longer limited by geography; the globalization of the industry; He argued that the advances in information technology facilitating the execution of business and the even more global orientation of individual consumers have made the traditional mediation function of nation-states and their governments largely unnecessary. For him, as global markets with these four factors operate without interruption, nation-states no longer need to play a market-forming role (Ohmae, 2006, p. 267–272). For this reason, as Robert Cox, one of the leading theorists of the neo-Gramshici movement known as the Italian School, states “neo-liberalism” is a means of adapting the local economy to the needs of the global economy by removing the nation-state from a buffer between the external economic forces and the local economy (Kozanoglu, 2001, p. 57). This new function gained by the nation-state has made it a passive cooperation partner against transnational organizations.

In the global economy, international corporations are the leading factors that erode the power of nation-states. These companies, which were 7,000 in the early 1960s and reached 37,000 by the end of 1989, continued to penetrate the sovereignty of nation-states as the Cold War lost its influence. With the activities of these powerful companies, nation-states in the global modern world have begun to lose their sovereignty on economic and global issues. Globalization therefore erodes national capitalism, which was once a cornerstone of the modern nation state (Rivero, 2003, p. 27–28). Another effect of the erosion of the nation-state; It can be said that it is formed by the transfer of the economic efficiency of the nation-state to supranational structures. Organizations such as the World Bank, IMF, OECD, GATT and the World Trade Organization (WTO), which developed immediately after the Second World War, have emerged as organizations that govern and supervise the world economy. In this context, the sovereignty of the nation-state, which was formerly a dominant economic and political actor, has begun to erode more and more; nation-states have become the practitioners of economic and political decisions taken outside of themselves.
According to Habermas, the ability of nation-states to make decisions in the global economy is gradually decreasing. Two of the opportunities available to the nation state are completely eliminated. These are to return to “Protektionismus” and “Demand-oriented economic policy”. Even if capital movements can still be controlled, the cost of attempting to protect domestic economy has reached unacceptable levels under the conditions of today's world economy. Moreover, the employment policies of the state have reached the borrowing limit of the budgets and they no longer give the desired results within the national borders. Under the conditions of global economy, “Keynesianism” in a country has no longer functioned (Habermas, 2002, p. 64–65). Similarly, Baumann mentions that in the global world order the accounting of the national economy (Nationalokonomie), which at one time seemed to be the indispensable basis of all economic thought, was made more frequently. In this new order, capital no longer has a fixed home, and the flow of finance has largely exceeded the control of national governments. According to Baumann, most of the leverages of economic policy in this world have now become ineffective and therefore the nation-state needs began to erode; even dampening (Baumann, 2006, p. 66–67)

The aforementioned developments have largely abolished the capacity of nation-states to make decisions that can lead their own economies. The economic activities of nations have been articulated and directed by transnational markets. The state began to lose the function of being an effective economic manager (Tekeli & Ilkin, 2000, p. 120). More specifically, as Bauman states, the economic sphere for nation-states is gradually becoming out of the political sphere of control. In the global world, nation-states are not allowed to touch anything about economic life. There is no logical or pragmatic contradiction between the homelessness of capital and the proliferation of weakly sovereign sovereign states. The ability of the global finance, trade and information industry to enjoy the freedom to pursue their goals without restrictions depends on the political fragmentation of the world scene. Therefore, it can be said that all of them benefit from the existence of weak states (Baumann, 2006, p. 77–79). The existence of these weak states in the international system does not mean anything other than the advantage of being insignificant in the face of the economic power of multinational companies. Since the tangible assets of these companies are often larger than the sum of the budgets of all of the weak states mentioned, they also have the potential to influence the political processes and decisions in which they are involved internationally.

Giddens acknowledges, in particular, that transnational corporations possess great economic power and may have the capacity to influence political policies elsewhere. However, according to Giddens, there are some key areas where these companies cannot compete with governments. For example, all modern states have control of the means of violence in their regions, whereas transnational corporations cannot establish themselves politically/legally in a given region (Giddens, 2006, p. 209). In addition, while nation-states can make political decisions as an independent political actor in the international system on the basis of country-people-political sovereignty, multinational corporations can only influence these decisions. For this reason, multinational corporations need the ability of nation-states to become political power in different subjects. In addition, it cannot be said that the nation-states are ineffective against the functioning of the global powers in spite of their dignity. Governments can still take measures to make their economies attractive to global investors. Besides, nation-states maintain their control over education, infrastructure and population movements (Steger, 2006, p. 91). However, this does not change the fact that nation-states are pushed out of the economic decision-making and implementation process. Although there are areas where nation-states are still active and
controlled, their effectiveness in the global economy is diminishing and they become actors who implement only the decisions taken or prepare the basis for their practices.

**Conclusions**

Globalization is described as a process of integration based on interdependence produced by economic cooperation on a global scale. In this respect, globalization is perceived as a new colonial movement and is described as a new form of imperialism or capitalism. As a matter of fact, while the world economy is rapidly globalizing; It is argued that nation-states are consciously removed from the economic sphere because they are seen as an obstacle to freedom of transnational economic activity. This function of the nation state, which had previously acted as the basis of the national economy for economic activities at the national and international level, began to be gradually reduced. Because multinational corporations and supranational organizations as global economic forces have rendered this mediation function of nation-states in economic relations unnecessary. In addition, it is claimed that nation-states have started to lose control over economic factors such as capital, investments and labour. Consequently, as the opportunities of nation-states in planning, decision-making and implementation of these decisions gradually decrease in the global economy, some concerns about the future of nation-state have been raised. In other words, it is accepted that these developments, which are interpreted as losing their influence against the globalizing world, erode the nation state and cause the nation state to fade out.

While the globalization process erodes its influence and influence in the economic sphere, the nation-state still maintains some areas of domination. Although a relatively narrow area of influence against multinational corporations is narrowed, nation-states still function as the sole decision-makers on population, education, security, country and sovereignty as an independent political actor. In fact, multinational companies may need these decisions of nation-states on such matters. Therefore, it can be said that the nation state is allowed to enter a process of transformation by rethinking together with globalization due to its eroded functions and the fading of the nation state.

It is known that some functions of nation-states have been changed in the new global economic system that emerged with globalization. With the globalization of the economy of the nation states, which used to function as planners, regulators and practitioners of economic life, these functions decreased and international companies and organizations came to the forefront in economic activities. In this structure, nation-states have become the local protectors of the new economic order and the local political actors who will ensure the functioning of this structure. This new role of nation-states in the economic system is to make and implement the necessary arrangements at the national level for the functioning of the global economic system. This situation is expected to change the political roles of nation-states.

**References**


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Part 16: Technology/E-Business/Social Media
Does Communication With Emoticons/Emojis Work Efficiently? Evidence From Turkey

Seden Dogan¹ and Ayse Bas Collins²

¹Faculty of Tourism
Ondokuz Mayis University, Turkey

²Faculty of Tourism
Bilkent University, Turkey

Abstract

Born in 1995 and later, Generation Z is known as iGeneration, Gen Tech, Online Generation, Post Millennials, Centennials, Switchers, Do-It-Yourself Generation, and always clicking. They can easily switch between real and virtual worlds. They were born and brought up with the current technology, they are digital-centric and technology is their identity. They can easily source, check the information they need and quickly share information with others. Communication processing among them is continuous, as they use a wide variety of communication devices. Generation Z is determined to be highly connected, living in an era of high-tech communication, technology-driven lifestyles and prolific use of social media. For fast communication with peers, they use emoticons and emojis which are used to communicate simple things or feelings in a fresh, visual and condensed way. Emoticons and emojis are a popular way to communicate over digital media and can be used instead of words. Beginning with the rise of the iconic smiley face in the second half of the twentieth century, emoticons and emojis now serve to smooth out the rough edges of digital life. Emoticons which are used used to express emotion, emphasize a message or to express humor when communicating with friends, are glyphs used in computer-mediated communications and are meant to represent facial expressions. Emojis are pictographs-images of things such as facial expressions, holiday symbols, activities or animals. There are many different types of emojis and it is possible to download them to/for many different smartphones or computer operating systems. This study aims to investigate the university students’ opinion towards communication with emojis and/or emoticons. To do this, the open-ended question form was prepared and distributed to be answered. In total, 90 answered question forms were collected from the students. The descriptive analysis was applied to determine the results.

Keywords: emoticons, emojis, communication, emoji marketing, generation Z, university students

Introduction

The greatest innovation in communication is the combination of non-compatible written communication and oral communication. For the first time in history, a hypertext and meta-language have been formed which integrates the written, oral and audiovisual forms of human communication into the same system. It is possible to translate the word emoticon as a spelling mark, the word emoji as a face mark and both indicator forms as emotion icons. Emojis rather than represent a face, point to the emotion on the face. Therefore, as emotion icons, signs and facial signs are indicators that mark emotion that is specific to written digital communication and should not be seen as synonymous with other indicator icons. In written digital communication, some
basic emotions that cannot be expressed or which take a long time to write are tried to be conveyed through mimicry facial visuals. Emoticons or emoticons are emoticons and emojis are facial signs (Riordan, 2017:77).

Today, non-linguistic indicators that are used in digital communication and have an important place are provided with these signs. Emojis are adopted by people living in different cultural and linguistic geographies of the world and used as a code of emotion in digital written communication. Because of this characteristic of emojis that people can easily understand, it can be thought that it contributes positively to communication between different cultures and languages. Besides, the selection of emojis is easier and faster than words because the selection is made with a ready button. For these reasons, it can be said that emojis are moving towards becoming international signs in digital communication as non-linguistic indicators (Algharabali & Taqi, 2018:46).

Aim of this study is to investigate the university students’ opinion towards communication with emojis and/or emoticons. Open-ended question form was prepared and distributed to be answered to students at Ondokuz Mayis University/Faculty of Tourism. In total, 90 answered question forms were collected from the students. The descriptive analysis was applied to determine the results.

Literature Review

The word emoji is the most used word in the world today. For example, this word was chosen by the Oxford English Dictionary in 2015 as the Word of the Year in England. The word emoji is of Japanese origin and means caption or sign. In this sense, emoji is the equivalent of the pictograph. Emojis are visual signs that have been frequently used in social networks since 1999. Emoji for face marks was first developed by Shigetaka Kurita in Japan in the late the 1990s and used by many telecommunications companies such as Softbank, KDDI, DoCoMo. Unicode, which combines all emojis with an additional code system, has classified emojis, taking into account minor differences. This classification also shows the areas represented by emojis. These areas, as mentioned above, are in the form of mimics and people, animals and nature, food and beverages, travel and spaces, various activities, objects, symbols, flags/pennants. Emojis are used in social media programs and in some browsers (Whatsapp, Viber, Facebook, Skype, Google Chrome, etc.). In the early days, they were only expressing the emotions of the face; today there is a wide range of emoji that expresses, concerns or covers every area of his life such as food, animals, weather, occupations, planets, transportation, and cultural elements. Therefore, it is possible to divide the emojis into face marks and object images. The most commonly used face marks in written digital communication are used in two different ways. These are the ones that accompany the text messages and reinforce the content of the message and are signs that start or end the chat (Aliismail & Zhang, 2018:3367; Ge & Gretzel, 2018:1275; Guven, 2018:79; Onursoy, 2018:283; Ozant & Kelleci, 2017:400; Sakalli & Bahadiroglu, 2018:135).

It is stated that the use of emoji will strengthen the intensity of emotion desired to be conveyed in the message compared to a simple message consisting of only text. It is also stated that when there is nothing left to say, people use the emojis for entertaining interaction and to create a communication style of their own. According to Sugiyama (2015), emoji have two basic functions: They help people -especially Gen Z- to manage the communication climate as well as to construct and express their aesthetic self. The first function includes emotional expressions but the emotional expression is not necessarily used to convey the emotions these users feel; it is the emotions that
they need to convey in order to construct and maintain pleasant relationships. In the second function, emoji serve as an aesthetic expression rather than an emotional expression. Although it is widely used in daily life, it is seen that there is a limited number of studies on emoji cases in our country. When these few studies are examined, it is observed that the use of emoji is high especially among young people; women have a more positive attitude than men. In terms of strengthening the meaning and clarifying the meaning of the text, it is understood that women have a stronger perception than the men (Haciomeroglu, 2018; Toksoz, 2018:161; Zeybek, 2018:404).

There are several studies in the literature on the use of emoji and emoticon. Vidal, Ares and Jaeger (2016) conducted a study on emoticons and emojis used in food tweets. In this context, the researchers analyzed 12,260 tweets for breakfast, lunch, snack, and dinner; found that emojis were used more often than emoticons. As a result of the research conducted by Novak, Smailovic, Sluban, and Mozetic (2015) the most popular emojis were especially positive, the emojis tend to be at the end of the tweet, and there was emotion difference between the tweets with emoji and tweets without emoji. Tossell et al. (2012) found that at least 1 emoticon was found in 4% of text messages. Hsieh and Tseng (2015) state that the use of emoticons in text messages makes messaging more fun and enjoyable, thus making a positive impact on interpersonal communication.

According to the research conducted by FikriMuhim (2015) in Turkey, four out of five people use emoji in their daily correspondence. According to the results, 77% of the participants use emoji in their daily speeches. In addition, 81% of emoji users are women and 59% are men. Young people use emojis most, and emoji use decreases with age Communication with emoji is common among friends and spouses with a rate of 69%. One in five uses emoji when messaging with their spouse or friend. When emoji users were asked about the contribution of emojis to communication, the respondents responded that it was easier to express their thoughts with a rate of 59%. 19% of participants responded to gaining sympathy, 12% to avoid misunderstanding and 12% to save time. In the same survey, the reasons for choosing emojis were also asked the participants. 52% of the participants stated that they preferred emojis because they wanted to express laughter, 29% expressed their love and 19% wanted to express their longings. Two out of five emoji users think that emoji language will completely replace the use of text in digital communication (Ceken, Aypek Arslan, & Tugrul, 2017; Gokaliler & Saatciogu, 2016).

Methods

Aim of the Study

In this study, it is aimed to evaluate the opinions of tourism faculty students about communication with emoticons/emojis. For this purpose, the question of the research was determined as what are the views of tourism faculty students about communicating with emojis.

Pattern of the Study

This study was designed with the phenomenology approach, which is one of the qualitative research methods, in order to analyze the views of tourism faculty students about communication with emojis. Phenomenology is a research design aiming to reveal the perceptions and experiences of individuals from their own point of view (Balbag, Gurdogan Bayir & Ersoy, 2017:225) and it
is aimed to reveal and interpret individual perceptions or perspectives related to a particular phenomenon (Mutlu & Tokcan, 2012). Data sources in phenomenological studies are individuals who live and can express or reflect the phenomenon that the research focuses on. Although the research does not produce generalizable results, it can provide examples, explanations, and experiences that help to better recognize and understand a phenomenon. Phenomenology studies focus on phenomena that we are aware of but we do not have in-depth and detailed understanding (Karademir, Sarikahya & Altunsoy, 2017; Yıldırım & Simsek, 2016; Sozer & Ozkan, 2014; Akcadag, 2014; Arlı, Olmez Ceylan & Akduman Yetim, 2012; Bulbul, 2012; Sevim & Iscan, 2012). In this study, this pattern was used because it was aimed to reveal the views of tourism faculty students about communication with emojis (Acun et al., 2017).

**Sample**

The participants of the study were determined by using the appropriate sampling method from the non-probability sampling types. Appropriate sampling is the sample that is easy to reach, available on hand and (voluntary) individuals who want to participate in the research (Koc Basaran, 2017; Kocak, Dogan Gul, Gul & Cokluk Bokeoglu, 2017; Yıldız, 2017). In this context, the study was carried out with the participation of 90 students who were studying at the Tourism Faculty of Ondokuz Mayis University between May 2nd-3rd, 2019. Demographic characteristics of the students are shown in Table 1.

**Table 1. Demographics of the Students**

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<tr>
<td>Male</td>
<td>48</td>
</tr>
<tr>
<td>Female</td>
<td>42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>19</td>
<td>9</td>
</tr>
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<td>21</td>
<td>11</td>
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<td>22</td>
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<td>32</td>
<td>1</td>
</tr>
<tr>
<td>35</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
</tr>
</tbody>
</table>

As seen in Table 1, 48 of the students are male and 42 of them are female. Most of them are between the ages of 18 and 23.

**Data Collection and Analysis**

A questionnaire including the following questions was distributed to the students participating in the research:

1- Why are you using emoticons/emojis?
2- To express which of your emotions do you use emoticons/emojis?
3- Would you face any problem in your daily communications if emoticons/emojis wouldn’t exist?
4- What do you think about the future of communication with emoticons/emojis?
The students were given 45 minutes to complete the form. A single seating arrangement was created to allow the form to be filled without being influenced by another student. In this way, a student's writings were prevented from being seen by others, and the students were prevented from exchanging ideas among themselves. The answers that students wrote within a 45-minute lesson period were used as the main data source in this research (Saban, 2009). Document analysis involves the analysis of written materials containing information about the cases or events that are targeted for investigation (Ozenc & Ozenc, 2013). The raw data obtained from the interview forms were subjected to descriptive analysis. It is stated that descriptive analysis is a frequently used method for researchers to obtain abstract data about the different phenomena and events they want to work with (Degirmenci and Dogru, 2017: 125). In this type of analysis, the researcher can often include direct quotations in order to reflect the views of the individuals he / she interviewed or observed. The main purpose of this type of analysis is to present the findings to the reader in a summarized and interpreted form. The data obtained in the descriptive analysis are summarized and interpreted according to predetermined themes (Yildiz, 2016: 404; Ozdogan Ozbal, 2017: 4139; Obay & Ozgen, 2016: 24; Uzumcu, 2016: 330; Ozdemir, 2010: 336).

Findings

The results obtained from the analysis of the data are shown in Table 2.

Table 2. Answers of the Students

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why are you using emoticons/emojis?</td>
<td>To transfer emotions/thoughts better</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Being too lazy to write text</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>The words remain incapable</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>They make the communication funnier</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Other people are using them</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>I don’t use them</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>To make short answers</td>
<td>1</td>
</tr>
<tr>
<td>To express which of your emotions do you use emoticons/emojis?</td>
<td>Happiness</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Love</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>To response to a funny thing</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Sadness</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Anger</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Shame</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Joy</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Missing</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Being surprised</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Brattiness</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Showing ego</td>
<td>1</td>
</tr>
<tr>
<td>Would you face any problem in your daily communications if emoticons/emojis wouldn’t exist?</td>
<td>No</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Yes, because communication with them is easier.</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Yes, communication without them may causes misunderstandings.</td>
<td>7</td>
</tr>
<tr>
<td>What do you think about the future of communication with emoticons/emojis?</td>
<td>Yes, communication without them would be boring.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Texting will be over, communications</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>will be only with emotions/emojis.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>It will damage communications.</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>More people will start to use them.</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Nothing will change.</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>New emojis/emojis will be created.</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>GIF emojis/emojis will be created.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Real time emojis/emojis will be created by using face recognition technology.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>They will be used if they will be updated.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>They will disappear and be replaced with other stuff.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>It will be universal language.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3D emojis/emojis will be created.</td>
<td>1</td>
</tr>
</tbody>
</table>
As seen in Table 2, most of the students (n=62) use emojis /emoticons to express and transfer their emotions better. They said that only texting was not enough for good communication. Emojis /emoticons helped to show what they really meant. 10 students said that they use them because they were too lazy to write a message and emojis /emoticons helped them to express what they wanted to say just one or two clicks.

Most of the students (n=43) use emojis /emoticons to express their happiness. In other Word, they use them when they are happy. 14 students use them to show their love and 14 students use them to react to a funny thing. This also means they use emojis /emoticons which are smiling, laughing or funny.

Most of the students (n=47) said that they would not face any problem in their daily communication if emojis /emoticons wouldn’t exist. They said that there were no emojis /emoticons before and they were communicating with people and if emojis /emoticons wouldn’t exist, there would be no problem. 33 students said that they might have some problems to transfer their emotions and thoughts. Because emojis /emoticons are supportive of text messages.

31 students said that in the future, texting will be over and communications will be built only with emojis /emoticons. According to 13 students, communications will be damaged and people will have communication problems. 6 students said that new emojis /emoticons will be created, 4 students said that GIF emojis /emoticons will be created and 3 students said that real-time emojis/emoticons will be created by using face recognition technology. According to 2 students, there will be no emojis/emoticons in the futures and other stuff will replace them.

Conclusions

Emojis are popular digital pictograms that can appear in text messages, emails, and social media platforms. These characters are generally understood as a light-hearted, almost comedic form of communication, but they have a rich and complex socioeconomic history that precedes the range of mobile devices where they commonly appear. Beginning with the rise of the iconic “smiley” face in the second half of the twentieth century, the emoji as a cultural form has emerged out of typographic habits, corporate strategies, copyright claims, online chat rooms, and technical standards disputes. As a genial and widespread vernacular form, emoji now serve to smooth out the rough edges of digital life (Stark & Crawford, 2015:1). For example, The Emoji Movie was released in 2017, and since 2014, July 17 has been celebrated as World Emoji Day (Das, Wiener, & Kareklas, 2019:147).

In this study, it was tried to determine the opinions of tourism faculty students about communication with emoticons/emojis. According to the results, students use emoticons/emojis to express their feelings much better and they think emoticons/emojis help them to do. Most of them use emoticons/emojis that have positive meanings. Half of them think they will not face any problem in their daily life communications if emoticons/emojis disappear. One of three students think the text will be history and communications will be adhered to the emoticons/emojis in the future. These results support the previous researches’ results.

It is suggested that marketers must use emoticons/emojis in their campaigns which are towards to Gen Z members and especially women. It is also suggested that further researches must be
conducted to determine the aim, level, and frequency of emoticon/emoji usage of people of different ages.

This study cannot be generalized as only 90 students from one faculty at one university have participated. In the future, it is planned to achieve generalizable results by conducting in-depth interviews with more participants of different ages.

References


Hotel Managers’ Thoughts Towards New Technologies and Service Robots’ at Hotels: A Qualitative Study in Turkey

Seden Dogan1 and Ahmet Vatan2

1Faculty of Tourism
Ondokuz Mayis University, Turkey
2Faculty of Tourism
Istanbul Medeniyet University, Turkey

Abstract

This study aims to determine the views of hotel managers in Turkey on service robots. Despite the rapid development of robotic technologies and the increasing use of service robots in the tourism industry, academic research on the subject is limited. In Turkey, there had not been any research met for about service robots and the usage of service robots in hotels. In the study, firstly information about robotic technology and service robots had been given and then examples of service robots in the hospitality industry would be shown and the studies examined in international literature would be summarized. Within the framework of the qualitative research approach, the opinions of 18 hotel managers were consulted through a semi-structured interview form. The data obtained from the hotel managers were subjected to descriptive analysis within the scope of predetermined themes. As a result of the research, it is seen that hotel managers have a good relationship with technology and follow the technology closely. Most hotel managers are positive about service robots in their businesses. While the hotel managers think that the service robots will be widely used in the tourism industry in the coming years, it is more appropriate to use them in the departments where guest-employee interaction is low. They think that robotic studies should develop under control to ensure the consequences are in favor of humankind.

Keywords: technology, new technologies, robots, service robots, hotel managers

Introduction

Although the term “robot” is showed up for the first time in a Czech game (Rossum’s Universal Robots) the concept of humanoid machines can be dated to Homer and Plato and Ovid’s living statue histories (Murphy, Gretzel & Pesonen, 2019; Murphy, Hofacker & Gretzel, 2017:105). Developed in six months by the Hungarian noble Wolfgang von Kempelen upon the order of the Empress of Austria Maria Theresia in 1769, the chess instrument, which was exhibited for the empress for the first time in 1770 and destroyed by a fire in the Chinese Museum in 1854, was named as Mechanical Turk because of the robot-player sitting on and wearing Turkish clothes of the period. It consisted of a Turkish figure wearing mustache and Ottoman clothes sitting in front of a wheeled cabin that is 120 cm long, 105 cm wide and 60 cm high maple tree and with a chessboard.

When the front cover was opened many large and small lifts, pulleys and other mechanical spaces could be seen in the cabinet of Mechanical Turk. When Mechanical Turk, that work by winding started to play chess with the volunteer opponent, was laying his eyes on the chessboard, shaking his head from time to time and moving the chess pieces with his hands. Having shaken his head
three times to express that his move was over, Mechanical Turk was able to answer the questions from the spectators after the match in German language, although in a few words, by combining the letters on a special tray next to the chessboard. For example, when making the winner move of the game, Mechanical Turk could say "Schach" literally means “Checkmate”. There was a second chessboard inside the cabin, which helped the operator follow the game. Under the main chessboard played by the Mechanical Turk, there was a spring-like mechanism under each square and a magnet under each piece. Thanks to this system, a real chess player in the cabin (firstly Baron Kempelen himself, then his assistant Anthon) was able to track which piece was playing to which position and to move the Mechanical Turk by using the special mechanism that submits his moves to the main board. After the death of Kempelen in 1804, Mechanical Turk traveled from hand to hand and reached Johann Maelzel. Mechanical Turk defeated Napoleon Bonaparte in 1809 and continued his chess victories in France and England. In 1820, he made a match with Charles Babbage also known as the father of the computer. John Mitchell, the doctor and surgeon, was the new owner of Mechanical Turk, which was auctioned after Maelzel died. Mitchell founded a club and began showing the secrets of Mechanical Turk to the club members for a fee. At first the show seemed to gain success, but he donated the automat to the Chinese Museum in the United States in 1854 due to his failure as a showman (Sahin, 2016; Chip Online, 2014; Satranc Dunyasi, 2009; Koksal, 2004). In recent history, Hollywood and popular culture in the 1950s brought the concept of robotics and inspiring robotics to a wider audience. In 1956, Unimation, the first company to produce a robot, was founded (Ivanov et al., 2019).

Robots are virtual or mechanical objects used to facilitate daily activities. Developments in artificial intelligence studies lead to questioning how the process of robots replacing manpower will proceed. On the other hand, increasing interactions between robots and humans have led to the perception of robots as social creatures. Accordingly, the ability of a robot to express different emotions and to understand human emotions is considered important to facilitate communication and interaction. (Hwang, Park & Hwang, 2013:459). In this context, the aim of the study is to determine the views of hotel managers in Turkey on service robots. Research on the use of service robots in the tourism industry tends to be conceptual. Yet, a limited number of robots still operate in tourism enterprises. As a result of the literature review, only one research conducted by Kuo et al. was intended to determine the views of managers on service robots and in Turkey no research could be found focused on service robots. For these reasons, the research is expected to contribute to the literature.

**Literature Review**

**Service Robots in Hotels**

Robotic technologies affect and transform operations in different areas of hotel operations. There are two types of service robots as stationary and mobile. The fixed positions of the stationary robots do not change. They can therefore be active in reception, kitchen or bar. Mobile robots can be wheeled, have multiple arms, fly or serve underwater. They can perform activities such as cleaning of floors and pools, mowing lawns, carrying luggage, bringing materials to rooms and providing entertainment services (Ivanov & Webster, 2017: 77). In addition, they can work 24/7 and can repeat the same task hundreds of times without complaining (Ivanov & Webster, 2018). The service robots, which are employed in hotels, perform tasks such as welcoming guests, taking orders, preparing food, room service, room cleaning, check-in / check-out, providing information
about the business or the city (Ivanov and Webster, 2017: 75; Hospitality Technology, 2017). The effectiveness of the tasks performed by the staff in the hotels is measured in due time. The shorter the time is, the lower the labor cost. Therefore, the investment in the service robot will be lower than the investment in human (Tussyadiah and Park, 2018: 309). In addition, hotels may provide services that they cannot provide previously due to high cost. They provide customers with a different experience and create added value by saving money (Bowen & Morosan, 2018: 729).

Operating in Nagasaki, Japan since 2015, Henn-na Hotel’s front office department has robot personnel work as a receptionist and luggage carrier (Henn-na Hotel, 2019). Three robots speaking multiple languages (one in the form of a dinosaur) welcome guests, check-in, and record their requests, complaints and demands. In the luggage room, a mechanism consisting of robotic arms stores the luggage. In terms of being the first hotel where robots work, in the Guinness World Record holding hotel a total of 186 robots are employed (Alexis, 2017: 211; Jarvis, 2016; Osawa et al., 2017: 219; Pierce, 2015). IBM's robot Connie operates at Hilton McLean Tysons Corner, located in McLean, Virginia, United States, Connie, named after Hilton founder Conrad Hilton, is about 60 cm tall and has moving arms and legs. The robot provides information about the hotel and its surroundings to guests in reception desk (Ivanov, Webster & Berezina, 2017: 1506; Trejos, 2016; Gagliordi, 2016).

Located in Cupertino, California, the Aloft Hotel employ a robot-servant called A.L.O., who assists human employees in the tasks such as taking room materials such as shampoo, soap, towels, bed linen to the room and taking the dirty materials to the laundry. It looks like a staff dressed in uniform and has a name badge (Ivanov, Webster & Berezina, 2017: 1506; Trejos, 2014). The Atlanta-based InterContinental hotel group launched a similar robot employee, Dash, at the Crown Plaza San Jose-Silicon Valley hotel in 2015. The Starwood Aloft Hotel has commissioned the robot butler Boltr to provide comfort and assistance to hotel guests. The Royal Caribbean Hotel has a waiter team consisting of robots in Bionic Bar section (Yalcin Kayikci & Kutluk Bozkurt, 2018: 58). Operating in New York, Yotel provides transport of 300 pieces of luggage per day with the ABB IRB 6640 industrial robot, which they call Yobot. This allows guests to check in quickly (Social Tables, 2019). Hotel EMC2 in Chicago has two robotic staff, Cleo and Leo. These two robots with name badges and uniforms are approximately three feet high and can be charged. Their tasks include delivering forgotten items and bringing extra towels, food or any other requested items to the rooms (Social Tables, 2019). In a survey conducted by Travelzoo (2016) with 6211 people from Brazil, Canada, China, France, Germany, Japan, Spain, UK and USA, two-thirds of those traveling abroad were found to be moderate in the idea of “robots in tourism”. It has been concluded that robots will have an advantage in terms of providing indefinite service in different languages.

It is stated that robots will be an important asset in the tourism industry by 2030. On the other hand, it is foreseen that robots will create many new jobs aside from causing unemployment. Increasing interest in the enterprises where robots work will necessitate increasing the number of employees. In addition, the increase in the income level in all enterprises where robots work will create new employment opportunities (Bowen & Morosan, 2018: 731; Hospitality Technology, 2017).
Academic Studies on Service Robots

It is seen important that robots taking place in tourism industry is discussed academically and consumers, employees, managers and other stakeholders in the industry identify their views and opinions about robots. Some academic studies on this subject are included in this section.

Lu, Cai and Gursoy (2019) developed a Service Robots Integration Willingness Scale (SRIWS) with a survey of 1348 people. As a result of the construct validity and reliability tests applied to the 7-point Likert-type scale consisting of 6 dimensions (performance effectiveness, intrinsic motivation, anthropomorphism, social impact, status facilitation and emotions) and 36 expressions, it was determined which service areas the service robots can be used. These include airlines (check in, baggage handling, robotic flight attendant, robotic guide), hotel (check in, check out, robotic concierge, room service), restaurant (serving as a companion and usher, waiter and, cashier) and retail shops (to find the needs in the store and serve as a carrier). Ivanov and Webster (2019) surveyed 1003 people and the participants agreed that service robots could perform at information desk and reservation office and also serve as cleaner and cashier. In 2018 Ivanov, Webster and Garenko conducted a survey with 260 Russian participants and determined that the participants who have more supportive views against service robots in hotels are male and it was concluded that robots can take part in baggage handling, towel / bed linen delivery, information submission and payment processes. In a survey conducted with 393 Iranian participants in 2018, Ivanov, Webster and Seyyedi unexpectedly found that women exhibited a more positive attitude towards robots, and participants under 30 were surprisingly more skeptical towards robots.

Sun Tung and Au conducted content analysis of 329 consumer reviews written on TripAdvisor, Agoda, Yelp and Booking.com websites for the four robotic hotels in 2018, suggesting that robotic services have an impact on human perceptions, allowing guests to proactively seek opportunities to interact and communicate with robots. Kuo, Chen and Tseng (2017) made a SWOT analysis with the data extracted with expert panel and semi-structured interview techniques. As a result, it is concluded that the strength of service robots is the chance of promoting them with the curiosity aroused in consumers and the weakness of service robots as the lack of skill in system integration. Pinillos et al. in their experimental study in 2016, an experimentally designed service robot, Sacarino, was commissioned as a bellboy at the Novotel Hotel in Valladolid, Spain. They received feedback from the guests and identified the necessary issues to improve the functionality of the robot. In their experimental study in 2015, Rodriguez-Lizundia et al. determined that the hotel guests who interacted with an experimentally designed service robot, Sacarino, acting as a bellboy at the Novotel Hotel in Valladolid, Spain, tend to keep the robot at arm’s length. At this point, it was stated that a more active looking robot would be attractive for long term interaction and a passive looking robot would create shorter interaction. In 2016, Kuo, Chen and Tseng- as a result of interviews with ten academicians and ten practitioners- stated that there was a lack of educated and skilled employees in system integration needed with the increasing awareness of service robots that aroused consumer interest.
Methods

Aim and Significance of the Research

The aim of the research is to determine the views of hotel managers in Turkey about service robots. The research is expected to make a significant contribution to the field since academic research on the use of service robots in the tourism industry is very limited and there had not been any study encountered in literature review that is conducted in Turkey.

Research Pattern

The research is designed as a phenomenological research in the qualitative research approach since it aims to reveal the experiences, perceptions and the meanings attributed to them by individuals. Phenomenology pattern focuses on cases that we are aware of but we do not have in-depth and detailed understanding of. Phenomenology is an appropriate research ground for studies aimed at investigating cases that are not completely unknown to us and which we do not fully understand. In this approach, the researcher is interested in the personal (subjective) experiences of the participant and examines the perceptions of the individual and the meanings attributed to the events. Phenomenology is descriptive research. In this context, it is important not to make generalizations but to define the facts (Ersoy, 2014: 50; Gocer, 2013: 28-29).

Sampling Method and Working Group

Data sources in phenomenological research are individuals or groups who experience and focus on the phenomenon that the research focuses on. In this study, purposive sampling method was preferred when determining the study group. Senior executives of the 18 hotel businesses operating in different cities in Turkey constitute the working group.

Data Collection

Since there had not been a developed/present scale that is proven in terms of validity and reliability, semi-structured interview form was used within the framework of qualitative research approach. The questions in the semi-structured interview form were prepared to gather information in context of the service robots and were sent to four academicians with expertise on the subject and expert opinion was received. The eight-question interview form, which was generated as a result of expert opinions, was sent to the hotel managers by e-mail. Answers were collected between 20th Nov. 2018 and 12th Dec. 2018.

Data Analysis

The raw data obtained from the interview forms were subjected to descriptive analysis. It is stated that descriptive analysis is a frequently used method for researchers to obtain abstract data about the different phenomena and events they want to work with (Degirmenci and Dogru, 2017: 125). In this type of analysis, the researcher can often include direct quotations in order to reflect the views of the individuals he / she interviewed or observed. The main purpose of this type of analysis is to present the findings to the reader in a summarized and interpreted form. The data obtained in the descriptive analysis are summarized and interpreted according to predetermined themes (Ozdogan Ozbal, 2017: 4139; Obay & Ozgen, 2016: 24; Uzumcu, 2016: 330; Ozdemir, 2010: 336).
Findings and Discussion

In this part of the research, the findings obtained in line with the descriptive analysis are presented. The data obtained from the hotel managers form the basis of the research findings. The presentation of the research findings is based on the information given in the literature section of the research. The analysis of the data and presentation of the findings were made by considering the themes identified in Table 1 and the questions prepared in accordance with these themes.

Table 1. Research Themes

<table>
<thead>
<tr>
<th>Theme Code</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>Managers' opinions on their relations with technology</td>
</tr>
<tr>
<td>T2</td>
<td>Managers' opinions on technological developments in recent years</td>
</tr>
<tr>
<td>T3</td>
<td>Managers' opinions on which departments and how they use technology</td>
</tr>
<tr>
<td>T4</td>
<td>Managers' opinions about words “robot” and “service robot”</td>
</tr>
<tr>
<td>T5</td>
<td>Managers' opinions on service robots that serve them</td>
</tr>
<tr>
<td>T6</td>
<td>Managers' opinions on the departments service robots can work for in terms of efficiency</td>
</tr>
<tr>
<td>T7</td>
<td>Managers' opinions about the employment of robots in their companies</td>
</tr>
<tr>
<td>T8</td>
<td>Managers' opinions on the future of robotics</td>
</tr>
</tbody>
</table>

Findings Obtained From the Interview Form

In this section, the findings obtained from the answers given by the managers to the questions in the interview form which was formed by reviewing the related literature and approved by taking four expert opinions are presented.

Table 2. Demographics of the Managers in the Sampling Group

<table>
<thead>
<tr>
<th>Gender</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
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<tr>
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<td>1-30</td>
<td>31-40</td>
</tr>
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<td></td>
<td>41-50</td>
<td>51-60</td>
</tr>
<tr>
<td>Education Level</td>
<td>Assoc. Degree</td>
<td>Undergraduate</td>
</tr>
<tr>
<td></td>
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<td>16</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Studied Tourism</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Prof. Exp. (Yrs)</td>
<td>6-10</td>
<td>16-20</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Mngmt. Exp. (Yrs)</td>
<td>1-5</td>
<td>6-10</td>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employment Time in the Current Business (Yrs)</td>
<td>1-5</td>
<td>6-10</td>
</tr>
<tr>
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<tr>
<td>Hotel Type</td>
<td>5 Star</td>
<td>4 Star</td>
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All managers participated in the study were men. Eight of the managers were between 41 and 50 years old, six were between 51 and 60 years old and three were between 31 and 40 years old. There is only one manager participated in the study who is between 20 and 30 years of age. One manager has associate degree, sixteen managers have undergraduate degree and one manager has graduate degree. When assessing the situation of top management employment in tourism industry in Turkey, surprisingly all participants studied tourism. According to the answers given to the question about the experiences of the managers in the tourism sector, four managers have 16 to 20
years, four managers have 26 to 30, four managers have 21 to 35, three managers have 36 to 40, two managers have 21 to 25 years, and one manager has 6 to 10 years of experience.

In terms of management experience, seven managers have 16 to 20 years, four managers have 21 to 25 years, three managers have 16 to 20 years, and two managers have 11 to 15 years of management experience. Fifteen managers who participated in the research were employed in their current businesses for 1 to 5 years, two managers for 6 to 10 years, and one manager for 11 to 15 years. When we look at the enterprises where the managers have worked, it is seen that there are fourteen 5-star hotels, three 4-star hotels and one boutique hotel. When we look at the cities where the enterprises participants in the research manage are located, five hotels are in Istanbul, four hotels are in Antalya, two hotels are in Eskisehir. Additionally, there is one hotel each in Bodrum, Aydin, Ankara, Mersin, Bilecik, Izmir and Samsun.

Managers' Opinions on Their Relations With Technology

To evaluate the relationship of hotel managers with technology “What is your relationship with technology? How often do you follow technological developments?” questions are posed. The first theme of the research was formed on this question. Accordingly, the highlights of the opinions expressed by the managers within the framework of the first theme are listed below.

A1: In my spare time, I follow developments as much as I can. I am particularly interested in industrial technology and space technology. I often review articles and journals on topics.

A2: I love to use technology, but I do not specifically follow technological developments.

A4: I get along with technology. I follow as much as I need.

A5: Because technology is the most important part of our lives today, we are completely in it, even if we don't want to. For this reason, we have to follow all the innovations as we have no chance of staying behind.

A9: I try to follow as much as possible. Although I don't have a chance to experience everything, I try to get information.

A11: I try to follow the technology that we can call “the road to the future”, which is rapidly developing and facilitating our business, providing advantages in terms of system, time and cost, and solving many problems in both the labor intensive service sector and many other fields.

A13: I keep abreast of technological developments especially through social media and international publications.

A15: Not very good.

A16: I follow technology closely and apply it in my facility. I follow it regularly.

A18: I have been a reader of Bilim Teknik (Journal of Science and Tech) since the age of 11, and frequently follow scientific publications, articles and documentaries.
Most managers seem to have a good relationship with technology. Managers state that they benefit from technology both in their private and business lives. Some of the executives who say that they are good with technology only benefit from technology as much as they need, while others follow technology. Some managers stated that technology monitoring is mandatory for business purposes. It is seen that only one manager states that he is not good with technology.

**Managers' Opinions on Technological Developments in Recent Years**

In order to evaluate the opinions of the participating managers about the technological developments in recent years such as artificial intelligence, robotic studies, 3D printers, sensors, big data, internet of objects, cyber-physical systems, radio frequency identification throughout the Industry 4.0, they are asked to answer the question “What do you think about the technological developments in recent years?”. The second theme of the research was created with the help of this question. Accordingly, the highlights of the opinions expressed by the managers within the framework of the second theme are listed below.

A1: Like every individual, I observe with enthusiasm. These developments are of great importance for human history. There are so many changes that we are only interested in that we sometimes find it difficult to follow. Technology is always in a process of renewal and we live in every aspect of life. I support the positive contribution of these developments to our lives and welcome them with sympathy.

A3: Surprisingly fast, our generation has also experienced the magneto phone, and is experiencing the current developments. I don't know if this is a chance or can be named something else.

A5: When we compare this day with the last 15-20 years, we are aware of how small the world is when we consider where it has come in the short term and where it will develop according to the information we have received. Although it is a great convenience for our business, it does not make people unsettled.

A8: It continues to develop rapidly above human perception. It is observed that the rapid development of technology without adoption creates great sociological and psychological changes in society.

A11: While it is easier to communicate with the developing technology, it is also difficult to communicate correctly. With the developing technology, people become unable to follow the technology.

A14: Recent developments have minimized the human and error factors and unfortunately hurt emotions and human relations. The problem of our age paves the way for unemployment, albeit partially.

A15: I follow in astonishment. Being in this much technology is frightening.

A17: I think that the technological developments in many areas make our daily lives easier. For example, 3D printers are now available to the public - we are able to produce a variety of equipment at our homes. I think this is very useful, especially in the medical field. For example, they can...
decompose a refrigerator into metal parts by recycling it and turn it into a prosthetic arm with a 3d printer and can cost exactly the same as the original prosthesis, although it costs only $ 25.

All of the managers who participated in the research follow the technological developments with excitement and surprise. While half of the managers find technological improvements beneficial to people, the other half thinks that technological developments will create unemployment, lack of communication or different problems. Few managers doubt that technology is developing so fast. Some managers think that artificial intelligence will assume the role of human in production and will replace us in the following years. Although most managers think that technology makes life easier, a manager thinks that technological developments make human life difficult. This is explained by the fact that people use the technology without adopting because the technology develops very fast. Although most of the managers shared concerns about technological developments in recent years, they closely follow technological developments.

**Managers' Opinions on in Which Departments and How They Use Technology**

In order to evaluate how the hotel managers, use the technology in which departments, the question “In which departments and how do you benefit from the technology in your company?” was asked. The third theme of the study was created with the help of this question. Accordingly, the highlights of the opinions expressed by the managers within the framework of the third theme are listed below.

A1: For me, the biggest technological development in hotel management is digitalization. Digitalization is a technological phenomenon that affects the hotel's marketing department and reservation and guest relations department. If you say why, in the marketing department; the promotional activities of the hotel are marketed through social media and internet channels, which enable a large number of masses and consumers to be reached. In the reservation department, it enables segmentation in terms of online marketing, consumers can reach the desired price and makes it possible to purchase. In the guest relations department, it enables the guests to evaluate and interpret their experiences through a set of online software, extranets and surveys. The technological argument we use in our hotel is the digitalization activity.

A4: In general, we monitor our income and expenses via computer. We control our inventory and keep records with software. We facilitate our operations with the Technology such as key cards and so on.

A5: It has strengthened our hands especially in marketing. Our accessibility has accelerated and that makes our job incredibly easy.

A8: In addition to technical and energy management, the necessary automation applications for job safety and, of course, the hotel information systems are utilized.

A9: We use it in the front office department.

A13: Considering that the three most important expenses in a service enterprise are personnel, energy and consumables expenses we also benefit from the technology to keep these expenses under control first. Cost control systems are among the technologies we apply in. In addition, while guest satisfaction is at the forefront, we benefit from the software that we can process the information, demands, needs and comments of all guests staying and receiving service in our hotel.
A16: Technological products are used as much as possible in every area of our hotel. We have touch screen devices in the hotel lobby, automatic survey mail ejection system at the end of departure from the hotel in CRM system, and our online booking system and hotel automation system are integrated.

A18: All departments are connected by computer network. We use the Internet effectively. We have a free Wi-Fi network that covers the entire hotel. Among our sustainable tourism applications, we use sensor doors and faucets for saving.

Most managers have mentioned that technology is used in all departments in hotels. However, the answers of some managers were grouped in department basis. While it is seen that the managers make intensive use of technology for hotel marketing, it is also stated that technology has an important place in the operation of the front office department. While executing customer relationship management, accounting and inventory management, managers also benefit from technology. It is seen that technology is used extensively in hotels to reduce energy costs and manage energy rationally. Security is another department where managers use technology in hotels. Managers use technology to ensure the safety of both tourists and employees. Online booking systems are another technology used in the business specified by most managers.

Managers' Opinions about Words “Robot” and “Service Robot”

The fourth theme of the research are the answers to the main question “What do you feel / think when you hear the word Robot?” and a related question “What does the word “Service Robot remind you?”. In the fourth theme, managers were asked to evaluate what they felt when they heard the word robot and what the service robot called them. Accordingly, the highlights of the opinions expressed by the managers within the framework of the fourth theme are listed below.

A1: The word robot reminds us that life will be made easier by eliminating manpower in certain jobs. Seeing news about robots every day arouses curiosity for every individual. The service robot, on the other hand, with its work power and task functionality evokes new technological elements that will take place in the industries where manpower exists.

A2: I think of metal automatic devices in human form, which can be used to perform a specific job or various tasks when programmed, are used instead of people in dangerous works in factories. When it comes to service robot, it evokes technological tools that will reduce manpower.

A3: I think about science, technology, development and at the same time backwardness in countries like ours. The service robot seems to be possible only in the hospitality industry and catering. It evokes apathy and lack of communication. It evokes some physical and intellectual work that people have difficulties.

A6: The word robot is given a much more general meaning, and every technological product can be named as robots whether it’s the appropriate case or not. This turns into a cold and disappointing effect. When it comes to service robot, it is the technological product that is used to help people in the service sector.
A7: The word “robot” sounds cold at first glance. Although the use of robots in production increases, I think it will take time in the service sector. The service robot can be used for dangerous jobs, but I think there is still time for places like a hotel restaurant.

A8: The word robot is cold, devoid of human touch. The service sector is very difficult to think without the human element. Robotization will have the tourism sector resembled to a status that fast food makes us recall.

A9: When I hear the word “robot”, I think of coldness and numbness. I think the idiom “like a robot”, which has been in our language for many years, makes us think that way. The service robot reminds me of old science fiction movies. Because it's the first place we've met and we've seen for a long time.

A14: The robot creates a mechanical and cold perception in my mind. The service robot is like a mechanical maid who pre-installed a set of data and propositions without error.

A16: I think about the word robot as a machine / system that has operates mot a mot and can use artificial intelligence in some occasions. What the service robot reminds me is to serve people without people.

The word “robot” is cold for most managers. Several executives described the word “robot” as repulsive and callous. The managers who participated in the research think that robots make and continue to make people's work easier in production. What the “service robot” evokes to managers is the auxiliary devices and devices that undertake the work that people already do. The image of the “service robot” in the minds of managers is not humanoid robots. They also think that it is still early to employ robots in hospitality industry because of the nature of the industry which is based on human-human interaction.

**Managers' Opinions on Service Robots That Serve Them**

The managers who participated in the research were asked the question “What do you think about serving the service robot when you go to any hotel business?”. The fifth theme of the study was formed by the answers given to this question. Accordingly, the highlights of the opinions expressed by the managers within the framework of the fifth theme are listed below.

A1: I don't think it is appropriate for the service robots to contact the guests in our sector because hotel management is a job that is totally dependent on human emotions and communication.

A2: This is dependent to the purpose of going to the hotel business. If I go on vacation, I certainly don't want a soulless tool to serve me. The place I go to has to make me feel special and privileged. If I stay in a hotel for business purposes, yes, it would be good because it will provide a quick and precise solution in terms of time and supply.

A3: I don't want them to serve me; it doesn't make me happy at all.

A5: I can hardly see it because our facilities are large-scale. But when you imagine boutique-style businesses, it sounds nice and different.
A7: It is useful to describe the robot. Coffee Tea vending machine is a kind of robot. However, if the robot will serve the coffee to the table, it cannot be a substitution for service done by human.

A9: I would like to receive such support in limited places. But I don't want to get service from robots in a robot-based enterprise. Service area gets hot with people. This increase comforts. The service robot will be incomplete.

A10: I do not feel annoyed by a service robot in certain areas. I would be happy to receive service from the robot that will fulfill the service I received completely depending on the features of this robot.

A11: At first it may attract attention as a product of advanced technology. It may not be odd in certain technologies, but it is a situation that especially anti-social people will adopt. I look for people's warmth, hospitality and charm in all hotel services and worry that the service industry will surrender to robots.

A12: The service robot can do exactly whatever it is programmed to, and it can be interesting; however, he will not be able to understand and act according to the emotional state of the human being.

A14: I think the most enjoyable part is that he can't lie because unfortunately tourism enterprises advance with some pink lies as necessity of the profession.

A16: Provides very easy, fast communication and service reception.

A17: I would love to. It would be exciting to encounter a robot, especially during the check-in process. However, I believe they cannot give a full response to our request although these robots might get in too much attention Turkey.

When the opinions of the managers about the idea that service robots serve them are evaluated, it is seen that most of the managers stated that they would not like the service robot to serve them. Human sense and the importance of communication in the tourism sector, explains why managers do not prefer to receive services from the service robot. Many managers stated that service robots would provide flawless service, but they would not be pleased to receive service from the service robot, as they would not be able to meet the changing feelings of people and their demands for communication. A few managers took a different approach to service robots. One manager thinks that receiving service from a service robot will be different and interesting at first, but after that it will not be satisfactory, while another manager says that it is not preferable because the robots will not lie. A manager thinks that the service robots will communicate easily and quickly. Managers generally accept the existence of service robots that will help people in production rather than a service-oriented business.

**Managers' Opinions on the Departments Service Robots Can Work for in Terms of Efficiency**

In order to evaluate the opinions of managers about the departments in which service robots can work in terms of efficiency, three questions were asked to the managers who participated in the research, one of which the main question was. The sixth theme are the answers given to these questions, “Which departments can service robots work in terms of efficiency in a hotel business?”
as the main question and “What advantages do you think a service robot has compared to human employees?” and “What are the drawbacks of a service robot compared to human employees?” as related questions. Accordingly, the highlights of the opinions expressed by the managers within the framework of the sixth theme are listed below.

A1: Obviously; I support the existence of service robots in departments where hotels do not communicate directly with guests. These are the laundry department, housekeeping department, data processing department and technical service departments. I think they will work with a more efficient workforce and quality than manpower in terms of their superiority. A more detailed and efficient performance will be achieved in order to increase the existing standards. For the IT department; I think the whole system management will be faster and fluid. I believe that it will overcome the difficulties that manpower cannot reach. The drawbacks are that I think it will create problems in the point of communication. Because robots are devices fixed to a certain memory and algorithm. They may encounter unexpected questions and answers in their existing software, which may cause a different negativity.

A3: Technical service, laundry, scullery, garden works and housekeeping departments. The advantage is that the error rate will be less as it will execute the commands as programmed. On the other hand, emotions are important in our business and will not give this feeling and sincerity.

A5: It can be used especially in guest welcome, activity-based recreational services and beverage service. When viewed as superiority, it may look different visually and reduce the margin of error. On the other hand, robots may cause apathy.

A6: They can work in areas that require more heavy physical force or may cause hazard to human beings. The comparison of the human and service robot is completely inconvenient. One should not be seen as an alternative to the other. The service robot is just a product that helps people to make the job more comfortable. When you think of an employee, only subordinate employees may come to mind at the first moment, but the employees of a company range from the any employee to the executive and even CEOs are employees. From which level will benchmarking be made? What happens on the day the CEO-level robot was built? So, since technological development will not stop, will one day also produce robot bosses?

A8: Kitchen, product preparation, warehouse, delivery, cleaning and maintenance, front office departments. The superior side is that it will provide standardization in product and service. The disadvantage is that there will be no human touch and emotion and no empathy.

A11: Service robots should be used for back services such as production, logistics, transportation, cleaning, security, technical services and works that do not have direct contact with the guests, provided that they are not used directly in guest reception, room service, room service, food and beverage presentation. Service robots make it easier for people to do things and make things faster, physically transport, etc. It has advantages in terms of not being tired and inefficient, performing programmed tasks, being able to monitor and measuring, not having human-specific problems, working independently under the control of computer program, not complaining and always developing. When the robot fails, the service is interrupted or disarmed as a part of different mixed operations are performed, the process of activation of the engineer or technician that shorten interruption time, the inability to respond to unexpected demands as this new technology is pre-
determined and the people’s expectation of special treatment will result in loss of guests and an increase in dissatisfaction.

A14: I think that it will be more efficient in departments where human relations are low, such as laundry, warehouse and technical works. The greatest advantage will be that it does what is wanted to be done without interpreting the loaded data. The downside is that robots might be inadequate in cases where it is necessary to use the initiative, and thus sometimes it will deprive the business from this flexibility.

When managers' opinions about which departments service robots can work in terms of efficiency, laundry, housekeeping, technical service and kitchen department are among the prominent departments. Some managers think that service robots can also work in the front office department and the F&B department. Although different departments have come to the forefront, most managers have stated that service robots can work in departments that do not require communication with the guest. When the opinions of the managers about the advantages of service robots working in hotels are considered, it is often said that there will be no high standard of service and no margin of error. Some managers believe that service robots will also reduce personnel costs. It is thought that the service robots will not be late for work, will not get sick, will not make mistakes, will not want a raise, and will have unlimited working hours. As for the drawbacks of using service robots in hotels, almost every manager thinks that there will be problems in communication. Emotions and communication are thought to be important due to the structure of tourism industry. It is thought that the programmed robot cannot adequately respond to changes in emotions and communication needs.

**Managers' Opinions About the Employment of Robots in Their Companies**

The managers were asked the question “Would you support the operation of service robots in your company?” in order to evaluate how they will approach the operation of robots in the enterprises they have worked. When the seventh theme of the research was formed by the answers given to this question, they were also asked to evaluate the effect of robot employment on human employment with the related question “Will robots take over the sector and cause people to become unemployed?” Accordingly, the highlights of the opinions expressed by the managers within the framework of the seventh theme are listed below.

A5: I said, I hardly see it in large tourism companies but why not? We always have to support innovation.

A6: I support, but as ancillary tools. Calling them as employees is also extremely wrong. What should we think since technological development will not stop? One day the bosses will be unemployed? Who can also say that production will only be done for good purposes such as service? If it is to replace a human being, for example, what kind of criminal action will be taken on a robot that is used for terrorism? Will robots be evaluated as an individual not only as an employee but also in crime?

A9: I don't think robots will become widespread enough to make people unemployed in the service sector. So, unemployment will not be a problem. I think about the use of robots in certain parts of my business. But I prefer to serve with humans rather than robots.
A10: I support advanced robots. Robots cannot take over the industry. It doesn't make people unemployed. They make people do different things.

A11: I support the use of robots that do not have direct contact and interaction with the guest. However, there may be changes in our personal thoughts and opinions as a result of changes in supply-demand and benefit-efficiency, the expectations of the people, the importance level of the robots in the competition, and the advantages that the hotels will gain from it.

A15: I do not support, face to face communication is always better in-service sector. I support close contact.

A17: Of course, I would. There will be a day when people will be unemployed, but robots will fill the gap and maybe people will do extra effort to improve themselves and do better. They will be able to turn to different fields and develop humanity.

A18: This is a contradiction and countering are not the solution, but if your opponents start to use it, you must use it to survive. It is possible for people to develop themselves in new business areas for a while, but at the next stage, it is possible to reach a point where there is no need for human beings. Still, it is difficult to predict the future among many unknown future scenarios.

When the opinions of the managers about the operation of robots in their enterprises are examined, it is seen that most of the managers view the service robots in their businesses positively. However, they think that it is right for service robots to work in departments where they will not be able to communicate with guests instead of front of the house departments. Managers perceive service robots as auxiliary devices to facilitate human work, not as main employees. Most managers disagree with the idea that service robots will make people unemployed. A manager does not support the operation of the service robot in his company.

Managers' Opinions on the Future of Robotics

The question “How do you see the future of robotic studies?” was asked to managers in order to evaluate their views on the future of robotic studies. The eighth theme of the study was the answers given to this question. Within the eighth theme, the highlights of the opinions expressed by the executives within the framework of the eighth theme are listed below.

A1: The rapid developments in this field in recent years are satisfactory; yet the world technology is still at an entry level. We are witnessing similar awareness developments gradually day by day. I associate the reason for the slow progress on this issue with the participation of certain groups and countries in the R & D activities. I think that if these works spread to a wider audience, the results will have enormous consequences for human history. This issue shows great promise and I think that the developments will benefit all of us in the future.

A2: In spite of the efforts currently being made, in proportion to the lack of artificial intelligence, it is not yet promising. The studies are not satisfactory and surprising. It requires a lot of progress and a long process.

A3: I can't think, I can't imagine. Maybe in a much shorter time than we thought, the work will go to a whole new level.
A6: Development will continue increasingly, but it can cause great harm to humanity unless it is monitored and ensure to the benefit of mankind and the world.

A7: Robotics will increase exponentially in a maximum of 10 years and become a major workforce in all sectors.

A9: These studies will continue rapidly, and robots will surely enter our lives. I expect that it will become widespread in places where there is no one-to-one contact with the customer, especially in the manufacturing sector.

A10: I think robots and technological developments will shape the next centuries.

A13: Ever since the invention of the wheel, humankind has achieved what they desire sooner or later. If the discovery of space is aimed today, this goal will be achieved in the same way. However, the acquired technologies are not always used for good purposes, and it is a dreamer to expect this from now on. Therefore, the point we will reach is that the possible technology will shape the societies. In the case of artificial intelligence become self-aware, it is possible to interfere with a new order.

A16: I think we will be using Industry 4.0 and artificial intelligence as much as possible in the near future. As a result, robotic service providers will increase. In addition, there will be goods and services that are self-sufficient and able to act with limited thinking. Of course, these robotic armies, I think that it will not be possible for robots to take us captive (service - military, etc.).

When the opinions of the managers about the future of robotic studies are examined, most of the managers think that robotic studies will increase rapidly in the years to come and will even integrate into our lives. According to some executives, while the studies in the field of robotics are developing at this speed, it needs to be kept under control in order to be in favor of human beings. A manager who participated in the research thought that the developments in robotics would leave some occupational groups unemployed in the following years. On the other hand, some of the managers who participated in the study were worried about this rapid development.

Conclusions

In this study, the opinions of 18 hotel managers in Turkey towards new technologies and service robots have been determined. The semi-structured interview form, which was prepared in accordance with the aim of the study, was sent to the managers via e-mail. The obtained data were subjected to descriptive analysis. As a result of the study, it was determined that managers had a good relationship with technology, and they benefitted from technology both in daily and business life. It was stated that some managers had to follow the technology inevitably in their lives because of the dynamic nature of the tourism industry. It was seen that they benefitted from technology in almost every department in the hotels where they worked. Especially in front office, customer relations, accounting and security departments have been found to use new technologies. Although the hotel managers tend to use technology, they have expressed the word robot as repulsive and emotionless. When robot or service robot was mentioned, it was determined that non-humanoid robots, but industrial robots came to mind. Most of the hotel managers stated that they would not want to get service from a service robot. They think that human communication features are essential for the tourism industry. Although they do not want themselves to be served by a service
robot, they are very interested in the employment of service robots. Only one hotel manager responded negatively to this question. It was seen that the managers deemed the departments not suitable to be contacted with the guest one-to-one for the service robot employment and thought that they had some advantages over human employees. These advantageous aspects are stated as not being late for work, not getting sick, not making mistakes, not asking for a raise, unlimited working hours. The disadvantages of the service robots working in hotel establishments include the fact that they cannot make decisions and cannot solve some crises unless when initiative is needed, they are programmed to do. Although there is an agreement that the robotics studies will increase, some managers have expressed concern about these developments. One manager stated that robotic work would eliminate some professions and the people in those professions would be unemployed.

These results are similar to the academic researches in the literature. Managers who have not had any interaction with a service robot but have an idea about service robots by simply reading various sources or watching videos cannot be expected to be totally positive. At this point, experimental research is needed. In the tourism industry, it is not the case where every process is not autonomous, every product is produced, and every service is provided by service robots. Factors such as guest experience, personnel experience, competitive environment, competitors' status will determine which goods and services production and presentation processes will undergo transformation. It is recommended that further research is carried out to reveal the investment cost and economic advantages that robotic applications will create for different types of enterprises in the tourism industry and the from perspectives of guests, staff, managers and investors. The primary limitation of this study in which data obtained from eighteen people was interpreted is the number of participants in the study group. The findings of the study, which was limited to eighteen participants due to time and cost constraints, cannot be generalized. In future research, in-depth interviews with more participants will reveal different perspectives. It may be possible to develop a scale by using the data obtained from the interviews and it will be possible to achieve generalizable results by applying to employees and guests working in different positions in different enterprises in tourism industry.

References


