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# HORIZONS GLOBAL BUSINESS JOURNAL





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## EDITOR'S NOTE

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ON BEHALF OF HORIZONS UNIVERSITY, I am pleased to present six research articles written by recent graduates of the university's doctoral business programs. Each article was composed during the students' course of study as partial preparation for their dissertation work. In this edition of *Horizons University Business Journal*, you will find six scholarly pieces reflecting some of the most pertinent topics faced by the international business community today:

*A Case Study of the Impact of Organizational Culture on Digital Transformation*, Ronald Wulff

*In Search of Job Creation: The Role of the University*,  
Andrews Anakwa.

*Employees' Use of Social Media and Productivity: Sizing Up the Good and the Bad*, Degrando E. Dipoko

*Strategies for Scaling the Social Impact of Social Enterprises in Nigeria*, Solomon Akinlua.

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*The Insurance Industry and the Digital World: The Need for Transformation and Innovation*, Mathias de Ferrieres

The works contained in this edition reflect a number of important attributes of graduate education at Horizons University: Mastery of advanced research methods, the development of academic writing skills, and the commitment to contribute scholarly knowledge to society. We wish these new authors the best as they continue to employ their skill in a business world that is rapidly and dynamically transforming.

William Wardrobe, Ph.D.

Publication Editor, Horizons University Press



# INTRODUCTION

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# A CASE STUDY OF THE IMPACT OF ORGANIZATIONAL CULTURE ON DIGITAL TRANSFORMATION

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Ronald Wulff, DBA, Horizons University



DR RONALD WULFF was born in 1968 in Berlin, Germany, which influenced him in his early ages to be curious about different cultures. He has more than 25 years of professional experience in Information Technology and Management where he has held several different positions from Solution Architect, Professional Service Manager, to Regional Vice President for Service Sales. Based on different experiences of success, he got interested into the reasons why companies fail or succeed and made his Master in Business Administration on International Business at Henley Business School, University of Reading, UK focusing on Organizational Culture and Change Management. He studied DBA at Horizons University Paris, France, where he further sharpened his knowledge on Organizational Cultures in an international context in combination with the complexities, digital transformation inherently brings to companies.

*Abstract: This research sought to determine the relationship between organizational culture and the digital transformation of firms. In the study, the researcher investigates the role of internal and external factors in determining organizational culture as well as the role of employees in paving the path for digital transformation. A mixed methods strategy, using correlation, regression, and thematic analysis finds that “nature of the business,” “external factors,” and “recruitment and selection” are strongly related to digital transformation processes. The results suggest that digital transformation provides an important context for the study of organizational culture, leadership, and strategy.*

In order to compete successfully in today's globalized business environment, organizations must continually upgrade their functionalities and product delivery while at the same time maintaining cost-effectiveness (Gorynia, 2019). Organizations that efficiently utilize digital technologies in highly competitive industries exhibit significantly better financial performance (Heneghan & Ellis, 2018; Iansiti & Lakhani, 2016). Therefore, modern organizations use digital technology to expedite their processes, refine production, simplify decision-making, and reduce temporal and material losses.

Whenever organizations initiate digital transformation (DT) programs, one of the biggest challenges they face is the sustained and efficacious integration of new technology within an existing infrastructural framework (Puri & Alig, 2019); the organization's culture (OC) plays a significant role in determining the effectiveness of integration. Moreover, OC determines the eventual success of DT, because transformations require a flexible culture characterized by an open mindset (Shahiduzzaman & Kowalkiewicz, 2018). As Martin (2018) observed, fewer than one-third of companies successfully achieve higher performance through DT. According to ZoBell (2018), Baskin (2018), and Boulton (2019), the reason for their failure is a lack of attention to the firm's culture during the digital transformation process. So, exactly what is the relationship between organizational culture and digital transformation? The following research questions were explored:

RQ#1: Does organizational culture have a significant impact on the digital transformation of the firm?

RQ#2: How do internal and external factors determine the organizational culture?

RQ#3: What role do employees play in paving the path for digital transformation?

## **Review of Literature**

DT is defined as the adaptation of digital technology to enhance services, procedures, operations, or businesses with the help of substituting non-digital or manual processes via digital processes or innovative technologies (Ismail et al., 2017). The addition of cutting-edge technology enables firms to implement new business ideas or change experiences, business services, communications, and activities, hence the term *digital transformation* (Matt et al., 2015). The purpose of DT within organizations is to develop, change, and enhance the way the organization operates its functions by delivering more value and effective services to customers. DT also affects cultural change, as firms experiment with new challenges, undertake various risks, and help overcome their failures or weaknesses (Hartl & Hess, 2017).

According to Tabrizi et al. (2019), DT is a part of the fourth industrial revolution, but above all, it is a way to increase market competitiveness. Reinartz et al. (2019) stated that DT had changed companies' communication with customers and business relationships to achieve their competitive goals. Tabrizi et al. (2019) and Li et al. (2021) concluded that DT has brought companies closer to customers and has revolutionized consumer behavior, from purchasing to follow-up. As stated by Li et al. (2021), DT is associated with how new thinking is implemented, used, and integrated, whether in the case of individuals or companies. As Baiyere et al. (2020) conclude, DT is about completely overhauling how an organization works: from systems to data, to processes, to experience, and to people. Yet as Reinartz et al. (2019) point out, DT is evolving so

fast that many companies, especially older ones, difficulty keeping up with the changes.

Such changes impact everything from data management activities to product development and procurement, production, and transport logistics. It can also be part of the product portfolio firms use to increase company data security (Porter & Heppelmann, 2014). Therefore, organizations encourage their employees to use applications and software and to strive to complete their tasks online (Porter & Heppelmann, 2014), for example. For many employees, this change process represents a challenge.

### *Organizational Culture*

Organizational culture (OC) is generally thought of as a company's vision, values, norms, systems, symbols, language, and belief systems, expressed through employees' behaviors and attitudes (Gochhayat et al., 2017). OC also represents how people in the workplace identify within their organization and reflects the organization as it differentiates itself; accordingly, it develops according to the nature of the particular business (Odor, 2018). Pinho et al. (2014) asserted that OC should be understood as a general characteristic of the organization, including the values, performance assessment, behavior, ideas about the goals, principles of behavior, and response options. OC is, therefore, a system of commonly understood presuppositions, values, beliefs, and beliefs accepted by an organization.

Cameron and Quinn (2011) identified OC as an important determinant that sets companies apart from one another in terms of sustainability and financial returns. Cameron and Quinn characterized OC in a value framework with four different organizational cultural types on a continuum: the clan organization, which is based on a "family" corporate environment; the adhocracy culture, which relies on creativity and innovation wherein employees are motivated to take risks; the hierarchy organization, also called an "internal process" model that focuses on maintaining and developing stable rules of organization, process, and

structure of an organization (Cameron & Quinn, 2011); and the market culture, recognized as the rational goal model emphasizing competency, improvement, and external association, where goals are achieved at a pace (Cameron & Quinn, 2011). These organizational types illustrate the complexity of OC, especially as it relates to new procedures brought about by DT.

### ***The Relationship Between DT and OC***

In order to ascertain the precise relationship between OC and DT, it is imperative to determine the factors that relate to OC and DT, an interface that is mediated by internal and external factors (Hanna, 2016). Among the major internal factors that formulate OC is an organization's policy infrastructure. Such infrastructure is a function of the corporation's long- and short-term objectives and continuous hindrances faced by the company (Gong et al., 2020; Hanna, 2016). In contrast, major external factors include the regional culture, which affects the organization by affecting the mindset of employees.

Toivonen (2020) argued that while technology can be quickly transformed, cultural change is much more difficult where sudden changes do not affect individual companies in the same way. External factors negatively affecting the organization's culture include customers, competitors, economic conditions, technology, or political or social conditions (Schneider & Warnvik, 2015). The clients and the third parties also affect the work culture, such as the timings, languages, values and beliefs each organization has to transform themselves according to others to meet their work environment for the formation of the culture (Metz et al., 2020). Clients are the people who are mainly an overlooked factor in the company that affects the culture of the firm as they are the ones who have a direct effect on the employees' well-being (Szydło & Grześ-Bukłaho, 2020).

Internal factors of an organization are typically the physical work environment, access to financial resources, internal processes, and communication (Zinovieva et al., 2016). In contrast, external factors are

mainly associated with macroeconomic variables such as political, economic, legal, and regulatory factors. These factors directly impact the business but cannot be influenced by an organization. Therefore, the complexities of the OC construct present a challenge in determining exactly how it interfaces with DT processes.

## **Method**

This research utilized an inductive approach working from a narrow viewpoint to broader implications for finding a solution to the research problem (Mucina, 2011; Widdowson, 2011). This method was chosen for its ability to gather deeper insight on the subject phenomena, producing generalized results applicable to various scenarios (Dźwigoł & Dźwigoł-Barosz, 2018). The inductive method relies on current findings and trials, pattern recognition, and the creation of new concepts regarding study anomalies. One of the significant distinctions between the inductive and deductive approaches is that the inductive approach tends to draw qualitative and extensive results, while deductive reasoning produces logical and specific results (Igwenagu, 2016; Jonker & Pennink, 2009).

### ***Instruments***

A mixed research design was used. For the quantitative portion, a Likert scale questionnaire was used to solicit information based on The Competing Values framework, developed by Robert Quinn and Kim Cameron in 1981. They introduced the Organizational Cultural Assessment Instrument (OCAI) to assess companies' organizational cultures. The OCAI is a tool business use to understand employees' behavior in an organization. These four organizational cultural archetypes are adhocracy culture, market culture, hierarchy culture, and clan culture (OCAI Online, 2022). The Likert-scale instrument called for participants to indicate the level of agreement with 18 questions pertaining to perceptions of leadership principles, the nature of the business, organizational values, policy and ambiance, external factors, recruitment and

selection processes, and their beliefs about the relationship between DT and OC. The interview guide consisted of five open-ended questions about the DT/OC relationship, hindrances to DT, and ways to improve the DT process.

### ***Procedure***

The researcher utilized a non-probability, convenience sampling method due to its effectiveness in collecting data in case of a small data target population, which also works in the inference of a larger population. Two hundred forty people were directly involved in the digital transformation at a Technical Inspection and Certification company in Germany. One hundred twenty employees voluntarily responded to the survey, and 60 agreed to participate in the interview. One hundred and six out of 120 employees finally responded to the survey, and 57 out of 60 were interviewed.

The semi-structured interviews were conducted with individuals who were experts in their field and who were willing to be part of the study. Content validity was established by using the non-probabilistic convenience sampling technique and inviting 50% of the potential population of employees (120 employees out of 240) concerned with digital transformation. Semantic validity was achieved by developing the survey questions and semi-structured interviews from the literature review. In addition, questions were probed for understanding by a set of employees from the German Technical Inspection and Certification company.

The timeline for the data collection for the survey response was six weeks, with weekly reminder emails, following three months of conducting virtual interviews that lasted between 15 and 30 minutes with 57 participants. The semi-structured interview notes were also electronically captured by an online tool that would allow repetition of the interview and interview questions.

Correlation and regression analyses were conducted on the quantitative data, while the researcher utilized thematic analysis as a supplemental

source of qualitative data. Correlation analysis was deployed to understand the association between the dependent and independent variables. Once the researcher ascertained the level of association among the variables, regression analysis was deployed across the dependent and independent variables to understand which of the five organizational culture independent variables have the strongest affiliation with the dependent variable digital transformation as organizational culture.

In addition, the researcher employed thematic analysis on qualitative data. Within the thematic analysis, he directly assessed participants' responses, which provided insight into how the participants perceived the topic of the study. According to Braun and Clarke (2014), thematic analysis can only be considered successful if carried out properly. This appropriate manner usually comprises conducting the interviews in a feasible place for the participants and does not comprise any form of bias. Finally, the researcher used thematic analysis to create themes relevant to the DT/OC relationship.

## **Results**

Quantitative and qualitative data were collected online and analyzed using SPSS software. First, the respondents' demographics were analyzed, followed by the regression and correlation analysis of the survey data. Lastly, the qualitative interview data were analyzed using thematic analysis..

One hundred and twenty employees were invited to participate in the survey, and 60 agreed to participate in the interview. A total of 106 employees responded to the questionnaire, and 57 were interviewed.

### *Demographics*

Of the 106 survey participants, 59 (55.7%) were male and 47 (44.3%) were female. The three prominent age groups were 40-49 years (34%), 30-39 years (30.2%), and 50-59 years (26.4%). The majority of workers (77.4%) reported having at least 11 years of work experience.

## **Findings**

Correlation analysis between the dependent variable (DT) and the five independent variables showed Pearson coefficient values, all within the range of 0.3 to 0.7, suggesting strong relationships with each variable. Correlation results appear in Table 1.

**Table 1: Correlation Analysis Between DT and Dependent Variables**

Correlations							
Leadership principle	Pearson Correlation Sig. (2-tailed) N	1 106	.655** <.001	.420** <.001	.604** <.001	.713** <.001	.675** <.001
Nature of the business	Pearson Correlation Sig. (2-tailed) N	.655** <.001 106	1 106	.514** <.001	.916** <.001	.944** <.001	.978** <.001
Organizational values, policies, and work environment	Pearson Correlation Sig. (2-tailed) N	.420** <.001 106	.514** <.001 106	1 106	.473** <.001	.526** <.001	.501** <.001
External factors	Pearson Correlation Sig. (2-tailed) N	.604** <.001 106	.916** <.001 106	.473** <.001 106	1 106	.876** <.001	.921** <.001
Recruitment and selection	Pearson Correlation Sig. (2-tailed) N	.713** <.001 106	.944** <.001 106	.526** <.001 106	.876** <.001 106	1 106	.960** <.001
DT as OC	Pearson Correlation Sig. (2-tailed) N	.675** <.001 106	.978** <.001 106	.501** <.001 106	.921** <.001 106	.960** <.001 106	1 106

\*\*. Correlation is significant at the 0.001 level (2-tailed).

As mentioned by Thompson et al. (2017), the extent to which the regression model is developed is known as the R-value, which should be adequate for further analysis. The R-value for the model summary is 0.986, indicating that the developed model is 98.6% adequate and fit for analysis. Coefficients between OC and DT were significant on three of the six variables: Nature of The Business p.=.001, Recruitment and Selection p=.001, and External Factors p. < .01. The value of R-square was 0.972, meaning that 97.2% of the dependent variable is explained

by the independent attributes of the research including the leadership principles, businesses' nature, organizational values, policies and work, external factors and recruitment as shown in Table 2.

**Table 2: Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 <sup>a</sup>	.972	.970	.16824

a. Predictors: (Constant), Recruitment and Selection, Organizational Values, Policies, and Work Environment, Leadership Principles, External Factors, Nature of the Business selection.

The regression analysis results showed that the independent variables' nature of the business, external factors, and recruitment and selection have a significant impact on the dependent variable DT as OC. Each of the independent variables had a statistically significant value of  $<0.05$ . Furthermore, as the regression analysis' model summary indicates, there was a fit for analysis at 98.6% (or R-value of .986) and 97.2% (or R-value .972), indicating that the independent variables explain the dependent variable.

The results for the ANOVA revealed a significant fit for the regression model at the 0.05 level. The significance value for the regression model is determined as  $<0.001$ , which shows that the model is fit and adequate for analysis. The table of coefficients is formulated after determining the adequacy of the regression model to determine what impact is created by independent variables of the dependent variable, demonstrating the results in the form of the p-value. Here the threshold value, which depicts whether the impact is significant or not, is 0.05 (Yerel & Ersen, 2013) as seen in Table 3.

**Table 3: ANOVA Model**

		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.187	5	19.437	686.716	$<.001^b$
	Residual	2.830	100	.028		
	Total	100.018	105			

a. Dependent Variable: DT as OC  
b. Predictors: (Constant), Recruitment and Selection, Organizational Values, Policies, and Work Environment, Leadership Principles, External Factors, Nature of the Business

It was found that external factors, and recruitment and selection have a significant impact on digital transformation as organizational culture, as the p-values are below the threshold of 0.05. On the other hand, the independent variables of leadership principles, organizational values, policies, and work environment were found to have a non-significant impact on the digital transformation as organizational culture, as the significance value observed was greater than the threshold value of  $p < 0.05$ .

The findings of the thematic analysis reflected that leadership practice and technological development are two prominent factors that contributed to the formation of organizational culture in the firm. The results indicated that the extent of innovation within a firm broadens the scope and capacity of technical firms for implementing DT. In the context of barriers, it was found that senior employees' resistance to change created a barrier to implementing digital technology at the firm.

The thematic analysis also revealed that most respondents were inclined towards the notion that the individuals are motivated to become part of the DT. Moreover, there were opinions on ensuring that OC reflected the tech-savvy aspect, as this would help the management ensure that individuals are inclined towards the DT aspect. One respondent stated that DT was more acceptable to the organization's modern generation, as the older generation was more inclined towards using the traditional means.

The theme of factors involved in the formation of OC suggested that some respondents were focused on the notion that leadership has a major role in the OC as they are considered the driving force. There were also opinions regarding the rapid technological development as the crucial factor driving the organization to create an innovative culture, leading to better results and performance. Some respondents were also inclined towards using organizational values and norms as a part of the OC, which can play a significant role in DT.

The thematic analysis of the interview responses on the influence of innovation in building a conducive platform on DT revealed that

it should be gradually implemented in smaller changes. Moreover, two organizational cultural challenges were uncovered by looking at the response statements for the theme of barriers encountered in implementing DT. First, the lack of technical skills differs vastly by age group, and the younger the age group, the less the skill gap. The Second is the lack of digital vision that conventional methods were perceived to be a preference for organizations that did not have an appropriate vision regarding DT. Most organizations rely on hiring outsourced workers with expertise in using DT.

The quantitative analysis determined that leadership principles, organizational values, policies, and work ambiance had no significant impact on DT in the firm. However, it was learned that the nature of the business, external factors, and recruitment and selection had a significant impact on DT. The thematic analysis revealed that OC significantly affects the DT of the organization. Moreover, the findings reflected that leadership practice and technological development are two prominent factors contributing to the formation of OC within the firm. The results indicated that the extent of innovation within a firm broadens the scope and capacity of technical firms for implementing DT. In the context of barriers, it was found that resistance to change by the firm's senior employees and the existence of its traditional OC created a barrier to the implementation of DT.

## **Discussion**

The study's main objective was to assess the impact of organizational culture (OC) on the digital transformation (DT) of organizations.

The correlation analysis assessed the association between the variables of OC factors and DT. The results showed that leadership principles and organizational values, policies, and work environment are moderately associated with the DT as OC. The nature of the business, external factors, and recruitment and selection are highly associated with the DT as OC.

This study reaffirms that the nature of the business is often a determinant of the competitiveness of a market. Governmental organizations, commodity suppliers, and non-governmental organizations are less inclined towards technical advances and DTs. The external factors tend to greatly impact the DT as OC in the form of political, economic, and technological aspects. These factors affect the organization in terms of external economic and political situations, for example. Hypothetically, in the event of severe economic decline or political instability, it is possible that such conditions could cause DT to fail the organization for purposes unrelated to OC per se. In the case of recruitment and selection, the management of any organization must ensure that it is focused on using measures that would help the organization hire the right talent. The talent being hired should be able to play a positive role in DT for organizations as a culture.

Finally, the interview aimed to find opportunities to improve the implementation of DT. Based on the respondents' statements, it can be concluded that training employees, forming an expert knowledge team, and improving the research and development department, might help improve the DT, achieve higher efficiency in business operations, and save costs on external hires.

The study's overall findings revealed mixed reactions regarding the DT from the respondents that were part of the survey and from respondents that were part of the interview. It can be assessed that both forms of responses were relevant to the study as the main focus was to improve DT in the firm. It should be noted that irrespective of the factors highlighted in the survey questionnaire and interviews, OC is the major concern regarding DT. The employee-perceived OC of the firm is less supportive of DT, leading the employees to become less supportive of DT implementation. ■

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# **IN SEARCH OF JOB CREATION: ROLE OF THE UNIVERSITY**

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*Abstract: This paper suggests how tertiary education in Ghana can be used to enhance the economic productivity in the country by providing increased potential for employment among the younger population. Existing models of university-government programs in other countries are used as examples that Ghana might follow in an effort to modernize its universities' curricula and its general workforce accordingly.*

## **Introduction**

*“Universities should assume an explicit responsibility for facilitating economic growth, and... to develop and commercialise technologies which can win in international markets... universities should make facilitating economic growth a core strategic goal”* Luukkonen and Thomas (2013).

For some time, there has been growing concern among policy makers, the general public, and the academic community about the problem of job creation in Ghana. Among the problems identified are: the country's economic system, patterned after a colonial heritage which is no longer suitable to today's challenges (Austin, 2010; McBeath, 2010; Fletcher, 2013; Boateng and Darko, 2016), a problem related to systematic corruption by politicians and cronies, mismanagement on the part of government authorities (World Bank Group/Centre for Democracy and Development CDD Ghana, 2000), and residuals of the neo-Marxist authoritarian military rule that dominated the political terrain barely a decade after independence. These conditions, among others, have stifled Ghana's ability to fully realize its potential in a growing world market.

Ghana has made some significant inroads in combating its inherent economic obstacles, such as cutting its poverty in half from 52.6% in 1991 to 21.4 percent in 2012 through a number of policies and programs implemented by previous governments with the assistance of Non-Governmental Organizations (NGOs) and foreign donors (World Bank, 2015). Further, Ghana's economy has been projected to have one of the highest GDP (Gross Domestic Product) growth on the continent

(World Bank, 2017; African Development Bank, 2017; McDonnell, 2018). The government has made it clear that it wants to move away from foreign aid towards building a strong economy that depends on the creation of wealth through job creation, the building of factories to process raw materials, and to helping Small and Medium Enterprises (SMEs) develop. But more could be done, especially with regard to the youth employment sector, to provide more long-term growth opportunities for the country.

## **The Youth Crisis**

There are 1.2 billion youths (aged 15-24 years) in the world and 87 percent of them live in the developing world. As of 2013, about 48 percent of the Ghanaian youth between the ages of 15 and 24 were unemployed (Adams, Johansen de Silva and Razmara, 2013; World Bank, 2016; Avura and Appiah, 2016); by stark comparison, the general employment rate in the country averaged 5.45 percent between the years of 1991 and 2017 (The Global Economy.com). Ghana has addressed the youth unemployment problem by creating increased availability of higher education, for example, by constructing government-built schools all over the country, particularly in the rural areas and in poor communities. It also increased the number of public universities from three to ten, transformed polytechnics and training colleges into university-colleges, and established more private universities—which now outnumber public institutions. Many of these universities have quickly established themselves as quality centers of learning and are ranked among the best in the country. The government also implemented a free education program up to the senior secondary education level, and introduced a new system of education (in late 1980s) in the form of Junior Secondary School (JSS) and Senior Secondary School (SSS) patterned after many European countries.

Despite these efforts, however, Ghana, like many other developing nations, has had difficulties trying to cope with modern technics of job training and skills in its companies. This contributes to unemployment in

most cases as emerging enterprises cannot find suitable candidates for the job. The quality of their products becomes a problem since many companies do not engage in collaboration, inter-organizational knowledge transfer, or technology transfer for innovation (Lew, Khan, and Cozzio, 2016). Unfortunately, the problem lies not with access to education but to the quality thereof. Most of the youth graduating from the various institutions do not have the requisite skills needed by the labour market.

Another issue is that the present government policies favour those enterprises that produce for exports rather than those who serve primarily for local consumption. This is problematic for the agricultural sector in particular. Moreover, out of about 25,000 youths who enter the Ghana labour market annually, only 2 percent find employment in the formal sector (World Bank, 2016). The issue is how to create employment commensurate with the economic growth. Ghana's economic model over the past six decades had been based exclusively on the export of its natural resources. But volatile global commodity prices have made the export of gold, crude oil and gas, diamonds, bauxite, timber (tropical wood) and cocoa beans unsustainable. These commodities are prone to frequent price fluctuations at the global markets (World Bank, 2016a). The high volatility of these products presents a lot of risks to Ghana's economy. The agricultural sector, which offers great promise of economic vitality to the country, must look to research, training and development to overcome the gap between curriculum and its application to the demands of the modern employment sector.

Unfortunately, research in Ghana has been unable to address adequately some of these constraints facing the universities (Perkmann M, Neely A, Walsh K, 2011). The differences between the missions and administrative structures of the participants prevent some firms from taking part in such corroborative alliances between them and the universities (Philbin, 2008; Chandran, Sundram, and Santhidran, 2013). Among many local Ghanaian firms, industries are not interested in forming partnerships with research institutions for numerous reasons. The private firms believe that they could lose control of their business

(Boateng, 2013). Moreover, successful knowledge transfer from foreign organizations to local one is still a problem. Yet researchers argue that one of the keys to the success of today's firms is successful knowledge transfer (Drucker, 1993; Toffler, 1970; Narteh, 2010; Perkmann, and D'Este, 2011; Jasimuddin, 2013; Boateng 2013).

One solution is to modernize tertiary-industry partnerships. For example, The Council for Scientific and Industrial Research (CSIR) was founded in 1968 in Ghana. Its aim is to coordinate scientific research in Ghana. It further encourages scientific and industrial research that is relevant to the national economy. Furthermore, it has the mission to accelerate the socio-economic growth of the country. The CSIR advises the Ministry of science and Technology on the scientific and technological advances that would enhance the national economic growth. It is to ensure the training of research and scientific personnel through grants and fellowships and to work hand in hand with the private sector, universities and international organizations within the domain of research to the benefit of the country. A similar example is the Policy Research Institute (PRI), Alliance for a Green Revolution in Africa (AGRA) and the International Water Management Institute (IWMI). Among their functions is to help in the key areas of research and innovation in the value creation to enhance the competitiveness of local industries and businesses. These products include metallic alloys, ceramic and glasses, superconducting materials, integrated wood-plastic materials, biomaterials and nanomaterials. Organizations with missions to enhance these industries could present a starting point tapping into the research potential of Ghanaian universities, and ultimately to playing a more crucial role in the country's job creation.

How can opportunities like these be used to further entrepreneurship, knowledge transfer, technology transfer, and innovation? Addressing the gap between theoretical aspect and practice is key (Etzkowitz, and Zhou, 2017). Besides, more could be done to coordinate the activities of the tertiary research institutions, CSIR, National Vocational Training Institute, policy makers, national Board of Small-Scale Industries and

the Ministry for Industry to make a meaningful impact on the sustainable growth of the country's economy.

## **The University as Change Agent**

Fundamentally, the role of universities is to teach, carry out research, and promote partnerships with organizations in order to transfer knowledge (Guimon, 2013). They update their curricula with a view to improve upon the undergraduate and graduate programs correspondingly. This may involve involving faculty or students in internships and practicums, as is particularly the case in the fields of engineering, architecture, agriculture and medical science (Mamudu and Hymore, 2016); this practice must be accelerated. Additionally, universities are charged with developing technologies which may be vital to the community. They train the existing and future entrepreneurs. They contribute enormously to the creation of start-ups which are vital to the economic development of the country. For example, the partnership between University of Ghana and Cornell University to train plant breeders to develop and provide better seeds to local farmers to end famine in Africa is a laudable program (WACCI) which must be expanded and given the necessary support.

Furthermore, universities play an important role in the development of national economies in most parts of the world, particularly in the developed and emerging countries. It is important to teach entrepreneurship in most faculties of Ghanaian universities to contribute to proliferation of businesses and, for that matter, job creation. Modern attempts must be made by Ghanaian universities to engage the commercial aspect of knowledge. It must fully involve itself in research and commercialization (Perkmann, Tartari, McKelvey, Autio, Brostrom, D'Este, Fini, Geuna, Grimaldi, Hughes, Krabel, Kitson, Llerena, Lissoni, Salter, and Sobrero, 2013; Guimon, 2013). Intellectual properties must also be protected by their owners.

Making changes to the curriculum and programs of the faculty is therefore a step in the right direction for Ghanaian universities. This

could be done by adapting them to the present and future needs of the labour market, particularly in the industrial, agricultural and information technology sectors. Such a practice would help advance the development of entrepreneurship education and would continue to strive towards the creation of start-ups, incubators and micro-enterprises (Weckowska, Molas-Gallart, Tang, Twigg, Castro-Martinez, Kijeńska-Dąbrowka, Libaers, Debackere, and Meyer, 2015). Research institutions must be encouraged to form partnership with small local firms which have synergies in order to leverage their performance. In this way, it becomes easier to contribute to the national economy. For instance, in 2004, the Massachusetts Institute of Technology (MIT) discovered 133 patents, created 20 start-up companies spending 1.2 billion dollars in sponsored research (Feldman, 1999), illustrating how much impact a single research university can have on a region. The small firms account for more than half of the major product innovations in the United States (Acs and Audretsch, 2005).

## **Knowledge Transfer**

In order to update curriculum, university programs must seek to equip students with the appropriate skills well adapted to suit the constant changing external environment of the organizations. In other words, they must create value out of knowledge (Etzkowitz and Zhou, 2017). The way educational curriculum is managed has an influence on the type of skills that students acquire. Ghanaian universities must endeavour to make use of knowledge, and to help local firms to create value out of knowledge and through the use of technology (Etzkowitz and Zhou, 2017; Hoglund and Linton, 2017). The importance of research is reflected by the European Union's commitment to billion Euros to fund research and innovation programs to assist the Small and Medium Enterprises (SMEs) in Europe from 2014-2020 (European Union, 2018). This amount is the European Union's biggest innovation project ever. Ghana must endeavour to follow similar steps to advance its entrepreneurship function.

Knowledge management is an area that developing countries such as Ghana, where transfer of knowledge is needed from baby-boomers to the present millennial generation, an often-problematic concept since each generation differs in their learning and working styles. Baby-boomers have accumulated a great deal of experience on the job but they are retiring and going away with those rich experiences, skills and expertise. A way is needed to facilitate the transfer of their knowledge and experience (Drucker, 1992; Quinn, 1992) to the younger generation who will most likely approach situations in a very different way. This is in line with Quinn (1992) who contended that:

*With rare exceptions, the economic and producing power of a modern cooperation lies more in its intellectual and service capabilities than in its hard assets-land, plant and equipment... Virtually all public and private enterprises- including most successful corporations- are becoming dominantly repositories and coordinators of intellect* (p. 241).

Most of this knowledge transfer is tacit, embedded in the brains of the individual employee (Nonaka, 1994). The knowledge is acquired in the routines, rules, tasks, tools and norms of the organization. Such knowledge is crucial in the innovation of the firm (Etzkowitz and Zhou, 2017) and requires that firms create new knowledge to ensure their survival. Nonaka (1998) argues that:

*In an economy where the only certainty is uncertainty, the one sure source of competitive advantage is knowledge. When markets shift, technologies proliferate, competitors multiply, and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization, and quickly embody it in new technologies and products. These activities define the 'knowledge-creating company', whose sole business is continuous innovation* (p. 22).

Therefore, there is urgent need to decode that knowledge and keep them in knowledge repositories where the present and the future generation could easily access to solve problems. But there is a caveat, however:

Most of the employees may believe that knowledge that was acquired in the course of service to the firm belongs to the individual; they may therefore be unwilling to share it, or they want compensation in return for it. In a knowledge economy such as what exists today, it is imperative to address this problem, as knowledge transfer plays a key role in the life of the organization (Kochenkova, Grimaldi, and Munari, 2015; Readman, Bessant, Neely, and Twigg D., 2015).

## **Existing Models**

A number of existing programs serve as models for bridging the gap between knowledge and organizational application. One of these is a training program at Cambridge University. In October 2017, the government of Ghana sponsored about 17 officials to a training program at Cambridge. Most of the participants were selected from the National Youth Authority, the National Service Secretariat, the National Board for Small Scale Industries, and the National Entrepreneurial Innovation Plan and Masloc. The aim was ultimately to drive youth employment and innovation in the country.

Another somewhat similar initiative, Yale Africa, offers insights into potential solutions. This program was launched in 2013 by the President of Yale University in a long-term commitment to Africa and was designed to facilitate a closer collaboration between Yale University and African universities, particularly in the area of research. It helped forge partnerships and collaborations particularly in Ghana and Kenya ([theheraldghana.com](http://theheraldghana.com), 2018). It furthermore sought to renew its longstanding partnership with Noguchi Memorial Institute for Medical Research of Ghana and to reaffirm its strong link to Kenyan Medical Research Institute (KEMRI), national Museums of Kenya and The Kenyan Agricultural Research Institute ([theheraldghana.com](http://theheraldghana.com), 2018).

## **Clustering**

Clusters could be an important change agent in unlocking the huge potential within talented Ghanaian youth to open the floodgates of new technology needed by the nation. A cluster is an alliance of research institutions and firms with the aim of creating employment through innovation. These firms and companies which are interconnected could exist in the same geographic region (European Secretariat for Cluster Analysis, 2013). Clusters are already developed in Ghana but they need further capacity just to move into the next phase where they could make a significant contribution to the job creation. Whereas the industrial economy was machine driven, today's knowledge economy driven by information technology (IT) and knowledge workers (Stankowsky, 2005; Jasimuddin, 2013).

As examples, the Silicon Valley Technology Cluster in California, the New Jersey Life Science Super-Cluster Initiative, and the Australian Cairn Tourist Industry are today making enormous economic contributions to their local communities. Ghana pursue a similar course. Already these clusters in the country are doing well in terms of development. They need to be assisted and be structured to help them to work closely together to make a significant impact to the national economy. There is a computer programming project which has been put in place by MEST (Meltwater Entrepreneurial School of Technology) —a supporter of technology innovation in Africa—and it is already yielding fruit. Most Ghanaian students have been able to create new software on the Low-Tech area. With such assistance, they could enter the High-Tech area in a matter of a decade.

Yet a different type of project would involve the Ghanaian diaspora. The Ghana government must look for avenues through which the country could expand its capacity to tap knowledge from the rich expertise of Ghanaian diaspora (Boateng, Dzandu, and Tang, 2016) in the key sectors of the economy. The government should therefore increase its funding progressively to the research institutions in the country to motivate

them. Greater attention must be paid to capacity building and quality by laying emphasis on areas that are more likely linked to job creation. Ghana could develop its research capacity building to help the local industries make a meaningful contribution to the national economic growth through collaboration with the industries (Boateng, and Narteh, 2013; Boateng, Dzandu, and Tang, 2016) and the global community at-large. There is the need to look for an appropriate technology (Narteh, 2008; Narteh, 2010; Miller, McAdam, and McAdam, 2016) in order to respond to the needs of the local industries.

Finally, The World Innovative Summit for Education (WISE) project established in Qatar in 1995 by His Highness Amir Sheikh Hamad bin Khalifa Al-Thani, serves as a guide for Ghana to emulate. A Ghanaian educator, Patrick Awuah, established Ashesi University to educate the youth in the country to encourage them into business ventures, is another step in the right direction. Awuah was educated in Ghana and later in the United States. His mission is to change the mind-set of the Ghanaian youth. He has put it into practice a model of higher education institution. He was inspired by the words of Goethe which reads "*Whatever you can do or dream you can, begin it. Boldness has genius, power and magic in it-begin it now*". Awuah believed that there should be a new paradigm in the training of the youth in the country. He succeeded in influencing the youth who graduate from his university into wealth creation by becoming entrepreneurs (Awuah has received a number of awards for his exceptional contribution to educating the youth. This include the WISE prize and the "Volta" the highest awards of his native country Ghana.). The WISE model is producing positive results. Ethics and leadership have been introduced into the curriculum of Ashesi University which is having a positive impact. Such precedent in the developed countries such as the United States has led to spin-offs, start-ups, licence and patents and creating about 75 enterprises annually (Guimon, 2013; Perkmann et al, 2013, Perkmann and Schildt H, 2015).

## **Conclusion**

Ghana needs a well-educated and highly trained skilled work force. It is on the right path but efforts to facilitate knowledge transfer could succeed in helping create employment opportunities in their various communities. The development of high-quality education, entrepreneurship, increased university-industry collaboration and appropriate training skills could boost the employment sector (Guimon, 2013; AEO, 2018). The key sector such as agriculture must be modernized and given the necessary assistance that it deserves.

The most important thing, it seems, is to bridge the gap between academia and practitioners to achieve the core goal of making a meaningful impact to the various communities and society as a whole. The priority must be the development of human capital, with a thought to meet the demands of the labour market of today and tomorrow, taking into consideration the rapid change in technological advancement to enable it play a crucial role in the development of the national economy. Policy makers and stakeholders must strategize and work together to adequately fund research programs in higher educational institutions in order to enhance and rekindle Ghana's entrepreneurial spirit to ensure its success. ■

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# EMPLOYEES' USE OF SOCIAL MEDIA AND PRODUCTIVITY: SIZING UP THE GOOD AND THE BAD

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*Abstract: This meta-synthesis reviews scholarship focusing on social media use in the workplace. In particular, I summarize research on the positive and negative effects of social media use on productivity, time management, employee collaboration, and stakeholder relationship-building. Recommendations for enhancing social media benefits and mitigating its undesirable effects are discussed, in addition to handling ethical and legal issues, and methods for exploring how social media policies can be developed.*

Social Media – Internet based platforms, websites, and other applications which enable people to interconnect and communicate using electronic messaging devices – has drawn the attention of many researchers in recent years. Through these media, users can chat, share messages, documents, photos and videos. These can be done between individuals, communities or groups, or even at larger scales. These platforms include, but are not limited to, Facebook, Twitter, WhatsApp, LinkedIn, Instagram, YouTube, Snapchat and many more (Adzovic et al., 2017; Aichouni et al., 2013 ; Assa & Nyaribo, 2013 ; Hassan et al.; Obar & Wildman, 2015). The creation and sharing of content as well as the participation in social networking done through Social Media has been made possible by the Web 2.0 which is an improved version of the World Wide Web (WWW) as Culnan et al.(2010) identified.

Many authors have scrutinized employees' usage of Social Media and their motivation for using it. The widespread use of social media certainly cannot be disputed: An extremely high usage of Social Media by workers was found in the study done by Assa and Nyaribo (2013) on a sample of workers of Cape Coast University. All respondents were registered on Facebook, 57.5% frequently used YouTube and 80% of all of them visited Social Media sites on a daily basis while at work. An online survey of higher education institutions in the United States by North (2010) indicated that 71% of workers checked their social media sites at least once a day. Further, Mengistu et al. (2016) established that amongst the employees in Gondar University of Ethiopia who participated in their study, 92.8% had a Facebook account and 82.6% used YouTube

regularly. Women (57%) were found to be more present on Facebook than men (43%) as established by Aguenza et al. (2012), who equally indicated that white collar workers were more attentive to computer-based knowledge than blue collar workers (85% against 45%). Chin et al. (2015) specified that some firms did establish their own Social Media network, Enterprise Social Network (ESN), customized to their needs and accessible only to their employees as opposed to the public Social Media networks like Facebook and Twitter open to the public. The Socialblue network of IBM and the Watercooler network of HP are some examples of Enterprise Social Network (Huysman et al., 2013).

The motivations for employees' use of Social Media sites in the workplace are varied. According to Cilliers (2013), the psychosocial compulsion of humans to interrelate with each other is an aspect that Social Media contributes to fulfill. Moqbel (2012) indicated that the presumption by workers that they will have excitement and enjoyment when they use Social Media is one of the motivating factors that pushes workers to use Social Media in the workplace. Moreover, Astray-Caneda and Herlle (2013) specify that, for some employees, Social Media usage is a sort of "consolation" for them to survive the boredom and unhappiness they feel in their workplace. Conversely, Moqbel (2012) suggested that another motivation for employees to use Social Media in the workplace was the ease they saw it contributing to their work; employees indicate that Social Media use makes them to be more efficient in their jobs and hence their job is more enjoyable. Ellison et al. (2016) pointed out that another reason Social Media is used in the workplace is that, it makes it easy for employees to have an intellectual "pause" by connecting with relatives while at work. Ehrlich and Shami (2010) also found that sharing general information is more prevalent in public Social Media platforms than in enterprise customized internal networks where the tendency is more to seek for technical support from co-workers.

Thus, it is well-established that employees use social media at work for a plenitude of reasons, including the satisfaction of psychological needs as well as the facilitation of functional tasks. The purpose of this

meta research was then to assess the results of employee social media use in terms of their positive and negative attributes, specifically expressed in the following research questions,

RQ #1: What are the positive effects of Social Media use in the workplace, and how can they be viewed as opportunity?

RQ #2What are the negative effects of Social Media use in the workplace, and how can companies address the challenges they present?

Given that Social Media has become very widespread and has penetrated nearly all aspects of human life, with the number of users having been estimated at 3.8 billion people worldwide (Chaffey, 2020), it is intuitive that as early as 2003, an estimated 77% of all workers used social media in some form (Ellison et al., 2016). But what do these numbers mean, especially for employers and managers, even as new social media platforms are constantly being developed?

## **Method**

This study was conducted by performing a systematic literature review also known as meta-synthesis (Dudovskiy, 2019; Siddaway, n.d.; Green et al., 2006). The literature was selected based on a search using descriptors derived from the research topic as well as the research questions. These descriptors included the following, a) Social Media use by employees, b) the advantages and disadvantages of Social Media use in the workplace, c) Social Media use and productivity in the workplace, d) what is social media e) what is employee productivity f) Social Media in the workplace g) the positive effects of Social Media use in the workplace, h) the negative effect of Social Media use in the workplace, i) Social Media use policies in the workplace, j) Social Media use guidelines in organizations.

This search approach is in conformance with the search methods described in the works of Bloomberg (2007); Conboy et al. (2010); Ellen and Marcus (2003); Judith and Nouria (2007); Philip (2004); Susan (1997); and The Pell Institute (2017).

Table 1 - *Sources Consulted in Social Media Literature Search*

Databases/Search Engines	Journals
Academia	<i>Advances in Business Research Journal</i>
Digital Commons	<i>Asian Journal of Information Technology</i>
Elsevier	<i>Business and Management Strategy Journal</i>
Google	<i>Delta Pi Epsilon Journal</i>
JSTOR	<i>Electronic Journal of Business Research Methods</i>
Lib Guides	<i>Electronic Journal of Computer Mediated Communication</i>
Pew Research Center	<i>International Journal of Computer Applications</i>
Research Gate	<i>International Journal of Management</i>
Sage Publications	<i>Issues in Information Systems</i>
Science Direct	<i>Journal of American Informatics Association</i>
Semantic Scholar	<i>Journal of Business Research</i>
	<i>Journal of Transnational Management</i>

The literature list generated from this search procedure was then checked against its publication dates (generally, documents older than 18 years were not analyzed) and for articles published only in peer-reviewed journals. Abstracts were scanned to determine if the content was indeed relevant to the search parameters. Only documents that fulfilled these criteria were selected (Kaunelis & Wilhelm, 2005).

## Findings

### *Positive Aspects of Social Media Use in the Workplace*

Review of the beneficial aspects of social media in the workplace yielded several generation conclusions. In most cases, the literature suggested that Social Media use by employees in the workplace has positive effects on many aspects related to organizational productivity. For example, Ferreira and Plessis (2009) established that the use of Social Media encouraged collaboration and partnership between employees, a phenomenon that consequently led to creating professional practice groups tied together by Social Media exchanges. These groups were found to increase the productivity of each of the employees involved. Further,

Adzovie et al. (2017) determined that employees using Facebook had better co-worker relations, as the Facebook medium encouraged collaboration and led to creativity and innovation. Adzovie et al. (2017) also established that Facebook use by employees contributed in making relations with customers healthier. The productivity of employees was thus argued to have improved because of the use of Facebook by employees. Similarly, the findings of Hanna et al. (2017) indicated that employees using Facebook in the workplace had a greater feeling of satisfaction with their jobs compared to those who did not use Facebook very much; consequently, employees identified a sentiment akin to the workplace as being “family,” making them more dedicated to their jobs in addition to the utilitarian aspects of easing information sharing and enhanced collaboration.

In a study conducted by Ellison et al. (2016), 56% of 2003 employees in the United States affirmed that the usage of Social Media was beneficial to their performance. Likewise, Huysman et al. (2013), concluded that the use of Enterprise Social Media by employees made communication easier amongst employees, facilitated the dissemination of information and documents, made possible real-time and uninterrupted professional training, resulting in increased learning and coaching. Ashraf and Javed (2014) came to the same conclusion. They indicated that the use of Social Media contributed in increasing the knowledge and skills of employees and consequently made employees more motivated to do their job and achieve their professional objectives.

Cillier (2013) highlighted yet another dimension of the findings. From a survey of 1,400 college students, it was held that the use of Social Media by employees in a workplace makes a firm more attractive to applicants. Amongst those who participated in the survey, 56% indicated not being willing to accept a job with a company that refuses the use of Social Media by employees. Being attractive to prospective employees increases the chances of recruiting talented workers. Having talented workers has the potential to positively influence productivity. In a medical setting, Muhlen and Ohno-Machado (2012) identified

activities carried out through the use of social media by medical staff that contributed in improving their productivity. These included supplemented communication with and between patients, facilitated reminders of patients, free access to online medical resources, the creation of groups with people receiving treatment, as well as performing medical training through Social Media. The efficient use of Social Media in promoting products and carrying out activities like recruitment are some other activities that employees performed using Social Media that were found to also contribute to improving productivity (Dokyun et al., 2018; Yioula et al., 2015).

Collectively, these findings indicate that Social Media use by employees contributes to making collaboration amongst employees easier, aids in reducing time used in accomplishing tasks, enhances employees' engagement in their work, and facilitates the development of relationships with customers and partners. Thus, social media use has a positive effect on productivity as these elements are all determinants of increased productivity. Yet despite these affirming aspects of social media in the workplace, there exists disadvantages as well.

### ***Negative Aspects of Social Media Use in the Workplace***

As many researchers agree, a resounding impact of the misuse of Social Media in the workplace is reduced productivity. Even the most optimistic scholars who recognize the benefits of social media contend that there exist many negative aspects as well, most of them related to workplace productivity.

In the same study by Cillier (2013), it was found that some workers used a considerable amount of work time in the workplace to manipulate Social Media for non-professional reasons. In line with this finding, Mengistu et al. (2016) established that 64% of workers of the population in their study in Gondar University in Ethiopia utilized Social Media to sustain private relationships, and 86% used work time connected on Social Media. This implies that valuable work time is used for non-work matters on Social Media, and, as such, has a harmful effect

on the employees' productivity. In the healthcare setting, Cain (2011) determined that, because of the distraction of staff caused by their using of Social Media in the workplace, errors in medical prescriptions were noticed at times. Muhlem and Ohno-Machado (2012) noticed that patients' confidentiality was violated and unprofessional information published on Social Media by some medical professionals, mostly the younger ones. These findings echo the concerns of managers, who see the use of Social Media as a killer of productivity (Astray-Caneda & Herlle, 2013). Maxwell (2017) further established that the use of Social Media in the workplace has worsened cyber bullying, online conflicts, defamation, gossip and other problems. Such practices on Social Media frustrate, and demotivate employees who are victims of them, and can create a poor working environment which all contribute to having a negative effect on productivity.

Relatedly, Chin et al. (2015), ascertained that, employees are afraid of being spied on by their managers on Social Media, or fear retaliation when asked to give their honest and objective views. This raises some ethical and legal concerns, which, in turn, affect morale and productivity. Legal aspects were, in fact, identified by Kaupins and Park (2010), who indicated that if employees are not careful with what they post on Social Media they may place themselves in legal or ethical peril, and may even face termination. Further, transgression related to issues such as privacy infringement and workplace discrimination and bias raise serious liability concerns for employers.

Informally, the misuse of social media may also contribute to reduced productivity as a result of groupthink that can dominate exchanges if not well managed. Groupthink hinders creativity, engenders boredom and as such consequently affects productivity negatively (Huysman et al., 2013). Equally damaging is the reduction of employees' sense of belonging and their commitment to their jobs (Eren & Vardarlier, 2013). This finding is somewhat paradoxical in light of the findings of Hassan et al. (2003), and that of Hanna et al. (2017) mentioned earlier, who revealed that Social Media use was seen instead to reinforce

the feeling of belonging and commitment of workers to their firms. Further studies are necessary to identify other variables which influence outcomes. Finally, the exaggerated use of Social Media by employees was also found by Hassan et al. (2017) and North (2010) to lead to obsession and addiction, which not only consumes a lot of internet band width but also in some cases cause severe health dangers including psychosocial problems for some addicted employees. This overuse and misuse may contribute in affecting negatively the productivity of these employees in a number of ways, including increased exposure to Internet viruses (Ferreira & Plessis, 2009), distraction from work and less job commitment

## **Discussion**

As analyzed, the use of Social Media by employees in the workplace can have either helpful or damaging effects on productivity. Paradoxically, an attribute may be positive or negative, depending on the other characteristics of the context in which it is used. Whenever employees' use of Social Media interacts with employees' time for work, as well as the elements that influence efficiency and effectiveness of employees in their job, productivity is as well influenced. The type of influence that the use of Social Media has on the determinants of productivity may lead to either a positive or negative effect on employee productivity.

One clear conclusion is that Social Media use by employees affects productivity in one way or another. Positively, it can contribute to collaborative processes, employee commitment levels, increased organizational efficiency, and improve stakeholder relationships. Conversely, it may have negative effects on productivity when employees use work time to do non-work related activities on Social Media, as employees are distracted from their tasks. Cyber bullying, defamation, gossip-spreading, and addictive outcomes may also result, the latter of which may lead to health and legal risks, as explained by past research (Ferreira & Plessis, 2009; Gopinathan & Suri, 2016; Giannakos & Leftheriotis, 2014; Mengistu et al., 2016).

It is also obvious from these findings that there should be an impetus among organizations to set and implement responsible Social Media use policies for their employees. The works of Ellison et al. (2016) equally confirm this. They established through telephone interviews of 2003 employed Americans that in workplaces where Social Media use policies were present, employees do less non-professional communications on Social Media.

### ***Enhancing the Positive Effects, and Mitigating the Negative Effects of Social Media Use in the Workplace***

Past work has given insight into methods for achieving an optimal balance between positively meeting employees' psycho-social needs through social media use while at the same time restricting behaviors not conducive to organizational effectiveness. One possible method for achieving this balance is to involve employees in the creation of Social Media policies. Employees' input at this stage is very important to make sure oversights are limited as much as possible and also that a sense of ownership by them is gained from the onset (Adzovie et al., 2017; Assa & Nyaribo, 2013; Cilliers, 2013).

From an organizational perspective, a responsible Social Media policy should be aligned with the company's vision, mission and values, with appropriate use being identified clearly in employees' job descriptions. This will avoid contradicting policies. It is also imperative that legal considerations are taken into account in the creation of a policy. Moreover, a dedicated team and budget for Social Media activities should be put in place to be able to synchronize all issues dealing with Social Media in the company (Culnan et al., 2010). This coordination should include management of all online platforms used by the company, including websites, and, given the constant innovations and changes in technology and Social Media usage possibilities, there should be a constant review and update of any Social Media policy developed. This will avoid having an obsolete policy whenever changes occur. Such a strategy conforms to the ideas advanced by Cain (2011), Adzovie et al. (2017), Assa and Nyaribo

(2013), and Barnhart (2020). Additionally, the use of employee training on social media policy could prove helpful, followed by mandatory signatures affirming the presentation of that policy (Cain, 2011; Astray-Caneda & Herlle, 2013). To more efficiently manage Social Media use by employees, a new leadership style may be necessary to develop and adopt, which integrates Social Media and New Information Technology management globally; Chin et al. (2015) call this Virtual Leadership.

In short, managers can be guided by; the pillars of Cain (2011) when developing a responsible Social Media use policy for their organizations. Topics to be taken into consideration according to these pillars include, a) Issues of reputation (attitudes, behaviors and ethics), b) issues of privacy and c) issues of productivity. Managers and owners of companies can equally be inspired or guided by the TAM theory (Technology Acceptance Model) when conceiving their Social Media use policies. This theory indicates that when there is a perception of ease of use, a perception of usefulness and a perception of enjoyment and fun when using a technology, its adoption is easy (Moqbel, 2012).

Examples such as those provided by Best Buy, Ford, New York Times, and Oracle (Ford, 2010; New York Times, 2017; Oracle, 2010; Tony, 2009) provide illustrations of how social media policy can be explicitly presented so that employees are aware of their rights and when those rights encroach upon organizational policy. For example, Ford Motor company's Social Media policy warns that "Many eyes may fall upon your words, including those of reporters, consumers, your manager and the competition" (Ford, 2010, p.1) which is a subtle way of influencing private Social Media communications of employees. The New York Times prohibits its journalists from joining private or partisan Facebook groups. Best Buy Company states in its Social Media policy that employees should live the company's values, amongst which "being human" (Tony, 2009, p.1) is part. In Oracle's Social Media policy, (Oracle, 2010), it is indicated that non-compliance to the policy may lead to disciplinary actions that may go up to and include termination of job from the company. The severity of such measures indeed may reinforce the need

to focus on training as a corrective action rather than a sanction after a violation occurs.

## **Conclusion**

The contrasts presented in this paper may serve as a challenge to determine the net benefit of social media in the workplace. Future research is needed to weigh the issues on balance. In any case, it is safe to conclude that social media is an integral part of people's lives, and that influence extends to their work environments. Managers should therefore attempt to capitalize on the advantages of social media, while limiting the negative effects as much as possible. This careful balance should prove critical to maintaining organizational effectiveness amidst the prominence of the social media era. ■

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# STRATEGIES FOR SCALING THE SOCIAL IMPACT OF SOCIAL ENTERPRISES IN NIGERIA

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*Abstract: Social enterprises are organizations founded with the intention of addressing society's problems. In Nigeria, those social problems include poverty, malnutrition, unemployment, limited access to health care facilities, and a lack of stable electricity, to name a few. This study investigates social organizations' use of scaling, a process by which the social innovation created to solve social problems reaches a larger population, also referred to as scaling social impact. The purpose of this research was to examine the strategies used by five Nigerian social enterprises for scaling social impact. Data from interviews of six social enterprise leaders were used to determine their organizations' scaling strategies.*

A young boy stands under a bridge somewhere in Oshodi, Lagos, Nigeria, the only place he has ever called home. He was born to parents who left their native homes in the rural areas to see if the city held any promise for them. Unknown to them, the struggles of the rural areas are also present in the cities and survival there is difficult. The young boy, though in dire straits, may be considered lucky to be alive: The United Nations estimates that in Africa, over 3,000 newborns die within their first week of life on a yearly basis (United Nations, 2015). This unwholesome picture represents the struggle of the average lower income earners in sub-Saharan Africa (Harsch, 2006).

In Nigeria, social problems include poverty, kidnapping, cultism, unemployment, terrorism, poor education, tribalism, poor access to health facilities, national identity problems and corruption, to mention a few (George & Ukpong, 2013). According to National Bureau of Statistics (2021), Nigeria's unemployment rate stood at 33.3% in 2021 with a youth unemployment rate of 42.5%. Also, over thirty thousand people have been killed and two million displaced in Nigeria's northern states, where the terrorist group Boko Haram has operated for over a decade (The United Nations Refugee Agency, 2020). The situation in Nigeria's northern states, especially the northwest region, is precarious because the advent of terrorism also brought banditry and kidnapping along with it (Okoli & Ugwu, 2020). The health sector in Nigeria has

not fared any better, as access to health facilities is very poor due in part to the very low ratio of health workers to the population, which is 1.95 per 1,000 (World Health Organization, 2012). While successive governments have attempted to stimulate economic growth in Nigeria, corruption has effectively undone most of their efforts (Igiebor, 2019). Corruption exists at all levels of government and parastatals of the public service in Nigeria, making it extremely difficult to implement most economic policies (Igiebor, 2019).

These conditions have resulted in a situation where well-meaning individuals and organizations with an entrepreneurial mindset take it upon themselves to provide solutions to social problems through innovation. The organizations that are birthed through the desire to solve social problems are different from profit-oriented enterprises in that they are mainly focused on solving social problems in a sustainable manner. Social enterprises are seen by many as a response to the inability of a government to provide solutions to pressing social problems (Starnawska & Brzozowska, 2018).

As Gandhi and Raina (2018) point out, a social enterprise will be defeated if it fails to solve the social problem or problems which led to its creation. Also, the social impact of a social enterprise will be inhibited if it is unable to accommodate the fresh demands that comes with solving a particular social problem or if it cannot meet the peculiar demands for growth (Davies et al., 2018). The term, *scaling social impact* refers to the ability of a social enterprise to replicate, expand and adapt its innovative solutions to new populations or to create greater depth and reach for its existing products (Islam, 2020). To say it differently, scaling refers to the ability of a social enterprise to accommodate the fresh demands that comes with solving a social problem in the most efficient and effective manner (Weber et al., 2015). As it is a critical metric for determining how successful a social enterprise is (Kickul & Gundry, 2015), scaling social impact is one of the most important aspects of the social entrepreneur's journey and it may determine whether the organization survives or not (Corner & Kearins, 2018).

## **Literature Review**

### ***Social Enterprise Defined***

A considerable amount of literature has been published which attempted to define social enterprises or social entrepreneurship. Much of the literature since the early 2000's does not reveal a consensus among researchers as to the definition of social enterprises or social entrepreneurship (Bacq & Janssen, 2011; Nashchekina, et al., 2019; Trivedi & Stokols, 2011; Cukier, et al., 2011). Frumkin (2013) explained that scholars are yet to have similar views on the boundaries in defining social enterprises as well as the conceptual framework within which they are defined. As these boundaries are not well defined, most definitions of social enterprises appear to have elements of other fields embedded in them (Xu, et al., 2014).

The emergence of several contrasting themes is revealed in the different definitions found in existing literature. For instance, Bornstein (2007) focused on the personal characteristics of the social entrepreneur in his definition. Dees (2001) defined social entrepreneurs in terms of the role they play as social change agents. Light (2006) argued that social enterprises are those individuals or corporates who seek to influence how governments, individuals or non-profits go about solving social problems. Martin and Osberg (2007) defined the social entrepreneur as one who seeks to remove the inequality and disequilibrium found in human societies. Thompson, Alvy and Lees (2000) considered social enterprises and the social entrepreneur as one where the motive is for solving social problems rather than making money. Austin (2006) defined social entrepreneurship as the creation of social value and that this can occur in both private and government owned organizations. Nicholls (2006) described social entrepreneurship as the development of social innovation carried out by entrepreneurial organizations whose mission is to create positive change in society. Social enterprises are also those organizations that have no governmental affiliation and that focus on social capital rather than on wealth creation (Gandhi & Raina, 2018).

It is impossible to accurately describe the concept of social entrepreneurship without properly understanding what social impact is (Dacin, et al., 2010; Lumpkin et al., 2011; Rawhouser et al, 2017). Social impact refers to the effect an innovation or a solution targeted at meeting a need has on its recipients (Aschari-Lincoln & Jacobs, 2018; Dacin et al., 2010). Social impact is studied in different sectors of the economy where the actors are focused on social change (Dacin et al., 2010).

Much of the literature on social impact since the beginning of the current decade agrees that social impact must be measured, but different approaches are used (Dacin et al., 2010). According to Dacin et al. (2010), the approaches to social impact measurement can be classified into the activity approach and the outcome approach. The activity approach looks at social impact from the standpoint of the activity carried out to create social impact, while the outcome approach looks more at the benefit of a social innovation or social solution. (Dacin et al., 2010). This paper examines social impact from the perspectives of the two approaches, which is more comprehensive than favoring one approach over the other. This is because the social entrepreneur's primary goal is to generate social impact by utilizing the necessary systems and procedures. Some systems and processes may favor the activity approach, while others favor the outcome approach. The goal of both remains to make a positive social impact. If a social enterprise cannot successfully understand and measure its impact, it will be impossible to know if the social innovation or solution it provides has had any success. Social impact raises questions as to the social value which the social enterprises produce (OECD, 2015).

### ***Social Entrepreneurship Theories and Scaling Social Impact***

Social entrepreneurship behavior theory relates to why and how individuals choose to start a social enterprise to solve a social problem (El Ebrashi, 2013). Social entrepreneurship behavior theory therefore holds that an entrepreneur's desire to create social impact drives his/her efforts. The concept of social impact is similar to that of social change

(as described earlier in this paper) and involves a basis for measuring the attainment of a predetermined goal. Furthermore, what the social entrepreneur does is to attempt to solve a problem by innovative means. Thus, innovation theory describes what the social entrepreneur does to create social impact. What this means is that the social entrepreneur uses innovation as a tool to solve problems; when these innovative solutions are used, social impact is created. According to positive theory of social entrepreneurship reviewed above, social entrepreneurs choose to solve problems because of a desire to see desirable changes in the society. These theories show that a social entrepreneur will always consider the possibility of reaching a wider audience. Scaling social impact is the process of reaching a wider audience with the solution to a problem.

### ***Operational Model of Social Enterprises***

An operational model describes how a company conducts its operations. Social enterprises are founded on the desire to create social impact; hence, their model of operations may be significantly different from for-profit organizations. The unique mode of operation of social enterprises influences how the business is run and its long-term viability (Jabłoński, 2016). The operational model of a social enterprise will be dependent on the goal it intends to achieve or the social problem that it intends to solve (Martin & Osberg, 2007). For example, social enterprises seeking to address unemployment may decide to establish organizations that train people to acquire skills that will enable them to fend for themselves. In this case, the operational model will most likely be the establishment of a school or training center. Graduates may be asked to train others as well, ensuring the business's long-term viability. To ensure long-term viability, the organization may also seek government assistance.

### ***Scaling Social Impact***

Scaling refers to either organizational growth or revenue growth, depending on the discipline in which it is used (Desa & Koch, 2014). However, in the literature on social entrepreneurship, the term “scaling”

is used to describe how social enterprises can efficiently and effectively increase the social impact created by their operations (Weber et al., 2015). Scaling social impact is defined by Dees and Anderson (2004) as the process of replicating or reproducing social innovation in a manner which is unique to the specifics of an organization's goal. The preceding alludes to an increase in the population of the populations who will be served by the social innovation created by the social enterprise. Thus, the social enterprise's ability to respond appropriately to this need by scaling determines its success. Uvin et al. (2000) summarize scaling as ensuring that a social enterprise is run in a sustainable manner, increasing the scope of the activities carried out by the organization, an expansion in the coverage and size of the social enterprise, and broadening indirect social impact.

### ***The SCALERS Model***

Drivers of scale, also known as success factors, are the variables that determine the success of the strategies used to scale social impact. (Weber et al., 2015). Han and Shah (2019), in their analysis of literature, developed five models which they asserted can provide the factors which drive scaling. These models include: the supply-demand model, the three-strategy model, the spiral model, the multi-factor model, and the pathway model. The supply-demand model provides insight into the economic, environmental, and organizational factors that drive scaling in social enterprises. The three-strategy model, however, recognizes three strategies of scaling impact which include: dissemination, affiliation, and branching. The spiral model provide insight into concepts which identify the developmental stages of scaling. The multi-factor model recognizes the work of Bloom and Chatterji (2009), who proposed seven drivers for scaling which include: staffing, communication, alliance building, lobbying, earnings generation, replication, and stimulating market forces. These seven drivers make up the acronym SCALERS. These SCALERS is explained below.

**Staffing** refers to the ability of the human resource department to find individuals with the right strategic fit to work for the organization

(Bloom & Chatterji, 2009). The potential of other scalers will be realized if the staffing requirement is filled appropriately (Bloom & Chatterji, 2009). Heinecke and Mayer, (2012) agreed with this perspective but with a greater focus on the founder. Founders will usually want to be involved in every aspect of the organization and may find it difficult to give up control: this may pose a staffing threat to the organization (Heinecke & Mayer, 2012). Founders will also want to retain control of the organization because they feel this is the only way their goal of making social impact will be attained.

**Communication** refers to the persuasive fluency of the organization in selling its strategy to stakeholders (Bloom & Chatterji, 2009). If the stakeholders can relate well to the strategy of the organization, it is because the strategy was properly communicated. This strategy appreciation by the stakeholders will positively influence the ability of the organization to scale. Bloom and Chatterji, (2009) believe that investment in research will aid detailed and proper communication as this will ensure that the right information is being communicated.

**Alliance building** is an organization's ability to invest in the right relationships which, in turn, will positively influence its ability to achieve scale (Bloom & Chatterji, 2009). A social enterprise may need to enter partnerships, create joint ventures, and develop such business models that draw strength from relationships. Social enterprises will find this very valuable when entering a new region or country. Bloom and Chatterji (2009) did not provide insight into how these relationships may be managed.

**Lobbying** involves getting the government's attention. If lobbying is effectively done, it may help to create the right working environment for the organization (Bloom & Chatterji, 2009). Lobbying may be one of the most important tools that social enterprises underuse as it holds great potential to help them scale their impact (Peterson & Pfitzer, 2009).

**Earnings generation** measures the firm's ability to keep its revenue above its expenses (Bloom & Chatterji, 2009). The social enterprise

must understand how to maximize its revenue whilst creating social value. **Replicating** involves being able to recreate programs and social innovation which the organization has done in the past effectively and efficiently (Bloom & Chatterji, 2009). This requires that the organization engage in reflection and ensure a strict standard for franchises and other alliances. Finally, **stimulating** market forces is the process of finding a good fit between the pursuit of private goals and creating social value through the provision of incentives (Bloom & Chatterji, 2009). The SCALERS model will be used to assess social enterprises in Nigeria for the purpose of development a framework for scaling social impact.

### *Strategies for Scaling Social Impact*

Organizations usually set out to achieve a well-defined objective they could capture in a mission statement. They will then devise a means to execute the plan. A good strategy should guide an organization's plan such that it leads to the attainment of the initial objective. A social enterprise will benefit from the right strategy if it intends to scale its impact. Numerous studies have attempted to address the issue of scaling impact in social enterprises; however, the findings of those studies include a range of opinions (Dacin, et al., 2010), resulting in part from what operational model that was used in the research, a view also reflected by the Organization for Economic Cooperation and Development (2015). Obviously, different strategies will have varying degrees of relevance to different operational models. Also, scaling impact in social enterprises is very much different from what obtains in profit-oriented organizations—scaling in profit-oriented organizations is majorly a function of business and profit growth, while for social enterprises, scaling is focused on social impact (Austin et al., 2006).

According to Weber et al. (2015) the terms that are central to the discussion on the strategy for scaling social impact include scalability, transferability, replicability, and adaptability; the authors believe that in developing a framework for scaling social impact, scaling strategies must be matched with success factors or the drivers of scale. Austin, et. al

(2006) developed a theoretical framework for scaling the impact of social enterprises successfully combining both strategies and success factors; this framework contains eight components which include: commitment of the individuals driving the scaling process, management competence, entire or partial replicability of the operational model, ability to meet social demands, ability to obtain necessary resources, potential effectiveness of scaling social impact with others, adaptability, and types of scaling strategies.

At what point should a social enterprise decide it needs to scale its impact? Heinecke and Mayer (2012) argued that a social enterprise must have a well-defined objective, and then build an appropriate business model. The social enterprise must then attain some success as far as this objective is concerned before it attempts to scale (Heinecke & Mayer, 2012). Scaling will then be a strategic way of exploiting its success. This perquisite matches with what Cohen (2004) discusses as principles of strategy, of which commitment to a well-defined objective is fundamental.

After achieving some success at providing a social innovation, a social enterprise should draw a strategy for scaling which matches its operational model (Weber et al., 2015). Heinecke and Mayer (2012) reviewed the work of Dees Anderson and Wei-Skillern, who identified dissemination, affiliation and branching as strategies that social enterprises can use to scale their impact. This is what Han and Shah (2019) refer to as the three-strategy model. Weber, et al., 2015) summarized strategy types for social enterprises as capacity building, strategic expansion, contractual partnerships, and knowledge dissemination and concluded that the organizations appear to be more focused on the success factors that can determine whether a strategy will fail or not. Heinecke and Mayer (2012) argue that the three-strategy model needs to focus on the other operational issues and success factors that may influence the success of a strategy.

*Dissemination* is what some organizations do when they allow their educational content to be hosted for free for learners to benefit (Heinecke

& Mayer, 2012). This approach allows other social entrepreneurs who have the same goal use the content provided as tool to also drive their own goals (Heinecke & Mayer, 2012). This saves a lot of cost but does not allow the primary organization control of how the contents are used in other organizations that would be birthed as result of its efforts (Heinecke & Mayer, 2012).

*Affiliation* is a scaling strategy that allows a social enterprise to align its operations with other organizations who recognize its social innovation and serve to implement it in certain areas (Heinecke & Mayer, 2012). Joint ventures and licensing are ways social enterprises can use this strategy. Franchising can be a form of affiliation but more systematic in its approach (Heinecke & Mayer, 2012).

*Branching* involves creating more sites for an organization's operations (Heinecke & Mayer, 2012). This might be an expensive mode of scaling impact as starting new branches may raise the firms overhead as well as staff costs. However, branching allows a firm to extend the organizational culture to the new branches and help safeguard its operational standard (Heinecke & Mayer, 2012).

Weber et al., (2015) studied 358 social enterprises in Europe. They explored conditions that account for the success of scaling strategies in social enterprises and identified a fit between success factors and strategies. They identified commitment, management competence, replicability, ability to mobilize the necessary resources, control and dependency, transfer costs, legitimacy, and reputation as success factors which could determine whether a strategy failed or succeeds. They concluded that scaling strategies do not work in isolation as no strategy could be considered completely effective without employing new measures as the organization grows.

A major gap in existing literature is the case for scaling social impact in emerging economies with Nigeria as a focus. Nigeria presents a challenging front for duplication of strategies because of the socio-economic and political climate of the country (Okeke & Eme, 2014). The kind of

gaps social enterprises fill would require a home-grown strategy that will be matched with success factors.

### ***Research Questions***

1. What are the strategies used by social enterprises in Nigeria to scale their impact?
2. What are the success factors responsible for successful strategies employed by social enterprises in Nigeria?

### ***Research Methodology***

Twelve semi-structured, Skype interviews were held with six principal officers and founders of Nigerian organizations self-identified as social enterprises. The organizations were selected based on their mission and organizational structure, which meet the definition of social enterprises as presented earlier. These organizations are involved in providing solutions to one or more social problems, and on their business models they stated their willingness to scale their social impact.

**Participants:** A list of self-identifying social enterprises was generated by conducting a Google search. The initial search generated a list of 27 social enterprises in Nigeria. Ten of these were selected because of the subject of their missions, i.e., financial inclusion, waste management, and infant mortality; they were selected on the basis of their goal to make profit only for the purpose of sustainability and scaling impact. Of the 10 organizations, representatives of five agreed to the interviews. Data about those five enterprises are depicted in Table 1.

**Table 1: Profiles of Sample Social Enterprises**

Social Enterprise	Interviewee(s)	N of Interviews	Founding Year	N of Employees	Intended Social Impact
A	Executive Director-Strategy Founder	2 1	1980	6000	Access to micro-credit & financial services
B	Founder	3	2016	10	Access to phototherapy to treat neonatal jaundice in children
C	Chief Operating Officer	2	2012	50	Waste recycling in low-income communities
D	Consultant/Waste-Management Officer	2	2012	50	Create employment in waste management
E	Founder	2	2017	20	Preventing maternal & infant mortality

A total of 12 interviews was conducted with six participants. Each interview, which lasted approximately one hour, was scheduled on different days in order to reduce interviewee fatigue. The technique of using multiple interview sessions with all but one participant was employed also to devote each session to different discussion topics.

As Table 1 indicates, two of the social enterprises were in the health care field, two were in waste management, and one was a financial services provider. Social Enterprise A has truly opened access to micro-credit and has one of the largest branch networks of microfinance banks in Nigeria. Social Enterprise B is focused on helping babies born with jaundice regain normalcy using an innovative phototherapy unit; the founder was moved to find a lasting solution to jaundice when her first born son was born with a serious case of jaundice. Social Enterprises C and D are both focused on creating community-based economic benefits through waste recycling but employ different business models to achieve

their social impact. Social Enterprise E is a social enterprise whose objective is to reduce maternal and infant mortality in Nigeria.

### ***Interview Questions***

The interview questions were derived from a thorough examination at pertinent issues derived from the literature review which focused on strategies for scaling. The primary interview questions appear in Table 2.

**Table 2: Primary Interview Questions**

Please tell me about your social enterprise. Why and when was it started?
Why did you start a social enterprise and what specific problems did you set out to solve?
What product or service did you create to solve the social problem(s) you identified?
How would you describe your organizational model?
How many employees did you have when you started and how many do you have now?
In relation to the type of organization you created, what does scaling social impact mean to you? (The interviewer defined scaling social impact)
How do you determine that you have successfully scaled your social impact?
How do you measure social impact?
What factors do you think are responsible for your ability to scale impact?
What specific strategy does your social enterprise employ to scale impact?
How does the socioeconomic state of Nigeria impact the strategy you employ?
Did your strategy result in a greater availability of your product to the end users?
What are the drivers of scaling in your organization?
How have the following drivers impacted your organization's ability to scale: staffing, communication, alliance-building, lobbying, earnings generation, replicating, and stimulating market forces?
What challenges do you face while trying to scale your social impact?
In what way does your business model affect your organization's ability to scale its social impact?

## ***Findings***

The data collected through the interviews were transcribed from recordings (a process to which the participants had agreed) and then a thematic analysis was carried out to identify patterns within the interview data. Thematic analysis involves reviewing data and assigning codes based on word similarity, repeated references, and other patterns that emerge from the transcribed record. These themes were labeled against the analytical framework identified in the literature review and applied to the SCALERS model.

Three themes emerged from the interview data that centered around strategies used for scaling the impact of social enterprises in Nigeria. The themes are as follows and are discussed in the section which follows:

1. Fund raising strategy for scaling social impact
2. For-Profit type strategy for scaling social impact
3. Volunteering strategy for scaling social impact

### ***Fundraising Strategy for Scaling Social Impact***

The analysis of the responses to the interview questions revealed that some social enterprises in Nigeria employ the fundraising strategy to scale their social impact. Although these organizations are designed to be self-sustaining by taking profits which will be reinvested back into the business, they seek the support of donors to finance the expansion of their operations. When these organizations receive support from donors, they can subsidize the cost of providing the social innovation that they created to the users, thereby reaching a broader audience.

The founder of Social Enterprise B, which manufactures a phototherapy unit used to treat neonatal jaundice in newborns, explained that even though the phototherapy units are quite affordable for private hospitals and government owned health centers, it is only by the help of donors that these units can get to rural areas and serve families below the average income line. The founder of Social Enterprise B further indicated that “when we started this business, it was to ensure that the experience I had

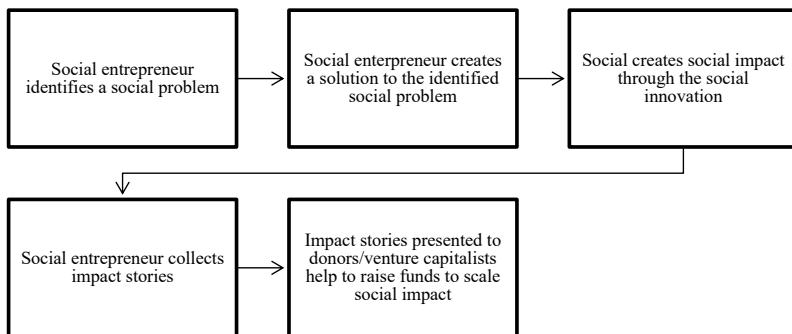
when my baby was diagnosed with jaundice does not happen to new mothers in Nigeria; however, with limited available resource[s], there is no way to get the phototherapy unit to a large population of new mothers —this can only happen through the funding support of donors.”

The donors provide funding that helps to subsidize the costs of deploying the phototherapy units. Social Enterprise B uses storytelling as a tool to get the attention of donors who share the same goal to reduce deaths from neonatal jaundice in children: “...the only way that we could get the attention of donors was to show case the impact that our phototherapy unit was having in jaundice care, so we began collecting stories of happy mothers and saved babies and this helped us raise donations to ensure that the phototherapy units get to more children” The founder also explained that “our strategy is basically sharing experiences and our stories and this is our strength because new born babies are voiceless, so if we continue to be the voice of new born babies, people will hear us...”

The founder of Social Enterprise A explained that the first step the organization took in opening micro-credit products for rural and market woman was funded by donors. However, on transitioning to a full microfinance structure, the organization could no longer access funds from some organizations because they had to request savings deposits from their customers. Also, interest had to be applied to the loans disbursed; he believes that social enterprises in Nigeria can receive funding from both local and international donors to scale their impact if they have an impact story to tell. Reporting a different strategy, the founder of Social Enterprise E explained that, “We participate in competitions for grants on a regular basis using our impact stories as a basis to attract donors, more so, because we are focused on maternal and infant mortality in Nigeria, we are able to enlist medical workers who take our impact to their different hospitals.”

The social enterprises interviewed suggest a flow of scaling social impact using a fundraising strategy that can be represented by Figure 1.

**Figure 1: Fundraising Strategy to Scale Social Impact**



The chief operating officer of Social Enterprise C explained that the organization raises capital to scale its impact by collecting impact stories of their operations and using these stories as a basis to make a pitch to venture capitalists. The impact stories must be such that present the organization as a high growth venture and the venture capitalists usually get equity stake in the business. The summary of the engagement with these five social enterprises is that fundraising as a strategy to scale social impact may be implemented either through the route of attracting donors or through pitching to venture capitalists. The difference, according to the social enterprises, is that donors do not seek profit from their funding activities but expect to see the promised increase in social impact. Venture capitalists are, however, investing in a high growth business and expect profit. The founder of social enterprises B reported that fundraising is the most viable option for her social enterprises because of the cost of accessing business loans in Nigeria. She believes such loans will end up making the phototherapy units inaccessible to low-income earners since the cost of the loan will be factored into the final sales price of the product. Hence, the organization focuses on ensuring that the right mix of impact stories are collected and used as the basis for engaging donors.

Social entrepreneurs and most small business owners in Nigeria are faced with the daunting task of raising funds through bank loans to

finance their business because of widespread poverty and the costs of such loans which easily erodes profitability (Kanayo et al., 2013; Mercy et al., 2015). The peculiar nature of social enterprises may require that alternative means of funding, such as fundraising through donors, are employed to scale their social impact; this is especially relevant to the Nigerian economy (Ogbo et al., 2019). The founder of Social Enterprise B related that having understood the importance of fundraising to the survival of social enterprises as well as their ability to scale, her organization supports new social enterprises by helping them fine-tune their application for grants.

#### ***For-Profit type Strategy for Scaling Social Impact***

Social enterprises in Nigeria employ the business expansion strategies used by non-social businesses to scale their social impact. This was revealed from the interview responses received from the social enterprises interviewed. The executive director of Social Enterprise A explained that to scale their impact, they had to employ the strategy of branching. He stated:

“...We realized early enough in the business that since our goal was to take financial inclusion to the most remote areas in Nigeria, we needed to put branches in these areas, so we are able to reach our target individuals...”

Such a decision was based on the enterprise's realization that in order to make micro-credit available to individuals and small businesses, they needed to be as close to the population they intend serving as much as possible. This led to the establishment of over 400 branches of the microfinance bank. Branching is not foreign to non-social businesses; it is how large retail chains open more sales outlets or stores to increase sales and grow their business. The founder of Social Enterprise A agreed with the position of Heinecke and Mayer (2012), who argued that branching is suitable for social enterprises that have the capacity to be in complete control of their scaling efforts. As an established business, the microfinance bank could easily cycle profits into establishing more

branches, which are under the full control of the head office. By adopting the branching strategy, Social Enterprise A claims to have successfully reached over three million customers with their micro-credit facilities.

The Chief Operating Officer (COO) of Social Enterprise C also highlighted how the use of branching aids their ability to scale. The organization continually establishes waste collection hubs, especially in rural areas where they can persuade individuals to buy into the social innovation that they offer. The more branches they can open, the closer they get to the people they intend to serve with the social innovation that they have created. The COO of Social Enterprise C also said they use diversification as a business strategy to scale its social impact. As explained by the COO, they have created different levels of engagement that translates to variations of the social innovation they provide. Social Enterprise A also uses diversification as a tool to scale its impact. Its founder explained that the strategy was to continually create micro-credit products that address the social need of their target population.

Social enterprises in Nigeria also leverage technology to scale their impact (Olaleye et al., 2021). The founder of Social Enterprise A described how the organization is currently focusing on growth through technology-assisted agency banking, which uses point-of-sale terminals to deliver financial services in rural areas. According to the interviewee, “In the past three years, we decided to expand to rural areas through agents who use point of sale units (POS) to provide banking services to individuals who cannot visit a physical bank branch”. Social Enterprise C has a mobile application that can be installed on mobile phones. This mobile application brings its services closer to the people it intends to serve. According to its COO, “We decided to create a mobile app as we found that this puts our service at the reach of as many people who have a mobile phone in Nigeria.”

### ***Volunteering Strategy for Scaling Social Impact***

Volunteering is not foreign to social enterprises, and, even though the social enterprises interviewed for this paper have a business model that

yields profit, some of them utilize a volunteering strategy to scale their social impact. The founder of Social Enterprise B described how her organization recruits volunteers who “double” as employees, at a lower pay level, which reduces overhead, thus making it possible to re-invest the savings back into the business and to also scale impact. She stated: “Our employees are also volunteers, this is because our recruitment process is tailored to reflect the social impact goal that we intend to achieve, hence we are able to attract individuals who are not necessarily focused on financial incentives.”

The business structure of Social Enterprise C sees staff members as volunteers because of the passion they bring to the organization and these staff members stay not necessarily because of financial rewards. The COO of Social Enterprise C spoke in glowing terms of staff members who joined the organization and stayed through hard times because they had the mindset of a volunteer. It is this mindset that has helped the organization stay afloat and even scale its impact; she emphasized that passion for solving social problems is one thing her organization looks out for when recruiting.

Social Enterprise C also uses the volunteering strategy effectively when the organization intends to do campaigns that will help inform people of the social innovation that they have developed. Such campaigns and events make it possible for the organization to reach more people with the social innovation. Bostock (2014) argues that since social enterprises can easily blur the line between a for-profit and a not-for-profit organization, volunteering could be a strategy to scale their impact especially through events and campaigns.

### ***The SCALERS Model and Social Enterprises in Nigeria***

The SCALERS model discussed in earlier paragraphs is the work of Bloom and Chatterji (2009) who proposed seven drivers for scaling social impact which include: staffing, communication, alliance building, lobbying, earnings generation, replication, and stimulating market

forces. As a part of the interviews held with the social enterprises selected for this study, questions were asked about how these organization utilize the seven drivers proposed by Bloom and Chatterji (2009) for scaling social impact.

The founder of Social Enterprise A explained how staffing forms a part of their scaling strategy since they had to open a lot of branches. However, the organization is hoping to carry out all future expansion through technology-based initiatives. In the past and at present, the organization continues to build alliances with international organizations who support its work force through training and capacity building. The organization's fundraising strategy uses the right communication tools to ensure that stakeholders understand its mission and support this through funding. For Social Enterprise C, staffing gaps are filled through the volunteering strategy. Moreover, Social Enterprises B, C, D and E, in their fundraising efforts, utilize the right communication tools to reach out to donors and venture capitalists. These organizations also build alliances with international organizations as well as local ones. An interviewee with Social Enterprise A, however, indicated that the organization is regulated by the Nigerian financial authorities, hence they do not see lobbying as a strategy to drive their social impact. Social Enterprises C and D, on the other hand, use lobbying as a tool to stabilize their business and not necessarily to scale it. They highlighted challenges with the local authorities who oversee waste disposal who sometimes see them as competitors. They therefore seek to build alliances with local authorities and they lobby the state government to ensure that their business interest is protected. Some of these organizations spoke of some of the drivers of scale identified as strategies which they employ to keep their businesses running.

The scalers model was labelled against the themes which emerged from the interview data to reflect the relationship between the themes and the scalers model. Figure 2 summarizes the success factors which these social enterprises consider as aiding the success of their chosen strategies.

**Figure 2: The Scalers Model and Strategies for Scaling Social Enterprises in Nigeria**

Fundraising Strategy for Scaling Social Impact	For-Profit type Strategy for Scaling Social Impact	Volunteering Strategy for Scaling Social Impact
<ul style="list-style-type: none"><li>• SCALERS: Communication.</li><li>• Success factors: having a clear and well defined mission, creating social impact through a specific social innovation which solves a social problem and being able to collect impact stories.</li></ul>	<ul style="list-style-type: none"><li>• SCALERS: staffing, replication, earnings generation.</li><li>• Success factors: adaptability of the founder, ability of the organisation to adjust to market realities.</li></ul>	<ul style="list-style-type: none"><li>• SCALERS: Staffing, communication, alliance building</li><li>• Success factors: clarity in the organisation's mission and its ability to find a common voice with other members of the community who share similar goals.</li></ul>

While each strategy reflects a different combination of SCALERS approaches, the common denominator across all three seems to be flexibility and the ability to adapt to changes in the market and the various stakeholders involved in the social enterprises' work. Clearly, the fundraising strategy relies most heavily on communication, whereas the for-profit and volunteering strategies employ a greater combination of SCALERS functions. A review of interviewee responses suggests that social impact scaling is a complex process requiring constant review as it attempts to maximize its reach, particularly in countries such as Nigeria, where social problems are rampant and limited resources are available.

### ***Discussion***

Research on the strategies for scaling the social impact of social enterprises in Nigeria has been uncommon, probably because the field is still developing. However, Nigeria has a growing number of social entrepreneurs, as well as potential social entrepreneurs who will benefit from research in this area. The economic situation in Nigeria makes it more pertinent to engage some form of self-help which is the motivation for social entrepreneurs. The aim of this paper was to examine the strategies for scaling the social impact of social entrepreneurs in Nigeria

and to see how these strategies match with what is found in existing literature about scaling social impact. Five social enterprises were chosen, and interviews were held with the founders and or senior members of staff.

This study finds that social enterprises in Nigeria have evolved in response to the environment in which they operate, and this evolution is what informs the strategy they employ in scaling their impact. The lines between being a for-profit organization and a social benefit organization are blurred to ensure that the organization thrives without renegeing from its social mission. Also, the strategies for scaling social impact outlined in existing literature are embedded in the themes which indicate the strategies discovered from the interview data.

While providing a useful insight into social enterprises' use of scaling, more research is needed to appreciate fully the full range of strategies that organizations employ, and to understand the reasons for their choices. As a whole, research on scaling needs more development in order to appreciate its utility as an expansion tool in the increasing prominence of social enterprises in contexts such as Nigeria. Hopefully, this study will serve as a pilot study for more research to be conducted in this area. ■

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# **SIGNIFICANCE OF CHANNEL MASTER LEADERSHIP IN MANAGING GLOBAL SUPPLY CHAINS**

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*Abstract: Organizations throughout the world have recognized the importance of managing their supply chains effectively and efficiently to gain a competitive advantage in the marketplace. A supply chain is a complex phenomenon associated with multiple functions, organizations, and processes to deliver goods and services to customers. Supply chain professionals have to deal with multiple people at various entities to achieve supply chain goals. This is especially true for supply chain managers working for “channel master” organizations. Therefore, managing supply chains effectively requires excellent leadership skills on part of supply chain professionals. This article reviews the leadership and supply chain management literature and then combines the two streams of knowledge to gain additional insights into the significance of effective leadership skills in managing the global supply chains. The article further highlights the areas of future research related to the topic.*

Leading is considered as one of the most important concepts in management. Organizations throughout the world know the importance of having effective leadership for their organizational success. The leadership phenomenon has, therefore, long been studied by business professionals and research scholars. Beginning with the “great man” theories of leadership, multiple approaches were employed to study the leadership process (Nohria & Khurana, 2010). The role of supply chain management is also a crucial component of this process.

A supply chain consists of a series of integrated organizations for producing and supplying goods and services (Chapman, Gatewood, Arnold, & Clive, 2016). The concept of supply chain management is relatively newer to the world. The supply chain management term mainly emerged in the 1990s when it became part of the vocabulary of some CEOs, COOs, CFOs, and CIOs (Coyle, Langley, Gibson, Novack, & Bardi, 2009). Since then the concept of supply chain management has continuously evolved and has gained popularity throughout the world. Numerous professionals have chosen the field of supply chain management for their professional careers. Good leadership, as in other areas of business, is also required in the field of supply chain management (APICS, 2011). This is because supply chain professionals need to deal

with numerous individuals inside and outside their organizations to plan, operate, and control their supply chain activities. This requirement of leadership skills for supply chain professionals becomes even more significant in the case of global supply chains.

This paper explores the importance of leadership in the context of supply chain management. The paper is based on the literature reviews of the two streams of knowledge; leadership, and supply chain management. After an initial review of these topics, the two streams of knowledge are then merged to have additional valuable insights regarding the significance of effective leadership skills in managing the global supply chains. The paper starts with a discussion on leadership followed by a discussion on supply chain management. It then discusses the significant role of leadership in managing global supply chains. Case studies of two world-renowned supply chains are included in the paper. The paper ends with the identification of some research areas to further investigate the topic.

## **Leadership**

Scholars have defined leadership in many ways. Leadership is simply defined as, “a process of influencing a group to achieve goals” (Robbins & Mary, 2016, p. 523). Weirich, Cannice, and Koontz (2008) defined leadership as, “the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals” (p. 347). Lorsch (2010) defined a leader as “an individual who influences others to follow him or her” (p. 414). Although leadership is defined in many ways, it involves an *influencing* process as the term *influence* is common among many definitions of leadership (Yukl, 1989). Thus, all leaders influence others and are able to achieve the desired goals using this influencing process.

One of the goals of leadership is to enhance the economic and technical performance of an organization (Podolny, Khurana, & Besharov, 2010). Thus, a major goal of leaders is to run organizations efficiently

and profitably. Leaders should maximize organizations' performance in terms of factors like productivity, efficiency, growth, and profitability. Meaning-making in the life of people, who are being led by the leader, is also a major goal of leadership. This meaning-making aspect of leadership includes creating an environment in organizations where people develop a sense of purpose and meaning in their professional lives (Podolny, Khurana, & Besharov, 2010).

The major disciplines that studied leadership have been sociology, organizational behavior, psychology, economics, political science, biology, and history (Nohria & Khurana, 2010). The organizational behavior approach has made a considerable contribution to the leadership literature. Three major approaches to study leadership in organizational behavior literature are: the leadership traits approach, the leadership behaviors approach, and the leadership contingencies approach. The trait approach tried to identify certain personal traits common to all leaders. The behavior approach studied the various leading styles of a leader for leadership effectiveness. The contingency approach tried to find a match between various leadership styles and the situation in hand for the leader (Glynn & Dejordy, 2010).

The psychological approach considered the psychological bases of leaders' influence. This approach also emphasized on the importance of emotional intelligence in leadership practice (Chatman, & Kennedy, 2010). The clinical psychological approach attempted to study leaders' behavior with reference to clinical psychology and it attempted to apply the psychoanalytical approach to study leadership. According to this approach, leaders' behavior in various situations is deeply related to leaders' unconscious mind that finds its developmental roots in early childhood (Vries & Engellau, 2010). The sociological approach considered leadership a function of association between the leader and the followers. It considered leadership as a relational phenomenon instead of focusing on a leader's personal attributes only (Guillen, 2010). Recent economic studies on leadership had taken a principle-agent approach to leadership in which the principle is the owner of the firm and the agent is its

manager. In this view, the principle develops a plan for the firm and the manager executes it (Bolton, Brunnermeier, & Veldkamp, 2010).

The science of biology is now increasingly being applied in leadership research. Various areas of biology including genetics, neuroscience, and endocrinology were applied to understand the leadership phenomenon. Biology has provided us with some interesting insights into the leadership process and its connection with the human brain. Biological research on leadership found that biological factors are associated with a number of leadership variables with some sort of direct or indirect mediating process (Arvey, Song, Li, & Day, 2014). Some scholars thought that leadership is a very complex phenomenon, therefore, its study involving only one discipline is not adequate to completely understand it. Thus, they proposed that leadership inquiry requires collaboration between various disciplines. Therefore, some efforts were made to promote interdisciplinary inquiry on leadership (Jenkins & Dugan, 2013).

One of the concepts discussed in the leadership literature is of the various sources of power for leaders. Power is a means of influencing others (Robbins & Mary, 2016), therefore, leaders should use a suitable amount of power to influence group members in achieving the desired objectives. Leader's sources of power were identified as legitimate power, coercive power, reward power, expert power, and referent power (Robbins & Mary, 2016). Nye (2010) classified leadership power into two categories, hard power, and soft power. The hard power of a leader is by virtue of his or her position in an organizational hierarchy, whereas, soft power is dependent upon the personal qualities of a leader and his or her communication skills.

## **Supply Chain Management**

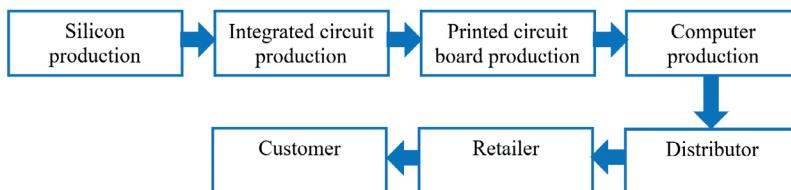
A supply chain is defined as, “the global network used to deliver products and services from raw materials to end customers through an engineered flow of information, physical distribution, and cash” (Blackstone, 2013, p. 171). A supply chain of a product consists of all

the organizations involved, directly or indirectly, in fulfilling customers' demands (Chopra & Meindl, 2013). Figure 1 represents a basic supply chain of a physical product consisting of suppliers, manufacturer, distribution, and customers (Chapman, Gatewood, Arnold, & Clive, 2016). Figure 2 depicts the example of a computer supply chain consisting of various organizations contributing to the manufacturing and sales of computers. Supply chains exist for both manufacturing and service organizations (APICS, 2019). Within an organization, a supply chain includes all organizational functions involved in receiving and filling the customer order. This includes functions of new product development, marketing, operations, distribution, finance, and customer service (Chopra & Meindl, 2013). Therefore, a supply chain has a complex structure consisting of many organizations and many functions within each organization, as indicated in Figures 1 and 2.

**Figure 1: Basic Integrated Supply Chain**



**Figure 2: The supply Chain of a Computer**  
(Chapman, Gatewood, Arnold, & Clive, 2016, p. 18)



Global supply chains, defined as, "supply chains that include international partners or markets" (Blackstone, 2013, p. 73), are found among many renowned organizations like Apple Inc., Toyota Motor Corporation, and Sony Corporation. Salient features of the Apple and Toyota supply chains are later discussed in this paper. Global supply chains are dependent on the efficient and effective flow of commerce

between the countries and the various regions of the world. Global supply chains have increased complexity for organizations in terms of inventory positioning, customer and supplier locations, transportation, trade regulations, taxes, and so forth (Coyle, Langley, Gibson, & Novack, 2017).

There exists competition among supply chains of products in the market instead of competition among individual organizations only (Antai & Olson, 2013). For example, the supply chain of Coca Cola is competing in the market for customers, against the supply chain of Pepsi Cola. There are however multiple interpretations of this belief of competing supply chains, ranging from head-to-head competition between supply chains in the market to organizations competing on their supply chain management capabilities (APICS, 2011). Thus, managing the complete supply chain, instead of managing only a single organization, is very much necessary to effectively competing in the market. This concept of supply chain management is defined as “the design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply and demand, and measuring performance globally” (Blackstone, 2013, p. 172).

Supply chain management provides organizations an opportunity to reduce costs and improve customer service to increase revenue (Coyle, Langley, Gibson, & Novack, 2017). It involves balancing supply and demand of the product through oversight of materials, capacity, information, and finances, in a supply chain. Supply chain management thus requires coordination, collaboration, and integration of various entities and workflows both within and among supply chain partner organizations (BRASI, 2018). Therefore, supply chain management is a complex phenomenon involving multiple entities and activities.

## **Leadership in Supply Chain Management**

A supply chain of a product does not have single ownership as it consists of separate organizations linked together as an extended enterprise.

The supply chain management model is cooperative, comprehensive, and harmonious, that requires the cooperation of various resources among the organizations in the supply chain. It requires organizations to participate in cooperative activities to reach a win-win situation for all supply chain members (Tissayakorn, Akagi, & Song, 2013). Such close cooperation may require greater information sharing, adoption of new work methods, and modification of work practices on part of supply chain partner organizations.

All of the organizations in a supply chain do not enjoy equality in terms of attributes like organization size, financial strength, brand equity, domain knowledge, and thus the ability to influence other organizations (Gaonkar & Viswanadham, 2004). Therefore, usually there a single organization in a supply chain that takes the lead role to introduce, sustain, and continually improve supply chain management initiatives throughout the chain for the benefit of the whole supply chain. Such an organization, taking the leadership role, is called a channel master for the supply chains (APICS, 2019).

## **Leadership Role of Channel Masters**

A channel master in a supply chain exercises influence over other organizations in the network, often directing activities, technology, and behavior in the supply chain. Ayers & Odegaard (2008) defined a channel master as:

The single, most powerful company in a supply chain. The channel master dictates terms of trade for the channel. The presence of a master depends on the nature of the industry and competition. Channel mastery is often the goal of supply chain management programs. (p. 362).

For example, Walmart as a channel master, made it mandatory for all participating suppliers to embrace RFID technology for inventory management (BRASI, 2018). Influence is a characteristic of leadership as leadership is all about influencing others to act in a certain way to

achieve certain goals (Yukl, 1989). Therefore, it can be said that a channel master, as an organization, plays the role of a leader for a supply chain network as it influences other organizations to achieve supply chain goals. The leadership role of a channel master becomes even more important and challenging in the context of the global supply chain. Dell, GM, Sun, and Nike are examples of channel master organization for the supply chains (Gaonkar & Viswanadham, 2004).

There are various sources of power that enable a leader to exercise influence over others (Nye, 2010). In the same way, a channel master's typical sources of power are its intimate customer knowledge, ownership of a strong brand name, and its ability to create ultimate demand for the supply chain (Rice & Hoppe, 2002). A channel master is a supply chain member organization that has compelling control over the sales of the product. Product manufacturers with well-known brands typically used to be the channel masters in supply chains. However, for many products, the power has now shifted towards powerful retailers, acting as channel masters of their supply chains (APICS, 2019). Walmart is an example of such a retailer that acts as a channel master for supply chains of many products (Ayers & Odegaard, 2008).

A channel master, like other organizations, can be part of many supply chains. However, it is not necessary that a channel master enjoys the same influencing power in all the supply chains in which it is involved. Thus, a channel master in one supply chain can be a minor player in another supply chain (BRASI, 2018). The channel master organizations are typically responsible for supply chain planning including; the selection of appropriate partners to develop a supply chain and synchronization of activities between supply chain partners for optimal profit. (Gaonkar & Viswanadham, 2004). Channel masters take the initiative to integrate both upstream and downstream supply chains, getting supply chain member organizations to work cooperatively to lower total costs and achieve greater efficiency (Chapman, Gatewood, Arnold, & Clive, 2016). The channel master should ideally manage the end product demand and supply chain resources so that the supply chain

accomplishes the best customer service at a lower cost (BRASI, 2018). The globalization of supply chains is one of the factors that increased the risks of reconciling supply with demand (Gaonkar & Viswanadham, 2004). It is therefore important for channel masters to employ appropriate risk management tools in managing their supply chains.

### **Three Dimensions of Channel Masters**

Belt (2008) discussed the three main dimensions that characterize a channel master. These dimensions are political, economic, and planning related. It is also possible that there is a separate channel master for a particular dimension. A political channel master organization has the decision-making power and it dominates the supply chain. Large hypermarkets are examples of political channel masters for many consumer products. An economic channel master dominates and controls the money and other resources in a supply chain. The political and economic power generally goes together for channel masters. A planning channel master directs the traffic of organizations in a supply chain by correctly managing the physical and information flows in a supply chain (Belt, 2008).

Channel masters can strive to increase their political, economic, and planning dimensions of power to increase their overall effectiveness. A channel master's planning power can be enhanced with the use of technology related to sales and operations planning, and distribution resource planning (Belt, 2008). Sales and operations planning (S&OP) process is a formal planning tool for organizations and is defined as:

A process to develop tactical plans that provide management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer-focused marketing plans for new and existing products with the management of the supply chain. The process brings together all the plans for the business (sales, marketing, development, manufacturing, sourcing, and financial) into one integrated set of plans. It is

performed at least once a month and is reviewed by management at an aggregate (product family) level. (Blackstone, 2013, p. 154).

Comparatively, distribution resource planning (DRP II) is defined as, “the extension of distribution requirements planning into the planning of the key resources contained in a distribution system (warehouse space, workforce, money, trucks, freight cars, etc.)” (Blackstone, 2013, p. 51). A channel master can increase its economic power by implementing lean methodology to identify and eliminate wastes in its processes. Lean methodology decreases wastes, thus reduce operating costs and increase profits (Belt, 2008). Lean production is defined as:

A philosophy of production that emphasizes the minimization of the amount of all the resources (including time) used in the various activities of the enterprise. It involves identifying and eliminating non-value-adding activities in design, production, supply chain management, and dealing with customers. (Blackstone, 2013, p. 60).

The increase in planning power and economic power results in an increase in the political power of a channel master (Belt, 2008). There are many other formal supply chain planning and collaboration tools available to channel masters to increase their effectiveness. One such tool is collaborative planning, forecasting, and replenishment (CPFR) that is successfully employed in retail supply chain management (Ayers & Odegaard, 2008). CPFR is defined as:

A collaboration process whereby supply chain trading partners can jointly plan key supply chain activities from production and delivery of raw materials to production and delivery of final products to end customers. Collaboration encompasses business planning, sales forecasting, and all operations required to replenish raw materials and finished goods. (Blackstone, 2013, p. 28).

Channel masters can also implement the supply chain operations reference (SCOR) model to improve their supply chain operations. SCOR model, developed by Supply Chain Council, provides a methodology,

and diagnostic and benchmarking tools that help organizations make rapid improvements in their supply chain processes (Supply Chain Council, 2012). The SCOR model has defined and based on the six primary supply chain management processes as described in Table 1. SCOR is a cross-industry, standard diagnostic tool for the supply chain management. SCOR users analyze the current state of an organization's processes and goals, quantify operational performance, and compare supply chain performance with the benchmark data. SCOR also provided a set of recommended metrics to gauge the performance of various aspects of a supply chain (Blackstone, 2013). SCOR model has been successfully applied by multiple organizations belonging to various sectors of business (Ntabe, Munson, & Santa, 2015).

**Table 1: SCOR model management processes**

Sr. No.	Process	Description
1	Plan	The Plan processes describe the activities associated with developing plans to operate the supply chain.
2	Source	The Source processes describe the ordering (or scheduling of deliveries) and receipt of goods and services.
3	Make	Make processes describe the activities associated with the conversion of materials or the creation of the content for services.
4	Deliver	The Deliver processes describe the activities associated with the creation, maintenance and fulfillment of customer orders.
5	Return	The Return processes describe the activities associated with the reverse flow of goods.
6	Enable	The Enable processes describe the activities associated with the management of the supply chain.

(Supply Chain Council, 2012, p. 2.0.1 – 2.0.2)

## **Channel Master Case Studies**

The salient features of Apple and Toyota supply chains are discussed in this section. These are world-renowned organizations with global supply chains for their products. As channel masters, these organizations

are effectively playing the role of a leader for their supply chains. These organizations seem to have all the three sources of a channel master's leadership power. These are intimate customer knowledge, ownership of strong brand names, and the ability to create ultimate demand for their supply chains (Rice & Hoppe, 2002). The main features of their supply chain management strategies are also discussed in this section. There are many valuable lessons to be learned from these two renowned supply chains.

**Apple Inc.** Gartner Inc., a world's leading research and advisory company, has once again included the Apple supply chain in its *masters* category in its rankings for 2020. To be included in the Gartner's masters category in supply chain management, an organization must attain top-five composite scores for at least seven out of the last 10 years (Gartner, 2020). Apple's supply chain has successfully achieved this target. Thus, Apple Inc. continues to provide valuable lessons on successful supply chain management for the supply chain community.

Apple Inc. has its headquarters in California, in the United States. The manufacturing of its renowned iPhone brand takes place at various places throughout the globe. Various components are manufactured by organizations based in many countries including Germany, USA, South Korea, China, Switzerland, and Taiwan. These component manufacturing organizations operate manufacturing facilities in multiple countries. The manufactured components are sent for assembling to two Taiwan based organizations having production facilities in China where the final assembly of the products takes place. The assembled product is distributed and sold across the globe. (Costello, 2018). The sales and distribution of Apple's products take place via online stores, retail stores, direct sales force, wholesalers, retailers, and network carriers (Supply Chain 247, 2013).

By virtue of strong brand name and high sales volume for its products, Apple enjoys a considerable negotiation power over its supply chain partner organizations (Supply Chain 247, 2013). Strong supplier

relations, strategic inventory management, and sustainability focus are the three defining features of Apple's supply chain (Ross, 2008). Apple Inc. keeps its inventory lean and has an effective inventory tracking mechanism in place. This allows Apple to remain agile and innovative in the market with respect to new product development (Ross, 2008).

One of the key features of Apple's supply chain is the maintenance of strong relationships with its supply chain partners including its suppliers (Ross, 2020). Apple Inc. has devised strict performance standards for its numerous suppliers included in Apple's supplier list. Apple's top 200 suppliers in that list account for it 98 percent of Apple's procurement (Ross, 2020). This ensures high-quality service and reliable products from its suppliers. Apple Inc. also believes in the support and development of its suppliers. Thus, Apple has offered educational and skill development programs for its suppliers. A considerable number of suppliers' employees have benefited from such training programs. Apple also maintains close communication with its suppliers and other supply chain partner organizations (Ross, 2008).

Apple is sometimes labeled as the king of outsourcing due to its effective outsourcing strategy and management of suppliers (Supply Chain 247, 2013). Its outsourcing policy of assembling many of its products in China also proved to be a successful strategy. To sum up, Apple's strong brand, high sales volume, innovation, inventory management, effective outsourcing, and long term relationship with suppliers and other partners, are some of the key features that have enabled Apple to remain in the list of top performers in supply chain management. Thus, Apple Inc. has played very successfully the leadership role for its supply chain.

***Toyota Motor Corporation.*** Another good example of global supply chain management is of Toyota Motor Corporation. Toyota sells its products in more than 170 countries. Toyota has 5 regional headquarters, 20 design and R&D centers, and 67 manufacturing companies worldwide (Toyota, n.d.). These manufacturing companies consist

of wholly-owned companies as well as joint ventures, and contractual manufacturing facilities at various locations. A key challenge for Toyota is the design of its global production and distribution network. Toyota's strategy is to open a production facility in every market it serves. Some of its plants only serve the local market in which they are located while others are capable of serving several markets (Chopra & Meindl, 2013).

Supply chain management at Toyota is based on its operations management strategy known as the Toyota production system (TPS). Toyota production system was developed in the 1940s by Shigeo Shingo and Taiichi Ohno (Dudovskiy, n.d.). It is defined as, "a manufacturing methodology developed at Toyota that has evolved into the concepts of just in time and lean manufacturing" (Blackstone, 2013, p. 180). Just in time is defined as, "a philosophy of manufacturing based on planned elimination of all waste and on continuous improvement of productivity" (Blackstone, 2013, p. 88). Shigeo Shingo of Toyota Motor Corporation has identified seven types of wastes in operations. These are the waste of overproduction, waste of waiting, waste of transportation, waste of inventory, waste of motion, waste of making defects, and waste of over-processing (Blackstone, 2013). Thus, the elimination of waste aspect, including the waste of overstocks of inventory, is the central feature of Toyota's supply chain management strategy.

Pull production based on the Kanban system, total quality management, elimination of waste, reduction of inventory, continuous improvement, and close cooperation among supply chain partners, are the key elements of just in time system of operations management (Dudovskiy, n.d.). A system of Just-in-Time procurement uses few suppliers that have long term commitment with Toyota. Longer-term contracts and relationships enable Toyota to develop and certify the process quality of the supplier. The components are delivered by suppliers on time and within quality specifications (Blackstone, 2013). A system of Kanban is used to maintain a systematic physical flow through the supply chain that keeps the inventory to a minimal controlled level. Suppliers make several deliveries of smaller lots throughout the day to Toyota's production facilities

(Iyer, Seshadri & Vasher, 2009). Following are some of the salient features of Toyota's supply chain management system that has made it so effective (Iyer, Seshadri, & Vasher, 2009):

- The holistic view of the whole supply chain is taken with supply chain-oriented products and facilities, streamlined inbound and outbound logistics system, a limited number of suppliers close to the assembly plants, and integrated supply chain and kaizen processes.
- Suppliers and dealers are considered as partners of Toyota Motor Corporation.
- Close coordination and communication with suppliers, dealers, and other supply chain partners.
- The goal of overall supply chain efficiency takes precedence over individual functions and organizations.

The scope of supply chain management at Toyota Motor Corporation spans through its suppliers' suppliers, the distribution channel, the dealers, and the final consumers (Iyer, Seshadri, & Vasher, 2009). The philosophy of Toyota production system with its elements of just in time, Kanban, lean manufacturing, and kaizen, gives efficiency to the Toyota supply chain. This provides Toyota's supply chain an edge in the market for competing against the competition.

## **Leadership Role of Supply Chain Professionals**

As discussed in this paper, a supply chain is a complex concept consisting of many organizations and functions within organizations. Therefore, professionals working on supply chain management activities of an organization needs to deal with multiple people, functions, and entities. The majority of the people they deal with are not under their direct line of authority. Despite this, they need to influence the people working at various organizations or functions to achieve supply chain goals. In other words, they need to have good leadership skills to handle supply chain management activities. This demand for leadership

skills is even more for supply chain managers working in channel master organizations.

Not all organizations have dedicated supply chain management departments to align and coordinate supply chain management activities. Many organizations have developed, full-time or part-time, supply chain management cross-functional teams for effective and efficient management of supply chain activities. Whether operating on full-time or on a part-time basis, supply chain managers need to design, coordinate and align activities, not only within their organizational boundaries but also among partner organizations in their supply chains (APICS, 2011). They need to influence people working in various functions in their organizations like operations, warehousing, procurement, and information technology and they also need to influence outside entities like transporters, suppliers, customers, and distributors. A display of good leadership skills by supply chain managers is therefore very much needed for this purpose.

Tissayakorn, Akagi, and Song (2013) highlighted the importance of supply chain integration, customer focus, information sharing, use of the modern information technology network, and design for supply chain, for effective management of manufacturing supply chains. Supply chain professionals, therefore, need to display relevant traits and behaviors to effectively manage these supply chain related activities. Supply chain managers need to be critical thinkers and problem solvers. They must have an ability to see the big picture, develop integrated solutions, establish contingency plans, and able to communicate the vision (Coyle, Langley, Gibson, & Novack, 2017). Most of these required qualities relate to effective leadership skills and are mentioned in leadership literature under the headings of leadership traits (Zaccaro, 2007), leadership competencies (Tubbs & Schulz, 2006), and leadership behaviors (Yukl, Gordon & Taber, 2002). This clearly establishes the fact that a display of good leadership skills is required from supply chain professionals. This need is even higher in cases of complex global supply chains like that of Apple Inc., and Toyota Motor Corporation.

## **Recommendations for Research**

There is only a brief mention of the topic of leadership for supply chain professionals in the supply chain literature. For example, Crook, Giunipero, Reus, Handfield, and Williams (2008) identified leadership as one of the antecedents of supply chain effectiveness. The Supply chain manager competency model developed by APICS (2014) identified certain managerial and leadership competencies for supply chain managers. However, considering the importance of the topic, such mentions in supply chain management literature lacks the required depth of knowledge.

The context in which a leader is operating does matter. Certain required traits and behaviors for effective leadership may vary according to the context in which a leader is operating (Hackman, 2010). Therefore, there must exist certain leadership demands on the leaders operating in the supply chain management environment that may be different from leaders operating in other contexts, for example, in the project management environment. Therefore, the topic of leadership in the supply chain management context needs detailed investigation by leadership scholars. Considering this need, the following are some recommended areas for future leadership research in the context of supply chain management:

- The specific requirement of leadership qualities in terms of leadership traits and behaviors for supply chain professionals. This research would give clear direction to businesses and aspiring supply chain professionals in their efforts to enhance leadership quality in the profession of supply chain management.
- A comparison of required leadership qualities for professionals working for channel master and non-channel master organizations in a supply chain. It is expected that there would exist some differences in the required leadership qualities for both types of organizations. Plus, the requirement of effective leadership would be more robust in the case of channel master organizations due to their greater influencing role in a supply chain.

- A comparison of required leadership qualities for supply chain professionals in the manufacturing and service sectors. There may exist a difference in the required leadership qualities of supply chain professionals due to certain differences in the nature of manufacturing and service sector organizations.

## **Conclusion**

Supply chain management is a complex concept that consists of dealing with multiple functions and organizations. Thus, managing global supply chains requires excellent leadership skills. A channel master is a dominant firm in a supply chain. A channel master organization takes the leadership role for aligning supply chain management activities throughout the chain. Three main dimensions characterize a channel master's role in a supply chain. These are political, economic, and planning dimensions. Political dimension relates to decision-making power in supply chains. The economic dimension dominates and controls the money and other resources in a supply chain. The planning dimension relates to managing the physical and informational flows in a supply chain. There are many formal planning and execution tools available for effective management of the supply chains like: sales and operations planning (S&OP); distribution resource planning (DRP II); collaborative planning, forecasting, and replenishment (CPFR); and supply chain operations reference (SCOR) model.

Supply chain management professionals, especially those working in the channel master organizations, need to display good leadership skills as they have to deal with people at multiple functions and entities. They need to influence others and many of their job skills requirements correspond with effective leadership skills. Further research should be carried out on the specific leadership skills requirements of supply chain professionals in the context of supply chain management. Future research can be carried out on supply chains related to channel master and non-channel master organizations in both the manufacturing and service sectors. ■

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# THE INSURANCE INDUSTRY AND THE DIGITAL WORLD: THE NEED FOR TRANSFORMATION AND INNOVATION

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IN ASIA SINCE 2000, DR MATTHIAS DE FERRIERES, leaves AXA as Regional CMO in 2014 to set Stark Group, a company focused on delivering customer centric yet easy to operate insurance-based solutions. In 2 years, he sells 2 profitable B2C platforms to incumbents. In early 2020, he founds My-Insurer, the first ecosystem dedicated to Financial Advisors that reduces operational cost and help collect smart & compliant data while offering value added services to their leads and clients. Matthias holds a MBA from Chicago Booth and a Ph.D. in Entrepreneurship from Horizons University

*Abstract: This article evaluates the status quo of the insurance industry in regard to its adaptability to relevant technology. In this paper, I highlight: the barriers to entry for innovation from the industry perspective, the need for a “wakeup call” to survive in the midst of technological change, and how startups can embark on an innovative journey for growth. I demonstrate that while insurers have endorsed the necessity to change, adapt and transform their own industry, they have yet to realize that the e-world requires them to rethink their priorities. I also show the benefit of insurers remaining focused on developing in-house solutions to their challenges.*

Over the past decade, most industries transformed themselves through the venue of online tools. However, the insurance industry did not enjoy the same pace of change (Kucheriyav, 2018). At present, product and marketing functions remain bogged by price sensitivity and technical or underwriting matters; insurance organizations, on the other hand, are focused around necessary compliance and risk assessment (Kucheriyav, A. 2018).

While most industries have the luxury of free play in organizing their activity, the insurance industry is driven by multiple set of restrictive rules and directives. The insurance market is heavily regulated as an industry but also as an activity. These by-laws differ from country to country yet they govern the way the industry can practice its business. The maturity, the culture, the education of each market define the complexity of these rules and set them according to: (a) what type of products and services the insurer can promote or sell, (b) how such activity can be commercially marketed and communicated; (c) how much the product, the service should it be sold; and (d) who can sell and give advice. These criteria guide and define the market practices and have a critical impact on the image of the insurance industry. The range of products and services remain poor as they are constrained by regulators.

For instance, in Indonesia and Malaysia, insurance is tariffed (Tuah, 2017), effectively giving the respective governments rule over price. It also constricts the process, as an insurer is not allowed to provide extra

commission or suggest any promotion unless the regulator has approved it. In Malaysia, gifts and incentives to the distributors or the customer is banned. In Indonesia, the total marketing cost (acquisition cost, commission) cannot exceed a 25% of the price to pay. As such, all insurers sell the same products at the same price and the same way. Product innovation becomes unnecessary as differentiation –base of innovation- is not allowed.

## **Data and Customer Protection**

While local regulators tend to “deregulate” more and attempt to liberalize the industry on offer and pricing, the reverse holds true on customer protection. For the past three years, governments have shown concern for protecting the personal data on their fellow citizens (Cramer S., Ang W., Olds D., Paulin J., Lua J. September 2018). They make it even tighter for the financial and insurance industry. Insurance firms tends to respond to such demand by reorganizing their key functions (Ismail N. 2016). Risk, legal and other controlling functions take more and more the lead in the decision-making process of the company. They assume their new role and position themselves as critical when it comes to protect the interest of the company. Increasing control and processes on data flow, data ownership, data management and data protection tightens the innovation opportunities.

For example, in Singapore, the “protection acts” of 2015 were intended to protect the prospect or the insured against the usage of data he/she provides to the provider. The necessary investment for big data transformation took precedence over innovation. In Singapore, it is required to collect the signature and consent of the prospect at the starts at the advisory session, prior to purchase (Cramer S., Ang W., Olds D., Paulin J., Lua J. September 2018). In this process, an advisor needs to receive a written approval from a prospect confirming that a fair and clear advice has been provided. In a world where digitalization is the norm, insurance prospects still meet face-to-face rather than developing the opportunity to interact online.

### ***Capital Intensity and Management***

The insurance industry is one of the most capital-prominent industries after energy, banking, transport and telecommunication (Zurbuchen, 2002). The capital to operate the insurance business is also heavily regulated. The solvency margin of a company is measured in the ratio reflecting the percentage of capital an insurer must keep relative to the risk it underwrites during a specific period. The ratio depends on local regulators and varies by country and by time period. For each dollar collected, insurance companies must keep on average between \$1.50 to \$2.20 in their bank account; this money must not be encumbered. Such a ratio is the main driver of the investment of the industry. As a company grows and underwrites more business, more capital is required, more budget is allocated to respond to the solvency directive, and less can be allocated to innovate and transform the industry.

Insurance companies fall into a category of organizations that requires a strong financial architecture in view of its capital-intensive nature. To manage such capital and ensure that it is used accurately, these companies develop appropriate gateways and governance that will monitor their finances and the usage of their assets. A lot of money is spent to monitor and control these organizations. Departments are set and empowered to govern, administer, audit and challenge the business (Latham, 2017). The governance is conservative and protective. Committees are set to prevent anything that could jeopardize the financial stability. Should a company member or officer suggest an idea, the necessity to comply to process quickly pushes them to abandon the opportunity to explore it—thus, the concept will often be killed before it even starts.

### ***Silos of Empowerment***

Traditionally, an insurance company is organized around two centers of power: actuarial services, and information technology (IT) (Latham, 2017). Both drive the offer and the purchasing cycle. The first one design and define the technical price of products and services; the second one

delivers the customer journey according to marketing and compliance (data management, data flow, data storage and data ownership). One focuses on maximizing profitability, the other one on maintaining the architecture that allows the business flow. One controls the capital reserves and responds to prices, and one monitors the scalability and supports departments to optimize their job. While each function is essential, they are historically self-centered and obsessed by risk control. They are not receptive to any proposal or debate that could bring on board new concepts; challenging the traditional flow of things. With such nature, they are self-centric with a mindset that remains extremely protective of any outsiders. Actuarial must protect the company from any financial losses; IT must avoid any breach in terms of security or data flaw.

*Risk-Obsessed, and Innovation-Adverse.* There is a popular perception that the insurance industry is financially profitable, and that it readily collects premiums yet rarely reimburses customers' claims. There is also the belief that they don't "play fair" and remain selective when dealing with premium redistribution when the market makes money. While the industry comprises a significant financial system, it does not withdraw much profit overall (Freiling, 2015). This is especially true of personal and commercial insurance. In fact, the industry achieves a difficult 5-8 percent net profit on average per year. Most of the investment effort is spent on protecting the little margin and dealing with heavier compliance issues.

From a macroeconomic point of view, the insurance market is a cyclical market from a profitability view point. As the market moves towards profits, new entrants and more competition reverse the trend. Due to price wars and lighter underwriting guidelines, marketing expenses increase which reduces profit. In addition, changes in regulations make the market tighter in term of risk appetite. For example, the severe flooding that affected Thailand in 2011 (Kitichotekul, 2012), had a devastating impact not only on the country and its infrastructure but also on the insurance industry. The country and insurers faced an unprecedented US\$13 billion in claims, 10 times the premium collected on

that same year. Many insurance companies declared bankruptcy; at the same time Thailand's Office of Insurance Commission made the rules of commercial engagement for insurers tighter. Many insurance companies decided to give up and left the market. The one which stayed decided to revisit their capital and investment allocation (Kitichotekul P. July 2012). As risk management companies, they opted for greater allocation in reserving rather than innovation. Overall, with a 3-4 percent margin and massive loss from time to time, there is little room for budget allocation on trial and error and innovation.

From the vantage point of microeconomics, one should understand the commercial approach of the industry. Rather than providing an offer, a series of benefits, a service; insurers declare a price to pay. The focus is not on the value perception versus the willingness to pay but rather the necessity for an insurance product to remain profitable. As such the price is technical rather than commercial. In addition, the way products are sold remains solely premium-centric. For example, an insurance company allocates 65-75% of the premium collected to pay and service the claims, the actuaries' main objective being to maintain that ratio rather than optimize profitability. Should the ratio go beyond 75 percent, actuaries will increase even if there is an opportunity to sell more. If the ratio falls below 65 percent, the actuaries will reduce the premium to be more competitive even if there is an opportunity to increase the profit. The price of a product is thus calculated based on claims management rather than willingness to pay of the customer. Consequently, there is little room to allocate innovation margin into the pricing.

One peculiarity of the insurance industry is the promotion of non-tangible products. When a product containing a product and a service is sold (such as a promise to manage the financial burden of an accident), a service is presumably guaranteed. Insurers collect premiums up front to finance the service later. As the service and its promise may or may not be triggered during its lifecycle, the job of an underwriter is to assess the probability and propensity of that triggered risk. To assess that risk, customers go through lengthy questions on profile disclosure, behavior

and attitude prior to potential acceptance. Only through rigorous questioning and investigation, an underwriter can figure out if the risk is acceptable. There are no efforts or incentive from the industry to design attractive products that will go beyond risk assessment and underwritings (Catlin and Lorenz, 2017).

### ***A Process-Focused Purchasing Experience***

In the 1990s, the industry embarked on a major investment journey to renovate its IT infrastructure and to prepare itself for scalability. Most of these new systems were designed around the product rather than the customer or the service. The customer experience was more defined as a *process* rather than a *journey*. In addition, the priority of IT was the robustness and the scalability as opposed to the agility for future upgrade or change of configuration. Therefore, most insurance companies do not have IT system capabilities that focus on customer demand (Ismail, 2017). The data they have been able to collect over the years, are relative to products more than to the customers. They have no insights on the purchasing patterns of their consumers profiles (retention, number of contracts, profitability; interest and quality) or their interest in the product (Ismail, 2017). In a world where customer insight guides growth and innovation, the insurance industry is still very far from it. In short, the insurance industry endorsed the necessity to change, adapt and transform but it has yet to realize that the e-world announces new boundaries and defines new rules that makes true innovation effective.

### ***The Journey to Transformation***

Insurance companies are making some progress, however (Catlin and Lorenz, 2017). Retail & Distribution, and Healthcare have embarked on digital innovation to gain productivity and new market opportunities. They are developing new paradigms that are geared to attract faster and better customers. They test new ways of working and are slowly adapting to new standards. They work with innovative start-ups and tech youngsters to develop micro solutions. They discover the power of “immediate success or move on” attitude: They realize that it is both cheaper and

faster from an infrastructure point of view and more engaging yet less frustrating from an organizational one to develop agile IT solutions.

Along this journey, insurers face the challenge of a heavy directive pertaining to products, capital, data flow and price. While regulators define the framework, insurers are supposed to work within, it exists opportunities to maneuver around such regulations. There are ways to leverage on existing tools, innovate and remain compliant to local governance.

The essence of data management arises within the insurance industry in which probability initiates the price, and thus the product. The ability to assemble data, score them to draw patterns and opportunity of business is insurance-specific. IT data tools and capacity have evolved accordingly. The opportunity to collect, stream and analyze data has increased significantly over the past five years. Yet insurers may not have been able to use these data accurately; they own copious amount of information about their customers without knowing anything about them (De Jong, 2018). They are experts at using it to price products and maintain sustainable loss ratios, and are becoming more sophisticated at fraud detection. What is severely lacking is the ability to grow their business through the creation of new and more attractive products. Basic socio-demographic data is no longer sufficient to target consumers effectively, particularly as gender-based pricing has been outlawed. Insurers' systems need to be able to access external data sources such as driving, fraud and claims records to complement their own information. They should invest massively in re-ordering the data they have. In essence, they need to better understand their customers.

### ***Leverage on Digital Capability***

The digital world provides the opportunity to support the difficulties of what regulation may dictate (Kucheriyav, A. 2018). The insurance product comes with a set of mandatory information that all customer must read. The digital world helps in this function. For instance, once the basic cover (tariffed and regulated) is sold according to the rules and regulations, there are opportunities to cross or up sell non-regulated

products using online tools. Agents can leverage on simple and easy-to-use platform that will make the purchasing cycle efficient, creative and optimized. By optimized, we mean digital solutions that can evaluate the willingness to pay additional premium through a better value perception of the products. These solutions put aside what is restricted and give the opportunity to monitor the conversion rate and adjust the offer through segmentation. AXA Asia has launched several initiatives that are data driven (De Jong B. 2018). It develops a product that adapt itself according to what a prospect perceives as critical benefits when purchasing insurance and how much he is willing to pay to acquire such benefits. In a regulated market, these innovative solutions help the insurer to design a primary package in line with the regulator and open the door for an upsell opportunity at a later stage.

## **Transforming The Organization From Silos of Empowerment to Functional Integration**

A lighter and innovative organization can enforce the sharing of ideas and concepts. It avoids bureaucratic governance and facilitates decision making processes. Marketing, distribution and service departments now can expand their expertise into innovation due to digital technology. For instance, the needs of service and distribution in terms of IT and process differ. A recent report from Accenture highlights the potential friction between the two (Gera, Cusano, and Sandquist, J. 2017) and shows the power of collaboration and what can be delivered when they work closely. Marketers who grasp the technology dollars will need assistance to better understand the digital world. As per the report, “by 2017, CMOs are projected to spend more money on information technology and analytics than CIOs, a remarkable development considering that CMOs regard digital orientation as their weakest capability—at the exact moment when it needs to be their strongest.”

Integrating these functions would also improve the turnaround time of brain storming, designing, developing and deploying. Most importantly, the governance will be shortened. The decision layers are

drastically reduced; where priorities are centralized to serve one objective. It is crucial for the organization to be business-driven instead of technology-driven; marketing and offer driven rather than being price savvy. The digital transformation can assist companies in refocusing their decision process. Thus, the need to shift the focus from a planned and scoped role to an experimental one is clear. As an example, some insurers have created their own innovation labs that give the opportunity to welcome different experiences and expertise within the organization (Reader, 2017). New departments with new perspectives, scope, and expertise are being implemented, bringing some precious innovation to organizations.

### ***Opening the Organization to Outsiders***

The ultimate innovative call to action for change can engage when a company realizes that only an outsider is able to move better and faster to transform its industry. If the traditional insurers are not able to assimilate such changes within their organization easily, some opportunities arise for new entrants. Change may come up from outside rather than from within. Collaboration with external stakeholders can assist the industry to evaluate and test new perspectives. An alternative to ensure that the industry embraces innovation is to welcome and engage start-ups to enter its market. Non-industry experts such as digital marketers and other various creative companies can participate in transforming the insurance environment. One example is Amaguiz, an online insurance company established in 2008. In less than two years, Amaguiz became a leading e-marketing insurer. The project took leveraged the strength of its parent company, Groupama, in the areas of claims management handled by its call centers. It focused on developing a digital platform by observing the different industry partners, peers or competitors and learning from them. Amaguiz accepted to approach insurance opportunities from a different perspective. Meanwhile, Groupama opened its organization and listened to different parties, acknowledging that different models could work (Lahraoui, 2016).

### ***Adapting the insurance business to agility and speed***

Legal and IT departments work together to ensure that capacities are developed in house for a full control of the ecosystem (Abbattista, 2015). These solutions can be robust but also lengthy and rigid. By the time big corporations implement their solutions, the digital universe has changed significantly; which make the initial program obsolete. It is common to witness numerous companies spending millions to launch up solutions that become irrelevant the day it is deployed. The world 3.0 is a one that innovates rapidly and require the appropriate agility and speed of deployment. Today's concept is not to *possess* the technology but rather to *access* it (Abbattista, 2015). Insurance companies need to learn how to adapt their industry by endorsing the opportunities such as cloud computing and open sources technologies, for example.

### ***Shifting the Mindset from Underwriting/Processing to The Customer***

Finally, insurers must question existing principles, habits and assumptions about their business, re-engineering processes as well as technology (Kumar, 2013). Most of them consider investing in innovation with the objective to reduce fraud and gain productivity. Automation is already widespread, yet it is usually applied without a clear consideration of what will improve the customer experience. Insurers could gain the greatest competitive advantage by ensuring responsiveness, transparency and choice through new design (Kumar A. January 2013). Customers have difficulties in endorsing numerous questions asked during the process of purchase. What a prospect wants during the journey is the opportunity to be comfortable in the process of purchase: fewer questions, early segmentation and immediate prices. Customers wish to understand the coverage and compare price from a policy to another; they also want the process of purchase to be sound and easy, fast and lean (Abbattista, 2015). They are further interested in understanding what they purchase and to be confident that their purchases actually meet their needs. This is a far cry from the current approach where numerous profiling and intrusive questions are asked. Online aggregators that focus on providing

prices but fail to advise the appropriate offer are fast expanding in the insurance market. It is not an innovative solution but rather a simplistic way of providing a cover. The insurance industry needs to have an engaging approach when it opens itself up for advisement (Nadjar, 2016), following the example of Green Pages, which develops web apps and other digital solutions for insurers. Their design packages include a systematic segmented customer purchasing experience, starting with an engagement, profiling, an offer, acceptance, and the payment and policy issuance/correspondence (Burke, 2018). Such an approach has also been implemented in AXA Singapore since 2016. The insurer witnessed an immediate increase in its conversion rate and quickly became the leading insurer for travel insurance (Olano, 2017).

## **Conclusion**

Much can be said as to why insurance does not innovate and what they could and should be doing. Many consulting firms and IT companies publish on and off studies and analysis providing alarming diagnostics depicting insurance companies that do not move fast enough on the front of digitalization, service support, claims management and offer. The industry is not blindsided of its own lethargy (Reader, 2017). It is fully aware that it will have to change if it wants to survive. It also knows that it better be implemented fast. But one do not turn an aircraft carrier like one do with a young sailing schooner. Highly capital intensive highly regulated and controlled, insurers will have to learn how to manage the necessary and rapid transformation in a challenging environment (Catlin, and Lorenz, 2017).

Embracing the culture of innovation and translate it into an effective industry transformation require to acknowledge new behavioral component. The key to success is accessing the technology rather than possessing and understand that innovation comes from open sources and technology sharing rather than IP (Intellectual Property) protection and control. Only with these actions will the insurance industry become better able to compete. ■

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