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Employee Empowerment and Customer Satisfaction: An investigation from a UAE banking sector perspective

Maha Shedid\textsuperscript{1} and Ken Russell\textsuperscript{2}

\textbf{Abstract:} This article reflects the results of a pilot study conducted in connection with an analysis of the antecedents and consequences of empowerment on the service quality for UAE Banking customers and the banking sector in general. The research focuses on the six constructs of a Proposed Study Model of empowerment and whether they have an influence on the empowerment of customer contact employees. The pilot study employed a mixed methods approach (quantitative & qualitative) providing data triangulation to test and validate the hypothesis and data collection methodology. The study will progress into the larger scale empirical phase having identified the existence of the gap in the knowledge base. The pilot study has also produced new findings relating to cultural issues and others related to bureaucratic rules, which require further investigation; for example, while Emiratization laws have pushed domestic and foreign banks to increase their employment of UAE nationals, expatriates still dominate the banking sector employment numbers.

\textbf{Keywords:} Empowerment, UAE Banking, loyalty, customer satisfaction

1. Introduction

In today’s highly competitive environment satisfying both internal and external customers is critical in the banking industry. Jindal and Gupta (2016) emphasized that the victory of any organization in this competitive world depends on its workforce, and empowered employees are the most important resources of any bank.

Abbasi et al., (2011) emphasized that customer satisfaction is achieved through employee empowerment and without empowerment; employees would lack confidence and creativity, which leads to the provision of poor quality customer service. Lakew (2011, p.9) states that there is still a need to develop an employee empowerment model regardless of the quality of services offered. According to the Oxford Business Group UAE Country Report (2015), the UAE banking industry is the largest in the Middle East region. Lack of liquidity due to low oil process is likely to result in increased competition between lenders in 2016. Employee empowerment leading to the improvement of service could, therefore, be a distinctive advantage.

This article is part of a PhD dissertation that aims to:

a) gain an understanding of empowerment in the banking sector with specific reference to the UAE,
b) examine whether the elements of antecedents and consequences contribute significantly to employee empowerment; and,
c) examine whether employee empowerment contributes significantly to customer satisfaction.

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A pilot study was carried out with the aim of understanding:
1. how banks in the UAE manage the empowerment of employees;
2. how banks in the UAE impact on and improve the quality of service delivery;
3. how banks in the UAE improve customer satisfaction; and,
4. what role, if any, is played by cultural differences in the UAE banking industry in influencing the above?

2. Literature Review

2.1 Basic definitions of Empowerment

There are two main views of empowerment in the literature (Lakew, 2011). The first is the cognitive or motivational view (Thomas and Velthouse, 1990) and the second is the participative or relational view (Robbins, 2005; Brymar, 1991). In the first, employees are given responsibility for the choices that they make (Carlzon, 1987) while in the second view, employees are given significant discretion and autonomy in job design through processes of decentralization (Ghosh, 2013; Armache, 2013). In this latter view of employee empowerment, corporate rules and instructions take second place to employee autonomy. It is a process that enables rather than hinders individual creativity, allowing employees to express their cognitive and psychological talents rather than allowing them to languish, untapped and unused (Conger and Kanungo, 1988; Melhem, 2004).

2.2 Key Antecedents for Empowerment

2.2.1 Knowledge and Skill

Hanaysha (2016, p.166) have emphasised that different organizations should provide their employees with various opportunities to improve their skill and knowledge in order to achieve long-term goals and ensure mutual benefits. Lawler et al. (1992, p.16) have emphasized the significance of knowledge and skill development: ‘without the right skills, it is difficult for employees to participate in the business and influence its direction’. They also stressed that ‘it is impossible for individuals without skills to do most jobs effectively’. Ongori and Shunda, (2008) emphasized that training is key to develop the employees’ knowledge and skills.

Hypothesis 1: There is a positive relation between employee empowerment and knowledge and skill.

2.2.2 ROLE CLARITY

Samie et al., (2015), believe that role clarity is one of the most significant factors that help employees in performing their jobs. King and King (1990) define role clarity as the clarification of expectations with regard to the goals and objectives of the job. Spreitzer (1996) argues that setting out clear goals and responsibilities improves empowerment in the workplace. Tubre and Collins (2000) argue that role clarity increases the motivation of employees to perform better.

Hypothesis 2: There is a positive relation between employee empowerment and role clarity.
2.2.3 Trust
Spreitzer and Mishra (1999) argue that the higher the managerial trust and the involvement of first line employees in decision making the higher the level of empowerment among those employees, whereas. Melhem (2003 p.79) is of the view that leadership entails the ability of the leader to trust employees by distributing power, exhibiting confidence in employees, providing necessary resources, and accepting new ideas.

Hypothesis 3: There is a positive relation between employee empowerment and trust.

2.2.4 Job Satisfaction
Rana and Singh (2016, p. 79) emphasized that ‘Empowerment practices are often implemented with the hope of overcoming job dissatisfaction and reducing the costs of absenteeism, turnover and poor quality working condition’. Liden et al., (2000) believe that ‘individuals who feel that their jobs are significant and worthwhile have higher levels of satisfaction compared to those who feel their jobs have little value’.

Hypothesis 4: There is a positive relation between employee empowerment and job satisfaction.

2.2.5 Rewards and Incentives

Yousaf el al (2014) emphasized that the dissatisfaction resulting from the unavailability of financial and non-financial reward usually leads to high employee turnover and poor performance. Spreitzer (1995) notes that rewards that are based on individual performance can also be an important antecedent of empowerment.

Hypothesis 5: There is a positive relation between employee empowerment and rewards and incentives.

2.2.6 Communication and Information flow

Samie et al (2015) emphasized that in order for employees to know how to deal with new challenges and achieve expected tasks, they should be given the sufficient amount of information. According to Melhem (2003), communication is the means by which employees’ knowledge will be developed through the flow of information leading to empowered employees and thus satisfied customers.

Hypothesis 6: There is a positive relation between employee empowerment and communication and Information flow.
2.3 Theoretical Framework and Hypothesis

The research aims to examine the relationship between the following antecedents: 1) knowledge and skill; 2) role clarity; 3) trust; 4) job satisfaction; 5) information and communication; and, 6) rewards and incentives and customer-contact (frontline) employees’ empowerment. A further examination of this relationship is also being conducted to see whether it can be applied to the work environment in the UAE banking sector in order to maintain and improve customer-contact (frontline) employees’ responsiveness and capabilities in serving their customers. The proposed review hypothesizes that these six constructs have an effect on employee empowerment, mainly for customer contact employees. A model (Fig1) is being proposed which has been derived from the Service Profit Chain Model.

Figure 1: The Proposed Study Model of Empowerment

2.4 UAE and Arab Banking Background

The 4th Quarter 2015 report relating to the UAE Monetary, Banking & Financial Markets Developments issued by the by the Central Bank of the UAE (“CBU”) in February 2016 stated that by the end of the fourth quarter of 2015 the number of locally incorporated banks was 23 banks by with a total of 874 branches, the number of GCC banks was 6 banks, with 4 branches and, the number of foreign banks was 20 banks with a total of 82 branches.

According to the CBU Annual Report of 2015 for the Middle East and North Africa (MENA) regional outlook is mainly driven by geopolitical consideration and oil price developments. According to the Financial Stability Report of 2015 the UAE economy has recovered from the aftermath of the global financial crisis, supported by high oil prices, an increase in real estate activity and robust performance of tourism, trade and other service. The financial system remains dominated by the banking sector with total assets of the equivalent to $672.3bn.”

Oxford Business Group’s (OBG) UAE Country Report 2015 largely attributes the financial soundness of the UAE’s banking sector to the effectiveness of the regulatory framework implemented by the CBU.
However, the larger concern for UAE banks identified by the CBU is the downside risks presented by low oil prices. This results in the tightening of liquidity which in turn is likely to result in increased pricing competition between banks in 2016.

3. Research Methodology

The primary data in connection with the research will be collected using the following tools: 1) a self-administered questionnaire; and 2) semi-structured interviews with UAE bank staff within a triangulation approach. Many researchers suggest using both approaches (Creswell, 1994).

3.1 DATA COLLECTION AND SAMPLING

The research questionnaire (survey) has gone through a thorough development process starting from translating the research objectives into precise questions and collecting answers to these, and then finally analyzing the data for hypothesis testing. A pilot study was carried out through collecting data randomly from 29 different customer contact employees at different levels. 

The questions in the research questionnaire were closed-ended questions where the respondents are offered a variety of answers and are asked to choose the answer that best represents their views.

The Questionnaire contained two parts. The first part included seven questions and was used to collect information about the respondent’s demographic characteristics including age, gender, educational level, work experience, and job title. The second part of the questionnaire was testing the employees’ perception of the job, organization and customers. This part included questions related to empowerment and discretion. The EEQ was developed by Hayes and is used to measure employee empowerment. ‘It is designed to measure the degree to which employees believe that they have the authority to act on their own to increase quality’, (Hayes, 2014).

Semi-structured interviews were used to look into what employees answered in the closed-ended questionnaire. Interview data is a main source of information for many qualitative studies (Melhem, 2004). The small sample of employees interviewed was a teller, a manager, and a customer service representative (only a small sample of three individuals). The reason these people were considered in the interview process was because their jobs included customer-contact responsibilities.

3.2 Traiingulation

While Denzin (1978, p.291) defined triangulation as "the combination of methodologies in the study of the same phenomenon”, Greene et al (1989) and Creswell (1994) emphasized that triangulation is a mixed research methods approach, which combines both qualitative and quantitative designs in order to compensate for the weaknesses of each of them and benefit from their advantages. Melhem (2003 p. 114) argued that the reasons for combining methods in a single study are developmental, as the first method is used to help inform the second method and the mixed methods will add a scope, and new perspectives may emerge. Downward and Mearman (2005) also defined triangulation as the mixing of more than one method, theories, investigators, methodologies or data in a single investigation.
According to Mactavish, and Schleien (2000, p. 154) “studies that follow and use dominant-less dominant approach the quantitative and the qualitative data are collected, analyzed and reported (qualitatively and quantitively)”. A dominant – less dominant mixed method research design refers to research in which "one paradigm and its methods predominate, with a smaller component of the overall study being drawn from an alternative design" (Tashakkori and Teddlie, 1998, p. 44). The dominant – less dominant approach was used in the research design, presenting the study within a single dominant method and with one small component drawn from the other method. Mactavish, and Schleien (2000) emphasized that in quantitative and qualitative research the data analysis normally includes one or more approaches depending on the nature of the data and the research question. Within mixed method research, Tashakorri and Teddlie (1998) pointed out four different approaches for combining data analysis techniques.

1. Conducting qualitative and quantitative data analyses on the same data at the same time. (Simultaneously)

2. Confirming/expanding the results from one method of data analysis (e.g., quantitative) through a secondary analysis of the same data using a different approach (e.g., qualitative).

3. Using, the findings of one approach to data analysis (e.g., quantitative) as a starting point for the analysis of other data generated via an alternative approach (qualitative).

4. Utilizing the results of one approach to data analysis (e.g., qualitative interviews) as a starting point for developing other data collection strategies (e.g., instrument development) or collecting/analyzing new data using another approach (e.g., expanding on questionnaire findings using qualitative interviews).

The second approach described by Tashakorri and Teddlie (1998) was adopted to analyze the quantitative and qualitative data generated by the survey instrument and the interviews. Both quantitative and qualitative research methods were utilized relying more on the survey method to arrive at major findings.

3.3 Descriptive Analysis

The analysis of the data shows that the younger age groups accounted for 44.8% where 51.7% of the respondents were females. The Indian nationality dominates in the UAE banking industry with an accumulated percentage of 31%, while other Arabs, including Egyptians, Syrians, Jordanians & other Arab nationalities, accounted for 37.9%. 62.1% of the employees in the sample who work full time are university bachelor degree holders which indicate that banks prefer higher levels of education. The majority of customer contact employees have experience in the banking industry ranging from 6 to 10 years with a percentage of 24.1%.

3.3.1 Level of Empowerment and proposed Antecedents

This section analyses the empowerment level among frontline employees and how they perceive it. All items in the eight dimensions were measured according to a five-point scale starting from (1 = strongly
disagree; and 5 = strongly agree).

The respondents indicate that employees tend to be unsatisfied with the level of empowerment at work, as 75.9% of the respondents either disagree or strongly disagree with the following two statements: “I don’t need to get management approval before I handle problems”, and “I don’t rely heavily on instructions and on the system”.

Also, more than half of the respondents disagreed or strongly disagreed with the following statements: “There is no red tape and rigid rules in my bank,” “I have the authority to correct problems when they take place”, “the work load does not affect the service I provide to customers”, and “I can take charge of problems that require immediate attention.”

1- Knowledge and Skills

In terms of knowledge and skills, respondents believe that their bank provides frontline employees with the training needed for the job (75.9%) and they also seem to believe that they have sufficient information to solve the client’s problems (62.1%). The majority believes that they have the necessary skills that best serve their customers (82.8%). However, these two statements received the least agreement among the respondents; 51.7% and 48.3% disagreed or strongly disagreed respectively: “Does my immediate line manager encourage my initiative when serving the customers?” and “Is management support always available when needed?” This is shown in Table 1

Table 1 Level of Knowledge and Skills

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
<td>Agree 4&amp;5</td>
</tr>
<tr>
<td>16. My Immediate Line Manager encourages my initiative in serving the customers.</td>
<td>29</td>
<td>51.7</td>
<td>6.9</td>
<td>41.4</td>
</tr>
<tr>
<td>17. Management support is always available when needed.</td>
<td>29</td>
<td>48.3</td>
<td>20.7</td>
<td>31.0</td>
</tr>
</tbody>
</table>

2-Trust

The respondents rated positively the level of trust in their working environment. The data analysis indicates that 44.8% disagree or strongly disagree, but at the same time the same percent of employees agreed or strongly agreed to the same statement as shown in Table 2.

Table 2 Level of Trust

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
<td>Agree 4&amp;5</td>
</tr>
<tr>
<td>26. Management encourages me to take decisions spontaneously.</td>
<td>29</td>
<td>44.8</td>
<td>10.3</td>
<td>44.8</td>
</tr>
</tbody>
</table>

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3- Job Satisfaction
The level of job satisfaction shows that employees favorably rated the following statements: “My Immediate Line Manager has higher expectations of me” (82.8%), “My immediate line manager is satisfied with my current performance” (75.9%), “I find my job interesting” (65.5%) and “I am satisfied with the kind of work I do on this job” (58.6%). Respondents linked job satisfaction to it being rewarding since an equal number on both sides of the spectrum responded to the question “If they find their job rewarding”. 48% disagreed or strongly disagreed and the same percentage agreed or strongly agreed (48.3%). These results also stated that quitting their job is considered and can be an option as shown in table 3.

Table 3: Level of Job Satisfaction

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
</tr>
<tr>
<td>29. I find my job rewarding</td>
<td>29</td>
<td>44.8</td>
<td>10.3</td>
<td>44.8</td>
</tr>
<tr>
<td>30. I don’t think of quitting this job.</td>
<td>29</td>
<td>48.3</td>
<td>20.7</td>
<td>31.0</td>
</tr>
</tbody>
</table>

4- Communication and Information Flow
The respondents, to some extent, rated most of the elements of communication in a favorable way. For example, the item “It is easy for me to get the information that is needed when serving the client” was rated the highest, with 82.8% of the respondents agreeing or strongly agreeing. However, 55.2% and 44.8% were not satisfied with the level of communication with their immediate managers as shown in table 4.

Table 4: Level of communication and information flow

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
</tr>
<tr>
<td>38. Immediate Line Manager regularly communicate with frontline employees.</td>
<td>29</td>
<td>55.2</td>
<td>6.9</td>
<td>37.9</td>
</tr>
<tr>
<td>44. I get all the necessary information to do my job to serve the customer</td>
<td>29</td>
<td>44.8</td>
<td>20.7</td>
<td>34.5</td>
</tr>
</tbody>
</table>

5- Incentives and Rewards
Employees appreciated that their promotion is based on their performance (86.2%). Table 5 shows that employees were not pleased with the following three statements: “Management rewards frontline employees for their efficiency” (13.8%), “Management rewards frontline employees for
their ability (27.6%) and “Management recognizes my efforts and contribution in serving the customer (37.9%).

Table 5: Level of Incentives and Rewards

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
<td>Agree 4&amp;5</td>
<td>Mean</td>
</tr>
<tr>
<td>47. Management recognizes my efforts and contribution in serving the customer.</td>
<td>29</td>
<td>55.2</td>
<td>6.9</td>
<td>37.9</td>
</tr>
<tr>
<td>51. Management rewards frontline employees for their efficiency.</td>
<td>29</td>
<td>69.0</td>
<td>17.2</td>
<td>13.8</td>
</tr>
<tr>
<td>52. Management rewards frontline employees for their ability</td>
<td>29</td>
<td>62.1</td>
<td>10.3</td>
<td>27.6</td>
</tr>
</tbody>
</table>

6 - Role Clarity

The results suggest that employees rate favorably all elements pertaining to role clarity. The highest statement was, “I have a clear understanding of my job’s responsibilities” with 86.2% agreeing or strongly agreeing. The statements with the least agreement were: “My bank provides clear goals for each department” (62.1%) and “My bank provides clear roles that help avoid conflict with my Immediate Line Manager” (62.1%) which indicates that conflict can exist between employees and their managers due to a lack of role clarity (Table 6).

Table 6: Level of Role Clarity

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentages</th>
<th>SD</th>
<th>Median</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>Disagree 1&amp;2</td>
<td>Neutral 3</td>
<td>Agree 4&amp;5</td>
<td>Mean</td>
</tr>
<tr>
<td>55. My bank provides clear goals for each department.</td>
<td>29</td>
<td>17.2</td>
<td>20.7</td>
<td>62.1</td>
</tr>
<tr>
<td>57. My bank provides clear roles that help avoid conflict with my Immediate Line Manager.</td>
<td>29</td>
<td>20.7</td>
<td>17.2</td>
<td>62.1</td>
</tr>
</tbody>
</table>

7- Customer Satisfaction

Generally speaking, the respondents’ perception of customers’ satisfaction was high in all items. The highest rate was given to this statement: “Customers generally feel that I can solve their problems” with 82.8% followed by “Customers feel that I provide them with the correct information” with 75.9%. The two statements with the highest percentage of disagree or strongly disagree responses were: “Customers ask for me personally” and “Customers feel that I can solve their problems instinctively” with 20.7% for each answer.
3.4 Reliability Analysis

The internal consistency of the scale in this study uses Cronbach’s alpha. One form of reliability is test-retest, by which consistency is measured by the responses for individuals at two points in time. The objective is to ensure that responses are not too varied across time periods so that a measurement taken at any point in time is reliable” (Hair et al, 1998).

The more commonly used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. Internal consistency is assessed through a series of measures among which Cronbach’s alpha is being considered the most widely used measure in assessing the consistency of the entire scale (Nunnally, 1978; Peters, 1979). “In internal consistency, the individual items or indicators of the scale, should all be measuring the same construct and thus be highly intercorrelated” (Nunnally, 1978; Churchill, 1979.).

4. Main findings

Stepwise multiple linear regression was conducted to test separately each of the six hypotheses. Stepwise regression was used as after conducting the regression method there was a relationship between some independent variables and dependent variables that were not significant. The overall regression is significant between the antecedents and empowerment variables. The results indicated that all antecedents have a positive influence on discretion and responsiveness. However, only knowledge and skills have positive influence on control, while job satisfaction and role clarity has a negative influence on control, which indicates the need for further investigation. Also, there was evidence that trust, communication and information flow, and incentives and rewards have a significant influence on empowerment that also needs further investigation.

Table 7: The impact of Empowerment on Customer Satisfaction

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Selected factor</th>
<th>B</th>
<th>t</th>
<th>Sig</th>
<th>R^2</th>
<th>Adjusted R^2</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable Customer Satisfaction</td>
<td>Discretion</td>
<td>.611</td>
<td>4.780</td>
<td>.000</td>
<td>.576</td>
<td>.543</td>
<td>.000</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Control</td>
<td>-.451</td>
<td>-3.527</td>
<td>.002</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7 indicates that only discretion has a positive influence on customer satisfaction, while control has a negative influence on customer satisfaction.

Semi-structured interviews were conducted with only three customer contact employees from different banks for the purpose of carrying out the pilot.

The three interviewees perceived empowerment as “motivation and authority”, and they believed that empowerment, if it exists, would lead to “happier employees, and better service”. Rules and Regulations
and Management permission were perceived as a barrier to empowerment according to the teller and customer service representative.

Limitations

- The primary limitation of this study is the scope and size of its sample. However, because this is a pilot study the number of samples is acceptable.
- The UAE culture, relative lack of transparency, fear of reprisals by expatriate employees and bureaucracy was quite prevalent when the researcher approached different banks in order to distribute the questionnaire. The second limitation can be overcome by asking the interviewees unbiased questions.

5. Conclusion

Even though the research is still in its early stages and the sample is small, the pilot study revealed that the respondents believed that the six constructs of the Proposed Study Model of empowerment have an influence on the empowerment of customer contact employees. The respondents did not propose different views that suggest that other factors are more relevant to employees’ empowerment. While the sample size of the survey is small- only 29- that may not reflect accurate research results, the research is still in the pilot phase. The sample size is expected to increase significantly when the study progresses. The pilot, however, indicated that the Indian nationality, as a single nationality, was largely dominating the banking sector in the UAE with 31% and the Arab countries (Egypt, Jordan, Syria) with 37.9% and with the UAE moving to the direction of Emiratisation, attempts will be made to boost the sample size of the Emiratis in the research. The increase in the sample size will increase the sensitivity to detect differences among the data and thus more accurate results.

Applying employee empowerment and implementing the programs, especially in the UAE banking sector, can be a solution to reduce the high turnover rate therefore making a positive impact on the UAE banking sector. In a very competitive environment such as that of the UAE banking industry, employee empowerment leading to the improvement of service could be a distinctive advantage for the banks operating in such a market.

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IFRS in US – Issues and Challenges

Ahmed Shaik*

Introduction
In today’s technology savvy world business knows no boundaries. A company’s market segment stretches through the width and breadth of land and its physical location places no limits on its operations. While advancements in technology brought the prosperity to business houses and customers got quality goods of their choice at comparable costs, it also created a challenge to translate the results of cross boundary business operations in a set of accounting records that are legible and understandable by all the countries and not just within the country of origin of a business house. This importunate need for uniform set of accounting standards gave rise to the International Financial Reporting System popularly known as IFRS.

IFRS is adopted almost by all the countries of the world except a few in the last ten years. The most important country that is yet to adopt IFRS is the United States of America. US has its own set of unique accounting standards popularly known as US GAAP.

This paper is an attempt to analyze the issues involved in adopting IFRS by USA and the challenges that emerge not only for USA but for the rest of the world if the most significant and largest capital market of the world does not use IFRS.

Issues involved in adopting IFRS by USA
Technical Issues
There are significant differences in the US GAAP and IFRS that impact the income measurement and valuation. A few areas of differences are discussed here that make the US companies less willing to adopt IFRS.

Inventory Valuation: US companies most commonly use LIFO method to value inventory. LIFO method assumes that the last purchased item of goods is sold first and the Cost of Goods Sold includes the latest price and the inventory reported in balance sheet includes the old price (price of goods purchased in the earliest time period). This results in low income as the Cost of Goods Sold being the latest price is higher and the value of ending inventory is low giving a low current ratio. Low income reduces tax liability and decreases the value of the company in that its net assets are low.

LIFO method of valuing inventory is not allowed under IFRS. A switch from LIFO to FIFO leads to significant increase in the income measurement and valuation. A study of 30 companies conducted by Georgia Institute of Technology (Mulford & Comesky, 2008) revealed that a hypothetical use of FIFO in place of LIFO by these companies would have resulted in an increase of 11.97% in pretax income and 7.42% in net income. Of much interest to note is the significant increase in income tax liability of these companies. Switch from LIFO to FIFO is a major

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issue for US companies when they adopt IFRS.

Research and Development Cost: Another area of difference is the Research and Development Cost. Under US GAAP, Research and Development cost are expenses as incurred reducing the pretax and net income significantly in the year of expenditure but IFRS allows this costs to be reported as deferred expenditure leading a significant amount of increase in the pretax and net income and increase tax liability. This is another factor that discourages US companies to adopt IFRS.

Taxes on inter company profits: US GAAP requires elimination of intercompany profits and deferral of taxes on these profits as long as the transferred assets remain in the consolidated group since the earnings process is complete unless and until the assets are sold out to parties outside the consolidated group. IFRS on the other hand allows recognition of taxes paid on intercompany profits as incurred and also permits to recognize deferred taxes on the temporary differences between the tax bases of assets and liabilities transferred between the consolidated group entities. This again leads to increase tax liability of US companies when they adopt IFRS.

Operational Issues
US GAAP is rule based and provides specific guidance for the accounting treatment of the financial items. Accountants in US are very much accustomed to use the specific rules and do not need to apply personal judgement in majority of the cases and this provides a legal shield to accountants. IFRS is very much principles based and the guidance is open ended than being specific. IFRS standards provide much leeway and requires accountants to make their subjective judgements within the broader framework of principles, this may sometime may place a burden of legal liability on the accountants.

Political Issues
Financial Accounting Standards Board (FASB) has authority to formulate accounting standards (US GAAP) in USA. International Accounting Standards Board (IASB) with it’s headquarter in London is empowered to set IFRS. Now it is obvious that if US adopts IFRS, the authority to set accounting standards is transferred from domestic agency (FASB) to an international agency (IASB). This one is the more important issue that surrounds the adoption of IFRS in USA.

Challenges
Non adoption of full IFRS in US poses two fold challenges.
1. Challenge to US companies in doing business globally and attracting investment.
   With globalization of business and US companies looking for opportunities around the globe face challenges in communicating financially with the companies around the world. US companies need not only the business opportunities available elsewhere in the world but they do need the foreign capital and convincing the international investor is a big challenge without the adoption of IFRS.
2. In place of full adoption of IFRS convergence of US GAAP and IAS (international Accounting Standard) can be done in as many areas as possible. Good progress has been made in certain areas like Revenue Recognition, Lease accounting, subsequent measurement of inventory and subsequent measurement of goodwill for impairment testing etc. Many other areas are still to be converged with IAS to bring US GAAP almost on equal platform with IFRS.
Conclusions
In conclusion this study finds that adoption of IFRS by US is beneficial from a global and US perspective. The issues involving adoption of IFRS in US can be addressed by educating the accounting professionals and the US companies to bring in change in their attitude towards IFRS and speeding up the convergence efforts to make US GAAP substantially similar to IAS in order to have almost the same business language around the world and still not lose the authority of setting accounting standards. This will bring US and the world together in respect of accounting standards even without full adoption of IFRS by US.

References:
Does the consumer preference for product features change over time?

S Meeran¹, S Jahanbin², P Goodwin³

Abstract: Forecasting demand for new products is a challenging task. The challenge comes from not having past data. Hence a few innovative methods have been proposed in the literature such as using analogous products. Here we have taken another path to do the task using consumer preferences for different features. Changes in consumer preferences over time have a crucial role in determining whether a product will be successful in the market or not, and on decisions on whether to launch products. A major element in assessing consumer preference is knowing the weights they attach to a product’s attributes. These are often estimated using a choice-based conjoint (CBC) model. Conventional wisdom has been to assume the weights remain the same. To date, no research has investigated the extent to which changes in attribute-weights occur. To investigate this in this work CBC was applied to data gathered in a longitudinal survey of consumer choices of different consumer products. We found that the consumer preference varies significantly. Hence the assumption of consumer preference staying constant would affect the forecast accuracy substantially. We have also explored how the individual consumers’ characteristics influence the change in preference weights. Demographic attributes and individuals’ capability to handle complex products did not have a significant impact on the stability of attribute-weights.
Methodical Approach To Determining The Rational Inventory Level At Fixed Replenishment Period And Random Demand

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Abstract - The article examines a methodical approach to determining the rational inventory level at fixed replenishment period and random demand. The feature of this approach is taking into consideration the fact that the actual demand is associated with the summation of the finite (i.e. not limit), but unknown number of random variables. This consideration allows to assess the degree of rationality of inventory levels in the supply chain more adequately than traditional approaches.

Keywords: supply chain, random demand, inventory management, rational inventory levels.

The need of safety stocks in the supply chain is objectively caused by the necessity to ensure a continuous product demand and the inability or economical inexpediency to match the time of necessary product volume delivery with the moment of demand emergence. However, stockpiling is due to additional carrying costs (warehouses construction, storage and holding costs). Consequently, there is a problem of determining the rational inventory level. Formation of a methodical approach to solve it for fixed replenishment period and random demand is the purpose of this article.

The question of determining the rational inventory level in these conditions were considered in [1, 2]. The background of suggested in these articles methods of solving the problem includes those or other options of the demand process formalization in the form of limit distributions for independent random variables sums. At the same time the actual demand is associated with the summation of the finite (i.e. not limit), but unknown number of random variables [3 - 6]. This circumstance is taken into account in the methodical approach suggested in the article.

Introduction to notation:

\( T_0 \) – duration of inventory replenishment period;

\( N \) – random variable characterizing the number of consumers requested the products within the time \( T_0 \);

\( \beta_r \) – random variable characterizing the product volume requested by the \( r \)-th (\( r = 1, 2, \ldots, N \)) consumer;

\( X \) – inventory level.

In the notation the product volume requested for the period \( T_0 \) is characterized by a random variable:

\[
Y = \sum_{r=0}^{N} \beta_r .
\] (1)
Taking into consideration (1) the rationality of inventory level is characterized by a probability of \( F(Y) \), consisting \( (Y \leq X) \).

Thus, to determine the rational inventory level for fixed replenishment period and random demand is necessary to build the distribution function of the random variable \( Y \) demand volume.

To create the probability that the random variable \( N \) will denote the value of \( n \) as \( p_n \). In addition, we assume that the random variables \( \beta_r \ (r=1,2,\ldots,N) \) are independent, identically distributed and independent from \( n \). Then, to determine the distribution function of a random number \( N \) of random variables \( \beta_r \ (r=1,2,\ldots,N) \), we can use the mathematical apparatus of characteristic functions.

Characteristic function of random variables \( \beta_r \ (r=1,2,\ldots,N) \) is denoted as \( \varphi_r(t) \). Then, based on the multiplicative properties of characteristic functions, the characteristic function of the random variable \( Y \) can be written as:

\[
\varphi(t) = \sum_{n=0}^{\infty} p_n \varphi^n_0 (t) \quad (2)
\]

With regard to (2), the distribution density \( f(y) = \frac{dF(y)}{d(y)} \) of the random variable \( Y \) has the form of:

\[
f(y) = \frac{1}{\pi} \int_{-\infty}^{\infty} e^{-i\pi y} \sum_{n=0}^{\infty} p_n \varphi^n_0 (t) dt .
\quad (3)
\]

From (3), due to the expression finiteness

\[
\sum_{n=0}^{\infty} p_n \varphi^n_0 (t) \leq \sum_{n=0}^{\infty} p_n \varphi^n_0 (0) < \infty ,
\]

Follows that:

\[
f(y) = \frac{1}{\pi} \sum_{n=0}^{\infty} p_n \int_{-\infty}^{\infty} e^{-i\pi y} \varphi^n_0 (t) dt = \sum_{n=0}^{\infty} p_n f_n (y) ,
\quad (4)
\]

where \( f_n (y) \) - the distribution density of \( n \) random variables \( \beta_r \ (r=1,2,\ldots) \)

From (4) follows that the rationality of the stockpiles level of agricultural products is determined by the relation

\[
F(y \leq X) = \sum_{n=0}^{\infty} p_n \int_{0}^{X} f_n (y) dy .
\quad (5)
\]

Equation (5) allows to iteratively determine the required stockpiles level at fixed replenishment period and random demand for established requirements to the rationality level. Constructive methods of solving these problems are obtained by establishing laws of random variables distribution characterizing the flow of customers and requested product volumes.

To be specific, we assume that the number of consumers for the \( T_0 \) period is subject to the Poisson law with \( \mu \) parameter, i.e.
\[ p_n = \frac{\mu^n}{n!} e^{-\mu}, \]  
and the product volume requested by each customer has an exponential distribution with \( \lambda \) parameter:

\[ g(y) = \lambda e^{-\lambda y}. \]  
The characteristic function of exponentially distributed random variable is \( \varphi_0(t) = (1 - it\lambda^{-1})^{-1}. \)

Substituting (6) and (8) into (2) we obtain:

\[ \varphi(t) = \sum_{n=0}^{\infty} \frac{\mu^n}{n!} e^{-\mu} (1 - it\lambda^{-1})^{-1}. \]  

Substituting (9) into (4) we obtain the following transformations:

\[ f(y) = \frac{1}{2\pi} \sum_{n=0}^{\infty} \frac{\mu^n}{n!} \int_{-\infty}^{\infty} e^{-it\lambda y} (\lambda - it)^{-n} dt = \sum_{n=0}^{\infty} \frac{e^{-\mu} \mu^n}{n!} \frac{\lambda^{n-1} e^{-\lambda y}}{\lambda^I(n)}, \]

where \( I(n) \) – gamma-function.

From (10) follows that the rationality of stockpiles level of agricultural products is determined by the relation

\[ F(y \leq X) = \sum_{n=0}^{\infty} \frac{e^{-\mu} \mu^n}{n!} \int_{0}^{X} \frac{(\lambda y)^{n-1} e^{-\lambda y}}{\lambda^I(n)} dy. \]

Equation (11) allows to iteratively determine the required stockpiles level for established requirements to the level of rationality in the described situation.

Overall, the ratio of (1) - (5) reflect the general methodical approach to evaluating the rationality of product inventories and the determination of stockpiles level needed to achieve the required level of rationality. Equations (6) - (11) concretise considered methodological approach for the case of the Poisson flow of consumers and their needs exponential law.

References


The Benefits of Being Shy*

Fran Apprich

Abstract: “Shy people notice everything but they do not get noticed” (Author unknown). Practicing shyness and modesty should be an integral part of the managerial education yet it often gets associated with weakness. Anyone who has ever experienced a shy, modest and kind line manager feels a sense of ease and approachability so alien to nowadays business world and backstabbing mentality. Shy and modest managers see the person behind the employee rather than the employee as a number. Today's business world is lacking a portal for shyness and modesty among line managers who have grown in numbers but not very often human quality in recent years. For this reason, it is important that researchers, educators, managers and businesses become aware of the nature of shyness and modesty and its benefits. Researchers are in a unique position to help businesses and institutions reflect upon and understand that aggressive behavior can potentially harm the progress and image of a company rather than insuring to build a successful team, honest service and lasting product.

Key words: Shyness, Business, Manager, education, benefits

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Recent Developments in Corporate Governance in Saudi Arabia

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Abstract: The interest in corporate governance is not a new phenomenon in the Kingdom of Saudi Arabia. This article focuses on the analysis of the most recent developments in the area of corporate governance, specifically in terms of corporate governance codes, board system, executive remuneration and corporate social responsibility. By analyzing the developments, we discuss if codes based on directives or standards are better for the economy. The introduction of corporate governance codes seems useful but should not rely on broad standards but on legally enforced binding rules accounting for the discussion of directives versus standards. The paper argues against the blindfold implementation of corporate governance codes and argues for country specific solutions.

Keywords: Corporate Governance, Saudi Arabia, Codes, Boards, Directives, Standards

1. Introduction

Saudi Arabia recently announced its decision to move towards a more privatized economy (Stancati & Al Omran, 2016). As the economy moves away from state owned businesses, the government needs to maintain strict corporate governance codes, as companies may be inclined to seek more profit driven approaches that take the company away from previous methods. The socio-cultural environment in Saudi Arabia seems to be different from the Western world in terms of importance and influence of Islam, form of state and other values (Weir, 2011). Moreover, Saudi Arabia, as well as other economies from the Middle East and North Africa (MENA), in the context of corporate governance is relatively young (Braendle, 2013). This paper is organized as follows: We will discuss the recent developments in the area of corporate governance codes in Saudi Arabia (section 2), in the board system (section 3), in executive compensation (section 4), and in corporate social responsibility (section 5). In section 6 we ask if directives would be more appropriate than standards in addressing these corporate governance issues. Section 7 presents the implications.

2. Corporate Governance Codes in Saudi Arabia

Until relatively recently, the corporate governance of Saudi based companies was regulated by the 1965 Companies Act (Haniffa & Hudaib, 2007). However, this changed greatly when the Saudi Government implemented the Capital Market Law in 2003. This initial corporate governance guide, however, did not prevent the Saudi exchange failure in 2006, which ultimately ushered in the current Saudi Corporate Governance Code (Al-Abbas, 2009). Aside from Corporate Governance Regulations in the Kingdom of Saudi Arabia which was introduced in 2006 by the Capital Market Authority for publicly listed companies, there are also more specific codes e.g. Principles of Corporate Governance for Banks Operating in Saudi Arabia issued by Saudi Arabian Monetary Agency (SAMA). This code is needed, as the banking industry is crucial for the stability of the economy (SAMA, 2014). Moreover, there is another code specific for Islamic financial institutions as well as several principles for Islamic financial institutions, for instance by the Islamic Financial Services Board. The code and a lot of issued principles and guidelines for Islamic finance are not restricted to Saudi Arabia, but are also valid for the entire Islamic world (Chapra & Ahmed, 2002; Islamic Financial Services Board, 2015).

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Since Islamic finance plays an important role in Saudi Arabia, this additional corporate governance code could be of importance. However, for the purposes of this paper, only the Corporate Governance Regulations in the Kingdom of Saudi Arabia will be further analyzed, as it is the most general code in terms of industry but at the same time the most country specific code. The 2006 version took into account corporate governance principles that had already been well received in member countries of the Organization for Economic Co-operation and Development (OECD) and drew heavily from the British Cadbury and Greenbury reports (AlAbbas, 2009). It contains 19 articles that are divided into 5 sections. “Preliminary Provisions” consists of Article 1 and 2 and gives insight into who must abide by the regulations that are detailed in the paper, as well as helps to define the terms that are to be used later on. This is followed by “Rights of Shareholders and the General Assembly” which is made up of Articles 3 through 7. The issues of how shareholders are able to obtain information from the company, as well as how they are to vote in company proceedings are discussed here. In the next section, “Disclosure and Transparency”, Articles 8 and 9 describe how companies are to disclose information regarding their board, committee appointments, compensation and other financial information. The largest section of the code, “Board of Directors” is comprised of Articles 10 to 18. This will be further discussed in the paper, however in short, the section details how the board is to represent the shareholders as this is considered to be one of the most vital tasks that the board is charged with. The Saudi Corporate Governance Codes close with Part 5, “Closing Provisions”. Article 19 is the sole tenant and serves only to notify readers that the codes listed above are effective as soon as the Codes are published.

3. Board of Directors

After the introduction of the corporate governance codex in Saudi Arabia in 2006, various studies investigated the influence of the newly established corporate governance guidelines on Saudi listed companies. As Al-Moataz and Hussainey (2012) sum up in their study on corporate governance in Saudi Arabia, Western-focused research on the relationship between corporate governance mechanisms and their effect on companies had brought differing results in the past. That is why the case of corporate governance in Saudi Arabia, which introduced its regulations quite late in comparison with Western nations, became an interesting field of research due to the “[…] lack of CG studies in the Middle East in general and particularly in Saudi Arabia” (Ghabayen, 2012, p. 172). Al-Moataz and Hussainey (2012) indicate, based on the findings of their study of 97 financial reports of Saudi listed companies in the years 2006 and 2007, that the higher the number of independent board members, the lower the voluntary disclosure of the company; but the higher the number of audit committee members, the higher the voluntary disclosure. In a similar vein, the authors Al-Janadi, Rahman and Omar (2013) conducted research among 87 Saudi listed companies by also analyzing the companies’ annual reports of the years 2006 and 2007 in their study on corporate governance mechanisms and voluntary disclosure. In their results, they show that the average Board of Directors in the surveyed companies consists of eight members, with an average number of about seven nonexecutive members. The study also supports the hypotheses that the bigger the board size and the higher the number of non-executive board members, the higher the voluntary disclosure of the company. Although most Saudi companies seem to have fully independent audit committees, their role within the process of providing quality information is still quite ineffective. It is suggested to develop clear rules to describe the audit committee’s responsibilities. The authors also found that the separation of the CEO and Chairman positions has a negative influence on the company’s voluntary disclosure. The study concludes that the internal and external corporate governance mechanisms do have a major influence on the companies’ disclosure and the development of quality reports for stakeholders and potential investors (AlJanadi et al., 2013).
The influences of the Board of Directors and Audit Committee on the company’s performance were the main focus of a study by Al-Matari, Al-Swidi, Fadzil and Al-Matari (2012) among 135 non-financial listed companies in Saudi Arabia in 2010. The authors found that there is no significant relationship between the two aforementioned internal corporate governance mechanisms and the company’s performance, except for the size of the audit committee which seems to be best for a company performance if it is small. In line with Al-Janadi et al.’s (2013) conclusions, the authors also suggest that the CMA of Saudi Arabia should take measures to improve the abilities and skills of the Audit Committee members by issuing clearly defining rules and holding conferences on that issue (Al-Matari et al., 2012).

In his quite extensive and more recent study on the influence of board characteristics and firm performance of 102 non-financial Saudi listed firms, Ghabayen (2012) investigated the companies’ annual reports of 2011. He found that there is no significant relationship between the three mechanisms audit committee size, audit committee composition, and Board of Directors size and the company performance. However, he found a negative and significant relationship between board composition and company performance in Saudi Arabia (Ghabayen, 2012).

Summing up the results of the aforementioned studies on the influence of the Board of Directors on the company, it can be said that the implementation of and compliance with the corporate governance regulations in the Kingdom of Saudi Arabia regarding the Board of Directors seems to be improvable and might need more support and guidance from the Capital Market Authority. However, some of the studies had been conducted before the regulations of the corporate governance codex became mandatory in 2009 (Issa, Al-Ammar, & Alfakhri, 2011) which is why a repeated analysis might come to different, more favorable results.

4. Executive Compensation

Executive compensation is a topic that has grown increasingly more controversial since the 1980s, as compensation of top managers seemingly began to skyrocket in comparison with the salary of normal employees (Davis & Mishel, 2014). Interestingly, this drastic rise is often cited as being without merit and not linked to the increase in the performance of firms (Jensen & Murphy, 1990). However, it is also important to note that the structure of how top managers are compensated has also greatly changed. There is a visible shift where stock options and bonuses have crept into view and now make up high levels of total executive compensation. This worldwide shift makes a Saudi Arabia a particularly interesting country to study, as current compensation tendencies seemingly reject this trend. In fact, the base salary of executives in Saudi companies is on average 80% of their total pay. This is in stark contrast to a country such as the United States which falls on the other end of the spectrum, where executives often find only 30% of their pay coming in the form of base salary (Hill, Lunn, Morrison, Mueller, & Robertson, 2015). Possible reasons for this, as well as its effects will be discussed in detail in the following.

As with the rest of the world, CEO compensation in Saudi Arabia has been on the rise. However, this rise has not been linked with the overall rise in firm wealth in the country. In fact, it has been shown that compensation on the whole has increased, while firm performance (in terms of return on investment) has actually decreased (Fallatah, 2015). Saudi Arabia does follow a similar system to some Western countries however, in the sense that shareholders elect a compensation committee that is charged with the task of developing compensation packages for top executives. A principal agent problem immediately begins to form, in which the principal (compensation committee) needs to try and align the objectives of the firm with those of the agent (the executive). While this problem has been attempted to be alleviated in Western countries through the use of stock options that push executives towards a future oriented approach, Saudi
Arabia provides an interesting counter example, with the vast majority of pay coming in guaranteed cash. This pay is not dependent on performance of the firm, and the executive will receive it regardless of how the firm performs. One might argue that this gives the executive little incentive to perform, however there is one significant difference between Western countries and Saudi Arabia, that being the role of Islam. (Hassan & Kayed, 2011) note that Islam influences business in Saudi Arabia and specifically the role of an entrepreneur. They specify that a leader/entrepreneur has the duty to provide financial income to others, and that halal, lawful income, is best achieved through hard and fruitful work. One could argue that this external motivation provides Saudi executives the motivation to work, rather than being provided with bonuses and stock options for growth.

One must also consider that if variable pay is quite limited, the executives are not as likely to act in a way that would be seen as risky. While the company might not see a surge ahead, as the executive creates new strategy to grow both the firm and the variable pay, slower yet safer growth could be observed. An executive without so much variable pay will need to put more emphasis on job retention, as they can always be removed from the position if shareholders are not happy with the results.

Despite the way that executive pay is structured in Saudi Arabia, it is of interest that the country seemingly has little problem attracting foreign talent. One of the main reasons for this is government initiatives that are trying to push the country away from their natural sources of income in oil and gas. In order to do so, foreign executives are offered additional incentive to come to the country and guide companies in industries that may lack local managers. Out of the countries in the Gulf Cooperation Council for the Arab States of the Gulf (GCC), Qatar ranks 1st in terms of executive pay for Arab and Asian managers. However, Saudi Arabia ranks 1st for executives coming from Western countries. Other countries included in the GCC include Bahrain, Kuwait, Oman, and the United Arab Emirates. In fact, on average Western CEOs earn nearly $100,000 more per year than a CEO of a local company (Anderson, 2015). Other factors could be at play here, namely that Western managers may demand a higher salary if they are to leave their home and move to Saudi Arabia, however many expatriates find themselves working for state owned companies and not only for Western multinational corporations. It is however quite possible, that Western executives are also receiving generous perks if they are to relocate to the country. With 50% of the workforce in Saudi Arabia coming from abroad, it shows that the government is willing to offer additional incentives and pay to bring in talent that cannot be found within the kingdom (Hill et al., 2015).

5. Corporate Social Responsibility

Corporate Social Responsibility (CSR) and sustainability are significantly growing in importance for companies, consumers and regulators. In some, particularly Western countries, compliance with CSR and sustainability standards is not only perceived as random acts of goodwill and charity, but as essential to protect and improve companies’ reputations, hence engaging in CSR is becoming an aspect of competitiveness. Charity has a long tradition in the Arab and Islamic world since Zakat, i.e. compulsory alms for the poor, is one of the pillars of the Islamic religion (Raimi, Patel, & Adelopo, 2014). Therefore it is not surprising that the obvious link between modern CSR and traditional Zakat is seen as a major opportunity for the Arab region in general and for Saudi Arabia in particular to promote higher engagement in CSR activities built on the already deeply embedded tradition of giving (Harvard Kennedy School, 2008). Complying with national law as well as complying with the Islamic obligation of Zakat is not enough to be actually considered proper CSR. Business leaders acknowledge that until recently, a broader perspective on CSR has not been adapted (Ali & Al-Aali, 2012). Currently, corporations have begun to value sustainable business practices instead of mere charity (Tamkeen, 2010). The findings of a
study by Ali and Al-Aali (2012) are in line with this development, showing that “both executives and nontraditional students appear to have a broader understanding of CSR that goes beyond charitable involvement” (Ali & Al-Aali, 2012, p. 48).

By virtue of the alignment of CSR with the Islamic principle of Zakat, some scholars (e.g. Raimi et al., 2014) suggest a faith-based model for poverty reduction that would extend the already existing fundament of Zakat by “modern” CSR practices with the scope to achieve a greater reduction of social inequality. Due to the model being rooted in religious values, it should be easier to convince individuals as well as companies to do good beyond the idea of pure charity. Nonetheless, the aim of poverty reduction and redistribution of wealth still does not address several crucial aspects of sustainability and CSR. Due to Saudi Arabia being an arid desert country (Al-Ibrahim, 1990) a major environmental issue is water scarcity. Water quality and availability is not only important for drinking water, but crucial for food security and hygiene among other aspects (DeNicola, Aburitaiza, Siddique, Khwaja, & Carpenter, 2015). Water shortage is even considered as a potential trigger for future conflicts in the MENA region (Haddadin, 2001; Starr, 1991). Due to the absence of permanent rivers and lakes, 75-85% of Saudi Arabia’s water supply comes from groundwater, which is a nonrenewable water resource (Al-Ibrahim, 1991). As a consequence, Saudi Arabia, among most other countries in this region, is classified as water scarce by the United Nations (UNESCO, 2015). Additionally, climate change is increasing the pressure on water resources in this region (DeNicola et al., 2015; UNESCO, 2015).

Since people notice this problem, there has been a growing emphasis on environmental impact, healthy living and water conservation in the Arab world (Ali & Al-Aali, 2012) with Saudi Arabia as a pioneering country in urban planning, organic agriculture and water conservation (Abaza, Saab, & Zeltoon, 2011). An example of the important role water security plays for Saudi Arabia is the King Abdullah Initiative for Solar Water Desalination, a project that aims to desalinate sea water at a low cost in order to reduce dependency on fossil water reserves (Al-Zubari, 2015). The newly developed technology in this project is supposed to be licensed to other countries. However, it must be noted that not all resources are as well protected as water in Saudi Arabia. Especially resources that are not scarce, for instance oil, are treated lavishly. For instance, only 17% of Saudis compared to 72% of Jordanians would buy a car for its fuel efficiency. This clearly demonstrates the direct impact of fuel prices on the handling and appreciating of the natural resource (Saab, 2015; AFED, 2015).

The government sees itself to a large extent as responsible for social sectors, such as education and environment (Mandurah, Khatib, & Al-Sabaan, 2012), a perception that also the Saudi business world and the broad public seem to share (Ali & Al-Aali, 2012; Tamkeen, 2010). Secondly, albeit trying to strengthen cooperation between the public and private sectors (Ali & Al-Aali, 2012), there is still a lack of systematic government incentives for social and environmental performance of companies (Tamkeen, 2010). Especially in the sector of small and often family-owned businesses, the culture of giving, again linked to Zakat, already exists. What is missing is the initiative to build an institutionalized framework for all the businesses to participate in all the aspects of CSR. Respondents of the survey by Ali and Al-Aali (2012) view CSR as a voluntary activity, hence “on top” of the compulsory Zakat. Therefore, framework like the above-mentioned faith-based model linked with stronger governmental incentives might be a way of bridging the gap between what is necessary and what is good.

6. Corporate Governance Directives versus Standards for Saudi Arabia

Directives are legal commands which differentiate wished from unwished behaviour in a simple and clear way. Standards, however, are general legal criteria which are unclear and fuzzy and therefore require
judiciary decision making and classification. In the most uncomplicated sense, directives and standards can be differentiated by the level of complexity. Directives are inherently simple, clear and based on a command-like system of “tell and do”. An incomplete corporate governance report leading to a liability for the management is a directive whereas a norm for the management body to “disclose investor relevant data” without defining relevance is a standard. Such principles leave open what exactly the right level of disclosure is and how a violation of this standard is evaluated by a judge. A standard is therefore less straightforward in a basic sense of the word, only creating a point of reference. There are systematic factors affecting the relative costs of directives and standards. A standard may have lower initial specification costs, but higher enforcement and compliance costs than a directive. For instance, promulgating the standard “to take responsibility for all stakeholders” is easy and does not generate any cost at all. However, applying this standard in practice would generate significant costs for both judges who have to determine whether the accused company has complied with the standard and for the defendants who have to determine the relevant stakeholders and the level of responsibility ex ante in order to escape liability. Directives, however, are more expensive to implement due to higher negotiation costs in the legislative process (because of active lobbying on behalf of different interest groups, for example). But clear rules have lower enforcement and compliance costs than standards.

For countries with a long established corporate governance system standards seem to be the accurate means to deal with issues. For the Middle East being relatively inexperienced with corporate governance issues directives might be better against the background of their specific corporate governance problems such as court delays, and lack of investor protection. Under these circumstances directives seem to be a better means to attract investors and guarantee good corporate governance.

7. Implications and Conclusion

The mechanisms of corporate governance are already in place in Saudi Arabia and seem to be appropriate for the socio-cultural framework of the Kingdom. Nevertheless, several things could be improved upon. For instance, the code itself could – as discussed above - more be based on directives, especially when compared with the code for other countries.

There appears to be hesitation in accepting outsiders onto the boards, hence the use of a one-tier board. However, this could result in too much power being centralized into one channel. The topic of outsiders is also applied to compensation for both executives and employees. If the Kingdom wants to attract foreign investment, they will need to show a higher willingness to accept outsiders into their companies. Islamic principles dictate that people should give money to charity. Saudi companies apply this to their CSR policies, however they often do not go beyond this Islamic principle. If companies would see CSR as a potential competitive advantage, they may start to engage more heavily in CSR activities. The government could help to encourage this behavior for the sake of the whole economy as it transitions to a more privatized and modern economy.
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Saudi Arabian Monetary Agency.


On-line Shopping Experience in Nigeria: A comparative study of Jumia and Konga Online Retailers

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Abstract: This paper examines the customers’ experiences on online purchase in Nigeria with emphasis on a comparative study of the Jumia.com and Konga.com. The paper adopted a desk research to elicit information. The use of social media platform was used to obtain information from the online customers of both firms. Posts on the firms’ Facebook blogs and walls were used for the basis of discussion and conclusion in this paper. The study reveals that Nigerians have adopted the use of online shopping in the purchase of their some home appliances, clothing and many more items. The comparative study indicates that Konga.com is more proactive in responding to customers worry than the Jumia.com.

Introduction
Among the several types of changes associated with the advent of the internet, one of the most important has been the creation of a new channel for distributing product/services and associated information. There are many factors that point toward the potential for rapid growth of online shopping in Nigeria. In recent time, Nigeria has experienced an unprecedented increase in the online shopping following the commencement of emergence of some online retailers. The first online retail shop (Jumia Nigeria) was established in May 2012 with the aim and vision to become the one-stop shop for retail in Nigeria with implementation of best practices both online and offline. The company initially starting with 3 employees, Jumia presently has staff strength of 1000 young and entrepreneurial Nigerians including our 150 man strong customer service team available 7 days a week. Jumia appears to be the largest online retail store in Nigeria and makes deliveries to all 36 states in Nigeria. At inception Jumia did an average delivery time of a week, today Jumia does, on average, delivery in 1-6 days. Jumia set-up the 1st e-commerce academy in Nigeria, the Jumia Academy, building young entrepreneurs pioneering various aspects of business in Nigeria (Jumia.com.ng).

Konga.com started its operation in October, 2012 barely five months after the commencement of the Jumia.com. The operations of Konga.com began with only 7 (seven) people but in March, 2013 it had grown rapidly into a massive online retail company whose warehouse sat on a 15,000 sqm property and over 130 staff (Konga.com). Konga.com is an online retail shop with thousands of products at the most affordable prices customers can get them. Konga.com prides itself in not just being an online store but in its customer service. Beyond the rapid and effective exchange of money and goods, Konga also gives Nigerians who have businesses or products to sell, a platform to sell their products to a wider market. This is to open more business opportunities and to help create a thriving retailing culture in the country (Konga.com.ng).
Despite the huge success recorded by the online retailers in Nigeria with particular reference to Jumia.com.ng and Konga.com.ng, customers appear not to be very satisfied with the activities of the e-retailers.

A critical investigation on the Facebook comments of the online customers of these online retailers would suggest that total satisfactions are not properly achieved in the consummating the services of these e-retailers. Some of the comments of the customers are shown here for the purposes of emphasis. “I'm trying to sign up on KongaPay but my Last Name is being rejected because of the "-" in it. When I remove the hyphen, I get an error that says "One or more of your banking details are incorrect". I'm guessing it's because I'm omitting the hyphen. My bank records have my name with the hyphen. What can be done?”

Purpose of study
Although internet retailing in Nigeria is on the verge of rapid growth, relatively little is currently known about Nigeria non-store shopping behavior in general and Nigeria online shopping in particular. The purpose of this study is to fill that knowledge gap by exploring Nigeria shopping orientations and how they relate to online shopping. This is done by first identifying shopping orientation-defined segments in a two-step process. The study then moves beyond much of the shopping orientation research by profiling the shopping orientation segments in terms of web site characteristic importance using a validated web site characteristic scale. The study also profiles the segments in terms of online shopping behavior and demographics. By examining this complement of correlates, the research provides a foundation of understanding of Nigeria shopping in general and online shopping in particular. The results of this study also provide an opportunity to compare the nature of shopping orientations in a less developed market with particular reference to results from jumia and konga.com.

Theoretical Foundation
There is very limited empirical research focusing on Nigeria online shopping. One recent study showed that accurate information about product features, product warranties, avenues for customers’ feedback complaints, and certification of the web sites are factors that affect online shopping confidence among Nigeria consumers (Kiran et al. 2008). Another study showed that a variety of demographic indicators were related to grocery store choice (Prasad and Aryasri, 2011). Nigeria consumers were found to be more willing to disclose personal information on the internet compared to consumers from some developed nations (Gupta et al., 2010). Web sites that adapt to Nigeria culture were shown to be more favorably perceived in a study conducted by Nwokah (2010). Web sites that were more culturally congruent were rated more favorably on navigation, presentation, purchase intention, and attitude toward the site. From a larger perspective, researchers have asserted that it is possible that cognitive abilities differ in cultures like Nigeria where choice is constrained because the economies and marketplaces are still developing (Nkemneba, 2007). Cognitive abilities are likely to expand and perceptions are likely to become more elaborated as the marketplace and concomitant choices expand.

Shopping orientation research
A consumer’s approach to the act of shopping is referred to as shopping lifestyle or shopping orientation. The basic premise of shopping orientations is that people take many different approaches to the act of
shopping. Thus, this type of analysis determines the variety of shopping styles that individuals adopt and how these styles relate to purchase intentions. Shopping orientations are usually studied by using factor analytic techniques to identify latent patterns among subjects’ responses to AIO (activities, interests, and opinions) statements and are interpreted by summarizing the individual statements that load on each orientation. In addition to the powerful insight gained from interpreting shopping orientations, the use of correlational methods to characterize consumers with respect to factors in addition to shopping orientations can provide further insight. Studies have characterized shopping orientations with respect to demographics (Jayawardhena et al., 2007; Sproles and Sproles, 1990), preferences for information sources (Moschis, 1976), preferences for retailer types (Shim and Drake, 1990), and retailer attribute importance (Lumpkin and Hawes, 1985). There is somewhat limited research involving shopping orientations outside of the USA except for studies such as those conducted in the UK (Jayawardhena et al., 2007), France (Gehrt and Shim, 1998), Japan (Gehrt et al., 2007), and Taiwan (To et al., 2007).

Web site design and attributes in online shopping

Wolfinbarger and Gilly (2001) introduced the concept of goal focused online shopping which views online shopping as convenient and accessible, providing rich information, offering extended selection and inventory without contact with others. In an empirical study they identified the dimensions of web site design (usability, information availability, product selection, and appropriate personalization), fulfillment/reliability, customer service, and privacy/security (Wolfinbarger and Gilly, 2003). These factors provide a competitive edge to retailers who are sensitive to goal-focused shoppers on their web sites. Wolfinbarger and Gilly’s dimensions are consistent with the findings of other studies. Demangeot and Broderick (2010) provide corroborating evidence that web site design, in the form of usability and information availability, are key factors for online retailers. Likewise, in a study of online shoppers at over 1,000 e-tailers, Dholakia and Zhao (2010) identify the dominating effect of fulfillment on online satisfaction. Customer service, in the form of post-sales service, emerges in a study by Liang and Lai (2002). And web site privacy and security emerge in numerous studies as having impact on online patronage outcomes (Hahn and Kim, 2009; Kaul et al., 2010; Zhou and Tian, 2010).

Methodology

This study adopted an online based desk research. As depicted by name desk research is the research technique which is mainly acquired by sitting at a desk. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. Desk research is very effective and can be conducted in starting phase of market research. Among the external type of desk research is the Online Desk Research - This is the process of collecting data available online on internet. It is important for organization to be information specific while fetching out this information as there are billions of pages available on internet. There could be two approaches for digging out the relevant information from internet, one is directly browsing the specific information from industrial, marketing or business sites and extracting the information out of these sites. Secondly, using the various search engines like www.google.com, www.yahoo.com, www.infoseek.go.com, www.altavista.com etc, for modulated searching. Thus, this paper adopted the use of comments from online shoppers who either have purchased from Konga.com or Jumia.com or both.

Melissa (2011) argues that the use of comments from social media such as the Facebook is very useful when evaluating the opinions of a social group within a community. In the present study, the social group
(Facebook) community is the customers who may have purchased online from Jumia and Konga and have decided to share their online purchase experiences in the online place. Comments from Facebook walls and blogs of Jumia and Konga customers were used as the basis of discussion and conclusion.

Findings
The finding of this study is coming from the Facebook comments of the online customers of both Jumia and Konga on the companies’ blogs. These comments indicate the customers’ experiences in consuming the online retailers’ products. Some of these comments are positive while some are negative.

Comments from Jumia blogs
On February 16, 2016 Ayobami Yusuff was displeased with Jumia for not delivery the products he ordered and paid for within the previous two weeks of purchased. His comment thus: "Like seriously you people deserve no star! It's over 2 weeks I made a purchase and I've paid at check out. I'm yet to get my items. You are even claiming to have called me when you did not. This' one of the things that give business & customers in Nigeria bad names".

Again Pedro Risqiyat Ajoke view with his own experience when he observed and expresses his experience over Jumia negative attitudes towards him appears to show that Jumia were abinitio doing well in terms of online distribution but at recent time has betrayed the confidence customers have in them. In his post Jumia Facebook wall (blogs), Ajoku on January 18, 2016 observed that he placed order since December with Jumia but was not allowed to access the order he made. His post reads thus; “This is not d jumia I knw before order for selfie stick (3) pieces since dec 2 can't imagine dey not delivery it and there is no msg frm dem...”

Commenting on this, Padebi Ojoma expressed her disappointment over her experience with Jumia. According to her, “So on the 2nd off december 2015, i ordered a phone from Jumia and it was delivered. The phone came on, and went blank, i did a hard reset, it refused to come on, even after hours of charging. I called & called & called finally on the 15th of december, it was picked up, with a promise of refund or voucher within the next 7 days, today is 19th of January. Exactly one month and 4 days after pick up of phone. I have called and called and threatened fire and brimstone Them nor kuku do like say na person de follow dem talk. Phone, i nor get, Money i nor see How long will we continue like this? Anyway to keep up with my frustration i have created a page to end all of this. they are too many of unsatisfied customer, and we need a united voice. It is unfortunate that we do not have a regulatory body to keep tab on their activity. My request for you is to like and share the page to as many people as you can. I believe if many people could know what a fraud they are, they will go out of business and stop stealing our hard earned money”.

Evidence available online shows that many at times Jumia makes promise that they not keep. For instance on 20th January, 2016, Jolade Adebayo an online customer of Jumia expressed displeasure over Jumia inability to keep to their promise of giving her voucher. In her posts on Jumia blogs she stated thus “I was told yesterday that I was selected for 30k voucher. The server was down as well as my battery. I could not redeem it and now I cannot even find the flash message. Abeg Jumia, no need for such jokes. If you want to give voucher, give it and not games!

Jolade’s complains was also complemented by Mary Ruben’s who expressed displeasure in connection with this experience. Mary’s stated thus; “i received a message yesterday that i was selected for 30k

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vouchers and i could not redeem it, even while i did the necessary things.. you people should stop playing games on people..”

On February 2, 2016, Cassandra Olumz Ogbugh displeasure was arouse following her anger that she was supplied defective products by Jumia. Her statement on Jumia Facebook reads thus, “Never ever again!! Sold a defective rechargeable fan to me, for a month now, I've been trying to get my refund, to no avail..... I'm waiting for you guys, you claim to have escalated the problem, but don't worry I will escalate it for you.... I'm not a P.R for nothing.

Findings from Konga.com blogs

The findings from Konga.com Facebook blogs show that customers have similar experience from that of Jumia. However, the difference is that Kong.com more often than not has always responded to Customers negative comments. Konga.com from the available evidences in their Facebook blog has always been concerned about the experiences and comments of their concerns. Some of the extracts from the comments of the customers of Konga.com on their Facebook blog are shown below.

Wael Watfa on February 21, 2016 expressed displeasure over Konga’s laxity of Konga’s customers care management. In his statement which reads thus: “Your service is horrible you have no customer support, I have received a different product then what was ordered,your customer service had given no chance to respond before closing a case. Shameful...”. However, in a bit to alley the fear of the customer, Konga the next day responded to the customers thus; “Hello Wael, please inbox your details for more resolution. Thank you”.

Konga.com Facebook is built to more customers’ interactive than Jumia. Customers have the privilege to ask questions in areas of further clarifications and receive quick responses. Evidences from their Facebook blogs show thus;

Moyosore Gift Anjorin on February 21, 2016 was desirous to purchase a deep freezer but was confused on how to go about it. Her query was immediately responded to by Konga.com. The interaction is shown further. “Please I want to order for deep freezer how can i go about it?” In a bit to resolve her worry, Konga.com replied her thus; “Konga.com It's easy Anjorin, click here http://ow.ly/YC78r to shop for your preferred deep freezer and inbox your details or contact us on 01-4605555,08094605555 to place your order and we will ensure delivery to your location. Thank you”.

Further interactions with other customers are shown
“Samson Naj Mathias How much can I get a Barcelona jersey? And can it be sent to abj?”
“Konga.com Hi Samson Naj Mathias, Please click this link to view prices, http://ow.ly/Yyftq Delivery will be made to your door step, You may also call these lines for verbal assistance, 01 460 5555 or 0809 460 5555 Thank you for contacting konga online”.

Conclusions

From the foregoing, it is possible to conclude that there is evidence that Nigeria has commenced online shopping with Jumia.com and Konga.com taking the leads. It is the conclusion of this paper that customers at least have a social network platform – the Facebeook blogs through which they can express their experiences in consumer the services of the online retailers in Nigeria. However, from the findings of the study reported in this paper, it would appear that Konga.com has a more robust customer
relationship management more than the Jumia.com in terms of customer engagement and interactivity. Evidence from the findings shows that Konga.com responds quickly and frequently to customers complains than Jumia. Therefore, this paper concludes that Konga.com online retail services are better than that of Jumia.com. Online customers are more comfortable and relax with the services of Konga.com than that of Jumia.com.

References
On-line Shopping Delivery and Customer Patronage of Selected Online Products: The study of GSM Products in Rivers State

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Abstract: The study reported in this paper examined the association between online shopping delivery and customer patronage of selected GSM products in Rivers State. The study adopted a quantitative method of research with the use of structured questionnaire to elicit information from key informants. Respondents were selected on the basis of those who indicated interested to participate in the study and who would have also purchased GSM products through the online platform. Data were analyzed with simple percentages and the hypotheses were tested with the Spearman Rank Ordered Correlation. The study found that Privacy significantly influence perceive ease of use of GSM products in Rivers State, Nigeria. Again, Security significantly influence perceive ease of use of GSM products in Rivers State, Nigeria. Thus, the study recommends that Firms should give more attention to its online shopping delivery especially in the dimensions which could meet its customer’s expectation privacy, security and web sites quality issue

Introduction

The importance of customer perception cannot be over-emphasized in the online shopping environment. Perception is defined as the cognitive process by which an individual selects, organizes and gives meaning to environmental stimuli (Amir, 2012). It shows how the individuals form opinions either negatively or positively about the organization’s products or services, also considering the competitive nature of the online business environment today, organizations tried to develop strategies to outsmart their competitors (Amir, 2012).

Furthermore, given that different individual perceive the same thing in different ways, the perception of these consumers in this new environment called online store becomes very essential to the organizations, this is because individual perception have direct effect on an organizational profitability, and thus what the organization need is better understanding of how the consumer perception influences the organization (Amir, 2012). Similarly, Ozuru et al (2012) argued that individual or an organization can get information about a product online, pay for these products and it can be delivered to them either through one or traditional delivery system depending on the nature of the products (digital or physical products).

Online shopping is the process of buying goods and services from merchants over the Internet. Consumers can buy a huge variety of items from online stores such as GSM products (Mobile Phones), Books, clothing, household appliances, toys, hardware, software, and health insurance these are just some of the hundreds of products consumers can buy from an online store just by visiting the web stores from the comfort of their homes and shop as they sit in front of the computer and these products can as well be delivered to their homes or offices (Ozuru et al, 2012). There are various online shops establishment having their agents) in Nigeria such as Jumia.com, Ali Express.com, Alibaba.com, Kongan.com, Amazon.com, Mystore.com, Dazaar.com, eBay, Slot.com etc to mention but few, consumers visit these

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websites and shop for products, pay for the product with the use of debit card and the products are delivered to their homes or offices (Wikipedia.com access 10th August, 2014).

Online shopping was invented in 1979 by an English entrepreneur called Michael Aldrich in March 1980. He launched Redifon’s Office Revolution this allowed consumers, distributors etc to be connected on-line which allows business transaction to be completed electronically in real-time. The first World Wide Web server and browser was created by Tim Berners-Lee in 1990 and by 1991 it was open for commercial use (Wikipedia.com access May, 2013). This new concept of retailing called online shopping has captured the interest of many retailers and merchants because of its convenience nature and the recognition that it is considered as an alternative channel alongside traditional retail channels and also the convenience consumers derived in shopping online. Online shopping basically can be referred as trade that takes place over the Internet where a buyer visits a seller’s web site, orders and makes payments/service of the product over the internet and finally, goods are delivered physically to the consumers (Yulihasri, et al, 2011).

In online business transactions, companies collect information about consumers, their purchasing patterns and habits which helps the organization to improve and enhance on their products and services to consumers (Lin and Hong, 2006).

There have been intensive studies of online shopping attitudes and behavior in recent years. Most of them have attempted to identify factors influencing or contributing to online shopping attitudes and behavior, the researchers seem to take different perspectives and focus on different factors in different ways. For instance: Zeithaml, V.A., Parasuraman, A. and Malhotra, A. (2002) Studied “Service quality delivery through web sites”. Godwin, (2001) "Privacy and security concerns as major barriers for e-commerce: a survey study”. Van, Liljander, & Jurriens, (2001) examined Exploring consumer evaluations of e-services. Novak et al, (2000) investigated on “Measuring the customer experience in online environments” Anders et al (2007) investigated online shopping consumer behavior and they found that trust, price and convenience were factors that are important when a consumer want to purchase online. Furthermore, Ellisavet et al (2011) examined consumer characteristics and their effect on accepting online shopping and found that Personal Innovativeness of Information Technology PIIT, perceive security and product involvement have an effect on the attitude towards online shopping. In spite of the increasing culture of online shopping in Nigeria, there appears to be no enough extant literature that has examined online shopping delivery and customer perception of GSM products in Rivers State using privacy, security and website quality. Obviously, this has created a literature gap that needs to be filled.

However, in spite of the convenience and other benefits consumer derives in online shopping, there are still challenges militating against online shopping which include privacy, security, website quality, and low Internet infrastructure, high level of illiteracy, cultural barrier, inadequate regulatory framework, and so forth. These problems listed herein have led to poor quality of online shopping business in Rivers State (Aminu, 2013).

Also, the delivery of products in online shopping is also a challenge to the consumers, this is because sometimes wrong products in terms of size, colour, brand etc are being delivered to the customers and in some cases these products could not be delivered due to the location of the consumer and all these factors
posed threats to the online shoppers which possibly results into poor perception on the part of the consumer.

Premised on this poor customer perception, this study is to examine the relationship between online shopping delivery and customer patronage of selected online products in Rivers State, Nigeria.

**Theoretical Framework**

According to Laudon et al. (2006). Online shopping is a process of buying and selling of goods or services electronically with computerized business transactions using the Internet, networks, and other digital technologies. Online shopping came into existence in the year 1979 by an English entrepreneur called Michael Aldrich in March 1980 when he launched Redifon’s Office Revolution which allows consumers, distributors etc to be connected on-line making it possible for business transactions to be completed electronically (Wikipedia.com access May, 2013). As the internet has developed into a new distribution channel, consumers are no longer bound to hours of operation they can purchase and source for information virtually any time and place. Online transaction in Nigeria are rapidly increasing, this has created the need to understand how consumers perceive online purchases (Ozuru et al., 2012).

However, customer perception is based on a well-grounded theory in psychology and consumer behavior this theory came into existence in the year 1960’s as a result of the work of some psychologists called James and Eleanor Gibson (Gibson, 1963; Gibson, 1966; Gibson et al, 1962). In the view they described perception as the “changing relationship between a habitat and a position, believing that perception and action are fixed to one another and they are determined by a process of unprompted discovery toward a given goal (Gibson, 1966; 1979; 1988; Goldfield, 1995). Perception being an active process of searching or seeking information about any environment through all sensory channels has been a major concern to the organization. This made James Gibson to look at human senses as perceptual systems, in the sense that perception guides one’s action which is necessary for gathering perceptual information that in turn guides action (Gibson, 1966). However, consumer perception shows how individuals form opinions or react either negatively or positively to organizational product offering (Davis 1989). These perception theories are applied by the organization to determine how their customers perceive their products which relies directly on the information present in the stimulus and some of these perceptions depend on the perceiver's expectations and previous knowledge (Gibson et al, 1962). Thus, Perception theory attempts to explain how individuals or an organization develop an understanding of the motivations behind behavior as well as the perception by customers which relates to the values and motivations that drive buying behavior (Davis 1989).

Also there are other theories been developed by different scholars in the course of explaining, assessing and predicting the psychological factors behind consumers’ perception. For instance, the Theory of Reasoned Action (TRA) and Technology Acceptance Model (TAM), by Davis (1989). These theories are sometimes called "Technological Imperative" Models because they consider the complexity, compatibility, relative advantage, ease of use, usefulness as key drivers of adoption as cited in (Molla, et al 2005).

**Online Shopping Delivery**

In this era of information technology or internet, pattern of business has drastically changed as well as the daily life of human-beings today (Ozuru, et al 2012). The continuous advancement of computer technology in Nigeria has brought about the use of internet for marketing, payment and delivery of goods
and services which has changed the way businesses operates, this has provides consumers with the ability to purchase and gather information and also create opportunities for business to get to consumers. Online delivery constitute a powerful reflection of computer technology which has introduced a number of credible things that was a trance in the past making the idea of delivery service a very strong idea for today’s business (Ayo et al 2011). For instance, we have the organizations such as jumia .com, konga.com and slot.com in Nigeria that deals in GSM products (mobile phones) online and also deliver these products in the home of the consumers.

Although, the online shopping trend in Nigeria is not as advanced as other developed countries this means that most people are still not open to the idea of shopping online and therefore prefer to carry out their transactions using the traditionally, ( Adeye ye, 2008; Ayo, 2008; Egwali, 2009; Adeshina and Ayo, 2010). As cited in Alley (2010) have identified various contributing factors to this slow adoption and find that one of such factors is accessibility to the Internet. For instance in Nigeria, where some people lived in the rural areas where there is no internet connectivity or access they will prefer to do face-to-face shopping (Alley, 2010).

Similarly, Folorunso et al. (2006) cited in Alley (2010) identifies other factors affecting the adoption of e-commerce to include factors such as cost, accessibility, privacy and confidentiality, data security, network reliability, credit card threat, authenticity, citizen’s income and education”. Data security and citizen’s income this factors impinge serious challenge of online shopping in Nigeria. For instance in Nigeria where the issue of poor network always occurred when using the internet, this to a large extent discourage consumers from shopping online. Also Ayo (2006) as cited in Alley (2010) investigate and finds that the issue of cyber-crime is also a major factor for the low level of implementation or adoption online shopping in Nigeria.

Ling et al (2010), examined online shopping as an e-commerce system used by shoppers in the context of business-to-consumer (B2C) or business-to-business (B2B). In the view of Laudon, et al (2006) online shopping consists of process of buying and selling of goods and services electronically with computerized business transaction using internet networks. This implies that online shopping is a process and consists of different steps just like in the physical method of shopping. It encompasses activities supporting those market transactions. However, these definitions explained online shopping to involve a process that requires existence of retailers’ websites through which shopping can be done (Barsauskas, 2008).

The decision about how to deliver goods and services in any established organization in Nigeria to the consumers is very important because delivery decisions must be made in relation to consumer’s various location. This therefore is concerned with the movement of products from the online store to the final consumers across various locations in the country (Christopher et al, 2012). The online delivery of goods and services might be cheaper than the conventional face to face transactions because of the cost associated with the provision of labour and fittings, rented premises and other associated utilities. For instance, In Nigeria there are different organizations carrying out delivery system such as Jumia.com, Kongan.com, Ali express.com and Slot.com and also FedEx and Airbone Express (Prologis, 2008). In any organization in Nigeria, an efficient and reliable delivery system is essential for gaining customer loyalty online and consequently obtaining profitability, home delivery is increasingly becoming a key element in e-commerce (Prologis, 2008). In the view of Morlok (2000) home delivery is the system where goods are been delivered to the consumer’s home rather than consumers having to collect the goods in person from
the point of sales. In home delivery operation, physical distribution of the goods from the point of purchase to the consumers is carried out by specialized organizations in Nigeria.

**a) Privacy**
Privacy is described as the ability of an individual to control information about oneself (Bhasin, 2006). The issue of privacy is a serious concern to the online consumers in Nigeria no matter what source one examines it. This has made some consumers being reluctant in giving out their private information online (Udo, 2001). Privacy could be complex to define as it is a result of the fact that what constitute privacy to individual or culture may not amount to privacy in another. Hence, Udo (2001) opine that the disclosure of identity of consumers is usually a privacy obstacle when shopping online, arguing that many sites collect personal information from consumers without providing adequate protection of such information collected, which in turn result to negative perception and at such discourages Nigeria consumers in using internet for shopping.

**b) Security**
Security is defined as any set of procedures, techniques, and safeguards designed to protect hardware, software, data, and other system resources from unauthorized access, use, modification, or theft (Davis et al, 1989). In Nigeria environment security to some extents attracts a large amount of attention this is due to the fact that it determines the success or failure of any business transactions (Hunaiti et al., 2009). This issue of security about online shopping in Nigeria constitutes a serious barrier in using the Internet in making purchase, consumers are conscious about their private information in cause of transacting online. Thus, Belanger et al (2002) establish that the existence of security features on an e-commerce site is important to the consumers this in away served to protect their interest and in turn enhance their patronage. Security challenge is something that should be tackled seriously as to encourage more Nigerian adopt online shopping.

**c) Website Quality**
In the perspective of online shopping, website quality could be refers to the consumer’s perception of the overall quality of a website (Hsuán et al., 2011). The website quality of any web page portrays important factors that can influence the online shoppers. In Nigeria some organizations enhanced the feature and information content of their websites believing that a quality website will attract the attention of the consumers and cause them to always visit the site for their purchases. Hence, Shergill et al, (2005) in their study establish web site design to be one of the dominant factors that influences consumer perceptions of online purchase.

The Concept of Customer Perception
The perception of the consumers to any organization existing in Nigeria is of paramount important. This could be how the consumers or online shoppers perceive the effective delivery of the online product(s), their perception of goods or services delivery is very important because this perception contributed enormously to the success or failure of the online business (Kim et al, 2002). According to Childers et al. (2001) of the opinion that perception towards intentions to shop online are not only affected by perceived ease of use, perceived usefulness or perceived risk but such factors as consumer traits, situational factors, product characteristics, previous online shopping experiences and trust which can affect the intention of
the consumers shopping online. For instance in Nigeria most consumers lost their trust in using internet for shopping due to the fact that their private information are disclose to a third party.

**a) Perceived-ease-of-use.**

Perceived-ease-of-use is the extent to which a consumer believes a system is easy to learn or easy to use (Davies, 1989). In Nigeria when the consumers perceived the ease nature in using any system they tend to continue using such system. According to Davis et al., (1989) in the theory of Technology Acceptance Model (TAM), it was established that when customers find that interaction with an online shopping website is easy to use it can affects perception positively. Perceived ease of use has proven to have significant effects on attitude or intention to purchase online (Venkatesh, 2000). In the viewpoint of Barkhi et al (2007) It is the ease with which the customer obtains information or order product using the web service.

**b) Perceived-Usefulness**

In the viewpoint of our study, perceived usefulness is seen as the customers’ perception that by transacting online their performance in using the system will be enhanced. For example, the Nigeria online shoppers when they consider the usefulness of any system may want to revisit such site for their next purchase as its continue, they tend to become loyal to such site (Davis, 1989). Any business environment(s) that perceived to be usefulness had a strong direct effect on an individual’s intention to shop online also perceived usefulness influences the acceptance and utilization of innovative information technologies (Lopez et al, 2008).

**Online Shopping Delivery and Customer Perception**

The use of internet for shopping has improved the pattern or changed the way consumers purchase goods and services in Nigeria. The internet is now a platform that most online shops explore in order to outsmart competitors in the marketing environment where competition is fierce (Joines et al, 2003). Also the perception of the customers are of importance to the organization because it is capable of growing the business or bring it to a close, in order for online shopping in Nigeria to have an impact and retain consumers in a competitive market Constantinides, (2004) stated that the first step is to identify certain factors that influence online shopping. Again, Internet is considered a mass medium that provides millions of consumers with purchase characteristics and unique attributes more than the traditional mediums. Certain characteristics have conveniently distinguished online shopping from the traditional shopping system, such as the freedom to window shop and also the ability to make purchases with the click of the mouse (Ozuru et al, 2012). In a further study, Joines et al, (2003) and Oppheneim et al, (2006) investigates the primary reason people shop over the internet and found that convenience is the most primary reason, they also recognized that the other reason for shopping online was price, which has a direct relationship with convenience.

**Privacy and Customer Perception.**

Privacy concerns of the consumers are recognized as one of the main factors that have a negative impact on the intention to purchase online in Nigeria, an individual’s privacy concerns may differ this may be due to the circumstances of the individual. In the study of Smith, et al. (1996) they outlined four dimensions of privacy concerns for organizational practices these includes collection of private
information, unauthorized secondary use of personal information, errors in personal information, and improper access to personal information. Also Chellapa et al (2005), opines that consumers face between personalization and privacy, noted that online organizations need to gain consumers’ trust if they want to implement personalization, in order to overcome the negative implications of their privacy concerns. Thus the following hypotheses are formulated.

**Ho1:** There is no significant relationship between privacy and perceived-ease-of-use of GSM products in Rivers State, Nigeria.

**Security and Customer Perception.**

Despite the fact that security positively influences intention to purchase online it remains one of the major concerns many Nigerians are still reluctant to release payment card information to online merchants, fearing a loss of control over their accounts, merchants and financial institutions, in turn are concerned about the costs associated with online frauds (Hunaiti et al., 2009). They are concern about the protection of data against accidental or intentional disclosure to unauthorized persons or modifications of this data. Information security is increasingly recognized as vital element for ensuring wide participation in the Information Society. Security policies on the website encourage the online shopper to visit the site and make transactions believing that their private information is protected (Ranganathana et al, 2002; Salisbury et al 2005). Thus the following hypotheses are formulated.

**Ho2:** There is no significant relationship between security and perceived-ease-of-use of GSM products in Rivers State, Nigeria.

**The Study**

A total number of one hundred and eighty (180) copies of the questionnaire were distributed, one hundred and seventy-two (172) copies were collected or retrieved but one hundred and sixty-six (166) copies were completely and accurately filled representing a response rate of 90%, these copies were used for this analysis. The data were analyzed using the simple percentages

<table>
<thead>
<tr>
<th>Table 1: Privacy as a dimension of online shopping delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>S/N</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>
Table 1 represents respondents’ views on privacy as a dimension online shopping delivery. To the first question on the table, 38.5% of respondents indicated strongly agree, 34% indicated agree, 7.2% were undecided, 10.8% indicated strongly disagree, while 9% of the respondents were disagree. To the second option, 30.7% of respondents indicated strongly agree, 29.5% indicated agree, 5.4% indicated undecided, 22% indicated strongly disagree, while 12% of the respondents indicated disagree. To the third view, 26.5% of total respondents indicated strongly agree, 37% indicated agree, 2% indicated undecided, 14.5% indicated strongly disagree, while 19% of the respondents indicated disagree. To the forth opinion, 28.9% of respondents indicated strongly agree, 35.5% indicated agree, 0% indicated undecided, 22.9% of the respondents indicated strongly disagree. While 12.7% were disagree.

Table 2: Security as a dimension of online shopping delivery

<table>
<thead>
<tr>
<th>S/N</th>
<th>Opinions</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No %</td>
<td>No %</td>
<td>No %</td>
<td>No %</td>
<td>No %</td>
<td>No %</td>
</tr>
<tr>
<td>1</td>
<td>Products safety is not guaranteed in online shopping.</td>
<td>42 25</td>
<td>56 33.7</td>
<td>7 4</td>
<td>28 16.9</td>
<td>33 19.9</td>
<td>166 100</td>
</tr>
<tr>
<td>2</td>
<td>I am very careful in giving out my private information.</td>
<td>38 22.9</td>
<td>63 38</td>
<td>5 3</td>
<td>40 24.1</td>
<td>20 12</td>
<td>166 100</td>
</tr>
<tr>
<td>3</td>
<td>I am concerned about the security of online shopping.</td>
<td>61 36.7</td>
<td>50 30</td>
<td>0 0</td>
<td>25 15</td>
<td>30 18</td>
<td>166 100</td>
</tr>
<tr>
<td>4</td>
<td>I am reluctant to use online</td>
<td>54 33</td>
<td>43 26</td>
<td>7 4</td>
<td>38 23</td>
<td>29 18</td>
<td>166 100</td>
</tr>
</tbody>
</table>
Table 2 above shows respondents view on security as a dimension of online shopping delivery. On the first question on the table, 25% of the total respondents indicated strongly agree, 33.7% indicated agree, 4% indicated undecided, 16.9% of respondents indicated strongly disagree. While, 19.9% of respondents indicated disagree.

To the second option, 22.9% of respondents indicated strongly agree, 38% indicated agree, 3% indicted undecided, 24.1% indicated strongly disagree, while 12% of respondents indicated disagree.

To the third view, 36.7% of respondents indicated strongly agree, 30% indicated agree, 0% of respondents were undecided. 15% indicated strongly disagree, while 18% indicated disagree.

To the fourth view, 33% indicated strongly agree, 26% indicated agree, 4% indicated undecided, 23% indicated strongly disagree while 18% indicated disagree.

**TEST OF HYPOTHESES**

**Hypothesis One**
There is no significant relationship between privacy and perceived-ease-of-use of GSM products in Rivers State, Nigeria. The null hypothesis one was tested statistically by the use of the Spearman’s Rank Order Correlation Coefficient via SPSS Package.

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Deviation</th>
<th>r^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.68</td>
<td>1.096</td>
<td>0.370</td>
</tr>
</tbody>
</table>

**Decision Rule**
The research hypothesis one states that there is no significant relationship between privacy and perceived-ease-of-use. As shown in the statistical testing of hypothesis one, a significant relationship was revealed to exist between privacy and perceived-ease-of-use, this is shown in the correlation value of 0.37 (37%). The null hypothesis one was therefore rejected and the alternative hypothesis one accepted. Thus, there is a significant relationship between privacy and perceived-ease-of-use.

**Hypothesis Two**
There is no significant relationship between security and perceived-usefulness of GSM products in Rivers State, Nigeria. The null hypothesis two was tested statistically by the use of the Spearman’s Rank Order Correlation Co-efficient.

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Deviation</th>
<th>R^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.60</td>
<td>1.230</td>
<td>0.316</td>
</tr>
</tbody>
</table>

**Decision Rule**
The research hypothesis two states that, there is no significant relationship between security and perceived-usefulness of GSM products in Rivers State. As shown in the statistical testing of hypothesis two, a significant relationship was revealed to exist between privacy and perceived-usefulness, this is shown in the positive correlation ($r^2$) value of 0.32 (32%). The null hypothesis two was thus rejected and the alternative hypothesis two accepted. Therefore there is a significant relationship between privacy and perceived-usefulness.

**Discussion of Findings**

**Significant relationship between privacy and perceived-ease-of-use**
Testing the null hypothesis one at a 0.05 significant level and a degree of freedom of n-2, the correlation ($r^2$) value of 0.37 (37%) revealed that there is a significant relationship between privacy and perceived-ease-of-use, the null hypothesis one was therefore rejected and the alternative hypothesis one was accepted. In line with the finding, Privacy can be seen as a boundary control process where an individual defines with whom he will communicate and what type of communication (and how much) will occur. Pedersen, (1999) stated that privacy control enables the particular individual to achieve the desired level of contact with others, at a particular time and according to stated conditions. Thus, we conclude that privacy significantly influence perceive ease of use of GSM products in Rivers State, Nigeria.

**Significant relationship between privacy and perceived-usefulness**
Research hypothesis two which stated that there is no significant relationship between business privacy and perceived-usefulness was tested at a 0.05 significant level and a degree of freedom of n-2, the correlation ($r^2$) value of 0.32 (32%) revealed that there is a significant relationship between privacy and perceived-usefulness. The null hypothesis two was therefore rejected and the alternative hypothesis two accepted. Supporting the finding, Citron, (2010) Online users’ behaviour is influenced by the trade-offs between what one gives up (like disclosure of some kind of information) and what one gains from it (benefits like 24/7 availability of service, time-saving or other conveniences). Therefore, we conclude that privacy influences perceive usefulness of mobile phone amongst bank employees in Rivers State, Nigeria.

**5.2 Conclusions**
The analysis yielded results that made us conclude as follows:
1. Privacy significantly influence perceive ease of use of GSM products in Rivers State, Nigeria.
2. Security significantly influence perceive ease of use of GSM products in Rivers State, Nigeria.

**Recommendations**
Based on the conclusions above, the researcher therefore recommends that:

1. Firms should give more attention to its online shopping delivery especially in the dimensions which could meet its customer’s expectation privacy, security and web sites quality issue.
2. When there is any complain of insecurity by the customers in online transactions, firms should address it as quickly as possible this could prevent failures in online service quality.

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Soft-computing model for optimization of quality in Technical Education
An Expert Approach

A.K. Madan *

Abstract: Education is an important aspect in the development of economy of the country and by in large the quality of the society. With the globalization, the boundaries are shrinking and development in the field of education is well shared among all the countries of the world. Technical education plays a very important role in the development and self-sustained growth of the society. Hence there is an utmost requirement to develop an effective model to improve the quality of technical education. In this paper, an in-depth study is made on the various factors / attributes affecting the quality in Technical Education System (TES). Major factors / attributes which influence the quality of technical education are as under

- Faculty quality (FQ)
- Student Quality (SQ)
- Management Input (MI)
- Infrastructure (IN)

Fuzzy logic can be used as an effective technique for optimization of quality for achieving excellence in technical education. In this paper, fuzzy logic tool of MAT LAB software has been applied for analyzing the parameters that influence the quality of TES. Fuzzy logic technique (MAT LAB-Fuzzy logic tool box) provides a reasonable solution to complex decision situations. Fuzzy logic is a powerful tool for analyzing the data and reduces large amount of mathematical calculations required for evaluation of the data. There are large numbers of parameters for the improvement of technical education and most of them are very ill defined. With traditional method of human intelligence it is quite difficult to predict the precise conclusions. Therefore fuzzy approach is applied because it helps to take the decision with simple collection of rules based on linguistic approach.

Fuzzy set theory introduced by Zadeh (1965) is used to represent the vagueness of human thinking. It expands the traditional logic to include instances of partial truth. With fuzzy set theory, intermediate degrees of membership are allowed. Finally a non-traditional soft computing approach has been proposed to infer statistical and fuzzy rules from quantitative database.

Keywords – Soft computing, Fuzzy Logic, Quality, Technical Education System (TES), MatLab, Membership function

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