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Albania

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Take Me Out to the Ballgame: Different
Teams, Different Strategies

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Youth political participation in Albania

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Abstract

Obama's media campaign in 2008 and the "boom" of using, for the first time the digital media as well as social Platforms as new methods in Political Marketing, had an extraordinary impact in subsequent studies and analysis in electoral camping strategies.

For instance if we take a look in Airports, bars, restaurants, gyms and fitness, parks, discotheques and pubs, entertainment places, managers in metros, more and more you will see people with i-phones, ipads, ipods, Samsung Android tablets...we will notice people taking information, downloading books, magazines, sharing videos and posting status in social networking etc etc. The new era of social Medias, blogs, YouTube already has completely changed the way of informing and living.

The number of studies and research from many political experts, politicians, students and various stakeholders has emerged the need of implementing comparative models to be successful in the political market. In mean time implemented by the candidates / political parties for future campaigns strategies, also represent a challenge to achieve the future political objectives according to the new technology developments. It seems that the political / candidates has to include in their target segmentation, the youths segment. This segment represents a vital force in the society, and constitutes in the mean time the most attractive target group in the gray electorate. In the 2008 presidential election, voting participation of youth in the 18-29 years, marked the highest scoring after 1972, so 53 % of young voters¹(Gastanon 2008). In various U.S. states where was voted for the presidential election, Osama's victory was achieved by young voters aged 18-29 and particularly the state of Florida, were 61 % participation of the youths, ensure the Leader of America towards victory (Ruggeri 2008).

The focuses on the creation of an overview of youth engagement in politics in Albania, one of the segments identified as key factor to the victory of political parties, based on resulting from the current political environment. Mostly this paper sheds light on the history and trends in Political youth engagement in Albanian, based on literature, numerous studies, national and international reports, furthermore a survey conducted and processed in the pre-election period in 10 of the largest Universities in Albania.

¹ Marcela Garsia Gastanon-Plugged in our Tunes out? Youth ,Race and Internet Usage in the 2008 Election

³Amanda Ruggeri <http://www.usnews.com/news/campaign-2008/articles/2008/11/06/young-voters-powered-obamas-victory-while-shrugging-off-slacker-image>

Key words: Political Marketing, Tradition youth representation in Politics, Youth Behavior.

Albanian Political tradition of youth participation

In Albanian tradition of youth representation relates with the culture, history and political systems inherited from the past. Albania remains patriarchal society, where freedom of speech and the decision is limited by age (customary law). During the political history of the Albanian State, there are exceptional cases, which has been associated mainly with major historical changes. The case of Ahmet Zogu, Albanian Man of State, whom at the age of 24 become Prime Minister, President at the age of 28 and King of Albanians in 1928², when he was just 33 years old (Saraci 2006). With the establishment of the communist regime in Albania in 1944, 70% of the leaders of the Communist Party of Albania were between the ages of 21-33 years.

In December of 1990, the youth movement consisted by the participations of students, where 60% of members were 18-22 years old.

In modern political system in Albania, Ilir Meta and Pandeli Majko cases respectively 28 and 30 years old were Prime Ministers in 1997 and 1998 represents these exceptional cases related as mentioned before with the historical changes.

Table 1: Member younger than 28 years old Albanian table in the parliament from 1991 to 2013

Year	Nr	Under 28	PD	PS
1991	240	5	2	3
1992	140	8	3	5
1996	140	10	8	2
1997	155	5	2	3
2001	140	5	1	4
2005	140	6	3	3
2009	140	4	2	2
2013	140	0	0	0

Source: the author data realise

The youth participation, is high related with the Political Party commitment when the person believes or predict that this Political Force is going to win the election. Calling the periods 1991-1996 most of the youth were engaged in PD³, 1996-2005 most of the youth engagement was in SP⁴, 2006-2009 most of the youth engagement was in the PD structures, and the last election campaign most of the youths were engaged with the

² "King Zogu of Albanians, a lived history " with Author Catin Saraci. Translated into English by Virgil Muçi, 55 publishing house, 2006. Page 161.

³ Democratic Party

⁴ Socialist Party

political forums of SP-LSI⁵ coalition. The under 28 years will not be represented in parliament according to the election of 23 June 2013. See data presented on the Table 1 which reflects the youth representation in Parliament during the transition period until the 2013 elections.

The decision of non participating in Politics, is linked with other relevant factors such as: Psychology that career is gained, not freely and fairly obtained in meritocracy, political commitment but also brings pressures privileges (work), young people in politics - obstacle the flow of new arrivals, Political atrocity of the leaders and the language used keeps away the liberal part, youth rallies used for facade / spots election etc, jut only one youth directory in the Ministry of Tourism, Cultures, Youths and Sports (2-3 persons), the psychology of transition: nothing can change, a non competitive internal democracy system, the head of major structures is appointed, not elected, nepotism rule works ,a feeling of disempowerment which place these young people in secure locations to list proportional, forcing rapid career to be loyal to the leader and "militant" to his present political behavior imitation political leader's not creating inspiring models for young people within youth structures Party etc .

These factors resulted from studies, interviews dialogue with students, but also with peoples aged to 40-50 years, whom were active in Political participation in previous decades, so :

The American Models of making election campaign

In the past researches, studies and different articles, has been concentrated more on the political behaviors or participation in adults over the 30 years, than among voters aged 18-29 (Castano, Rank, Barreto 2011). Given the experience of Western Countries with strong level of democracy such USA, UK, France etc, more and more candidates and political Parties, engage international consultancy in Election companies, for campaigns management and other modern advices⁶. Such consultancies have to focus not only in media Campaign and more efficient Methods of Political Marketing, but in the mean time these companies also aims political Parties for international consultancy offering personalized Political system with the country strategies implementation.

The phenomenon of American Campaigns, (actually the fact does not constitute any news), is imported also in Albania. Although Albania is a parliamentary republic, the electoral campaign has many similarities with the American Presidential campaign; in the center is the leader of the Party, as Rama, Berisha, Meta, Topi etc. The Americanization process has involved the 360⁰ services, such as demographic studies, the target segmentation, the i-media, social media, blogs, youth forums, marketing, advertising, candidate image care, ballot initiatives, grassroots lobbying, and advocacy efforts. These companies includes: targeting, data management, field and voter contact plans, staff identification, training, canvass operations, petition management, and GOTV and of undoubtedly the new technology development, faster accessed by young people etc. In Europe now, most of the countries use proportional system of voting in the General

⁵ Social Movement of Integration

⁶ The Global Political Consultancy Survey(1998-2000)

⁶Gurevich (1955,77)

⁷The Election Code of Albania www.cec.gov.al

Election, Albania (the list enclosed)⁷ (Gurevich 1955), such reflect a maximum reduction of commitment by individual candidates, particularly places in the bottom part of the lists before, giving all the campaign management responsibilities to Political Party affiliated.

In 2013 general elections the main political parties in Albania, such as the Democratic Party, the Socialist Party, the Socialist Movement for Integration engaged foreign Consulting Companies helping them for success. Furthermore, the Socialist Party has hired the company, spin doctors, " Alastair Campbell ", Crespi brothers the former Italian company that has been providing consultancy in the preceding campaign. The company ' which has helped Tony Blair in his campaign, " Ernment Advisory", replaced the advice given by the government 's right Democratic Party, Sali Berisha, namely that of Tony Podesta Group of companies " Podesta and Patton Boggs." ⁸

The decisive factors related with the victory of the left coalition ASHE (Alliance for an European Albania), headed by party Socialist coalition with the Socialist Movement for Integration, is not just associated with these companies but of very decisive aggregates such as the economic situation, the government lower secondary current consumption, increased corruption, level of democracy and economic financial crisis, "time to change ", etc.

Youth organizations and political forums operating in Albania

Youth and the importance that presents itself as a target group, by political parties, has some extraordinary features as strength, expectations, vitality, energy and inclination to welcome and support innovative ideas that make the difference between negative models of the Albanian transition and Western models of democracy. An active youth in political decision-making and governance of the country as a vital part of society not only, affects one the most representing segment in Albania (Albania is among the countries with young populations in Europe)⁹ but at the same time is also the favorite segment which makes most talked about part of the electorate gray.

Albanian youth appear also trampled in the rights for its own economic and social conditions of the country, which have contributed to the high emigration during the transition period, increasing unemployment in the country, not enough support from state institutions (Although many organizations operating in Albania youth, which will be mentioned below). It is natural that the Albanian youth is somewhat unstable when it comes to views on social values, economic and political systems inherited.¹⁰(FES 2011) In Albania there are many organizations, foundations, associations, youth activist groups on which we have focused on promoting youth decision making, mentioning :

1. Network Albanian Students Abroad (AS @ N)

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⁸ <http://www.eastjournal.net/albania-tony-blair-torna-a-casa-gli-affari-delle-societa-di-consulenza-nei-balcani/33000>

⁹http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Migration_and_migrant_population_statistics/it

¹⁰ Executive summary of the "fes youth study in Albania 2011", "Friedrich Ebert" Foundation (FES),

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2. Albanian Youth Council
3. Albanian Youth Parliament
4. Action Plus
5. Gender Alliance for Development
6. Center for the Rights of Children
7. Albanian Association of the United Nations
8. SIFE Albania
9. KRIIK – Albania

Also operate international organizations and donors who have their focus on developing youth protection as UN Coordinator, UNDP, UNICEF, UNFPA, ILO / IPEC, EC, EU, USAID, the European Commission, the British Council, UNOPS, IOM Save the Children, U.S. Embassy, Austrian Embassy, German Embassy, Italian, Greek Embassy, etc. Also mention of Albania and Participation in European Regional Initiative which will include:

1. Council of Europe, Directorate of Youth and Sports
2. International Organization of la Francophone
3. CEI (Central European Initiative) etc.

Whereas the overall policy formulation youth, all states (Albania also) , based on: Article 100 of the Treaty for the establishment of a European Community action program "for young people," the White Paper of the European Commission of 21 November 2001 entitled "A boost for European youth".

Indeed there are many organizations related to youth projects which were awarded funding from various projects mainly IPA International and European community, etc. but their impact is relative and have no coherence.

Parallel political forums operate in Albania listed below:

1. **FRESSH** – the Albanian Euro socialist Youth Forum, was established on 15 January 1992 by a group of youths with the mainly purpose of establishing the biggest youth organization in the country. FRESSH Albania was the approach of the European mentality and the concept of democracy and the rule - making process and the brightest ideas of European social democracy. Since the early years of the establishment, FRESSH is a member with full rights in IUSY (the International Socialist Youth) and adheres to ECOSY (Socialist Youth Organization and the European Social). Head of FRESSH, Elisa Spiropali, from June 2012¹¹.

FRESSH has the statute, program and his symbol and operates as an internal structure of the Socialist Party of Albania.

2. **LRI** - Youth Movement for Integration is a political youth organization of the Socialist Movement for Integration. It is a voluntary association of Albanian youth on the basis of ideas, beliefs, opinions and common political interests that seek to strengthen the role of youth in the life of the country.

LRI is a partner with LSI - the Socialist Movement for Integration, and operates independently based on its statute and program. LRI was founded in September 2004 and since then has been committed to increasing the participation of Albanian young men and

¹¹ <https://www.facebook.com/pages/FRESSH/117026081646250?id=117026081646250&sk=info>

women in decision-making, both locally and nationally. Head of this movement is Endrit Braimllari 2013¹².

3. **FRPD - Youth Forum of Democratic Party**- was officially created in August 1991 and consisted of a group of students whom initialize the December movement for Democracy, back on 1990. Delays of several months (December 1990 - August 1991) to create FRPD plugged debate whether a new Democratic Party should have youth organization. A large part of the main leaders defend the thesis that youth organizations were fictitious, their role is insignificant and that the same model followed by Labor Albania Party (PPSH-the communist Party of the former Dictator Hoxha).

Due to the need for an organized political youth organization in addition to DP and advice of foreign experts EDU (European Democratic Union) agreed to create FRPD the status of the partner organization within the Democratic Party. Its members would not necessarily be DP members, member's age was 17-28 years old, and decisions would be independent, fundamental policies will be the same as PD, the choice of the management team would be independent of the Democratic Party.

The first head of FRPD was Ridvan Peshkëpia (1991-1992), then was elected Arben Lika (1992-1993), for a period of months was walking with a collective presidency with 4 people in the period from 1994 to 1998 and chairman in Approach Krasniqi was for two mandates. Gent Strazimiri was head of FRPD in the years 1998-2000, in 2000-2001 Kolin Gjoka (passed away), then from 2002 to 2007 Sokol Olldashi and then Gert Bogdani. It is worth mentioning that Bogdani is not chosen, is appointed by the President of the Democratic Party since 2007 and had no election process was conducted for the head of FRPD .

FRPD is accepted in DEMYC (European democratic youth organization) in 1995, a member of the Conservative Youth (1996), is co-founder of YEPP (Youth Democratic People's Party in 1997), and is a member of IYDU (youth union international democrat 2008). From 2012 President of FRPD, Bogdani is one of the Deputy / IYDU presidents.

FRPD structure is the same as DP organization in the country, organized by sections and branches. Its role is especially important in electoral campaigns. There is no fixed membership, and there is no clear division between student and non- student youth. For a long time student youth was organized in parallel branches as party or as GRUD, student youth organization of the Democratic Party.¹³

4. **Youth Forum of the New Democratic Spirit** – in the beginnings of the New Democratic Spirit many youths attends, like those disappointed in other political forces such as AK, but mostly coming from structures of Democratic Forum party FRPD or youths without engaging before in Politics. The youths Forum, despite the enthusiastic young volunteers, had failed to organize and to operate as the other major parties as mentioned above. New Democratic Spirit was officially opened on 30 April 2012, the temporary chairman Gazment Oketa and a pioneer group composed of Alexander Biberaj and three other member of civil society. The new party created at that time featured a higher profile for voter integrity and was perceived by voters as a political force that would be the new home of the Albanian Moderate Democrats. After leaving the position of President of

¹² <http://www.lri.al/rreth-nesh/>

¹³ Afrim Krasniqi –Political Systems in Albania 1912-2008. Tirane 2009,pg 390

Albania, Mr. Bamir Topi joined FRD. He was appointed by the leadership as President of this new political force. General Coordinator of Youth was the former chairman of the Democratic Party Youth Forum Mr. Afrim Krasniqi who had proper authority for the direction and extent of youth structures of the New Democratic Spirit in the entire Albania Youths Structures.¹⁴

Other youth forums like “MJAFIT” or CAO, have played an important role in promoting youth participation in political activities and other important social culture

Parliamentary elections 2013 - youth politics-facts and figures

During the election, Albania showed a tense climate that lacked the general climate of distrust between the parties and government consumption while under the PD, and a number of other factors socio-economic-demographic and political behavior influenced the engagement of young people. All party forums were actively involved in the election campaign in 2013. The young participation in Political Parties, mostly showed pragmatism and no idealism, an idea that is seen as a trend last years in Albanian, and what constitutes a distortion of the previous behavior where the new generation were inclined towards political family heritage, political ideals, connection with the party, image, program leader of the party. Below the material provides information about methodology used for analyzing and processing of random questionnaires, recommendations and conclusions.

Research methodology

To achieve the objectives of this study on the impact of social media in politics in Albania and using information collected from various public sources, but it is also part of the field survey through questionnaires.

The survey consists of three parts. The first part, which contains general information about the respondents, as gender, age, courses followed, residence etc. The second part provides information about the impact of social media on political information and Political marketing tools, while the third is more specific questions about the respondents' opinions regarding the political parties with which they feel represented with their programs, the organization of the election campaign, while also providing information about the leaders of these parties etc.

Cities where this survey focused were: Tirana, Berat, Vlora, Shkodra, Durrës, Elbasan, Gjirokastra, where large number of voice Tirana certainly due to the higher number of universities. Also this survey was to focus not just public universities but private ones. The survey included a total of 1500 respondents came from different areas of the country but also with different beliefs and political opinions. The survey lasted about two months, and interviews were conducted through face-to-face confrontation with the respondents. Respondents were randomly selected. Part of this process was the creation of the database with the collected data and their processing and analysis. Processing and analysis were conducted activities through software such as SPSS and Excel.

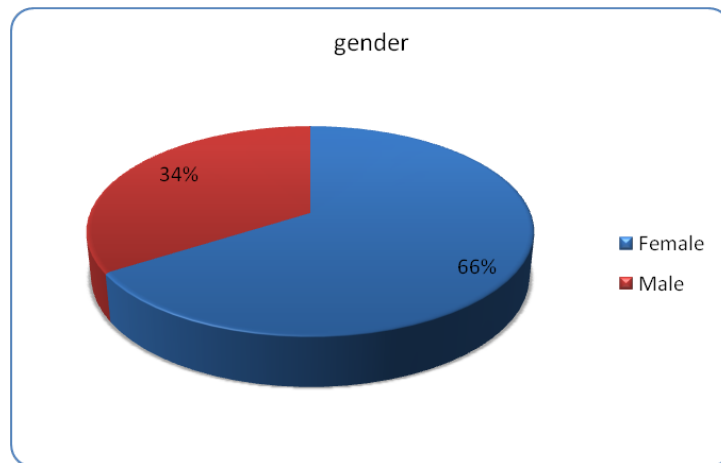
¹⁴ www.frd.al

Method used in this study through questionnaires. Focus groups are citizens of different cities of Albania, on the average level of education and statistical description of the sample is as follows:

Table 1

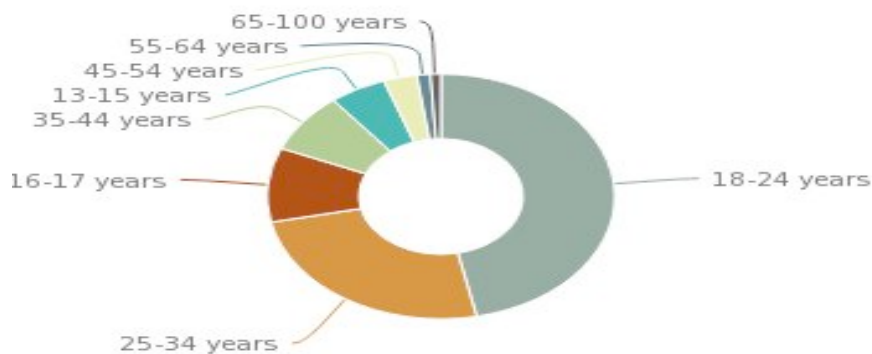
	Number	Minimum	Maximum	Average age	Standard Deviation	Variance
Age	1500	18	52	20.79	3.369	11.352

Chart 1 Participation in % of the two genders



Source: Author, Orjona Fjerza Survey 2 , March-May 2013

Chart 2. The distribution of age in Albania, in using Facebook:

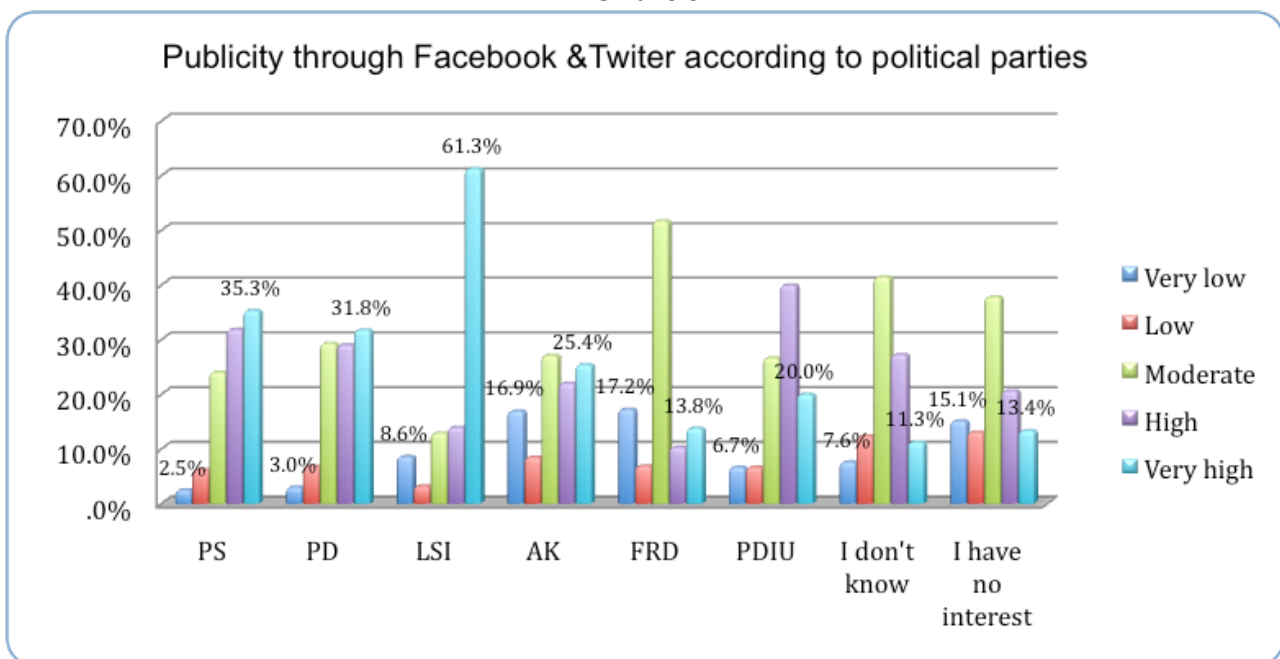


According to the SocialBaker site information we find relevant data about the use of the internet from the Albanian people. The use of the internet in Albania is 45/100 people.

Below are presented in graphical way some of the results of the survey data, mainly those related to youth participation. Questions are in the form such that their interest was seen for organizing the campaign and its elements.

In Chart 3, we obtain information about respondents' political information through Facebook and Twitter but at the same time and inclination see political involvement and interest in politics. Crosstabs is realized through the presentation in percentage, so 61.3% of the respondents answered that receive political information through these social platforms for LSI, 35.3% for the Socialist Party, Democratic Party with 31.8 for the number 5, which refers to the degree to high-level information. For the average values of access to information through these social platforms, 13.8% belong to the New Democratic Spirit FRD, 25.4% AK, 31.8% DP and 35.8% to the SP. What constitutes interest for the study is that about 30% of respondents are not interested in receiving information about none of the political parties but at the mean time the respondents have no idea of the existence of the information published by parties / candidates through these platforms. The figures shows a relatively low interest for the participation of youth in accessing information on the verge of the election campaign.

Chart 3

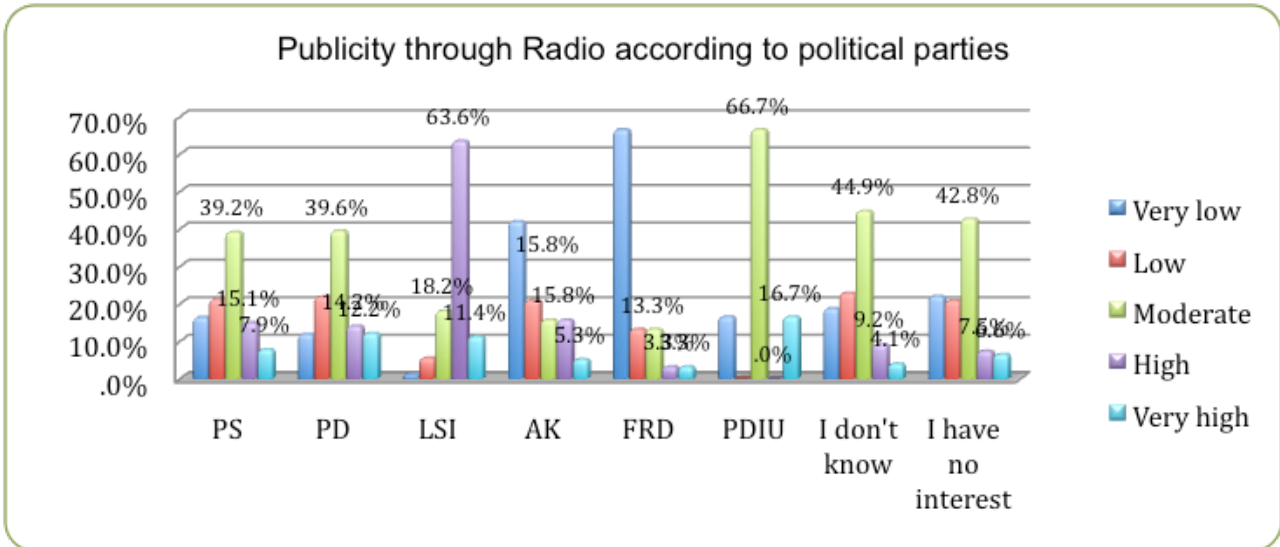


Source : Author, Orjona Fjerza Survey 2 , March-May 2013

Data and percentage showed in the second chart, are related with the use of the social network such as facebook and twitter. LSI is represented better than the other political force, with the very high level of the question level, in 61.3% of the respondents.

Also the PD and LSI and Republic Party is presented respectively with the , 35.3%, 31.8%, 20.8% , which shows a high level of information taken by youth through these political social networks profiles. In the chart the level of non interest or lack of interest is relatively less than the other tools of political information, which means that the Party/Candidates should improve strategies for a better use of information through the social Medias.

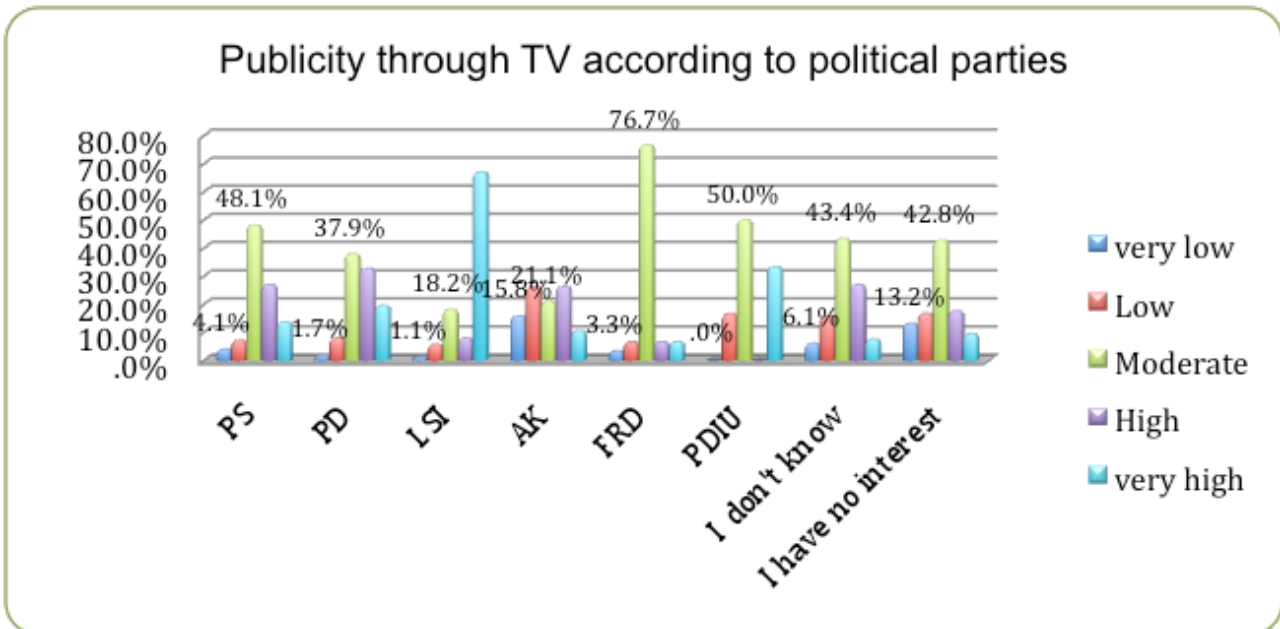
Chart 4



Source: Author, Orjona Fjerza Survey 2, March-May 2013

Chart 4 shows us the level of the information obtained through the radio use by the politicians or the Political Parties during the election camping. The LSI is perceived to have a better use in youths political information.

Chart 5



Source: Author, Orjona Fjerza Survey 2, March-May 2013

Chart 5 shows up the level of information, obtained through the television and spots use by the politicians or the Political Parties during the election camping. The chart figures out that the PD, PS and LSI shows a high level of marketing communications through the TV and spots.

The data shows help to figure out the level of participation of the peoples in politics.

Through the techniques of the survey through the response we can measure the level of participation of the youths in political area.

Conclusions

This article is a general overview about the participation of youth in political based on figures, facts, and questionnaires constructed in March- May 2013, empirical data and elections data results. Normally study has its limitations in terms of sample or sample representation as well as the period realized. Political tension was high, especially after leaving the coalition and the right of the Socialist Movement for Integration in April 2013 two months before the election. Many of citizenships put into doubt the status quo not only of the structure of the new government in the future, but of all the mechanisms of functioning of the Albanian Society in the post-election period.

The campaign showed and proved in 2013 that new forms of modern marketing techniques are used by all political parties.

Albanian political parties in the 2013 General Elections devoted attention to high as never before, the segment of voters aged 18-29.

New technology has as users mostly young people in Albania. The use of social media and social interaction has a good impact in youth political participation. Candidates/Party should improve the techniques of using social media and candidate's information mobile applications. The social media connects millions of people and its where people share their information's to their closed ones. The followers and likes are the common terminologies in social media's. The platforms of bying fb and twitter followers has been used the last election (SocialBakers2013).

For the time being appear on Youth print platforms, associated with it not only the demographic structure of Albania as one of the countries with the youngest population in Europe, but also to the importance of interesting factors for success that holds the generally the youths segment.

The commitment of national and international organizations and non-partisan youth party played a significant role in promoting engagement and youth and their participation in Politics before and during the election campaign.

Problematic is the implementation and the finalization of the projects. Indeed there are many organizations related to youth projects which were awarded funding from various projects mainly IPA International and European community, etc. but their impact is relative and have no coherence.

Albanian youth in general appears to relative free active regarding participation and active involvement in political forums.

Youth Forums in Albania have failed to become Political Academies.

Problem of the lack of democracy in the process of selecting the governing structures are observed in almost all the major parties.

Career Fast forces to be loyal to the leader and "militant " the leader presenting a mock political behavior of the Leader of the policy without creating inspiring models for young people in youth structures Party .

In the most of youths still overwhelms the cultural mentality " Either the first or disengagement"

Young people themselves appear resistant or threatened against new flows within party structures.

Trend of direct connection with the leader of the Party and not respecting the hierarchical structure, and that as a result of a mentality inherited from family education and social culture.

Recommendations for the future

Based on best practices from the West and its own demographic composition , social and cultural specifics of Albania, that presents its own segment of the electorate aged 18-29 years , political parties must pay attention to the priority needs analysis and study of this market and measures for their involvement in Politics .

It would be a good approach for the Albanian Society giving the proper attention and informing policy and decision makers - youth organizations and forums to be proactive and not just during election periods to understand the issues affecting young people and their needs and opinions but creating the conditions as easy integration in social processes.

The development of civic identity - Promote the importance of voting programs at a young age in order to become a lifelong habit that leads to greater participation in the democratic process and the broader civil society.

Increased legitimacy - youth representatives provide a voice to a population that often goes unheard. Youth representation gives confidence and focus on the work they undertake with adults and policy makers.

Improving services - representing youth acts as a catalyst to strengthen local accountability and impact on improving services for young people, making them conscious of the importance of creating policies to correct for a better future .

Fulfillment of statutory duties - Communities in county - level municipality has a duty to inform, consult and involve people in the management of community services, as well as a duty to promote democracy - especially for young people.

Implementation of youth engagement projects not only programs awareness, activism and participation by various state districts, organizations, forums, etc ,but social and cultural, in order to have a full interaction of age with the creation of a youth elite healthy for the future of the country .

Political parties need to implement systems which engage in the growth of democratic processes within political structures and leaving old models regarding the appointment of directors command and not through the democratic choice of the members, and to engage in educating the younger generations through a worthy example.

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Brand Battles: Are Store Brands Acting more like National Brands?

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Abstract

The purpose of this research is to quantify the actual presence of FOP claims on PL, to compare the frequency of specific FOP claims to the NB over the same time period and to determine the dynamic, improvement of PL over the time period 2009 to 2011.

Methodology: Information for this study came from Mintel's Global New Product Database 2009, 2010 and 2011. There were 10,791 products launched in 2011 in the US database, 8,120 NB and 2,671 PL food and drink products. For 2010: 8,025 NB and 2,784 PL that totally gives 10,809 launched products. For 2009: 5,838 NB and 2118 PL that gives 7,956 food and beverages products launched in US.

Two research questions along with two hypothesizes were investigated using descriptive and inferential (Z test) statistics. First is "Are PL companies increasing the number of attributes and benefits displayed on the FOP of the food and beverages products labels?" And the second research question is "Have PL companies reached the NB level of focusing more on attributes and benefits of the food and beverages products other than price?"

Findings: PL companies have increased the total number of FOP they make across all products in the three years from 76% of all food and beverage products with FOP claims in 2009 to 84% in 2011, while not every claim shows the same constant growth.

About 80% of analyzed claims were found to be significantly different with the confidence level of 95% and $P \text{ value} < 0.05$ for the US data in 2011, that allows to claim that percentage of products labeled by nutritional, health or processed claims is not equal for both NB and PL products in US.

So PL companies for the most part are including important consumer attribute and benefit information on the FOP of their products. However while making progress PL companies still lag behind NB in both of number and types of claims they make on the in front of their package.

Management implication: PL companies have evidence that just promoting low price may not be the sole benefit consumers are looking for in PL products. PL marketers must continue to focus on added benefits while not losing sight of their need to be a lower price choice. While NB must now see PL as a real competitor on all competitive positions and focus attention not just on other NB but have strategies to deal with the ever more sophisticated and desirable PL.

Introduction

According to the USDA one of the most striking changes in US food retailing over the past two decades has been the rise of PLs, also known as store brands. Retailers have expanded PL product offerings across the supermarket, and PLs have increased in popularity, as measured by both dollar sales and shares within product categories (Volpe, 2011). The market for PL products has been increasing and enjoying consistent sales growth. PL sales showed growth between 2004 with 16.5% share of market to 17.4% 2011, and forecasted PL food sales will continue to rise by 4-5%, reaching nearly \$47 billion by 2016 (Mintel Oxygen Reports, 2011).

It can be shown that price and economy are the biggest attributes that PL has focused on in the past. On average, PLs are priced about 23 percent lower than NBs, both with and without promotions. This gap is smaller than that found in previous analyses using older data, suggesting that these items may have become more comparable in price and quality over time. PL companies are making effort to achieve the level of loyalty, recognition and quality that NB have and to identify themselves as brands according to various industry sources including the Private Label Manufacturers Association in industry meeting and reports (Volpe, 2011). To be recognised as having the same quality as NB, PL companies would be expected to improve the visibility of their products attributes and benefits that consumers are looking for.

Recent trends illustrate the evolution of PLs and their importance in food retailing. For example, the Food Institute Report (2009) notes that PL sales grew an average of 4.5 percent per year from 2003 through 2008. Sales for packaged NBs fell during the same period. PLs have improved in quality relative to NBs (Consumer Reports, 2009). They have also increased in total product offerings, as most supermarkets today offer at least one PL option in nearly all product categories (The Food Institute, 2010). It will be shown that PL firms used the FOP labels to make clear all the attributes and benefits the "new PL" is offering.

To date most of the academic research on PL has focused on the consumer and the various types of consumers who buy PL and the attributes that consumers may desire in PL such as personality type and PL choice (Herstein et al., 2012), perceived risk and PL choice (Beneke, 2012), shopping events and PL sales (Leischnig et al., 2011, Pepe et al., 2011) or customer loyalty and PL choice (Abdullah et al., 2012; Broyles, 2011). However little academic research has focused on the actual changes in PL packaging and specifically on the FOP claims made on the PL packaging.

It is hypothesized that in order to maintain PL sales and profit, the PL manufacturers and retailers must not only improve their physical products, but must also insure that consumers are aware of the added attributes and benefits the products contain or provide. Since it is documented that PL utilizes mass media far less than NB, they must rely more on the package to communicate the attributes and benefits. Therefore it will be specifically hypothesized that the number of types of FOP claims are increasing over time and that for many of the various types of claims there is no significant different between the presence of FOP claims for PL and NB.

Since FOP claims are the primary vehicles to communicate the PL brand attributes and benefits and a basis for comparison to the branded product equivalent. The purpose of this research is to quantify the actual presence of FOP claims and to determine if they

have changed over the time period 2009 to 2011. Additionally the objective will be to compare the frequency of specific FOP claims to the NB over the same time period.

Literature review

For several years, PL sales have increased. According to *PMLA Industry Roundtable* the economic crisis made consumers change their purchase habits by looking for cheaper products. Indeed 75% of consumers pay attention to the price of their purchase (Private Label Manufacturers Association, 2010).

However the situation has changed now, in this post-recession period, and this previous assertion is no longer totally relevant. According to *Profile of store brands* retailers introduce more and more innovation and upscale packaging in PL, which establish retailers more in brands than in pale copies of NB (Doyle, 2007). "Providing more than just cheap alternatives to NB, the newest PL foods woo shoppers with premium ingredients, portability and health benefits" (Mintel Oxygen Reports, 2011). This change in marketing strategy may appear to be a logical progression of product development some have cautioned this could have a negative impact the image of PL (Halstead et al., 1995). However others have argued that advertising, as opposed to store promotions, can have a positive impact on premium PL sales (Levy et al., 2012).

Indeed the maturation of the PL market enable PL to find a more sophisticated positioning for their product: there is a proliferation of niche sub-brands, such as organic sub-brands, premium sub-brands, ethical sub-brands and others (Berg and Queck, 2010). PL companies explore now new fields in which NB are not.

According to the *Mintel survey* some PL companies have now products with health and wellness benefits: Safeway's Eating Right, launched in 2007, offers products with a color-code corresponding to specific dietary attributes such as high fiber, low sodium, and low fat (Mintel Oxygen Reports, 2011). Fresh & Easy Markets' Eatwell, launched at the beginning of 2011, is also positioned in healthier products: a list of the nutrients is on the top of the package, which give to the consumer some nutritional indications (Mintel Oxygen Reports, 2011).

A number of PL companies now offer their own line of natural and organic products: for instance O organics launched by Safeway in 2005, and more recently the launch of Simple Truth Organic by Kroger (Mintel Oxygen Reports, 2011).

In addition 35% of consumers say "they would buy more PL if they were locally produce" (Mintel Oxygen Reports, 2011). The area of local is a market where PL companies are about to breakthrough. According to the report *The Brand of the Future*, they underline the provenance of their products, increasing shopper confidence (Berg and Queck, 2010). Indeed Ms. Faron (senior analyst at Mintel) says, "We found that over half of local shoppers are trying to help their local economy, but they also buy local products for convenience, better taste and the environment. Companies should use these motivations to craft marketing messages that appeal to locally conscious consumers" (The Food Institute, 2009).

There are also more and more premium lines launched by retailers: Safeway Select, Kroger's Private Selection, Supervalu's Culinary Circle, A&P's Food Emporium Trading Company and Schnucks' Culinaria. All these launches demonstrate that PL companies are

now ready to innovate and invest in R&D and marketing (Private Label Manufacturers Association, 2007).

Moreover these labels are now using technologies to reach consumers: specific shopping platforms for mobile, websites. This goes with the rebirth of respect for supermarkets, based on media and person-to-person stories about cool stores and positive shopping experiences (Berg and Queck, 2010). But it remains no less true that, in the future, PL will have to commit themselves in sustainability with real ethical credentials to convince the consumer (Planet Retail, 2009).

NB still have a bigger power of innovation e.g. Nespresso, money for research and data e.g. Procter & Gambles from consumers, and the trust of the consumers because of their history, their fame and their quality.

But since the PL brands are normally owned by supermarkets, they have more power and they can choose how to advertise their products and use different kind of supports such as floor graphs, shelf-talks (Kumar and Steenkamp Jan-Benedict, 2007). Even the way the supermarket decided on the store atmospherics can influence the evaluation of PL brand (Richardson et al., 1996). The SKU rationalization is an analytical process used to determine the merits of adding, retaining or deleting items. It could lead to an upward of 20% fewer products. Retailers could use this to emphasize their own brands on the shelves (Private Label Manufacturers Association, 2010).

In summary as PL becomes more sophisticated and innovated it will develop its own brand personality and retailers will be able to influence their store brand image to the advantage of profits, sales and loyalty (Beldiona, 2007)

Methodology

Data Collection

This study is one of the largest studies of its kind as approximately 28,000 FOP labels for NB and PL products over three years. Information for this study came from Mintel's Global New Product Database 2009, 2010 and 2011 (Mintel's Global New Product Database, 2009, 2010, 2011). GNPD collects and records innovations in the food and beverage industry with up to 62 data elements for each product. Database for current paper includes: product name, brand, company, country, product category and subcategory, positioning claims and mark whether the product is a private label or national brand.

There were 10,791 product labels launched in 2011 analyzed in the US database. It includes 8,120 National Brands and 2,671 Private Labels. For 2010: 8,025 NBs and 2,784 PLs that totally gives 10,809 launched products. For 2009: 5,838 NBs and 2118 PLs that gives 7,956 launched products.

The data includes the following supercategories *Food*, including Bakery, Sweet Spreads, Breakfast Cereals, Dairy, Chocolate Confectionery, Sugar and Gum Confectionery, Side Dishes, Fruit and Vegetables, Savory Spreads, Meals and Meal Centers, Processed Fish, Meat and Egg Products, Sauces and Seasonings, Desserts and Ice Cream, Snacks, Soup, Sweeteners and Sugar, and *Drink*, including Carbonated Soft Drinks, Hot Beverages, Juice Drinks, Sport and Energy Drinks, Water, RTDs and Other Beverages.

There were 72 FOP nutritional, health and processed claims identified, 24 claims were excluded from the further analysis, because presence of them was less than on 1% of all launched products. There were Convenient Packaging, Ease of Use, Microwaveable, On-the-go, Time/Speed, Children (5-12), Ethical (Environmentally Friendly Package, Environmentally Friendly Product, Animal, Human, Charity), Caffeine-Free, Antioxidant, Weight Control, Functional (Cardiovascular, Digestive, Immune System, Other), Hormone Free, Calorie Claims, Total Cholesterol claims, Total Fat Claim, Total Sodium Claims, Total Sugar claims, Total Transfat claims, Total Saturated Fat, All-Natural Product, GMO-Free, No Additives/Preservatives, Organic, Wholegrain, High/Added Fiber, High Protein, Vitamin/Mineral Fortified, Cobranded, Economy, Premium, Event/Merchandising, Limited Edition, Seasonal, Gluten-Free, Kosher, Total allergen claims, Total Lactose claims, No Animal Ingredients, Vegan, Vegetarian.

Hypothesis Statements

The current research has been developed in order to determine the extent to which PL products are increasing their usage of FOP claims and to quantify the level of usage of FOP claims by PL companies and level of identifying their products with attributes other than price.

Research question 1: Are PL companies increasing the number of attributes and benefits displayed on the FOP of the food and beverages products labels?

In order to investigate the first research question percentage of claims made on PL food and beverages products labels launched in 2009, 2010 and 2011 in US will be compared and determined for the dynamic.

Null hypothesis 1: PL companies are using more attributes and benefits expressed on the FOP claims from year to year.

$$H_{01} : , .PLa_{2009} < , .PLa_{2010} < , .PLa_{2011},$$

where , . = percentage of the product labeled with the same claim,
a = specific claim.

Research question 2: Have PL companies reached the NB level of focusing more on attributes and benefits of the food and beverages products other than price?

In order to investigate the second research question, the percentage of products labelled with the same FOP claim will be compared for PL and NB.

Null hypothesis 2: Percentage of products with the same FOP claim is equal between NB and PL products.

$$H_{02} : , .NBa = , .PLa,$$

where , . = percentage of the product labelled with the same claim,
a = specific claim.

Data Analysis

In order to investigate the first null hypothesis stating that PL companies are increasing the usage of FOP claims from 2009 through 2011 in US percentage of each of 48 FOP claim

was compared in three periods as well as total amounts of products labelled by any claim in 2009, 2010 and 2011 were compared.

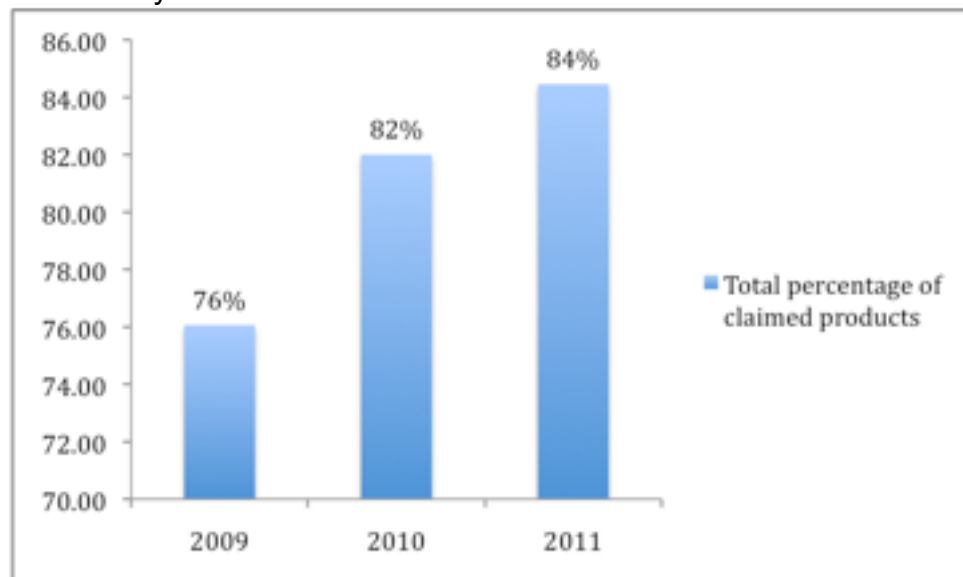
The second null hypothesis investigated is: “The NB and PL products are not significantly different with respect to the percentage of nutritional, health and processed claims made on FOP labels”. Thus inferential statistics (Z tests) are used to explore the US NB and PL data. Two-tailed Z tests of the difference between frequencies of use of FOP nutrition claims are employed.

Results

Research question 1

In order to find out whether PL companies have increased the usage of FOP claims on food and beverages products in US from 2009 through 2011 total amount of products claimed by any FOP claim was compared as shown on Chart 1. One can see a constant growth of usage FOP claims from 76% in 2009 to 84% in 2011.

Chart 1: Total percentage of launched food and beverages PL products that have any FOP claims on their labels in 2009-2011



It's worthwhile noting that PL companies have increased the total number they make across all products in the three years of the study as Table 1 below shows. Not every category shows the same constant growth, but the total increasing trend stays the same.

Table 1: Percentage of food and beverages PL products that used FOP claim in 2009-2011

		% PL 2009	% PL 2010	% PL 2011
Convenience	Convenient Packaging	5.48	8.15	6.07
	Ease of Use	7.65	9.34	9.21
	Microwaveable	15.82	16.09	14.46
	On-the-go	1.37	0.93	1.57
	Time/Speed	4.49	6.39	5.39
Demographic	Children (5-12)	2.22	1.90	1.54
Ethical	Ethical - Environmentally Friendly Package	5.38	12.90	15.96
	Ethical - Environmentally Friendly Product	1.23	0.68	0.67
	Ethical - Animal	0.76	0.79	0.75
	Ethical - Human	0.42	0.43	0.67
	Ethical - Charity	0.52	0.61	0.75
Free from	Caffeine-Free	0.61	0.72	1.05
Functional	Antioxidant	1.51	0.97	1.42
	Weight Control	0.00	0.00	0.52
	Functional	1.46	1.40	1.50
	Functional – Cardiovascular	0.80	0.65	0.67
	Functional – Digestive	0.52	0.36	0.34
	Functional – Immune System	0.33	0.36	0.34
	Functional - Other	0.05	0.14	0.19
Minus	Hormone Free	0.66	1.29	1.84
	Calorie Claims	4.06	3.05	3.56
	Total Cholesterol claims	4.49	4.49	4.19
	Total Fat Claim	9.92	10.20	10.00
	Total Sodium Claims	3.40	3.74	3.26
	Total Sugar claims	2.79	2.26	2.70
	Total Trans fat claims	8.22	9.27	8.50
	Total Saturated Fat	0.99	1.08	1.01
Natural	All-Natural Product	6.66	9.55	10.49
	GMO-Free	0.28	0.22	0.49
	No Additives/Preservatives	11.00	12.68	13.67
	Organic	6.80	5.82	4.31
	Wholegrain	2.83	4.02	4.42
Plus	High/Added Fiber	0.52	0.79	3.00
	High Protein	0.57	0.72	0.60
	Vitamin/Mineral Fortified	2.31	3.16	3.18
Position:	Cobranded	0.80	1.04	0.86
	Economy	8.31	8.84	12.32
	Premium	12.23	9.27	9.81

Using	Event/Merchandising	0.00	0.18	0.15
	Limited Edition	0.42	0.43	0.82
	Seasonal	4.82	3.41	4.68
Suitable for	Gluten-Free	4.77	5.53	8.61
	Kosher	29.13	35.13	34.16
	Total allergen claims	5.67	6.36	9.63
	Total Lactose claims	0.94	1.44	3.41
	No Animal Ingredients	0.94	1.26	1.69
	Vegan	1.23	1.33	1.76
	Vegetarian	1.65	1.54	1.42

Research question 2

38 out of 48 analyzed claims were found to be significantly different with the confidence level of 95% and P value < 0.05 for the US data in 2011. Hence null hypothesis, saying that percentage of products labeled by nutritional, health or processed claims is equal for both NB and PL products in US can be rejected.

In about 85% of the cases the percentage of claims was found to be greater on NB products rather than on PL. Exceptions are Convenient Packaging, Ease of Use, Microwaveable, Time/Speed, Total Fat, Total Lactose, Vegetarian, Economy and Premium Claims. Almost of them are actually attributes and benefits where was no significant difference. Difference showed Total Lactose, Vegetarian, Economy and Premium claims.

It's interesting that among these claims Economy and Premium claims were found to be statistically different in NB and PL with the highest Z values. It means that Price is still the main attribute that PL companies are focusing on. As it revealed in the data PL brands appear to be making progress with some attributes and benefits represented on NB also. It's clear that a primary benefit of PL is and will continue to be the price. But it should also be pointed out that not only prevalence of Economy, but also of Premium claim is greater on PL product that means that PL companies have started to emphasize fact of improving their product and making them to be competitive to leading premium-quality NB.

However the positive tendency of PL usage of FOP claims in general can be noticed. One can see that group "Convenience" is widely represented on PL as well as NB. And in four out of five representatives of convenient group PL products show more percentage of convenient claims. "Minus" and "Suitable for" groups also shows pretty low Z values that means that PL are right behind NB products.

There occurs to be less PL products in this analysis labeled with Functional and Natural groups of claims. This is where the highest Z values can be traced.

Anecdotally consumers appear to be paying attention to health attributes of the food products as well as demonstrating and increasing popularity of healthy life-style and lots of launching healthy food programs and policies. So by increasing health advantage of the product and then prevalence of Functional claims on the FOP PL company might significantly reduce existing gap between them and NB and possibly attract much more new costumers.

The same situation appears to be with Natural group of FOP claims. The three most important and apparently currently in vogue with consumers are the processed claims of

“All-Natural”, “GMO-free” and “Organic” in this group show pretty high Z values that says about high statistically significant difference between usage of those on PL and NB products.

Table 2: Prevalence of FOP claims on National Brands and Private Labels, USA, 2009/2011

Group of the claim	FOP Claim	Prevalence on NB, %		Prevalence on PL, %		Z test			
		2009	2011	2009	2011	2009		2011	
						P value	Z value	P value	Z value
Convenience	Convenient Packaging	5.52	5.97	5.48	6.07	0.95	0.07	0.86	-0.17
	Ease of Use	6.44	8.57	7.65	9.21	1.93	-1.83	0.32	-1.00
	Microwaveable	11.65	11.31	15.82	14.45	0.00	-4.65**	0.00	-4.11**
	On-the-go	2.16	2.44	1.37	1.57	0.01	2.50*	0.00	2.93*
	Time/Speed	4.49	4.63	4.49	5.39	1.00	0.00	0.12	-1.54
Demographic	Children (5-12)	3.63	3.87	2.22	1.54	0.00	3.50*	0.00	7.29*
Ethical	Ethical - Environmentally Friendly Package	11.10	17.65	5.38	15.95	0.00	8.93*	0.04	2.06*
	Ethical - Environmentally Friendly Product	1.92	3.14	1.23	0.67	0.02	2.31*	0.00	9.86*
	Ethical - Animal	0.79	0.99	0.76	0.75	0.88	0.15	0.24	1.18
	Ethical - Human	2.00	2.00	0.42	0.67	0.00	6.82*	0.00	5.96*
	Ethical - Charity	2.77	3.20	0.52	0.75	0.00	8.49*	0.00	9.55*
Free from	Caffeine-Free	1.11	1.47	0.61	1.05	0.02	2.29*	0.08	1.75
Functional	Antioxidant	3.75	3.73	1.51	1.42	0.00	6.16*	0.00	7.42*
	Weight Control	0.00	1.63	0.00	0.52	-	-	0.00	5.56*
	Functional	4.61	5.33	1.46	1.50	0.00	8.30*	0.00	11.19*
	Functional – Cardiovascular	1.54	1.77	0.80	0.67	0.00	2.93*	0.00	5.10*
	Functional – Digestive	1.15	1.07	0.52	0.34	0.00	3.00*	0.00	4.59*
	Functional – Immune System	1.10	1.10	0.33	0.34	0.00	4.15*	0.00	4.71*
	Functional - Other	0.91	1.60	0.05	0.19	0.00	6.48*	0.00	8.70*
Minus	Hormone Free	1.16	2.22	0.66	1.83	0.03	2.24*	0.21	1.25
	Calorie	6.22	6.12	4.06	3.56	0.00	4.05*	0.00	5.74*
	Total Cholesterol	5.19	5.94	4.49	4.19	0.19	1.32	0.00	3.72*
	Total Fat	9.61	9.35	9.92	10.00	0.69	-0.40	0.33	-0.98
	Total Sodium	3.24	4.06	3.40	3.26	0.72	-0.35	0.05	1.98
	Total Sugar	5.89	6.00	2.79	2.70	0.00	6.58*	0.00	8.06*

	Total Transfat	10.55	9.98	8.22	8.50	0.00	3.25*	0.02	2.33*
	Total Saturated Fat	1.49	1.66	0.99	1.01	0.06	1.87	0.01	2.72*
Natural	All-Natural Product	15.69	18.20	6.66	10.48	0.00	12.53*	0.00	10.56*
	GMO-Free	2.24	3.76	0.28	0.49	0.00	8.69*	0.00	13.06*
	No Additives/ Preservatives	15.42	17.56	11.00	13.67	0.00	5.33*	0.00	4.95*
	Organic	9.23	7.84	6.80	4.31	0.00	3.66*	0.00	7.18*
	Wholegrain	4.85	5.64	2.83	4.42	0.00	4.41*	0.01	2.59*
Plus	High/Added Fiber	0.92	4.08	0.52	3.00	0.04	2.03*	0.01	2.73*
	High Protein	2.19	2.22	0.57	0.60	0.00	6.46*	0.00	7.31*
	Vitamin/Mineral Fortified	3.94	3.31	2.31	3.18	0.00	3.93*	0.74	0.33
Positioning	Cobranded	2.06	1.64	0.80	0.86	0.00	4.67*	0.00	3.41*
	Economy	0.53	1.15	8.31	12.32	0.00	-12.81**	0.00	-17.27**
	Premium	7.73	6.98	12.23	9.81	0.00	-5.68**	0.00	-4.41**
	Event/ Merchandising	0.91	1.34	0.00	0.15	0.00	7.31*	0.00	8.06*
	Limited Edition	1.90	2.08	0.42	0.82	0.00	6.48*	0.00	5.33*
	Seasonal	5.24	7.51	4.82	4.68	0.44	0.78	0.00	5.64*
Suitable for	Gluten-Free	8.96	13.37	4.77	8.61	0.00	7.04*	0.00	7.20*
	Kosher	30.80	36.53	29.13	34.14	0.15	1.44	0.02	2.24*
	Total Allergen	10.59	15.04	5.67	9.62	0.00	7.64*	0.00	7.79*
	Total Lactose	1.39	1.96	0.94	3.41	0.09	1.70	0.00	-3.78**
	No Animal Ingredients	2.02	3.04	0.94	1.68	0.00	3.85*	0.00	4.33*
	Vegan	2.48	3.15	1.23	1.76	0.00	4.00*	0.00	4.35*
	Vegetarian	1.92	1.90	1.65	1.42	0.42	0.81	0.08	1.73

* Statistically different Z value beyond $\alpha=0.05$ where NB>PL

** Statistically different Z value beyond $\alpha=0.05$ where PL>NB

Additionally Z test of the difference between frequencies of use of FOP nutrition claims has been done for the US data in 2009. The results are shown on the Table 2 as well.

It's interesting to note that there were 12 FOP claims that have shown no significant difference in 2009 versus 10 in 2011. That means that PLs show increasing difference from NBs. While the general tendency of presentation of FOP claims stays the same, some interesting changes can be traced.

For example, PLs have reached the same level of usage Caffeine-Free, Hormone-Free and Vitamin/Mineral Fortified claims as NBs have. But PLs appeared to become different from NBs in 2011 unlike in 2009 in Total Cholesterol, Total Saturated, Seasonal, Kosher and Total Lactose claims.

Conclusion

There are two conclusions that can be drawn from this research. The first is that PL companies for the most part are including important consumer attribute and benefit information on the FOP of their products. This is an important step for the PL industry

because it's further evidence that PL brands are acting like a brand and not just a "cheap choice."

The second conclusion is that while making progress PL companies still lag behind NB in both of number and types of claims they make on the in front of their package.

There is the opinion of the authors that in order to not just grow unit sales but to increase margins PL companies must continue to match NB in terms of how they represent their brand on the front of the package.

This research can be advanced by an analysis at the product class level in order to determine whether significantly more progress has been made within some product groups which may be masked by group averages.

Management implication

There is advice to both the PL and NB marketers. PL companies have evidence that just promoting low price may not be the sole benefit consumers are looking for in PL products. They now appear to trust the retailers and their brands and are searching for less costly alternative which does not cause them to compromise to get a lower price. PL marketers must continue to focus on added benefits while not losing sight of their need to be a lower price choice.

NB must now see PL as a real competitor on all competitive positions and focus attention not just on other NB but have strategies to deal with the ever more sophisticated and desirable PL. The battlegrounds have changed.

The second implication is that not all benefit areas are being attacked by PL products. Either because the PL company can't provide those benefits or a lack of desire to move into those brand positions. Therefore NB should focus on areas that remain less crowded with PL brand claims. Find the uncontested grounds and do battle there. It suggests the NB innovation will be more important in the future if they are to maintain not just sales but especially profits.

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What are the competencies of a successful project leader?

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Abstract

As many projects fail, the competences of successful project leaders are of high interest. In order to investigate the question what the competences of a successful project leader are three members from different hierarchical levels of a biopharmaceutical project team were interviewed individually. Competences identified were compared with those suggested by management literature. Interestingly it was found that the competences described by the participants: planning, progress tracking, goal setting, power, organisation & management skills, teambuilding and anticipation and foresight and intercultural savvy were similar to those published for other industries. Importantly a wide set of competences appeared to be of importance to successfully accomplish a project as a project leader in the biopharmaceutical industry and hence identification of individuals fulfilling these competences to a high degree may be challenging but beneficial to project outcome.

Keywords: project leader, project owner, project team member, leader competences, biopharmaceutical project team, launch tool, project stakeholder view

Introduction

As only one third of e.g. IT projects can be counted as successful and 82% of those completed led to time overruns, the importance of and need for effective and highly skilled and competent project leaders is evident (Gillard, 2005). Therefore, throughout this essay different approaches to answer the question 'What are the competencies of a project leader?' are addressed. The findings are discussed in the light of published studies and by an example case study from the authors experience in industry project management. There is an ample body of research available discussing different skills and competencies of project leaders that are associated with beneficial project outcomes. The next chapter will review a range of published contemporary key concepts. This chapter will be followed by a chapter examining a case study originating from the corporate setting of the author, hence the biopharmaceutical industry in order to further investigate the topic.

Literature review

Researching the skills and competencies necessary for successful project leaders in published peer-reviewed literature led to the observation that there is not one single concept the field of project management research agrees upon. There are several approaches being referred to. E.g. already two decades ago Turner (1993) summarised seven characteristics of project managers facilitating positive project implementation outcomes (Tab. 1). This view is strongly project and project leader focused. Interestingly his concept was found to be compatible with the Machiavellian principle of concentrating on 'winning the game by whatever means are most effective' (Graham, 1996, pp. 67).

In the same year Price (1993, pp. 164) published the ten competencies of an 'effective results-oriented project manager' clustered into 5 groups: Goal and action management

(Zenger & Folkmann, 2003) (Boyatzis, 1982), leadership (Boyatzis, 1982; Goodings, 1999; Potter, 2001), human resources management, directing subordinates, focus on others (Tab. 2.). Noteworthy is, that the perspective of the competences described had shifted from a strong self-centred focus described by Turner (1993) to a view including others. This is reflected by the competences 3., 4., and 5 in Table 2. Importantly, achieving the project goal(s) is at the heart of the 5 competencies clusters (Tab. 2).

In addition to the competences summarised above, as teams today often are cross-functional and multi-country-based, additional 'soft' management skills and competences from project leaders such as understanding and being able to for example leverage different cultures, team dynamics and team member empowerment for the benefit of the project (Braczak et al., 2006). As leadership styles can vary significantly among project leaders, leadership styles and different project challenges were statistically analysed (Curran & Niedergassl, 2009). Significant positive correlations were identified for a dominant leadership approach in projects with high bureaucratic hurdles and/or a low degree of trust among project team members (Curran & Niedergassl, 2009).

An assessment of the importance of emotional, managerial and intellectual competences on project outcome led to several interesting observations: It was found that emotional competences such as attitude towards the task directly correlated with project outcomes. Especially important was the attitude towards the end-customer and users (Müller, 2010). The personality of the project leader was found to be defined by a combination of intellectual, managerial and emotional qualities, whereas the first two built a cluster in contrast to the latter one who had an independent effect on the outcomes investigated (Müller, 2010). This led to the notion that all three competence-clusters emotional, managerial and intellectual are of importance for successful project leadership (Müller, 2010).

Another approach was chosen by Brown and Hyer (2010). They discuss a model that consists of six key skills for project leaders to be successful. The skills comprise 'conflict management', 'stakeholder influence', 'technical project management tools', 'team motivation', 'decision making' and in the centre 'communication' (Brown & Hyer, 2010). They identified the respective skills to be either associated with left or right brain hemispheres (Brown & Hyer, 2010). The right hemisphere is associated, according to the authors, with the attributes 'visionary, interpersonally and politically astute, flexible' whereas the left hemisphere is associated with the attributes 'detail-oriented, technically savvy, disciplined' (Brown & Hyer, 2010). Hence good project leaders have to find, according to this model, the right balance between left and right hemisphere attributes (Brown & Hyer, 2010). The authors found that a significant portion of subjects found it difficult to simultaneously apply a visionary and detail-oriented mind-set, which they identified to be a critical competence for successful project leaders (Brown & Hyer, 2010). Another angle to address this issue is to investigate the different roles of a project leader and to address their ranked importance in order to deduce competences necessary to succeed in the respective role (Griffith & Watson, 2004). Griffith and Watson (2004) found the seven roles of a project leaders as displayed in Table 3.

In summary, there are a wealth of competences found to be of importance for project leaders that group around the three main areas of emotional, managerial and intellectual competences.

Methods

In total three members of a commercial biopharmaceutical project team were qualitatively interviewed. Each participant was from a different hierarchical level: a senior regional vice president as the project owner, the project leader and a project team member. The participants and the respective company chose due to the highly competitive environment to remain anonymous. Informed consent was granted. The individual interviews were scheduled for one hour each and performed in July and August 2012. The senior vice president was male, the project leader female and the project team member male. All three were members of the commercial staff.

Case Study – A biopharmaceutical product launch tool project

In order to compare theory with practice a project management case study was analysed. The author was part of the project mentioned below and thus had insights into the project team dynamics, processes and progresses over time and hence also access to different internal project stakeholders.

Overview of the organisation

The case study was performed within one of the major independent biopharmaceutical companies headquartered in the US with about 6000 employees and revenues of more than USD 5.5 Billion in 2012. The company is mainly committed to developing and marketing drugs against neurological diseases and is listed as a Fortune 500 company. In 2012 the company was preparing the market entry of a new drug.

In order to facilitate and streamline this product's market access and market entry in Europe a launch tool project was initiated in 2011. A project team consisting of 20 product managers from Europe, Canada and Australia was assembled, a project leader appointed and given the task to develop a prefilled electronic launch tool that will help facilitating and streamlining the pre-launch, launch and post-launch efforts of introducing the product into the different geographic markets by the local cross-functional brand teams. Project duration was set for 12 months with recurring live team meetings every 3 months in European cities whereas most interaction had to take place via electronic means.

Three perspectives of the issue under investigation

When interviewed about the most important competences necessary for the particular project the project leader said that communicating across different time zones, geographies and different cultures was especially challenging for her as timelines and goal agreements often were differently interpreted by people from different countries. E.g. coordinating telephone conferences across time zones was difficult as people from Canada, Australia and Europe were meant to participate in the same group calls. As an example for cultural challenges the delivery timelines by sub-teams were initially not as tightly met as agreed beforehand and expected by the project leader, which led to frustration between team members and delays in the overall project.

As another important competence she mentioned the ability to organize the team into efficient functional subgroups and staffing them in order to best meet the sub-tasks assigned over the duration of the project. This implies, according to her, strong planning

competences and the capability to foresee and manage future challenges and to timely prepare measures to counter them.

It also appears that she saw team building as key. On the four occasions when the whole group met, team-building activities were put in place. She mentioned in the interview the importance of instilling a sense of team spirit and a common goal to push the project forward as a team and that everyone was of importance and a valuable member to the team.

The senior regional vice president who was the project owner said that for a successful project it is crucial that the project leader sets clear goals, efficiently communicates them and also keeps tightly track of the project's progress. He considers a detailed but still concise project plan to measure project progress against milestones to be indispensable. Also tracking expenses tightly is according to him most important for a successful project outcome. He therefore sees planning, organisation and management skills as prerequisites for a good project leader in general and in particular for the particular launch tool project as it was an over-regional project with a complex team composition and budget structure and a high corporate visibility.

A member of the project team was interviewed in order to have also the perspective of a subordinate. Interestingly the team member interviewed is only from a matrix structure perspective subordinate to the project leader. From the organisational hierarchy and his title he is a more senior manager than the project leader. Asked about the most important competences for a project leader in the given project he said that clearly the ability to ensure communication and information free-flow across the project team was key. Goal and timelines setting was essential for the project success. In addition, the ability of the project leader to have instruments to measure project progress and the power to ultimately ensure that group members met timelines were described as equally critical. Interestingly teambuilding capabilities and activities were described as less important and that the time might have been more beneficially spent on the project than on those activities. The results of the interviews are summarised in Tab. 4.

Conclusion

The following chapter summarises the observations made and discusses them in the light of the published theory. In addition, key learning points are reflected.

Comparing theory with practice

Interestingly all three different perspectives investigated highlighted some different key competences for project leaders. A common competence mentioned by all interviewees is communication. The concept that communication competences are crucial is also reflected in the published literature summarised above. Whereas Turner (1993) found communication competences to be the least important of a set of seven competences for project leaders, Griffith & Watson (2004) found it to be the most important function of a project leader. In line with the latter, the subjects interviewed for the present investigation mentioned it in the first or in the second place hence being at the top of mind implying a high importance.

Also planning came up twice in the interviews. This is also reflected in the literature to be an essential competence (Griffith & Watson, 2004).

In accordance with the work published by Price (1993) and by Turner (1993) is progress tracking also in this small group of high importance as it was mentioned by two out of three subjects. In addition, goal setting was mentioned by two out of three.

Also the power aspect mentioned by the project team member is reflected and discussed in the literature (Price, 1993) as being of importance: access to power may help achieving goals in the course of a project especially in a matrix situation consisting of team members across hierarchies and functions.

Taking together the competences identified by interviewing a small number of three key internal project stakeholder led to the identification of a similar range and kind of key competences as those identified in the academic literature (see Tab. 5 and above in the literature review).

This small cohort revealed a set of key competences for the biopharmaceutical project leader similar to and in line with those identified in other industries and

Learning points summary

In conclusion it was found that interviewing a very small cohort of three project stakeholders in the biopharmaceuticals industry with different functions resulted in a list of competences very similar to those proposed in the literature by e.g. Goodings (1999), Turner (1993) or Price (1993), involving much bigger numbers of participants. Interestingly the interviewees had a set of competences already available without having to think about the topic for long during the interviews. It seemed that there is from their different points of view a rather clear understanding of the issues that may arise over the course of a project and hence the competences needed to avoid those.

Key learning points were also the competences identified: communication, planning, progress tracking, goal setting, power, organisation and management skills, teambuilding, anticipation and foresight and intercultural savvy. They seem to be straightforward as they overlap with published findings. Nonetheless there would be a bigger number of subjects necessary to reach a higher significance and more sophisticated interview techniques necessary as only telephone interviews were performed.

Another take home learning was the side observation that in a matrix team a subordinate may have a higher organisational rank than the matrix team leader and still, for the duration of the project, reports to the project leader. This situation may be one of the drivers asking of the project leader for extraordinarily strong competences in the competence set identified throughout this investigation. Other factors asking for these competences specifically might be the uncertainty involved in projects concerning resources, time and outcomes.

There is still room for further research about the necessary competences of project leaders especially in under-investigated industries such as the biopharmaceutical and pharmaceutical industries.

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Tab. 1. The seven competences of good project managers (adapted from Turner, 1993).

1. Focused on results	5. Perspective-the helicopter mind
2. Problem-solving ability	7. Negotiating ability
3. Energy and initiative	6. Communication ability
4. Self-assured leader	

Tab. 2. The ten main characteristics of project leaders grouped into 5 clusters (adapted from Price, 1993).

1. Goal and action management Diagnostic use of concepts Efficiency orientation Proactive	4. Directing Subordinates Developing others Use of unilateral power
2. Leadership Self-confidence Use of oral presentations	5. Focus on Others Stamina and adaptability
3. Human Resources Management Managing group processes Use of socialised power	

Tab. 3. The role of the project leader (adapted from Griffith & Watson, 2004, pp. 33)

Most important	1. Communication
	2. Planning
	3. Organisation
	4. Co-ordination
	5. Controlling
	6. Motivating
Least important	7. Forecasting

Tab. 4. Key competences mentioned by interviewees in the order mentioned during the interviews.

Project Leader	Project owner (sen. regional VP)	Project team member
1. Communication across time zones	1. Goal setting	1. Communication (bi-directional)
2. Intercultural savvy	2. Efficient communication	2. Goal and timeline setting
3. Planning	3. Progress tracking	3. Progress tracking
4. Anticipation and foresight	4. Planning	4. Power
5. Teambuilding	5. Organisation/management skills	

Tab. 5. Competences ranked according to number of interviewees mentioning it as important.

Competence	Mentioned by # interviewees
Communication	3
Planning	2
Progress tracking	2
Goal setting	2
Power	1
Organisation/management skills	1
Teambuilding	1
Anticipation and foresight	1
Intercultural savvy	1

Export and GDP in Pakistan: Evidence from Causality and Cointegration Analysis

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Abstract

This paper examines the relationship between exports and GDP in Pakistan using, annual data collected from 1976 to 2011. Co integration and Granger causality test were employed in the empirical analysis, using Augmented Dickey Fuller stationarity test, the variable proved to be integrated of the order one (1) at first difference. The paper is based on the following hypotheses for testing the co-integration and causality between GDP and export as to whether there is short run causality between GDP and export or whether there exists a long run association hip between GDP and Export

The co integration test indicating an existence of long run equilibrium relationship between the two as confirmed by the Johansen cointegration test results. The ECM estimates gave evidence that there is SR causality coming from GDP to Export.

Our findings indicate that there is unidirectional causality from GDP to exports in Pakistan but not vice versa

Keywords: Exports, GDP, causality, co integration, error correction model

JEL Classifications Codes: C33, F13, F43

Introduction

From the early 1960, policy makers and researchers had a great interest in relationship between export and economic growth. Their main reason and motivation is that they want to know if a country should increase its export to lead to a more economic growth or they should stimulate economic growth from the outset to lead to more export. Regarding the relationship between export and economic growth, four possibilities could be recognized: Some analysts believe that the causality direction is from export to economic growth which expressed as Export-Led Growth (ELG) hypothesis (Balassa 1978, Bahagwati 1978, Edwarards 1998). The export development and free entry and exit are considered as the key causes of economic growth. For example, firms can take advantage of more efficient allocation of resources, scale economies and encouraging creativity and innovation caused by foreign competition (Helpman and Krugman 1985). Moreover, export can cause more import of intermediate goods which leads to increase of capital accumulation and output growth.

The relationship of causality from exports to economic growth is called export-led growth. It could be interpreted as unidirectional causality from exports to economic growth but not *vice versa*.

The export-led growth hypothesis (ELGH) assumes that export advancement is one of the key indicators of growth. It encourages that the overall progress of countries can be achieved not only by mounting the quantity of manpower and investment within the economy, but also by increasing exports.

Another relationship of causality from growth to export is called growth-led exports and it tells that there is unidirectional causality from economic growth to exports but not *vice versa*. There is also a possibility of two way causality link from exports to growth and from growth to exports.

Theory of International Trade also relates trade and international development. Economic gains of specialization, discernible in enhanced exports, entails in higher levels of GDP, thus exports directly contributing to growth in national income. Thus contribute heavily to foreign exchange earnings and improving the balance of payment situation. It is argued that international trade or trade openness plays a significant role in country's economic progress and there are economic gains from specialization. It has been commonly viewed that being a component of GDP, exports contribute directly to national income growth and are among the most important sources of foreign exchange earnings that lessen the strain on the balance of payments and create employment opportunities. Furthermore, opening the trade is also central in international concern about tariffs and trade barrier where trade theory suggests that all parties on aggregate will improve their welfare position in relation to their closed economy situation

Export-led growth is significant for mostly two reasons. Firstly, the export-led growth strategy can generate profit, enabling a country to balance their investments, as well as surpass their liabilities as long as the schemes and materials for the trade items exist. Secondly, the much more arguable reason is that increased export growth can help to attain greater productivity, thus bringing ahead more exports in a higher spiral cycle.

The paper is structured in the following manner. Following the introduction is the review of related literatures in section two. Section three highlights the methodology employed in the study and the sources of data. Empirical results and analysis will be done in fourth section while the discussion is completed by conclusions.

Literature Review

There are several empirical researches to test the importance of exports in the process of economic development. In the context of East Asian countries, time series analyses that tested the ELG hypothesis, showed mixed results. For example, a study by Ahmad and Harnhirun (1996) tested the ELG hypothesis for five ASEAN economies (i.e., Malaysia, Indonesia, Singapore, Thailand, and the Philippines) over the period 1966-1986. They did not detect a co integrating relationship between the countries' exports and their economic development. In fact, Ahmad and Harnhirun's (1996) empirical findings indicated that economic growth had been causing the expansion of exports, and not *vice versa*.

Khilifa (1997) studied the relationship between exports and economic growth during the period of 1973 to 1993. his study's an attempt to find out the presence and direction of causality between export and economic growth. The method used was Granger causality.

Ramos (2002).finds the empirical results do not confirm a unidirectional causality between the variables considered. There is a feedback effect between exports output growth and imports output growth. More interestingly, there is no kind of significant causality between import export growth. Both results seem to support the conclusion that the growth of output for the Portuguese economy during that period revealed a shape associated with a small dual economy in which the intra-industry transactions were very limited.

Vohra (2001) tested the relationship between the export and growth in India, Pakistan, the Philippines, Malaysia, and Thailand for 1973 to 1993. The empirical results indicated that when a country has achieved some level of economic development than the exports have a positive and significant impact on economic growth. The study also showed the importance of liberal market policies by pursuing export expansion strategies and by attracting foreign investments.

Awokuse (2003) re-examined the export-led growth (ELG) hypothesis for Canada by testing for Granger causality from exports to national output growth based on vector error correction models (VECM) and the vector autoregressive (VAR) methodology developed in Toda and Yamamoto (1995). The empirical results suggested that a long-run steady state exists among the model's six variables and that Granger causal runs in unidirectional from real exports to real GDP.

Amavilah (2003) determined the role of exports in economic growth by analyzing Namibia's data from 1968 to 1992. Results explained the general importance of exports, but find no discernible sign of accelerated growth because of exports.

Furuoka (2007) examined the relationship between exports and economic development in Malaysia. According to him, the results of the analysis do not sustain the "export-led growth" strategy. Rather, they lead to a conclusion that there exists a "virtuous cycle" or mutually reinforcing relationship between Malaysia's exports and GDP in the long run. He also argued that the findings detected unidirectional short run causality from GDP to exports, but not vice versa. This means that the increase in Malaysia's export tends to be an effect, and not the cause, of the country's output expansion.

Jordaan (2007) finds that exports Granger cause GDP and GDP per capita and suggested that the export-led growth strategy through various incentives has a positive influence on growth.

Wong, (2008) examined the importance of exports and domestic demand to economic growth in ASEAN-5, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand concluded that the Granger causality test show some evidence of bidirectional Granger causality between exports and economic growth A successful sustained economic growth requires growth in both exports and domestic demand. Moreover, economic growth will increase domestic demand and exports. There is no strong evidence to suggest that the export-led growth (ELG) strategy is a main cause to Asia financial crisis.

Ullah et al (2009) checked whether there is uni-directional or bidirectional causality between economic growth, real exports, real imports, real gross fixed capital formation and real per capita income. The traditional Granger causality test suggests that there is uni-directional causality between economic growth, exports and imports.

Furuoka and Munir (2010) chose Singapore as a case study to examine the relationship between the origin of the East Asian. export dependency and the economic growth.. The empirical findings indicated that despite a negative long run relationship between export dependency and economic growth, Singapore's heavy reliance on exports does not seem to have produced negative effects on the nation's economic growth. This was because the increase in export dependency was an effect, and not a cause, of the country's output expansion.

Tang and Lai (2011) examined the validity of export-led growth hypothesis for Asia's four little dragons with employing exports and GDP models, the results shows that ELG is valid only for the case of Hong Kong and Singapore

There are also many studies analyzing the importance of exports in the economic growth specifically for developing countries. Most of these studies conclude that there is an affirmative link between exports and economic growth.

Data and Methodology

The data

The main purpose of this study is to discuss causality between exports and economic growth of Pakistan. The study uses annual time-series data sets for the period 1976-2011. The main source of data is World Development Indicators. The data used in the analysis is based on two variable Gross Domestic Product and Exports. The sample consists of 35 observations.

Methodology

Whether exports cause GDP gains or losses, whether GDP gains cause exports, or whether a two-way causal relationship exists between exports and GDP can, in the end, be decided only empirically. Our investigation proceeds by studying the integration properties of the data, undertaking a systems co integrating analysis, and examining Granger causality tests.

The concept of causality due to Granger (1969) is appropriate and used by most of the studies for testing the relationship between economic growth and exports. According to the Granger causality approach a variable Exports is caused by GDP, if Exports can be predicted better from past values of Exports and GDP than from past values of Exports alone. Four patterns of causality can be distinguished: (a) unidirectional causality from GDP to Exports ;(b) unidirectional causality from Exports to GDP; (3) feedback or bi-directional causality; and (d) no causality.

The Model

The empirical model used to test the relationship between GDP and exports and can be specified by a simple model as:

$$GDP_t = f(\text{Exp}) \text{ ----- (1)}$$

Where GDP and EX are the gross domestic product and export respectively.

The link between Economic growth (measured in terms of GDP growth) and export in Pakistan can be described using the following model in linear form:

$$GDP_t = \alpha + \beta EX_t + \varepsilon_t \text{ ----- (1.1)} \quad \text{where } \alpha \text{ and } \beta > 0$$

Two econometric tests are run in this study to analyze the regression model. Firstly, the unit root test is used to examine the stationary of the data sets. The specific unit root test to check the stationary of variables is used i.e. Augmented Dickey- Fuller (ADF). Secondly,

this study uses Granger causality test to analyze the causality between exports and GDP (Granger 1969).

Unit Root Test

The first step of the strategy of our empirical analysis involves determining the order of integration of the series used in the analysis by applying the stationarity (or unit root test). The objective of test for unit roots enables researchers to distinguish between the difference processes and trend stationary processes. The augmented Dickey-fuller (ADF) test (Dickey and Fuller; 1979, 1981) is performed to test for unit root (with constant only, with constant and a time trend, and without constant and time trend) for sample period 1976-2011. The maximum lag length is chosen based on the minimum AIC criterion. The Perron unit root (PP) test (Perron, 1989) is also performed due to the possibility of the existence of structural breaks which result in the ADF test wrongly indicating non-stationarity in what is actually a stationary series.

The prerequisite for cointegration test is to examine the properties of the time series variables, in order to have a reliable regression tests, we first need to make sure that our model could not be subjected to "Spurious Regression". The problem of spurious regression arises because time series data usually exhibit non-stationary tendencies and as a result, they could have non-constant mean, variance and autocorrelation as time passes. This could lead to non-consistent regression results with misleading coefficients of determination (R^2) and other statistical test. Therefore, we need to establish the stationarity properties of the variables used in the model using Augmented Dickey-Fuller "ADF" (1979, 1981) to determine the degree of integration of the variables; how many times should a variable be differenced to attain stationarity. The order of integration (d) identified the differencing times to make the series stationary, the series contains (d) unit roots, and hence, the integration of the series is of order (d). If $d=0$, the series is said to be integrated of degree zero and stationary at level. The augmented Dickey-Fuller test (ADF) tests the significance of the coefficient of AR (p) based on the estimate of the following regression without the deterministic trend where (p) is the number of augmentation terms included in ADF test ($\Delta Y_{t-p}, 1 \Delta Y_{t-p}$)

$$\Delta Y_t = \beta_0 + \beta_1 Y_{t-1} + \sum_{i=1}^p \beta_i \Delta X_{t-i} + \varepsilon_t \quad \text{--- (1.2)}$$

AR (p) with deterministic trend

$$\tilde{A}\tilde{O}_t = \hat{a}_0 + \hat{a}_1 \tilde{O}_{t-1} + \sum_{i=1}^p \hat{a}_i \tilde{A}^{\times}_{t-i} + \hat{I}t + \hat{a}_t \quad \text{--- (1.3)}$$

Where β_0 is constant, β_i is slope coefficients, t is a linear time trend, and ε is the error term. P is the number of lags which should be large enough to ensure the error terms are white noise process and small enough to save degrees of freedom. The number of lags can be determined and will be chosen based on the AIC and SBC selection. The error term is normally distributed and the null and alternative hypothesis can be stated as follows:

$$H_N : \beta = 0$$

$$H_A : \beta \neq 0$$

If the t-ratio of the estimated coefficient is greater than the critical t-value, the null hypothesis of unit root (nonstationary variable) is rejected indicating the variable is stationary at level and integrated of degree zero denoted by $I(0)$. On the other hand, if the series are found to be nonstationary at level, a transformation of the variable by differencing is need until we achieve stationarity that is non-auto correlated residuals.

Co integration test

If the variables are integrated of the same order, we can apply the Johansen-Juselius maximum likelihood method of co integration to obtain the number of co integrating vector(s).Johansen-Juselius approach is preferred over Engel-Granger method due to statistical reasons. Since EXPORT and GDP are integrated of the same order, we can apply the Johansen-Juselius maximum likelihood method of co integration to obtain the number of co integrating vector(s).Johansen-Juselius Multivariate Co-integration Model is given below (equation 1, 4).

$$\Delta X_t = \sum_H^N \Gamma_i \Delta X_{t-i} + \Pi X_{t-1} + \varepsilon_t \dots\dots\dots(1,4)$$

Where X_t is the 2X1 vector (Export, GDP) respectively. Δ is a symbol of difference operator, ε_t is a 2X1 vector of residuals. The VECM model has information about the SR and LR adjustment of changes in X_t via the estimated parameters Γ_i and Π respectively. Here the regression ΠX_{t-1} is the error correction term and Π can be factored into two separate matrices α and β such as $\Pi = \alpha \beta'$ where β' denoted the factor of co integrating parameters while α is the vector of error correction coefficients measuring the speed of convergence to the LR steady State.

Our variables Export and GDP are found to be Co integrated after running Johansen-Juselius meaning that they sharing a common stochastic trend and will grow proportionally, in other words, they move together in the LR or they have LR relationship.

GRANGER CAUSALITY

If the variables are founded to be co-integrated, we can specify an error correction model and estimate it using standard methods and diagnostic Tests. Co integration indicates that causality exists between the two series, but it fails to show us the direction of the causal relationship. Engel and Granger suggest that if co integration exists between two variables in the LR, then, there must be either unidirectional or bi-directional Granger-causality between these variables. Engel and Granger illustrates that the co integrating variables can be represented by an ECM (Error Correction Model).In other words, according to Granger: If there is evidence of co integration between two or three variables, then a valid ECM should also exist between the two variables.

Error Correction Model (VECM)

As, Export and GDP are co integrated, a VECM (vector error correction model) representation would have the following form, in equation (1.5) and (1.6).

$$\Delta GDP_t = \sum_{i=1}^k \beta_i \Delta GDP_{t-i} + \sum_{i=1}^k \alpha_i \Delta EXPORT_{t-i} + Z_1 ECT_{t-1} + \varepsilon_{1t} \tag{1.5}$$

$$\Delta EXPORT_t = \sum_{i=1}^k M_i \Delta GDP_{t-i} + \sum_{i=1}^k N_i \Delta EXPORT_{t-i} + Z_2 ECT_{t-1} + \varepsilon_{2t} \tag{1.6}$$

where Δ is the difference operator; k , is the numbers of lags, β_i, α_i, M_i and N_i are all short run coefficients to be estimated, ECT_{t-1} represents the error correction term derived from the long-run co integration relationship, $GDP_t = \alpha + \beta \text{Export}_t + \varepsilon_t$, and ε_{1t} and ε_{2t} the serially uncorrelated error terms in equation (1, 5) and (1, 6) respectively. (Yoo, 2006). Unidirectional causality from export to GDP (export granger causes GDP) will occur in the equation (1.5), if The set of estimated coefficients on the lagged export (α_i) coefficient are not zero (SR causality), and if the error correction coefficient ($Z1^*$) of ECT_1 is negative and significant. Meaning that export Granger causes GDP in the LR. Similarly. Unidirectional causality from GDP to export (GDP Granger causes export) will occur in the equation (1,6). If The set of estimated coefficients on the lagged GDP (M) coefficients are non-zero (SR Causality). And the error correction coefficient ($Z2^*$) of ECT_2 is significant (LR causality). If both variables Granger causes each other, then it is said that there is a two-way feedback relationship between export and GDP. Error correction term has LR information as it is derived from the LR co integrating relationship.

The results of the Granger causality tests of the model are reported in Table 3, which also reports the tests used to choose the lag lengths.

Results, Finding and Interpretation of the Results

The actual determination of whether a variable is stationary or non stationary is based upon the results of unit root tests. Numerous unit root tests have been presented in economic literature; the most common test, and the one which is utilized here, is the Augmented Dickey-Fuller (ADF) test.

Table 1

Variable	C.V	Level		First Difference	
		T-Statistic	Probability	T-Statistic	Probability
GDP					
1% level					
5% level	-4.2436	2.614	1.00000	-3.4817	0.0575
10% level	-3.5442				
	-3.2046				
EXP					
1% level					
5% level	-4.2436	-0.2349	0.9895	-5.1738	0.0010*
10% level	-3.5442				
	-3.2046				

The ADF unit root tests were employed to test stationarity of the time series data sets. Empirical results from the ADF test are shown in Table 1. As reported in the table, the obtained results indicate that the null hypothesis i.e. unit root exists is accepted as t-Statistic is greater than the critical values when calculated in level whereas the variables;

GDP and EXP, become stationary when calculated taking the first difference. In other words, we can say that EXP variables is integrated of order one, I(0).

Co integration test

The variables Exports and GDP must be nonstationary before take the first difference. and become stationary after the first difference. Trace Statistics shows that P-value= 0.021 which less than 0.05, meaning that we can reject H_N . What is H_N ? H_N is that there is no co integration. so we have to accept H_A . Meaning that there are 1 co integration equations. That is mean Export and GDP has a LR association ship. This is the outcome of Trace Statistics. Similarly with Max-Eigen value statistics, that variables are co integrated Empirical results from Co integration test are shown in Table 2., we can easily run VECM.to check the Causality between Export and GDP.

Table 2:

Date: 09/06/12 Time: 13:11				
Sample (adjusted): 1978 2011				
Included observations: 34 after adjustments				
Trend assumption: Linear deterministic trend				
Series: GDP EXPORTS				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized				
		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.409652	17.93210	15.49471	0.0210
At most 1	0.000371	0.012620	3.841466	0.9103
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized				
		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.409652	17.91948	14.26460	0.0126
At most 1	0.000371	0.012620	3.841466	0.9103
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level				

* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

out of the two equations we shall only choose the first equation because we have put Exports is first, so we have to choose the first for Export. For Testing Our Causality.

Error Correction Model (VECM)

The result (Table 3) indicates that the ECM_{t-1} in mode I.1 tested by equation (1.5) is (-0.068766) of one period lag residual of co integrating vector between export and GDP. That is mean export dependent variable and GDP independent variable. The coefficient C (1) is negative and significant because p-value = 0.0418 < 0.05, then when the p-value < 0.05 become significant. means that GDP has LR causality on Export. That it means GDP causes export in the LR. What about SR causality from GDP to export, we can also check that. We shall use Chi-Square (value Wald statistics) to check SR Causality from GDP to Export.

Table 3

Dependent Variable: D(EXPORTS)				
Method: Least Squares				
Date: 09/06/12 Time: 13:23				
Sample (adjusted): 1979 2011				
Included observations: 33 after adjustments				
D(EXPORTS) = C(1)*(EXPORTS(-1) - 0.3145929059*GDP(-1) + 1.127026946E+010) + C(2)*D(EXPORTS(-1)) + C(3)*D(EXPORTS(-2)) + C(4)*D(GDP(-1)) + C(5)*D(GDP(-2)) + C(6)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.068766	0.032184	-2.136666	0.0418
C(2)	0.425137	0.230598	1.843627	0.0762
C(3)	0.280150	0.282650	0.991154	0.3304
	-0.102737			
C(4)		0.040363	-2.545336	0.0169
	-0.004602			
C(5)		0.043892	-0.104849	0.9173
	7.80E+08			
C(6)		2.72E+08	2.868288	0.0079
R-squared	0.309192	Mean dependent var	7.11E+08	
Adjusted R-squared	0.181264	S.D. dependent var	8.98E+08	

S.E. of regression	8 . 1 2 E +08	Akaike info criterion	44.03128
Sum squared resid	1 . 7 8 E +19	Schwarz criterion	44.30338
Log likelihood	-720.516 2	Durbin-Watson stat	2.016317

The result (Table 4) indicates that The Chi- squares probability value 0.037 which is less than 0.05, meaning that we can Reject H_N and accept H_A , meaning that $C(4)=C(5) \neq 0$. it means that all the GDP having 2 lags. Jointly can cause Export, meaning that there is SR causality coming from GDP to Export.

Table 4.

Wald Test:			
Equation: Untitled			
Test Statistic	Value	df	Probability
F-statistic	3.273987	(2, 27)	0.0533
Chi-square	6.547974	2	0.0379
Null Hypothesis Summary:			
Normalized Restriction (=0)		Value	Std. Err.
C(4)		-0.102737	0.040363
C(5)		-0.004602	0.043892
Restrictions are linear in coefficients.			

Causality Test

The results of Causality between economic growth (GDP) and export (EX) are contained in Table 4. The results reveal that by looking at the probability values, this researcher concluded the results as follows. The Null hypothesis GDP does not granger cause exports can not be rejected since the significant value is greater than 0.05. On the contrary, the null hypothesis exports does not granger cause GDP can be rejected. Thus it can be said that Granger causality runs one way, from exports to GDP, but not the other way. Finally it can be stated that there is unidirectional relationship between exports and GDP.

Table 5. Causality Test

Null Hypothesis	Obs	F-Statistic	Probability
GDP does not Granger Cause EXPORTS	34	2.58338	0.09279
EXPORTS does not Granger Cause GDP		6.81973	0.00374*

Finally, we have to check the model efficiency, whether the model has ARCH affect, and Histogram-Normal and Serial correlation. First we check for Histogram-Normal, if Probability = p-value >0.05, meaning that the residual is normal, so Jarque-Bera p-value=0.962 which is greater than 0.05, meaning that the residual is normally distributed. Now we check for ARCH affect. We found that R^2 Probability = p-value= 0.4072 which is greater than 0.05, meaning that we can not reject H_N , rather accept H_N , meaning that there is no ARCH affect.

Now we check for serial correlation. We run the Autoregressive model with the dependent variable as independent variable with lag (-1), we find that the model has no serial correlation, when obs R^2 , p-value =0.764 which is greater than 0.05, we can not reject H_N , rather accept H_N , meaning that this model dose not have serial correlation

Conclusion

The purpose of this study was to test Granger causality between export and GDP growth of Pakistan during the period 1976-2011. The cointegration, error correction model and Granger's causality tests are applied to investigate the relationship between the exports and GDP The unit root properties of the data were examined using the Augmented Dickey Fuller test (ADF) after which the cointegration and causality tests were conducted. The error correction models were also estimated in order to examine the short –run and long run between GDP and Exports.

The major findings include the following:

The unit root test clarified that both GDP and export are non-stationary at the level data but Exports found stationary at the first differences. Therefore, the variables of export were found to be integrated of order one. The cointegration test confirmed that GDP and export are cointegrated, indicating an existence of long run equilibrium relationship between export and GDP as confirmed by the Johansen cointegration test results.

The error correction models test confirmed that there exist short run causality between GDP and Exports. The Granger causality test finally confirmed the presence of unidirectional causality Unidirectional relationship between exports and GDP, but not the other way. The test of the model efficiency using Wald residuals statistics found that the model has no ARCH affect, the residual is normally distributed and the model dose not have serial correlation.

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Applicability of the HPO Framework in a subsidiary of a multinational: the case of Hoyer Global Transport

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Abstract

Much research has been done into multinational enterprises (MNEs) but a holistic approach to studying all the potential factors that affect the performances of MNEs is still missing: most studies look at only one or a limited number of factors that may influence the performance of MNEs. This gap in the literature can be filled by applying the recently developed High Performance Organization (HPO) Framework in an MNE setting. This validated framework was developed based on a worldwide survey, with the explicit goal of identifying the main factors that influence sustainable high performance and a such the framework provides a holistic overview of performance. The case study in this article applies the HPO Framework at a subsidiary of a MNE, in order to evaluate whether the framework can be applied in a multinational setting. In addition, the research in this article also looks whether the HPO Framework takes into account the cultural context as the case subsidiary is located in Dubai. The research results show that the HPO Framework can indeed successfully be used to evaluate the performance of a subsidiary of a multinational operating in the Middle Eastern context.

Keywords: high performance organizations, multinational, subsidiary, Dubai

Introduction

In the past decades the research into multinational enterprises (MNEs) has been extensive (Nguyen, 2011). This is not surprising as the increasing globalization that took place during the second half of the 20th century has made the role and impact of these global enterprises much more pronounced (Kanter, 2009). In this research, several main topics can be discerned. The first main topic is the role of human resource management (HRM) in MNEs. Many studies in this area conclude that implementing well-designed HRM practices is positively related to the performance of the MNE, with the note that the HRM practices of an MNE can have different effects in different countries (Butteriss, 1998; Bae and Lawler, 2000; Ahmada and Schroeder, 2003; Brewster et al., 2005; Mohamed and Singh, 2010). Other studies explore HRM issues such as reward structures in MNEs (Hempel, 1998; Stredwick, 2000), leadership styles occurring in MNEs (Rodsutti and Swierczek, 2002; Berson et al., 2004), country of origin effects apparent in MNEs (Edwards et al., 2010; Almond, 2011), and talent management practiced by MNEs (Iles et al., 2010; McDonnell et al., 2010). A second main topic is the impact of country culture on the performance of MNEs. Research studies in this area often apply Hofstede's work on national cultures (Hofstede, 1980), and deal with issues like the rate of adoption of new

forms of work practices or technology in MNEs in different cultural settings (Offereins and Fruytier, 2006; Guo and D'Ambra, 2009; Cagliano et al., 2011), inefficiencies in managerial practices in different countries (Brock et al., 2000; Halkos and Tzeremes, 2011), the role of national culture in the composition of teams (Salk and Brannen, 2000) and the setting-up of the organizational structure (Williams and Triest, 2009), the effect of national culture on the success of acquisitions by MNEs (Brock, 2005), and ethical issues in MNEs influenced by national cultural differences (Cohen and Pant, 1993; Robertson and Fadil, 1999). A third main topic is the effect of globalization itself on the MNE. Research issues in this area are the management structures needed in MNEs (Kidger, 2002), the impact of internationalization on the composition of global companies (Martelli and Abels, 2011), and the diffusion of management, learning, HRM and R&D/innovation practices throughout the MNE to the different country organizations (Doeringer et al., 2003; Zeng et al., 2009; Becker-Ritterspach et al., 2010; Wiele and Iwaarden, 2010; Mortara and Minshall, 2011). In addition to these main topics of research, several other topics are studied. For instance, Nguyen (2011) looked at the impact of MNE's strategic investment motives on performance and the strategies MNEs employ to optimize their value chains. Guillén (2005) investigated the reasons why at the end of the last century many more Spanish multinationals came into existence, and he credits the ability of these Spanish companies to adapt to changing circumstances and adverse conditions for this. Gibson and Birkinshaw (2004) looked within MNEs at the consequences the ambidexterity of people and systems has on organizational performance. Doz et al. (2001, p.5) researched how a "new age multinational" would look like, and found that these so-called metanational companies do not obtain competitive advantage from their home country or from their set of national subsidiaries, but from viewing the world as "a global canvas dotted with pockets of technology, market intelligence, and capabilities, and mobilizing these to innovate more effectively than their competitors." Bakker et al. (2004) varied on this theme by stating that companies that operate internationally have to turn themselves in international network corporations, comprising of a group of interconnected operations with an emphasis on long-term internal partnerships in which expertise from various sectors can be combined and new solutions can be delivered to different clients and markets. Finally, another topic of research interest is how MNEs deal with corporate social responsibility. This is an increasingly important issue as MNEs can have a great impact on the population of the countries they operate in, and at the same time the way people react to MNEs can affect the performance of the companies considerably (Husted and Allen, 2006; Latteman et al., 2009; Richter, 2011).

It is conspicuous that a holistic approach to studying all the potential factors that affect the performances of MNEs, to the knowledge of the authors, cannot be found. Most research studies look at only one or a limited number of factors that may influence the performance of MNEs, which means that in subfields we know what affects performance but we still do not have a complete and holistic overview of the main factors that influence the results of MNEs. This gap in the literature can be filled by applying the recently developed High Performance Organization (HPO) Framework in an MNE setting. This validated framework was developed based on a literature review of 290 studies into HPOs and a worldwide survey, with the explicit goal of identifying the main factors that influence sustainable high performance and a such the framework provides a holistic overview of performance (Waal, 2006 rev. 2010, 2012a). The case study described in this article takes the HPO Framework and applies it at a subsidiary of a MNE, in order to evaluate whether the framework can be applied in a multinational setting. The HPO Framework has been tested in different sectors and in different countries (Godfrey, 2010; Waal and Chachage, 2011; Waal and Frijns, 2011; Waal and Haas, J. de, 2013; Waal and Sultan, 2012; Waal and Tan Akaraborworn,

2013; Waal, Duong and Ton, 2009; Waal, Goedegebuure and Mulimbika; 2013 Yusuph, 2010) and it has also been applied at one European based MNE (Waal, 2012b). It has however not been applied yet at a single MNE subsidiary based in the Middle East and as such conducting research in this setting can potentially provide new knowledge on high performance.

However, research into the applicability of management techniques (such as the HPO Framework) has to take into account the context in which these techniques are to be applied (Holtbrügge, 2013; Rees-Caldwell and Pinnington, 2013). Literature has shown that management techniques, which often originate from the Western world, cannot indiscriminately be transferred into non-Western contexts (Elbanna and Gherib, 2012; Matic, 2008; Palrecha, 2009; Wang, 2010). At the same time research on globalization increasingly finds that the transfer of management techniques from one country to another is leading to similar patterns of behavior across these countries (Bowman et al., 2000; Costigan et al., 2005; Zagersek et al., 2004). This calls for exploratory research in which the HPO Framework is tested in a Middle Eastern setting, in order to gauge whether this framework can be used successfully at the MNE's subsidiary to evaluate the organization's performance and to pinpoint improvements. The research question is therefore formulated as follows: *Can the HPO Framework be used to evaluate the performance of a subsidiary of a multinational operating in the Middle Eastern context?* This research will thus fill a gap in the literature both on MNEs and on HPOs. More specifically, the theoretical contribution of this article lies in the fact that this is the first time the HPO Framework is used at an organization in Dubai to evaluate its performance and to identify areas for improvement, and the lessons learned will open up avenues for further research. The practical contribution will be that other subsidiaries of MNCs can start using the HPO Framework as the basis for their improvement efforts.

The remainder of this article is organized as follows. The second section goes into previous HPO research (Waal, 2006 rev. 2010, 2012a), discussing the results of an extensive literature review and the subsequent worldwide survey. A description of the HPO factors identified in this HPO research is given in the third section. The fourth section provides details on the case company. The fifth section deals with the research approach and results. The article ends with the conclusion, limitations of the research and suggestions for further research.

The HPO Research

The HPO Framework, a generic framework for excellence and HPOs, was developed (Waal, 2006 rev. 2010, 2012a) after a descriptive literature review (phase 1) and an empirical study in the form of a worldwide implemented questionnaire (phase 2). The first phase of the HPO research consisted of collecting the studies on high performance and excellence that were to be included in the literature review. The criteria for including studies in the research were that the study: (1) was aimed specifically at identifying HPO factors or best practices; (2) consisted of either a survey with a sufficient large number of respondents, so that its results could be assumed to be (fairly) generic, or in-depth case studies of several companies so the results were valid for at least two organizations; (3) employed triangulation by using more than one research method; and (4) included written documentation containing an account and justification of the research method, research approach and selection of the research population, a well-described analysis, and retraceable results and conclusions allowing assessment of the quality of the research method. The literature review yielded 290 studies which satisfied all or some of the four

criteria. These studies formed the basis for identifying the potential HPO characteristics, which were required for developing the questionnaire in phase 2. The identification process of the HPO characteristics consisted of a succession of steps. First, elements were extracted from each of the publications that the authors themselves regarded as essential for high performance. These elements were then entered in a matrix which listed all the factors included in the framework. Because different authors used different terminologies in their publications, similar elements were placed in groups under a factor and each group - later to be named 'characteristic' - was given an appropriate description. Subsequently, a matrix was constructed for each factor listing a number of characteristics. A total of 189 characteristics were identified. After that, the 'weighted importance', i.e. the number of times a characteristic occurred in the individual study categories, was calculated for each of the characteristics. Finally, the characteristics with a weighted importance of at least nine percent were chosen as the HPO characteristics that potentially make up an HPO. Nine percent was chosen as the cut-off percentage as there was a clear gap around this percentage: several characteristics scored considerably below nine percent while the next closest scoring characteristics scored considerably higher than nine percent, namely fourteen percent. The relatively low cut-off percentage of nine was also chosen because using such a lower limit makes it possible to empirically test many characteristics which is important in exploratory research such as the one described in this paper. The cut-off resulted in a list of 53 *potential* HPO characteristics.

In Phase 2 of the HPO research the 53 potential HPO characteristics were included in a questionnaire which was presented to managers during lectures and workshops all over the world. The respondents of the questionnaire were asked to grade how well their organization performed on the various HPO characteristics on a scale of 1 (very poor) to 10 (excellent) and also how the organizational results compared to that of peer groups. Two types of competitive performance were established (Matear et al., 2004): (1) Relative Performance (RP) versus competitors: $RP = 1 - ([RPT - RPW] / [RPT])$, in which RPT = total number of competitors, and RPW = number of competitors with worse performances; (2) Historic Performance (HP) of the past five years (possible answers: worse, the same, or better). These subjective measures of organizational performance are accepted indicators of real performance (Dawes, 1999; Heap and Bolton, 2004). The questionnaire yielded 2515 responses. With a statistical analysis 35 characteristics with both a significant and a strong correlation with organizational performance were extracted and identified as the HPO characteristics (Waal, 2006). The statistical analysis also revealed that these 35 characteristics could be categorized in five factors.

The HPO Framework

The HPO Framework consists of a definition of an HPO, the five HPO factors and the 35 underlying HPO characteristics. The HPO research which led to the HPO Framework also yielded the following definition of an HPO: *A high performance organization is an organization that achieves financial and non-financial results that are better than those of its peer group over a period of time of at least five to ten years* (Waal, 2012a). A description of the five HPO factors is given underneath. A list of the 35 HPO characteristics can be found in Appendix 1.

HPO factor 1: Management Quality

In an HPO, management maintains trust relationships with people at all organizational levels by valuing employees' loyalty, treating smart people with respect, creating and maintaining individual relationships with employees, encouraging belief and trust in others,

and treating people fairly. Managers at an HPO work with integrity and are a role model to others, because they are honest and sincere, show commitment, enthusiasm and respect, have a strong set of ethics and standards, are credible and consistent, maintain a sense of vulnerability and are not self-complacent. They are decisive, action-focused decision-makers, avoid over-analysis and propose decisions and effective actions, while fostering action-taking by others. HPO managers coach and facilitate employees to achieve better results by being supportive, helping them, protecting them from outside interference, and by being available. Management holds people responsible for results and is decisive about non-performers by always focusing on the achievement of results, maintaining clear accountability for performance, and making tough decisions. Managers at an HPO develop an effective, confident and strong management style by communicating the values and by making sure the strategy is known to and embraced by all organizational members.

HPO factor 2: Openness and Action Orientation

Apart from having an open culture, an HPO uses the organization's openness to achieve results. In an HPO, management values the opinion of employees by frequently having dialogues with them and involving them in all important business and organizational processes. HPO management allows experiments and mistakes by permitting employees to take risks, being prepared to take risks themselves, and seeing mistakes as an opportunity to learn. In this respect, management welcomes and stimulates change by continuously striving for renewal, developing dynamic managerial capabilities to enhance flexibility, and being personally involved in change activities. People at an HPO spend a lot of time on dialogue, knowledge exchange and learning in order to obtain new ideas to improve their work and make the complete organization performance-driven.

HPO factor 3: Long-Term Orientation

In an HPO, long-term orientation is far more important than short-term gain. Long-term orientation is extended to all stakeholders of the organization, that is shareholders as well as employees, suppliers, clients and society at large. An HPO continuously strives to enhance customer value creation by learning what customers want, understanding their values, building excellent relationships and having direct contact with them, involving them in the organization's affairs, being responsive to them, and focusing on continuously enhancing customer value. An HPO maintains good long-term relationships with all stakeholders by networking broadly, taking an interest in and giving back to society, and creating mutual, beneficial opportunities and win-win relationships. An HPO also grows through partnerships with suppliers and customers, thereby turning the organization into an international network corporation. Management of an HPO is committed to the organization for the long haul by balancing common purpose with self-interest, and teaching organizational members to put the needs of the enterprise first. They grow new management from the own ranks by encouraging staff to become leaders, filling positions with internal talent, and promoting from within. An HPO creates a safe and secure workplace by giving people a sense of safety (physical and mental) and job security and by not immediately laying off people (dismissal is a last resort).

HPO factor 4: Continuous Improvement and Renewal

The process of continuous improvement starts with an HPO adopting a unique strategy that will set the company apart by developing many new alternatives to compensate for dying strategies. After that, an HPO will do everything in its power to fulfil this unique strategy. It continuously simplifies, improves and aligns all its processes to improve its ability to respond to events efficiently and effectively and to eliminate unnecessary procedures, work, and information overload. The organization also measures and reports

everything that matters, so it measures progress, monitors goal fulfilment and confronts the brutal facts. It reports these facts not only to management but to everyone in the organization so that all organizational members have the financial and non-financial information needed to drive improvement at their disposal. People at an HPO feel a moral obligation to continuously strive for the best results. The organization continuously innovates products, processes and services, constantly creating new sources of competitive advantage by rapidly developing new products and services to respond to market changes. It also masters its core competencies and is an innovator in these core competencies by deciding on and sticking to what the company does best, keeping core competencies inside the firm and outsourcing non-core competencies.

HPO factor 5: Workforce Quality

An HPO makes sure it assembles a diverse and complementary workforce and recruits people with maximum flexibility to help detect problems in business processes and to incite creativity in solving them. An HPO continuously works on the development of its workforce by training staff to be both resilient and flexible, letting them learn from others by going into partnerships with suppliers and customers, inspiring them to work on their skills so they can accomplish extraordinary results, and holding them responsible for their performances so they will be creative in looking for new productive ways to achieve the desired results.

The aforementioned HPO study showed that there is a direct and positive relationship between the identified HPO factors and competitive performance: the higher the HPO scores the better the performance of the organization, and vice versa. An organization can find out its HPO status by having management and employees fill in a HPO questionnaire and calculating the average scores on the HPO factors. The HPO framework has been applied at Retail International Group, a multinational based in Europe, to test whether the framework can help a multinational enterprise identify its high performance status.

Case Company: Hoyer Global Transport

There are many types of organization to be found in Dubai, since Dubai in recent years has transformed itself into a country with a strong financial and tourist economy which has attracted many multinationals and foreigners who set up shop in one of the many so-called free zones (Bardot, 2013; Stephenson et al., 2010). As the HPO Framework has already been tested successfully in a multinational context (Waal, 2012b), it make sense to choose a subsidiary of a multinational as the case company, in this case Hoyer Global Transport which is part of Hoyer Group, a German international logistics company.

Hoyer Global Transport FZE (HGT) in Dubai is a subsidiary of the Hoyer Group, headquartered in Hamburg, Germany. Hoyer is an international logistics company and one of the worldwide market leaders in moving liquids by road, rail and sea. The company's main activity is transporting chemical products, foodstuffs, gas and mineral oil to their destinations safely and efficiently. In addition it does on-site logistics which means it offers transporting services on the site of the customer. Hoyer has been in existence for over sixty years and is still a family company. HGT is a 100% Dutch subsidiary of Hoyer and offers global door-to-door container logistics. The company does this from its headquarters in Rotterdam, the Netherlands, its offices in Houston (USA), Sao Paulo (Brazil), Singapore, Shanghai (China) and Dubai, its sales offices in Europe, and its network of agents in 50 major ports worldwide. The mission of HGT is "to be a leading customer focused quality supplier of deep sea container logistics, in spot markets as well as a part of the logistical

chain management. HGT distinguishes itself by offering dedicated and high quality transport services, against lowest acceptable costs, on a world wide scale for chemicals and foodstuffs.” The key values of HGT are reliability, quality, and openness. The company aims to be a “no-nonsense, customer-oriented and innovative non vessel operating common carrier (NVOCC)” (Hoyer Global Transport, 2013). Being a NVOCC means that HGT does not own ships but has the license to issue bill of ladings, according to the norms and regulations of the International Maritime Organization, which are recognized by the banks in case the customer needs letter of credits. HGT Dubai’s core business is the 20 foot tank container which has the same proportions as a regular sea container so it fits on the same boat, train, truck and other forms of transportation. HGT Dubai has 12 employees, originating from the Netherlands, Denmark, Morocco, India, Sri Lanka and the Philippines. The company operates an agent structure which entails that in a particular country a local partner provides, for a fee, sales and operation services. The office in Dubai gives operational support to these partners, in the areas of pricing, sales and business development. Approximately 40 local partners are serviced by HGT Dubai.

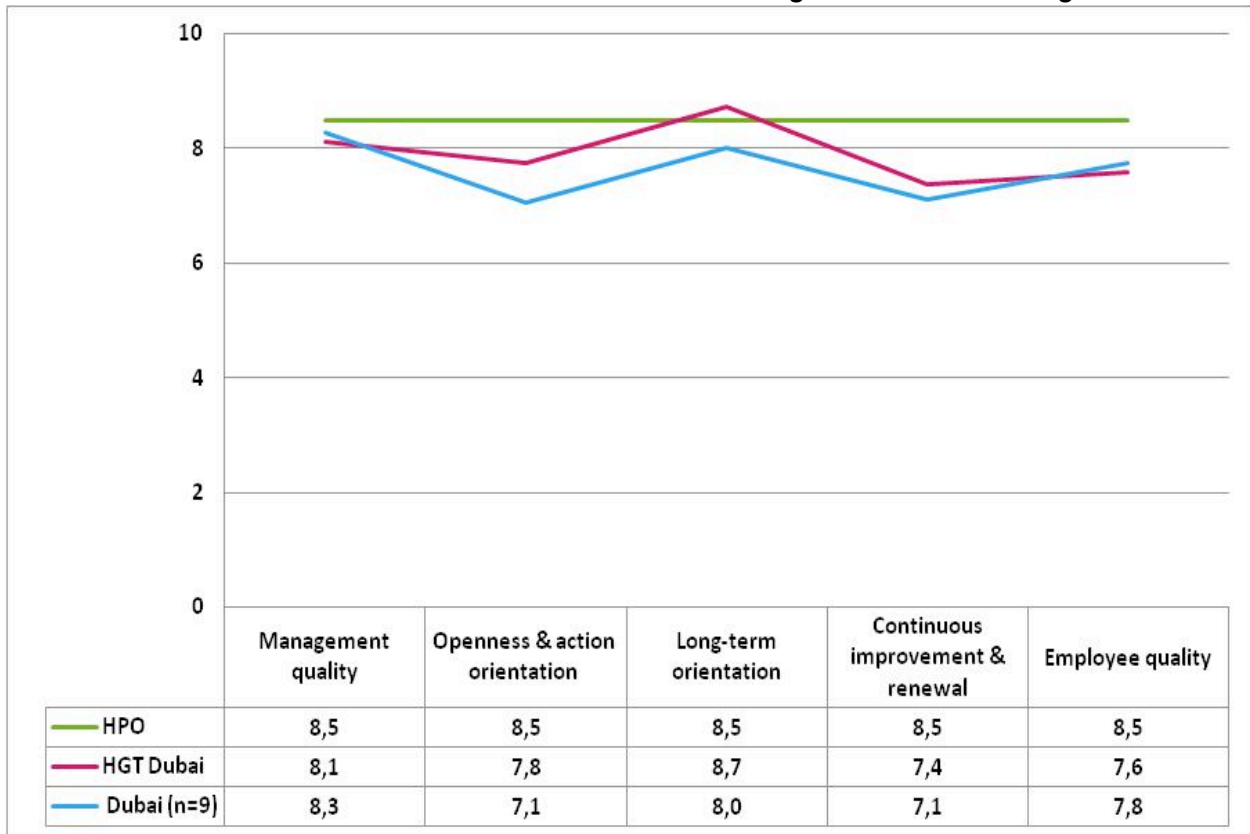
Research approach, Results and Analysis

The HPO diagnosis at HGT took place in 2013 and consisted of two steps. In Step 1, eleven of the twelve HGT Dubai employees filled out the online HPO questionnaire. Individual HPO scores were calculated, summarized, and presented in a graph indicating HGT Dubai’s performance relative to an HPO. Subsequently, an interview was held with the managing director of HGT Dubai, lasting two hours. This interview was transcribed by a third person, not involved in the research. The authors analyzed the data from the questionnaires and the interview to identify areas where HGT Dubai performed very well and areas where the company could improve. They then shared the results of the analysis with the managing director by letting him read and comment on this article. In step 2, another interview took place with the managing director, at the premises of HGT Dubai, to discuss the article, get clarifications and agree on changes. The article was updated and send one last time to the managing director for his comments.

Research results

A comparison of HGT Dubai’s HPO scores and the average scores of nine other Dubai organizations currently to be found in the HPO Center’s database is given in Exhibit 1. To be an HPO, an organization would have to have an average score of at least 8.5 on each HPO factor. The graph also showed which characteristics would have to be improved to boost organizational performance.

Exhibit 1: HPO scores of HGT Dubai versus average scores Dubai organizations



With an average HPO score of 7.9, HGT Dubai was not yet an HPO, and the company performed slightly higher than the average of other Dubai organizations (average of 7.6). The shapes of the graph lines in Exhibit 1 show great similarity, at first sight indicating that HGT Dubai seemed to be a typical Dubai organization with the same strengths and attention areas. This might be puzzling as HGT Dubai, being a subsidiary of a multinational, could have been established in any other country of the region so there was in itself no reason why the company was resembling Dubai organizations. However, as the managing director pointed out, the people working at HGT Dubai were living in the area and as such were exposed to same culture as people working at other Dubai organizations. This fits with the argumentation of Stede (2003) and Scheffknecht (2011) that national culture has a direct effect on organizational behavior and performance.

In the remainder of this section, the two strong HPO factors, Long-Term Orientation and Management Quality, are discussed in order to identify 'best ideas' HGT Dubai applies to achieve high performance.

Long-term orientation

HGT Dubai achieved the highest score for HPO factor Long-term orientation. This tied in with how HGT Dubai looked at high performance and the way to achieve it in Dubai, as the managing director explained: "High performance is reaching and surpassing the organization's objectives, not once but repeatedly. It is not that difficult to get to a certain level, but staying there is the real challenge. So there has to be continuity in the performance, which needs a long-term orientation. In order to achieve sustainable high performance, your set-up has to be right. With that I mean the fact that in this region you are dependent on your local partners. That is because often you are, as a foreigner, not allowed to perform certain activities in the country. In addition, you don't know the local

market and nobody in that market knows you, so you need a partner who is knowledgeable and familiar and has good connections in that market. And there is no second choice, your first choice of the partner has to be the right one. Don't go for the second choice, even if that choice is in the short run cheaper or easier to achieve, because you will regret it in the long run. You need to build good long term relationships with your local partners, you are going to spend a lot of time with them visiting them and talking with them, so you need high quality and competent ones. The way you build these relationships is to regularly visit the partner and talk to people on all levels, not only the owner or director but also the logistic people. You visit them when you have some news about your own company because there might be an opportunity in that for the partner, many of them operate in several countries so you never know."

Part of maintaining good relationships is the dialogue with the partner. As a highly regarded quality in Arabic society is self-censorship, people avoid disclosing the wrongdoings of others. Thus, criticism cannot be freely voiced and conflict situations are avoided or kept under control (Ali, 2005; Jones, 2009). So when there were problems or issues with a partner, HGT had to be careful how to voice these. The managing director: "If there is an issue is has to dealt with peer to peer. With that I mean we have to prevent escalation to higher levels because then there is no way out anymore if we cannot solve the issue. Yes, there is a level above me, my boss who is director of the business unit, but he mainly comes over for relationship talks with the partners, not to solve issues, I need to do that. So I tell my people to carefully broach the subject because their counterparts at the partner run the risk they will get a lot of stick from their superiors if it gets out of hand. My people need to protect their counterparts a bit and solve the problem in a cooperative way. After all, we need to work together for a long time. There is an element of managing by fear in local organizations, as people can be quite easily be fired here, so we need to talk about problems not as problems or complaints but as issues to be improved. So we basically have improvement conversations."

Regarding the high score (8.8) on 'servicing the customers as best as possible' the managing director commented: "We're in a high-competitive business so you can only distinguish yourself by operating excellence. Despite his, we will make mistakes and we will have service problems but we are strong in solving these. Mainly by taking quick actions and by showing the customer we are managing the problem and working on it, while repeatedly giving them an update on the status of the problem, showing them we're on top of it. This is part of being open and action oriented, and through this we create some comfort with our customers and they tend to give us more leeway because of our attitude. We don't measure customer satisfaction as here in the Middle East it is all about meetings, and in these meetings by Sales and by myself we get a good feeling of what our customers think and what's going on with them. So basically we are continuously monitor customer satisfaction in a qualitative way.

In the light of the general quick turnover of people working in Dubai who in general stay only for a short while at UAE organizations (Alnaqbi, 2011), interesting scores can be found for 'My manager has been with the company a long time' (8.9) and 'Our organization is a secure workplace for organizational members' (9.2). The long tenure of managers can be explained because of the nature of the industry which people either love or hate, according to the managing director: "If you love the industry, you tend to stay for a long time. Otherwise, you get out quickly." In addition, Hoyer can be characterized as having a strong family culture which tends to incite loyalty in people for a long time. In regard to the safe environment, employees on average stay longer than three years at HCG Dubai

which is well above the average in Dubai. According to the managing director this is because HCG Dubai is working in a nice environment in the Dubai Airport Free Zone, and also because employees experience European management which they seem to experience as more friendly and more open than local management, while at the same time allowing them more freedom to try out things, speak their minds and come with new ideas. The managing director stressed the last issue: I don't want to have an environment where employees feel uncomfortable like 'if I make a mistake, I'm out.' Because that doesn't benefit the company, as stability in the workforce is important. Because if you would fire them or transfer them, you would create ripple effects. And that's what a lot of people don't see. So you might solve one problem, but the ripples of what you did create waves at others, which creates unrest and other problems. So an employee can make a mistake here without being fired immediately. With other issue what helps is that we have behaviour rules in which we spell out the behavior which isn't allowed. And this is about behavior in the office but also in dealing with customers, and even about which type of customer we will deal with and which we will not.

Management quality

Referring to the aforementioned conflict avoiding culture in the UAE, management has to make a particular effort to create a dialogue with employees during which it is allowed, even welcomed, to make critical remarks which create openness on issues and possible problems. This has taken some time at HGT. The managing director is from the Netherlands and several other employees are also from Europe, which means they come from cultures where a fair degree of openness is the norm. The other HGT people are from Asian countries where, in contrast, openness between hierarchical levels is less usual. As a consequence, the managing director initially had to 'pull out' the information from people, and when he had something to tell it the communication would be basically one way. However, over time, people got used to his 'looser' style and also they saw his dealings with the other Europeans, which gradually made them loosen up. What helped in this respect was that the managing director organized an informal barbecue for all people at his home, which strengthened the social interactions. But, in the business setting when the managing director has an issue with someone, he would still never go directly to that person but to his or her superior, so the hierarchy was acknowledged and adhered to.

It is interesting to note that the score for dealing decisive with non-performers at HGT is higher (7.6) than one would expect in a conflict avoiding culture. This was because, as the managing director explained, at HGT performance problems with employees were seen as development issues. If someone didn't adhere to HGT's code of conduct this was considered to be a violation and that person would be officially warned. But in case of performance problems a period of at least three months was taken to understand the situation of the employee, to find out what he or she needed to improve, and then to put this into practice. Only after that period of working on improving the employee a definitive decision would be made. Despite his attitude, there was according to the managing director still a sense of being scared of the management which can be seen in the score for 'My manager allows making mistakes' (6.8): "I know that some employees still fear me because I'm originally from headquarters, so I have a direct line with the big boss. It's basically fear not for the person but for the function. It might also have to do with the culture of the people working here which is mostly Indian, as Indians are not used to speak up against the boss. You say something and they will go 'okay' but it could mean 'okay yes' or 'okay no.' While I am Dutch and I have an American boss and we are used to the 'if somebody doesn't like it, he will open his mouth and state it clearly.' But that is more difficult here and takes time to achieve."

Conclusion, Limitation and future research

The research question *Can the HPO Framework be used to evaluate the performance of a subsidiary of a multinational operating in the Middle Eastern context?* was answered by the managing director: “For the day-to-day operations the HPO Diagnosis can be used at the subsidiary level to improve the local operations. The HPO Framework clearly shows where we are doing well and it also points out accurately where our improvement areas are. We haven’t talked too much about that as this research was aimed at identifying the best ideas we applied, but we have looked at the attention areas and we are going to take action on these. I need to point out, though, that when these attention areas and improvements relate to the business development process and the making of new plans, areas where headquarters is involved, and to the processes and improvements which might be more far-reaching and radical, the HPO Diagnosis should be conducted on the multinational level. That is because many of the improvements will be valid for all units in the multinational. A multinational is basically like a web. You cannot easily leave out one unit because then the network is disturbed. So you need to be able to connect with the web. If you change certain processes and it doesn’t suit the other offices anymore, then you might start doing it in an Arabic way, which suits us fine here in Dubai, in American or German units which doesn’t suit them. So there is the tension between local and global. Doing the HPO Diagnosis on a global level, with all units involved will flush out these differences. So if you ask me “Can we start as a subsidiary with the HPO Diagnosis?” my answer is “Yes, of course you can start alone. But there will be a certain time where you have to involve the other units and headquarters otherwise you’ll run into trouble.”

The managing director added that, although HGT itself is not a Dubai organization and even does not have too much interaction with the local setting, in his experience in dealing with his partners in Dubai he felt that the HPO Framework and HPO thinking could potentially appeal to other organizations in Dubai because there is a strong drive for excellence in this country. This drive has been cultivated under the leadership of the president of the UAE, Sheik Khalifa bin Zayed bin Sultan Al Nahyan, and Dubai’s ruler, Sheik Mohammed bin Rashid Al Maktoum (McLaurin and Mitias, 2008), as illustrated by one of their statements: “Development is an ongoing process and the race for excellence has no finish line” (Rashid Al Maktoum, 2012). They have introduced several excellence awards, first for the public sector and subsequently for the private sector. As a result, terms as efficiency, effectiveness, value for money, customer service and total quality management are “in high vogue in the UAE nowadays” (Mansour and Jakka, 2013: 98) and “our reality is that excellence is our only option” (Al Gergawi, 2009, p.45). As Saeed Al Maktoum (2009, p. 39) put it: “Dubai’s vision can be simply stated. We try to excel in everything we do, and everything that we plan to do.” Many of the excellence efforts have been driven by the European Foundation of Excellence (EFQM) award.

In conclusion it can be stated that this exploratory research shows that the HPO Framework is a useful tool to evaluate an multinational subsidiary in the Middle Eastern context. The research also shows that the multinational setting has some typical characteristics which influence the application of the HPO Framework as a diagnostic tool, especially the processes that are used globally in the company while (sometimes) being adapted locally. The HPO Framework is valid for the subsidiaries and for headquarters alike (the ‘what’ is the same), but the improvement actions (the ‘what’) could be different or subsidiaries might have less freedom in these than this would be the case for a stand-alone company. The obvious limitation of this research is that it concerns only one, fairly small subsidiary. Therefore future research should expand the application of the HPO

Framework to other types and sizes of subsidiaries in Dubai, in the UAE, and in the Arabic Gulf region. Another possibility for future research is to conduct longitudinal research at multinational subsidiary that has applied the HPO Framework, to see the effects on organizational performance. This research could then also look at the interventions needed to let a subsidiary in the Middle Eastern context make a successful transition to HPO.

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Appendix 1

This appendix lists the scores of HGT Dubai on the 35 HPO characteristics.

HPO factors		HPO characteristics	HGT Dubai
CI	1	Our organization has adopted a strategy that sets it clearly apart from other organizations.	7,3
CI	2	In our organization processes are continuously improved.	7,7
CI	3	In our organization processes are continuously simplified.	6,8
CI	4	In our organization processes are continuously aligned.	7,1
CI	5	In our organization everything that matters to the organization's performance is explicitly reported.	7,8
CI	6	In our organization both financial and non-financial information is reported to organizational members.	7,5
CI	7	Our organization continuously innovates its core competencies.	7,4
CI	8	Our organization continuously innovates its products, processes and services.	7,5
OA0	9	My manager frequently engages in a dialogue with employees.	8,2
OA0	10	Organizational members spend much time on knowledge exchange and learning from each other.	7,6
OA0	11	Organizational members are always involved in important processes.	7,9
OA0	12	My manager allows making mistakes.	6,8
OA0	13	My manager welcomes change.	8,0
OA0	14	Our organization is performance driven.	8,0
MQ	15	My manager is trusted by organizational members.	8,3
MQ	16	My manager has integrity.	8,9
MQ	17	My manager is a role model for organizational members.	8,2
MQ	18	My manager applies fast decision making.	7,9
MQ	19	My manager applies fast action taking.	8,0
MQ	20	My manager coaches organizational members to achieve better results.	8,1
MQ	21	My manager focuses on achieving results.	8,8
MQ	22	My manager is very effective.	7,9
MQ	23	My manager applies strong leadership.	8,1
MQ	24	My manager is confident.	8,8
MQ	25	My manager is decisive with regard to non-performers.	7,6
MQ	26	My manager always holds organizational members responsible for their results.	6,8
EQ	27	My manager inspires organizational members to accomplish extraordinary results.	7,6
EQ	28	Organizational members are trained to be resilient and flexible.	7,6
EQ	29	Our organization has a diverse and complementary workforce.	8,3
EQ	30	Our organization grows through partnerships with suppliers and/or customers.	6,9
LTO	31	Our organization maintains good and long-term relationships with all stakeholders.	8,0
LTO	32	Our organization is aimed at servicing the customers as best as possible.	8,8
LTO	33	My manager has been with the company for a long time.	8,9
LTO	34	New management is promoted from within the organization.	8,8
LTO	35	Our organization is a secure workplace for organizational members.	9,2

Take Me Out to the Ballgame: Different Teams, Different Strategies

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Abstract

This teaching case provides a scenario where Chris, a newly hired intern for the Minnesota Twins, is asked to analyze the strategy of the Twins' organization in comparison to other team in Major League Baseball. Given the difference in market sizes, teams take different approaches to maintaining or increasing ticket sales and fan loyalty. The objectives of this case are to provide students with an opportunity to distinguish between these different strategies and to analyze the effectiveness of each. Because many students will have experienced a baseball game of some kind, this case should allow students to use their own experiences, in addition to the data provided, to reach conclusions about the overall strategies employed by different Major League Baseball teams.

Keywords: Strategy, customer intimacy, product leadership, competitive advantage, organizational value, customer satisfaction, customer loyalty, teaching case, baseball

The Story

Chris glanced at his watch for the third time in 15 minutes. It read 7:45 a.m. He had been rehearsing the meeting in his mind the entire weekend, but was still nervous about his first interaction with Mr. Anderson. He thought about what it was like to walk into Target Field on his first day of work, still in awe of the fact that he was an employee of the Minnesota Twins, LLC. Target Field was incredible, and not surprising that in 2010 ESPN Magazine had labeled it the best stadium, not just in baseball, but in any sport. A baseball fan all his life, Chris had always dreamed of working for a Major League Baseball team...and now he was living that dream.

His mind drifted to his days in New York. After living nearly his entire life in Minnesota, Chris' family moved to New York when he was 15. He decided to attend college at New York University, where he received his undergraduate degree in Business, with concentrations in Management and Marketing. Chris was ecstatic when he was awarded an internship with the New York Yankees during his senior year of college. He spent four months with the Yankees, learning about their operations, marketing and strategic direction. Chris was confident that this work experience was one of the reasons he was hired by the Twins as a Marketing Associate over the other 120 applicants.

Chris shifted his thoughts back to the project at hand. He had been with the Twins for nearly four weeks. Most of that time had been spent in an orientation heavy on meeting the people in the Twins organization, so he was excited when he was asked to attend a marketing strategy meeting called by the President of the Minnesota Twins, Bill Anderson. He could hardly wait to get more involved in the operations of the organization and was confident that his experience with the Yankees would prove extremely valuable. He grabbed his notes, laptop and a bottle of water, went up three floors and walked down the hallway to the conference room trying not to be distracted by the view of the playing field.

As Chris entered the room, he could feel himself starting to sweat, fully aware of his surroundings and the collective experience and intelligence of the individuals in the room. His boss, Andy, greeted him when he walked through the conference room door. Andy must have noticed his nervousness, as he encouraged him to relax. Angela, Mr. Anderson's executive assistant was also present and greeted Chris as he walked in the room. There were two other individuals in the room, but Chris couldn't recall who they were. He took a seat next to Andy and waited for the meeting to begin.

Bill Anderson entered the conference room at 8:00 a.m. sharp and greeted everyone with a cup of coffee in hand.

"Good morning, everyone," he spoke as he took a seat at the head of the conference table. "I trust everyone had a good weekend?" Nods in agreement came from around the table. "Good, then let's get started."

"As you know, we're entering the third season of Target Field and I'm confident that 2012 will be a very successful one for the Minnesota Twins' organization. As we know from other Clubs around the league, however, the excitement of a new ballpark has a tendency to wear out after several years." Bill paused for a moment before continuing. "We don't want to be like other teams...we want the excitement to continue for fans, players and local organizations. We're here today to talk about how we do that...about how we continue to give Twins' fans the unparalleled experience they're used to."

The conversation continued for a while as Bill asked others around the table about various operational issues before he turned the discussion back to his original statements. "We're not the New York Yankees. We never will be, nor would it make sense for us to try to do so. As we talk about our continued strategy, I want to make sure we keep that in mind." Bill paused again before allowing the hint of a smile to form on his face.

"Speaking of the Yankees, I understand we have a new addition in the room today?" Bill looked at Chris as if to welcome him to the organization.

Chris swallowed the quickly forming lump in his throat and said, "Thank you, Mr. Anderson. It's an honor to be here working for the Twins."

"Please...call me Bill. I understand you worked for the Yankees as an intern?"

"I did," Chris responded. "For about four months during my senior year at New York University."

"Well, we typically wouldn't allow a New York Yankee this far inside the Twins' organization," Bill continued with a grin, "But I also understand that you grew up in Minnesota, so I'll give you the benefit of the doubt."

Chris smiled in response, fully aware that he would be receiving all kinds of feedback regarding his job with the Yankees. "If it helps, my heart never left the Twins, even while I was in New York."

"Good answer," Bill responded. "So tell me, Chris...what did you think of the New York Yankees' organization?"

Chris looked to his boss, Andy, to make sure that it was okay to speak freely. Andy gave him reassurance, as if he knew where this conversation was going, and nodded at Chris to speak his mind.

“Well,” Chris started, “I guess it’s tough to beat the history of the organization. Having 27 World Series wins is something that’s fun to be involved with, but coming from Minnesota I’m not sure that I’d ever get used to the East Coast, though.”

“Really?” Bill asked. “Why’s that?”

Chris glanced at Andy again, just to make sure that it was okay for him to continue. “Well, I’d rather eat dinner at 6:00 p.m. than 9:30 p.m. And I’ll always call soda a ‘pop.’ And there’s just something to be said about ‘Minnesota nice.’ It really does exist.”

Case Notes – Baseball Championships

Success in baseball is defined by the number of championships, the ultimate being the World Series. By this measure the New York Yankees is the most successful franchise, with more than double the number of World Series championships, and appearances, than the closest contender (See appendix for schedule).

Where teams may be judged to have the most talent, highest payroll, most star players, best manager, best pitching, best fan base...none of these factors can consistently predict the World Series winner. At the end of the day the game is still the game, meaning you can assemble players and managers, but once on the field the game takes over.

From a business perspective championships are also the measure of success, but more so as they boost the current year attendance and the following year ticket sales. Championships build excitement and fan base, single game wins do not.

This case focuses primarily on the market and strategy differences between the Minnesota Twins and the New York Yankees, with secondary focus on the St. Louis Cardinals, and Chicago White Sox. The Yankees as they are by many measures the best franchise in major league baseball. St. Louis and Chicago were selected as they hold some similarities to the Twins, St. Louis in terms of market size, and Chicago in terms of division competition and World Series success.

Bill let out a light chuckle in response to Chris’ remarks, then continued. “One of the reasons we hired you, Chris, was to bring in different points of view. To be successful, we believe that we need to stick to our core strategies, but to also be open to different ways of doing things. It’s not because you were with the Yankees. It’s because you had some experience with another team in general. And because you seemed like you’re a pretty smart guy. We’re always open to hearing new thoughts and new ideas...as long as they fit with the overall direction of the organization and are supported by facts.” Bill paused again, seeming to let Chris absorb what he had said. “So now that you’ve been here a month, what do you think the key is for the Minnesota Twins to have long-term success?” Chris struggled to take a deep breath, sure that his lungs were fighting him the entire way. He looked at the others in the room and noticed the hint of grins on all of their faces, almost as if they had anticipated this question. He had rehearsed this moment time and time again, and now it was here.

“Well, with respect...I think it’s all about the players,” he said and waited eagerly for a response of some kind from Mr. Anderson.

“Go on,” Bill replied.

“Well, if we do look at the Yankees’ success, it has been because they are willing to pay for the best players...and fans are willing to pay to see the best players in Major League Baseball. Historically, the Yankees spend more on payroll than any other team. The result has been as many World Series appearances and wins as the next three teams on the list combined, including five World Series wins since 1996. I know it’s tough to increase payroll in a smaller market, but without doing so, fans will stop coming to the ballpark.”

Chris took a drink of water, unsure if this would be the last sentence he ever uttered as a Minnesota Twins’ employee. Did he really just tell the President of the Twins that fans would stop coming to the ballpark unless the Twins started spending more money?

Before he could backtrack on his statement, Bill spoke again. “Chris, you raise a good point, but I have a question for you: Does increasing payroll *guarantee* more wins?”

Case Notes - Team Value

Forbes calculates the value of major league baseball teams on an annual basis (See appendix for schedules). There are no such valuations available from individual teams or from Major League Baseball. As with many limited commodities, estimated value of sports franchises are estimates, value is not truly defined until there is an actual sale of a team. Forbes calculates value on four criteria: League Revenue Sharing, Market, Stadium, and Brand. Market is the value based on the team’s city and market size. City and market size directly affect local revenues. Milwaukee is the smallest market at 1.69M, Boston is the largest single team market at 7.60M, and New York is the largest market at 10.60M but is a shared market with the New York Mets.

In 2000 Bud Selig, major league baseball commissioner, appointed an independent panel (The Blue Ribbon Panel) to look into the claim that teams with greater local revenue were dominating the league with their ability to raise and spend more money. Local revenues were defined as gate receipts, ballpark concessions, parking, suite rentals, post season, spring training, local television, radio, and cable rights fees, and advertising and publications. A 2007 study by Gennaro claimed that 70-80% of a team’s total revenue was generated from local revenue. There is evidence that revenue sharing has smoothed out the discrepancies in revenue due to location (Gustafson & Hadley, 2007) and there does appear to be a correlation between team revenue and team payroll (Solow & Krautmann, 2007).

Chris took a deep breath before responding. “It probably doesn’t guarantee more wins, but in the Yankees’ case, it has been a recipe for success. Fans go to Yankee Stadium to see the best players in the world. Fans at away games often go to the local ballpark just to see the visiting Yankees play. Wins improve attendance...and the only way to get more wins is to get the best players.”

“Are you saying we don’t have great players, Chris?” Bill asked in a half-teasing tone.

Appendix Table 2

	Twins	Yankees	St Louis	White Sox
2012	121	227	123	138
2011	112	236	110	119
2010	83	240	111	113
2009	80	236	120	126
2008	81	253	109	108
2007	76	219	103	102
2006	73	223	101	86
2005	69	197	102	78
2004	70	176	96	73
2003	53	141	85	68

Case Notes - Labor

The Major League Players Association (MLBPA) was organized as a labor union in 1966. The first collective bargaining agreement was negotiated in 1968, giving players the right to have an independent arbitrator to rule on grievances with the owners. Major league baseball has seen five strikes (1972, 1980, 1981, 1985, and 1994-95) since 1966. In addition to the strikes, the owners have locked out the players three times (1973, 1976, and 1990). This inability to settle between owners and players has cost both sides billions of dollars over the course of labor disputes. The current labor agreement expires December 1, 2016. For the Twins the 1990's were a difficult time period. Two major labor disputes and the loss of star players Kirby Puckett and Kent Hrbek rocked the team during this time.

Generally player expenses absorb from 50% to 80% of team total revenues. The 2011 average player salary was \$3,095,183, with a minimum salary of \$480,000. Management's ability to recognize, train, and retain players is critical to on field performance. Salary, however, is no guarantee of on field success. Teams have different philosophies regarding the acquisition of players. The Yankees are known for acquiring, and paying a premium, for known commodities—that of free agents. Players with six or more years of Major League service who have not executed a contract for the following season are eligible to become free agents. The Twins have had the opposite strategy that of drafting and grooming players through their farm club system.

On average a drafted player will spend five years in the minors before being called up....if ever....to the majors. It is estimated that 1% of the population has the physical attributes necessary to play in the big leagues. But it doesn't stop there; much of the five years is dealing with the mental toughness that the big leagues require. Good players hold batting averages of .300 and greater. The inverse means that 70% of the time a player will be out at the plate. For many players, getting the focus on the comparative average rather than the 70% failure rate is key. It also takes a mix of physical attributes and mental toughness to stand your ground at the plate facing a ball racing towards you at 90-100 miles per hour. On-field success is often linked to the right players, pitching, and the lack of injury.

“No, not at all,” Chris stated, desperately trying not to make a disastrous first impression. “The Twins’ organization has been extremely successful for a middle-market team and has some terrific players. My only point is that having even *more* great players might help keep attendance at high levels. After all, most teams that reach the playoffs shop for available position players. The Yankees just do it before the new season, and the results speak for themselves.”

“You know what keeps me up at night, Chris?” Bill asked in a serious voice.

“No, sir,” Chris responded with some hesitancy.

“Ticket prices. Ticket prices for the Minnesota Twins’ *experience*...that’s what keeps me up at night. In Major League Baseball ticket revenues usually account for 36% of total revenue. Now let’s say we increase our payroll next year by 50%. Are we going to have to increase ticket prices to cover it?”

“Well, probably,” Chris responded. “But I think fans would be willing to pay more for a team that’s winning more games.”

“But I thought you just said that increased payroll doesn’t guarantee wins, Chris.”

Chris was getting concerned that he had said too much. He had gone through these points in his head time and time again, but had failed to address the issues that Bill was raising. “You’re right...it doesn’t guarantee any wins. It is a risk, but one that has worked for the Yankees over a long period of time.”

Bill softened his look, appearing as though he had decided it was time to let Chris out of the spotlight. “You make some good points, Chris, but I want you to think about some things and come back to me next week with your thoughts. First, I’d like you to think about overall strategy in relation to different markets. By your own admission, the New York market and the Minnesota market are quite different. What makes you think a New York strategy would work in Minnesota? Or vice versa? Second, I’d like you to think about talent management in a strategic sense. We may not spend as much on payroll as the Yankees, but we’re as dedicated to high quality player acquisition and development as any team in the league. We just take a different approach. Third, I want you to think about cold beer on a hot day. Remember, the front office deals more with the business of baseball than with on-field performance.”

Case Notes - Stadiums and Attendance

Key attendance factors have been recognized such as a productive star player, recent playoff success, who the opponent is, the day of the week the game is played, and promotional activities to draw a crowd. Winning individual games have not shown to boost attendance. A star player who is not contributing also does not boost attendance. New stadiums, on average, boost attendance 44% when opened, 31% year two, 20% year three, and 10% year four. This provides a window of opportunity for teams to leverage the additional cash flow to improve team performance.

As Bill finished his last sentence, he stood up and started to walk out of the conference room. Before leaving, he looked back and thanked everyone for their time before saying to Chris, “I look forward to meeting next week, Chris...and welcome aboard.”

Chris was the last one to leave the conference room, deep in thought about Bill’s comments. A variety of considerations ran through his mind. *Did he say too much? Did he explain his thoughts poorly? Did he have enough facts to even back up his ideas?* He decided to discuss it with his immediate supervisor, Andy, in order to try to get a better idea of how he should approach next week’s meeting.

“I was expecting you,” Andy replied with a grin when Chris knocked on his office door. “I hope I didn’t say too much,” Chris responded.

“Not at all. You responded honestly to the questions you were asked, which is good.” “So I’m wondering if you can help me decipher Mr. Anderson’s comments. I want to make sure I’m ready for next week’s meeting.”

“I’ll certainly provide some guidance,” Andy said. “But this is part of the process...learning how the Twins work, what we believe in and what makes us different from many other organizations. Go ahead and ask some questions.”

Chris thought about all of the ideas racing through his head, but wanted to make sure he was concise. “I think I am most confused by Bill’s last point, to ‘think about cold beer on a hot day.’ What in the world does that have to do with our strategic positioning and long-term success?”

Appendix Table 1

Forbes: Total Revenue
(In Millions)

	Twins	Yankees	St Louis	White Sox
2012	213	439	233	214
2011	213	427	207	210
2010	162	441	195	194
2009	158	375	195	196
2008	149	327	194	193
2007	131	302	184	173
2006	114	277	165	157
2005	102	264	151	131
2004	99	238	131	124
2003	87	223	128	106

Case Notes - The Minnesota Twins

From 1901 to 1960 the Washington Senators played major league baseball in Washington D.C. In 1961 the team was moved to Minnesota and took up residence in Metropolitan Stadium, playing there for 20 years. Beginning in 1982 the Twins played in the Hubert H. Humphrey Metrodome. During their 28 year stay in the Metrodome they won the World Series twice, lost the World Series once, lost in the American League Championship

Series (ALCS) once, and lost in the American League Division Series (ALDS) three times. In 2010 the team moved to Target Field, a \$435 million dollar, 39,500 seat capacity state of the art stadium. In July of 2010 ESPN Magazine would label Target Field as the best stadium, not just in baseball, but in any sport (http://blogs.citypages.com/blotter/2010/07/espn_calls_trag.php).

The Twins' core structure is built around patience, stability, and flexibility. Since the Pohlad family acquired the team in 1984 very few changes have occurred in the front office, the only two managers on the field have been Tom Kelly and Ron Gardenhire, and the farm manager holds the longest tenure in major league baseball. Prior to the Pohlad family, the Griffith family had owned the Senators, then the Twins, for 72 years.

Andy sat back in his chair, obviously contemplating how much information he should provide to Chris and how much he should force him to discover on his own. "I'm assuming you've been to Target Field on a warm day to watch a game?" Chris nodded in affirmation. "I would imagine that the employees were friendly, the bathrooms were clean, the food was hot and..."

"The beer was cold," Chris finished for Andy.

"Now compare that experience to others you've had in other locations...not that I'm mentioning any of those locations," Andy said with a grin.

"There's no doubt that Target Field is a friendly, clean place...much more so than some other ballparks. But that's because we're in the Midwest. People are friendlier here," Chris explained.

Andy smiled again. "So you're telling me that it's an accident that fans get an outstanding experience when they come to Target Field? I invite you to walk around Target Field before game time and talk to the staff about why they're here. My guess is that you'll hear less about how they're here to help fans see the best players in Major League Baseball and more about how they're here to help fans and their families enjoy the greatest outdoor experience in Minnesota."

"But they're here to watch a baseball game!" Chris said enthusiastically.

Case Notes – The Minnesota Twins (continued)

The president of the Twins oversees strategic planning and the business departments which include ticket sales and service, corporate partnerships, marketing, public affairs, broadcasting, ballpark operations, human resources, technology, and finance. The Twins organization worked diligently towards the approval of a Twins open air ball field, and once approved continued to work diligently on the design, construction, transition to, and opening of Target Field in 2010.

The transition from the Metrodome, which was a football stadium used to play baseball, to Target field was unbelievably smooth. Recognizing that due diligence was spent on how to transition season ticket holders into the new stadium sections, how to approach the various levels of suites and package rights to corporate concerns and organizations. Once the overall design was set they placed the right people in the right places, maintained discipline to follow the plan and not divert, and finally to execute the plan well.

For a small market sports franchise, the new stadium represents a transition to a new normal and hopefully a new level of operations. Season ticket holders have already

jumped from 10,000-11,000 in the Metrodome to around 25,000 at Target Field. In fact the Twins organization sales and marketing group had increased sales 9 of 10 years from 2000 to 2009. With the opening of Target Field in 2010, the Twins attendance shot up to 3,223,640, a new single-season franchise attendance record. 2010 attendance increased by 33.4% over 2009, representing an increase of 807,000 fans.

The challenge is maintaining that base. Revenue from ticket sales in major league baseball generally run around 36% of total revenue. The key is providing an experience at the ballpark that is first rate. The greatest competition the Twins face is the couch, especially with the advent of high definition television. There must be a reason, a draw, to get people to the stadium and not just follow the team through the media. Once in the stadium, it's all about making the experience first rate. From the wow factors of technology, to the food and the cleanliness of the bathrooms, the Twins focus is to make the experience at Target Field the best in the league.

“Well, from one diehard baseball fan to another, I can certainly agree with you,” Andy said. “Many fans do come for the baseball. But if that’s the case, why wouldn’t you just watch it at home on your TV where the beer is always cold? I’ll let you give that issue some additional thought.”

Chris knew this was a hint to move along to the next question, so he did. “So how about player development? I know it probably isn’t feasible for the Twins to outspend the Yankees on payroll, so how can we continue to compete and keep fans in the seats? I can understand that creating a spectacular experience can help, but wins mean something, don’t they?”

“As Bill mentioned, “Andy started, “We’re not the Yankees. If we had to compete by outspending the Yankees, we’d have a tough time. The New York Metropolitan area has a population of around 19 million. The Twin Cities area has a population of about 3.3 million, although we work hard to draw from our five state region. To compete effectively, we spend significant time developing our players. On average it takes five years to develop a player through the minor league system, but it allows us to manage our payroll more effectively.”

Appendix Table 7

Season Wins at 2012 All-Star Break				
	Twins	Yankees	St Louis	white sox
2012	36	52	46	47
2011	63	97	90	79
2010	94	95	86	88
2009	87	103	91	79
2008	88	89	86	89
2007	79	94	78	72

“Five years? That seems like a long time to wait to see if a player is going to be any good,” Chris lamented.

“Playing Major League Baseball is as much mental as it is physical. Very few drafted players come to us with that mental toughness. Recognize that batting .300 is good in this league, but that means dealing with a 70% failure rate. Mental toughness has to be developed; we can’t afford to buy it like the Yankees do. Once a player advances to the big leagues we have them locked in for only six years. After that they are a free agent, able to negotiate with the highest bidder. That’s why it’s so critical to have great people within the organization continuously searching for and developing that talent. We’re not only looking for great players, but great community members...individuals who will represent the Twins well and give back to the community. We’re interested in people, not just players.”

“That seems like a very long-term approach,” Chris responded.

“Exactly! *And* one that requires discipline and commitment to achieve.”

Chris thought about Andy’s words for a few seconds, then spoke again. “It’s such a contrast. When I was with the Yankees, the entire organization...heck, the entire city, *expected* a World Championship every year and the team spent whatever was necessary to do that. I guess I’m still just having a tough time understanding why the Twins shouldn’t take a similar approach.”

Andy leaned back in his chair, again contemplating how much information he should provide to Chris. Finally, he spoke, “What’s your favorite restaurant, Chris?”

Chris tilted his head slightly, trying to understand the question. “Probably Morton’s Steakhouse,” he replied.

“Why is that?”

“Because they have great steaks,” Chris answered, in a half questioning tone.

Andy nodded. “What if I told you that I could get you the same exact steaks that Morton’s sells and you can grill those at home any time you want?”

“Well, that would be great, but I’m not sure it would be the same,” Andy responded.

“Why not? You said the steaks were great.”

“Well, there’s more to it if you go to the restaurant,” Chris said as he thought about the last time he was there. “You can get other things besides a steak, the staff is terrific and I love the atmosphere. There’s a different energy that’s fun to be around...something you just don’t get at home.”

Andy smiled. “It’s almost as if you go there as much for the experience as for the steak, wouldn’t you agree?”

Chris tilted his head back, finally understanding what Andy and Bill were talking about. “Okay, I’m starting to come around. I’m still not sure that I agree entirely, but I see where you’re coming from.”

“Chris, here’s some recent data on the teams around the league that might help with your analysis,” Andy stated as he pointed to the folder on his desk. I included St. Louis as a comparable team, who by the way has 11 World Series titles. Their metro area is 2.8 million and Busch Stadium holds 46,861. Our metro area is 3.3 million and Target Field seats 39,500. I threw in the White Sox since they are in our division,” Andy finished as he handed Chris the folder of information. “Make sure that when you meet with Bill next week you have recommendations that are based on facts, not just opinions, regardless of the direction you take.”

Chris left the office a little less stressed than he had entered it, confident that he could now prepare for the meeting with Bill. *So much to get done, and only a week before the meeting.*

Case Analysis Questions:

1. Who or what do you believe is the Twins’ organization’s main competition?
2. What differences exist between the strategies employed by the New York Yankees and the Minnesota Twins in relation to maintaining or increasing attendance? What are the advantages and disadvantages of each?
3. What differences exist between the strategies employed by the New York Yankees and the Minnesota Twins in relation to player acquisition and development? What are the advantages and disadvantages of each?
4. Prepare a short presentation for Chris using the facts from the case, along with any additional resources that are available. The presentation should include the following:
 - a. A description of the Twins’ strategies, along with a comparison with the Yankees.
 - b. An analysis of the effectiveness of the of the Twins’ strategic approach.

c. An argument for which team has created greater competitive advantage and/or organizational value.

5. Picture yourself at Target Field with your iPhone, iPad, Android, or other interactive electronic device. How might the Twins use these devices (or others) to improve your overall baseball experience?

Appendix A – Forbes Major League Baseball Data

Forbes provides various financial data and team valuations on an annual basis. The data that follows was found at <http://www.forbes.com/mlb-valuations/>. Neither individual teams nor Major League Baseball provide financial data. The playoff and team wins information was found at <http://www.baseball-reference.com/teams/>

Table 1: Total Revenue (in Millions)

	Twins	Yankees	St Louis	White Sox
2012	213	439	233	214
2011	213	427	207	210
2010	162	441	195	194
2009	158	375	195	196
2008	149	327	194	193
2007	131	302	184	173
2006	114	277	165	157
2005	102	264	151	131
2004	99	238	131	124
2003	87	223	128	106

Table 2: Player Expenses (in Millions)

	Twins	Yankees	St Louis	White Sox
2012	121	227	123	138
2011	112	236	110	119
2010	83	240	111	113
2009	80	236	120	126
2008	81	253	109	108
2007	76	219	103	102
2006	73	223	101	86
2005	69	197	102	78
2004	70	176	96	73
2003	53	141	85	68

Table 3: Win Percentage (2012 at all-star break)

	Twins	Yankees	St Louis	White Sox
2012	42.4%	61.2%	53.5%	55.3%
2011	38.9%	59.9%	55.6%	48.8%
2010	58.0%	58.6%	53.1%	54.3%
2009	53.4%	63.6%	56.2%	48.8%
2008	54.0%	54.9%	53.1%	54.6%
2007	48.8%	58.0%	48.1%	44.4%
2006	59.3%	59.9%	51.6%	55.6%
2005	51.2%	58.6%	61.7%	61.1%

Table 4: Season Playoffs Results

	Twins	Yankees	St Louis	White Sox
2012				
2011		Lost LDS	Won WS	
2010	Lost LDS	Lost ALCS		
2009	Lost LDS	Won WS	Lost LDS	
2008				Lost LDS
2007		Lost LDS		
2006	Lost LDS	Lost LDS	Won WS	
2005		Lost LDS	Lost NLCS	Won WS

2004	56.8%	62.3%	64.8%	51.2%
2003	55.6%	62.3%	52.5%	53.1%

2004	Lost LDS	Lost ALCS	Lost WS
2003	Lost ALCS	Lost WS	

Series

NLCS: National League Championship Series

WS: World Series

LDS: League Division Series

ALCS: American League Championship

Table 5: Labor as % of Total Revenues

	Twins	Yankees	St Louis	White Sox
2012	56.8%	51.7%	52.8%	64.5%
2011	52.6%	55.3%	53.1%	56.7%
2010	51.2%	54.4%	56.9%	58.2%
2009	50.6%	62.9%	61.5%	64.3%
2008	54.4%	77.4%	56.2%	56.0%
2007	58.0%	72.5%	56.0%	59.0%
2006	64.0%	80.5%	61.2%	54.8%
2005	67.6%	74.6%	67.5%	59.5%
2004	70.7%	73.9%	73.3%	58.9%
2003	60.9%	63.2%	66.4%	64.2%

Table 6: Operating Income (in Millions)

	Twins	Yankees	St Louis	White Sox
2012	16.6	10.0	25.0	10.7
2011	26.5	25.7	19.8	27.6
2010	25.0	24.9	12.8	26.4
2009	26.8	(3.7)	6.6	13.8
2008	23.8	(47.3)	21.5	30.6
2007	14.8	(25.2)	14.0	19.5
2006	6.9	(50.0)	7.9	21.7
2005	(0.5)	(37.1)	(3.9)	8.1
2004	(7.1)	(26.3)	(11.1)	12.8
2003	0.4	16.1	(2.0)	1.2

Table 7: Season Wins (2012 at All-star Break) Table 8: Wins-to-player cost ratio

	Twins	Yankees	St Louis	White Sox
2012	36	52	46	47
2011	63	97	90	79
2010	94	95	86	88
2009	87	103	91	79
2008	88	89	86	89
2007	79	94	78	72
2006	96	97	83	90
2005	83	95	100	99
2004	92	101	105	83
2003	90	101	85	86

	Twins	Yankees	St Louis	White Sox
2012	41.1%	61.6%	53.3%	52.7%
2011	38.9%	59.9%	55.6%	48.8%
2010	58.0%	58.6%	53.1%	54.3%
2009	53.4%	63.6%	56.2%	48.8%
2008	54.0%	54.9%	53.1%	54.6%
2007	48.8%	58.0%	48.1%	44.4%
2006	59.3%	59.9%	51.6%	55.6%
2005	51.2%	58.6%	61.7%	61.1%
2004	56.8%	62.3%	64.8%	51.2%
2003	55.6%	62.3%	52.5%	53.1%

Table 9: Forbes Team Value (in Millions) Table 10: Forbes Team Value % Change

	Twins	Yankees	St Louis	White Sox		Twins	Yankees	St Louis	White Sox
2012	510	1850	591	600	2012	345%	218%	192%	258%
2011	490	1700	518	526	2011	331%	200%	168%	226%
2010	405	1600	488	466	2010	274%	188%	158%	200%
2009	356	1500	486	450	2009	241%	177%	158%	193%
2008	328	1306	484	443	2008	222%	154%	157%	190%
2007	288	1200	460	381	2007	195%	141%	149%	164%
2006	216	1026	429	315	2006	146%	121%	139%	135%
2005	178	950	370	262	2005	120%	112%	120%	112%
2004	168	832	314	248	2004	114%	98%	102%	106%
2003	148	849	308	233	2003	base year	base year	base year	base year

Table 11: 2012 Forbes Team Valuation (in Millions)

	Revenue				Forbes Valuation % Changes		
	Share	Market	Stadium	Brand	2012 Percent Change	2011 Percent Change	2010 Percent Change
Twins	112	202	132	66	4%	21%	14%
Yankees	197	935	368	363	9%	6%	7%
St Louis	119	240	157	78	14%	6%	0%
White Sox	131	266	125	80	14%	13%	3%

Table 12: World Series

	World Series Wins	World Series Appearances
New York Yankees	27	40
St. Louis Cardinals	11	18
Oakland Athletics	9	14
Boston Red Sox	7	11
Los Angeles Dodgers	6	20
San Francisco Giants	6	18
Cincinnati Reds	5	9
Pittsburgh Pirates	5	7
Detroit Tigers	4	10
Atlanta Braves	3	10
Minnesota Twins	3	6
Chicago White Sox	3	5
Baltimore Orioles	3	7
Chicago Cubs	2	12
Cleveland Indians	2	5
Philadelphia Phillies	2	7
New York Mets	2	4
Toronto Blue Jays	2	2
Florida Marlins	2	2
Los Angeles Angels	1	1

World Series data was found at http://mlb.mlb.com/mlb/history/postseason/mlb_ws.jsp?feature=recaps_index

Team marketing calculates Fan Cost Index on an annual basis. Data is not confirmed by individual teams or Major League Baseball. The following data was found at <https://www.teammarketing.com/>

Table 13: Fan Cost Index

	2011 Team Marketing Research Fan Cost Index*	Average Ticket Price	Percent Change
MLB Average	197.35	26.91	2.0%
Boston Red Sox	339.01	53.38	1.3%
New York Yankees	338.32	51.83	7.0%
Chicago Cubs	305.60	46.90	-1.2%
Chicago White Sox	258.68	40.67	3.6%
New York Mets	241.74	31.81	6.5%
Philadelphia Phillies	240.66	36.29	5.8%
Los Angeles Dodgers	226.36	30.59	-0.9%
St. Louis Cardinals	223.18	31.17	3.1%
Houston Astros	221.36	30.84	4.3%
Minnesota Twins	213.16	33.04	3.0%
Toronto Blue Jays	212.68	24.35	0.0%
San Francisco Giants	208.15	25.04	7.7%
Detroit Tigers	207.28	29.32	19.9%
Washington Nationals	196.34	30.54	-8.9%
Seattle Mariners	183.59	26.40	0.0%
Oakland Athletics	178.09	21.52	1.0%
Baltimore Orioles	174.10	23.90	1.1%

*Fan Cost Index for a family of four to attend a ballgame:
 2 Adult tickets, 2 children's tickets, two small draft beers, four small soft drinks
 four regular hot dogs, two programs, two least expensive adult adjustable caps

Take Me Out to the Ballgame: Different Teams, Different Strategies

Case Teaching Notes

Use of these Teaching Notes

This case focuses primarily on strategy and the creation of competitive advantage using the Minnesota Twins, LLC as an example of how organizations can create value using a Customer Intimacy strategy. The case is suggested for an intermediate or advanced undergraduate course, but could also be used at the graduate level.

These Teaching Notes have been designed as a reference for instructors in teaching the case and provide one possible pedagogical path only. Instructors are encouraged to make modifications as necessary to create the maximum value for their course.

Synopsis

The case focuses on Chris, a young professional who has recently interned with the New York Yankees, where he was exposed to operations, marketing and strategy. Newly hired by the Minnesota Twins, he is excited to share his ideas with Twins' management. Recognizing the winning tradition of the Yankees, Chris proposes to implement a similar strategy in Minnesota.

In his first marketing strategy meeting with Bill Anderson, President of the Minnesota Twins, Chris lays out a strategy of increasing salaries in order to obtain the best players. When asked if higher salaries guarantee additional wins, he has to admit that there is no guarantee but points to the Yankees' 27 World Series titles as evidence of a winning strategy.

In response, Bill Anderson asks Chris to gather the evidence and come back the following week. Chris is asked to focus on overall strategy in relation to different markets, talent management in a strategic sense (e.g. develop players or buy players), and cold beer on a hot day.

Chris meets with his supervisor, Andy, to clarify Bill Anderson's questions. Andy points out that "Cold beer on a hot day" is in reference to the *overall experience* at Target Field. The beer should be cold, the workers Minnesota Nice, and the bathrooms should be clean. Andy also points out that the Twins competitive advantage has long been in finding and developing talent.

The case provides enough "nuggets" of information within the dialogue, along with various statistics on the Minnesota Twins and other teams that should provide students with enough information to both identify the Minnesota Twins' overall strategy and provide analysis regarding its effectiveness. Although Chris is working in the marketing department, the case focuses on overall business strategy and marketing strategy.

Positioning

Although this case focuses on strategic issues, there is also a marketing component within the case. Ideally, this case would be positioned within a strategy course during discussions of general strategy models. Since most, if not all, strategy courses cover Michael Porter's (1980) generic strategies, using this case during that coverage may help reinforce some of the concepts, specifically those related to differentiation strategies. Since one of the most likely paths of analysis is the identification of a customer intimacy strategy compared to a product leadership strategy, this case should provide a means by which students can recognize and explain multiple differentiation strategies.

The nature of the case also lends itself well to any upper level marketing course, as the discussion could be modified to focus more specifically on the marketing strategy used to effectively create and maintain a customer intimacy strategy. The identification of customer segments, pricing methods and overall brand image could provide a much different approach to the case for a marketing course.

The concepts discussed in the case (including differentiation strategies, supply chain analysis and the service profit chain) are most likely concepts reviewed in upper level undergraduate courses, which is the most appropriate place for this case. The case could easily be modified for the graduate level by requiring more in-depth analysis (i.e. cash flow/present value analysis of the player supply chain), additional research or expanded presentations of recommendations and conclusions.

Objectives

The primary objectives of this case include the following:

- 1.To help students identify a Customer Intimacy strategy in a service organization.
- 2.To provide an opportunity for students to analyze and discuss differences between a Customer Intimacy strategy and a Product Leadership strategy in a service organization.
- 3.To provide an opportunity for students to analyze two different types of "supply chains" using players of two different Major League Baseball teams.

Substantive Analysis

During the actual in-person interview with "Bill Anderson" that was used to create this case study, there was a deliberate and distinctive line that was drawn between the overall strategy of the Minnesota Twins and other Major League Baseball teams. Although the New York Yankees are used as an example in this case, other teams could certainly be used as comparisons.

In this case, students will analyze and contrast strategy choices in two different types of markets within the same sports entertainment industry using a variety of industry data included within the case. Specific questions are given at the end of the case in an effort to steer students in a particular direction. These questions and suggested answers are discussed below:

1. Who or what do you believe is the Twins' organization's main competition?

To get to the primary strategic issues, it is important that students understand the actual competition the Twins face. Students may be tempted to name other Minneapolis area sports teams, theatres or museums (or even other baseball teams) as their primary competitors; however, Bill Anderson described the competition as follows:

“There may be some competition with other sports teams, theatres or museums, but it is very minimal. Our competition is very simple: It's the couch. Fans can easily sit at home in front of an HD television, where the weather is perfect and the beer is always cold. Getting them to make the decision to come to Target Field instead of watching a game at home is one of our biggest challenges.”

This question is particularly important because it should help fuel student discussion about *how* the Twins get fans to show up to Target Field. Understanding that baseball may be as much about the experience as the actual game is a critical point in the case. Asking students about their experiences attending baseball games or other entertainment venues may help solidify this issue.

2. What differences exist between the strategies employed by the New York Yankees and the Minnesota Twins in relation to maintaining or increasing attendance? What are the advantages and disadvantages of each?

It is quite possible that this case could provide some lively discussion opportunities, specifically with students who are avid baseball fans. It is important that at a certain point the discussion turn to address which strategy is “correct,” that of the Minnesota Twins or the New York Yankees. Arguments may be made for either team; however, the point is that these strategies *are* different and there may be good reason for this based on the market of each team, as described in greater detail below.

Although Porter's (1980) generic strategies are a staple of any strategy course, Treacy & Wiersema's (1993) *Value Disciplines* (which arguably provide a complimentary expansion of Porter's model) may provide the best model for analyzing the different strategic approaches between the Minnesota Twins and the New York Yankees.

The Value Disciplines described by Treacy & Wiersema (1993) include three different means by which organizations can deliver value to customers: (1) Operational Excellence, (2) Customer Intimacy, or (3) Product Leadership. Operational Excellence refers to, “providing customers with reliable products or services at competitive prices” (Treacy & Wiersema, 1993).

Treacy & Wiersema (1993) provide a description of a Customer Intimacy strategy as follows:

While companies pursuing operational excellence concentrate on making their operations lean and efficient, those pursuing a strategy of customer intimacy continually tailor and shape products and services to fit an increasingly fine

definition of the customer. This can be expensive, but customer-intimate companies are willing to spend now to build customer loyalty for the long term. They typically look at the customer's lifetime value to the company, not the value of any single transaction. One principle that such companies understand well is the difference between profit or loss on a single transaction and profit over the lifetime of their relationship with a single customer.

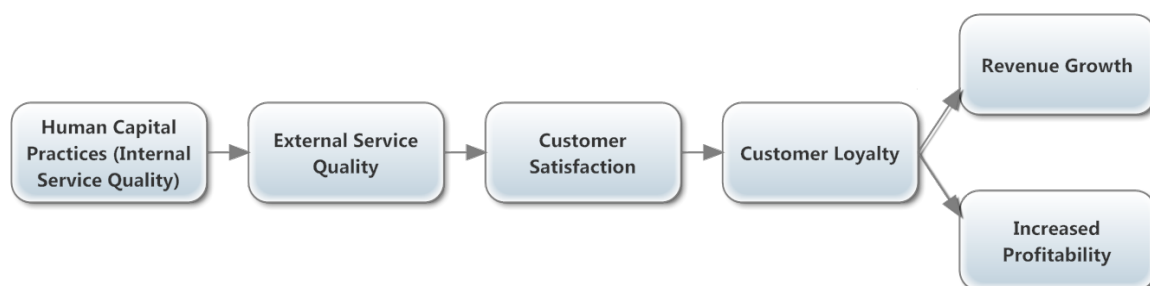
A Customer Intimacy strategy involves learning as much about customers as possible, then using that information to create the best possible *experience* for the customer. This is the approach that the Minnesota Twins take with their fans.

A Product Leadership strategy is described by Treacy & Wiersema (1993) as companies that “strive to produce a continuous stream of state-of-the-art products and services.” The focus of a Product Leadership strategy is to continuously produce the best, most effective products. It could be argued that the New York Yankees use a Product Leadership strategy in their organization, always searching for the best talent in order to achieve the greatest results.

The most significant difference in strategies between the two teams lies within the Treacy & Wiersema model. The Twins have an absolute focus on creating the best possible game day experience, believing that although it is important that the team produce wins, it may be as important that fans have the best possible experience. This includes providing a clean, friendly environment for the entire family.

The Yankees have historically taken a different approach, choosing to concentrate on obtaining the best talent, regardless of the price. Player salary data provided in the case should make this issue very apparent, as the Yankees consistently spend more money on player acquisition than any other team. Note that the Yankees have the market, brand, and revenue streams to implement this strategy. To the Yankees, increasing or maintaining attendance relies almost entirely on the success of the team.

Another model that may be used during the discussion, which should help students understand the importance highly satisfied and loyal customers is *The Service Profit Chain*, described by Heskett, Sasser & Schlesinger (1997) and presented below in a modified format:



Using this empirically tested model provides a linear linkage for students to understand how “friendly, helpful staff” (Internal Service Quality) leads to a more friendly environment where the “beer is cold and the bathrooms are clean” (External Service Quality). This environment provides fans with higher satisfaction (Customer Satisfaction), which encourages them to come back more

often (Customer Loyalty), which leads to Revenue Growth and Increased Profitability.

This model can also be used for analysis with other teams, including the Yankees. The discussion, however, would focus on player performance (External Service Quality), which would lead to higher fan satisfaction, etc. A comparison between the two approaches should help highlight the differences in the overall strategies, between Customer Intimacy and Product Leadership.

Although students may provide a variety of different answers to this question, some possible answers may include the following:

Minnesota Twins' Customer Intimacy Strategy	
Advantages	Disadvantages
<ul style="list-style-type: none"> •Promotes greater fan loyalty in years with fewer wins, since fans come for the experience as much as the game 	<ul style="list-style-type: none"> •May produce fewer wins or championships than other teams
<ul style="list-style-type: none"> •Focuses on long-term solutions as opposed to short-term results 	<ul style="list-style-type: none"> •Lack of on-field success may lead to fan frustration and lower fan loyalty
<ul style="list-style-type: none"> •May be less expensive to implement 	

New York Yankees' Product Leadership Strategy	
Advantages	Disadvantages
<ul style="list-style-type: none"> •Has historically produced wins and championships 	<ul style="list-style-type: none"> •Must always be searching for the best talent that can provide immediate results
<ul style="list-style-type: none"> •In an industry reliant on key personnel, (i.e. pitching) this strategy allows for acquisition of the best in the league. 	<ul style="list-style-type: none"> •May be more expensive to implement

3. What differences exist between the strategies employed by the New York Yankees and the Minnesota Twins in relation to player acquisition and development? What are the advantages and disadvantages of each?

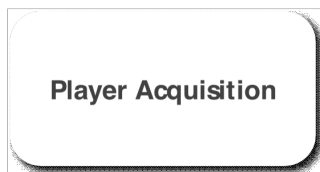
The fact that player salaries account for roughly 50% (or more) of most teams' annual revenue makes the management of player salaries a critical issue. This "supply chain" management is handled much differently by each of the teams. To continuously feed the drive for consistent high performance, the Yankees focus on acquiring players who have already proven themselves at a major league level. The Twins, on the other hand, have historically taken a long-term approach to

player acquisition and development, opting to spend significant time and resources to develop players.

Bill Anderson described this approach in the following way:

“Our strategy has been to spend significant time and resources to develop players over time. The disadvantage, of course, is that it can be a long process. Drafting a player who might take five years to develop is a significant commitment and one that takes discipline and tremendous planning, but we believe this long-term approach to developing players fits our organization well.”

The following flowchart might be used to illustrate the difference between the Twins’ and Yankees’ approaches to their supply of talent:



The Yankees have chosen to shorten their supply chain by significantly reducing the amount of time spent on player development. This greatly reduces the time needed to supply talented players to the organization, but comes at a price. The cost to supply players who are already developed can be significantly higher than the cost to acquire and develop “unproven” talent.

The Twins’ approach allows them to reduce player salary expenses, but also comes at a significant risk, which includes the possibility that the players will not develop as expected. In addition, it is a long-term approach, one that may take years. One possible analysis (specifically for graduate students) might be to promote the use of a cash flow analysis for several teams in an effort to compare the two methods. Using additional data and perhaps some creativity, students should be able to calculate present values for each stream of cash flows, with variables that would include player salaries, the time required for player development and a cost of capital.

4. Prepare a short presentation for Chris using the facts from the case, along with any additional resources that are available. The presentation should include the following:

a. A description of the Twins’ strategies, along with a comparison with the Yankees.

b. An analysis of the effectiveness of the of the Twins’ strategic approach.

c. An argument for which team has created greater competitive advantage and/or organizational value.

Student presentations will vary; however, the case questions should provide a roadmap for creating the presentation. The data provided in the case and the Appendix should allow for an effective analysis of each of the teams, as discussed below:

Player Salary Expense

Player Expenses (in Millions)					Labor as % of Total Revenues				
	Twins	Yankees	St Louis	White Sox		Twins	Yankees	St Louis	White Sox
2012	121	227	123	138	2012	56.8%	51.7%	52.8%	64.5%
2011	112	236	110	119	2011	52.6%	55.3%	53.1%	56.7%
2010	83	240	111	113	2010	51.2%	54.4%	56.9%	58.2%
2009	80	236	120	126	2009	50.6%	62.9%	61.5%	64.3%
2008	81	253	109	108	2008	54.4%	77.4%	56.2%	56.0%
2007	76	219	103	102	2007	58.0%	72.5%	56.0%	59.0%
2006	73	223	101	86	2006	64.0%	80.5%	61.2%	54.8%
2005	69	197	102	78	2005	67.6%	74.6%	67.5%	59.5%
2004	70	176	96	73	2004	70.7%	73.9%	73.3%	58.9%
2003	53	141	85	68	2003	60.9%	63.2%	66.4%	64.2%

Revenue figures of the Twins and St. Louis Cardinals are more closely matched, noting that the Cardinals have 11 World Series titles (second best in the league). It is hard to imagine that either of these teams will ever match the Yankees in revenues, which drives them to implement a different strategy from the Yankees. Both the dollars and percent of revenues speak to the different strategies between the Twins and the Yankees. From a business perspective, noting that for the ten years provided, the total operating income was negative for the Yankees while positive for the Twins, speaks to the off-field winner.

New Stadiums

Target Field: opened 2010

Owner	Capacity	Cost to Build	Average Ticket Price
Minnesota Ballpark Authority	39,500	\$435M	\$33

Yankee Stadium: opened 2009

Owner	Capacity	Cost to Build	Average Ticket Price
City of New York	50,281	\$1,100M	\$63

Busch Stadium: opened 2006

Owner	Capacity	Cost to Build	Average Ticket Price
Team	46,861	\$357M	\$31

On average, new stadiums provide a four year window of increased interest, attendance, and revenues. Noting the change in Forbes team value for the year prior to opening and the three consecutive years after the Twins, Yankees, and Cardinals built stadiums it would appear that the Twins stadium generated the

most advantage. Note that the Twins moved from playing in an enclosed football stadium to an outdoor baseball stadium, which may have been an advantage in drawing baseball fans. Bill Anderson noted that when in the enclosed Metrodome, he used to hope for bad weather to draw fans inside. Now he hopes for good weather to draw fans to the outside experience of Target Field. The ESPN magazine ruling that Target Field is the best stadium of any venue may also have drawn initial interest to the stadium.

Team Value

Forbes Team Value (in Millions)					Forbes Team Value % Change (2003 base year)				
	Twins	Yankees	St Louis	White Sox		Twins	Yankees	St Louis	White Sox
2012	510	1850	591	600	2012	345%	218%	192%	258%
2011	490	1700	518	526	2011	331%	200%	168%	226%
2010	405	1600	488	466	2010	274%	188%	158%	200%
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2005	178	950	370	262	2005	120%	112%	120%	112%
2004	168	832	314	248	2004	114%	98%	102%	106%
2003	148	849	308	233	2003	100%	100%	100%	100%

2012 Forbes Team Valuation by Category (in Millions)

	Revenue				Forbes Valuation % Changes		
	Share	Market	Stadium	Brand	2012 Percent Change	2011 Percent Change	2010 Percent Change
Twins	112	202	132	66	4%	21%	14%
Yankees	197	935	368	363	9%	6%	7%
St Louis	119	240	157	78	14%	6%	0%
White Sox	131	266	125	80	14%	13%	3%

As teams are not traded publicly, the Forbes team valuation may be the best measure of team worth. Revenue sharing was implemented to smooth out the playing field, but teams still have difficulty competing with the Yankees' advantages in market and brand. The primary factor of market valuation is broadcasting media rights.

Market Size and Type

Attendance data

Year	Twins	Yankees	St. Louis	White Sox
Metro Area Population	3.3M	19.1M	2.8M	9.6M
2012 (at all-star break)	1,710,673	2,007,752	2,084,833	1,166,960
2011	3,168,116	3,653,680	3,093,954	2,001,117
2010	3,223,640	3,765,807	3,301,218	2,194,678
2009	2,416,237	3,719,358	3,343,252	2,284,163
2008	2,302,431	4,298,655	3,432,917	2,500,648
2007	2,296,383	4,271,083	3,552,180	2,684,395
2006	2,285,018	4,248,067	3,407,104	2,957,414
2005	2,034,243	4,090,696	3,538,988	2,342,833
2004	1,911,490	3,775,292	3,048,427	1,930,537
2003	1,946,011	3,465,807	2,910,386	1,939,524

2012 Average Ticket	\$33	\$63	\$31
	\$41		

Revenue and Operating Income (Loss)

	Total Revenues (in Millions)				Operating Income (in Millions)				
	Twins	Yankees	St. Louis	White Sox	Twins	Yankees	St. Louis	White Sox	
2012	213	439	233	214	2012	16.6	10.0	25.0	10.7
2011	213	427	207	210	2011	26.5	25.7	19.8	27.6
2010	162	441	195	194	2010	25.0	24.9	12.8	26.4
2009	158	375	195	196	2009	26.8	(3.7)	6.6	13.8
2008	149	327	194	193	2008	23.8	(47.3)	21.5	30.6
2007	131	302	184	173	2007	14.8	(25.2)	14.0	19.5
2006	114	277	165	157	2006	6.9	(50.0)	7.9	21.7
2005	102	264	151	131	2005	(0.5)	(37.1)	(3.9)	8.1
2004	99	238	131	124	2004	(7.1)	(26.3)	(11.1)	12.8
2003	87	223	128	106	2003	30.4	16.1	(2.0)	1.2
					Total	133.2	(112.9)	90.6	172.4

Some analysis will most likely focus on the player expenses in relation to the large operating losses taken by the Yankees from 2004 to 2008; however, there is no right or wrong answer to the case analysis. Depending on the direction students take, it is likely that there will be significant differences in student presentations and analysis.

5. Picture yourself at Target Field with your iPhone, iPad, Android, or other interactive electronic device. How might the Twins use these devices (or others) to improve your overall baseball experience?

Bill Anderson talked about in the future using an electronic device to order concessions from your seat, watch instant replays, answer trivia questions for prizes, and rewarding the seat section with the most responses. This is in an effort to improve the overall experience at Target Field and to “get people off the couch.”

It is likely that students will have a number of suggestions regarding the ability of the Twins’ organization to more effectively “connect” with fans. It is important that during this discussion, students are reminded to focus on whether or not their recommendations contribute to the overall customer intimacy strategy or if they distract from it. Additional discussion may also focus on the cost of implementation, what metrics could be used to measure “success,” and how fans might be segmented in order to increase the effectiveness of these tactics.

Teaching Process

The teaching process for the case may be modified as necessary to accommodate different areas of focus or time constraints. The teaching map presented here should be used as a general guideline only.



Intro - The Baseball
"Experience"

Intro – The Baseball Experience

This phase of the case will involve helping students define the baseball experience. It is likely that students will have different experiences with baseball, including some who have never attended a game. Asking questions about their baseball experiences will help solidify the suggestion view that the Twins take with baseball, that it is an overall experience as opposed to simply a game. Once this becomes clear, the discussion should move to the next phase.

Some possible questions for moving the conversation forward might include:

- “Describe the last baseball game you attended. What was it like?”
- “What was the most memorable experience?”

- “Do you remember the smells? The weather? The person sitting next to you?”
- “Who actually won the game? Do you remember the score?”

Competition & Strategy

This phase of the case focuses on what the Twins view as competition (Question #1) and how they've decided to compete, the essence of strategy. Students may struggle at first to identify the actual competition, which is described by Bill Anderson as “the couch.” Allowing them to debate this issue will be time well spent and should help them in the next step, which is to identify the overall strategies of the two teams. Depending on the level of the students, some guidance may be required to get them to recognize the true competition. If all else fails, the quote above by Bill Anderson regarding competition may be read to students to help them progress.

Once students have an understanding of the true competition, Questions #2 and #3 should provide a framework for helping them identify the strategies employed by each. Student comments will most likely focus on customer intimacy issues, without necessarily identifying the strategy as such. Using the Service Profit Chain model may help reinforce the linkage between employee actions (Internal Service Quality) and Revenue Growth and Profitability.

Assuming that Porter's (1980) generic strategies have already been discussed, this might also be a good time to introduce the Value Disciplines described by Treacy & Wiersema (1993), if they have not already been discussed. Depending on the text/materials used, the instructor may want to either refer students to specific information or even provide a basic handout describing the different Value Disciplines. Although described differently in various sources, most will point to the idea that Value Disciplines are simply different forms of differentiation strategies. By using Porter's (1980) generic strategies and supplementing them with Treacy's & Wiersema's (1993) Value Disciplines as types of differentiation strategies, students should be exposed to several well-known and arguably valuable strategy models.

An alternative (or supplemental) approach might be to introduce Porter's Five Forces Model, although this model is typically used to identify forces within an industry that typically shape competition. Because of the nature of the industry and the lines that blur in this case between the industry (i.e. sports entertainment) and the actual competition (i.e. the couch), this Model has been intentionally omitted from these Teaching Notes due to the potential for confusion among students. Depending on the level of the student and time constraints, this approach could also be used or encouraged by the instructor.

Analysis & Conclusions

The need for the Twins to approach team strategy from a different perspective should be apparent in the case. The Yankees market and brand are the two largest factors which prohibit the Twins from implementing the Yankee strategy of paying for the best players. It should also be apparent that the Twins have been competitive, just not on a consistent basis. The increased revenues from Target Field provide a new influx of cash, but the Twins will probably use these funds to

keep players who were lost to free agency in the past, being lured away by higher salaries. Keeping talent may be the biggest challenge for the Twins.

Depending on the amount of time spent on the case, this section may or may not be discussed in class. The instructor may want to leave this portion to be explored in greater detail in a paper, presentation or group discussion. If discussed in class, students may have a tendency to discuss conclusions or recommendations that are tactical. This is also a good opportunity to help students identify the difference between an overall strategy, such as a customer intimacy strategy, and the accompanying tactics that support it, such as the use of mobile device applications to create greater customer intimacy.

Data

Several sources of data were used in constructing the case, many of which are updated annually.

- The primary data source was Forbes annual analysis of Major League Baseball Teams. A Google search of “Forbes baseball valuation” should provide the link. At the time of this writing <http://www.forbes.com/mlb-valuations/> was the link to “MLB team values the business of baseball.” This page shows teams in order of ranking, with current value, 1-year value change percentage, debt/value percentage, revenue, and operating income for the current year. Selecting an individual team provides owner, number of championships, and price paid, a valuation breakdown by category (Sport, Market, Stadium, Brand), and ten years of historical data (player expense, operating income, revenue, wins-to-player cost ratio, and team value). Stadium data is also provided (venue, owner, year opened, capacity, cost to build, concessionaire, and average ticket price). At the time of this writing a video discussing 2011 team status was available at <http://video.forbes.com/fvn/sportsmoney/mlb-valuations>.
- BaseballReference.com provides current team data: <http://www.baseball-reference.com/teams/>. If current and historical stadium attendance is desired this site is suggested. By selecting a team historical win/loss data is provided.
- Team Marketing Report provides an annual fan cost index. If current data is preferred, the link should be accessible from their home page <https://www.teammarketing.com/>.
- Major League Baseball provides historical information regarding championship wins. At the time of this writing this was available at http://mlb.mlb.com/mlb/history/postseason/mlb_ws.jsp?feature=recaps_index

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