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Exploration of the Sources of Competitive Advantage: UPS vs. FedEx

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Abstract

The study of building and sustaining competitive advantage for the business is one of the most important research areas in the strategic management field. Though there are various attempts to explain the process of building and sustaining competitive advantage, it remains a poorly defined and operationalized construct. This article focuses on the application of a strategic analytical approach, 'Building Blocks of Competitive Advantage – Efficiency, Quality, Innovation, and Responsiveness to Customers', to analyze and compare the sources of competitive advantages of two market leaders in the U.S. parcel-delivery industry, UPS and FedEx. A broad array of literature was compiled to inform this article. As expected UPS and FedEx have similar sources of competitive advantages but show different paths of building their competitive advantages. This article constitutes an attempt to stimulate efforts and provide directions on the further conceptual development of the sources of competitive advantage.

Keywords: Global courier delivery service, Building blocks of competitive advantage, Sources of competitive advantage, Strengths and Weaknesses, UPS, FedEx. Introduction

Introduction

As a fundamental core component of business, building and sustaining a competitive advantage is one of the most important objectives for any business (Barney, 1991, p. 99; Porter, 1985). Competitive advantage is academically defined as the leverage that a business has over its competitors (Barney, 1991, p. 100; Porter, 1985). If a firm has a competitive advantage, the firm might be able to charge premium prices while still enjoying superior sales. Alternatively, it might produce goods at a lower cost than other firms. In this aforementioned scenario, they might even be able to charge prices so low that the competition drops out of the market.

There have been numerous attempts to explain the process of building and sustaining competitive advantage (Litman, 2000; Barney, 1991; Harvard Management Update, 2008; Doyle and Wong, 1998; Sigalas, 2015; Ma, 1999; Sigalas and Economou, 2013; [Arbi, Bukhari, and Saadat, 2017](#)). Strategy management research has focused on the sources of competitive advantage to explain the key criteria of building and sustaining competitive advantage (Hill and Jones, 2009; Mar, 2013; Olulade, 2014). However, a significant amount of confusion still surrounds the term “competitive advantage” within the context of business strategy literature (Arbi, Bukhari, and Saadat, 2017, p. 48). The confusion and lack of clarity in the ideas relating to the sources of competitive advantage has increased the strategic difficulty faced by managers when defining their competitive advantage.

Competitive advantages exist from many possible sources. The key is that the targeted advantage would provide value to the overall business. Porter (1985) suggests that a

firm's performance, within a competitive environment, is linked to its unmatched competitive advantage, and also explains how a firm can create and sustain a competitive advantage within an industry. Porter also makes a point that the value a firm provides to its customers is potentially higher than the cost borne by firms to produce that same value. This suggests that a firm's competitive advantage stems from its investment into value creation activities.

Hill, Schilling, and Jones (2016, p.96) outline sources of competitive advantage by addressing four key value creation criteria. The four building blocks of competitive advantage are (1) superior efficiency, (2) superior quality, (3) superior innovation, and (4) superior responsiveness to customers (Hill and Jones, 2009, p. 95; Hill et al., 2016, p.96). These building blocks allow a company to differentiate its product offering, which can provide increased utility to customers and/or lower the company's cost structure.

The parcel-delivery industry has evolved greatly, as evidenced by couriers delivering parcels on foot to packages now making their way around the world overnight. Presently, this industry is highly consolidated, but it remains more competitive than ever. Though the services provided are similar in scope, each competitor offers unique delivery service capabilities. The two largest competitors in the American parcel-delivery industry, UPS and FedEx, hold a commanding lead in market share, look to expand this dominance domestically and abroad.

The purpose of this article is to analyze the sources of competitive advantages of two market leaders in the parcel-delivery industry, UPS and FedEx, based on the four building blocks of competitive advantages described above, and then to compare the sources of competitive advantages between these two competing companies.

A broad array of resources were compiled to inform this article including each company's website, academic journals, books, news articles, case studies, and websites describing the topics of competitive advantage and the U.S. parcel-delivery industry.

Building blocks of competitive advantage

Four factors help a company build and sustain competitive advantage: efficiency, quality, innovation, and customer responsiveness (Hill and Jones, 2009, p. 95; Hill et al., 2016, p. 96). They are the generic building blocks of competitive advantage that any company can adopt, regardless of its industry or the products or services it produces. Each factor is the result of the way the various value-chain activities within an enterprise are performed. By performing value-chain activities to achieve superior efficiency, quality, innovation, and customer responsiveness, a company can (1) differentiate its product offerings, and hence offer more value to its customers, and (2) lower its cost structure.

Although those factors seem independent of each other, they are interrelated. For example, superior quality can lead to superior efficiency, while innovation can enhance efficiency, quality, and customer responsiveness.

Superior Efficiency

A business is a transformation process of inputs into outputs. Inputs are basic factors of production such as material, labor, time, equipment, capital, technological skills and know-how. Outputs are the goods and services that the business produces. The more efficient a

company is, the fewer the inputs required to produce a given output. For example, if it takes company A 30 hours of employee time to assemble a car and it takes Company B 25 hours, we can say that Company B is more efficient than Company A. And if other things are equal, such as wage rates, we can assume from this information that Company B will have a lower cost structure than Company A. Thus, efficiency helps a company attain a competitive advantage through a lower cost structure.

Efficiency helps a company attain a competitive advantage by providing a lower cost structure. Superior efficiency is viewed from the perspective of the producers in an industry. It is one of the major sources of competitive advantage because it allows a company to increase the productivity of its employees and capital and thus reduce its cost structure (Hill et al., 2016, p.97).

Superior Quality

Quality is commonly viewed in terms of excellent product attributes and superior reliability. High quality increases the utility to customers, which allows the business to manage the flexibility of pricing. In contrast to superior efficiency, superior quality is viewed from the perspective of customers.

A product is a collection of various attributes (Lancaster, 1971). The attributes of any products include the form, features, options, performance, durability, reliability, style, and design of the product (Garvin, 1987). A product is said to have superior quality when customers perceive that its attributes provide them with higher utility than the attributes of products sold by rivals. When customers evaluate the quality of a product, they measure it against two kinds of attributes - those related to quality as excellence and those related to quality as reliability. As with excellence, reliability increases the value (utility) a consumer gets from a product, and thus the price the company can charge for that product and/or demand for the product (Hill et al., 2016, p. 98).

The impact of high product quality on competitive advantage is twofold (Garvin, 1984; Crosby, 1990): (1) Providing high-quality product increases the value (utility) those products provide to customers, which gives the company the option of charging a higher price for the products. (2) Greater efficiency and lower unit costs associated with reliable products of high quality impact competitive advantage. When products are reliable, less employee time is wasted making defective products, or providing substandard services, and less time has to be spent fixing mistakes - which means higher employee productivity and lower unit costs.

Superior Innovation

Innovation refers to the act of creating new products or processes (Hill et al., 2016, p. 99). There are two main types of innovation: product innovation and process innovation. Product innovation is the development of products that are new to the world or have superior attributes to existing products. Process innovation is the development of a new process for producing products and delivering them to customers. Product innovation creates value by creating new products, or enhanced versions of existing products, that customers perceive as having more value, thus giving the company the option to charge a higher price. Process innovation often allows a company to create more value by lowering production costs. Toyota's lean production system, for example, helped to boost employee productivity thus giving Toyota a cost-based competitive advantage.

In the long run, innovation of products and processes is perhaps the most important building block of competitive advantage (Kim and Mauborgne, 1997). Competition can be viewed as a process driven by innovations. Although not all innovations succeed, those that do can be a major source of competitive advantage because, by definition, they give a company something unique-something its competitors lack (at least until they imitate the innovation). Uniqueness can allow a company to differentiate itself from its rivals and charge a premium price for its product or, in the case of many process innovations, reduce its unit costs far below those of competitors.

Superior Customer Responsiveness

If a company were to do a better job than its competitors of identifying and satisfying customer needs, wants, and cravings, we can view the sources of competitive advantages through superior customer responsiveness (Hill and Jones, 2009, p. 98). Customer responsiveness allows a company to customize its offerings, improve response time, and provide superior service (ibid., p.99). To achieve superior responsiveness to customers, a company must be able to do a better job than competitors of identifying and satisfying its customers' needs. Customers will then attribute more value to its products, creating a competitive advantage based on differentiation. Improving the quality of a company's product offering is consistent with achieving responsiveness, as is developing new products with features that existing products lack. Another factor that stands out in any discussion of responsiveness to customers is the need to customize goods and services to the unique demands of individual customers or customer groups.

An aspect of responsiveness to customers that has drawn increasing attention is customer response time - the time that it takes for a good to be delivered or a service to be performed (Stalk and Hout, 1990). Other sources of enhanced responsiveness to customers are superior design, superior service, and superior after-sales service and support.

U.S. Parcel delivery industry and two competitors overview

U.S. Parcel delivery industry overview

Every day you can see delivery trucks zipping about as products are delivered from producer to consumer by names that are highly recognizable. But, this could soon change as the industry attempts to realize the advantages of drone technology and further automate the parcel-delivery process. We would see drones zooming around the sky picking up and delivering packages instead of delivery drivers physically coming to your front desk or doorstep. Compounded with the challenge of how to fully utilize drone technology is the potential for customers to eliminate the need for delivery services by also using drones to deliver products themselves (Regev, 2018, webpage). Those within the industry must figure out how to position their companies to continue to provide value to customers and avoid obsolescence. Technological advancement is inevitable, and the parcel-delivery industry must change with it.

The petroleum industry is anything but steady, and this has a direct effect on the parcel-delivery industry. One can imagine the vast amounts of fuel consumed by parcel-delivery vehicles. The uncertainty of fuel prices is a significant issue when attempting to formulate a strategy and budget accordingly. There are financial options available to mitigate this

issue, such as hedging through the purchase of commodity futures, but unforeseen domestic and international events can still wreak havoc on fuel prices. Future strategies must address unforeseeable variances in fuel prices by considering fuel efficient strategies and, when feasible, alternative energy sources that lessen the impact from volatile fuel prices.

Another strategic issue facing the industry is its mature stage with respect to the industry lifecycle model. The American market is reasonably standardized when it comes to industry players and which company customers prefer for their parcel-delivery needs (Phillips, 2018, webpage; Snider & Weise, 2018, webpage). This presents an obstacle for growth opportunities within the domestic market but increases in disposable income and product demand in foreign markets present a key area of strategic focus going forward. Coupled alongside the potential in international markets, is the rise in popularity for e-commerce solutions. Online Shipping necessitates the delivery of purchases, and the parcel-delivery industry can provide exactly that service (Zaczekiewicz, 2018, webpage). In the United States alone, e-commerce grew 16 percent as consumers spent just under \$453.5 billion in 2017, and these numbers have been on a steady rise for over a decade (Zaroban, 2018, webpage). Managers within the industry must consider the growing prevalence in online shopping and expanding international markets if U.S. based parcel-delivery firms are to see continued growth and prosperity (Smith, 2018, webpage).

Company Overview: UPS

United Parcel Service, Inc., better known simply as UPS, is the industry leader in small package delivery. The company employs 454,000 individuals delivering packages for 1.5 million shipping customers to 7.9 million consignees globally each day. This equates to 16.9 million packages per business day or roughly 4.3 billion annually.

UPS offers a variety of products and services to create value and meet the needs of customers. Their website lists the following offerings: U.S. domestic package, international package, supply chain and freight, freight forwarding, customs brokerage, distribution services, post sales, UPS mail innovations, UPS freight, and UPS capital. These products and services provide customers with solutions such as package delivery, supply chain and logistical advising, international trade consulting, lightweight parcels and letter mail, freight shipping, and export and import financing to improve cash flow and 'help speed the conversion cycle of payments' (About UPS, 2018, webpage).

Like many companies, UPS faced economic hardship from 2008 to 2010, but since then has rebounded nicely and has seen continued growth in revenues and net income. At the end of fiscal year (FY) 2017, revenues were reported at nearly \$66 billion. Profits came amounted to just under \$5 billion. While the 10-year average growth rate for revenues is 2.9 percent, the growth rate for net income is ten times as much.

This could be an indicator of UPS's unique ability to make its processes more efficient throughout the business. Return on invested capital, or ROIC, was 25 percent, and debt-to-equity ratio was just over 20 percent (Morningstar, 2018). Nearly 62 percent of revenues were driven by its U.S. domestic package service, and 79 percent of revenues were generated in the United States (UPS, 2018, webpage).

Company Overview: FedEx

FedEx Corp. is the industry leader in express delivery service worldwide. It employs 400,000 individuals globally and delivers over 12 million packages per business day between its FedEx Express and FedEx Ground delivery services. The company motto is 'We understand,' and its lengthy mission statement addresses superior financial returns for shareholders by providing high value-added services, meeting customer requirements, developing mutually rewarding relationships, safety, and ethical conduct throughout the corporation.

Just like UPS, FedEx offers multiple channels of service to meet customers' shipping and supply chain needs. These services include FedEx Express, Ground, Freight, Services, Office, and Trade Networks. As its name suggests, Express is designed to move packages around the world in a hurry, Ground handles the less expedited door-to-door operations, and Freight deals with large volume shipments. FedEx Services provides customers with sales, marketing, technical support, billing, and collection services, just to name a few, for U.S.-based customers. Its Trade Networks assists customers in navigating international trade by consulting on issues such as customs import and export restrictions and regulations.

FedEx concluded FY2017 reporting revenues of more than \$60 billion and a net income of just under \$3 billion. The 10-year average growth rate for revenues is 5.5 percent and net income growth comes in at just over 4 percent. While these growth rates are not modest, they do demonstrate FedEx's ability to consistently generate profit amidst various challenges. ROIC was reported to be 11.3 percent, and debt-to-equity ratio was just under 1 (Morningstar, 2018, webpage).

Comparison of sources of competitive advantages

Sources of Internal Strengths and Weaknesses: UPS

An organization's internal strengths and weaknesses are derived from the four factors of competitive advantage (Hill et al., 2016, p.96). They are efficiency, quality, innovation, and responsiveness to customers. Understanding these factors and possessing a keen awareness of internal strengths and weaknesses allows a company to create and sustain competitive advantages and core competencies. UPS is no stranger to this, and their commitment to the factors of competitive advantage has helped it to stay in business for over a century and become a Fortune 100 company.

UPS is the industry leader in delivery volume, which did not happen merely by chance. They pride themselves in employing a superior level of package pickup, sorting, and delivery efficiency that is difficult to match, let alone maintain. This is achieved through around the clock operations at its numerous sorting facilities, which scan a barcode affixed to every parcel—each barcode is created by a database that contains all information regarding its destination and expected delivery time. These facilities are located near freight centers that then move packages to the region for which they are destined. Should freight need to be moved at speeds faster than those offered by conventional ground services, it is taken to one of UPS's regional air hubs that the company owns or leases throughout the world (UPS, 2018, webpage).

When it comes to the last step in the process, delivery drivers rely on the DIAD, or Delivery Information Acquisition Device, to transmit delivery information in real time and eliminate flipping through paperwork. Dispatchers communicate with drivers through the DIAD to relay delivery information throughout the day (D'Arcio, Dailey, Lagera, Hill, & Schrul, 2014, webpage). This aids in the timely delivery of packages at a speed and level of service that many customers now expect and take for granted. However, reliance on any electronic device could prove to be a weakness; if the device were to malfunction or if the network were to fail, deliverers could be left in the dark and forced to slowly travel the delivery route in an inefficient manner.

UPS holds a firm belief that for employees to operate in an efficient manner, they must feel that they are truly a part of the company. To affirm this sense of belonging, UPS promotes an employee-owner concept. This dates back to 1927, when the company's founders 'believed that employee stock ownership was a vital foundation for successful business and first offered stock to employees.' Today they offer a variety of stock-based reward programs to encourage the notion of employee stock ownership (UPS, 2018). It must be pointed out, though, that most UPS employees are represented by the International Brotherhood of Teamsters union, presenting a potential weakness. 'The union indirectly imposes additional costs to the company due to their relatively stronger bargaining power,' and the company must strictly adhere to the terms of the agreement, even when it dampens productivity. Also, should employees become disgruntled, there is a potential for labor strikes that unduly disrupt operations (Barakaat Consulting, 2018, webpage). Moreover, future contract negotiations are sure to require pay increases and the guarantee of benefits such as medical insurance, retirement, education, etc. This potentially eats away at the company's bottom line, which forcing it to accept lesser profits or more than likely causing it to raise prices for their services.

Leveraging debt to stay on par with competitors in terms of total assets has been necessary for UPS due to its smaller shareholder equity base. In fact, UPS uses heavy debt leverage but could generate more revenues than competitors and achieve greater operating efficiency for shareholders (Wei, 2015, webpage). Every firm sets the appropriate debt-to-equity ratio required to stay competitive within its respective industry; however, high usage of debt can be a weakness should market conditions become bearish. Any decrease in equity would require a matching move for its debt position but getting out from under a larger portion of debt could be costly to the bottom line. Any decrease in cash being put back into the company would necessitate an increase in debt (or less money for operations). This would diminish efficiency and cause troubles in maintaining current levels of service to customers.

There is no denying UPS's brand reputation and recognition. Most everyone has heard their marketing phrase, "What can brown do for you?" Their brown delivery trucks and employees' brown uniforms are easily identifiable (Carey, 2018, webpage). Many people have informal relationships with delivery drivers who bring parcels to their homes and/or place of business. The UPS brand is synonymous with quality of service from pickup, to handling and sorting, and through delivery to the destination. UPS depends and focuses substantial amounts of resources on differentiation through quality customer service and 'quality through efficiency and reliability of service' (DeFoe, 2018, webpage). High quality comes at a price, though, in the form of higher prices passed onto the customer. In recent years, UPS's prices have risen higher than its competitors, and some competitors have maintained or lowered price levels for certain services (D'Arcio et al., 2018,

webpage). The cost-sensitive customer may be willing to sacrifice better quality service for lower prices if their budgets force them to do so.

Many companies rely on various networks amongst its differing business units to complete their necessary tasks and daily functions. UPS, on the other hand, manages its entire organization with a singular pickup and delivery network (Hanchard, 2018, webpage). This allows the company to maximize asset utilization and network efficiency (Wei, 2015, webpage). Numerous employees can be working on something at the same time, and any changes update instantly so that they build off of one another. While this single network has great benefits, it could become a liability should hackers infiltrate it for malicious purposes. This would bring the company to a halt as information technology experts scramble to rectify the issue.

When it comes to innovation, UPS has developed quite a unique process—you will never see a UPS delivery driver make a left-hand turn, unless out of absolute necessity, thanks to ORION, or On-Road Integrated Optimization and Navigation. This saves an estimated 20.4 million miles on their vehicles annually and subsequently reduces their carbon footprint by 20,000 metric tons (DeFoe, 2018, webpage). This technology uses mathematical algorithms to analyze historic traffic data in determining the optimal route for drivers. In addition to the decreased mileage and carbon footprint, ORION saves UPS over 1.5 million gallons of fuel, which equates to cost savings of approximately \$50 million (D'Arcio et al., 2018, webpage).

Responsiveness to customers is key in any industry, especially in the ever so service-oriented parcel-delivery industry. While its website is an important tool for customers, UPS's retail outlets provide a more personal outlet for its services. UPS Stores are all independently owned by franchisees in a smaller retail setting, and these locations 'primarily serve retail customers and small businesses for their small package delivery needs plus certain postal and shipping-related services' (Wei, 2015, webpage). A UPS Store provides supply chain management solutions and knowledge to customers who might otherwise struggle with this aspect of business. Affording customers with this outsourcing opportunity allows them to better focus on their major business function or even their own personal lives.

Sources of Internal Strengths and Weaknesses: FedEx

FedEx has created a sense of empowerment for its employees, helping to create increased employee efficiency throughout the company. Employees at FedEx can proudly boast accolades published by Fortune such as '100 Best Companies to Work For' and 'World's Most Admired Corporations' (Bamoussa, 2016, p. 729). It maintains that every employee's purpose, from top to bottom, is to serve customers by addressing their concerns and finding solutions to issues they may have. In fact, it may be surprising to learn that an organization the size of FedEx promotes an entrepreneurial culture. There is no need to interact with the customer and then speak with supervisors to form the appropriate plan of action; instead, they are encouraged to use their experience and decision-making skills to formulate a solution as quickly as possible. It is common thought throughout FedEx that workers do not simply perform their duties; they are problem-solvers who are 'able to adapt quickly to market changes and keep abreast of the development' in the industry. Customers get the service they need and can then focus their time and resources on other matters. It also enables employees to interact with a

greater number of customers and frees up supervisors by not having to hear every situation that comes through. This allows managers to focus on another key aspect of FedEx's culture, which is the continual growth and development of managers to obtain a greater understanding of market changes. This allows for the implementation of necessary strategic adjustments in an ever-evolving industry (UK Essays, 2015, webpage).

Another key aspect in FedEx's quest for efficiency is mergers and acquisitions. The company's thinking is that these methods of expansion provide opportunities for improvement without the costs associated with internally developing said opportunities. Waleed Bamoussa (2016, p. 732) wrote in the *International Journal of Scientific & Engineering Research* that FedEx 'is strategically acquiring the organizations which are offering the individual pieces needed for global distribution.' They maintain that an increase in the scale of operations can successfully build cost efficiencies through greater economies of scale. One such acquisition occurred in 1998 when they acquired Caliber Systems. Caliber's expertise in 'providing an elaborate logistics operation focusing mainly on high priced goods industries such as moving raw materials.' Previously, FedEx's Federal Logistics and Electronic Commerce, or FLEC, system was unable to provide such services as complete supply chain solutions because it primarily focused on finished goods and reverse logistics (UK Essays, 2015, webpage). More recently, FedEx combined forces with TNT Express in 2015. This move was to gain access to the European-based parcel-delivery company's customer base, which also operated in the United States, and expand operations in the American and European markets (FedEx, 2018, webpage).

It should be noted, though, that mergers and acquisitions can become points of weakness. This results from the confusion and uncertainty that it can create with customers who are unsure of the new company's services. They may even seek a new provider all together if the unfamiliarity is too great. Customers might even mistrust the change if they previously viewed the merging or acquiring company as competition with the firm to which they had already entrusted their businesses.

FedEx specializes in time-sensitive express service. Many of its customers know that to get something anywhere in the world in a hurry, FedEx is the way to go. FedEx Express is its flagship service and delivers to more than 220 countries and territories globally. Customers value this service so much for its quality and dependability that FedEx Express generates half of the company's revenues (Wei, 2015, webpage). They first introduced this service to the world in 1973, and to this day they remain atop the industry in express parcel transportation. Though it may only possess 30 percent of the U.S. parcel-delivery industry market share, FedEx maintains a commanding 30 percent global market share in overnight package delivery.

Although it is the global leader in overnight package transportation, there are concerns when it comes to quality of service provided in small parcel-delivery. FedEx's business strategy is not conducive to the rise of global e-commerce. Most retailers depend on local and regionalized delivery options as opposed to long-haul services (Wei, 2015). FedEx may be able to move parcels quickly, but their reliability has come into question when getting those parcels to customers on a smaller scale. A recent example of this occurred during the winter of 2014. This time of the year aligns with the holiday season, which is widely known to be the busiest time of year for the parcel-delivery industry. Harsh

weather and large package volumes overwhelmed the company as it struggled to deliver packages in a timely manner. This failure to meet customers' expectations took a significant toll on FedEx, as its profits declined due to an underwhelming performance (Trefis Team, 2015, webpage).

Most companies in the industry charge for their services based upon a parcel's weight. A customer puts the parcel on a scale that automatically calculates the cost. However, FedEx acknowledges that one of its most important assets is the space in its delivery trucks and aircraft. A package may be heavy but take up little space, while on the other hand, it may be bulky but relatively light. To compensate accordingly, FedEx has begun charging customers based on package dimensions and the total volume it will take up during the delivery process. This innovation in pricing is expected to raise profit margins on bulky-yet-light parcels by 30 to 50 percent (Trefis Team, 2015, webpage). The advantages may be twofold in that customers doing business with FedEx may be encouraged to use smaller boxes and less packing material. This increases the sustainability efforts of both FedEx and its customer base.

People lead busy lives, and FedEx wants to be a helpful part of its customers' daily lives, not a burden. In responding to customers' needs and wants, FedEx has formed partnerships with other companies to provide customers with better options and access to services. One such example is partnering with the United States Postal Service and agreeing to support its Priority Mail service while also being allowed to put FedEx drop boxes at USPS locations (Bamoussa, 2016, p. 730). They also allow customers the opportunity to fulfill their FedEx shipping needs at over 8,000 Walgreens locations nationwide (FedEx, 2018, Most Admired). These agreements demonstrate FedEx's understanding of customers' preferences for fewer trips made throughout the day.

Just as UPS has its UPS Store locations, FedEx also provides its customers with a retail location in the form of Kinkos. A Kinkos 'provides copying and printing services, signs and graphics, videoconferencing, high speed wireless and wired Internet access and computer usage, as well as retail access to all FedEx ground and global express shipping services' (UK Essays, 2015, webpage). These stores are corporate owned, occupying large spaces that resemble big offices. Their sophisticated equipment and big, officelike setup is designed to attract the larger retailer and corporate customers who desire and can afford FedEx's express services (Wei, 2015, webpage).

Comparison of Sources of Competitive Advantages: UPS vs. FedEx

It is by no fluke that UPS and FedEx have made their way into and cemented their place on the Fortune 100 list. From the outside looking in, these two companies seem very similar, and while that is true since they both belong to the same industry, the way they operate differs in many ways. UPS and FedEx indeed share some of the same internal strengths and weaknesses, but they also possess strengths and weaknesses that are unique to each respective organization.

Both companies have the same belief that efficiency starts with efficient employees, but how they got about achieving such efficiency differs. UPS is highly unionized and believes that employee ownership creates a sense of belonging to the organization and spurs greater levels of employee productivity. Stock-based compensation and reward programs provide monetary incentive as greater employee efficiency bodes well for UPS's bottom

line, which in turn bodes well for employees' pocketbooks. FedEx, on the other hand, believes that employee empowerment is the key to greater employee efficiency. Save for a handful of key employees in the company, stock-based compensation is not offered to the majority of employees. Instead, they are encouraged to think and act in an entrepreneurial manner that provides problem solving and solutions for the customer. This eliminates time spent on reaching out to and getting approval from supervisors for a bulk of customer interactions. This means that employees can assist a larger number of customers each day and thus use their time more efficiently.

The two companies also differ in the network models they use to run their respective day-to-day operations. UPS has maintained a single network for the sake of allowing multiple employees to work on the same thing at any given time. This information updates in real time and allows UPS to more efficiently handle its primary business of small package delivery. FedEx opts to utilize multiple networks between its differing business units. FedEx's strategy is for these business units (e.g., ground, express, express, or freight forwarding) to operate independently of each other (Wei, 2015, webpage).

When it comes to quality, FedEx is at the top of the industry with respect to express services. Their ability to reliably move parcels around the world overnight is enviable to competitors. However, the final process of small package delivery is a weakness that the company is currently attempting to rectify. In the past, harsh weather and/or higher than average delivery volumes have put a strain on FedEx, and their performance has fallen short of meeting customer expectations. Where FedEx struggles, UPS excels. In fact, UPS thrives on small package delivery, and their reliability and reputation prove that. This is a big reason why UPS is the largest holder of market share in the American parcel-delivery industry. This is also conducive to the rise in online shopping and necessary delivery from retailer to customer. UPS is primed to take advantage of the changing dynamics in the retail sector, but FedEx has some work to do if they are to gain from the rise in e-commerce to its fullest potential.

Both companies fully realize that they must continually innovate if they want to succeed in the years to come. They also understand that technology is rapidly advancing, and the adoption of new and improved technologies is necessary to stay ahead of the competition and meet customers' evolving preferences. UPS has been quicker to adopt and implement innovations in technology than FedEx has in recent years. UPS rolled out the DIAD and ORION and changed how the industry sorted and delivered packages. This left competitor scrambling to implement similar technology so as not to fall behind the innovation curve. Meanwhile, FedEx's recent innovation involved pricing based on package dimensions instead of weight. This just goes to show how innovations are tailored to their respective business strategies, with UPS focusing more on small package delivery and FedEx spotlighting its express delivery services.

Lastly, these two industry leaders possess a strong responsiveness to customers, although for several reasons. They both have a firm grasp that responsiveness to customers is critical in creating value for and satisfying customers. As previously mentioned, FedEx has partnered with other organizations to create more drop-off points for customers and their busy lives. They also created their retail locations, Kinkos, to target retail and corporate clients who can afford the level of services offered. UPS chose to target individuals and small businesses with the small retail setting of their UPS Stores. The focus is again small package delivery with other shipping-related services provided.

Each company chose a specific target market and then responded to customers' needs by creating retail locations that fulfill those needs.

Summary of findings

Both companies are notable examples of firms that have withstood the test of time and continuously adapted to industry-wide changes. As previously stated, UPS and FedEx are quite similar in their scope of business but have each formed their own competitive advantages and distinct competencies while successfully navigating the dynamic parcel-delivery industry.

UPS pursues a differentiation strategy focused on providing customers with high quality, reliable delivery service. Their prices may be higher relative to their competitors, but it is their efficiency, innovation, and responsiveness to customers that provide the value to justify those prices. They promote efficiency by rewarding employees with stock-based compensation. This encourages employees to put forth their best effort and act in the best interests of the organization. After all, a good portion of employee compensation is directly tied to the overall performance of UPS. The company also enjoys a sustained competitive advantage with its efficient sorting and handling facilities, which has directly led to their distinct competency in small package delivery. Nobody handles a larger volume of package delivery than UPS, and they do so in a highly reliable manner. Their single network powers innovative technologies such as ORION, which takes route optimization to a whole new level. ORION is another form of competitive advantage due to its ability to separate UPS from competitors and add value to the service it provides. Finally, they enjoy a competitive advantage with respect to responsiveness to customers in the form of UPS Stores. These locations provide a direct link to customers who wish to use this more personal service to fulfill their package delivery needs.

FedEx chooses to pursue a strategy that is centered around low-cost service. Just like UPS, they enjoy a competitive advantage in employee efficiency; however, FedEx's employee efficiency is driven by empowerment, not necessarily compensation. An entrepreneurial culture eliminates time wasted going up the ladder for decisions to be made. Instead, employees deal with customer concerns directly and in turn, address more customers on a daily basis. FedEx's distinct competency is its Express service. No other competitor can match the sheer volume of packages that FedEx is able to ship to over 220 countries and territories worldwide in just one night. This was the vision when founder Fred Smith started the company in the 1970s. They have achieved this through past process innovations in parcel-delivery, and most recently they have taken a simple yet innovative approach to protect one of its most valuable assets: the space in their aircraft and vehicles. Unsurprisingly, FedEx is also like UPS in its responsiveness to customers. Yet, their Kinkos locations are tailored to the larger retail and corporate businesses with the higher quality of services that they provide.

The parcel-delivery industry may be highly consolidated and competitive, but UPS and FedEx have identified and honed their specialties within the industry and rose steadily to the pinnacle. Neither can afford to become complacent with their successes. They must remain cognizant of opportunities and threats that currently affect the industry, most notably the opportunity to adopt drone technology and the threat of larger corporations offering self-delivery services. Both companies must also look to growth opportunities abroad as most of their revenues come from the saturated American market. However,

there are foreign nations such as China and India with large populations and growing incomes that are becoming attractive markets in the industry. The shift towards higher levels of e-commerce also presents a terrific opportunity and plays well into UPS's business model; yet, FedEx must exert more effort into its Ground services to become more reliable and better suited to handle increases in small package delivery.

These two companies also have several internal strengths that will help guide them to future success. Their ability to spur employee efficiency is a key competitive advantage that each enjoys, though achieved in diverse ways. They must also continue to innovate and take advantage of technological advancements. Customers' needs, and preferences evolve quickly alongside advances in technology. UPS may have to address their debt leverage, as it is 20 times higher than FedEx, yet revenue is only 10 percent higher. However, companies with this level of success are more keenly aware of their strengths and weaknesses. Their ability to anticipate unforeseeable events demonstrates that success is rarely the result of chance, and strategic decisions are made with great caution and consideration. As the business world and global economy continues to grow and evolve, UPS and FedEx will look to continue their success domestically, stave off new competition, and expand abroad to gain access to the many untapped markets that exist.

As an attempt to explain the process of building and sustaining competitive advantage, in the context of the strategic management and planning, this article provides an academically meaningful conceptual framework based on four core sources of competitive advantages: efficiency, quality, innovation, and customer responsiveness. In practice, any company can adopt the generic building blocks of competitive advantage, regardless of its industry or the products or services it produces.

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The Future of UK-UAE Higher Education: Towards a University Social Responsibility (USR) Model for Transnational Education Partners

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Abstract

Purpose: This paper relates to a central debate concerning the role of universities, internationalisation and the social dimension of higher education underpinning the sustainability of international partnerships. As a consequence of that debate, it is clear that there is no consensus in relation to a guiding model. This paper, therefore, introduces the need for a sustainable University Social Responsibility (USR) framework for universities that import and export education through transnational collaborations and partnerships. The purpose is to critically evaluate the strategic importance of transnational education for governments and universities, together with the importance of knowledge transfer between scholars, researchers and industry.

Design/methodology/approach: The study uses an exploratory approach utilising Stakeholder and Social Responsibility theories in the context of joint partnerships between UK and UAE universities. The conceptual analysis demonstrates the need to integrate and embed social responsibility elements when universities engage in transnational education strategies.

Findings: The paper identifies the concept of University Social Responsibility. This means institutions must look beyond transnational education strategies as a way to grow their brand commercially. The benefits of internationalisation can be severely undermined by the absence of stakeholder driven, socially-orientated and mutually beneficial approaches to transnational higher education partnerships. However the incorporation of a socially responsible approach requires adaptations in the operations, processes and structures in higher education. The paper proposes a conceptual model to usher a new look at transnational education with the emphasis on strategic management, education, knowledge and research and social participation. The proposed model embeds social responsibility as a cornerstone.

Research limitations/implications: Drawing on stakeholder theory, the importance is emphasised of engaging external and internal parties in relation to the identification of the sustainable structures critical to the success of international partnerships. The conclusions confirm the need for a framework, defining key concepts and processes for embedding social responsibility across four key areas of university operations: organisational management, education, knowledge and research, and social participation.

Practical implications: The paper proposes a Social Responsibility Model for International Partnerships between the UK and the UAE, and underlines the importance of incorporating socially responsible and sustainable education measures in branch campus policy development.

Originality/value: The University Social Responsibility model can be used to support sustainable economic development between universities engaging in transnational education, but also to embed community, cultural and social wellbeing for students, scholars and operational employees. The overall results of this can contribute to a policy that maximises the effectiveness and sustainability of branch campuses.

Keywords: Transnational Education, Social responsibility, Stakeholder Theory
Paper type: Conceptual paper

Introduction

How students learn today will be different tomorrow. This is, in part, due to ever increasing interdependence between countries in all areas including economic, political, social, cultural, and knowledge (Bertucci and Alberti, 2003). As a result of a dynamically changing global society, the environment in which higher education institutions function will continue to evolve (British Council, 2013). Indeed, higher education has undergone a period of rapid change, particularly in terms of the significant growth and proliferation of transnational collaborations and partnerships. There has been an increase in student mobility with progressively ever more students pursuing their higher education in different countries around the world. In parallel with this trend, there has been a rise in programme mobility, with universities competing for the best talent (OECD, 2012). Programme mobility is another level of internationalisation referring to the movement of programmes across different jurisdictions for the purpose of educational delivery (Knight, 2012).

Alliances and student mobility have existed between the UK and the UAE for over 10 years. The UAE government is strategically committed to developing an educated workforce to underpin a sustainable, knowledge-based economy, and to expanding HE competitiveness to promote the country as a regional educational hub (British Council, 2013). The UK government also acknowledges the significant importance of the internationalisation of UK higher education not simply for its economic benefits, but also for broadening and enriching the UK sector and supporting the development of shared values among partner countries (UK Gov, 2013). For example, Middlesex University was one of the first UK institutions to establish a campus presence in the UAE in 2005 in Dubai's Knowledge Village. The international branch campus offers a wide variety of undergraduate and postgraduate courses (UAE Embassy, 2015). The continuation of these effective and strategic partnerships is based on an understanding of critical components and processes. However, rising social engagement and international expansion call into question the social, economic and environmental impacts and sustainability of such strategies (Becker, 2012; Hamrita, 2011; Olcott, 2009). Moreover, a growing consensus highlights that strategic partners need to demonstrate and publicise their engagement in social responsibility issues (UK Gov, 2013; OBHE, 2010). Yet, at present, there is no generally agreed model, framework or guidelines for universities to consult at an operational level (Esfajani et al., 2013; Dima et al., 2013). The literature to date has focused on defining the concept of University Social Responsibility (USR) and debating the fundamental principles across different dimensions. There is however a gap that this study aims to address, which relates to a lack of

understanding at an operational level of the systems and processes for embedding USR within university operations and specifically transnational strategies. Thus, the harmonisation of commercial aims with societal wellbeing, encompassing both moral and ethical responsibilities, in relation to stakeholders, presents a significant challenge in the design of effective international partnerships. Nevertheless, scholars have recommended the need for University Social Responsibility (Barrett et al., 2014; Dima et al., 2013; Olcott, 2009), and explicit recommendations towards it suggest that an adaption of structures and processes in higher education is necessary and should be considered as a fundamental aspect in conceptualising the role of universities in a modern global society (Dima, 2015; Dima et al., 2013). The central premise underlying the proposed research is that the future of higher education and sustainable international partnerships between the UK and the UAE is critically dependent on the orientation of strategic and operational measures towards a socially responsible perspective. This paper presents the initial findings from a literature review identifying the key operational themes and issues impinging on transnational higher education partnerships. Firstly, we consider social responsibility in higher education and then introduce and discuss the notion of USR. This incorporates a discussion of USR at the operational level and its contribution in key areas: teaching and research, faculty engagement, quality assurance, and technology. We then conclude with a discussion of the implications and future research arising from this study.

Social Responsibility in Higher Education

Within the wider business context, the concept of corporate social responsibility (CSR) has been widely debated. CSR pertains to a range of social, economic and environmental aspects, which relate to sustainability and the harmonisation of commercial aims with societal wellbeing. It also encompasses both moral and ethical responsibilities in relation to stakeholders (Shawyun, 2011). Coghill et al. (2005) argue that CSR is driven by three primary drivers of business strategy, ethical and moral values, and achieving social sustainability. One school of thought perceives CSR fundamentally in terms of guidelines, policies or codes adopted to minimise risks; contrastingly, others view CSR as avoiding or mitigating the negative impacts from commercial activity and organisations (Broomhill, 2007).

A diversity of perspectives implies greater complexity in the effective implementation of social responsibility approaches within higher education partnerships due to the need to arrive at a common understanding of social responsibilities. One significant issue is that the concept of social responsibility is understood by different actors in a range of ways and with a diversity of meanings (Dima et al., 2013). Reiser (2008) asserts a wide definition of university social responsibility involving academic outcomes and implications, and notes that USR concepts encompass ethical policies in relation to performance of the university community. This involves the responsible management of the cognitive, educational, labour and environmental impacts generated by the university, to be channelled through reciprocal dialogue with society to encourage sustainable development. This definition reflects more specific higher education concerns, while also integrating broader concepts of external dialogue and sustainability. Vasilescu et al. (2010) further emphasise engagement and dialogue with external society, and propose that USR involves a reinforcement of

civic commitment and active citizenship. Volunteering and ethical approaches in students are promoted, and community social services are provided by institutions, in addition to encouraging local and global sustainable development through ecological and environmental commitment (Vasilescu et al., 2010). It is worth noting that Nelson Mandela (IEASA, 2014) has added his voice to this debate by stressing the importance of ensuring that internationalisation is of mutual benefit for both developing and developed countries. However, internationalisation of higher education may not provide a mutual balance, resulting in imbalances in power and resources (IAU, 2012; Deardoff 2014). Furthermore, there is a lack of knowledge on how to effectively integrate social responsibility within internationalisation strategies (Kletz, 2009). Thus, rising social engagement and international expansion call into question the social, economic and environmental impacts, and the sustainability of international partnerships, as well as presenting a significant challenge in their effective design.

Universities are recognised as key institutions that contribute to the vision of a globally sustainable future through research, teaching, and acting as models of sustainability in their own physical operations. Prescott-Allen (2001) emphasises the existence and dependence of humanity with global ecosystems. Meanwhile, Wright (2009, p7) suggests that sustainable development occurs within an intersection of three pillars of sustainability: environment, economy and society. This intersection may similarly represent the work of transnational decision-making, orientating university structures and processes towards sustainable goals. Implicit in this conceptualisation is the notion that universities play a significant role in empowering and influencing individuals within society towards global citizenship and addressing societal challenges.

In the rest of this paper, we outline the social dimensions and issues which both impact and are impacted by the process of internationalisation.

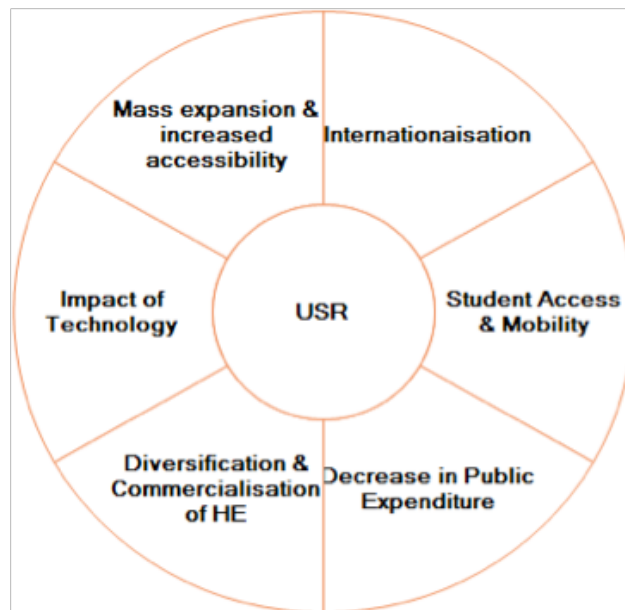
The Importance of Social Responsibility Governance

The critical role of universities underlines the need for social responsibility dimensions within higher education. Emphasis is placed on what role universities can and should play in society today (Colby et al., 2000). Governance principally serves to regulate the institution on behalf of public constituencies (Lombardi et al., 2002), and governance arrangements that clarify institutional structures and procedures (Henard and Mitterle, 2010) can provide potential opportunities to incorporate social responsibility within university operations. Conceptualising governance in this way is based on key concepts in the literature. The notion of University Social Responsibility (USR) advanced by Vasilescu et al. (2010) reflects the social dimension of debates concerning the adaption of structures and processes in higher education. USR encompasses 'the need to strengthen civic commitment and active citizenship' and the need to 'promote ecological, environmental commitment for local and global sustainable development' (Vasilescu et al., 2010, p. 4178).

Operational Dimensions of USR

The focus on the operational dimensions of USR highlights that the role and operational mode of higher education is dynamically changing along with the supporting processes and structures (Vukasovic, 2008). Vukasovic (2008) and Felt (2003) identify six prevailing trends, outlined in Figure 1, which represent significant challenges and pressures impacting university operations. The manner in which these challenges are operationally managed by universities has significant social responsibility implications and potentially impacts the responsible development of internationalisation and partnership strategies.

Figure 1 - Operational Dimensions of USR



Devised from Vukasovic (2008) and Felt (2003)

In Figure 1, the mass expansion and accessibility of higher education is operationally significant and relates to increased participation at national, regional and global levels. This has experienced intense ongoing activity since the 1970s (Calderon, 2012), leading to the prevalence of mass higher education systems within most developed and transitional economies (Vukasovic, 2008). Consequently, university operations have had to adjust to accommodate new teaching, learning and assessment methods, increases in student/staff ratios, and new ways of managing (Ashcroft, 2004).

Widespread reduction in HE public funding impinges significantly on university operations and has resulted in the ongoing procurement of diverse other revenue sources. To a great extent, this is engendering cost-sharing models in which students and parents bear a significant part of the costs (Vukasovic, 2008) and is generating increased competition for students (Aschcroft, 2004).

A revenue generation imperative underpins another operationally important dimension of the increased commercialisation and marketisation of education. Scholars have argued that higher education is increasingly viewed from a

commercial perspective in which education is a revenue-generating business (Haigh, 2008; Knight, 2012). The expansion of commercial objectives within the HE sector has been accompanied by increased expectations for supporting economic development and competitiveness (Vukasovic, 2008).

The internationalisation dimension can be viewed in terms of a strategic and coordinated process, which orientates institutions towards a more global and internationally connected outlook (ACE, 2012). Internationalisation is further significantly linked to the dimension of greater student mobility and access. Vukasovic (2008) asserts that internationalisation and mobility have consistently been traditional features of higher education, however, the substantial contemporary trend relates to growth in the cross-border trade of higher education.

Finally, developments in information and communication technologies relate not only to transformations in course-delivery mediums, pedagogical processes and research collaboration, but also to opportunities and threats for university administration (Vukasovic, 2008). Developments in technology have had significant impacts on the progression of student mobility programmes and global partnerships (Deardorff, 2012). Bohm et al. (2004) assert that technological developments are significant drivers affecting global demand and will have an increasing and direct impact on educational delivery and the provision of systems of student support.

The current decade has seen a significant rise in the employment of collaboration and partnerships in order to establish and progress strategic directions within organisations (Kraus and Brtizelmaier, 2012; Benn and Bolton, 2011; Grayson and Hodges, 2004; Pearce and Manz, 2011). Additionally, the past 25 years have witnessed the growth of a nationwide movement among universities and colleges emphasising engagement with the community in which they reside (Elisa and Loretta 2012).

Kubow and Crawford (2001) provide an example of how international education partnerships can provide a strong foundation for developing USR dimensions in education. The study emphasises how higher education can inform and expand human and societal wellbeing, through promoting globally aware and responsive citizens. The study examines an educational partnership and cultural exchange programme between US, Hungarian and Ukrainian teachers, which worked toward developing multidimensional and international citizenship among participants, to foster citizens capable of functioning effectively in a globalised world. The programme was successful in enlarging cultural understanding and forging new educational links and teaching philosophies among the participants. The authors assert that HE institutions are increasingly aware of the need to adapt and provide a channel through which international citizenship can be more effectively developed (Kubow and Crawford, 2001). The study nevertheless is narrowly focused on a single example in which HE partnerships can increase societal wellbeing, a vastly wider field with myriad aspects and issues.

One future trend, highlighted by Jowi (2012), emphasises the development of regional networks and growing cross-country and cross-regional collaboration and initiatives. Examples from around the globe include the long-running

European ERASMUS programme, the 100,000 Strong China initiative established in the US, and Japan's Global 30 Programme. This is supported by Zeng et al. (2013) showing the growth of China-ASEAN regional networks, and by the British Council (2013) which points to the increasing involvement and centrality of the UAE in Middle Eastern regional networks. This has implications from a university responsibility perspective, as in this context it is important to ensure that partnerships fulfil the needs of both partners, and it underlines the critical need to gain insight into the factors and issues which impact on the social responsibility dimensions of HE partnerships. This is because the growth of regional programmes highlights the increasing importance of non-Western viewpoints and the significance for institutions to remain open to different learning and approaches originating in developing countries. Strong partnerships between institutions, the involvement and support of faculty, as well as appropriate institutional resources are considered crucial (Edwards and Teekens, 2012). In addition, significant critical success factors include virtual mobility provisions across institutions.

Research by Barrett et al. (2014) on partnerships between institutions in the Northern and Southern hemispheres highlights the issue of equity and power in relationships. In two case studies partnership processes were found to initiate critical reflections and dialogue between partners that challenged research perspectives on both sides. Northern motives for partnership generally tend towards commercial aims of maximisation of student numbers through the internationalisation of programmes and research collaborations. In contrast, in Southern regions research capacity building is often the main objective for international partnerships. A significant dynamic, highlighted by Barrett et al. (2014), is inequity resulting from the ability of Northern funding institutions to impose their perspective. Nevertheless, it is argued that, within partnerships involving multiple Southern partners, the potential exists for dialogue to challenge the predominant Northern view. Further, in instances where funding is equalised, a more balanced agenda emerges. These points underline the need to understand the dynamics in partnerships between the UK and the UAE, in the context of the differing motives for the partnership and how these fulfil the objectives of either partner.

Socio-Economic Contribution

A wider cultural view on higher education reflects the need for institutions to question the value of processes, such as teaching, research and public service, in increasing student and stakeholder capacity to make societal contributions (Shawyun, 2011). There is a social obligation for higher education to consider national strategic priorities. Building capacity through higher education partnerships is an important strategic purpose and outcome for many developing nations' higher education systems.

Nevertheless, the commercialisation and expansion of education has resulted in a number of issues impinging on mutually beneficial objectives. The commoditisation of education has been asserted to represent a threat to the traditional ideals of higher education as a public good providing a valuable contribution to society (Altbach, 2001). This raises questions in terms of maintaining a balance with social responsibilities. Social responsibility

challenges are highlighted in a range of critical operations, processes and systems within university internationalisation. Chen (2002) highlights that commercialisation can significantly involve operational policies which exclude poorer students with implications for equity of access. This emphasises that commercialisation can seriously overshadow social responsibility issues, such as equality and access to education. It is also claimed that the development of authentic internationalised curricula is often subject to more rhetoric than reality (Reid and Spencer-Oatey, 2013). This is consistent with Rizvi (2008) who argues that Western neo-liberal suppositions, which are assumed to be universally applicable, pervade global curricula. As a result, there frequently is a neglect of local contexts and widespread curriculum standardisation, with the implication of diminished student choice and academic autonomy. These issues emphasise the significant need for the incorporation of social responsibility into university alliances.

A significant motivation for the UAE to initiate partnerships and alliances within the higher education sector is the development of an educated workforce (British Council, 2013). The role of higher education in capacity-building is important to preventing the departure of knowledge, skills and expertise, which can occur when students from less developed countries study abroad. Less developed nations experience a much higher outflow, than inflow, of students (UNESCO, 2011). However, once abroad, many students do not return. Becker (2012), however, highlights the role of transnational education initiatives in capacity building, stressing that transnational providers are often better placed to offer courses which are adapted to local economic needs and to the aims of governments to build knowledge-based economies. This social dimension is underpinned by a strong vested interest on behalf of developed countries to meet socio-economic development needs.

A range of frameworks and models have been proposed in relation to the social responsibilities of higher education institutions. One framework, provided by the ISO 26000 standard, posits social responsibility simply as responsibility for the social and environmental impacts that arise from the actions and decisions of organisations (Vallaeyts et al, 2009). However, this offers limited scope to define social responsibilities within academic contexts or academic responsibilities to society at large, undermining the ability to incorporate these aspects into university operations. A broad framework for USR is proposed by Vallaeyts (2008), which relates different social dimensions (Education, Organisation, Cognition and Participation) of USR to academic impacts. The model essentially promotes social responsibility in social engagement and the sustainable development of society. Vallaeyts (2008) postulates that university social responsibility permeates the higher education environment through the impact of four social management axes, which move through the institution. Another framework, proposed by Scheller and Thoni (2011), is based on the contribution of universities to diverse spheres of human activity, including politics, economics, society, technology, social dimensions, the environment, and education and research. Each of these dimensions is underpinned by various aims and objectives to which universities can or should contribute. These models show that increasingly USR is viewed as a fundamental aspect in conceptualising the role of universities in a modern global society, and they discuss the different principles and standards in a comprehensive manner. However, the limitation with

current frameworks is that they are primarily philosophical and strategic. Limited knowledge and understanding is provided in relation to USR at an operational level, and in particular about embedding USR within university systems, processes and structures to provide socially oriented models of operation. In particular, there is a gap in the literature for the operational factors and processes, which embed social responsibility within international higher education programmes between institutions. The model that this study aims to develop addresses a lack of knowledge and insights into systems, processes and mechanisms that enable higher education institutions to embed USR principles at an operational level. Incorporating four broad themes of organisational management, education, knowledge and research, and social participation, the model attempts to link the operational activities in which branch campuses engage with critical aspects of university social responsibilities relevant to the structures and processes involved.

Student Access and Mobility

Student support and development is an important operational focus and social responsibility for universities, generally perceived as necessary to reinforce increased mobility and access in internationalisation processes (Haigh, 2014). Firstly, the marketisation and commercialisation of education on an international level has led to what Kandiko (2013) asserts is neglect of the student experience. Support from many institutions is often inadequate as a result of the widespread perception, particularly in Western universities, that it is incumbent on international students to adjust to new languages, national cultures, and pedagogical and academic assessment conventions (Wu Dunn, 2006). Carroll and Ryan (2005) argue that discourse on this issue has predominantly focused on a student “deficit” approach in which international students are perceived as lacking in language skills and critical understanding in comparison to local students. This view is potentially highly detrimental for international students, as Haigh (2002) shows that unless this is overcome student academic outcomes can significantly suffer as a result of the ethnocentricity which permeates the university classroom. Therefore, the importance of ensuring adequate student support in internationalisation processes is underlined, which Haigh (2014) suggests can be focused on academics, as well as student learners, in order to help them understand the student perspective. The importance of adequate student support, for the mental health of international students, is further emphasised by Summer et al. (2008). Nevertheless, Magyar and Robinson-Pant (2011) suggest that profound academic and pastoral support for international students necessitates integration into institutional structures and aims in order to be sustainable in the long-term.

Another aspect relates to the development of intercultural competencies in response to greater global interdependencies. This dimension emphasises USR to develop competencies to equip students to function and compete in a globalised world (Altbach, 2006; Haigh, 2014). Altbach (2006) asserts that heightened understanding and contact with other cultures, nations and languages, and the development of new academic competences in higher education are required. Deardorff (2006) points to an issue relating to the appropriate assessment of intercultural competence development. It is shown that, among university administrators and intercultural competence scholars,

there is a widespread general lack of consistency in the definition of intercultural competence and its specific components.

Commercialisation and Expansion

The recruitment of foreign students is a critical component of commercialisation and has become significant for generating revenues (Jeptoo and Razia, 2012). Aggressive marketing tactics, including commission-based agents, to enhance student enrolment (Choudaha and De Wit, 2014) can often contribute to a mismatch between recruitment and broad and diverse international student needs (Kelo and Rogers, 2012). It is argued that in many cases admissions standards are being lowered to attract students (Pike, 2012), and greater emphasis is placed on the widespread recruitment of international revenue-generating students to offset declines in national funding (Haigh, 2014).

This highlights a fundamental issue where the marketisation of education and university corporate objectives potentially retains higher importance than social responsibility issues, such as equality of access and egalitarianism. Iniguez (2011) argues that revenue generation from international student recruitment can replicate social exclusion and inequities at either national or global level.

Curriculum Design

The adaptation and modification of curricula to international contexts is a significant dimension of higher education internationalisation processes. Nevertheless, balance with a range of potentially related social responsibilities is necessary for stakeholders and wider society to fully benefit (Breit et al., 2013). The challenge noted by Knight (2004) relates to curriculum internationalisation potentially involving diverse forms, purposes and functions, which fundamentally depend on the policies and strategies of the higher education institution and wider sectoral and national context. This implies a complex operational environment for curricula internationalisation processes with implicit social responsibilities subject to myriad contextual influences. Rizvi (2008) emphasises the importance of critical academic self-reflection and a perspective of globalisation stressing inter-nation and intercultural open dialogue. Breit et al. (2013) propose a holistic reflective approach for students and faculty, which considers the institutional and disciplinary contexts, and the student's "imaginary" in curriculum design. Reflecting on the way in which students perceive themselves and the influence this has on thinking, learning and actions is asserted to be central in all phases of the reflective process. University knowledge production is increasingly compelled to focus on the kinds of knowledge that are relevant for careers in the global economy with foreign student enrolment concentrated in curriculum areas, such as business and management studies, engineering, maths and computing science. However, Dirlik (2012) asserts this to be at the expense of humanities and social sciences disciplines which are emphasised as potentially essential for contributing to solutions to the global challenges the world currently faces.

A further USR implication for curriculum internationalisation is apparent in Dirlik's (2012) contention that the important role of universities to encourage critical thinking and enquiry over societal issues is gradually being diminished in

curricula by internationalisation processes. The significance of this role is underlined by Podolny (2009) and Agoston (2010) who claim that the causes of the current global crisis are grounded in a lack of attention to ethical and moral dimensions within education and the inadequate development of skills in critical thinking and moral reasoning. Dirlik (2012) points to the disappearance of universally accepted standards of critical enquiry. The loss of critical thinking skills and discourse is asserted to undermine the role of higher education institutions as the foremost entity for developing critical consciousness in relation to the life and purpose of humanity and its obligations to act as the conscience of social life (Dirlik, 2012).

Teaching and Research

Internationalisation processes have USR implications for HE teaching principally related to the need to prepare academics to teach in a cross-cultural environment (Deardorff, 2009). Teaching in such a context underlines institutional responsibilities to students to ensure that courses are taught effectively and with cultural sensitivity in terms of pedagogical methods and cultural awareness. However, Lewin (2008) emphasises that in many cases faculty receive limited training and preparation for teaching and imparting knowledge in cross-cultural environments. This conclusion is supported by Smith (2010) who notes that few academics receive formalised intercultural competency training.

USR can promote the diversity of research perspectives to counter bias and Western dominance, which Magyar and Robinson-Pant (2011) assert contradict the notion of international reciprocity. Notably, Aziz and Abdullah (2014) highlight an over-reliance on indexed publications, which Mok (2007) asserts neglect the importance and influence of local language publications and national channels. Meanwhile, Odora Hoppers (2009) suggests that indigenous knowledge should be valued on an equal level with Western knowledge and not subjected to the same structures and standards. Further, there is a wider context, which includes large-scale 'big data' projects, which potentially perpetuate a dominant approach to research and international collaboration. This emphasises the imperative of sustaining a 'rich and diverse range of approaches to research' (Barrett et al, 2014, p63). Embracing alternative perspectives and understanding local values and attitudes is viewed as a critical dimension in the internationalisation of higher education. This suggests north-south partners should facilitate a reflection process that potentially challenges dominant western-driven approaches to research.

Faculty Engagement

Friesen (2013) identifies the importance of an "enabling environment" to support faculty in internationalisation initiatives. Faculty members are key figures and play critical roles in the institutionalisation of higher education internationalisation (Friesen, 2013), and faculty research projects have become essential contributors to international institutional reputations (Marginson and Van Der Wende, 2007). Mohrman and Baker (2007) highlight that faculty members are adopting new roles as part of cross-disciplinary, team-oriented, and international partnerships. These roles depict a closer relationship between the work and academic interests of faculty and the strategic reputational concerns of university

administration. However, Friesen (2013) shows that faculty members can experience alienation from internationalisation processes, if members diverge from university perspectives, which emphasise quantitative over qualitative, and programmatic over relational. This was shown to lead to differing expectations and goals for internationalisation and greater faculty disillusion with internationalisation processes. In two cases, moral indignation was felt by faculty at their universities' quantitative internationalisation priorities, which they perceived as directly undermining their work to build long-term and meaningful partnerships abroad.

Faculty engagement and commitment to internationalisation also has implications for faculty social responsibility roles in disseminating a social dimension of teaching and curricula. Friesen (2013) shows that faculty member's engagement led to "transformative" teaching and cultural experiences, which increased self and cultural awareness, and led to broadened, more curious and less judgemental perspectives.

Quality Assurance

USR also has implications for quality assurance. For instance, Blanco-Ramirez and Bergen (2014) suggest that Northern models of quality assurance reinforce beliefs in relation to quality which are grounded in exclusivity and differentiation. USR can promote a more comprehensive quality model focused on the provision of wider and equitable access to higher education and relevance to local environments and contexts. The approach focuses on contextualising quality to specific settings, in terms of addressing major issues for consideration that can lead to different quality assurance solutions based on local needs and concerns (Blanco-Ramirez and Bergen, 2014).

Impact of Technology

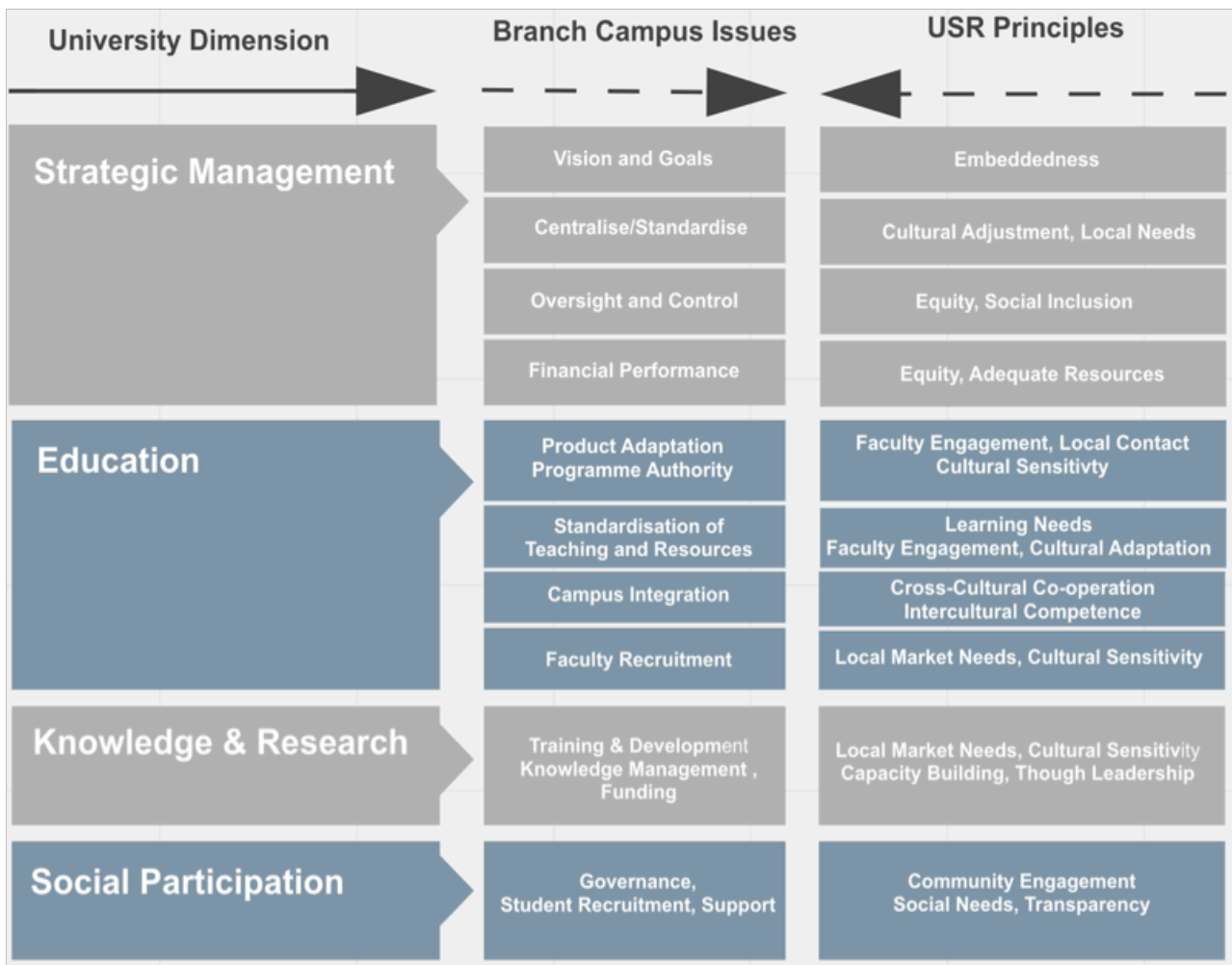
The pace of technological development is a factor affecting the patterns of learning and student mobility. One notable trend, noted by Deardorff et al. (2012), is the increase in virtual mobility. There is a shift toward online learning programmes, with online communication facilities, communication tools and virtual learning technologies utilised by students. Haigh (2014) points to the inclusiveness of modern web technologies, which provide anonymity and, in the online realm, do not discriminate. Nevertheless, Robinson et al. (2004) emphasise that new technologies can exclude the poor creating a digital divide. This highlights a problem for socially responsible higher education internationalisation, in terms of the aim of expanding global equity of access. Moreover, Clifford (2010) highlights a further issue, noting that pedagogies often reflect and reproduce the neo-liberalist and corporate capitalist economic, social and cultural values which characterise Western societies. This issue is duplicated within global e-learning culture in which the hegemony of Western values is pervasive, gives rise to Western cognitive constructivist models of education, and dominates thoughts on suitable subject matter or learning (Kumar, 2004; Catterick, 2007). This could have the overall effect of disadvantaging non-Western learners.

Conceptual Framework

Within the context outlined in this paper our research adopts the conceptual model outlined in Figure 2 as the basis for identifying key factors and processes critical for the development of effective branch campuses underpinned by social responsibility principles. The model focuses on four dimensions of university operations: strategic management, education, knowledge and research and social participation. These are mapped to branch campus issues that are further linked to the social responsibility themes identified in the literature.

This model recognises the identification and integration of social responsibility principles across different university operational dimensions. This is consistent with research indicating the importance of coherence across all institutional processes in relation to USR (Vallaey, 2014). We draw on findings from the literature identifying underpinning social responsibility principles in relation to these four dimensions (Wigmore-Alvarez et al., 2012; Vallaey, 2014; Kinser and Lane, 2014; Shams and Huisman, 2014; Alzyoud, 2015; Vasilescu et al., 2010; Patrick et al., 2008; Galukande et al., 2012; Tetrevová and Sabolova, 2010). Critical aspects and failure factors have been determined in relation to these operational aspects of branch campuses. This model guides the investigation of operational dimensions based on key elements under each dimension. We posit for instance that educational elements such as curriculum design, standardisation of teaching and learning resources, faculty recruitment should be underpinned by social responsibility values.

Figure 2 Conceptual Framework



Moreover our model emphasises the role of key USR principles in addressing branch campus issues and maximising the success of transnational education strategies in relation to branch campuses. This model provides the basis for furthering our understanding of key systems and processes that may inform a framework USR Model for Transnational Education Partners involved in branch campus strategies.

Conclusions

This paper began by outlining the increasing importance of USR and the debate surrounding the role of higher education institutions. A range of operational dimensions impacted by USR have been discussed, and it is increasingly evident that USR is a pervasive concept impinging on all areas of higher education processes including transnational strategies.

There will be necessary changes in processes and structures brought about by the changing role of higher education and, as a consequence, changes in operations. Henard et al. (2012) assert that internationalisation offers the potential to develop high value knowledge networks and leverage institutional strengths. This can be achieved through the formation of strategic partnerships, which can stimulate intellectual capabilities and promote development and growth.

A short-termist commercial focus can potentially undermine the sustainability of transnational partnerships and the capacity to reap the benefits from leveraging strategic strengths. The danger is that the benefits of internationalisation can be severely undermined by the absence of stakeholder driven, socially-orientated and mutually beneficial approaches to transnational higher education partnerships.

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Corporate social responsibility (CSR) and consumer behaviour in the agro-food sector: Its effects on the decision-making process

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Abstract

In current marketplaces, implementation of activities related to Corporate Social Responsibility (CSR) is a new expectation to be fulfilled by all sort of organizations. These ethical practices are key issues at the time of differentiating products, gaining competitive advantages for consumer decisions and reviews, and building simultaneously a positive reputation in face of the various stakeholders. Although the recent marketing literature indicates a positive link between companies' involvement in social and environmental causes and consumer goodwill towards firms and brands, the effects of social reputation on consumer behavior are not entirely demonstrated. In the context of these evidences, this paper analyzes the consideration of responsibility criteria (CSR) over the different stages of the consumer decision-making process in the agro food sector. Particularly, a self-administered questionnaire was conducted with a representative sample of consumers in Spain. In general, findings support a moderate impact of perceived business responsibility over the consumer decision-making process, while some discrepancies can be observed between individuals within gender and different age groups. Lastly, a final discussion is carried out gathering some interest considerations as direct reflection of results obtained and further lines of future research are indicated.

Keywords: corporate social responsibility (CSR), consumer behavior, consumer decision-making process, food sector, gender and age

Introduction

The Green Paper for promoting a European Framework for Corporate Social Responsibility (CSR) describes it as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001, p. 6). In this sense, not without reason, the usage of CSR as a marketing strategy to influence consumers and differentiate product offers has become a frequent practice in current marketplaces (Becker-Olsen et al., 2006). Thus, most organizations are concerned for maintaining their reputation and making it clear their involvement with social demands, in order to improve the interactions with their various stakeholders, mainly the consumers (Vázquez et al., 2013).

Therefore, firms have been found to engage in socially responsible behaviors not only to fulfill external obligations, but also due to self-interest considerations such as increased competitiveness and improved stock market performance (Drumwright, 1994; Klein and Dawar, 2004; Waddock and Smith, 2000). In fact, many companies advertise their ethical practices to distinguish their products and achieve competitive advantage (Castaldo et al., 2009), and by this mean, the availability of information on corporate responsible practices is considered a key determinant of consumers' assessments and decisions (Valor, 2010).

However, the previous literature suggests that the effects of corporate social reputation on consumer behavior remain inconclusive or, at least, more complex than expected. On the one hand, major evidences reveal that socially responsible initiatives may induce consumer goodwill towards the organization, whereas irresponsible companies would be punished (Brown and Dacin, 1997; Maignan, 2001). On the other hand, some studies report explicit declarations by consumers that CSR is not a factor in their purchasing decisions (Carrigan and Attalla, 2001; Castaldo and Perrini, 2004).

An explanation of these controversial findings may be the specific stage of the consumer decision-making process considered in different studies. Particularly, some authors point to a certain misfit between the pre-purchase and purchase stages of the decision process. That is, while perceived responsibility may induce positive attitudes towards the company, ethical and social concerns seem to be relatively unnoticed by consumers when actually buying products and services (Singh et al., 2008; Vázquez et al., 2013). In this sense, consideration of perceived responsibility over the different stages of the consumer decision-making process may help to understand how consumers react to CSR stimulus and identify discrepancies between the three pre-purchase, purchase and post-purchase stages (Valor, 2010; Vázquez et al., 2014). In addition, some studies conclude that the relationship between perceived CSR and consumer behavior is largely dependent on the economic sector considered (Vázquez et al., 2014) and the specific motivations and characteristics of consumers.

To that respect, and in relation to the topic addressed in this study, we wonder if there is any sustainable consumption awareness among food sector beneficiaries. This enquiry is doubly remarkable because, on one hand, universalistic values such as "social justice" or "unity with nature" subscribed by lots of individuals represent in principle promising psychological motivations towards sustainable food consumption (De Boera, Hooglandb, and Boersema, 2006), and on the other, it must not be forgotten that convenience is and will continue to be, also for so many consumers, the most important driver when making purchase decisions (Toops, 2012).

In the context of the considerations previously mentioned, this paper aims to analyze: first, the consideration of CSR criteria over the different stages of the consumer decision-making process in the food sector, and second, the existence or inexistence of differences between gender and age groups (it could be assumed that the identification of segments of population with different concepts of social responsibilities could help managers of agro-food companies to improve adaptation of CSR decisions to the specific demands of objective publics). The originality of this study lies, then, in these two main aspects since the amount of papers focused on those topics is limited.

Subsequent sections review the previous literature on CSR and consumer decision-making and present some previous evidence focused in the food sector. Then, it is presented an empirical study carried out with a sample of Spanish consumers, and finally some main conclusions and considerations are discussed.

Literature review

CSR and the consumer decision-making process

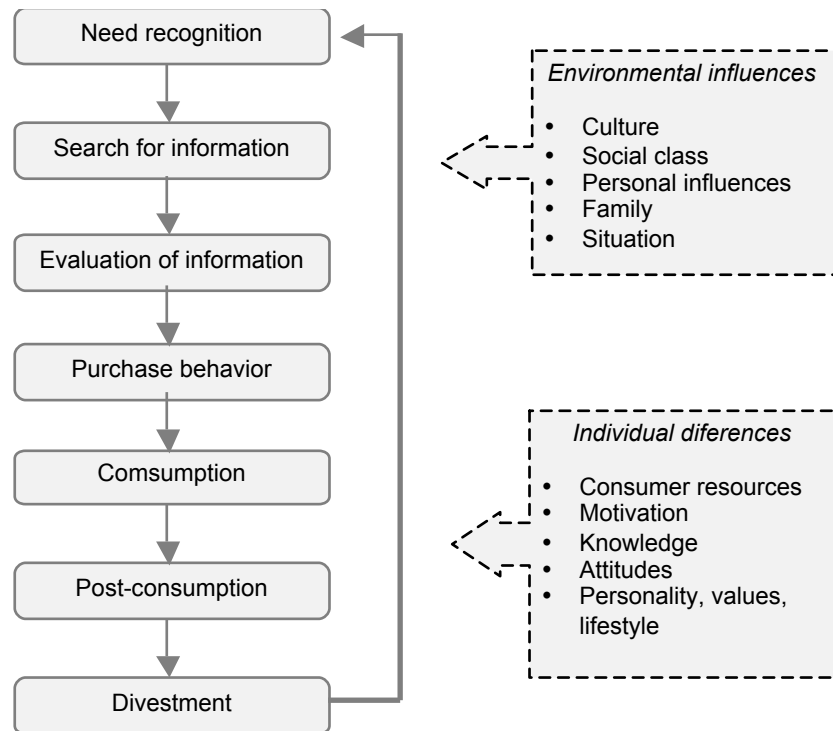
Over past decades, many models have been proposed in the marketing literature to explain the way in which people make consumption decisions and choose between products and brands. One of the most influential has been the consumer decision-making process model by Engel, Kollat and Blackwell, which represents a general road map of consumers' minds when purchase decisions are made (Blackwell et al., 2006).

According to the model (Figure 1), the consumer decision-making process goes through seven major stages, namely: need recognition, search for information, pre-purchase evaluation, purchase, consumption, post-consumption evaluation, and divestment. The model also shows how different internal and external forces interact to affect how consumers think, evaluate, and act.

The model states that the starting point of any purchase decision is a customer need. Need recognition occurs when an individual senses a difference between the ideal and the actual states of affairs. Once need recognition occurs, consumers begin searching for information and solutions to satisfy their unmet needs. According to the authors, search may be internal (i.e., retrieving knowledge from memory according to previous experiences) or external (i.e., collecting information from peers, family and the marketplace). At the same time, search may be passive (i.e., being more receptive to information) or active (i.e., researching consumer publications and on the Internet, paying attention to ads, visiting shopping malls, etc.).

The next stage of the consumer decision-making process is evaluating alternative options identified during the search process, in order to develop preferences and select from various products or services. To do that, consumers employ different evaluative criteria, defined as the standards and specifications used to compare different products and brands. After assessing the information available, consumers make decisions on whether or not to purchase the product or service. If the purchase is made and the consumer takes possession of the product, its consumption and use will determine the experiences of satisfaction or dissatisfaction that will serve as guidance for future buying decisions.

Similar sequences of stages within the consumer decision making process have been suggested by other authors to explain the influence of business responsibility on consumer behavior (e.g., Öberseder et al., 2011; Vázquez et al., 2013; 2014). For instance, Valor (2010) considers four stages to explain responsible buying decisions, namely: antecedents of responsible purchase, information acquisition, evaluation of alternatives, and purchase behavior.

Figure 1. The consumer decision-making process

Source: Adapted from Blackwell et al. (2006)

Briefly, the author acknowledges the role of personal and cultural values and efficacy perceptions as basic triggers of the consumer responsible decision making process, together with the availability of information on firm's responsible practices and their social and environmental impact, and the assessment of the information recovered. At this point, the purchase behavior would occur when the consumer is willing to sacrifice economic and quality criteria in consideration of non-economic social or environmental strengths (Valor, 2010).

In addition, several studies have analyzed the effects of perceived CSR in specific stages of consumer behavior. In this line, numerous studies demonstrate the link between CSR and positive responses by consumers, including identity attractiveness towards the company (Lii and Lee, 2012; Marín et al., 2009; Sen and Bhattacharya, 2001), corporate attitudes (Becker-Olsen et al., 2006; Brown and Dacin, 1997; Singh et al., 2008), loyalty and commitment (Lacey and Kennett-Hensel, 2010; Matute-Vallejo et al., 2011) positive evaluation of products (Creyer and Ross, 1997; Folkes and Karnins, 1999), reactions to price (Creyer and Ross, 1997), and purchase intentions (Becker-Olsen et al., 2006; Maignan, 2001).

Nevertheless, some other results point that consumers' opinions about quality have stronger effects on their evaluations than social responsibility associations (Brown and Dacin, 1997). Likewise, tangible aspects such as price, innovation, guarantees and other information about the product are known to affect buying decisions directly (Castaldo et al., 2009; Maignan and Ferrell, 2001), whereas ethical and social concerns seem to be relatively unnoticed by most consumers (Castaldo and Perrini, 2004; Singh et al., 2008).

Similarly, some previous works state that people may care less about what firms are doing that about why they are doing it (Gilbert and Marlone, 1995). Consequently, citizens may perform responsible consumer behaviors as a mean to express personal values and beliefs or to punish irresponsible firms and brands (Mazar and Zhong, 2010; Valor, 2010). Likewise, research suggests that consumers are skeptical of firms' self-interested reasons for engaging in CSR (Forehand and Grier, 2003; Luo and Bhattacharya, 2006; Webb and Mohr, 1998) and will punish firms that are perceived as insincere in their social involvement (Brown and Dacin, 1997; Sen and Bhattacharya, 2001; Yoon, Gürhan-Canli, and Schwarz, 2006). From this view, many authors suggest that the specific attributions that underlie perceived motivations are likely to influence the evaluation of the firm (Becker-Olsen et al., 2006; Ellen et al., 2000), thus altering the relationship between CSR practices and consumer responses (Barone et al., 2007; Valor, 2010).

For instance, Vlachos et al. (2009) examined whether, how and when suspiciousness influences consumers' evaluation and reaction to CSR. The authors hypothesized that values-driven attributions would have a positive effect on consumer trust, patronage intentions and positive recommendations, whereas stakeholder-driven, strategic-driven and egoistic-driven would negatively affect those criteria. Findings revealed that most consumers ascribe mixed motives to corporate engagement in responsibility initiatives and the negative effects of CSR seem to be more profound than previously recognized, since increasingly suspicious consumers entertained multiple attributions of CSR motives, which were mainly negative and directly influenced both internal and behavioral consumer responses.

Related to this, next section presents some previous evidence related to CSR and consumer behavior in the food sector.

CSR and consumer behavior in the food sector

Debating on CSR and food consumption, it is worth of mention that there is an old relation between food and sustainability dating back to the 1980 (Rana, Platts, and Gregory, 2008). In this context, the food sector faces for many years several challenges in terms of CSR (Hartmann, 2011). Primarily, the food sector is directly influenced by environmental, human and physical resources. Moreover, the food sector is diverse and complex and this reality provides different perspectives of approaching CSR which further implies conflicting perspectives in this respect. Costanigro, Deselnicu, and McFadden (2016) gather a series of nine activities geared to that accomplishment of CSR, initially developed for the dairy industry but adaptable to different food sectors, which were the search of animal welfare, control of energy consumption, control of water consumption, control of air pollution, community involvement, encouragement of employee opportunities, stimulation of local operations, waste management, and commitment to sustainable agricultural practices. Moreover, to these actions it could be added the communication of CSR-related information as a CSR activity itself, understood as an exercise in transparency and reliability.

In line with the previous, the influence of CSR over the consumer decision-making process in the food sector is more relevant and appropriate in a context when domestic food chains are challenged by tightening price competition which furthermore determines food enterprises to permanently detect sustainable sources

or competitive advantage (Forsman-Hugg et al., 2007). In this context, many experts have analyzed the main obstacles that a sustainable consumer food choice is likely to face. For instance, Grunert (2011) identify six barriers related to awareness, perceptions or credibility. One of those obstacles may consist in the idea that exposure does not lead to perception, which means that customers may notice the existence of a certain CSR brand but without purchasing it. Moreover, perception leads to peripheral processing if we take into account that usually customers, although noticing a new brand, do not make the necessary effort to understand it. However, if we presume that customers succeed to see the label they might not understand its meaning or message due to a wrong reasoning. Furthermore, we should not forget that eco-information is traded off against other criteria. Thus, potential consumers might be afraid that the price is higher and maybe the taste is not so good. Regarding the fifth possible obstacle that a potential consumer might face in his behavior this is the lack of awareness or credibility: customers use to hesitate while choosing sustainable products because they find difficult to carry them out in practice. That's because consumers can say that they seek for "green food" but without necessarily buying it (Ward, 2012). Ultimately, any kind of association between products and motivations can be perceived as a way of enduring personal values (de Boera et al., 2006). Finally, the last possible obstacle or barrier, according to this classification, consists in the lack of motivation at time of choice. This barrier is characterized by the attitude of consumers to "forget" their positive attitudes related to sustainability while making food choices (Grunert, 2011).

Aside those above mentioned CSR barriers usually faced by the food sector, there are four "gold rules" that could be also considered stoppages for sustainable consumption (Dzene and Yorulmaz, 2011). First of those assertions supports the idea that the lack of an unsatisfied sustainable need excludes from the start the possibility to purchase new products created on CSR principles. The second statement pleads for the idea that a negative attitude towards sustainability won't lead to a sustainable consumer behavior. Continuing the list of thoughts that can represent CSR barriers, the third one states that the lack of clear information about sustainable food products might have a negative impact on the decision making process. Finally, according to the last statement, there is a straight relation between the availability of sustainable products and consumer's ability to purchase because the first one determines doubtlessly the second one.

In Table 1, all these barriers and obstacles have been intuitively arranged according to the different stages of the consumer decision-making process.

Table 1. Barriers to sustainable food consumption considering the five stages in the decision-making process

| Stage | Barrier |
|-----------------------------|--|
| Need recognition | - Customers may not have a prior sustainable need to be satisfied |
| Search for information | - Customers exposure to sustainable products may not lead to perception of them - Customers may have a negative attitude towards sustainability |
| Evaluation of information | - Customers may perceive the existence of sustainable products but they do not process the information received - Customers may perceive the existence of sustainable products but they process the information received erroneously - Customers may attach greater importance to physical properties of products (such as price, taste,...) than to sustainable criteria - Customers may find a scarce or not clear availability of sustainable information in the marketplace |
| Purchase/rejection decision | - Customers may notice the existence of sustainable products but they refuse to purchase them - Customers may notice the existence of sustainable products but they are not motivated to purchase them at the last moment - Customers may find an insufficient availability of sustainable products in the marketplace |
| Consumer satisfaction | - Customers may tend to doubt the credibility of sustainable products and the way of managing them in practice |

Source: Authors from Dzene and Yorulmaz (2011) and Grunert (2011).

As evidenced in this latter, as both the array of food-related CSR practices and barriers are wide and disperse, the research on sustainable consumer behaviour has also been inevitably reflected in a wide-ranging studies about customer loyalty, brand image, reputation and credibility (Cha, Yi, and Bagozzi, 2016; Choi, 2017, Obermiller et al. 2009; Pino et al., 2016; Pivato, Misani, and Tencati, 2008; Swimberghe and Wooldridge, 2014), product awareness and product evaluation (Costanigro et al., 2016; Kozup, Creyer, and Burton, 2003; Lee et al., 2014; Lotz, Christandl, and Fetchenhauer, 2013), or purchase intention and willingness to pay –WTP- (Chen, Wen, and Luo, 2016; Hartmann, 2011; Kozup et al. 2003; Mohr and Webb, 2005; Pino et al., 2016; Yoon and George, 2012).

Even though it is clear all such studies cover pre-consumption, purchase-consumption and pos-consumption phases in which consumers go through in their consumption patterns, it is worth of mention that there are few studies focused on

CSR and its effects over the different stages of the consumer decision-making process as a whole considering as well demographic differences in respect to food consumption.

Based on this, the present study is intended to analyze the importance of CSR for consumer behavior in the food sector in reference to five key stages of consumer decision-making (need recognition, search for information, pre-purchase evaluation, purchase behavior -considering both reward and punishment actions-, and post-consumption evaluation) and two demographic variables (gender and age).

Methodology

In order to address the purpose previously pointed, it was conducted a survey study with a total sample of 1,752 consumers from the Spanish region of León, reaching thus a representative sample size for a significance level of 95.5%. Respondents were randomly selected from general population according to real distributions by gender and age (INE, 2016). Based on these criteria, the total sample comprised 931 females (53.1%) and 821 males (46.9%), aged 18 to 75 years old ($M = 43.54$). By age group, 31.5% were aged 18 to 35 years old, 29.3% were 36 to 50, and 39.2% were 51 to 75 years old. For more detailed information about methodological aspects, see Table 2.

Table 2. Technical data.

All respondents answered voluntarily to a questionnaire composed of two main sections. The first section gathered information about the most basic demographic variables, age and gender. In turn, the second section was integrated by 23 items concerning the responsible consumer decision-making process in regard to food products. These 23 items were organized in six scales representing the five stages of the consumer decision-making process considered in the study (based on Figure 1). For each items, participants were asked to report their level of agreement on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Particularly, need recognition was assessed with three items asking consumers about their awareness of business responsibility as a consumer expectation (e.g., "I feel the desire of buying products from responsible firms"). Six items were used to ask participants about their search behavior for information concerning responsibility (e.g., "I pay attention to firms' responsibility advertising"). It was used a scale of five items to assess the relative weight given by consumers to responsibility criteria when evaluating the information recovered and making purchase decisions (e.g., "I rather prefer buying products of responsible firms"). Three items assessed participants purchase behavior in consideration of such responsibility criteria (e.g., "I usually buy products of responsible firms and brands"). Two more items evaluated the tendency of participants to punish those companies which do not follow responsible criteria (e.g., "I have stopped buying some products and brands because they were sold by irresponsible firms"). Finally, a scale of four items was also used to assess consumer satisfaction in previous transactions with responsible firms (e.g., "The products I have bought from responsible firms and brands have satisfied my expectations").

Once data were collected and processed, Cronbach's alpha (α) coefficients for each one of six scales were calculated with the intent to check the reliability levels. After that, it was conducted a Multivariate ANalysis Of VAriance (MANOVA) using the

software SPSS version 24.0.0 to perform an intra-group comparison in the consumer decision-making process for food products considering gender and age of participants (this latter divided into three brackets; 18-35, 36-50, and 51-75).

With respect to peculiarities of the MANOVA, at the time of the estimation of statistically significant differences among the dependent variables, Bonferroni correction was used at the first stage of the analysis to adjust the significance level in relation to the number of statistical tests simultaneously performed on the same set of data. This adjusted alpha level was calculated for each test by dividing the overall error (value of .05) into the number of tests to perform (number of items). Furthermore, in latter stages, for those cases where age differences emerged as significant, HSD Tukey post hoc test was also performed to analyze these differences by age range.

Results

Need recognition

Figure 2 displays the mean scores obtained in the scale aimed at assessing consumers' recognition of responsibility needs in their purchase decisions of food with regard to their gender and age range. In general, respondents reported a moderate desire of buying products from responsible firms, with average scores around the intermediate 2.77. In the same respect, they were not so conscious of the contribution of responsibility criteria to the better satisfaction of their needs. However, mean scores for the third item of the scale were slightly higher, thus confirming certain level of awareness of the value of firms' responsible actions.

Figure 2. Mean differences in need recognition ^a

Note. ^a Cronbach's alpha = .624; $p < .016$ (Bonferroni adjusted alpha level); * $p < .05$; ** $p < .01$

Source: Authors.

After the first MANOVA was performed, it was only obtained a statistically significant effect of gender on the three items of need recognition, which reached statistical significance according to a Bonferroni adjusted alpha level (Figure 2). All of these indicate that women show a higher desire for acquiring food products from responsible companies than men.

Search for information

Figure 3 summarizes the mean scores obtained by the total sample in the six items used to measure search for information on responsibility regarding gender and age. Again, punctuations were moderated, around the intermediate 2.57 for all variables. It is however worth mentioning that mean scores were slightly higher for the last item of the scale, thus pointing to certain unawareness on the responsibility criteria fit by firms and brands.

Figure 3. Mean differences in search for information ^a

| | |
|---------------------------|--|
| Population | 472,545 inhabitants of León (Spain) |
| Sample size | 1,752 individuals |
| Surveying technique | CAPI (computer aided personal interview) |
| Field workers | College students |
| Sampling method | Simple random sampling |
| Sampling error (e) | ±2.39% |
| Level of significance (a) | 95.5% (p = q = .50) |
| Date | March to June 2013 |

Note. ^a Cronbach's alpha = .729; p < .008 (Bonferroni adjusted alpha level); * p < .05; ** p < .01

Source: Authors.

In a second MANOVA, it was analysed the effect of age range and age on the propensity of consumers to search for information on the responsibility of food-related firms and their products and brands. In this case, it was found a statistically significant difference for both variables (gender and age) in some of the combined dependent variables. Likewise, when the results for the dependent variables were considered separately, statistically significant differences arised from first, fourth, and sixth items for gender, and from first, fifth, and sixth items for age according to a Bonferroni adjusted alpha level (Figure 3). In general terms, women show, for all items, a greater interest and knowledge in responsible food products and firms than men.

Later, HSD Tukey post hoc test displayed that respondents aged about 18-35 appeared to be less interested in being informed about the responsibility of firms (M = 2.44) and less aware of which food brands are responsible (M = 2.87) than the rest of the sample. For its part, those participants aged 51-75 indicated to have less buying experiences with responsible firms (M = 2.31) than the other groups.

Namely, the lack of awareness of responsibility criteria is especially relevant among men and consumers aged about 18-35 and 51-75 years. Mean scores obtained for the six items in each variable are summarized in Figure 3.

Evaluation of information

Figure 4 shows the mean scores obtained in the five items on evaluation of the responsibility information recovered in the previous stage of the consumer decision-making process. Punctuations conserved the same moderate trend described in previous sections (2.70). It is however worth mentioning that mean scores were higher for the last item of the scale (3.52), thus pointing to a higher prevalence of physical properties of food products over their responsibility criteria, whose assessment when comparing products is quite limited.

Figure 4. Mean differences in evaluation of information ^a

Note. ^a Cronbach's alpha = .732; $p < .01$ (Bonferroni adjusted alpha level); * $p < .05$; ** $p < .01$
Source: Authors.

Related to this, it was again analysed the effect of gender and age on the propensity of consumers to assess positively the responsibility of firms and brands when comparing food products. Finally, statistically significant differences were found uniquely for the combined dependent variable age in terms of Bonferroni's adjusted alpha level (Figure 4). This fact denotes that respondents do not differ remarkably in terms of gender when evaluating different alternatives of food product.

After that, a HSD Tukey post hoc test were performed. It displayed that youngest respondents (aged about 18-35) seemed to be less susceptible to CSR-related practices carried out by food products brands at the time of evaluating information phase prior to purchase decision. These respondents are less prone to pay higher prices for products of responsible firms ($M = 2.36$) than those others aged between 36-50 ($M = 2.53$) and 51-75 ($M = 2.53$), and also less willing to make efforts ($M = 2.26$) involving a great deal of time or travelling (compared to $M = 2.47$, and $M = 2.51$, respectively). In the same line, the social responsibility of food brands is a decision criterion less important for this group ($M = 2.34$) than it is for those between 36-50 ($M = 2.57$) or 51-75 ($M = 2.50$), paying more attention to the physical properties of products ($M = 3.65$) in comparison to participants of 36-50 ($M = 3.42$) and 51-75 ($M = 3.48$). Mean scores obtained for the five items in each age range are summarized in Figure 4.

Purchase decision

Figure 5 summarizes the mean scores obtained by respondents in the three items on purchase decision based on responsibility criteria. Once more, it was observed a moderate propensity to buy food products of responsible firms and brands.

By a new MANOVA, it was obtained a statistically significant effect of age on the three items of purchase decision based on responsibility criteria (not of gender). Also, when the results for the dependent variables were considered separately, statistically significant differences arised from all items (Figure 5). In general terms, men and women tend to buy products from responsible food firms and brands in similar ways.

According to the HSD Tukey post hoc test, the youngest respondents, aged about 18-35 years, are less faithful to responsible firms ($M = 2.37$) and buy responsible food products ($M = 2.83$, and $M = 2.54$) to a lesser extent than the other age segments of the sample.

Figure 5. Mean differences in purchase decision ^a

Note. ^a Cronbach's alpha = .827; $p < .016$ (Bonferroni adjusted alpha level); * $p < .05$; ** $p < .01$
Source: Authors.

Rejection decision

Figure 6 displays the mean scores obtained in the two items aimed at assessing consumers' tendency to punish those food brands and firms which do not fit responsibility criteria. In general, respondents reported as well for these a moderate intention to reject buying non-responsible food products, with average scores around the intermediate 2.69.

Figure 6. Mean differences in rejection decision ^a

Note. ^a Cronbach's alpha = .654; $p < .025$ (Bonferroni adjusted alpha level); * $p < .05$; ** $p < .01$
Source: Authors.

After due MANOVA, it was only obtained a statistically significant effect of age on the combined dependent variables. After that, HSD Tukey post hoc test indicated that the group of youngest respondents, aged about 18-35 years, once again, is the least likely to stop buying food products from non-responsible firms ($M = 2.75$, and $M = 2.37$) when compared to the other groups. Mean scores obtained for the two items in each variable are summarized in Figure 6.

Consumer satisfaction

Figure 7 gathers the mean scores obtained for the total sample in the four items regarding consumer satisfaction. This time punctuations were slightly higher, above 3.08 in most cases. Accordingly, respondents were quite satisfied with their purchases to responsible firms and reported positive intentions to buy the same products again and recommend them.

Figure 7. Mean differences in consumer satisfaction ^a

Note. ^a Cronbach's alpha = .940; $p < .0125$ (Bonferroni adjusted alpha level); * $p < .05$; ** $p < .01$
Source: Authors.

The results of the MANOVA showed that there were statistically significant differences neither by gender nor by age in the four items of consumer satisfaction according to a Bonferroni adjusted alpha level (Figure 7). All of these indicate that both women and men, whatever their age, reported stronger levels of satisfaction when buying responsible food products, and therefore, positive intentions to buy the same products again and recommend them.

Discussion and conclusion

This paper has been aimed at analyzing the consideration of responsibility criteria over the different stages of the consumer decision-making process, in order to identify potential discrepancies between the pre-purchase, purchase and post-purchase stages. Related to this, the results of a comparative study considering the particularities of responsible consumer behavior with respect to the sociodemographic variables of gender and age in the sector of food are presented in previous sections.

Taken together, findings support a moderate impact of perceived business responsibility over the five stages of the consumer decision-making process analyzed, which is generalizable to men and women and different age ranges. However, some particularities are worth mentioning.

In general terms, women tend to be more concerned about responsibility criteria of food companies than men, above all in the pre-purchase stages of the decision-making process, need recognition and search for information. For this matter, the female segment still continues to be highly representative regarding food products consumption in comparison with men. In the other hand, surprisingly, women do not differ in a significant manner from men at the time of purchase itself, the only step that creates income for companies, nor at the post-consumption evaluation step.

For its part, youngest participants (between 18 and 35) are the least worried about responsibility actions of food companies when compared to the rest. This very group is not quite interested in the search for CSR information (even though it is, traditionally, the best informed segment) and tends to pay more attention to the physical properties of products, such as price and other tangible aspects, and be less prone to reject non-responsible firms and brands.

Particularly, in reference to this point, those older respondents, aged between 51 and 75 years, seem not to be quite familiar with responsible food products consumption nor responsible food brands, placing them among the most unaware group of responsible food-related consumption experiences of the three.

Considering all findings, it is beyond any doubt that responsibility actions drive to positive attitudes towards food companies, but it is true as well, in the light of the results, that these responsible concerns go somewhat unnoticed by individuals at the time of purchase. This latter together with the lack of consistency in the responses of participants along the different stages of the decision-making process reflects a high degree of social desirability (Thompson and Phua, 2005); just keep in mind that, whereas participants indicated a certain level of satisfaction after acquiring responsible products and the possibility to consume them again in the future and/or recommend them to other people, the pointed levels of search for and evaluation of responsible information and purchase of responsible products were significantly lower, that is, they do not purchase responsible products and at the same time are satisfied and would recommend them to others, which represents an inconsistency itself.

These exploratory results, far from being conclusive, suggest that there is still a poor involvement by consumers on what a CSR actually represents with regard to food products and services. This research aims not to give a harsh criticism but to call upon companies to pay more attention to the active promotion of responsible actions, encouraging the awareness of citizens.

Finally, despite the contribution of this study, the scope of the findings is limited by some aspects. First of all, it is necessary to point that the research context is only focused on a single product category, which restricts the generalizability of the results to other products. In the same line, this study has retrieved information from one particular geographic region. Moreover, another factor that should not be overlooked is that the measuring instrument has not been tested and validated before, even

though it has been developed from theoretical foundations and associated reliability indexes have been included. These limitations, however, represent new opportunities for an enhanced future research, since this approach if replicated (i.e. in other sectors of activity) and expanded (i.e. to national/international contexts) and its errors if controlled would endow future studies with greater validity, generalizability and comparability of results.

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Management of Conditionality by EU

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Abstract

European Union uses conditionality as the main tool, which reaches measurable results and a regret mechanism for each country offering advancement in the EU integration process. The aim of this paper is to analyze the conditionality of EU towards potential country for integration, Kosovo. The main question of the paper is how EU manages Conditionality Europeanization in Kosovo and how EU uses conditionality in the case of Kosovo. In order to analyze conditionality, I used discourse analysis of a Dialogue Meeting of the Stabilization and Association Process. I conclude that EU uses two types of conditionality towards Kosovo, whereas is ready to accept also good arguments and reasons from the representatives of Kosovo.

Keywords: Conditionality, Kosovo, SAA, EU, Western Balkan

INTRODUCTION

Western Balkan countries are going through rapid changes the countries by strengthening the functionality of the states, rule of law and economic development. These countries went through dissolution of a federation and their transformation is done linked to the democratization, state-consolidating process and Europeanization in the same time.

EU conditionality is used as a tool to reach measurable results and a regret mechanism for each country offering advancement in the EU integration process. In fact, it is a process of change that transcends the conventional legal and political transformations, that occur through technical process of integration centered on the *acquis communautaire* (Radaelli, 2003, 8).

EU conditionality has not been applied similarly at all candidate countries. During the integration process in South East Europe countries, but also in Western Balkan countries, conditionality has been based on the Copenhagen criteria, asking countries to fulfill political, economic and adaption of the EU laws. Because of the specifics of the countries, the EU conditionality is very diverse and differs from country to country. EU has advanced the conditionality based on the lessons learned from each country and started to apply it in Western Balkan at a far early stage.

In Western Balkan countries, conditionality is combined with a lot of deliberation and is not the only tool in the accession roadmap. EU also supports largely the transformation of these countries through assistance programmes. For more, these countries had to reconstruct and reform their newly established systems, which has less experience with democracy and are characterized with lack of the rule of law.

In 2018, European Commission published the Strategy, which confirmed the clear perspective of the Western Balkan countries into EU. This strategy

presented common challenges of the region such as rule of law, corruption, institutional democratization, economic development, capacity building, youth unemployment, etc.

So, this paper is focused on the case study Kosovo, as newly established country of the Western Balkan region. Kosovo is going through different processes at the same time: state building, democratization of institutions and society, reconciliation with Serbia, international recognition and membership in international organization and integration of minorities. Despite high presence of EU institutions in Kosovo, EU does not recognize Kosovo as a country due to the fact that 5 member countries still do not recognize Kosovo.

This paper tries to answer the question: *How EU applies conditionality towards Kosovo in the pre-accession period?* I chose a Dialogue Meeting between EU and Kosovo representatives in the Stabilization and Association Process Dialogue. This study has been qualitatively analyzed with a discourse analysis. For measuring conditionality, I have introduced three measurement levels: Implicit conditionality, explicit conditionality and no conditionality. This Meeting has been chosen, because it represents an official Mechanism, which arises, from the Stabilization and Association Agreement. The analysis of this Meeting will cover the main substance of the paper and will be analyzed quantitatively by measuring the level of conditionality in the pre-accession process of Kosovo towards EU. Each speech act of this meeting has been coded and analyzed separately.

Besides, quantitative data of the case study, I will also qualitatively analyze EU strategic documents on Western Balkan countries and Kosovo, such as EU Progress (country) Reports on Kosovo, other relevant documents and literature.

The first part of this paper will outline the theoretical part on conditionality. The second part I will present the methodology for the analysis of the study-data. The third part will present the results of the case study. Finally will have the conclusions.

THEORETICAL FRAMEWORK

EU policy towards candidate countries is generally described as predominantly a policy of conditionality. It is conceptualized as a “bargaining strategy of reinforcement by reward” in which the use of threats and promises influences the likelihood of compliance with the imposed criteria (Schimmelfennig/Sedelmeier, 2004, 64). Conditionality thus acts as a gate-keeping mechanism, as EU allows, based on satisfactory performance, access to the upper stages of the association or integration process (Heather, 2002, 57). Schimmelfennig et al. have treated the EU normative democratic conditionality as a ‘reinforcement strategy’ rather than a strong causal mechanism in its own right (Schimmelfennig/Sedelmeier, 2004, 67). The Union controls this process by means of 1) access to negotiations, 2) the provision of legislative and institutional templates, 3) aid and technical assistance, 4) policy advice, and 5) monitoring (Heather, 2002, 57).

The bargaining process is a domestic status quo, which differs to some extent from an EU rule. This status quo is conceived as a ‘domestic equilibrium’

reflecting the current distribution of preferences and bargaining power in domestic society. EU conditionality upsets this domestic equilibrium by introducing (additional) incentives for compliance with EU rules into the game. Conditionality can affect the target government either directly through intergovernmental bargaining or indirectly through the differential empowerment of domestic actors. In the latter case, conditionality changes the domestic opportunity structure in favour of domestic actors with independent incentives to adopt EU rules and strengthens their bargaining power vis-à-vis their opponents in society and government (Börzel/Risse, 2000, 6). However, rule adoption requires the authoritative decision of the target government, which seeks to balance EU, domestic, and other international pressures in order to maximize its own political benefits. The most general proposition of the external incentives model under a strategy of reinforcement by reward is therefore that a state adopts EU rules if the benefits of EU rewards exceed the domestic adoption costs. In turn, this cost–benefit balance depends on (1) the determinacy of conditions, (2) the size and speed of rewards, (3) the credibility of threats and promises, and (4) the size of adoption costs (Schimmelfennig/Sedelmeier, 2004, 70). The determinacy of the EU's conditionality and the determinacy of the rules from which it is derived enhance the likelihood of rule adoption. Determinacy refers both to the clarity and formality of a rule. The clearer the behavioural implications of a rule, and the more 'legalized' its status, the higher its determinacy (Schimmelfennig/Sedelmeier, 2004, 71).

In the context of democratic conditionality, the effectiveness of EU external governance depends crucially on the initial conditions in the candidate countries. Effective external governance was restricted to a particular set of countries, namely the more fragile and unstable democracies. By contrast, in the democratic frontrunners, such as the Czech Republic, Hungary and Poland, EU governance was unnecessary for democratization and democratic consolidation, while it was ineffective in undemocratic countries. In conformity with the external incentives model of external governance, these differences can be mainly explained by the costs that incumbent governments incur if they adopt EU rules (Schimmelfennig/Sedelmeier, 2004, 67).

As Vachudova (2003) argues, however, EU incentives may still have been a sufficient condition for successful rule transfer, by producing such electoral change through domestic empowerment. Even if EU incentives failed to affect authoritarian governments directly, (the threat of) exclusion by the EU signalled to the societies in these states that the incumbent government was the main obstacle to their country's EU accession. These signals undermined the authoritarian governments' credentials as reformers, mobilized the electorate against the authoritarian governments, and induced a weak and fragmented opposition to join forces. In many cases, these changes brought reform-oriented parties to power – such as in the Balkans and in Slovakia between 1997 and 2000 – and put the countries (back) on the track to membership (Vachudova, 2003, 7).

Conditionality in the context of Western Balkan, EU does not mean just an enlargement tool, it is a political multi-dimensional and multi-purpose instrument of EU Foreign and Security Policy, geared to establish reconstruction, reconciliation and reform.

EU sets requirements and conditions for each country based on the assessment reports, which are called Country (Progress) Reports. While, all Western Balkan countries look forward to the EU integration path, the EU is in a perfect position to transform democratic values in the governance of these countries. Because, of the peculiarity of the candidate countries, the EU is also using other means than conditionality in order to complement the negotiations with the candidate countries.

THE EU IN KOSOVO

European Union remains one of the main international actors in Kosovo, whose role is crucial in building, functionalizing and democratizing the institutions of Kosovo. Even EU does not recognize Kosovo as country, EU included Kosovo in all its Strategies and mechanisms of Western Balkan. This helped Kosovo to define its European integration path and integrate European integration objectives in all its future plans and documents. In 2016, EU and Kosovo signed the first contractual Agreement, SAA. This was one of the most important steps towards Kosovo's EU perspective; even five member countries still do not recognize Kosovo.

Besides its democratization role, EU has diploid the biggest Rule of Mission in Kosovo, EULEX. This mission aim was to advise, monitor and increase capacities in the field of rule of law, but its outcomes and fulfillment of the mission is contested.

In order to support Kosovo in adapting and implementing the political, social and economies, EU included Kosovo to IPA II. All, IPA projects achieved tremendous results in various fields in Kosovo in order to comply with the EU-s values. With this support, EU assures its conditionality towards Kosovo's institutions in order to transfer EU governance.

THE LEVELS OF CONDITIONALITY

In order to measure conditionality, I applied a quantitative methodology using a meeting of the Stabilization and association process dialogue as a research case study. I attended in meeting and took notes of the dialogues. In addition, I observed tone and manner as well as the body language of the speakers. All in all, I coded and evaluated 30 units/dialogues from these meetings.

I have divided conditionality into three categories/ codes:

No conditionality:

In all dialogues, where both interlocutors present no clear and definite conditions to each other, then these are characterised as code: *no conditionality*. For instance: when the Kosovo representative answers all questions of the EU representative to his/her satisfaction and the other way around, than this is defined as no conditionality for each of the persons in the dialogue. This is because there has been no reason to make any threats that there will be consequences/sanctions on one of the parts.

Explicit conditionality:

In all dialogues, where one side (representatives of the EU or Kosovo) expresses dissatisfaction with the answers of the other representative/s, then this is characterised as code: *explicit conditionality*. For instance: The EU representative threatens that there will be negative consequences on the part of Kosovo, if in the future Kosovo representatives do not give enough arguments that previous requirements have been fulfilled. This code is also used if the threat is not expressed in words, but if by the tone of the language and gestures, the representatives understand that the threat exists from the other representative.

Implicit conditionality:

In all dialogues, where one representative of one side expresses dissatisfaction with the answers of the other representative but no threats for consequences will be presented I categorized this as: *implicit conditionality*.

For instance: The EU representative is not convinced with the answers of the Kosovo representative, however, does not threaten that there will be negative consequences on the part of Kosovo, if in the future the Kosovo representatives do not answer in a satisfactory way. Language and gestures do not indicate that Kosovo representatives must fear immediate negative consequences if next time their answers are not better. It is more a friendly encouragement from the EU side that next time the Kosovo side should make more of an effort to have satisfactory answers.

ANALYSIS OF THE DIALOGUES AND RESULTS OF THE STUDY

In this part I will present the results of the analysis of thirty dialogues, which are discussions between EU representatives and Kosovo representatives. All thirty dialogues are analysed in a more detailed method, where the real names have been coded with KS1, KS2, KS3, etc. and for representatives of EU with EU1, EU2, EU3, etc.

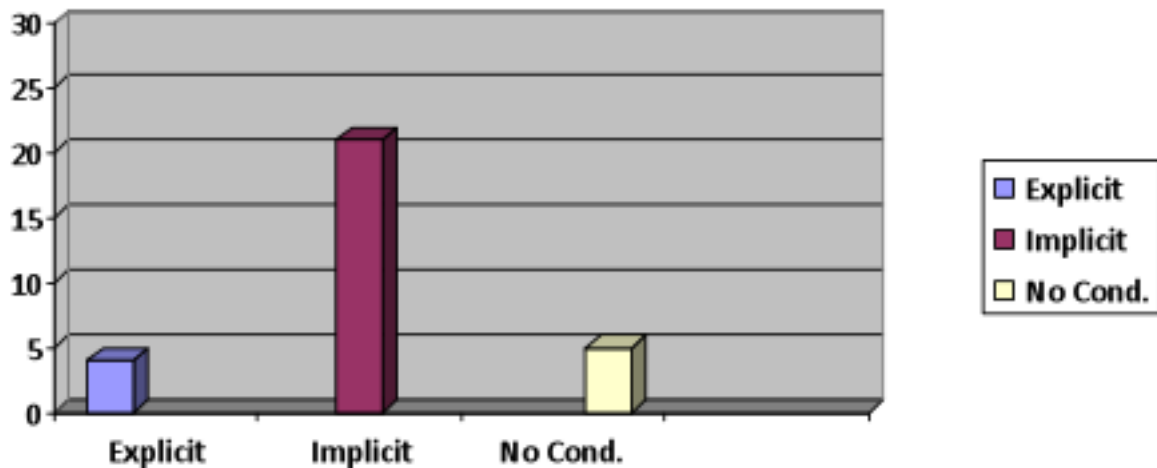
The discussions were based mainly in the conditions laid out by the EU in the previous strategic documents. The results of my study shows that European Union representatives made mainly implicit conditionality towards Kosovo representatives, due to the arguments that were presented. In the majority of the dialogues conditionality was used, in the most of the cases as implicit conditionality. The reason why implicit conditionality was used was that the Kosovo delegation had a good understanding for what was required and somehow was prepared, because there was explanation from the EU delegation on what they asked and the reasoning behind. So, in only 4 cases, the EU representative was very explicit and made clear conditions, even by mentioning the consequences if the requirement will not soon be fulfilled. In 5 cases, due to good deliberation, EU representatives did not require any conditions.

My overall judgement is that among the following three categories in conditionality the EU representatives get the following coding:

1. Explicit conditionality: 4
 2. Implicit conditionality: 21
 3. No conditionality: 5
- Total of dialogues: 30

As it is usually applied from the EU to third countries, conditionality mainly is used from the EU and not from the respective country. This was also the case in my study. During the meeting there was only a single case, where a representative from Kosovo explained that if the EU will not invest funds in a particular institution, negotiations would collapse. Otherwise, the Kosovo representatives did not express any conditions towards the EU. This was also because very few of these representatives are aware of the EU policies and bargain methods. These are the results of the dialogues for the Kosovo Representatives:

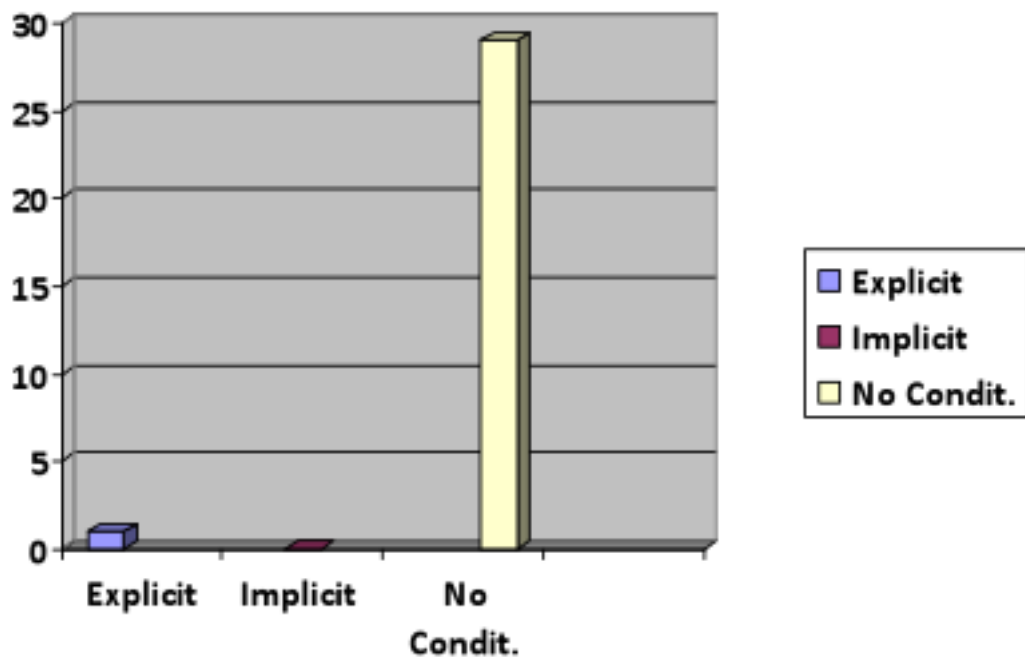
Fig. 1 Conditionality from EU representatives



1. Explicit conditionality: 1
 2. Implicit conditionality: 0
 3. No conditionality: 29
- Total of dialogues; 30

Overall, *explicit conditionality* was rare, even from the part of the EU delegation. It is remarkable, however, that there was still one case, where the Kosovo delegation used explicit conditionality. Thus, explicit conditionality was not used in an extremely asymmetric way. The two delegation encountered each other on quite an equal level. Contrary to what one could have expected, the EU delegation did not “play hard ball” with a tough bargaining style in the sense of hard-nosed rational choice theory. The EU delegation rather “played soft ball” in articulating conditionality merely in an implicit way or not at all.

Fig. 2 Conditionality from Kosovo representatives



CONCLUSION

The aim of this paper was to examine how EU manages Conditionality in Kosovo, which has been applied before the contractual accession process started officially. Based on the results of my empirical study, there are several conclusions, which can be drawn:

The results of this paper have shown that EU Conditionality was very present in the case study. The current Pre-Accession Dialogue Mechanism, which has been used as a study case in this paper, of the representatives of the EU and Kosovo, has shown the high need to share commonly the updated achievements and challenges with the EU, before the requirements for the near future and specific criteria are defined.

The results of the measurement of Conditionality showed that the EU uses two types of conditionality: implicit and explicit conditionality in this meeting, whereas it used the previous conditions laid out in the strategic documents. In this case, European Union representatives expressed mainly *implicit conditionality* towards Kosovo representatives, while they showed readiness to accept the arguments presented from Kosovo representatives. The reason why implicit conditionality was used was that the Kosovo delegation had a good understanding of what was required and was prepared to some extent. The EU required arguments on every presentation of Kosovo representatives and they were asked for the reasoning behind the arguments. So, in only 4 cases, the EU representative was very explicit and made clear conditions, even by underlining the consequences if the requirement would not soon be fulfilled. In 5 cases, due to good deliberation, EU representatives did not require any conditions.

As it is usually applied from the EU to third countries, conditionality mainly is used from the EU and not from the respective country. This was also the case in

my experiment. During the meeting there was only a single case where a representative from Kosovo explained that if the EU will not invest funds in a particular institution, negotiations would collapse. Otherwise, the Kosovo representatives did not express any conditions towards the EU. This was also because very few of these representatives are knowledgeable about the EU policies and do not know the EU bargain methods.

Overall, *explicit conditionality* was rare, even from the part of the EU delegation. It is remarkable, however, that there was still one case, where the Kosovo delegation used explicit conditionality. Thus, explicit conditionality was not used in an extremely asymmetric way. The two delegations encountered each other on quite an equal level. Contrary to what one could have expected, the EU delegation did not “play hard ball” with a tough bargaining style in the sense of hard-nosed rational choice theory. The EU delegation rather “played soft ball” in articulating conditionality merely in an implicit way or not at all.

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