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A CASE STUDY DISCUSSING THE IMPORTANCE OF INTERNATIONALISATION IN THE CURRICULUM.

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Abstract

The following case has been prepared following research conducted through a Leonardo Project which included 10 partner Polytechnics and Universities from Europe.

The focus of the project was to examine the impact and effect of team teaching within Content Language Integrated Learning (CLIL) across a variety of subject areas and countries.

This particular research was carried out with staff from Finland and the UK and the aim was to determine the importance of internationalisation in the curriculum.

It was determined that almost every partner did have several elements of internationalisation within their programmes. However, variations were evident in the structure and development, where some institutions have some very sophisticated and well established elements whilst others were very much in the embryonic stages.

This particular research was carried out with staff from Finland and the UK and the aim was to determine the importance of internationalisation in the curriculum.

Keywords

Leonardo; Internationalisation; curriculum; CLIL; Team teaching; Work Based Learning; Exchanges; Joint research projects; Cultural awareness; Language teaching.

Introduction

The following report has been compiled following research conducted with 10 universities and polytechnics throughout Europe as part of a Leonardo project. Partners represented several subject areas including business education; accounting; agriculture; health care and tourism and hospitality management.

The project commenced in November 2003, with partners from 5 polytechnics in Finland; 2 universities in Latvia; 1 university in Poland; 1 in Spain and Leeds Metropolitan University in England and will culminate in a conference in Helsinki in June 2006.

The aim of the project was 'to examine team teaching with particular reference to the transfer and boundary zones in Content Language Integrated Learning (CLIL)'.

The project was then divide into 5 themes-

- The potential of CLIL

- The potential of team teaching

- CLIL – Team Teaching and Internationalised Education

- CLIL and team teaching models

- Professional CLIL and team teaching competencies.

This case study is derived from the research conducted from theme 3- CLIL – Team Teaching and Internationalised Education.

Summary of methodology

A questionnaire (refer to appendix 1) was devised by the section 3 team and distributed to all partners during July/August 2004. Research was conducted by the team 3 members to determine what 'internationalisation' suggests to educational institutions. The results indicated several common factors such as- modules with international in the title; a language component; a placement/internship in another country; exchange programmes for both students and staff.

The questions were, therefore, constructed to elicit facts and opinions from all partners on a variety of issues concerning the degree and variety of international partnerships, exchange programmes, internships and any other initiatives which introduce and integrate some form of internationalisation in the curriculum at each institution. Questions relating to the use of language proficiency testing and of the internet were also included.

Ten responses were received and collated. One response was received from each institution, not from each school or department participating in the project.

From the following report, there are strong similarities between institutions, with most involved in many forms of internationalisation within the curriculum. Variations include the numbers of partners with who each partner works. Whilst the involvement in study exchanges, field trips and internships vary, it is evident that all partners are actively engaged in many activities to enhance the students' international experiences.

Some of the main differences appear to be the integration of ECTS European Credit Transfer System (ECTS) courses and the use of internet based learning. Furthermore, it is apparent that most institutions are not partaking in international proficiency tests and in some cases partners queried 'what is an international proficiency test?'

What is CLIL

Much has been written recently about employability and integrating competences for working life into the curriculum. Several programmes and toolkits have been developed to aid tutors and to assist students to develop in this way. It is no longer regarded as innovation in teaching and learning but as a requirement.

The CLIL approach 'brings language and communication skills, the hands-on tools all people need to use effectively in working life, into the heart of the curriculum' Marsh, Marsland and Stenberg (2001) p 1

The authors believe that it changes the ways students learn and offers them a fast-track way of gaining extra skills for the workplace.

Globalisation and the internet have created more opportunities for students and more importantly for graduates. Employers across all industries and professions demand competent employees and expect graduates to display and demonstrate a range of skills necessary for today's ever changing workplace. Furthermore, the changing economic situation means that academic knowledge is no longer sufficient to satisfy today's' employers-employability skills are essential to enhance student's prospects. Key employability skills include communication and presentation and social development and interaction Fallows and Steven (2000). These skills can all be developed using the CLIL principles as outlined below.

This in turn has changed the emphasis in teaching and learning methods. Traditionally and certainly in the UK, language teaching has been taught in isolation with no integration with other subject areas within the curriculum. There are very few examples of team teaching in higher education in the UK.

However, team teaching is seen as a key component of CLIL, where the language tutor teaches in tandem with the subject specialist. CLIL has been practised in several areas in other countries, e.g. Finland where there are many examples of good practice within health care and tourism.

CLIL follows Do Coyle's four principles

- Content- deepens and renews the teaching and learning of content subjects

- Communication- CLIL strengthens communication skills in a foreign language

- Cognition- CLIL provides intellectual challenge

- Culture/citizenship- the CLIL approach in learning and teaching provides the learner with skills required for internationalisation.

Colleagues from institutions where CLIL is practised also report that it increases motivational levels and encourages students to learn a second language; increases independence and life long learning; enhances employability skills necessary for mobility in a global context.

Internationalisation in the curriculum

Defining internationalisation is problematic, although there are similar patterns and templates in many universities.

The OECD defines internationalisation of the curriculum as 'curricula with an international orientation in content, aimed at preparing students for performing in an international and multi-cultural context, and designed for domestic as well as foreign students' (IDP 1995 quoted on Elkin, Devjee and Farnsworth 2005)

Teekens (2002) offers amore detailed definition ' a process of integrating an international dimension into teaching, research and service functions of an institution of higher education, with the aim of strengthening international education-understood as education which involves and/or relates to the people and culture and systems of different nations' (quoted in Elkin et al 2005)

Both these definitions imply that internationalisation should be intrinsic throughout the education institution and involve everyone in the offering and delivery. It aligns with the research conducted by the team in this research project and suggests that any activity which involves exposure and integration with any aspect on overseas personnel, visits to an overseas country, study of or research into an international topic all indicate an international curriculum.

As outlined above, many academics, Elkin, et al (2005) Fallows and Steven (2000) acknowledge that because the world economies are becoming increasingly interdependent, the need for culturally aware and internationally orientated graduates who can work in a multi-cultural globalised society are in great demand. This places demands and pressures on universities and other educational establishments to plan and develop their curricula to meet these requirements together with attracting students from several overseas countries. This interaction with students from various cultures and backgrounds, in itself, provides an international dimension to the student experience and development.

There are several examples of good practice where universities have recognized the importance of internationalisation of the curriculum and have developed programmes which provide key organisations with graduates who meet their needs in terms of internationalisation. However, conversely there are also examples where gaps occur and employers struggle to find graduates with the necessary skills and knowledge required to compete in a global environment.

Research findings

The first set of questions requested partners to rank the importance of 6 international activities-

1. Study visits abroad

2. Work placements abroad

3. Internet based communication

4. Studying in multicultural groups

5. Studying in foreign language

6. Obtaining international proficiency tests

Study visits and work placements abroad were considered to be an important part of the curriculum by 4 respondents but only for some groups by 4 others. All other partners responded that they were both in the planning stages.

The number of external contacts with whom individual respondents worked produced a huge variation with some respondents stating 2, some up to 20 and some only with CLIL partners. The institutional figures were even more varied

from 20 to several hundred in some institutions. Further information included the participation in several Leonardo and other funded programmes with institutions across Europe.

Study trips and field visits are organised by 5 institutions but again some for very specific groups and or as an integral part of a module.

When asked to state what benefits were derived from such programmes, the following were the main reasons: internationalisation of the programmes; deeper awareness and understanding of cultural differences; enhances educational programme and adds value to the student experience; professional growth; improvement in language competences both in a professional capacity and every day usage; ensures student learns more than textbook theory; students realise the application of skills in a practical environment; realisation that they can make friends through languages and communication skills.

The further 5 institutions stated that they did not offer any trips or field visits at present but are in the planning stages. Reasons included, the cost is a prohibitive factor; some institutions offer but students are reluctant to participate; whilst others are limited to certain departments where partners encourage exchanges. However, students themselves often arrange visits to industrialists to carry out research or to take part in on-the-job training.

Exchange programmes

All 10 respondents offer and encourage students to partake in exchange programmes.

Reasons included: to exchange ideas; again practice language skills in a social environment and in their own particular field of study; to provide a different experience in the course programme; gain international expertise with Erasmus and Nordic programmes; enhances students ability to operate in an international context; exchanges were regarded as particularly important as it makes integration in the working community faster and easier, and to experience different academic and professional experience.

All respondents stated that they will continue and most will aim to get more exchange partners for the future.

Internships

The use of internships varies with some being a compulsory part of the course which students must complete to gain their degree. Working overseas for the internship was an option but not mandatory in any institution, however, all encouraged students to take up the option wherever possible.

The length of time varied from 400 hours, one semester to 48 weeks; or in some professions it is recorded in ECTS – 30-75 credits worth of internship for nursing and health care. It was noted that Spanish Education Law does not even mention internships however, students in professional education do have to carry out a set number of hours practice before gaining their degree.

There were some differences across all institutions in the organisation and planning of the internships. Some institutions offer assistance with finding a suitable internship, whilst others leave it up to the student. Either way, the process does assist with a variety of interpersonal and employability skill development, not least job searching, CV writing and interviewing.

Again there were several benefits for integrating internships into the programmes including, facilitate student's entry into working life; increases employability skills and opportunities; acquire practical experience in their specialist area of study; makes them more competitive in the job market; increases credibility with employers after graduation; students often offered employment with the internship employer- hence opening doors of opportunity for them and easing the job search and their entry into the job market; assists students to apply theory to practice and vice versa; assists their understanding of theoretical concepts and models on return to their studies at their university or college; provides networking contacts for future projects and thesis; can compare working practices in other countries with their home country.

It was also noted that students visibly mature professionally and make contacts with commissioners and a range of employers.

Most students only use European countries to complete their training, with some Latvian students travelling to Russia. However, the

translation students from Latvia only work at home with translation agencies. Students in British universities are encouraged to travel to most countries across the globe. Many travel to America and Canada where they can get the opportunity to practice Spanish and French.

All partners would like to extend the countries with whom they work and some are hopeful, that through this project, this may be possible. The benefits of having a more diverse choice include the sharing of knowledge between academics not just students, to keep up to date with developments within the field of study and to compare and contrast with own practices. Most respondents stated that they try to encourage students to choose a country which is going to enhance their career. Britain and Ireland are particularly favoured for students studying to become translators.

Most students have to complete some form of project or work during the internship with one university requiring a project set, agreed and assessed by the employer. However, in some institutions students are required to collect data for their final year thesis during their internship.

ECTS

The responses to the question asking how many courses in the ECTS are offered within each school varied greatly from several to virtually nothing-

One institution indicated- 3

Four institutions- full degree programmes and lots of modules in foreign languages, most in English.

Language requirements are different in various vocational and Further Vocational Qualifications, usually 1-3 credit units of English and/or Swedish- some also offered in other languages- French, Spanish, and German

Approx. 50ECTS

Basic studies include 2 courses –3 ECTS- of vocational language i.e. nursing English compulsory

Degree nursing programmes 210 ECTS

One university offers over 30 languages but students are restricted to studying a language, which they have previously studied at school- usually French, German, Spanish or Italian but in practice many study other languages- Japanese; Norwegian; Chinese, Mandarin.

Other responses included -None at the moment but hoping to change the situation; being planned for future; almost nothing.

The benefits and advantages of teaching and learning in a foreign language were very similar to previous answers under exchanges and internships. However, it was stressed that cultural awareness and internationalisation is becoming more and more important and even a requirement in many careers.

However, there were some disadvantages listed. The principle one appeared to be the added stress and demands associated with teaching a language in a specific context particularly with no or limited knowledge of the subject area and not in moth tongue. It was also stressed that the student groups are often of mixed ability which increases the workload even more.

There can also be difficulties with terminology in the mother tongue. Students lack confidence to communicate and hence do not make the most of the opportunities available to them. Team teaching can put extra demands on the resources, least of all budgets.

The use of Internet based teaching.

All respondents stated that their institutions all offer some form of internet based education. Some are fairly advanced and have been using this mode of delivery for some time and with several partners. Others are less advanced and restricted to just English, some just with an elective/option module, whilst others are just in the planning stages. The Spanish partner institution, are working on a proposal made by CIMNE to join an internet based Education Programme called 'My School in the Web'.

The benefits of such delivery are many- money and time saving once set up; provides an opportunity to collect new ideas; teachers can compare experiences; there is more support and hence problems can be solved easier and quicker

and it is much more suited to teaching a group of mixed ability or which is at different competency levels- it is not as complicated for the teacher and students can get individual tuition.

However, there are disadvantages which need to be considered, it is still impossible to rehearse oral communication skills on-line and the lack of personal contact is not suitable for all students. It requires a lot of independent work and therefore students need to be very self motivated.

There are also demands on the tutor developing classroom methods into effective on-line methods. It is believed that the pedagogical aspect of on-line learning is just beginning.

Other partnerships- e.g. summer schools

Examples included, short courses with CISCO Academy or Microsoft programmes; drug abuse projects with Greece; Nordic programme –Sweden, Norway and Denmark; co-operation with other institutions on different levels e.g. LdV; research projects with several institutions; guest lectures and the external examiner programme in the UK.

Three partners do not have any other initiatives.

Added benefits of these programmes include the sharing of expertise and resources; students need to gain high marks to participate therefore this can increase motivational\levels and encourage them to achieve their very best; sets them a challenge and so develops skills which will be very useful in the future. It can prove to them that they can achieve anything if they set their minds to it.

Should all programmes include an internationalisation component?

All partners responded positively and agreed that some element of internationalisation should be incorporated into programmes but the various elements should not be compulsory on all programmes.

Further comments advised that one school has introduced a CLIL department to implement multilingualism and bilingualism to the study programme. It is a pilot programme which started in September 2004.

Others noted that that the programme should be developed first and then consideration given to the appropriateness of the internationalisation element.

Another initiative is the development of a joint Masters programme within BOUA.

Students' involvement in international conferences and projects.

Very few institutions allow students to participate in conferences unless accompanied by a tutor- and this is very rare.

Unless sponsorship or funding is available the cost is prohibitive to many institutions and particularly the students.

Some institutions may include students if the conference is local and in some cases they may be involved in the organisation.

However, most institutions do have several projects which have student input. A final year group industry based project, many with international organisations is included in most business management courses in the UK.

The benefits derived from such ventures are very similar to these outlined in other sections within this study particularly enhancement of employability skills; problem solving in a real work situation; efficient practice of language skills and a motivational tool to encourage students to learn another language; usually challenges students abilities and so develops higher level skills for future; promotes student mobility.

Encouragement with international proficiency tests.

Only five partners responded positively agreeing that language proficiency tests usually enhance the student's chances of finding employment. They also learn and develop new methods and techniques when dealing with such tests, which undoubtedly improves their professional skills.

One institution offers the tests but students very rarely enrol.

The advantages are again seen as enhancement within the labour market when applying for

employment overseas. It further enhances the reputation of the institution by offering as many possibilities to applicants to further their education and preparation for working life.

Conclusion

This project has focused on internationalisation of the curriculum from the students' perspective. The results are therefore restricted to student activities or components aimed at developing students understanding of the importance of internationalisation and cultural awareness.

The definitions considered earlier in this case study stress the need for a wide range of activities and scope throughout an educational institution and furthermore should include home students and foreign students.

This research has examined a wide range of internationalisation elements which can be included in the curriculum and the results have proven positive.

Responses received to this survey indicate that all partners are actively engaged in many forms of internationalisation elements of the curricula. Some are well established whilst other initiatives are more recent even as a result of this CLIL project.

Each institution recognises the value of exchange partnerships, international internships and study trips and encourages their students to participate in as many opportunities as possible. However, infrastructural and financial obstacles are inhibiting both opportunities and developments in some countries.

It has been noted that most internationalisation activities appear to focus on the students with limited examples of staff involvement or participation with the exception of the planning, organisation and delivery.

The earlier definitions of internationalisation indicated that research and research projects are a key component of internationalisation. This area needs to be researched further within this project and will be included in future research.

Elkin et al (2005) in their research into 'visualising the internationalisation of universities' have recommended the inclusion of 'creating values, beliefs and intellectual insight in which both domestic and international staff and students participate and benefit equally. It should develop global perspectives, international and cultural and ethical sensitivity and useful knowledge, skills and attitudes for the globalised market place'.

It is apparent that through the variety of activities and collaborations which have been outlined in this project, that many of these skills and attributes are already being developed.

APPENDIX 1

CLIL Project

Section 3 CLIL, Team Teaching and Internationalised Education

To fulfil the objectives of section 3, we would appreciate if you could complete the following questionnaire providing as much detail as possible. The questionnaire focuses on Internationalisation within your School or Department, consequently the questions relate to overseas, international visits, internships etc.

1. When you consider the internationalization in your institution, what is the current state of the following areas? Please answer using these numbers:

1. There is no need for this kind of activity in our institution

2. in the planning state

3. only with some groups

4. Important part of our curriculum

    a) Study visits abroad

    b) Work placements abroad

    c) Internet based communication

    d) Studying in multicultural groups

    e) Studying in foreign language

    f) Obtaining international proficiency tests

2. How many international contacts do you personally work with?

And do you know how many your school or department has?

3. Do you arrange study visits or field trips for all your students?

If yes please explain the benefits derived from study visits?

If no please explain why not and if you plan to organise some in the future.

4. Do you encourage students to partake in exchange programmes?

If yes, please explain why?

If no, why not?

Do you plan to arrange exchanges in the future?

5. Are internships a compulsory integral part of all courses/programmes?

Please expand your response to explain the internship policy.

Please explain how internships enhance the students' education and employability.

Which countries do students normally complete their internship?

Would you like to extend their choices? (I.e. more opportunities in various countries? Why?

Is final thesis included in internship or exchange period? Together with students from other countries and / or in English?

6. How many courses (in ECTS) your school offers in foreign language?

What are the benefits, disadvantages and demands of teaching and learning in foreign language?

7. Does your school offer internet based education in foreign language? Together with other institutions?

If yes, what are the benefits, disadvantages and demands?

8. Does your school work with other international universities for any other reasons? E.g. summer schools? Short courses? Joint degrees or double degrees?

If yes, what are the benefits, disadvantages and demands?

9. Do you believe that your programmes of study should all have some internationalisation component- not just a module?

10. How often your students take part in international conferences or projects?

What are the benefits and disadvantages of this?

11. Do you encourage students to partake in international proficiency tests?

If yes, please explain why?

12. Please add any other comments, which you wish to share.

Thank you in anticipation for assisting with this research. Please complete and return to either:

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HIGHER EDUCATION KNOWLEDGE TRANSFER AND AT THE STIMULATION OF ECONOMIC GROWTH. A CASE STUDY EXECUTED FOR UNIVERSITIES OF APPLIED SCIENCES IN AUSTRIA

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Abstract:

Innovation and technological change stimulate economic growth on micro level and contribute to the competitiveness on micro level. Innovation and technological change increasingly depend on the production, dissemination and utilization of knowledge. Today knowledge might be regarded as commodity. In this context, higher education institutions are key economic institutions due their role in the production and transfer of knowledge to the industry. In this publication a pre-conceptualization of a knowledge transfer model for Universities of Applied Sciences in Austria is introduced based on the finding of the mainstream literature. The model is based on a discussion of knowledge as commodity and conceptual issues regarding knowledge transfer (i.e. knowledge transfer mechanisms, components influencing knowledge transfer, support structures, public framework conditions). This pre-conceptualization represents a starting point for further analysis. The model takes into account the idiosyncrasies of Austrian Universities of Applied Sciences relating to the small size, the specific legal and regulatory framework, public framework conditions, the requirements of the Austrian innovation system, etc.

INTRODUCTION

Form a macro economic perspective, the effect of innovative activity and technological change on economic growth is analysed in the OECD growth model (OECD, 2002a). This growth model defines economic growth (measured in GDP per capita) as function of inputs, i.e. labour and capital. Therefore, GDP per capita can be increased by an increase in the total amount of worked hours in an economy (i.e. an increase in labour utilization). Another possibility to increase GDP per capita is to increase the output per worked hour (i.e. an increase in labour productivity). The labour productivity can be increased by an increase in capital per worker (capital deepening) or by an increase in overall productivity which is called multi-factor productivity (cf. Nicoletti and Scarpetta, 2003a). A more efficient use of inputs representing a rise in multi-factor productivity goes back to an elimination of

slacks in inputs, to increased innovative activity and the adopting of new technology (Nicoletti and Scarpetta, 2003a). Therefore, from a macro-economic perspective an increase of innovation and technological change on the aggregate level – among other important factors – significantly stimulate the economic growth of an economy.

From a micro-perspective, firms are today confronted with a new operating environment in which buyers are becoming increasingly demanding and discriminating, markets are becoming more fragmented, product life cycles are shortening, with the result that payback periods are reducing, the expectations of distributors and dealers are increasing, the pace of technology is becoming ever faster and competition in general is increasing (Wilson and Gilligan, 1997). For addressing the challenges of this new operating environment one way to achieve growth and sustain performance is to foster and encourage creativity and innovative practices from a company's perspective (Cottam, Ensor and Band, 2001). However, in an increasingly complex business world the knowledge base of enterprises is no longer perfect (Pyka, 2002). Therefore, the enlargement of the technology and knowledge base is inevitable for remaining competitive. This enlargement may be reached by collaboration with the science base (e.g. higher education institutions), multi-firm collaboration (e.g. research consortia), licensing of new technology, collaboration with customers and suppliers, equity and company acquisition, joint ventures and alliances and contract research (cf. Tidd and Trewhalla, 1997).

Like in other European countries a dual system of tertiary education has been established in Austria by the introduction of Universities of Applied Sciences the mid 1990s. This was part of a fundamental process of reform of the higher education sector as response to changing economic and social conditions in Austria (BMBWK, 2002a). The overall goal of the establishment of the Universities of Applied Sciences higher education sector was to extend tertiary education offers, to create a permeable education system and to provide a vocational education that leads – in contrast to secondary level vocational educations – to internationally accredited graduations (cf. BMBWK, 2002b). The R&D capacity of the Universities of Applied Sciences sector can be demonstrated by the R&D

turnover of the total sector per academic year. In the academic year 2001/2002 the turnover was € 5.906.138. This represents the highest turnover since the establishment of the Universities of Applied Sciences sector in Austria. These numbers show the positive trends regarding research performance of Austrian Universities of Applied Sciences: First of all the total R&D turnover is growing rapidly. The turnover in the academic year 01/02 represents a 3,5 fold increase compared to the academic year 98/99. Secondly, the ratio of industry funding is growing rapidly. Whereas in the academic year 98/99 only 25% of the total R&D budget was stemming form industry funding, in the academic year 01/02 already 40% came from the industry. However, besides the production of knowledge also the diffusion of knowledge is required in order to stimulate the competitiveness of the industry.

Thus, in the light of a full exploitation of knowledge production and diffusion capacities in Austria the enhancement of the knowledge transfer of Universities of Applied Sciences might be a promising strategy for stimulating the innovation performance in the industry and, therefore, might contribute to the socio-economic development of the Austrian industry. Therefore, this study aims to develop a model describing the components influencing the knowledge transfer performance of Universities of Applied Sciences targeted at the stimulation of regional economic growth, as this topic has not yet been sufficiently addressed in the literature.

KNOWLEDGE AS COMMODITY

In the knowledge based economy –

"The knowledge-based economy is an expression coined to describe trends in the most advanced economies towards greater dependence on knowledge, information and high skill levels, and an increasing need for ready access to all of these" (OECD, 1996b, p.6). According to Xiaozhou (2001, p.315) the knowledge-based economy is "an economy focused on modern science and technology, and based on the production, accumulation, use and consumption of knowledge and information".

- claimed by several authors in the literature (e.g. Polt et al., 2000; Jacob et al., 2000; Cowan

and van de Pal, 2000; Xiaozhou, 2001) – capital and manpower becomes increasingly substituted by human and organizational capabilities (Gunasekaran, 1998). Knowledge has become the prime motor of economic growth (Jacob et al., 2000; Etzkowitz, 1994; Gibbons et al., 1994). Therefore, knowledge can be regarded as commodity in modern economies by facilitating innovation through the production of knowledge based products and services, new organizational settings and new processes contributing to an increase of efficiency, etc. As a result, a basic understanding of the nature of this resource is required for establishing an efficient and effective knowledge management in an economy. The following properties of knowledge can be derived from the literature:

First, knowledge occurs in tacit and codified form (Gibbons et al., 1994; Doloreux, 2002; Lin, 2003; Saviotti, 1998). Codified knowledge are 'ideas' being stored outside the human brain, for example, in books, compact discs, etc., whereas tacit knowledge is defined as 'skills' like convictions, abilities, talents, etc. representing knowledge which can not be separated from the individual (Conceição and Heitor, 1999). Due to these different forms of knowledge it can be argued that from a knowledge-transfer perspective different mechanisms for the transfer of tacit and codified knowledge are required. Next, the transferability of tacit knowledge is geographically limited as it depends on personal contacts and collaboration. Evidence is provided by Porter (1998) stating that tacit knowledge is less easily acquired at a broader level, as face-to-face contact and proximity count.

Second, from a formal perspective codified knowledge is a non-rival good whereas tacit knowledge is a rival good (cf. Conceição and Heitor, 1999). Due to the non-rival nature, codified knowledge has to be protected against utilization by, for instance, filing patents, registered trademarks and copyrights. The protection of intellectual property (i.e. the definition of intellectual property rights) from a country's perspective has two main reasons, namely to give the moral and economic rights concerning intellectual capital to the creator and to give the public the possibility to access these creations. The second reason relates to the promotion of the dissemination of results under fair conditions targeted at economic and social development (cf. WIPO, 2001). Therefore, the proper handling of IPR (intellectual property rights)

is a pre-condition for an effective knowledge transfer concept.

Third, according to Doloreux (2002) a codification of tacit knowledge takes places over time. This means that over time tacit knowledge becomes increasingly codified and might end up becoming common sense in an economy (e.g. by defining industrial standards). Therefore, the constant renewal of knowledge is required for maintaining competitive advantage on micro and macro level. This renewal of knowledge (i.e. the production of new knowledge) is closely related to scientific research and experimental development (cf. OECD, 2002b). As a result, sustainable research efforts are required for the provision of knowledge as prime production factor in an economic system.

Fourth, it has been observed that over the last decade there has been a shift in the way in which knowledge is produced and disseminated. This has been described as a shift from Mode-1 to Mode-2 knowledge production (Gibbons et al., 1994). According to Schibany, Jörg and Polt, (1999) Mode-1 knowledge production is executed mainly through basic research representing the traditional mode of knowledge production. On the contrary, Mode-2 knowledge production is carried out in the context of applications. According to Gibbons et al. (1994) in Mode-2 the following prime characteristics can be derived: knowledge is produced in the context of application; different scientific disciplines in a common framework of action are combined; and different organizations closely work together (e.g. universities, companies, consultancies, etc.) for solving an application-centred problem.

Fifth, knowledge is a production factor required by the industry that can not be bought and used like natural resources. Rather firms have to be able to access, digest and utilize the results of research effectively and efficiently (European Commission, 2000a). This ability of firms to use external knowledge is called absorptive capacity (e.g. OECD, 1999c; Niosi and Bellon, 2002; Todorova and Durisin, 2003; Zahra and George, 2002). However, according to Buono (1997) the absorptive capacity of a company is enlarged after every knowledge transfer project. Therefore, if the absorptive capacity of company is poorly developed, it can be enhanced step-by-step through knowledge transfer mechanisms (i.e. the

knowledge transfer might increasingly rest on complex technologies).

To sum up, as tacit knowledge becomes codified over time ending up being common sense in an industry and therefore being no longer a competitive advantage, a successful growth strategy of a region or nation requires the continuous production and renewal of new knowledge. As knowledge can not be locked up (like natural resources) the protection through IPR regimes is gaining importance (especially for codified knowledge). For an effective and efficient use of the production factor 'knowledge' special emphasis has to be placed on the dissemination mechanisms of the knowledge production institutions and the absorptive capacities in the industry.

CONCEPTUAL ISSUES OF KNOWLEDGE TRANSFER

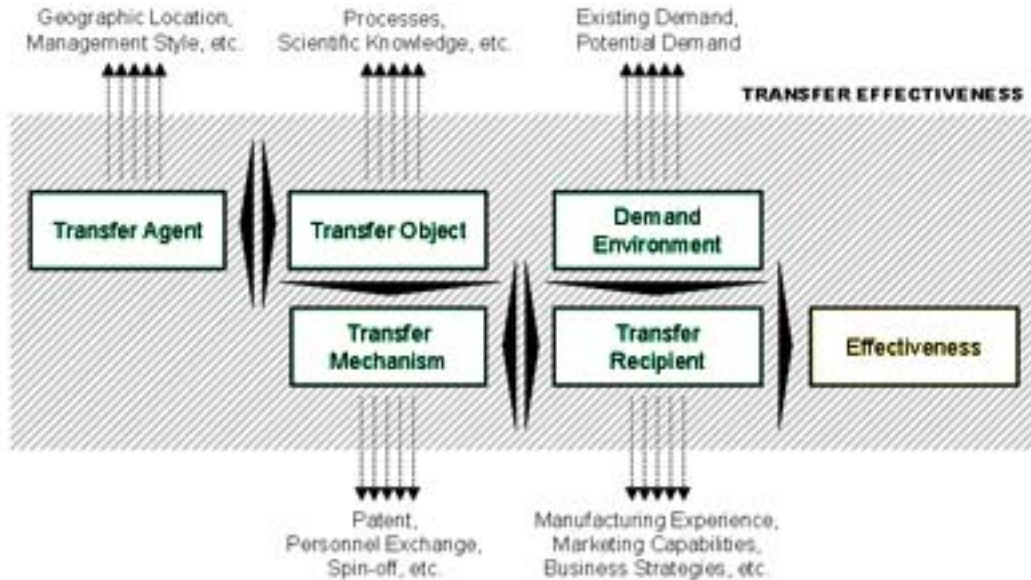### Knowledge transfer mechanisms

Knowledge transfer mechanisms are frequently discussed in the literature (e.g. Van Looy, Debackere and Andries, 2003; Ciesa and Piccaluga, 2000; OECD, 2002a; Schibany, Jörg and Polt, 1999; Hutschenreiter and Kaniovki, 1999; Mansfield and Lee, 1996; Martin and Salter, 2001). However, the taxonomy of knowledge transfer mechanisms, which is in use in these studies, varies according to the specific purpose, focus and the perspective taken in these studies. For discussing the knowledge transfer from the higher education sector to the industry) a categorization of knowledge transfer mechanisms is established based on the taxonomy introduced by Schartinger et al. (2002).

Figure 1: A taxonomy of knowledge transfer mechanisms
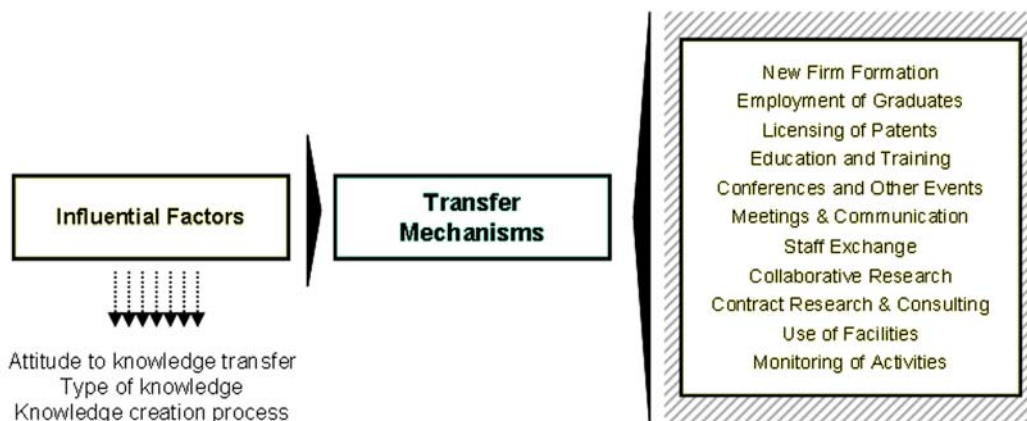
The knowledge transfer mechanism in this study comprise new firm formation by higher education staff, employment of graduates, licensing of patents held by the science system, education and training of the industrial workforce, industrial participation in conferences and other events, informal meeting and communications, temporary staff exchange between academia and business, collaborative research, contract research and technological consulting, the use of higher education facilities by the industry and monitoring the activities of the higher education system (Figure 1). However, the proper selection of the knowledge transfer mechanisms is highly idiosyncratic depending on the overall strategy of the higher education institution, the type of knowledge to be transferred and the mode of knowledge creation. According to the European Commission (2000a) the major issue in research utilization strategy is the selection of the proper exploitation route (i.e. proper knowledge transfer mechanisms). Furthermore, issues like the costs of knowledge transfer or the risks coming along with the exploitation strategy have to be taken into account for the selection of the proper transfer mechanisms.

Figure 2: Contingent Effectiveness Model for Knowledge Transfer

Components influencing knowledge transfer

According to Bozeman (2000) the effectiveness of knowledge transfer depends on the transfer agent (i.e. the organization seeking to transfer knowledge), the transfer mechanism (i.e. the formal or informal vehicle for transferring), the transfer object (i.e. the transfer entity), the transfer recipient (i.e. the organization receiving the transfer object) and the demand environment (i.e. factors influencing the need for the transfer object).

First, influential factors relating to the transfer agent comprise the mission, the technological field of activity (sector), the resources, the geographic location, the overall culture (attitude towards knowledge transfer), the organizational structures and the management style. However, according to Polt et. al. (2001) additionally the size of R&D (of the transfer and the recipient institution), the absorptive capacity, the market structure as well as the research performance have to be taken into account. The literature provides numerous publications discussing these factors and their relevance for the knowledge transfer. For instance, Mansfield and Lee (1996) investigate the effects of distance and faculty quality on knowledge transfer from academia to business. The study shows that while distance is very important for the collaboration between academia and business in applied research, in basic research distance only

plays a minor role. Second, the transfer mechanism (e.g. patents and licensing, personnel mobility, flow of graduates to the industry, etc.) and the transfer object significantly influence the effectiveness of knowledge transfer.

Support Structures

A number of competencies are required by the higher education staff being engaged in knowledge transfer, like the proper management of IPR issues (patenting, licensing, contracting), network development skills, marketing and business planning, application for grants and subsidies, etc. (Jones-Evans et al., 1999). According to Hagen et al. (2003) these competencies have to be implemented in a central organizational unit which provides the required services for the higher education researchers. This goes in line with numerous publications suggesting the implementation of intermediary structures (or facilitating structures) for supporting knowledge transfer activities within the higher education institution (e.g. Jones-Evans et al., 1999; OECD, 1999c; Cooke, 2001). These intermediary structures are designed for facilitating the knowledge transfer between academia and business by providing services and infrastructure for both, the higher education researchers and the industry. The services provided can be categorized in business incubation services (cf. Etzkowitz, 2002; European Commission, 2001f;

Heydebreck, Klofsten and Maier, 2000) and knowledge transfer related services (cf. Cooke, 2001; Jones-Evans et al., 1999). Knowledge transfer related services comprise the handling of industrial research contracts, the general management of intellectual property, the identification of knowledge transfer opportunities, the commercialization of inventions, assistance in monitoring and applying for research grants and subsidies, the establishment of information flows between academia and business, etc. (cf. Cooke, 2001).

Framework conditions

Besides factors directly influencing the interaction between industry and science (e.g. supply-demand matching) and factors relating to the characteristics of the actors involved (e.g. geographic location) the knowledge transfer between actors of the industry and actors of the science base is additionally influenced by public framework conditions (Bozeman, 2000). Knowledge transfer can be conceptualized as market transactions in a knowledge market (Polt et al., 2001). For this conceptualization, the specifics of the knowledge market have to be characterized in order to derive mechanisms to sustainable enhance the amount of knowledge transactions. According to Polt et al. (2001) the following characteristics of the knowledge market can be observed: high information asymmetries and low market transparency; high transaction costs because of the need for transfer and absorption capacities; high spillovers and relative low level of private return from knowledge acquisition; restrictions on investment in knowledge production and exchange due to risk averseness; invisibilities and the existence of joint products and sometimes a need for reciprocal interaction and collaborative knowledge production. Form a market transaction perspective all of these characteristics represent barriers for the knowledge transfer. Government intervention, therefore, from a research policy perspective, has to correct the 'market failure' in the knowledge market (cf. Martin and Salter, 2001). These interventions significantly shape the establishment of public framework conditions conducive to innovation, which compensate for market failure and stimulate knowledge transfer by the provision of incentive structures (Polt et al., 2001).

Public framework conditions comprise promotion programmes, intermediary structures, legislation and regulation as well as the institutional setting (Polt et al., 2001). First, promotion programmes relate to financing of innovation in the industry and the science base (i.e. funding structures) as well as programmes targeted at the awareness raising. Second, intermediary structures are targeted at reducing information asymmetries and transaction costs in the knowledge market. Third, legislation and regulation represent the rules of the game in knowledge transfer. Fourth, the institutional settings in the higher education sector determine incentives and barriers for knowledge transfer. Similar mechanisms influencing the overall knowledge transfer are identified by the European Commission (2000a) discussing structural support modalities targeted at the enhancement of the knowledge transfer between academia and business. Therefore, framework conditions have to be taken into account for establishing a knowledge transfer model as framework conditions crucially shape the market in which the knowledge transactions take places.

PRE-CONCEPTUALIZATION OF A KNOWLEDGE TRANSFER MODEL

This pre-conceptualization of the Universities of Applied Sciences knowledge transfer model (Figure 3) is derived from concepts identified in the literature. It is hypothesised that the concepts from the literature (most often discussed in the context of large universities) might to some extent be successfully applied for Universities of Applied Sciences. However, Universities of Applied Sciences are highly idiosyncratic higher education institutions (e.g. small in size, legal constraints like the inability to award PhDs, etc.). Thus, the identified concepts have to be validated for their appropriateness for Universities of Applied Sciences. In this conceptualized model the overall knowledge transfer performance of Universities of Applied Sciences depends on the demand for knowledge in the industry, the supply capabilities, the marketing capabilities, the public framework conditions and the organizational performance. The knowledge supply capabilities of Universities of Applied Sciences depend on the knowledge generation capabilities as well as the knowledge acquisition capabilities

from international knowledge sources (e.g. the international scientific community).

First variables influencing the demand for knowledge in the industry might comprise the industry sector, the absorptive capacity, competition and the pace of technological development (cf. Bozeman, 2000). Additionally, the collaboration culture, the size of business R&D as well as the overall strategy (e.g. technology leadership strategy) might shape the industrial knowledge demand.

Second, the organizational performance (including facilitating structures located within the higher education system like knowledge transfer offices, patent offices, incubation units etc.) might depend on the amount and quality of the services provided by the facilitating structures (cf. Jones-Evans et al., 1999). Furthermore, the organization research teams (cf. OECD, 2002a), the research processes which are in place (cf. OECD, 1999c), the skills of the individual research regarding project management, writing proposals, etc. (cf. Ernø-Kjølhede et al., 2001) and the management style in general (cf. OECD, 1999c) might influence the organizational performance on the aggregate level.

Third, variables influencing the marketing capabilities might comprise the thematic supply-demand matching, the type of transfer mechanism, the type of knowledge to be transferred (i.e. tacit versus codified), the transfer conditions (e.g. price), distance, etc. (Polt et. al, 2001).

Fourth, the framework conditions relate to public funding structures, legislation and regulation, public funded intermediary structures, etc. From a University of Applied Sciences perspective the variables influencing the framework conditions can hardly be influenced. However, these variables are suggested to be included in an overall framework in order to derive the interdependencies of those public framework conditions with other factors.

Fifth, the knowledge supply capabilities might depend on the knowledge generation capabilities and the knowledge acquisition capabilities from external knowledge sources (scientific community) as – due to the increasing inter-disciplinary nature – knowledge might not exclusively be produced within the higher education institution. Variables influencing the knowledge generation capabilities might comprise the scientific excellence of the staff, the size of the research teams, conditions of work, motivation and incentives, IPR regulations, etc. The acquisition capabilities might depend on the networks existing with the scientific community, the absorptive capacity, the reputation of the specific higher education institution.

Figure 3: Pre-conceptualization of the Universities of Applied Sciences knowledge transfer model
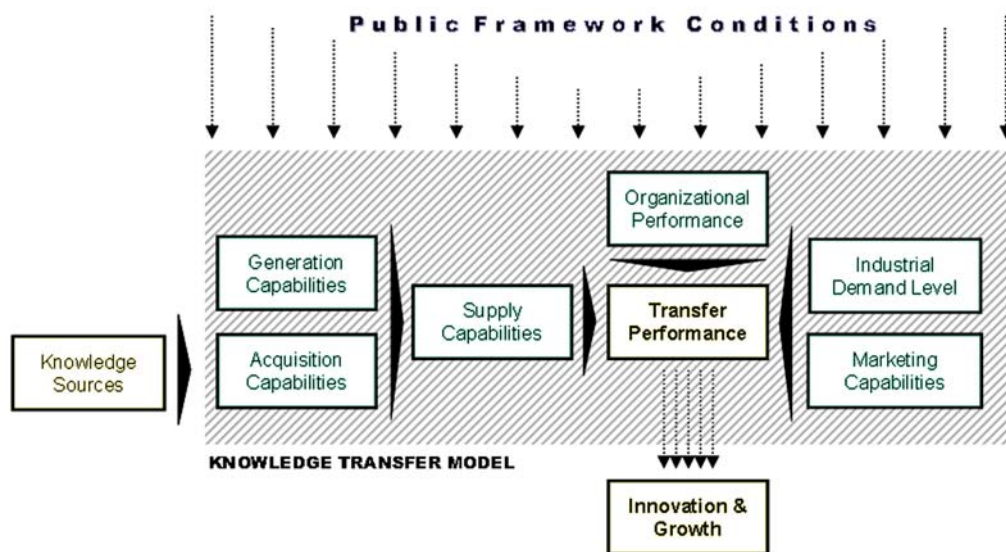
5   FURTHER RESEARCH

The model established in the pre-conceptualization is of general nature as it has been derived from the current mainstream literature discussing knowledge transfer most often in the context of large universities. During a qualitative research the idiosyncrasies of Universities of Applied Sciences will be applied to the model. Additionally, through the qualitative research the variables shaping the influential factors of knowledge transfer are established. In a third step, the knowledge transfer model for Universities of Applied Sciences will be tested by quantitative research.

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CORPORATE SOCIAL RESPONSIBILITY AND EUROPE'S LEADING RETAILERS

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Introduction

In presenting its 2006 Global Powers of Retailing report Deloitte (2006) suggests that 'heightened concern about the growing risks facing retailers is changing the management agenda from one of managing for profitable growth to one of managing and mitigating risk'. The report argues that 'the uncertainties of the global economy, the complexities of a global supply chain, stakeholder demands for greater corporate social and environmental responsibility, technological innovation, the growth of proprietary brands, the increasing difficulties in finding and retaining talent, and the threat of terrorism have all combined to significantly change the landscape of risk management'. In identifying 'non-financial risks' as one of seven 'key risks' the report suggests that 'being a good corporate citizen is becoming increasingly important to the risk management agenda' and that the goal is to 'bring together economic viability, environmental sustainability and social responsibility, integrating these concepts into the company's strategy, operations and culture'. This illustrative case study offers a preliminary examination of the extent to which some of Europe's leading retailers are reporting Corporate Social Responsibility (CSR) commitments and agendas on their company websites as part of 'their corporate efforts to build trust with shareholders, consumers and other stakeholders'.

Corporate Social Responsibility

CSR is ultimately rooted in the recognition that businesses are part of society and that as such they have the potential to make a positive contribution to social goals and aspirations. That said there seems to be no universally agreed definition and while Frankental (2001) has argued that 'CSR is a vague and intangible term which can mean anything to anybody, and therefore is effectively without meaning' and the UK's Confederation of British Industry (2001) have suggested that 'CSR is highly subjective and therefore does not allow for a universally applicable definition', a variety of definitions have been framed. The Commission for the European Communities (2001) defines CSR as 'a concept whereby companies integrate social and environmental concerns in the business operations and in their interactions with their stakeholders on a voluntary basis'. For the European Commission this means not just fulfilling legal responsibilities but also going beyond compliance to embrace wider social, environmental and economic goals. For the World Bank (2004) CSR is 'the commitment of businesses to contribute to sustainable economic development-working with employees, their families, the local community, and society at large to improve the quality of life, in ways that are good for business and good for development.' According to Wood (1991) 'the basic idea of CSR is that business and society are interwoven rather than distinct entities.' More generally a distinction has been drawn between CSR seen as philanthropy as opposed to CSR as core business. In the former companies conduct their business unfettered by

wider social concerns and then make charitable donations to worthy causes while in the latter the accent is upon operating the core business in a socially responsible way which seeks to enhance the competitiveness of the business and maximise the value of wealth creation to society.

In some ways the underlying concept of CSR has a long history. In outlining the growth of CSR, Hopkins and Crowe (2003) for example, suggest that there has always been a tension between business and social goals and they cite the power of the craft guilds in the Middle Ages, the slave trade and the battles to improve living and working conditions in Britain's rapidly growing towns and cities during the nineteenth century as graphic evidence of these tensions. Sadler (2004) has argued that 'the definition of the functions of the corporation with relation to wider social and moral obligations began to take place in the centres of capitalist development in the 19th century.' More generally Mbare (2006) has suggested that 'the concept of CSR is not new, as some would want us to believe' and that 'the debate about business as a moral institution goes back to the days of philosophers like Plato, Aristotle, Kant, Marx.' Turning to more recent times Marlin and Marlin (2003) have identified three phases in the development of what they call 'CSR reporting'. The first phase dating from the early 1970's was seen to be composed of advertisements and annual reports which focused upon environmental issues but which were not linked to corporate performance. The second phase in the late 1980's was characterised by the introduction of social audits, which examined the performance of companies in the areas of social responsibility with respect to communities, employees, customers, suppliers and investors. The third phase dating from the late 1990's saw the strengthening of social auditing through the introduction of externally set and verifiable standards.

A variety of factors are cited as being important in building the current momentum behind CSR. Ernst and Young (2002) suggest that five key drivers have influenced the increasing business focus on CSR viz. greater stakeholder awareness of corporate ethical, social and environmental behaviour; direct stakeholder pressures; investor pressure; peer pressure and an increased sense of social responsibility. National and supranational governments have been active in promoting CSR.

The European Union, for example, promoted CSR in all member states and the European Commission (2002) argues that CSR has gained increasing recognition amongst companies as an important element in new and emerging forms of governance because it helps them to respond to fundamental changes in the overall business environment. These changes include globalisation and the responsibilities companies find the need to address as they increasingly source products and services from developing countries; the issues of image and reputation, which have become increasingly important elements in corporate success; and the need for companies to recruit and retain highly skilled personnel. Girod and Michael (2003) adopt a strategic marketing perspective arguing that CSR is 'a key tool to create, develop and sustain differentiated brand names'. In a similar vein Johnson (2006) has suggested that 'CSR. has moved beyond the initial activities of making charitable donations to actively seeking competitive advantage through changes that genuinely differentiate their organisation and products' and 'CSR today is about how you generate your revenue not how you spend your profits.' More critically Corporate Watch (2006) argues that 'CSR has evolved as a response to the threat anti-corporate campaigns pose to companies' license to operate.'

The business case for CSR is seen to focus on a wide range of potential benefits (Bevan et. al. 2004). These include improved financial performance and profitability; reduced operating costs; long-term sustainability for companies and their employees; increased staff commitment and involvement; enhanced capacity to innovate; good relations with government and communities; better risk and crisis management; enhanced reputation and brand value; and the development of closer links with customers and greater awareness of their needs. At the same time there are those who would champion the case against companies integrating CSR into their core business. On the one hand one such set of arguments might follow Friedmann (1982) in affirming that 'there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud.' In a similar vein Henderson (2001) has argued that seemingly growing business commitment

to CSR is 'deeply flawed' in that 'it rests on a mistaken view of issues and events and its general adoption by business would reduce welfare and undermine the market economy.' On the other hand Corporate Watch (2006) takes a more overtly political position arguing that 'CSR enables businesses to promote ineffective voluntary, market based solutions to social and environmental crises under the guise of being responsible.'

The theories that have been used to analyse and explain CSR have been summarised by Moir (2001). Stakeholder theory suggests that it makes sound business sense for companies to understand the needs and aspirations of all their stakeholders be they investors, governments, employees, communities, customers or suppliers and that these needs and aspirations should be reflected in corporate strategy. Social Contracts theory suggests that companies may pursue CSR not because it is in their commercial interests but because it is how society expects companies to operate. Legitimacy theory stresses that society grants power to businesses and it expects them to use that power in a responsible manner.

Frame of Reference and Method of Enquiry

In order to obtain a preliminary picture of the extent to which Europe's leading retailers were reporting CSR agendas and achievements within the public realm, the top ten European retailers (Table 1), ranked by sales, from the Deloitte report '2007 Global Powers of Retailing' were selected for study. Bowen (2003) has suggested that the majority of large companies have realised the potential of the World Wide Web as a mechanism for reporting CSR activities and has argued that its interactivity, updatability and its ability to handle complexity adds value to the reporting process. With this in mind the authors undertook an Internet search for each of the top ten European retailers' corporate web sites in January 2007 employing Google as the search engine. The authors then navigated each of the sites in a search for the most recent CSR report. The search revealed that seven retailers namely Carrefour, Metro, Tesco, Ahold, Auchan, Rewe-Zentral and E. Lecelrc had posted CSR reports. These reports provided the empirical information for this case study.

All seven retailers claim, albeit in varying measure, to integrate CSR into their business. Tesco, for example, claim that CSR is integral to its entire approach to business from the boardroom to the checkout and that it is embedded in the company's governance framework. Within the company a cross-functional team of executives provides leadership on CSR and the annual Corporate Responsibility Review is the main method used to report its CSR policies. Metro claims to view CSR as a continuous and essential duty of management and of each individual employee and the company emphasises its explicit commitment to the CSR as evidenced by its responsible human resources and social policy, its commitment to environmental protection, its participation in social aid projects and its sponsorship of sport and the arts. The seven retailers report on CSR issues under differing banners. Tesco, for example used the title 'Corporate Responsibility' while the other six retailers reported their CSR commitments and achievements used the title 'Sustainability Report'. Within the reports the retailers report on CSR issues under a variety of headings but this paper follows Whooley (2004) in using four principal headings, namely Environment; Marketplace, Employees; Workplace and Communities in an attempt to capture CSR agendas as reported by the seven retailers.

Environment

All seven retailers stress their general commitment to managing the environmental impacts of their operations. Auchan, for example emphasises that its environmental strategy is designed to reduce the company's ecological footprint, to encourage sustainable consumption and to integrate its shopping centres into the surrounding environment while Tesco claims 'to work with our customers, staff and suppliers to make sustainable choices and reduce our impact on the environment.' In a similar vein Carrefour recognises that its stores have a wide-ranging environmental impact and the company reports intensifying its efforts to reduce the consumption of resources and energy, to reduce waste and pollution in all countries in which it operates. Metro claims that environmental protection is a strategic task and it forms an integral part of its daily business activities and E.Leclerc stresses that it has long been aware of its environmental responsibilities.

More specifically the retailers report on a wide but relatively consistent range of environmental issues including energy consumption and emissions, raw material usage, water consumption, waste management, packaging, recycling, the use of chemicals and genetically modified food ingredients. Rewe-Zentral, for example, claims to be striving to reduce energy consumption and green house gas emissions. Within its retail operations the accent has been on the introduction of energy management systems for both lighting and refrigeration. Metro reports its commitment to reducing the demand for resources in facility management, the use of returnable containers for transport packaging and waste reduction, sorting and recycling and environmentally friendly cleaning of buildings. At the same time the company reports developing a range of ecologically friendly products as part of its retail offer. Thus in sourcing its fish products it claims to attach great importance to the protection of endangered species. All tuna fish suppliers, for example, are affiliated with the Earth Island Institute which defines rules for environmentally sound fishing and which forbids the use of drift nets that can indiscriminately entangle dolphins, sharks, seals and seabirds. The company also reports obtaining its fresh fruit and vegetables from producers that have been certified according to audited 'Eurepgap' standards and the goal here is to promote sustainable farming.

The majority of the seven retailers report their commitments to and/or achievements in, reducing vehicle emissions. In all the countries in which it operates Tesco, for example, reports seeking to reduce emissions from its transport distribution fleet, testing rail distribution and promoting biofuels. More specifically the company reports on its progress in increasing the volume of goods delivered per litre of fuel and its policy of using lorries returning from its stores to its distribution centres to collect goods form suppliers and recycling waste. This latter initiative led to a reduction in the number of miles travelled by suppliers to the company's distribution centres by 23% and reduced fuel usage by 14%. The company also claim to be the first major UK retailer to offer biodiesel fuel, which cuts particulate and carbon dioxide emissions by 20% and 5% respectively and improves fuel efficiency by 1%, to its customers. The viability of rail distribution is being trialled from two stations and green travel plans have become an integral part of the company's new store and store extension development proposals. These plans focus on reducing the number of store employees coming to work by car via car sharing or 'walking buddy 'schemes.

Ahold reports that product packaging is a key factor in preserving the freshness, safety, quality, and attractiveness of many of the products in its extensive food range and recognises that because of this, waste generation from packaging, distribution fleet maintenance and unsold products constitutes a significant environmental impact. The company faces a continuing dilemma in its desire to reduce packaging with the requirements of food safety standards and the consumer demands for convenience products, such as pre-cut and ready-to-use salads, that require packaging. The company claim to look to balance these potentially conflicting demands by making increasing use of biodegradable packaging materials. There is also a clear recognition of the complications involved in the recycling of organic waste and here the company has been experimenting with both composting and the generation of environmentally friendly methane gas as a means of keeping such wastes out of landfill disposal.

Marketplace

The term marketplace is seen to embrace both the sourcing of goods and services and their sale to the customers. A number of the seven retailers report on their sourcing policies and a number of issues merit attention. Carrefour, for example, claims to be accountable for the consequences of its actions throughout the supply chain of responsibility from the producer to the consumer. The company reports working with three types of supplier namely multinationals, agricultural companies and SME's and while striving to offer competitive prices to its customers it claims to always be looking to emphasise partnerships with SME's. More generally the company reports that its relationships with suppliers are based on respect for ethics and transparency. While the company looks to offer its customers freedom of choice by offering a wide and constantly adjusted range of products and services within its stores it also claims to be meeting the rising demand for responsible products by stocking or developing eco-friendly, socially responsible products. The company's Reflets de France brand, first

launched in 1996, includes some 300 products that support local 'know how' and thus help to sustain traditional activities throughout France.

Tesco emphasises that it wants ethical trading to be in integral part of the way the company does business. The company claims that its aim is for its buyers to work with suppliers to uphold labour standards throughout the supply chain. The company reports taking a risk based approach to managing labour standards within the supply chain and suppliers are placed into high, medium and low ethical risk categories. All suppliers in the first of these categories are required to have an independent ethical assessment each year, which is audited, while those in the other two are subject to less stringent assessments. All the company's staff involved in buying are expected to understand and reflect ethical considerations within their purchasing practices. The company also organises ethical trading workshops and courses for its suppliers.

Food safety is a high profile issue for a number of the seven retailers. Ahold, for example recognises that all its customers expect the food they buy in its stores to be safe and claim that the company's most important priority is to always provide the safest possible products to all customers. Its food safety policy embraces the whole of the supply chain from farm and production through distribution and retail to customers' homes. The company issues a range of guidance manuals and procedures for farmers and food manufacturers and on its stringent in-house food safety programmes and procedures.

A strong commitment to customers is widely reported by the seven retailers and this commitment is evidenced in a number of ways. Tesco, for example, claims that its focus is on delivering value and providing informed choice and on achieving appeal to customers across a wide social and economics spectrum by offering a very wide range of products, by striving to deliver cheaper, better food and long term price reductions and by offering customers a wide range of store formats in a variety of locations. In emphasising informed choice the company claims to be recognising that customers are particularly conscious about their health and eating habits. To that end the company reports on its healthy living initiatives, on communicating nutritional information to customers and on salt reduction.

Workplace

The majority of the seven retailers report their commitment to their employees arguing that caring for their staff is essential to their success and they evidence this commitment in a variety of ways. Such evidence covers a range of themes including remuneration and benefits; recruitment; inclusivity and diversity, working conditions, training and development; health and safety; and the work-life balance. Carrefour, for example, employs over 430,000 people and claims to attract and keep the most talented people and to build employee loyalty by offering motivating pay, company benefits and a culture of solidarity. The company recruits some 100,000 people worldwide every year and reports its commitment to local hiring and to equal opportunities. Further the company encourages mobility and internal promotion and to that end reports optimising its tools for evaluating its employees' performance.

Training and development is also a major theme. Ahold report their commitment to 'being a great place to work where people are treated fairly and experience a fulfilling career' and claim that their employees' expertise, knowledge and commitment' are key to the company's success. The company emphasises its desire to 'select, develop and retain the very best talent and to create an environment that encourages innovation' and that it values a culture of learning which is centred upon having the right skills, sharing knowledge and evidence based decision making. In addition the company has invested heavily in training and staff development and operates a 'talent exchange' system which provides opportunities for employees to work across its operations. In a similar vein Tesco reports that all its employees have access to training programmes and a personal development plan with six monthly reviews designed to ensure that they have the right skills for the jobs they are undertaking.

A number of the seven retailers report on their policies on health and safety and on integrating employees with disabilities. Metro, for example, argues that occupational safety and health care are central aspects of its role as a responsible employer and it is in the process of establishing a health management system designed to improve the status of its employees' health and staff productivity and to reduce the number of employees on sick leave. The company also reports that, in principle, special measures, aimed

at removing technical, spatial and psychological barriers, for the advancement of people with disabilities are operational throughout the company. Decisions on whether or not to offer a person employment are based solely on her/his readiness to perform and her/his professional qualifications and personal attributes regardless of any disabilities. The company claims to employ over 3,700 people with severe disabilities within Germany, which constitutes some 4% of its total staffing complement.

Community

The majority of the seven retailers report, in some measure at least, on their impact within the communities within which they operate and on their charitable donations. Ahold, for example, claim that its community involvement and charitable contributions grow out of its customer focus and it looks to demonstrate its commitment to customers by supporting causes that those customers believe to be important. The company looks to participate directly in community events and to organize fundraising activities. More widely the company is also in hunger relief initiatives in partnership with regional food banks, which provide food and distribute food products and meals via soup kitchens, food pantries and other emergency food providers. Auchan supports a number of youth projects in Spain, Portugal and Italy and it has also launched a scheme to label products in Braille to help the visually disadvantaged.

A minority of the seven retailers report on their role in urban regeneration. Metro, for example, claims that it has a particular responsibility for the promotion and development of the urban environment. More specifically it has been sponsoring the 'Ab in die Mitte' ('Off you go to the centre') initiative in North Rhine Westphalia since 1999. Here the focus is on strengthening the cultural identity of cities, to reverse the tide of visitor decline and to effect environmental improvements. Tesco also reports on its contribution to urban regeneration and renewal in the UK. Here the focus has been on working with local community groups and agencies to train and employ people who have been out of work for years and on bringing social, economic and environmental benefits to deprived urban areas.

Discussion

The majority of the European top ten retailers have been keen to recognise, and report on, some of the impacts that their businesses have on the environment, the economy and society and a number of them claim to be committed to integrating CSR agendas into to their core business activities and governance frameworks. These commitment raises four general sets of issues that merit some discussion. Firstly as customers, investors, trade unions and labour organisations, pressure groups, governments and non-governmental organisations become increasingly informed and demanding, so retailers that can demonstrate and evidence their CSR commitments may be able to build, enhance and retain reputation and competitive advantage within the retail marketplace. Indeed it is important to recognise that some of the CSR commitments reported by the seven retailers can clearly be interpreted as being driven by business imperatives. Thus while many of the environmental initiatives addressed in the CSR reports are designed to reduce energy and water consumption and waste emissions, for example, they also reduce costs. In a similar vein the retailers' CSR workplace commitments focusing, for example, upon good working conditions and remuneration, health and safety at work and training and management development all help to promote stability, security, loyalty and efficiency within the workforce.

Secondly while some of the seven retailers look to measure and benchmark their CSR achievements this is not universal practice. Ahold and Metro, for example, provide some quantitative measures of their achievements, particularly in relation to environmental and human resource issues, while Carrefour and Tesco report their use of Key Performance Indicators (KPIs) to measure, monitor, compare and benchmark their CSR achievements and performance. At the same time other retailers report on CSR in a limited and selective manner and on a number of occasions case studies were used to as a means of illustrating broader CSR commitments. Such an approach might be seen to be user friendly and to offer some recognisable details to illustrate what might be perceived to be dry statements of commitments and achievements but it does not provide a comprehensive picture nor any systematic measure of these achievements

Thirdly the retailers are aware that their CSR goals are often aspirational and that it is not always easy to align their various CSR goals or for their aspirations to be always fully reflected in the every day operational imperatives faced by store managers who are working to achieve demanding targets in a fiercely competitive business climate. On the one hand, for example, in looking to assess whether the environmental costs of importing fresh flowers from Kenya are outweighed by the social benefits of trading with less developed economies, retailers may have to make difficult trade offs between competing goals. That said they report little awareness of the problems emerging, for example, along the River Ngiro where the large scale extraction of water all year round by the companies producing flowers is causing the river to peter out in its lower reaches thereby dramatically reducing water supplies to subsistence farmers and threatening the livelihoods and lives of nomadic pastoralists. On the other hand while a number of the retailers admit, for example, to pursuing laudable environmental goals when such goals are economically viable and many emphasise their commitment to the local communities in which their stores are located, this is rarely at the expense of commercial priorities. In a similar vein when individual store managers are facing problems in staff scheduling they may pressure employees into working outside the hours that suit their work-life balance or refuse to release employees for training and management development.

Fourthly growing concern is being expressed about the increasing concentration of retail power in the hands of a relatively small number of retailers and about the impact this concentration is said to be having on a wide range of businesses and on communities. Thus it is not surprising that many retailers are looking to frame their CSR reporting to communicate their environmental, social and economic policies, achievements and contributions and to emphasise the transparency and accountability of their activities. However the retailers' claimed commitments to CSR have been increasingly contested. A number of pressure groups have been critical of large retailers arguing that their activities are having damaging effects on the environment, on communities and on the economy and disputing their credentials as good corporate citizens. Friends of the Earth, (2005) for example, have argued that one of the UK's largest retailers is abusing its power by forcing small traders out of business, killing off the high street, bullying suppliers and damaging the environment. In a similar vein the Tescopoly website, launched early in 2006, is supported by a range of organisations concerned about what they perceive to be the market distorting powers of the major supermarkets and about the consequences that their trading practices are having for suppliers, farmers, overseas workers, local retailers and the environment. The large retailers vigorously refute the vast majority of the accusations made against them and they consistently argue that their continuing growth reflects their success in responding effectively and efficiently to customer needs.

Conclusion

The majority of Europe's top ten retailers publicly report on their commitment to CSR on the Internet and though there are variations in the nature, the content and the extent of that reporting and while some of these retailers look to provide quantitative information to measure and benchmark their CSR achievements others rely more on mini case studies to illustrate these achievements. Strategically the retailers essentially argue that by integrating CSR into their businesses they will not only be better placed to provide long term growth and financial security for all stakeholders but also to maintain or enhance their market position and reputation. Finally it should be stressed that in some ways CSR reporting emphasises the retailers' aspirations and that within a fiercely competitive business environment these aspirations may at times not only be conflicting but also not always be fully reflected in everyday operations. The tensions between the aspirations and the realities of CSR will provide fertile, though probably contested, ground for future enquiry and research.

Table 1 - Top Ten European Retailers

Top Ten European Retailers		
Name of Company	Country of Origin	*2005 Retail Sales (US mill $)*
Carrefour	France	92,778
Metro	Germany	69,134
Tesco	UK	68,866
Schwarz	Germany	45,891
Aldi	Germany	45,096
Rewe-Zentral	Germany	44,039
Auchan	France	41,855
Edeka Zentrale	Germany	39,445
Arhold	Netherlands	36,893
E.Leclerc	France	35,494

Source: Deloitte: 2007 Global Powers of Retailing

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A CONCEPTUAL REVIEW OF INFORMATION COMMUNICATION TECHNOLOGY IN FACILITATING COMPETITIVE ADVANTAGE FOR SERVICE RELATED SMES.

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Abstract

The evolution of the service sector has seen a huge increase in the provision for service based products in the North-West of England. Fundamental to this development is the role of business enterprise as drivers of economic change and prosperity, resulting in the growth of small business enterprises (SMEs), responsible for a sub culture associated with the service sector and the wider leisure environment.

Service sector SMEs have developed greatly over recent years and nowhere is this more evident than in North West of England, where provision and service have accelerated the pace of change for both business entrepreneurs and consumers alike. Aligned next to these developments is the increase in competition between providers of service sector consumables. One such mechanism which offers potential savings both in terms of time and finance is the employment of information communication technology (ICT) to better enable the organisation to learn it's operating environment and develop strategies accordingly.

This paper aims to examine in detail the provision for SME development in the NW of England and of the potential ICT strategies which can be employed to aid business survival. In an attempt to contextualise the SME environment further and to facilitate understanding, the authors have utilised a case study of primary origin.

Keywords

service sector, ICT, SME's, technology, competitive strategy, learning environments.

SME development

Service sector small to medium sized enterprises (SME's) in the North West of England play a key role in the development of an economically robust environment. The hospitality sector has over a number of decades grown in confidence and contributes positively to this market, facilitating growth and wealth in areas where traditional industries such as manufacturing have experienced stagnation and decline. Whilst many small to medium sized enterprises are often defined by size, turnover and business characteristics, this itself is often inappropriate as there is no single definition of a small firm, because of the wide diversity of businesses, however, The European Commission and DTI (Department of Trade & Industry) define SMEs as having less than 250 staff. The European Commission definition also states that an SME should have either a turnover of less than 40 million euros or an annual balance sheet total not exceeding 27 million euros. (www.

dti.gov.uk/SME). According to the DTI Minister for competitiveness Barry Gardiner, there are currently a record 4.3 million small businesses in the UK – this is over 500,000 more than seven years ago. (http://www.sbs.gov.uk). In the greater Manchester area there are in the region of 58,000 small and medium enterprises.

The theoretical environment in which SME's operate has been documented at length (Korte & Wynne 1996, Haynes et al 1998 & Camison 2000), indeed whilst much of the established literature has chosen to concentrate upon manufacturing based businesses, a growing collective of academics are now researching SME development within other business sectors, including the service industries (Inkpen, 1994, Main 2000, Mols 2000, & Ma 2003). In conjunction with this, a global shift in business operations is dictating new and innovative working systems. Such systems are themselves a direct response to a form of post industrialisation, which has seen global commerce opportunities manifest themselves within the macro environment and ultimately impact upon internal business practices. These fundamental changes will continue to revolutionise the small business environment, exerting unremitting pressure upon the organisation and at the same time forcing small business entrepreneurs to identify new techniques for aiding positioning and new market development opportunities. This approach whilst experimental in nature will see the owner manager developing individual bespoke strategies for coping with each of the differing environmental situations in which they find themselves. ICT may offer SMEs a way forward and potentially enable the business to develop strategically and better the external environment.

Information communication technology

Information communication technology is defined by Buhalis (2003) as "the entire range of electronic tools that facilitate the operational and strategic management of organisations by enabling them to manage their information, functions, processes as well as to communicate interactively with their stakeholders, enabling them to achieve their aims and objectives". Whilst many academics have attempted to define ICT utilisation, the nature and definition is in itself problematic and is greatly misunderstood.

ICT can mean many things to many people:

- Telecommunications- phones, Internet access and digital televisions- Software-email, games, learning material, word processing spreadsheets, database applications, account systems and product processing

- Hardware- computers, printers, fax, scanners and digital cameras

- Information –news, online, shopping and financial services

ICT in the service sector (cd Added refs)

The information intensive nature of the service sector makes the use of ICTs crucial to its long-term viability and sustainability (Sheldon 1997). There are a number of characteristics unique to the service sector that can have implications for the management of SMEs. These are often described as intangibility, inseparability, perishability, heterogeneity and lack of ownership (Evans et al 2003). ICTs can be used in the effective management of many of these characteristics. For example the intangible nature of the hospitality service, in that it cannot be touched, tasted or sampled prior to purchase, can bring about anxiety in customers making a buying decision.

The use of ICTs in information dissemination, via the World Wide Web in the form of video streaming, can for example reduce the uncertainty that customers may encounter as a consequence of the risks involved in product purchase. The use of ICT variables such as the Internet as a marketing medium also enables the SME to differentiate its offerings from its competitors. The SME can provide an online value proposition (OVP) that makes it possible for customers to distinguish between competitor's offerings (Chaffey 2002). It also enables the SME to build trust with its target markets which is a key factor in consumers interaction and transaction experiences with online travel related businesses (Wu and Chang 2005). The perishability of the service if it is not purchased and consumed at the point of production can mean lost revenue for the hospitality SME. Effective yield management systems driven by ICT can be crucial in determining the level of demand and

adjusting pricing strategies accordingly (Main 2000). Hospitality organisations are also subject to fluctuations in demand due to the seasonality of production. ICTs can be used to forecast demand thus enabling the efficient management of human resources to meet peak periods. In addition, ICTs can be used for automated online bookings thus maximising opportunities for product purchase. It is often the case that customers are more likely to purchase an organisations product if they are able to purchase directly online (Mintel 2005). This also has the additional benefit of compiling a database of customer details, thus enabling the SME to build relationships with customers via direct marketing initiatives (Dale and Greenbank 2001). Perishability can also be minimised via the use of electronic point of sales systems which can assist SMEs in the efficient management and supply of stock to the business based upon a just in time (JIT) approach. The sales tracking of preferred customer items can be more easily monitored and the SME does not have to have cash tied up in stock that could be spent elsewhere in the business (O'Connor 2004).

The heterogeneity of the service requires hospitality businesses to interact effectively with stakeholders including suppliers, banks, solicitors, professional associations and so on, to ensure the efficient distribution of information. The inability to provide effective communication systems can lead ultimately to a breakdown in stakeholder relationships, thus impairing the end service experience for the customer. The enabling of intranet accessibility to stakeholders provides enhanced communication to occur through the network of stakeholder value chains (Buhalis 2003). Furthermore, Birkhofer et al (2000) note that technology can facilitate the creation of added value through the channel of distribution, thus further building trust in the transaction process. Destination management systems (DMS) are used within the hospitality industry to enable SMEs to gain access to customer markets that they would normally find difficult. It is financially unfeasible for hospitality SMEs to connect to Global Distribution Systems (GDS) or Switch systems unless they are part of a regional, national or international consortium such as Best Western. Connecting to a DMS enables the hospitality SME to exploit further distribution channels and marketing opportunities for its goods and services (Buhalis 2003).

ICT usage and barriers

From the prospective of e-business and e-commerce, Maguire and Koh (2004) argue that many SMEs are not equipped with, and supported by, appropriate guidelines and models to allow them to take advantage of the developing knowledge economy and move towards the e-business era. This is supported by Sheils, McIvor and O'Reilly (2003) who state that although SMEs form a substantial constituent of the global economy, there is limited knowledge available surrounding the adoption of ICTs by them whereby it is only recently that interest in the relationship between SMEs and ICT has begun to be explored in any great depth.

It is clear from this discussion that the adoption of ICT in SMEs could be improved by overcoming some barriers. Murphy and Taylor (2004) highlight six forms of barrier:

1. Many SMEs are unaware of the potential of ICT to enhance their business operation.

2. Some SMEs occupy small and clearly defined niche markets, sometimes entirely local, that do not need the global connectivity available through the internet

3. Perception of security and privacy issues associated with the use of the internet

4. Many SMEs lack the necessary IT skill base to engage with the digital economy

5. High initial set up costs and perceived on-going costs.

6. Finally, some SMEs will be restricted in their ability to evolve their ICT provision because of a legacy of IT sunk costs.

Overcoming these barriers is major a challenge for policy makers and SMEs alike. However, it could be argued that these barriers are crystallised within the context of the SME owners own pre-constructed perceptions and prior learning experiences of ICT. Thus, ICT adoption by SME's can be slow, providing a further barrier to gaining competitive advantage. This socialisation process can be conceptualised within the wider framework of Personal Construct Theory (PCT).

The small business as a strategic learning environment

The utilisation of personal construct theory (PCT) (Kelly 1955), can be used to better understand the many complexities that exist for SME's in terms of learning and organisational development. Kellys theory, dictates that as individuals we hold preconceived beliefs about our social environments, which are in turn, either confirmed or dispelled by the actions and experience of the social world. The outcome of such actions act as a mental blue print in designing and guiding our future behaviour, much in the way that a positive outcome of the past might confer particular actions for the future, the same can also be said if the outcome is negative. This technique if applied to the SME environment, sees the owner manager continually adopting new approaches or 'frames of reference' in which to better deal with, and view the ever-changing SME landscape. By developing this further, in the context of the small business; one is immediately able to view the owner managers response in terms of strategic adoption, based upon their own preconceived beliefs, of the external business environment.

The utilisation of Personal Construct Theory, (Kelly 1955 &, Kelly 1970), as an underpinning theoretical foundation to facilitate organisational understanding of ICT utilisation within SMEs, is one such method which may offer a richer insight, into the strategic development process and decision making activities as practiced within the small business (Rae, 2001, Wyer et al 2000). Key to the above is the recognition that information communication technology (ICT) offers the owner manager a vast array of development opportunities both in terms of operational development and the potential for developing a keener understanding of the role played by ICT in aiding the owner managers strategic learning process. By examining the changing business environment, owner managers are often forced into a reactive state, based upon unanticipated macro phenomena. Fundamental to these actions is an understanding of the pre-requisite management skills, which are themselves developed by owner managers and are used to direct, control and assist the successful movement of the small business enterprise. By understanding those actions that enable managers to strategically learn, one can either confirm or dispel previous management understanding of the strategic learning process. By this we are attempting to identify and better understand how successful owner managers, as quantified in terms of profitability, are able to strategically learn and therefore maximise potential business opportunities, ICT development will play a part in this process.

The role of Personal Construct Theory (PCT) might offer the small business manager a more detailed insight, into the mechanistic workings of their own business. The utilisation of PCT can act as a viewing platform, through which external parties can view the owner managers actions and therefore better understanding the motivations behind particular behavioural characteristics and eccentricities, as employed on a day to day basis. By way of an example, one might argue that an individuals upbringing and social class are themselves factors which may inhibit or facilitate SME development and may dictate a particular evolutionary strategy for the business, based upon the owner managers lack of confidence and personal constructs. Indeed we can relate the work of Maslow (1943) to the level of confidence held by owner managers and of the subsequent direction in which the business moves, based upon a sufficient number of pre-requisite levels already attained by the proprietor in relation to the hierarchy of needs.

Opportunities for understanding

To better understand ICT employment within organisations and with the purpose of illustrating small business learning, one such model, which can be used in part, is that of Wyer and Mason (1998) (tentative conceptualisation of the small business strategic learning process). Whilst not ICT specific, the model offers some rationale behind management ability to embrace change based upon stimuli or key informants. Such factors are themselves beacons of opportunity that attempt to involve organisational decision makers and distil such data into meaningful information. Whilst this approach is usually trial and error in origin, the learning process is developed and may result in the modification of manufacturing practices, organisational business policy, product development and technological employment. Whilst not entirely appropriate for assessing all levels of ICT adoption, the model does afford us some luxury, in as much as it can be applied to a

number of differing 'learning' situations and this itself is one of the models main facets.

By deconstructing the model we are able to apply its differing learning scenarios, one such scenario is that of how small businesses go about adopting technology and benefiting from its implementation. Whilst not a complete tool kit, one might argue that ICT employment at organisational level is far too complex to be viewed in this tri-part manner and that an incomplete and non representative inspection glass is formed, which has the potential to distort our understanding of the small business environment. With this in mind, one potential route might be to expand our viewing glass and rather than relying upon traditional 'learning' schools of thought, based around strategic management literature, that we utilise a holistic approach and therefore design a kaleidoscope model, through which we can view the many complexities which face small businesses, when considering new and innovative working systems such as ICT.

One such system is that of Mintzberg (1998) which advocates the positioning of ten schools of management through which we can view an organisations ability to develop strategically. In the same way that an individual may change glasses to view an object at distance, we can also view organisational practices by using the differing schools. By employing all ten schools Mintzberg believes that a clearer picture will develop as to how strategy develops, lives and changes according to its environmental conditions and this in turn might dictate ICT adoption. By illuminating the inner recesses of the small business we can better view the domestic workings of the business and potential identify reasons for the differing levels of ICT adoption.

As a spectacle of choice, the entrepreneurial school, as advocated by Mintzberg (1998), can be used to aid focus when observing organisational traits. Indeed by viewing the organisation in this manner, one instantly sees the cultural sinew that holds together and directs organisational decision making and therefore, some might argue, directs or impinges upon leadership styles, which in turn aid or limit ICT adoption. By screening the organisation with our entrepreneurial monocle, a clearer vision develops as to the shared values and direction in which the business may develop. In many cases business orientation is emergent, based upon shared ideals and intuition of those individuals who are charged with the task of directing business growth. Such architectural designs are themselves by nature constructs of the virtual business unit and will continually attempt to map the manifestations of the business environment over a period of time. By viewing change as an organisational ally, offering small businesses, the entrepreneurial freedom to experiment and research new functional working patterns, a parallel environment of holistic work aides is opened up. This itself could include the integration of an ICT medium, that not only plans and executes daily operational practices, but also engages in aiding future resources planning and cognate areas of business infrastructure.

Technology in the work environment

An integral factor which builds along side SME development, is the level at which ICT is embraced and utilised on a day to day basis, indeed the construct of any organisation is often dictated to, by owner manager perceptions of the micro and macro environment (Matlay & Westhead, 2005 & Raymond et al 2001). This is to say that external factors, will have ramifications upon the internal running and management of an organisation and therefore may dictate the operational and strategic development of the business. The perceptual world of the small business is itself a living organic entity which is impacted upon by a multitude of forces that are themselves controllable and uncontrollable in terms of management competences, understanding and comprehension. It could be argued that many of the owner managers business skills are themselves developed out of a regular engagement with the wider business substructure, which offers a whole host of trials and cognitive challenges, which are themselves learning opportunities (Aradhana & Anuradha 2005, Landale 2005, Bretherton & Chaston 2005, Anderson et al 2001 & Down 1999). By this we recognise that whilst many of the day to day SME activities such as debtor control, inventory compilation and stock control, follow an organisational blue print that often dictates a closed system approach to business management, an alternative approach does exist that embraces those organisational methods which are based upon the owners own experiences and constructs (Devins & Gold 2002).

By viewing the organic development of ICT uptake and usage within an SME, it allows for

contextualisation and exposure of the character, shape and function of ICT practice at SME level. This will allow for a clearer picture to emerge of ICT usage, as an express catalyst for strategic learning, with operational level activities being studied to identify potential benchmarking opportunities, for the ways in which day to day activities are managed. This could manifest itself in the provision for improved operational control of day to day activities, offering the owner manager additional down time, not normally available in the day, to review and judge the operational practices of the business within a macro setting (Shiles et al 2003).

Furthermore this additional down time will act as review mechanism, through which the bigger operational picture of the business can be viewed, allowing for the consideration on new innovative strategies to deal with change. Not only does this approach allow for viewing of the present in terms of profitability, turnover and productivity, it also allows for this level of data to be employed to service the long tem strategic development of the organisation.

For example the daily operational process of dispatching customer orders, from information already contained within an internal database, could itself; if managed correctly feed into a future marketing campaign / development of external business relationships and therefore inform the strategic decision making process and direction of the company. From an evolutionary perspective, the

take-up, utilisation and employment of technology within any organisation is dictated to by a multitude of factors, some of which are controllable and other that are not. By investigating the use of ICT within such a setting an enhanced picture is developed, that further enables the researcher to understand the strategic learning process of those individuals central to the organisation and who ultimately dictate the levels and employment of ICT adoption / usage. By investigating further how owner managers, become ICT literate; or choose to adopt; or not to adopt is central to this debate, as an understanding of the cognitive process, will enable are more fuller explanation to emerge as to the managers learning process and the contribution that ICT makes in respect of this.

Methodology

The case study (Yin, 1994) has been defined by Robson (1993: 40) as "the development of detailed, intensive knowledge about a single 'case' or small number of 'related cases'. This approach has been employed within this research in order to gain a richer understanding of the context of the SME. A case study has been written following qualitative semi-structured interviews with the owner of a tourism related business in the North West of England.

The SMEs involved in this case study has requested to remain anonymous and therefore the name of the business has been changed.

Table 1 - The Case study

SME case study Smiths Travel	
Size	Employs = 15 staff
Business type	Niche travel / retail sector
Turnover (£)	Not disclosed
Location	North West UK

Based in the North West of England, Smiths Travel is a family travel agency specialising in niche holiday products for the over 50s and special needs markets (assisted travel, disabled friendly travel, short term care breaks and health care products) and has for a number of years been experiencing a downturn in business. The main competition for Smiths Travel comes from the local holiday supermarket that offers holiday products

(not niche based, unlike Smiths Travel) and is able to offer additional services (free parking, free travel insurance and discount incentives). However, more fundamentally, the SME owner-manager has recognised that they are a "laggard" when it comes embracing new technology, tending to rely on antiquated viewdata systems for maintaining product supplier relationships and making bookings. The owner has admitted that this is due,

in part, to prior learning experiences of using technology. Technology breakdowns, financial anxieties and a fear of the unknown are all factors that have predetermined the "personal construct" of the owner manager and their receptiveness to new technologies. Furthermore, the owner-manager also likes to think that they are closer to understanding their key target market (Over 50s) by mirroring their supposed technophobic tendencies. With the fiercely competitive nature of the external environment, coupled with the personal construct of the owner-manager, Smiths Travel has had to consider its long-term survival.

In an attempt to alleviate the aforementioned environmental conditions, the owner and his staff developed a web page, to better promote and distribute their products and at the same time reach customers who may be geographically inaccessible. With the growing trend towards "health tourism", the owner- manager decided on placing a banner advertisement on a health care website. This resulted in a flurry of enquiries from individuals wishing to purchase related travel products.

Whilst the intention of the web site was to increase turnover and support the loss making components of the main business, it was never envisaged that demand would grow to such an extent that over 95% of daily transactions and enquiries would be via the Internet. Indeed when questioned on the role of technology in facilitating business, the owner-manager of Smiths Travel identified four main benefits to the business as a consequence of using new technology.

It is clear from the above case study that the utilisation of technology has resulted in a number of benefits. Firstly, Smiths Travel has been able to identify a new market for their existing products, one which would have probably not identified itself without the advent and use of technology. Secondly, Smiths Travel now has a clearer understanding of its own organisation, including customer segmentation, product range and demand patterns. Whilst many travel SMEs employ the internet to market their product, Smiths Travel has actively embraced technology in facilitating customer understanding of an intangible service (ie the travel product) and therefore reduce purchase fear for the customer pre departure. In addition to the interactive nature of the technology, an increased awareness of market information and customer preferences

is also created. For the owner manager the beneficial experiences of using new technologies has developed their personal construct, enabling them in the future to be more receptive to new situations as they may arise.

Conclusion

Whilst recent SME research has attempted to put into context the service sector SME, these attempts are arguably over generalisations and borrow much from the traditional SME format (by this we mean manufacturing / production based SME's) and are therefore non representative of service sector SME's. Whilst a number of academics have attempted to theorise the differing SME types, it is clear that an established theory of ICT adoption, in service sector hospitality SME's is yet to be fully developed. In an attempt to alleviate this and to gain a clearer understanding of ICT employment, it is imperative that SME owner-managers better appreciate the potential benefits that can result from ICT employment. SMEs need to recognise that ICT usage is a long term commitment, one which impacts upon the strategic direction of the business and one that cannot be easily reversed once adopted. Indeed whilst many SMEs have chosen to utilise ICT with no clear direction or purpose, one might argue that such a strategy is non operational and will only cause problems later on, with ill experienced staff being asked to perform activities and employ technology for activities that they have comprehension of. This in itself predetermines their own personal construct of new situations and possibly influence their own use of technology adoption in the future.

A key part of this article has concentrated upon ICT utilisation within SMEs and of areas where it can be used to aid strategic direction. Key to any successful ICT adoption is the context in which the system is used. This is an area that many SMEs have yet to fully appreciate and often go about employing ICT with no real understanding as to their organisational needs. By viewing the SME as a learning environment and by employing systems such as personal construct theory, one is better able to appreciate organisational needs and appreciate specifically where and how ICT can be used to aid strategic direction.

Table 2 - Advantages of Technology

Technology	
Advantages	**Issues**
. Distribution related →	Each travel product can be distributed via the net, with information and travel requirements being tailored to user needs. Product orders can be received 24 hours a day, 365 days a year and information dispatched the following day. Not only can customers track their enquiry on-line, is also possible to create a bespoke account for regular customers showing recently bought products. This also acts as a sales inventory for the supplier.
. Value chain related →	A better understanding of the organisations primary activities (inbound logistics, operations, outbound logistics, marketing / sales and service) can be achieved.
. Finance related →	From a financial perspective, the utilisation of technology has meant that cost centres can be monitored and modified accordingly.
. Product related →	The utilisation of a viewing gallery has meant that customers are able to view the product pre-purchase (e.g. hotel room, resort etc) and therefore reduce many of the uncertainties held on behalf of the customer.

Questions

1. Critically appraise the role of Personal Construct Theory (PCT) as a mechanism for internally viewing any business organisation.

2. From an external perspective, theoretically appraise the benefits that Smiths Travel has received from employing technology, in an attempt to facilitate product information dissemination.

3. How might an understanding of customer demographics, better enable businesses to provide products that are more in tune with customer needs and wants.

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CASE STUDY: MARKETING PERSPECTIVE OF ALMARAI DAIRY FOOD COMPANY

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Abstract

The case is concerned with Almarai which is based in Saudi Arabia and is a leading dairy food company in the Middle East. The challenges faced by the organisation at home and overseas due to competition and changing market conditions are outlined and management is shown to be seeking further expansion. Attention focuses particularly on marketing activity, allowing discussion of existing strategies and future possibilities. Information was obtained from personal interviews with Almarai executives, supported by material from various company documents and the Internet.

Introduction

Almarai is a well established dairy food company in the Middle East, but is facing some challenges due to increasing competition from national and international brands. It has responded by price discounting, product development and exploiting opportunities for exporting to overseas markets. However, there is concern about whether these steps are the most appropriate and the company is discussing future strategies, especially those relating to marketing at home and abroad. There may also be scope for improvements regarding the efficiency of some operational practices, especially related to the amount of time it takes to develop new products.

Almarai at present is second to Al-Safi Danone as a dairy food market leader in the entire Middle East. In pursuit of the first position, it has adopted a strategy of market penetration to fight off the competition and generate profits. Its product strategy has been to design versions of the same items for different segments and its pricing strategy has been to beat the competition by heavy discounting. The promotional strategy is to emphasize brand strengths across segments and the distribution strategy is to maintain an intensive distribution network locally and to seek new channels in Middle East as well as South East Asian markets.

Almarai

Almarai, meaning green pastures in Arabic, is the dairy market leader in the GCC (Gulf Cooperation Council which is a grouping of Bahrain, Kuwait, Oman and the United Arab Emirates in addition to the Kingdom of Saudi Arabia). It is based in the Saudi Arabian capital of Riyadh and was founded in 1976 as a joint venture between His Highness Prince Sultan Ibn Mohammad Ibn Saud Al Kabir who is a member of the royal family, the Savola company and Al-Muhanna family. The shareholdings of these partners are 51%, 31% and 18% respectively. It is recognized that the potential and expertise offered by the Irish company Masstock has helped in transforming the traditional farming sector of Saudi Arabia to meet the needs of a rapidly developing country. Masstock was employed as a consultant and laid the ground work while also facilitating the adoption of more scientific methods by the dairy food business. Although Almarai is a Saudi company in its equity holdings, it employs a large number of Irish citizens who hold high-level positions.

Subsequent growth has been mainly organic and Almarai has expanded each year to become one of the foremost food corporations in the region and a leading brand name. Its activities range from dairy and arable farming to dairy processing and the manufacture, sale, distribution and marketing of a wide variety of fresh and long life branded dairy products. The enterprise is driven by the desire to 'fulfil the need to translate up-to-date developments in agriculture and food industries into practical activities'.

Almaria is divided into three operating divisions, two central support divisions and a central marketing division. The workforce exceeds 3,500 who come from 27 different countries. The largest groups are from the Philippines, Bangladesh, India, Pakistan, Egypt, the Sudan and Yemen. Management personnel are primarily European with a limited number from America, Australia and New Zealand in addition to Saudi nationals.

The company produces half of Saudi Arabia's fresh milk and is the country's largest food exporter. It has also contributed to the evolution of the agriculture, dairy processing and food distribution industries in the Arabian Peninsula. Figure 1 contains some statistics related to the scale of Almarai's operation.

Figure 1: Key Statistics

- Over 19,000 lactating cows
- Over 19,000 dry and replacement cows
- Annual milk production in excess of 240,000,000 litres
- Annual milk packaging capacity of 500 million litres
- 70,000 square metre production facility
- 500 chilled sales vans on the road
- 28 sales depots throughout the GCC countries
- Almost 4,000 employees from 27 countries
- Over US$480 million annual turnover

Source: Arab News, 3 December 2004

Commercial achievements are reflected in the winning of a number of national and international awards; for example, Almarai was voted the World's Food Plant of the Year by the US-based Food International Magazine in 1998. It was also the first dairy farm in the world to gain ISO 9002 accreditation. Additional accolades relate to services to the community and it supports health education, road safety and anti-drug campaigns as well as offering assistance to orphan welfare and benevolent societies in Saudi Arabia.

The company's mission statement is to 'achieve enhanced shareholder value by satisfying Middle Eastern consumer demand for branded food products of superior quality and value'. It has also issued a quality statement which maintains that Almarai is 'committed to quality which means providing products and services which continually satisfy consumer expectations and maintain our competitive advantage'.

The Dairy Food Market in Saudi Arabia

Dairy products are an essential and popular component of the Saudi Arabian diet and there is evidence of rising demand amongst the growing population which numbers just over 24 million. Consumption of all types of dairy products reached 1.3 million metric tons in 2004 and is projected to reach 1.4 million in 2005 and 1.9 million in 2010. Expenditure on dairy goods was US$2.26 billion in 2004, each Saudi resident spending an average of US$94 that year. The demand for all types of dairy products grew at an annual rate of 5.8% annually between 1994 and 2004, surpassing domestic population growth. The trend is expected to continue in the coming years until 2010 when the population will be 29.2 million.

Domestic market demand for all type of dairy products is estimated to be worth US$2.1 billion. Prices have not increased across the product mix

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since 2001 and, based on 2004 constant prices, the market value is expected to be US$2.7 billion in 2007. The projected pattern of demand is depicted in Figure 2 and such trends mean that there may be difficulties in meeting domestic demand without a significant increase in output.

About 81% of dairy produce consumed in Saudi Arabia comes from suppliers within the country, the remainder being imported from overseas. The volume of imports reached 235,092 metric tons in 2003, compared to 78,715 metric tons in 1993, with a corresponding increase in expenditure from US$176 million to US$600 million.

Imported items include butter, cheese and other solid forms of dairy products which need to be imported because the Kingdom lacks the necessary technological infrastructure and production capacity. It will therefore have to rely increasingly on imports, unless it is able to boost its output by 450,600 tons every year in the next decade. Reliance on exports could cost as much as US$587 million in terms of foreign exchange.

With regard to per capita consumption, the Kingdom's population consumed 53.5 kilograms of dairy products per head in 2004 and this figure could rise to 63.5 kilograms by 2010. The per capita consumption of dairy products is significantly higher than that in developing countries, but it is about 42.3% lower than in many industrialized states where average per capita consumption is 90 kilograms. If the Kingdom aims to increase its per capita consumption to reach parity with the industrialized world, it will have to boost its production capacity to two million tons by 2010. This target is considered desirable as it will permit the satisfaction of local market needs and demands from Hajj and Umrah religious pilgrims who travel to Saudi Arabia in large numbers, in addition to creating new commercial opportunities.

At the same time, demand from other Middle Eastern countries has also been strong and is predicted to grow further. Figure 3 illustrates trading activity in dairy products. Saudi Arabia exported some US$665 million worth of products in 2003, in contrast to US$54 million in 1992, and analysts anticipate exports will total US$1 billion in 2007. Dairy goods now account for 7.8% of the country's total non-oil exports. Principal exporters are Almarai, the National Food Industries Company (LUNA), SADAFCO, Al-Rabie, Al-Othman, Al-Rai (Danya) and United Food Industries Corporation (Pride). Al-Safi Danone, Nadec, Halwani and Jamjoom Formost are companies which have done well domestically and are in the process of developing their export capability.

The dairy goods that are exported include milk, cream and cheese products as well as yoghurt and laban. Laban is a traditional Middle Eastern drink similar in taste to natural yoghurt which is popular with families because of its refreshing taste and nutritious value. The main export markets are GCC countries, Jordan, Lebanon, Yemen and selected African states. Preliminary indications suggest that the export markets for Saudi dairy products will expand even further and market penetration in Iraq and Kuwait will continue. Malaysia, Singapore, Hong Kong, Brazil and Mexico are also being considered as new markets.

Almarai's Marketing Strategy

Almarai claims that its marketing strategy is based on integrated marketing activity which involves the whole company and seeks to align customer needs with the capabilities and goals of the organization. The company scans the environment to identify risks and opportunities and the factors which are outside its control, but which impact on operations. It also gives proper recognition to market segmentation and the marketing mix. When the company makes major decisions, it invariably takes into account specific market segments to target. Fruit yogurt, for instance, is directed mainly at customers within a certain age range and occupational profile who have certain characteristics in common. Low fat milk and unsalted butter are also directed at groups of people who have specific health related requirements. Once the strategic decision has been made to target a specific market, Almarai positions its products to meet the particular needs or wants which characterize that segment. When doing so, Almarai tries to ensure that the product has features which make it competitive with other products in the market.

Figure 2: Projected Domestic Demand for Dairy Products 2000-2010
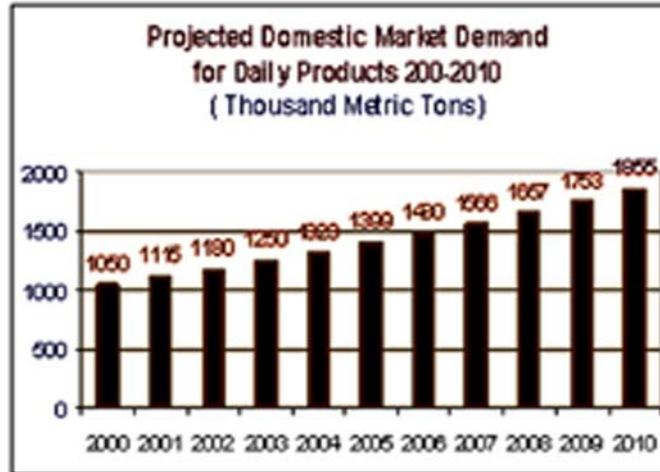
Source: National Commercial Bank Report 2004

Figure 3: Exports of Dairy Products from Saudi Arabia 1995-2005
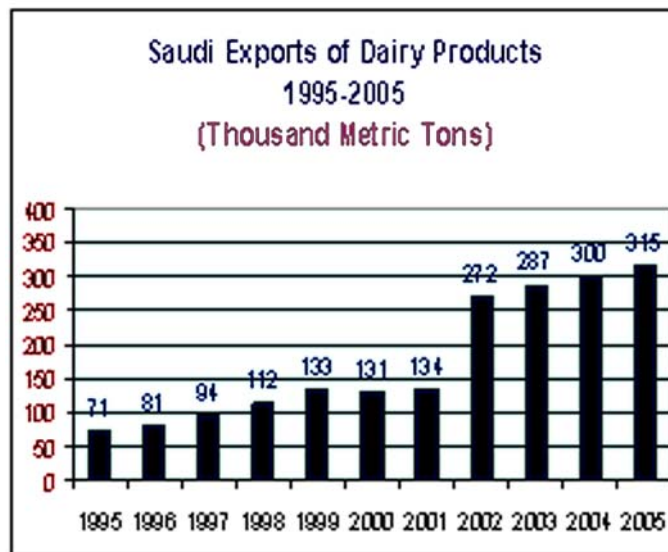
Source: National Commercial Bank 2004

The company presents itself as a dairy which produces milk and milk related items, using the marketing slogans reproduced in Figure 4. Emphasis is given to attributes which are expressed in phrases employed in advertising and on packaging such as 100% natural, no preservatives added, fresh cow's milk and good for children. The benefits of low fat and low calorie content are highlighted where appropriate.

Figure 4: Principal Marketing Slogans

- Quality you can trust
- Fit to eat
- The white stuff
- Take one, make one
- Set the juice loose
- Desserts to die for

Source: Almarai Handbook, 2004

Products and Market Share

Almarai's main products are milk, cream, cheese, yoghurt, juices and dairy desserts. About 25% of its raw milk is pasteurized and packaged in plastic bottles and degradable paper containers of various sizes. A further 60% is fermented to make laban. Milk and labon are sold in full fat and low fat versions. The remainder of the milk is used in a diversity of branded dairy goods. These include zabadi (a type of yoghurt), ghista (a thick spooning cream) and labneh (a fermented fat product). The company also offers a wide assortment of fruit-based dairy products such as stirred and set yoghurts and fruit laban.

Table 1 summarizes Almarai's product range, market share and key competitors. Overall, the company accounts for 40% of dairy product sales in Saudi Arabia and 42% of those across the GCC. In terms of product development, Almarai is pursuing continuous expansion and extending its portfolio to include long life dairy products and those with low fat content and sometimes added nutrients. It relaunched its revamped and improved Zady range in 2003 with new items such as jelly custards aimed at children.

Promotion and Publicity

Marketing activity is divided into six different divisions which deal with the areas outlined below.

- The Fresh Dairy Division is responsible for marketing fresh and long life milk and laban. These goods comprise 72% of the total sales and are regarded as the cash cow for the company.

- The Fresh Food Division markets a variety of fruit and vegetable juices (orange, apple, mango, mixed fruit and orange and carrot). The company has a 20% share of the juice market and the division's products are considered to be a star.

- The Food Division looks after processed cheese (tins, triangles, slices and jars) natural cheese (feta, halloumi, and mozzarella), butter and butter ghee. The share of the cheese and ghee business is 15% and this is considered another star for the company.

- The Potted Products Division is responsible for marketing products such as crème caramel, fromage frais and different types of yoghurt.

- The Gulf Division is responsible for marketing products only within Gulf countries.

- The Public Relations Division is in charge of external communications with public interest groups, charitable organizations, environmental agencies and governmental bodies. The division also handles arrangements for the Almarai Prize for scientific innovation which is awarded to two outstanding scientific achievements annually. The company is also involved in other civic and charitable activities and supports health and anti-crime programs and an orphanage. Visits are arranged to company farms for local groups and delegations of overseas officials are often hosted.

Attempts are being made to enlarge the market through segmentation and demand in general seems set to increase in the next decade. The annual growth rate of Saudi Arabia's population is 3.5% and the per capita consumption of dairy products is rising at a faster pace as described in the final section.

Table 1: Almarai's Product Range

Product Type	Product Categories	Product Range	Market Share	Market Position	Key Competitors
Fresh Liquid	Laban	Full fat, low fat, super and flavoured	40%	1st	Al-Safi Danone, Nadec
	Milk	Full fat, low fat, super and flavoured	45%	1st	Al-Safi Danone, Nadec
Potted	Gishtah	Standard	22%	1st	Al-Safi Danone, Nadec
	Zabadi	Full fat, low fat and skimmed	27%	1st	Al-Safi Danone, Nadec, Nada, Rawabi
	Fruited Yoghurts	Layered and stirred yoghurt and fromage frais	50%	1st	Al-Safi Danone, Nada, Rawabi, Al-Rabie
	Zady Brand	Flavoured yoghurt, flavoured laban and jelly custard	35%	1st	Al-Safi Danone, Nadec, Rawabi
	Desserts	Crème caramel and custards	55%	1st	Al-Safi Danone, Nadec, Rawabi
	Labneh	Standard	6%	4th	Pinar, Puck, Ulker, Safi Danone
Beverages	Fresh & UHT Juice	Fruit and fruit and vegetable mixes	22%	1st	Nada, Karim, Rawabi, Al-Rabie
Foods	Jar Cheese	Ghiste and cheddar flavour	20%	3rd	Kraft, Puck
	Triangle Cheese	8's, 16's, 24's and 3"s	20%	2nd	La Vache Qui Rit, Kiri
	Tin Cheese	56g, 113g and 200g	22%	2nd	Kraft
	Cheese Slices	Burger, sandwich, toast, low fat and flavoured	19%	3rd	Chesdale, Kraft
	Butter	Salted and unsalted	22%	2nd	Lurpak, Anchor

Source: Almarai Handbook, 2004

Currently almost 65% of Saudis are aged between 20 and 35 and this is the key group targeted by Almarai. Principal advertising media are magazines, newspapers, the Internet and television. School children are another important market and Almarai products are distributed during prize giving ceremonies. Corporate clients include Saudi Airlines, with which Almarai has contractual agreements, and hotels and restaurants across the Kingdom.

Much sales promotion is directed at retailers and some of the most common tools are listed in Figure 5.

Figure 5: Sales Promotions

- Price off (off-invoice or off-list): a straight discount on the list price of purchases during a stated time period
- Allowance: an amount offered in return for the retailers agreeing to stock products
- Free goods: offer of extra cases of products to retailers which carry a certain quantity or feature a certain flavor or size
- Sales contests: competitions with prizes of money and trips abroad for the attainment of specific targets

Source: National Commercial Bank Report, 2004.

The company supports retailers in other ways by providing free trials and consumer samples, point of purchase display materials and demonstrations. Low cost items bearing the company's name and advertising messages are given to retailers, prospects and customers. Almarai also participates in trade shows and conventions within Saudi Arabia such as the Annual Agricultural Expo, Saudi Export Expo and National Products Expo as well as international events. On average, it attends between six to 10 such events every year.

Distribution and Sales

Almarai has established its own distribution network throughout the Kingdom as well as overseas. The network is divided into four Sales Regions and 28 Sales Departments which serve approximately 20,000 customers on a daily basis. The Sales Regions and their coverage are as follows.

- The Central Sales Region is headquartered in the capital city of Riyadh and covers central as well as eastern regions.

- The South Sales Region is headquartered in Khamis Mushayt in Abha Province and covers cities in the southern part of the Kingdom.

- The North Western Sales Region is headquartered in Jeddah in Hijaz Province

and covers cities in the west and north of the Kingdom.

- The Gulf Sales Region is headquartered in Dubai and covers cities in the GCC countries.

Each region contains several Sales Departments which are located in various cities in the Kingdom as well as in GCC countries. Regional headquarters make decisions about the quantity of products to be distributed within the region and each Sales Department then arranges for distribution within the city where it is based.

Pricing and Competition

The number of dairy companies in Saudi Arabia has been steadily increasing and the industry now comprises 60 firms, producing around 1.4 million tons of various products. The Kingdom's major producers of liquid milk and associated items besides Almaria are Al-Safi Danone, the National Agricultural Development Company (Nedec), the Saudi Dairy & Foodstuff Company (Sadafco) and Jamjoom Foremost with additional rivals listed in Table 1. Almarai's principal competitor is Al-Safi Danone, although their dominance is under some threat from the large number of companies attracted by the growing market. It is, however, difficult for smaller firms to match the competitive prices of the leaders and a challenge for them to position themselves and their products effectively,

establish a niche, cultivate brand loyalty and gain market share.

Overseas companies like Kraft, Nestle and Chesdale also have a presence in the food market, but certain restrictions are imposed on dairy businesses. There is a possibility that more overseas companies might be enticed to enter joint ventures or they may wait until the Kingdom joins the World Trade Organization (WTO) in 2005. It is anticipated that this will result in a more open and free market.

Almarai and Al-Safi Danone have frequently embarked on price wars, conducted over an extended period, which have posed serious difficulties for local as well as overseas dairy food businesses. For instance, Almarai announced in July 2003 that it was slashing its prices by up to 33%. The move was made despite an agreement in May 2002 amongst 24 dairy firms that they would not enter into a price war. Al-Safi Danone immediately undertook reprisals and cut the prices of its own dairy products. It accused Almarai of launching a price war, but the latter refused to accept the blame and claimed that the 2002 agreement had already been breached. Many other companies had been reducing their prices and carrying out promotional campaigns, leaving Almarai with no choice except to discount.

Al-Rabia, a local dairy firm, accused Almarai of damaging the interests of the national dairy market by its actions. Al-Rabia maintained that the price war would ultimately harm consumers because it would inevitably lead to a compromise on quality. Almarai responded by saying that the quality of products would not suffer because well established companies would apply advanced technology and modern administrative methods to protect their brand image. Customers would therefore be retained and the industry would become more efficient and competitive.

A national newspaper reported that the price war started by Almarai would drive the small producers out of the market as they would not be able to withstand the competition. The newspaper asked for intervention by the Ministry of Agriculture and Water, but officials refused to interfere and stated that market forces should be allowed to resolve the situation. Competition was believed to be healthy and the industry sufficiently robust and deeply rooted to survive. However, in late September 2003, the government did step

in and the price of many products such as milk and buttermilk was stabilized. The details of the agreements were not made public. There have been no major price wars since, although there is a possibility that another will erupt and price competition continues to be intense.

Future Challenges for Almarai

Amlarai has aspirations to enter more international markets such as Malaysia, Singapore, Hong Kong, India, Pakistan and Mexico which will have implications for its pricing and marketing strategies as well as distribution policies. The price wars and discounting practiced in the home market may not be successful overseas, however, and there could be greater competition from companies with lower costs. Other important factors which management appreciate must be taken into account include market and cultural differences, fluctuating exchange rates, invoicing and payments difficulties across borders, the tariffs and taxes, and government regulations of the host country.

Official agricultural subsidies will also be gradually eliminated after Saudi Arabia joins the WTO in 2005 and this will affect costs and pricing. Subsidies currently cover 30% of the total cost of dairy farm equipment, 100% of all shipping costs including airfreight for at least 50 cows, and 50% of the price of irrigation pumps purchased by integrated dairy projects. The General Silos Flour Mills Organization (GSFMS) also subsidizes feed supplies purchased by the dairy farm industry. Such financial assistance has allowed Almarai to slash its prices in the past, but this will no longer be so easy in the future.

In preparation for accession to the WTO, the government has decided to lower the custom duty on imports of dairy products to 5% and create an Arab Free Trade Zone (AFTZ) in Saudi Arabia. This is likely to attract more foreign businesses, including those related to dairy farming and food production. The Ministry of Agriculture also recently announced that it favours a policy of relying more on market forces and will not intervene in regulating raw milk prices in the future.

Conclusion

The dairy food business in Saudi Arabia is relatively advanced and Almarai is a household name throughout the entire Middle East whose products are associated with freshness, quality and value for money. Nevertheless, it does confront changes which are affecting both demand and supply. Consumer behaviour in Saudi Arabia is evolving rapidly as a result of progress in science, technology and education as well as increasing modernization and globalization. Customers are becoming more sophisticated in their tastes, purchasing behaviour and evaluation of alternatives which means that existing products must be improved and new products developed in order to satisfy needs.

Entry into the WTO will also be a significant turning point for all Saudi industries because it is likely to intensify competition domestically and internationally. Some industries and companies will also lose the benefits of government subsidies. Almarai will therefore have to be alert and innovative if it is to retain its status as one of the country's dairy food market leaders and realize its goal of occupying the premier position.

Questions

1. What are the overall strengths and weaknesses of the company?

2. What are the advantages and disadvantages of Almarai's marketing strategy?

3. How will its pricing strategy be affected when Saudi Arabia enters the WTO?

4. Is the company too sales oriented and insufficiently market oriented?

5. What should Almarai do to meet future challenges in the domestic dairy food industry?

6. Should Almarai expand further overseas and which countries offer the best prospects?