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A case study of tourism companies' modern slavery statements

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Abstract

Modern slavery is perceived to be a problem in the tourism industry but it has received very limited attention in the academic tourism literature. This case study looks to extend the current literature on modern slavery within the tourism industry by reviewing the modern slavery statements of a number of leading tourism companies. The case study outlines the characteristics of modern slavery and reviews, and reflects on, the modern slavery statements of six leading tourism companies, namely, Expedia Group, TUI, Flight Centre Travel Group, Trip Advisor, Intrepid Travel, and Hays Travel. The results reveal that eight themes, namely, corporate commitment; codes of conduct; risk assessment; due diligence; supply chains; building awareness and providing training; the role of stakeholders; future plans and performance measures; effectively captured the spirit of the selected tourism companies' approach to modern slavery statements.

Keywords: Modern Slavery, Modern Slavery Statements, Tourism Companies, Stakeholders, Research Challenges

Introduction

Modern slavery, simply defined as the 'activities involved when one person obtains or holds another person in compelled service' (Unseen 2021a) is an insidious problem in many sectors of the global economy. The Conversation (2017), an independent source of news and views, sourced from the academic and research community, argued that 'the costs of production of the tourist experience are often glossed over', that 'modern slavery practices are especially evident in the tourism supply chain in developing countries', and that 'when it comes to international tourism, concerns over links with modern slavery have been mostly subdued.' Baum and Hai (2019) claimed 'at a time of sustained growth in demand for tourism worldwide, the industry faces persistent challenges with respect to employment, highlighted, inter alia, with respect to low pay, precarious security, poor working conditions, high labour turnover, intersectional disadvantage, occupational ghettoisation and employee sexual and physical abuse that can represent modern slavery. These issues appear to be systemic, structural and universal across all countries and within both formal and informal economies.' In inviting submissions to a session entitled 'Modern day slavery in global tourism supply chains: A geography of marginalization', at its 2019 Annual Conference, the Association of American Geographers (undated) asserted that 'the implications for aligning modern day slavery with tourism is profound because although tourism has become ever more prominent across the global landscape, it has largely evaded scrutiny where connotations of modern slavery have been made.' Further, the Association of American Geographers (undated) argued that the presence of modern slavery in

global tourism supply chains is largely under acknowledged, and more specifically that 'relevant scholarly discourses..... Have largely neglected placing global tourism within the constructs of modern day slavery.' The issue of modern slavery in the tourism industry has certainly received limited attention in the academic tourism literature. With these thoughts in mind, this case study looks to explore one of the ways in which a number of leading travel companies have addressed this issue by reviewing their modern slavery statements, and as such, the case study looks to extend the current literature on modern slavery within the tourism industry.

Modern Slavery and Modern Slavery Statements

There are many definitions of slavery and Allain and Bales (2012) argued 'the very term slavery and its contours are contested.' Though the first international definition of slavery, namely 'slavery is the status or condition of a person over whom any or all of the powers attaching to the right of ownership are exercised' was established in 1926 (United Nations Office of the High Commissioner Human Rights 2021), slavery has existed throughout history. While slavery has been officially banned throughout the world it still exists but now revolves around illegal control, rather than legal ownership. Anti-Slavery (2021) estimated that some 40 million people are trapped in modern slavery across the world.

Unseen (2021a), a charity working 'towards a world without slavery', described modern slavery as an umbrella term for the 'activities involved when one person obtains or holds another person in compelled service.' Such activities include human trafficking, forced labour, debt bonded labour, descent-based slavery, slavery of children, and forced or early marriage. Each of these activities has its own characteristics. Debt bonded labour, for example, perhaps the most widespread form of modern slavery, occurs where people trapped in poverty borrow money, and are forced into work to pay off the debt, and in so doing, lose control over their employment conditions, and the original debt. Human trafficking involves the use of violence, threats, or coercion to transport, recruit or harbour people, for labour, forced prostitution or marriage.

In many ways modern slavery often effectively goes unseen in that many of the people working in slavery are in companies' supply chains, while those in customer facing operations might look very much the same as many of their fellow workers. That said, Unseen (2021b), identified some indicative signs of modern slavery and human trafficking. Namely, individuals who show signs of physical or psychological abuse, look malnourished, unkempt, anxious or agitated, or appear withdrawn or neglected. Their living conditions might be dirty, cramped and overcrowded and they might always wear the same clothes, have few personal possessions, and no identification documents. Further, they might be dropped off at, and collected from, their place of work, early in the morning and late at night, and they may be reluctant to seek help from fellow workers, and be very wary of law enforcement officers and agencies.

A number of governments, as well as a wide range of national and international organisations, have been active in looking to tackle the issue of modern slavery. Some of the major political initiatives to tackle modern slavery has focused on urging large companies to address modern slavery both within large own operations and arguably more importantly in the supply chains. In 2015 the UK Government, for

example, pioneered this approach in introducing the Modern Slavery Act, requiring all businesses with an annual turnover in excess of £36 million, to produce an annual modern slavery statement, setting out the steps they have taken to prevent modern slavery in their business and supply chains. Here the challenge is for businesses is to take serious and effective steps to identify and root out modern slavery and all businesses must be vigilant and focus on continuous improvement. More recently a small number of countries have also introduced legislation to tackle modern slavery within supply chains. In 2018 Australia, for example, introduced a Modern Slavery Bill, modelled in part on the UK legislation, which included prescribed criteria for corporate modern slavery statements.

Reviewing the Literature

To date, modern slavery in the tourism industry has attracted little attention in the academic literature. In part, this may reflect a reluctance within the industry, and its supply chains, to permit researchers access to documentation and decision makers to allow them to pursue research investigations into modern slavery. Denying access for such research may reflect commercial sensitivities and/or concerns about essentially publicly unspoken corporate concerns about employee recruitment and labour practices within supply chains, and attendant fears of damaging publicity, and possibly criminal prosecution, if modern slavery practices are explicitly revealed. In part the lack of published research on modern slavery within the tourism industry may also reflect researchers' fears for their personal safety if looking to undertake research, in settings where illegal, and criminal activity may be commonplace, and then publish their research findings. Here covert approaches may seem to offer a way forward, but such approaches are unlikely to offer genuine security in an environment where anxiety and suspicion may be rife.

Cheer (2018) argued 'that tourism is inherently labor intensive, provides ideal conditions for potential transgressions that leverage human exploitation, especially concerning labor and human rights. Accordingly, this should signal to tourism geographers that the association between modern slavery practices and tourism presents a potentially rich seam for critical tourism geographies research.' Cheer (2018) further argued that 'one of the clearest manifestations of modern slavery in tourism is the practice of orphanage tourism in less developed contexts' and 'in linking orphanage tourism to modern slavery practices, tacit acknowledgement is made that at stake for children are their human rights, as they become commodities for the explicit purpose to pose as orphans.' Under the banner 'modern slavery and tourism: when holidays and human exploitation coincide', Cheer et al. (2017) outlined work designed to develop a policy framework to help a variety of agencies, including government, non-government and civil society groups, to co-operate more effectively to manage the orphanage tourism phenomenon.

Some work has been published on tourism and historic slavery sites. In a study of 'Transatlantic Slave Trade (TAST) sites' in Ghana, Yankholmes and McKercher (2015) concluded 'no understanding of the slavery heritage tourism phenomenon is complete without a better understanding of the people who consume such sites. The current study presented evidence that indicated that four types of visitors go to these sites. Based on their connection to slavery and trip purpose, these people were found to be racially, geographically and experientially different.' Thus the 'connected slavery heritage visitors', for example, 'tend to be from the United States, largely

middle class, well educated with prior interest in the past' and 'they were mostly visiting to re-establish connection to their progenitors.' In a similar vein, the 'connected vacationer was defined as having a strong personal connection to slavery but not seeking their roots' while the 'not connected Caucasian group comprises mostly young people from several European countries, with no connection to slavery and with varied trip purposes.'

Buzinda and Santos (2009) explored the way in which tourists 'endow a former slave plantation with meaning by promoting or demoting its cultural authority' in a study based on the Hampton Plantation and State Historic Park, which was an active state plantation during the 18th and 19th century, in South Carolina. In their conclusion Buzinda and Santos (2009) concluded as 'heritage audiences become increasingly international and multicultural, slave related sites ought to craft metanarratives that incorporate pluralistic perspectives. Representations focused on a tourist-centered ethos will allow for portrayals that lure diverse populations and facilitate wider voice resonance within depictions.' Small (2012) explored the nature, role and functioning of slave cabins and identified the strategies employed in presenting slave cabins as part of heritage tourism, each of which reflected divergent heritage goals.

While Caruana et al. (2020) argued that modern slavery offered potential for many innovative theoretical approaches, little conceptual work has been undertaken on modern slavery within tourism. That said, three sets of theoretical approaches, namely institutional theory, stakeholder theory and contingency theory, merit attention. Flynn and Walker (2020) employed institutional theory, to explore how firms listed on the Financial Times Stock Exchange were responding to modern slavery risks in their supply chains. Here institutional theory was selected because Flynn and Walker (2020) argued that the transparency provision in the 2015 legislation represented institutional, rather than market, pressure on companies.

In their work on modern slavery in supply chains, Stevenson and Cole (2018) suggested that both stakeholder theory and institutional theory offered potential for future research on modern slavery. Here, for example Stevenson and Cole (2018) argued that stakeholder theory was valuable in that while the primary audiences for modern slavery statements were external stakeholders, it was important for companies to consider what their modern slavery statements revealed to their suppliers. Gold et al. (2015) argued that research questions about modern slavery could be fruitfully framed by contingency theory and institutional theory. The former was seen to help to achieve a deeper appreciation of the importance of culture, geography, legislation and regulation, while the latter could help in investigations of how, and why, modern slavery traders can continuously resist pressures to adopt more legitimate forms of business.

This literature review of modern slavery in the tourism industry suggests that the field is currently fragmented, and at a best, embryonic. While the review offers a brief introduction to the field, it does not identify modern slavery in the tourism industry as distinct field of research, not least in that it lacks an agreed framework, empirically informed research and a theoretical foundation. Perhaps more importantly in the light of the aims of this paper, the current literature review reveals little research on how major tourism companies have addressed modern slavery. As such, this highlights a gap in the tourism literature, but given the role tourism companies, often potentially unwittingly, play in modern slavery, it surely merits attention. More generally, Wen et

al. (2020) called for more research to 'examine the dynamics underlying the diverse causes, nature, and consequences of modern slavery.'

Methodology

In looking to undertake an exploratory review of how some of the major tourism companies had approached animal welfare, the authors chose a simple method of enquiry which they believe to be fit for purpose. A preliminary survey of major tourism companies revealed that the modern slavery statements of six companies, namely, Expedia Group, TUI, Flight Centre Travel Group, Trip Advisor, Intrepid Travel, and Hays Travel, were readily accessible on the Internet. The authors believe this is an appropriate approach in a paper designed to review how some of the major tourist companies were addressing modern slavery rather than to provide either a comprehensive or comparative analysis of how companies were tackling modern slavery across the tourism industry.

Internet searches were conducted in May 2021 using the name of each of the selected tourism companies and modern slavery statement as the key phrases. The most recent modern slavery statement from each of the selected companies provided the empirical material for this case study. This material is in the public domain on the selected tourism companies' websites and the authors took the considered view that they did not need to seek permission to use it. A number of authors have used forms of content analysis to systematically identify themes and issues on corporate websites. However, given the exploratory nature of the paper and that the modern slavery statements posted on the selected companies' websites were relatively brief and clearly signposted, the authors were minded that content analysis was not appropriate. Rather, the authors undertook a close reading of the statements to draw out the important issues and themes.

The review draws on selected quotations drawn from the selected tourism companies' websites. the aim here, was to explore how the companies publicly expressed, and evidenced, their modern slavery statements, and the authors took the view that this was perhaps best captured in the companies' own words, not least in that quotations could convey corporate authenticity, and offer greater depth of understanding (Corden and Sainsbury 2006). At the same time, the authors satisfied themselves that the two conditions outlined by Saunders et al. (2009), relating to the reliability of information drawn from Internet sources, namely the authority and reputation of the source and the citation of a contact on the website, were met.

Findings

The modern slavery statements posted by the selected tourism companies varied in style and content, but rather than describing each statement in detail, the authors looked to identify, and draw out, a number of general themes. More specifically, the authors identified eight themes, namely, corporate commitment; codes of conduct; risk assessment; due diligence; supply chains; building awareness and providing training; the role of stakeholders; future plans and performance measures, which effectively captured the spirit of the selected tourism companies' approach to modern slavery statements. In practice many of these themes are linked together but in this case study they are systematically and separately identified.

The tourism companies' corporate commitments to tackle modern slavery were expressed in a variety of ways. The Expedia Group (2021), for example, asserted that it respected 'human rights and workplace rights', and claimed 'Expedia Group is committed to conducting its business in a manner that protects these rights, and prohibits and opposes all forms of modern slavery, servitude, forced labor and human trafficking.' The Flight Centre Travel Group (2020) claimed 'we are committed to responsible and sustainable travel and tourism, including the identification and prevention of all forms of modern slavery in our business and supply chains.' Intrepid Travel (2019) emphasised its 'zero tolerance approach to modern slavery', and that the company was 'fully committed to preventing slavery and human trafficking in our operation and supply chain', while Trip Advisor (2021) emphasised its commitment to 'assist in preventing and combatting modern slavery.'

A number of the selected companies outlined their codes of conduct which emphasised their approach to ethics, human rights and modern slavery. TUI's (2020) 'Integrity Passport', launched in 2018, looks to strengthen the company's human rights commitment associated with preventing modern slavery. Expedia Group's (2021) code of conduct, namely its 'Boarding Pass', provides the standards of integrity that the company requires all its employees to follow, and it focuses upon acting ethically and with integrity in all its business relationships, including 'opposing modern slavery and human trafficking of any kind.' All the Flight Centre Travel Group's (2016) employees are required to read and comply with the company's 'Code of Conduct', which includes a description of 'modern slavery and human trafficking', which highlights 'key risk areas that employees are encouraged to monitor for signs of human right violations.'

Risk assessments offered some insights into the tourism companies' perceptions of the sources of modern slavery. TUI (2020), for example, reported that the company 'continued to assess our operations and supply chain to improve our understanding of modern slavery risks, by taking into consideration product and industry risks, supply chain complexity and workforce characteristics.' These assessments revealed that 'the highest risk continued to be in areas of our business and supply chain where there are migrant, low-skilled labour, young workers and outsourced workers.' Further, TUI (2020) reported that their assessments revealed child exploitation was a risk area in Kenya and Tanzania.

In addressing the 'risks of modern slavery practices', Flight Centre Travel Group (2020) revealed the 'the potentially high risks regions for modern slavery' included 'the Middle East, Africa and South East Asia', and that 'Cambodia, Thailand and Vietnam' were assessed as 'potentially high risk countries.' At the same time, Flight Centre Travel Group (2020) identified a wide variety of activities including airline charter flights, cruise ships, tour operators, as presenting high risks of modern slavery, and that specific problems across these activities included underpayment and excessive working hours, child labour, and child trafficking.

The majority of the selected tourism companies certainly recognised that their supply chains present a high risk of modern slavery and reported on how they looked to work with their suppliers to combat modern slavery and human trafficking. The Expedia Group (2021), for example, claimed 'to have begun to seek ways to utilise our systems to assist our travel suppliers and partners in identifying potential instances of human trafficking, and enhance their own monitoring.' To this end, the

Expedia Group (2021) has developed a 'Vendor Code of Conduct', which sets out the company's expectations of all its suppliers in combatting modern slavery. In addressing 'our supply chains', Hays Travel (2019) reported that the company was committed 'to ensuring that there is no modern slavery or human trafficking in our supply chains', and that 'we have communicated to suppliers, contractors and business partners our zero-tolerance approach to modern slavery.' One of the selected tourism companies reported commissioning regular audits of their supplies in an attempt to check that codes of conduct were being properly observed. Flight Centre Travel Group (2020), for example, reported undertaking 'regular internal and external audits of payroll to ensure our workers are being paid correctly', while Intrepid Travel outlined the work of its internal audit committee.

Due diligence processes are reported as an important theme in many of the selected tourism companies' modern slavery statements. Intrepid Travel (2019), for example, reported that the company conducted a range of due diligence processes, covering recruitment and employment, global supplier benchmarking, traveller feedback and reports from tour leaders. In addressing recruitment, for example, the company reported conducting 'the appropriate level of due diligence on our prospective employees before them joining Intrepid Group' (Intrepid Travel 2019). TUI (2020) reported that the company had 'fully implemented enhanced due diligence tools and processes in procurement to enable us to categorise high-risk services and suppliers in relation to modern slavery.'

The selected tourism companies acknowledged the importance of awareness raising and training in looking to tackle modern slavery. TUI (2020), for example, emphasised 'raising awareness of human rights and modern slavery across our business continues to be a key focus area.' Further the company reported that in 2019 it had developed and rolled out new training sessions and communication material on modern slavery including information on child protection, orphanage tourism, and the internal reporting of modern slavery concerns. Hays Travel (2019) claimed 'we have provided training to our staff to ensure a high level of understanding of the risks of modern slavery and modern trafficking in our supply chains and our business and to make sure they fully understand the behaviour expected of them.' Flight Centre Travel Group (2020) emphasised that 'improving staff and management awareness of modern slavery is vital to our sustainable and ethical approach to reduce the risk of slavery or human trafficking not being identified and addressed within our business or across our supply chains.'

A number of the selected tourism companies acknowledged the role of a range of their stakeholders in tackling modern slavery. TUI (2020), for example, recognised that non-governmental organisations were important partners in the fight against modern slavery, forced labour and human trafficking around the world, and emphasised that the company 'takes these campaigns seriously and is committed to addressing any issues raised.' TUI (2020) also reported on its 'destination stakeholder initiatives', and here the focus was on looking to protect young children and adolescents, who are at risk of trafficking, commercial sexual exploitation and exploitative labour practices, by providing the tools and support to help to identify and prevent exploitation. More specifically TUI Care Foundation supports academies in Mexico, Thailand, the Dominican Republic, Vietnam, Sri Lanka, Jordan, Germany and Sweden. The TUI Academy in the Dominican Republic, for example, offers a training programme, including vocational training, life skills and an internship within

the tourism industry, while the academies in Jordan, Germany and Sweden offer a mentoring programme to young people in vulnerable communities.

Some of the selected tourism companies reported on their future plans to continue, and to strengthen, their battle against modern slavery. Hays Travel (2019), for example, outlined its plans to implement a supplier code of ethics and conduct for its suppliers and to include 'specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, as part of our contracting process.' In a similar vein, Intrepid Travel outlined its future plans, which focused on risk assessment, training and awareness raising. More generally, under the banner 'Looking Ahead', Trip Advisor (2021), simply reported 'we will continue to further improve our practices and processes to help combat modern slavery.' However, only one of the selected companies, namely, TUI, addressed their progress, to date, against performance measures in looking to prevent modern slavery. These measures covered six issues including training on human rights in tourism, steps taken to strengthen supply chain management, and the number of modern slavery cases reported and the actions taken in response to these reports.

Reflections

The selected tourism companies' modern slavery statements captured a central element in their public approach to tackling what is a complex and challenging problem, but some wider issues merit reflection and discussion. The findings suggest that while the each of tourism companies emphasised their commitments to tackle modern slavery, in part at least these commitments are very much a work in progress in that they are both aspirational and expectational. Aspirational in that the tourism companies explicitly expressed a desire to tackle modern slavery problems within their operations and across their supply chains. Expectational in that they expected companies within their supply chains to comply with policies and codes of conduct established by the tourism companies.

Identifying, and tackling modern slavery problems within supply chains arguably presents a major challenge for the tourism companies, Here the tourism companies' commitments to tackling the problems of modern slavery are at least one, and in many cases, many, steps removed from their direct corporate control. While approaches developed around codes of conduct certainly help to set corporate expectations, where a tourism companies' supply chains have a wide geographical span and where suppliers face economic pressures to maintain competitive prices, there is the danger that such codes are nominally, rather than consistently, observed. Here some of the tourism companies claimed their approach to tackling modern slavery in their supply chains was underwritten by independent auditing, but general concern have been raised about the efficacy of the audit process. The pressure group Anti-Slavery International (2021), for example, argued that such approaches have their limitations, not least in that 'the quality and scope of auditing may be questionable, or there may be practical difficulties such as auditors being unable to speak with workers in their own language.'

The very concept of the modern slavery statement has attracted a number of criticisms. New and Hsin (2021), for example, argued that while modern slavery statements 'present interesting information about the management of working

conditions in the firms' supply chains, they do little to address the problems of modern slavery per se.' Simic and Blitz (2019) argued that modern slavery statements are 'often perfunctory and are used to satisfy international agendas and country commitments, or to enhance the perception of the country and its position in the global outsourcing business.' Simic and Blitz (2019) also argued that the capacity of modern slavery statements 'is often limited, especially as it regards remedying risks', and that 'the quality, scope, depth, and regularity of reports are frequently compromised, especially since there are no meaningful sanctions for non-compliance.'

There have also been issues about the ambivalent role of the media in publicising modern slavery statements. Simic and Blitz (2019, p. 11), for example, argued that on the one hand 'companies' over-reliance on media exposure of transparency statements has been instrumentalised by the state which has paid lip service to proper law enforcement mechanisms.' On the other hand, Simic and Blitz (2019, p. 11) also suggested that 'the possibility of unsolicited media publicity may often act as a deterrent for businesses and could push them in the opposite direction: it can enhance non-compliance or highly restrained compliance.'

More generally, this review of modern slavery statements has some implications for institutional theory, contingency theory and stakeholder theory. The selected tourism companies can be seen to have responded positively to government pressure and legislation to tackle modern slavery. As such the tourism companies' approaches to modern slavery can be seen to be consistent with institutional theory. At the same time, the review suggested that while the selected tourism companies emphasised their commitment to tackle modern slavery, their aspirational and expectational approach and their limited approach to audit processes in their supply chains, suggests that institutional theory does not tell the full story in conceptualising corporate approaches to modern slavery. Contingency theory helps to shed some light on how the selected tourism companies have approached modern slavery, but perhaps only in so far as it signals that many of the characteristics of the tourism industry seem to make it susceptible to modern slavery. In that the tourism companies outlined the role of stakeholder initiatives in tackling modern slavery, stakeholder theory might be seen to be useful in informing how the selected companies have developed their modern slavery statements. However, stakeholder theory is generally seen to be based on open relationships, trust and shared goals, and these qualities are certainly not common to all the stakeholders involved in modern slavery.

Conclusions

This case study provides an exploratory review of how a number of leading tourism companies have addressed modern slavery via an examination of their modern slavery statements. As such, the paper adds to the limited literature on modern slavery within the tourism industry. The authors recognise that the case study has a number of limitations, not least that the empirical material is drawn exclusively from the corporate websites of the selected tourism companies at a set point in time, and does not include any primary information obtained from the tourism companies or their suppliers. However, the authors believe this approach is appropriate in what is an explanatory review, and that the case study makes a small contribution to an area that has received limited attention to date in the academic tourism literature and that

it may provide a platform for future research into modern slavery in the tourism industry.

However, while modern slavery within the tourism industry, offers a potentially rich variety of research opportunities, it is important to recognise that it a very challenging research arena. Slavery may be illegal but it can also be a lucrative economic activity, and those individuals and organisations involved in modern slavery, human trafficking and bonded labour, will generally do all they can to hide, and maintain the secrecy of, their activities. Researchers who look to conduct primary research into modern slavery activities may be placing themselves, possibly their research colleagues, and those who participate in such research, in serious personal danger. Problems, and tactics designed to minimise such problems, are rarely addressed in the research literature but, they may curtail many potentially promising modern slavery research agendas. At the same time, researchers may face a range of ethical issues, not least researchers' responsibility to those who participate in their research. More generally, while there are some guidelines for social science researchers looking to pursue hidden activities (e.g., Ellard-Gray et al. 2015), researching modern slavery within the tourism industry seems fraught with difficulties and dangers.

That said, a number of potential research opportunities into corporate approaches to modern slavery within the tourism industry can be identified. Here, the ways in which a wider variety of tourism companies address the issue of modern slavery merits attention, and could include large scale questionnaire surveys of, as well as personal interviews and focus groups with, senior executives within the industry to learn how tourism companies are developing and continually looking to strengthen, their policies on modern slavery. Such research agendas may also explore if, and how, employees, customers, suppliers, governments, and law enforcement agencies are involved in the policy development process. In addition, such research into modern slavery within the tourism industry may help both to test, to and illuminate, theoretical approaches to modern slavery, and perhaps more importantly, help to answer the call by Gold et al. (2015) for new theory development to facilitate the understanding of modern slavery.

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An Empirical Study of the Relationship between Leadership Styles and Innovation Culture among Professional Employees in Healthcare Sector

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Abstract

The primary aim of this paper is to conduct a critical review of the existing studies about the relationship between leadership styles and innovation culture among professional employees in healthcare setting, with focus on transactional, transformational and collaborative leadership styles. Health industry is a global enterprise that attracts professional workers from diverse environment, emerging issues and modern technology to address emerging health challenges. Uncertainty, emerging issues and other dynamics in the healthcare sector compel managements of the organizational and personal levels to adopt changes in a continuous basis. However, these changes can only be realized when employees are included in the process and this depends on the type of leadership style(s) the management will implement to address the challenges. Effective leadership has been positively linked to innovativeness of employees in healthcare facilities. An environment that allow employees to use their talents and skills, and bring new ideas that are considered implementation allow them to inculcate the culture of innovation and creativity to solve emerging problems. However, this depends on the ability of the leaders to support and encourage employees to share and implement new ideas that improve their performance and hence patient outcomes. Volume of studies have been in this field in an attempt to link different leadership styles to employees' innovativeness and creativity. Leaders often look to influence innovation at the organizational (macro) level; but equally they can inspire openness of thinking and ideas at a personal (micro) level. The primary research results for the impact of leadership styles on innovation culture in selected UAE hospitals was included in this study. Critical review of previous studies leads to a conclusion that leadership styles adopted by managers in healthcare facilities determine the employee innovation and creativity culture to improve service delivery. An extensive review of the existing literature showed that there is limited research on the impact of healthcare leadership styles on innovation culture. To address this research gap, a conceptual framework was established and tested through a quantitative research design, using questionnaires as its primary instrument for data collection and involving a large number of participants. The research was built on a unique and comprehensive set of dyadic data from managers and their employees across four hospitals. In order to get optimal data for analysis, the study conducted a stratified random sampling and matched data of 46 managers and 270 employees. Different tests were conducted to examine the relationships between leadership styles and innovation were tested by using ANOVAs and regression analysis. The results revealed that the collaborative leadership style among managers was the only significant predictor of innovation among employees in the four studied hospitals, in that higher levels of collaborative leadership style are associated with higher levels of innovation culture.

Keywords: Transactional Leadership, Transformational Leadership, Collaborative Leadership, Organizational Culture, Innovative Culture, Healthcare Managers.

Introduction

Healthcare delivery networks are diverse structures that need to combine the best of health and institutional approaches to create a new paradigm of leadership. However, despite the growing awareness that healthcare business leaders need to work with clinical leaders to address innovation, there are conflicts between them.

The UAE government has launched many strategic objectives to become a world-class nation that is recognized around the world for its innovation rather than its oil wealth. Key to this, a number of studies have identified the impact of specific types of leadership on healthcare governance that lead and support innovation culture. This research seeks to identify which of leadership styles are most effective in supporting and enabling innovation culture within the healthcare setting in UAE.

Leadership style is a term used to refer to the characteristic behaviour that a leader uses to direct, motivate, guide and manage people so that they can complete assigned tasks to help in achieving the overall organizational goals (Meuser et al., 2016). Great leaders have skills to inspire followers and motivate them to influence positive changes in their work environments. Different leadership styles use different characteristic behaviour to influence the employees' perception, attitude and behaviour towards their work and organization. As Richards (2020) explains, there is nothing like the best leadership style as all depends on the circumstance, vision and organizational goals, which vary from one organization to another. Transactional leadership focuses on achieving tasks and accomplishing objectives with remuneration for success and negative ramifications for not accomplishing goals. Importantly, transactional leadership involves a reciprocal leader-follower relationship (Mkheimer, 2018). Transformational leadership is a mechanism in which health institutions work effectively, thus improving patients' health results. There is a vital position for transformational leadership in defining corporate culture and promoting healthcare access (Sfantou et al., 2017). On the other hand, collaborative leadership involves shared vision and values, interdependence and shared responsibility, mutual respect, compassion, willingness to be vulnerable, ambiguity, effective communication, and synergy. Contemporary leaders are working in a new landscape, requiring them to collaborate (Lawrence, 2017). Leaders often look to influence of innovation at the organizational (macro) level; but equally they can inspire openness of thinking and ideas at a personal (micro) level. Thus, healthcare organisations could benefit substantially from devoting more attention to matching the styles of their leaders to the demands of the situation and moving leaders around to enhance the match that will facilitate health innovations (Nolte & World Health Organization, 2018). Depending on the situations and emerging issues in healthcare setting, the decision to adopt any, combine two or all of these leadership styles will influence the innovativeness of employees to come up with creative ideas, talents and skills that can be applied in the care delivery to improve healthcare service outcomes.

Concept and Definition of Leadership

Several studies have produced broad definitions of leadership that have highlighted the characteristics of leaders (Mkheimer, 2018; Sfantou et al., 2017; Lawrence, 2017). Significant features have emerged and hence researchers have identified them as factors

in leadership. Some of these definitions see leadership as a way of influencing followers using multiple means of communication and a clear approach to achieving goals. According to this view, leaders tend to influence people and enthusiastically encourage them to do what is necessary with clear vision and goals (Lawrence, 2017). The growth and complexity of the market world also made it important for companies to be better knowledgeable and more willing to embrace improvements that are constant and non-stop (Meuser et al., 2016). In an ever-changing and dynamic global economy, human resources have been the most competitive asset in industry, if handled efficiently and adequately, and it can be seen as clear that leaders have a worthy influence on followers. The value of leadership has risen in every sector and has a significant influence on the growth of the organization. A research and review undertaken to explain broad concepts of leadership has found that most definitions tend to illustrate the qualities of leaders. According to Northouse (2016), the concept of leadership, like many social and business concepts, also has not reached a final agreement so far regarding its elements and characteristics.

Although leaders are responsible for the proper assignment and allocation of jobs, there are several approaches to how tasks are allocated in different leadership styles. It is believed that leaders have a positive influence on the organization's success by affecting the members of the team. Specifically, leaders greatly impact the employees in the organization (Al-Malki et al. (2018). Mkheimer, (2018) has identified many definitions of leadership in his research and emphasizes that there is still no agreement on the definition, components and characters of leadership. For example, Joseph (2011) defines leadership as a focus on interpersonal skills affecting a particular situation and an organized series of communication processes leading towards strategic organizational objectives. Leaders motivate and influence employees to take action using appropriate means. The most two important factors in Bass and Chemers' leadership concepts is leader's impact and motivational aspects. Leaders needed to achieve goals and to get followers to work toward it (Mkheimer, 2018). Kesting et al. (2016) stated that leadership consists of influencing the attitudes and behaviors of individuals and interactions within and between groups to achieve goals. Moreover, leadership is a form of collective control in which the member needs the shared involvement of subordinates to accomplish organizational goals (Sfantou et al., 2017). It is believed that leadership is subject to strategic planning. In providing common direction and commitment, leadership is found to play an important role. The collective work approach is strongly linked to pursuing a successful style of leadership (Al-Malki et al. (2018). The variations in the concept of leadership or the position of leaders not only indicate profound disunity among top researchers, but also result in the understanding of leadership findings by different scholars. Almaki et al (2016) has summarized some of the definitions as is illustrated in the Table 1 below.

Table 1: Definitions of leadership by different authors

Author(s)	Year	Definition
Bijur	2000	"Leadership means enhancing human potential" (p.167)
Crippen	2005	"Servant leaders primary believe in helping rather than leading" (p. 9).
Ali	2007	"Leadership ... as a bridge that is used by the commander to influence the attitude and behavior of its members so as to achieve the goals of the organization" (p. 47).
Northouse	2010	"Leadership is a process whereby an individual influences a group of individuals to achieve a common goal" (p. 3).
Zeitchik	2012	"Leadership means to motivate the members of your team to do their best. It is also to inspire others to pursue your targets based on the parameters you set, and to the extent it becomes a shared effort, vision, and success" (p. 2).
Matei &Vazquez-Burguete	2012	"Leadership as something about articulating visions, embodying values, and creating the environment within which things can be accomplished"
Kruse	2013	"Leadership a process of social influence, which maximizes the efforts of others towards the achievement of a goal"

Transactional Leadership Theory

Organizational level

The foundations of the transactional leadership style are the contingent reward and management by exception theories. Transactional leadership focuses on achieving tasks and accomplishing objectives with remuneration for success and negative ramifications for not accomplishing goals. Importantly, transactional leadership involves a reciprocal leader-follower relationship (Mkheimer, 2018).

Meuser et al. (2016) stated that under transactional leadership, people may need to take action to avoid redress. Therefore, the presumption is that transactional representatives also determine that their followers execute delegated activities and work by the establishment of incentive and punishment systems to accomplish organizational objectives. In a traditional transactional leadership model, employees think that societal processes perform best because there is a simple chain of command. The employees therefore work as subordinates, with the command chain primarily established by hierarchies and bureaucracies (Meuser et al., 2016). Transactional leadership theory is also applicable in health systems, since employee participation leads to effective results. (Asiri, 2016).

In contrast, transactional leadership has also been extremely successful in guiding and motivating people to execute their assigned duties expertly, thereby reducing the degree of error. It stresses the use of conditional reward behaviors, including requirements for capital (Fletcher et al., 2019; Eberly et al. 2017). This further underlines the usage of common reward patterns, including using well-performing programs. It also includes management by exception, which stresses both outcome control and error correction. Resources in this sense consist of social capital, such as employee recognition or monetary benefits, including rewards and time limits. However, transformational

leadership usually requires mobilizing partners to fulfil a shared goal. Around the same time, transactional leaders tend to maintain the status quo, while still preventing slippage (Fletcher et al., 2019).

Personal level

While viewing the leaderships from their personal aspects, Price and Weiss (2013), the transactional leader's sole concern is with the compliance of his or her followers with the stated objectives. In addition, according to Chege and Gakobu (2017), any follower who obeys the instructions generally receives a salary as a reward, while any worker who disobeys the instructions receives a punishment. The transactional leader, according to Eberly et al. (2017), is also constantly looking for errors in the follower's work to ensure compliance. This causes frustration in the follower and appears to affect his or her quality of working life adversely. Transactional actors are cultural forces that preserve the current order and comply with traditions and practices.

Davis et al. (2016) characterizes transactional leaders by stating that they prefer the transactional leadership style to get things done in a more orderly and organized manner, thereby following a strict set of rules that followers cannot bend. In a study on transactional leadership in the UAE, Jabeen et al. (2015) found that the motivations leaders use act as psychological contracts with employees who are working in an orderly and strict manner. Relating this to the healthcare sector, healthcare delivery can easily go wrong and lead to such things as medication errors and adverse events for patients (Feleke et al., 2015). Thus, using the transactional leadership style ensures clear chains of command and approaches associated with work delivery, as well as strict supervision, which is there to ensure nurses stick to the rules. Meanwhile, Litz and Scott (2017) argued that transactional leaders are not open to employee engagement and prefer things to take place in a strict and restricted manner.

While analysing the nurse leaders from their individual characteristics and approach to management, Ortega et al. (2018) argue that transactional leaders tend to be more risk averse in order to reduce chances of negative outcomes from employee during their engagement. This shows that they can resist employee engagement and the associated benefits of innovativeness among employees. The reason the nurse leaders stated was to minimize the risks of the delivery of work. In general, the rewards-based method is used in transactional leadership to inspire followers. The incentive offered by such a method does not, however, last long (Keegan et al., 2004; Bass and Avolio, 1990; Pearce, 1981).

Transformational Leadership Theory

Organizational Level

James MacGregor Burns established transformational leadership in 1978. Another scholar, expanded the idea of transformational leadership in (Bass, 1985). Bass primarily concentrated on understanding the overall psychological processes of leadership (Odumeru and Ogbonna, 2013). Niphadkar and Kuhil (2017) stated that various types of leadership have been in use for some time. They found transformational leadership as the most fitting in the healthcare system. It is clear that there is a strong connection between transformational leadership and ultimate effectiveness. They also said that transformational leadership is one of the leadership models through which members and

leaders are motivated to inspire others and bring in improvement in the organization, while transformational leaders concentrate primarily on creating a better future.

In the aspect of the healthcare system, transformational leadership is a mechanism in which health institutions work effectively, thus improving patients' health results. There is a vital position for transformational leadership in defining corporate culture and promoting healthcare access (Sfantou et al., 2017). Sfantou et al. (2017) claimed that successful leadership of healthcare workers is essential to enhance the consistency and delivery of treatment. Afzal et al. (2016) argued that in the healthcare sector, a transformational leader's focus in followers helps to explain individualized consideration and intellectual stimulation, which can further help followers to think and act logically. Wheeler et al. (2016) also proposed that effective organizations driving transformational reform will provide healthcare staff with appropriate leadership capabilities through interaction and tools. According to Xu (2017), transformational leaders in the healthcare community must be able to schedule an acceptable amount of time and to create effective communication on a one-on-one basis to ensure trust and appreciation.

Another aspect is transformational leadership and his/her relationship with employee. Transformational leadership style aims to promote coordination among organizational employees (Keegan et al., 2004; Bass and Avolio, 1990; Pearce, 1981). Transformational leaders make the employees believe that they are part of the organization. These leaders have a clear inspirational vision to inspire the organization's employees to take charge of the company's priorities rather than their own ambitions and desires. It is assumed that such leaders are enthusiastic and energetic (Al-Malki et al. (2018). Nanjundeswaraswamy and Swamy (2014) claimed that transformational leadership focuses mainly on the growth of workers and their needs. Leaders who adopt a transformational leadership style help to sustain a culture of employee advancement and growth. They also improve staff motivation. The most critical aspect of transformational leadership is the capacity to change the initiative and the vision for the employees. It helps to keep human actions more compatible with beliefs and improvements (Nanjundeswaraswamy and Swamy, 2014). Leaders who exhibit transformational traits can affect the beliefs of workers, thus inspiring them to accomplish the organizational objective (Thuijsman, 2015). In transformational leadership, leaders empower their followers by energizing them and energizing the tasks, they do (Meuser et al., 2016).

In addition, transformational leadership, coupled with the company's commitment, will have a significant effect on the degree of engagement of employees and staff. Asif et al. (2019) suggested that "transformational leaders stimulate employees by including them in the decision-making phase that promotes rational thought and understanding, attitudes and skills growth" (p. 3). According to extant literature, the characteristics discussed above largely reflect four key dimensions of transformational leadership – idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation (Bass, 1985; Popper et al. 2000) – as described in the following paragraphs.

Personal level

From the micro-level perspective, Mahmood and Khattak (2017) argued that the transformational leaders also affect corporate organizational culture along with confidence and expertise among individuals within a healthcare organization. Moreover, Jordan et al. (2015) concluded that transformational leadership in healthcare could contribute to improvement, leading to effective clinical decision-making. Abdulsalam et al. (2018)

reported that transformational leaders could cause a significant improvement in the efficacy of nursing workers. This also affects their level of commitment, productivity, and satisfaction in healthcare organizations. Afzal et al. (2016) also added that transformational leadership has a huge effect on nurses, since it encourages employees to develop successful relationships, contributing to the achievement of the organizational target.

At personal level, these leaders focus on the development of personal vision that lead to the organizational vision and objectives. Thuijsman (2015) claimed that transformational leadership “recognizes the necessary improvement, develops a vision to direct progress through motivation and introduces improvement with the engagement of the members of the community” (p. 3). They encourages people by creating an optimistic purpose and vision, offering them a unique identity. Transformational leadership tends to increase the morale and efficiency of workers via several mechanisms. This involves the incorporation of the employee’s sense of identification and self-realization concerning the goal, as well as the mutual identification of the organization (Niphadkar and Kuhil, 2017). In reality, the company’s success depends heavily on the sharing of information among employees, which is only possible when leaders articulate the corporate objectives (Mahmood and Khattak, 2017).

Collaborative Leadership Theory

Organizational level

The definition of collaborative leadership differs from other definitions of leadership. Rather than being the responsibility of one individual, the members of a group share the responsibility for leadership (Lawrence, 2017). Lawrence (2017) stated that collaborative leadership involves shared vision and values, interdependence and shared responsibility, mutual respect, compassion, willingness to be vulnerable, ambiguity, effective communication, and synergy. Contemporary leaders are working in a new landscape, requiring them to collaborate. Collaboration is the process of facilitating and operating in a multi-organizational way to solve problems that a single person, department, or organization cannot (easily) resolve. Collaboration is defined as working together to accomplish mutual aims in the organization (O’Léary et al., 2009).

Rabinowitz (2011) describe collaborative leadership as an effect, relationship, and process that supports trust, and commitment among leaders and followers who intend substantive or transformative change that reflects their common purpose, shared vision, and common goals.

David and Larson established collaborative leadership theory in the 1980s and early 1990s. Collaborative leadership theory assumes that groups of people work together by cooperating and coordinating their efforts when they exceed their interests to achieve shared goals (Njenga, 2018). Moreover, collaborative leadership theories include all stakeholders in the decision making. It offers a credible and open mechanism that gives people trust that their opinions will be considered, and it prevents a higher authority decision making. Theories strengthen tangible encouragement from strong leadership, and the existing authorities support them in the whole process. Collaborative leadership gather all employee that are involved to decide on how they implement the organization vision through innovation and cooperation (Njenga, 2018). Bryson and Crosby (2008) theorized that when departments in the organization fail to highlight issues that interfere

with the success of the organization, then collaborative leaders enrich collaboration through inspiring staff to support each other, authorizing, involving, and mobilizing employees to overcome all issues. Collaborative leadership provides information to employees and departments to empower them to make their own informed decisions (Chen et al., 2007).

Personal level

From the leader's viewpoint, Telford (2010) stated that collaborative leaders tend to have a range of critical skills and strengths. While many capabilities are not particular to a collaborative style of leadership, the Turning Point Leadership Development National Excellence Collaborative has listed six key practices that are unique to collaborative leaders. Each of these elements is key to the collaborative process. They are not mutually exclusive, but they support each other, and they provide a comprehensive picture of the essential skills of a collaborative leader.

The first skill that these leaders exhibit is the ability to assess the environment through understanding the context for change before proceeding in any action. Second, to develop clarity in the organization vision and engage employee toward positive action. The third skill is to build up a trust and make the employee feel safe and secure to act on the decided actions. Synergy of employee, departments and organizations is needed, therefore collaborative leaders work hard to share the power and influence others being a forth skill. The fifth skill is to develop people and realize that the main asset in the organization is the employee. Therefore, the leader has to mentor and coach other to encourage them to share the best of what they have. Finally, self-reflection as the sixth skill, means that the collaborative leaders should continuously improve themselves, able to believe on their values, attitude and behaviors as they build up the leaders' styles.

These unique approaches adopted by collaborative leaders improve management employee activities at individual and organizational level. They promote collaborative interactions between stakeholders, exchanging knowledge and experience, and they reduce the level of uncertainty within healthcare organizations. People with varying responsibilities are engaged in the leadership process, and actively involve themselves in validating and addressing necessary needs and defining necessary policy changes. Collaborative leaders in healthcare requires different stakeholders to develop innovative policies and processes together. Such collaborations improve the understanding of different cultures and facilitate integration and interdependence among multiple stakeholders (Atchison et al., 2001; Manion, 2005).

Individuals share common goals and values (Atchison et al., 2001). The results of collaborative work practices may exceed the sum of the individual efforts. Leaders tend to initiate collaborative practices to increase levels of interaction, and promote interdependence between practitioners (Harrison, 1999). Despite the recognized value of collaborative work practices among employees in an organization, only a small proportion of conflict management time is spent in real collaboration. Conflict can be a dominant force within healthcare organizations, and, as communication differences increase, work practices succeed or fail (Greig et al., 2012). To produce a positive result for all concerned, the healthcare manager should deal with disputes actively at all times. Leaders should use such techniques as rivalry, resistance, compromise, agreement, partnership, negotiation, mediation, facilitating dialogue, consensus building, and vision building to facilitate conflict resolution.

Collaborative leadership is a key source of competitive advantage, but certain leaders that have been prepared to function collaboratively are uncommon, particularly those in middle and top management roles (DeWitt, 2016). This form of leadership often includes reinforcing the style of organizational management, recognizing self-efficacy and enhancing learning processes. The leaders believe in having the correct attitude, working efficiently, and thinking outside the box, creating unity, ensuring the opportunity to communicate with others effectively, and handling contradictions.

Organizational Innovation Culture

An organization that supports innovation among employees has an organizational innovation culture. Glisson (2015) opined that an environment that can respond to the changes and leverage the creative thinking that is necessary for innovation embrace a culture of innovation. The environment is the sum of two different aspects, namely the people in the company—their shared values, attitudes, behaviors and communication styles, working practices and leadership styles—and the infrastructure—that is, systems, policies, and processes.

The ability of organizations to sustain success is an indicator of innovation culture among its employees. In the complex and uncertain global environment, organizations can sustain success through a culture of innovation. Kogabayev and Maziliauskas (2017) stated that a culture of innovation gives an organization a competitive advantage over rival organizations. The culture of an organization comes from its top management; the CEO and executives are responsible for the culture of an organization. The values, behaviors, and leadership styles set the culture of an organization. Hence, if a company wants to set a culture of innovation among its employees, then the leadership team needs to communicate it to them and to demonstrate a commitment to innovation through involvement in the process and the innovation. Davies and Mannion (2013) stated that the steps the company takes to create a culture of innovation are creating a shared understanding of innovation, building innovation skills, and introducing a process for innovation, creating a work environment that supports innovation and measuring the impact. To shape a culture of innovation, the organization needs to build clarity and to align the team towards an agreed innovation.

Leadership and Innovation Culture

Weintraub (2019) stated that organizational management consider creating a culture that supports superior innovation a driver of growth in the healthcare sector. He also noted that managing innovation is part of the leadership team's responsibilities. It is the top priority of the leaders to create the suitable culture for innovation. Establishing a strong innovation culture requires personal involvement from the leadership as well as the employees, as they must exploit their full potential and perform beyond expectations (Ekvall & Ryhammar, 1998). Leaders who create organizations with cultures that emphasize success, encourage, and reward risk taking are more likely to succeed in all phases of the innovation process (Weintraub, 2019).

Transactional Leadership Impact on Innovation Culture

Al-Omari and Hung (2012) showed that transactional leaders drive innovation. De Jong and Hartog (2007) found that leaders who advise, delegate, and promote are necessary

for workers to develop and implement ideas. Sarrors et al. (2008) concluded that transactional leadership could build an environment that fosters innovation.

Davis et al. (2016) specified that leaders from the UAE who used the transactional leadership style explained that using rewards and punishment to stimulate performance in employees can motivate employees to innovate in the true sense. In their view, when employees know that they will receive rewards for exhibiting inventive work outcomes, they become motivated to create and innovate efficiently. They explained that in practice, therefore, these leaders rejected the idea that the transactional leadership style defeats the need to promote innovation within the workplace.

On the other hand, transactional leadership as reported by Robbins and Davidhizar, (2007) depends more on hierarchal relationship between the leader and the employees, where employees receive rewards for achieving specific goals and positive reinforcement. Moreover, they stated that transactional leadership is, therefore, more practical due to its emphasis on meeting specific targets. In a study by Ortega et al. (2018), nurse leaders raised the issue of being risk averse to employee engagement. This study shows that they can resist employee engagement and the associated benefits of having innovative employees.

Kamali et al. (2015) noted that transactional leaders recognize and acknowledge followers' efforts promptly. This aspect explains the high incidence of transactional leadership in the UAE health system and in most health systems globally. Also, they added that the UAE generally has a high uncertainty avoidance, which shows that most people and most leaders prefer to avoid risk and uncertainty. They assumed that this situation directly reflects their preference and the use of the transactional leadership style. The transactional leadership style helps leaders to produce clear rules that others must follow to avoid making mistakes. Through this attitude, the leaders avoid uncertainties relating to giving freedom to the employees to explore new ideas. However, Penney et al. (2015) saw the cultural practice of high uncertainty avoidance as having a negative impact on innovation at the workplace.

The transactional leadership style has certain disadvantages as well, which can affect the operation of healthcare organizations in the UAE. Transactional leadership may not always inspire internal motivation in employees to innovate (Bass and Avolio 1993; Vaccaro et al. 2008; Pichlak, 2011). Moorley and Chinn (2016) opined that the rate of employee engagement is low in the UAE. Transactional leaders encourage individuality within the workforce, as each employee must work to achieve his or her set goals and receive the appropriate rewards, leading to lower levels of employee engagement (Nair et al., 2019). Lin et al. (2015) noted that this situation has a negative impact on innovation within the workforce due to the lack of coordination and shared responsibility among the workers, which makes it difficult for them to share new ideas, thoughts, and even challenges.

Transformational Leadership Impact on Innovation Culture

Eisenbeib and Boerner (2010) stated that transformational leadership is the catalyst for an innovation culture. Organizations need to commit to fostering product and process innovation and to encourage cooperation between their leaders (Lee et al., 2006). Leaders inspire followers to act on the vision in an innovation-promoting organization (Chen et al., 2012; Si & Wei, 2012). Such leaders have a clear vision and they can promote an appropriate environment for product and process innovation (Saenz, 2011;

Vaccaro et al., 2012). Transformational leadership, influences behavior by encouraging innovation through passion, trust, and transparency (Robbins & Davidhizar, 2007).

Transformational leaders with idealized influence can create trust and respect among employees, demonstrate faith in the organizational dream, promote gratitude and loyalty, share risks with followers, and emphasize the importance of a collective sense of the organization's mission (Betroci, 2009; Yukl & Mahsud, 2010). Such an approach may motivate members to work more and be more creative (Bass, 1985; Bass & Riggio, 2012). They form the future, maintain a substantial contribution to that dream, give the utmost attention to fostering effective communication and interest exchange, and support an optimal environment for innovation (Daft, 1999; DuBrin, 2007; Saenz, 2011).

Schepers et al. (2005) found that transformational leadership challenges individuals to be more innovative and exploratory by being inspirational and motivation to the employees. Moreover, they stated that the transformational leadership style applies mechanisms that promote innovation and open-mindedness. They concluded that employees will be more used to experimenting with emerging technology and techniques. Transformational leaders inspire their subordinates to think innovatively using their creative talents (Intestines & Peace, 2018).

Transformational leaders as stated by Northouse (2007) and Winston (2008) encourage innovation among employees by providing intellectual stimulation so that they can re-examine some of their values and conventional ways of doing things. They also stated that transformational leaders can reformulate and learn about old problems in new creative forms. Followers are not afraid to face questioning in this leadership style when they give their leaders different opinions (DuBrin, 2012). If people want to learn and know that their leaders consider their suggestions important, they are more likely to develop innovative ideas to promote product imagination and improvement (Jung et al., 2008; Shalley & Gilson, 2004).

Using individualized consideration, transformational leaders build individual relationships with their employees and take account of their interests, strengths, skills, and aspirations to encourage innovation (Bass and Riggio, 2006; Yukl, 2010). This allows leaders to encourage their followers' abilities by supporting, praising, and motivating them (Northouse, 2007). Transformational leaders listen to and think about the needs and desires of their followers and show them how to achieve the organization's goals (Saenz, 2011). Saenz added that this style of leadership could increase the willingness of the organization's members to take on more responsibility.

Alqatawenh (2018) stated that transformational leadership is in high demand in today's world and has a significant capacity to inspire individuals to develop the skills they need. He also found that the transformational leader wants to motivate his or her followers to accomplish more than predefined goals. In reality, transformational leadership transcends achievement for development, as well as creatively promoting and inspiring staff. Specifically, it shifts their problems and then works on organizational activities. Tafvelin (2013) argued that transformational leadership could lead to superior performance, especially when leaders have enabled staff members to increase their dedication to achieving their common goal (Tafvelin, 2013).

Collaborative Leadership Impact on Innovation Culture

Boyle and Mervyn (2019) and Markle-Reid et al. (2017) noted that collaborative leadership is a critical kind of leadership that is efficient and effective in delivering the necessary results in the organization's internal and external environment. They assume that a collaborative leader fosters a culture of innovation because he or she invests in a system of relationships and is interested in sharing control. For instance, a clinical nurse works with others to achieve a shared goal of delivering high-quality patient care in healthcare. In the context of these scopes, the working relationships between a team of nurses become effective, and nurse professionals at all levels work together as a team to deliver on their shared goal. This kind of leadership approach is responsible for nurturing a spirit of innovation in the healthcare environment (Boyle & Mervyn, 2019). Those researchers also said collaborative leadership works well and effectively when nurses and other employees work together to achieve an organizational goal.

The collaborative leadership approach as discussed by Weberg and Davidson, (2019) uses communication to aid leaders in communicating information to employees and other stakeholders, and this provides them with space to make well-informed decisions. They explained that the process encourages dialogue between various stakeholders by fostering knowledge and experience sharing, and this may simplify complex problems in healthcare organizations. They concluded that individual leaders who rely on this approach help to promote innovative practices in the workplace environment that address changing demands in the sector. Collaborative leadership improves the likelihood of associations of individuals with ideas that led to innovative results in the healthcare system. For example, nurses can form a team to improve innovation on how they approach response times to medical issues, improve patient care, and reduce time wasting in care delivery (Sfantou et al., 2017).

Methodology

The present study intends to explore the impact of leadership styles on innovation culture among managers in four selected hospitals in UAE. A quantitative method was used in the study. This method allows a more enhanced understanding of the pros in UAE. The researcher outlines the research objectives and the philosophical stance of blem and phenomena under study. In this study, the researcher created knowledge by ascertaining how the leadership style of the managers influence innovation culture. To do this, the positivism research philosophy was used. The reality of relationships among variables should not be affected by the survey participants, nor by the researcher. This is important for critically evaluating and assessing this relationship. The quantitative aspect of the study is focused largely on objectivist and positivist perspectives from a philosophical point of view. There are two main types of research approach identified in the body of literature: deductive and inductive approaches. For this study, the deductive approach was used. One major advantage of the deductive approach is that it yields results that can be universally tested for its validity because of the mathematical and statistical methods used in analyzing them (Patton, 2015).

Research Instruments

Transactional and Transformational leadership survey questions

To measure transactional leadership, the Multifactor Leadership Questionnaire (MLQ) Form 6S was used. From this instrument, the researcher used four items only, for each

factor, two items were used.. It was necessary to use short scale to not overload participants with a survey that was too long. These four items fit best with the context of the study. The items were rated by the participants on a five-point Likert-type scale to judge how frequently each statement fit the manager.

Collaborative leadership survey questions

Twelve items were used, for each factor, two items were used to capture collaborative leadership based on the self-assessment questionnaire developed by the University Of Washington School Of Public Health and Community Medicine. It assists individuals working with coalitions in determining collaborative leadership capacity by indicating how often a leader exhibits certain behaviors. It was necessary to use short scale to not overload participants with too long a survey. These twelve items were the best fit with the context of the study. The questions were formulated according to the following six factors that illustrate the main strategies specific to the task of guiding the collaborative process.

Innovation culture survey questions

The tool used for assessing the innovation culture is the NHS innovation culture assessment tool comprising seven dimensions (risk taking, resources, knowledge, goals, rewards, tools and relationships). This is a standardized instrument, which comprises 24 questions for capturing the seven dimensions (Appendix 3.2). It was necessary to use short scale to not overload participants with too long a survey. These 24 items are most fit with the context of the study. The items were rated by subordinates to give their perception of the innovation culture. Each item was rated on the Likert-type scale with the five scale points: 0 = Not at all, 1 = Once in a while, 2 = Sometimes, 3 = Fairly often and 4 = Frequently, if not always.

Primary Research Results

Frequency distributions and percentages for innovation culture

There were seven dimensions describing innovation culture: risk taking, resources, knowledge, goals, rewards, tools and relationships. Risk taking dimension data show that 41% (n = 113) frequency get support from their supervisors whenever they want to try something, strongly agreed that priorities come down to them without pre-determined solutions, leaving them plenty of room to contribute their own ideas. Rewards dimensions showed that 36% (N = 99) of samples strongly agreed that generally agreed that their superiors support innovation.

Hypotheses Testing

Regression analysis is used to analyze the effects on a single outcome (dependent) variable of multiple (predictor/independent) variables. For regression analyses, the use of the word "prediction" is central. One investigates whether another variable is explained or impacted by one variable. Multiple regression explores the effects of multiple predictors or independent variables on a single outcome variable. The three hypotheses that are tested in this section are as follows:-

Hypothesis H1: The more pronounced transformational leadership, the higher the innovation culture

Hypothesis H2: The more pronounced transactional leadership, the higher the innovation culture

Hypothesis H3: The more pronounced collaborative leadership, the higher the innovation culture

Before running the initial regression, the data were checked for outliers and multicollinearity. Therefore, the Variation Inflation Factor (VIF) procedure was conducted, centered on the independent variables to detect any potential problems. VIFs of the independent variables should be less than 2.70 (Gray and Kinnear, 2012).

Table 2: Regression for Impact of Leadership in Hospital A

Constant and independent variables	Beta (β)	t-Statistics	p-value
Constant	40.7		0.000***
Transactional	0.3	0.8	0.320
Transformational	0.0	0.2	0.710
Collaborative	0.5	2.9	0.003***
R square= 0.11 F= 11.0 *P \leq 0.10 Significant **P<0.05 Significant ***P<0.010 highly significant			

The R² value indicates how much of the total variation in the dependent variable, innovation culture, can be explained by the independent variables (transactional score, transformational score, collaborative score). In this case, 11% can be explained.

This indicates the statistical significance of the regression model. Here, p = 0.000 indicates that, overall, the regression model highly significant predicts the outcome variable. It is shown that the only significant predictor of innovation culture is the collaborative leadership style in the four studied hospitals with p=0.003 and B= 0.5. The positive coefficient means that higher levels of collaborative leadership style are associated with higher levels of innovation culture. This confirms Hypothesis H3: "The more pronounced collaborative leadership, the higher the innovation culture".

Table 3: Regression for impact of leadership in Hospital B

Constant and independent variables	Beta (β)	t-Statistics	p-value
Constant	5.2		0.000***
Transactional	-0.02	0.05	0.920
Transformational	0.30	1.0	0.201
Collaborative	1.5	8.4	0.000***
R square= 0.74 F= 92.7 *P \leq 0.10 Statistically Significant, **P<0.05 Statistically Significant, ***P<0.010 Statistically highly significant			

The R² value indicates how much of the total variation in the dependent variable innovation culture total score can be explained by the independent variables (transactional

score, transformational score, collaborative score). In this case, 74% can be explained, which is very large. This indicates the statistical significance of the regression model that was run. Here, $p = 0.000$, which indicates that, overall, the regression model statistically highly significant predicts the outcome variable. This model was based on an employee from C Hospital as they constitute 37% of the cases. The collaborative score $p = 0.000$ is a highly significant predictor of the innovation culture among employees of C Hospital. This confirms Hypothesis H3: "The more pronounced collaborative leadership, the higher the innovation culture".

Table 4: Regression for impact of leadership styles on innovation culture including other variables

Constant and independent variables	Beta (β)	t-Statistics	p-value	VIF
Constant	42		0.000***	
Transactional	0.34	0.7	0.311	1.3
Transformational	0.10	0.3	0.701	2.5
Collaborative	0.55	2.9	0.004***	2.6
Years in Current Position	-0.65	0.5	0.520	1.8
Years With Current Manager	2	1.3	0.100*	1.3
Age Group	-1.1	-0.7	0.403	1.4
R square= 0.12 F= 5.9 * $P \leq 0.10$ Statistically Significant, ** $P < 0.05$ Statistically Significant, *** $P < 0.010$ Statistically highly significant				

The R^2 value indicates how much of the total variation in the dependent variable, innovation culture, can be explained by the independent variables (transactional score, transformational score, collaborative score, years with current manager, years in current position, and age groups). In this case, 12 % can be explained. The statistical significance of the regression model that was run, showing $p = 0.000$ indicates that, overall, the regression model statistically highly significant predicts the outcome variable.

Table 5 shows the highly significant predictor of innovation among employees is the collaborative style of leadership among managers in the four hospitals studied. Also, it shows a significant relationship between years with the current manager and the innovation culture in the four hospitals $p = 0.100$ and positive $B = 2$ which means the higher years spent with the current manager the more the score is given for innovation inside the job.

Table 8: Innovation culture dimensions in the four hospitals

Innovation Culture Dimensions	Mean	SD	F-Statistics	p-value	Bonferroni post hoc test
Risk-taking Hospital A Hospital B Hospital C Hospital D	67.9 62.6 64.6 66.6	22.5 22.2 21.0 18.8	0.7	0.530	
Resources Hospital A Hospital B Hospital C Hospital D	75 70.9 68.3 75	27.3 27.1 30.3 24.5	0.8	0.402	
Knowledge Hospital A Hospital B Hospital C Hospital D	75 64.6 69.8 73.2	20.4 22.0 21.8 17.3	2.9	0.030**	Hospital A vs Hospital B
Goals Hospital A Hospital B Hospital C Hospital D	72.8 68.2 69.9 73.6	21.0 23.9 25.6 19.5	0.6	0.502	
Rewards Hospital A Hospital B Hospital C Hospital D	72.2 66.4 66.6 72.9	24.7 21.8 26.7 21.1	1.1	0.310	
Tools Hospital A Hospital B Hospital C Hospital D	75 66.2 69.1 73.6	20.4 21.6 22.0 19.0	2.2	0.081	
Relationships Hospital A Hospital B Hospital C Hospital D	75.2 66.8 72.6 76.9	20.8 21.6 19.9 17.8	2.7	0.040**	Hospital B vs Hospital A vs Hospital C
*P≤0.10 Statistically Significant, **P<0.05 Statistically Significant, ***P<0.010 Statistically highly significant					

The Table 8 above shows a significant difference statistically in the ANOVA test as regards two dimensions in innovation culture namely knowledge and relationships. In the knowledge dimension, A Hospital and D Hospital had the highest score and Bonferroni testing showed the difference between hospital A Hospital and B Hospital. In the relationships dimension also, A Hospital and D Hospital had the highest mean scores. B Hospital had the lowest score and had a significant difference with the two highest

hospitals. It is to be noted that A Hospital and D Hospital had the highest mean scores in all innovation dimensions.

Conclusion

Leadership style theories provide explanations for why certain people rise to leadership positions. These theories focus on the key characteristics and behaviors that define a given leadership style and therefore can be adopted to increase leadership capacity based on the principles of specific leadership styles. Some of the top traits that are recommended for good leaders are strong ethics and high moral standards, great self-organizational skills, efficient and continuous learning habits, the ability to nurture growth of employees, fostering connections and the sense of belonging for all subordinates.

The reason why collaborative leadership has a strong influence on innovation culture is the shared vision and values through shared responsibility, mutual respect, and interdependence of the employees. Innovation in organizations, including healthcare organizations, is achievable when each worker is given the opportunity to contribute, irrespective of their rank in the organization. As demonstrated in the critical review of the literature, these features allow for the accumulation of skills and strength, leading to the development of new ideas in the organization that result in innovative culture. The concept of shared vision and values is the main reason why organizations adopt collaborative leadership. It motivates employees because it makes them feel a sense of belonging in the organization through their valuable contributions that considered in decision-making processes.

As depicted in different studies reviewed earlier, transformational leadership tends to encourage, inspire, and motivate employees to create change that will help the organization to grow and shape its future success. This explains why young and new organizations that aspire to achieve competitive advantage against rivals adopt transformational leadership related skills more purposefully, to create changes through new ideas that shape their competitiveness among the established organizations in the industry.

The reviewed studies also shows that transactional leaders give their followers what they want in exchange for services which, means followers will only work to avoid redress rather than working to achieve a common goal. Transactional leadership does not encourage self-motivation of employees, because of a structured system that operates through instructions and monitoring of employees as they do their tasks. Thus, what matters is whether the employees follow the instruction of the leaders rather than being creative or using personal skills to deal with emerging issues while on duty. Although transactional leadership does not support innovation culture, some studies support it because it provides successful guidance and motivation to employees to execute their assigned duties professionally and, hence, reducing the level of error.

Leadership style plays a crucial practical role in realizing the key goals of an organization and assist in creating specific cultures of operations that will shape its future success and growth. Therefore, the style of leadership adopted in an organization such as hospitals must be well-articulated, to ensure they will spearhead operations of those health care facilities to improving patient outcomes. Based on this study, collaborative leadership is valuable for hospitals that focus on developing a strong background of innovation culture. Due to shared vision and values as well as a shared responsibility, mutual respect, and

interdependence, all employees are encouraged to contribute their skills and strengths to achieve organizational goals. The collaborative leadership approach brings in new concepts and ideas that can be adopted by leaders to create an innovative culture of health care delivery.

Furthermore, since transactional leadership mainly focuses on rewards and punishments based on the outcome of the task completed, it would make employees hesitant to express themselves out of fear that they might be ignored, leading to reduced innovativeness and creativity among them. This might work against the motivational level of employees and ability to express themselves and use their talents in improving healthcare services. It also impairs the creativity of healthcare workers because the chain of command inspires them to do what they are told, rather than fixing a problem as they come through talents and creative skills.

In conclusion, good leaders tend to possess a combination of various leadership attributes, including but not limited to creativity, motivation, vision, and empathy. It is because different situations present different challenges that may require one, two or more leadership skills to address. A unidirectional skills and approach in leadership may not be a perfect solution in healthcare sector with emerging challenges and issues that require continuous innovation practices for the healthcare organizations to remain competitive and relevant in the industry. The most successful leaders are able to adapt to the needs of different situations, employing their diverse set of leadership skills to work with employees and leverage from their adverse skills and talents to achieve organizational goals. Furthermore, the ability of the leaders to understand different types of leadership styles can make them better in both managing a diverse employee context and taking advantage of employees' skills and talents to deal with emerging challenges that are inevitable in the modern technology-driven environment in the healthcare sector across the world. Different leadership styles produce different results, and that is why diverse leadership skills drawn from different styles is required to inspire employees to be innovative and use their special talents and skills to contribute to achievement of the organizational goals of the healthcare facility.

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Cameo corporate cases of digital technologies and digital responsibilities

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Abstract

The continuing development of digital technologies are reshaping and disrupting traditional business practices across the business world. While many companies claim to be reaping a wide range of benefits from digital technologies, the introduction of these technologies bring new sets of responsibilities. The business and management literature has explored the general use of digital technologies, but little work has been published on how specific companies are engaging with these technologies, or on how they are addressing corporate digital responsibilities. This paper provides three cameo case studies to provide some illustrations of the various ways in which three large companies, namely Johnson and Johnson, Samsung Electronics and Microsoft, have engaged with digital technologies, and if, and how, these companies are addressing their corporate digital responsibilities.

Keywords digital technologies; corporate digital responsibility; innovation; economic growth; environmental sustainability.

Introduction

The emergence and continuing development of digital technologies, including artificial intelligence, big data analytics, virtual and augmented reality, the Internet of Things, robotics, and blockchain, are reshaping and disrupting traditional business practices across the business world. In enthusiastically embracing the business opportunities opened up by digital technologies, many companies are claiming to be reaping a wide range of benefits. At the same time, as companies introduce digital technologies, so they increasingly may face, and have to address, new sets of challenges and responsibilities generated by these technologies. While the business and management literature has explored the general use of digital technologies (e.g., Bolton et al. 2019; Brock and Wangenheim 2019; Orji 2019), little work has been published on how specific companies are engaging with these technologies, or on how they are addressing corporate digital responsibilities. This paper provides three cameo case studies to provide some illustrations of the various ways in which three large companies, namely Johnson and Johnson, Samsung Electronics and Microsoft, have engaged with digital technologies, and if, and how, these companies are addressing their corporate digital responsibilities.

Digital Technologies and Corporate Digital Responsibility

Digital technologies are electronic systems that generate, process, or store data and they 'are becoming increasingly pervasive' as 'digital systems are enabling companies to work faster and smarter' (Accenture 2020). More specifically digital technology enables immense amounts of data to be compressed and stored in small storage devices, and to be transmitted at very high speeds. Elia et al. (2020, webpage), claimed 'in the last ten years, technology trends such as mobile services,

social media, cloud computing, Internet of Things, big data and robotics supported new ways of collaborating, organizing resources, designing products, matching complex demand and offer, and developing new standards and solutions', and that 'such rapid development has profoundly changed the competitive environment and reshaped traditional business strategies, models and processes.'

The digital economy is the economic activity based on digital computing technologies, and which is transforming the global economy. The backbone of this economy is hyperconnectivity, which refers to the increasing interconnectedness of people, organisations and machines facilitated by the Internet, the Internet of Things, and mobile technologies. The growth of the digital economy has certainly enabled companies to seek new competitive advantages within the digital landscape and to drive growth. Accenture (2017) for example, argued that 'using digital to transform core businesses while growing new ones—should be the top priority on the business agenda.'

At the same time, it is important to recognise that while potentially enormous economic benefits are being gained from the adoption of digital technologies, the reshaping and disruption of markets and businesses can also create new, and reinforce existing, socio-economic inequalities and change relationships between capital, and labour. Geographically, for example, in many ways the digital economy is uneven in that it is consistently being led by one developed and one developing country', namely 'the United States and China', with these two countries accounting for '75 per cent of all patents related to blockchain technologies, 50 per cent of global spending on the Internet of Things, and more than 75 per cent of the world market for public cloud computing; (United Nations 2019).

As companies increasingly introduce digital technologies, so they may have to address new sets of responsibilities to their businesses, their shareholders, their employees, and to society at large, as well as to the environment. More specifically, Lobschat et al. (2021) argued that companies employing digital technologies should 'be aware that the code they produce or deploy, as well as data they collect and process, inherently create an ethical responsibility for them', and 'that organizations must determine how to operate responsibly in the digital age.' Andersen (2019) argued that companies should treat 'corporate digital responsibility with the highest strategic priority, helping to create positive futures not only for their businesses but also for the societies they are part of.' Driesens (2017) argued 'as the world becomes more digital, companies will be faced with an ever-growing need to adopt a robust corporate digital responsibility approach to protect both customers and employees.'

That said, there is no generally agreed definition of corporate digital responsibility. Lobschat et al. (2019), described corporate digital responsibility as a 'novel concept', and defined it as 'the set of shared values and norms guiding an organization's operations with respect to the creation and operation of digital technology and data.' For Schneevoigt (2020), corporate digital responsibility is a 'a voluntary commitment', which 'starts with the need to conform to legal requirements and standards — for handling customer data, confidential, intellectual property and so on — but it also extends to wider ethical considerations and the fundamental values that an organization operates by.' More simply, Driesens (2017) argued that corporate digital responsibility 'is about making sure new technologies — and data in particular — are used both productively and wisely.' Driesens (2017) also identified 'four

drivers', of corporate digital responsibility, namely, 'the increasing concerns from customers and governments about the use and abuse of personal data; the impact and challenges of automation and robotics; the potential for unethical use of new technologies; and finally, the so-called digital divide.'

In looking to identify the scope of corporate digital responsibility, Wade (2020) suggested that it 'spans four areas — social, economic, technological, and environmental — that should be merged under one organizational umbrella.' More specifically, Wade (2020) argued that the social dimension, for example, 'involves an organization's relationship to people and society. The vital topic of data privacy protection of customers, employees, and other stakeholders is included in this area. It also incorporates aspects of digital diversity and inclusion, such as [bridging an increasing divide](#) between digital haves and have-nots across geographies, industries, social classes, and age demographics.' The economic dimension, 'concerns responsible management of the economic impacts of digital technologies' and looks to explore 'how companies share the economic benefits of digitization with society through taxation of digital work, and if, and how, the original owners of monetized data are fairly compensated' (Wade 2020).

Johnson and Johnson

Johnson & Johnson is an US multinational company founded in 1886, that develops medical devices and pharmaceutical and healthcare products, it has some 250 subsidiary companies, and has operations in over 60 countries. Johnson & Johnson reported on its commitment to advancing digital healthcare and ambitiously claimed that 'the enabling potential of technology can accelerate our ability to change the trajectory of human health' (Johnson and Johnson 2020). Further, the company claimed that 'we are collaborating with multiple partners across diverse health topics to drive the use of technology and data in novel ways for better health outcomes' and that 'in the surgical field, we are building a comprehensive digital ecosystem that uses advanced technologies across all types of surgical procedures, leveraging connected intelligence to deliver enhanced experiences and outcomes for patients, surgeons, and healthcare systems' (Johnson & Johnson 2020).

More specifically, the company have promoted the use of digital technologies to connect front line health workers to each other, to communities, and to health systems. In Brazil, for example, the Johnson and Johnson Foundation worked to improve healthcare in low income communities using artificial intelligence powered chatbots, designed to enhance primary health care for patients with chronic diseases, including diabetes, hypertension, and obesity, and for pregnant women. In South Africa Johnson & Johnson have partnered with the government to pioneer a mobile messaging programme for mothers and their children. In 2019 the company launched an impact investment initiative that targeted digital health platforms and artificial intelligence technologies to support the access and delivery of affordable healthcare in Kenya and South East Asia.

Further, Johnson & Johnson have partnered with the Rwandan Ministry of Health and a digital technology company in the development and delivery of a mental health training programme. The company is also working with a digital health and data analytics company, to explore the development of a digital mental health management strategy in China. Johnson & Johnson also reported on its work with a

Chinese company specialising in orthopaedic robotics in spine and trauma surgery. In Kenya, the company worked to create a community health care platform designed to integrate community health workers into the health care system, and to deliver preventative healthcare. The system uses real time reporting systems to track data for impact.

Johnson and Johnson also reported on harnessing digital technologies within its supply chain in a variety of ways. Under the banner 'Harnessing Digital Innovation to Better Deliver Medicine' (Johnson and Johnson 2020), for example, the company reported how it was 'rapidly leveraging digital technology to help change the course of [health for humanity](#)'; 'redefining every step of the supply chain – digitally and robotically'; and 'adopting a slow but steady wins the race mantra.' Firstly, in addressing how it is leveraging digital technology, the company, claimed to be helping to 'democratize healthcare' and to enable patients to take 'a more active role in their treatment journey' (Johnson & Johnson 2020). Secondly, the company argued that 'data is the linchpin' for its 'vision for a full supply, manufacturing, and distribution process that's completely digitally enhanced, so it can be more responsive, nimble and predictive when it comes to supply reliability and quality control' (Johnson & Johnson 2020). Thirdly, and with an eye to digital responsibility, the company emphasised that while it was committed to harnessing digital technologies in testing new ideas within its supply chains, it was 'equally dedicated to simultaneously maintaining the reliable, robust operation that consumers know and trust' (Johnson & Johnson 2020).

To date, Johnson & Johnson has not formally reported on how it looks to discharge, its digital responsibilities. More generally, however, the company emphasised that 'responsible business practices serve as the foundation of our company's success and are imperative to protecting the broader healthcare system and the communities in which we live and work', and that 'we nurture a culture of ethical leadership and integrity in our diverse, skilled workforce, committed to serving all those who count on us to provide high-quality, safe and reliable products' (Johnson & Johnson 2020). That said, the company claimed, 'whether we are seeking to protect the data and privacy of our patients and consumers, being transparent about our business activities, engaging with suppliers or assessing options for safe, ethical and patient-centered decision-making, we seek to sustain the trust earned over the course of more than 130 years of business operations.' The company also stressed its commitment to cultivating, fostering, and advancing a culture of inclusion, but did not explicitly link this commitment to digital technologies.

Samsung Electronics

Samsung Electronics is a South Korean multinational electronics company, it has assembly plants and sales networks in over 70 countries, it is a major manufacturer of electronic components for Apple, Sony and Nokia and it is the world's largest manufacturer of mobile and smart phones. Samsung Electronics (2021) claimed that the underlying principle that defines its vision for the future is 'inspire the world, create the future.' The company sees this vision at the heart of its 'commitment to lead innovations in technology, products and solutions that inspire communities around the world to join our aspiration for creating a better world full of richer digital experiences' (Samsung Electronics 2021).

Under the banner 'innovation for a new digital era', Samsung Electronics (2015) claimed to be 'in the vanguard of innovation, leading the digital world in creating high-tech solutions for a better world.' More specifically, Samsung Electronics outlined how it was working across a number of sectors of the economy. In retailing, for example, Samsung Electronics reported working with retailers to create interactive digital displays and video walls and real time promotions. In the hospitality industry, Samsung Electronics have harnessed digital technologies to offer a customised in-room guest experience. In the logistics and transport sector Samsung Electronics' real time information and data analysis systems have been employed to enhance traceability using digital and interactive devices. Within the financial sector Samsung Electronics reported on helping financial institutions to meet demand for customer-centric services using real-time data retrieval and automated workflow.

More recently, the continuing launch of new personal and household products contributed to Samsung Electronics' vision. In September 2020, for example, Samsung UK (2020) announced the launch of the company's 'latest intelligent and connected products unveiled to fuel our evolving lifestyles.' These products included 'Premier' which provides a cinema style and size television experience within the home, 'Galaxy Fit2', a fitness tracking wearable device, immersive gaming experiences and a range of customised home appliances that 'help consumers customise their lifestyles and embrace sustainable living' (Samsung UK 2020). Perhaps more mundanely, Samsung UK also announced the launch of a new washing machine and tumble dryer with smart solutions, which maximise the efficiency of detergent and water use.

Looking to the future, Samsung Electronics is pursuing research on next-generation artificial intelligence with a view to it being applied to all the company's products. Here, Samsung Electronics claimed to be looking to shape a new era of connected living that 'touches the lives of customers and society' with the 'ultimate goal of value creation' (Samsung 2021). In addressing artificial intelligence core algorithms, for example, the research focus is on the data volume requirements and the long training time both of which limit deep learning. More generally, Samsung Electronics has established seven global artificial intelligence centres in Korea, Russia, Canada, the US and the UK. In taking a broader view of artificial intelligence, and once again with an eye to digital responsibility, Samsung Electronics, emphasised 'one of our goals is to develop and connect artificial intelligence services across our diverse product portfolio and to distribute such services equally and broadly, to benefit all of humanity' (Samsung 2021).

That said, although Samsung Electronics does not produce a specific digital responsibility report, many digital responsibility issues have been receiving increasing attention in the company's sustainability reports. Under the banner 'Technology for Good' (Samsung Electronics 2020), emphasised 'we embed an increasing variety of accessibility features in our products and services to make it easier for everyone to access and use' and 'we are developing digital well-being features that encourage consumers to use their devices in a balanced way.' More specifically, in addressing 'Digital Responsibility', Samsung Electronics (2020) reported on its approach to accessibility and digital well-being. The company reported on establishing 'five digital well-being values to help users enjoy a healthy and balanced digital lifestyle', namely digital detox, balance, guard, wellness, and safety.' Digital detox, for example is concerned with creating an environment where

users can step away from the excessive use of digital devices and focus on the present, while safety looks to protect personal information on digital devices.

More specifically, the company reported on the positive role of role of digital technologies in a variety of the communities and areas in which it operates. Specific illustrations include how its digital 'phone apps helped to support healthy lifestyles and minimise environmental impacts; how digital devices were being used to support online learning for children who have limited access to educational resources in a number of countries including, Italy, Spain, Russia, Chile, Brazil and Panama; how a number of the company's employees, and some undergraduate students, have provided educational programmes in digital marketing and entrepreneurship for female small business owners in Indonesia; and on how it provides digital learning resources, based on individual employee needs, as part of the company's career development programmes.

Microsoft

Microsoft is a US multinational technology company founded in 1975, which develops, manufactures, licenses, supports and sells computer software, consumer electronics, personal computers, and related services. Microsoft (2016) identified 'four pillars', namely 'engaging customers', 'empowering employees', 'optimizing operations', and 'transforming products' as the 'core drivers' for many thousands of companies they work with to map out their digital transformation journeys. In looking to address engagement with customers, Microsoft argued that the rise of mobile and social technologies meant that customers were more effectively always connected to the Internet, and able to access information on immediate demand, and that this essentially forced organisations to rethink how they engaged and connected with customers. Here Microsoft emphasised the need for companies to have a consistent and comprehensive picture of their customers and here the gathering, storage, transformation, distribution, and analysis of big data is essential.

In outlining its approach to employee engagement, Microsoft (2016) emphasised the importance of the digital expertise of a company's employees but warned that 'digitization and automation are outpacing organizations' skill level and the workforce's ability to become proficient with the new technologies.' At the same time, Microsoft reported changing its own approach to human resource development, introducing a cloud based portal for its employees, developing a mobile digital companion for the recruitment process, and embracing talent analytics to analyse recruitment data. Microsoft's (2016) 'roadmap for empowering employees', emphasised the importance of applying analytics to enable employees to be 'customer obsessed' to gain insights from 'product sentiment and market trends to inform product design', and to 'support decision making, planning, and customer connection.'

Microsoft (2016) argued that as companies increasingly introduce digital technologies so they will increasingly be 'thinking and operating like a digital company.' Here Microsoft (2016) claimed that in 'optimizing operations' the Internet of Things is 'accelerating business operations globally' and that understanding it will be integral to companies' digital transformation. As part of its own approach to transforming operations, Microsoft reported on using predictive analysis in the sales process. Here a new customised sales system uses sophisticated machine learning

algorithms to calculate near-time sales opportunities based on historic data patterns. Information can be accessed for each customer opportunity based on telemetry and visualisation. Microsoft also reported on how it had harnessed the Internet of Things to improve the utilisation of buildings and more specifically, how it used low cost sensors to learn more about the attributes of meeting spaces, and to help to optimize the work environment. A number of themes illustrated the focus on 'transforming products at Microsoft', including 'using data to enter new markets' and 'prioritizing agility to fight cybercrime' (Microsoft 2016).

While Microsoft publish annual corporate social responsibility reports which address a variety of issues relating, for example, trust and responsibility, digital inclusion, and environmental sustainability, Microsoft Berlin (2021) published a specific report entitled 'Digital Corporate Responsibility at Microsoft.' This report embraced a wide range of issues including, digital opportunities for society, progress and security for the economy and customers, and the responsible use of artificial intelligence. In addressing digital opportunities for society, Microsoft Berlin (2021) argued that as the world is increasingly shaped by digital technologies, so digital literacy assumes ever greater importance, and outlined its participation in the nationwide Code for Life programme which looks to help young people to be 'creative producers and creators of the digital future.' 'Defending Democracy' is seen to be a vital element in Microsoft Berlin's (2021) commitment to progress and security, and here a central focus is on protecting political campaigns and elections from hacking, increasing the transparency of political advertising, and offering protection against targeted campaigns of misinformation.

In recognising that artificial intelligence is playing an increasingly important role across a wide spectrum of society and the economy, Microsoft Berlin (2021) explicitly recognised that its use raises new questions, namely: 'How can we ensure that artificial intelligence treats everyone fairly and works safely and reliably?', 'How can we take advantage of artificial intelligence without giving up privacy?', and 'How do we prevent us from losing control of our increasingly intelligent and powerful machines?' More specifically Microsoft Berlin proposed six principles that should guide the development of artificial intelligence, including non-discrimination, reliability, transparency, privacy protection, accessibility and responsibility. In advocating the importance of transparency, for example, Microsoft Berlin (2021) argued 'artificial intelligence will increasingly affect people's lives' and that it is important 'to provide contextual information about how artificial intelligence systems work, so that people can understand artificial intelligence decisions and more easily identify possible wrong decisions and prejudices.' In a similar vein, the importance of reliability is seen to revolve around artificial intelligence based systems being able 'to operate reliably, safely, and continuously, not only under normal conditions but also under unexpected circumstances' and around the belief that 'people should always play a crucial role in deciding how and when artificial systems are used' (Microsoft Berlin 2021).

Concluding Reflections

The three cameo case studies illustrate a variety of the many ways in which large companies are engaging with digital technologies, and suggest more and more people's lives, often unknowingly, are increasingly enmeshed in the digital world. The case studies also suggest that there is evidence of corporate recognition of, and

commitment to, digital responsibility, and more specifically to a range of issues in, and around, privacy, cybersecurity, trust, protection, and digital inclusion, and looking to the future, such recognition may come to be reflected in the publication of dedicated corporate digital responsibility reports. While this approach to digital corporate responsibility may find favour with a company's shareholders and its employees, whether it will address concerns about the impact of the increasing use of the digital technologies within, and across, economies and societies, and on the natural environment, remains to be seen, but these two issues merit reflection and discussion.

Firstly, the increasing growth in the use of digital technologies can be seen to make specific demands on the natural environment. On the one hand, large data centres, which house the computing and networking equipment used to collect, store, process, distribute, and access large volumes of data, and thus to drive the digital technologies, generate large amounts of heat and require power to prevent overheating and to cool down their equipment. Attempts to reduce energy use include locating new data centres in colder environments, making greater use of renewable sources of energy, and reusing waste heat for local community use. Data centres use large volumes of water in the cooling process, and in some areas where water is scarce, this can reduce the water available to communities and their economies. At the same time, the production of many of the devices, and much of the equipment, that underpin the use of digital technologies, requires rare earth elements, often referred to as the lanthanides. The current methods of mining these elements causes pollution and environmental degradation. At the other end of the digital technology life cycle, the disposal of such devices and equipment, at landfill sites or by recycling companies, often based in less developed countries where environmental protection regulations are often less restrictive, can lead to a variety of environmental, and human health, problems.

On the other hand, and more generally, while the digital technologies are widely seen to be important in promoting economic growth (e.g., Qu et al. 2017), such continuing growth may be seen to run counter to the transition to a more sustainable future. The former relying on the continuing exploitation of the earth's scarce natural resources and its ecosystems, and the latter being concerned to maintain and protect these resources and ecosystems in a steady state for future generations. However, some commentators see the digital technologies are seen as an opportunity to reconcile these two competing goals. Accenture (2020), for example, argued 'this is the decade of delivering on the promise of digital and technology - a time to redefine growth and work in new ways to help to address the unprecedented challenges the world is facing' and that 'the global climate crisis demands businesses move away from a take, make, waste system and instead implement the circular economy, where waste is eliminated, and resources are continually re-used.'

Secondly, there are issues wider social and economic issues. For their part, the companies in the cameo case studies emphasised their responsible use of digital technologies and looked to evidence the exercise of that responsibility as a force for good. However, in claiming that 'little attention given to the responsibilities of new businesses and business processes in the digital economy', Grigore et al. (2017) argued 'almost entirely absent in such corporate social responsibility research is a consideration of new areas of responsibility that are emerging from digital technologies.' Further, Grigore et al. (2017) proceed to identify some of these new

responsibilities relating to ‘commodities, contractual agreements and ownership; exploitation of immaterial labor and fair distribution of rewards; access and equality; and ‘the use of low cost labor and/or artificial intelligence.’

More generally, such arguments also pose questions about whose interests are best served by the role of corporate digital responsibilities within modern societies. On the one hand, many of the policies pursued under the corporate digital responsibility banner are seen to be important in supporting corporate strategy and in promoting and facilitating business strategies and goals. On the other hand, there are arguments that companies publicly pursue corporate digital responsibility policies to present a socially responsible image that legitimises their business activities to their stakeholders and more widely within society.’ Here, Hanlon and Fleming’s (2009), wider argument that ‘corporate social responsibility is good business in that it serves to affirm the legitimacy of the companies’ and Beattie and Daubs’ (2020) assertion that companies look to promote the adoption of digital responsibilities in the hope ‘of avoiding future government regulation’, both resonate.

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Challenges of direct selling in a digital world: The case of Avon in Croatia

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Abstract

As a direct marketing technique, direct selling is used by both big global corporation and small and medium enterprises to reach their respective customers without the cost of intermediary services of wholesale and retail chains. Before the emergence of the internet, direct selling mostly relied on catalogue sales and interpersonal interaction between sales representatives and prospects in-person or over the telephone. Many companies applied this technique to market different types of goods and services, such as cookware, nutritionals, cosmetics and insurance. Some direct selling companies also offered individuals and small-scale entrepreneurs an opportunity to become part of their sales force network comprising of numerous locally focused sales representatives or sales consultants. Based on face-to-face discussions and product demonstrations, these sales representatives establish strong relationships with prospects and loyal customers. With the emergence of the internet, direct post and print catalogues became obsolete and replaced by direct emails and webshops. Furthermore, communication with prospects and regular customers reached another level with the usage of various social media platforms, which resulted with the birth of the social selling concept.

While being explorative in its nature, this paper aims to shed some light on the Avon's direct selling business model in the context of the Croatian market. As one of the pioneers of direct selling in the US, Avon became a global player thanks to its well-developed sales force network. Avon entered the Croatian market in 1997 and managed to develop a network of around 15.000 sales representatives in the following years. Like in the rest of the world, the Avon's business model in Croatia is mainly based on door-to-door sales supported with multiple iterations of product catalogues. With the recruitment of millennials, Avon also put some focus on social selling but lacks to fully utilise the potential of various social media platforms. However, the recent COVID-19 pandemic had a catalytic impact on further digitalization of Avon's direct selling business model.

Keywords: *social selling, Avon, Croatia, multi-level marketing, direct selling, COVID-19*

Introduction

During the past decade, marketing tools and techniques went through a process of digital transformation. Before the mass-digitalization of many aspects of national economies, marketers mostly relied on traditional tools, such as TV and print advertising for B2C markets and personal selling and trade fairs within the B2B context. In the early days, marketing on the Internet was merely considered as a supportive activity and an alternative marketing approach, since the marketers were

not sure how to properly utilize it (Moore, 2017). However, with the further penetration of the Internet technology and emergence of social media, consumers embraced online platforms for activities such as searching for product information, reading other consumers' product reviews and for writing their reviews (Moran, Muzellec and Nolan, 2014). On the other hand, marketers have recognized the changing environment and implemented various digital technologies as essential elements of the marketing process.

As one of the essential direct marketing tools, direct selling has a long history and is considered as an effective way to establish two-way communication and develop long-term commercial relationships with clients, especially in the B2B context (Kadic-Maglajlic, Drašković and Lišanin, 2019). Furthermore, direct selling eliminates the need for intermediary services of wholesale and retail companies, which lower the sales-related expenses. Its application within the B2C context is common for products and services such as cookware, nutritionals, cosmetics and insurance. Traditionally, direct selling relied on tools and techniques like catalogue sales, door-to-door sales and various interpersonal interactions between sales representatives and prospects in-person or over the telephone. With the development of various internet platforms, a set of newly developed communication tools provided marketers with even more effective ways of reaching both existing and new customers.

The purpose of this paper is to explore practical applications of the direct selling business model of Avon within the context of the Croatian market. While Avon's business model proved to be successful on the global scale, it has also been challenged with the technological developments and, very recently, with the global economic consequences of the COVID-19 pandemic. Therefore, this paper intends to shed some light on the way how companies such as Avon apply internet-based technologies to improve their competitiveness and tackle global challenges.

This paper is organized as follows. The introduction section is followed by the literature review of studies focused on direct selling within the Internet-related context. Next section briefly explains the research design. The main section of the paper describes the Avon's modus operandi within the Croatian market in a form of a case study. Finally, the discussion and conclusion section of the paper presents the main findings correlated with the reviewed literature and describes practical and research implications.

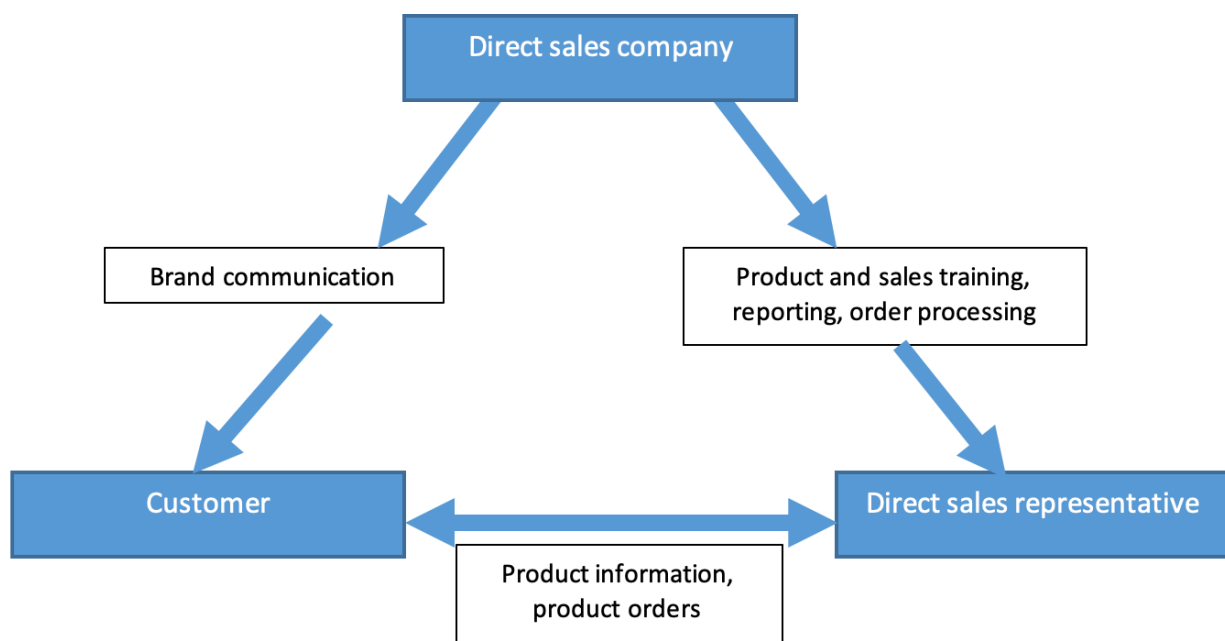
Direct selling in the context of the digital economy

As a part of direct marketing, direct selling refers to personal presentation, demonstration and sales of products and services to consumers in their homes, usually by independent sellers and not by the employees of the company they represent (Belch and Belch, 2017). Direct selling is also considered as a unique distribution channel, where product demonstrations and personal engagements create a highly tangible and multisensory experience for consumers (Ferrel et al., 2010). FTC (2018) defines direct selling as "a blanket term that encompasses a variety of business forms premised on person-to-person selling in locations other than a retail establishment, such as social media platforms or the home of the salesperson or prospective customer". As the definition suggests, the environment where the sales process takes place is taken outside the traditional retail environment. Traditionally, homes of prospects and sales representatives are

commonly used for sales presentations, while in nowadays some of the sales activities also take place on various digital platforms. Like in the case of direct marketing, a paramount goal of direct selling is to establish multiple cases of the two-way communication with clients (Melovic et al, 2019). In other words, companies are trying to utilize various touchpoints with their prospects and clients to make sales.

Direct selling channel can be organized either in a form of single-level marketing, in which a direct seller purchases product from a company and resells it to customers, or in a form of multi-level marketing, where direct seller also resells the product to his/her network of direct sellers (Brodie, Stanworth and Wotruba, 2002). In a common single-level direct selling model (see Figure 1), the direct sales company is in charge for all the brand communication with prospects and all the necessary training and support of sales representatives, while the sales representatives interact with customers and take product orders (Ferrell, Gonzales-Padron and Ferrell, 2010). Companies relying on the direct selling business model are utilizing the existence of social networks among their sales representatives and customers. This customer-centric sales method emerged in the US, where companies such as Avon, Amway and Tupperware successfully built their business models around the concept of recruiting sales representatives within the existing customer base.

Figure 1: Traditional relationships within the direct selling model



Source: adapted from Ferrell, Gonzales-Padron and Ferrell, 2010

Development of the internet and the internet-based technologies made an impact on the world of direct selling. Relatively early, direct sellers embraced these new technologies for promotional and recruiting purposes (Ferrell and Ferrell, 2012), but also to reach customers in a more convenient and efficient way (Harrison and Hair, 2017). However, most direct selling companies retained the traditional offline sales channel, with the complementing online channel (Wait, 2019). Since direct selling is based on the interpersonal communication and "high-touch" approach, the internet-

based technologies offer certain opportunities in the development of virtual relationships among sales representatives and their customers (Harrison and Hair, 2017). Nevertheless, transferring communication to digital channels may have a negative impact on the "hight touch" component since the relationship is being more virtual. As Harrison and Hair (2017) suggest, advanced technology-based communicational tools will remain as a variable improving the seller-buyer relationship, but they also noticed potential information overload that can be caused by the same technology. However, many scholars (e.g., Ahearne et al., 2007; Hair et al., 2009; Kim and Kim, 2009; Rapp et. Al, 2010: agree on the positive impact of technology on direct selling and selling in general, by increasing efficiency and effectiveness of sales representatives.

The digital presence of a seller company usually consists of a company and/or brand website with an optional webshop, various online profiles on social media channels and instant messaging or chat platforms or plug-ins. A website is commonly considered as a foundation of company's digital presence and its design and overall quality can affect client purchasing behaviour and loyalty (Zhou, Lu and Wang, 2009; Khan, Na and Tao, 2019).

Besides a website, another important pillar of a company's digital presence is social media. Social media comprise a set of Internet-based applications that facilitate the creation and exchange of user-generated content (Moore, Raymond and Hopkins, 2015). While in the beginning social media platforms had a dominant purpose to entertain users, over the time they became a very important source of information about products and companies (Ferrell, Gonzales-Padron and Ferrell, 2010; Ahearne and Rapp, 2010). On the other hand, businesses recognized the commercial value of social media, which also led to the development of the social selling concept. In a nutshell, social selling can be defined as the commercial usage of social media platforms to find, connect with, understand and nurture sales prospects, in order to influence their purchasing decisions (Newberry, 2019). However, the main goal of social selling is not to "close the deal" and achieve pure transaction between two involved parties. The aim of social selling is to establish and nurture relationships with prospects. From the company side, social selling is about building its digital persona that is relevant, trustworthy and capable of influencing prospects (Hughes and Reynolds, 2016). Consequently, the whole social selling process will result with the purchase, but that would be a side effect of the successfully built long-term relationships with clients.

Research design

Research propositions

Proven in practice as a quite successful business model by companies such as Avon, direct selling relies on sales effort by the network of recruited sales representatives or direct sellers. Traditionally, direct selling activities would take place outside the retail environment, usually at the homes of prospects and customers. With the development of various digital platforms and the overall impact of internet-based technologies on consumers, direct selling adapted to the new rules of engagement. Taking into consideration the reviewed literature, Croatian market specifics and the impact of COVID-19 pandemic on businesses, the following research propositions were developed:

P1. Following the traditional model of direct selling, Avon successfully implemented its global business model in Croatia, upgraded over time with the modest usage of digital channels.

P2. The recent COVID-19 pandemic speed-up the process of implementation of various digital tools into the direct selling model.

Research method

This study combines both secondary and primary sources of data. Secondary data has been collected from various online sources, such as news portals and blogs. On the other hand, primary data has been collected through a series of in-depth interviews with one of the Avon's sales directors in Croatia and two Avon Ladies. For the presentation of research findings, a form of a qualitative case study has been selected. Yin (2009; p. 18) defines case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident".

While the selected research method has certain advantages when a detailed analysis of a research phenomenon is required, there are also certain limitations. First of all, this study has focused on a single case study, which limits the opportunities for generalization. However, the findings may provide guidelines for further research and analysis of other main players direct selling business models. Furthermore, this study is a country-specific one. Although, the Croatian market is comparable with other EU markets, certain country specifics have to be taken into account.

The direct selling model of Avon in Croatia

A brief history of Avon

Avon was founded in 1886 in New York by David H. McConnell. In the beginning, his entrepreneurial idea was not related to beauty cosmetics. Operating under the name of the Union Publishing Company, he was a travelling salesperson selling books and offering perfume samples to his female customers (Avon, 2020). Apparently, some of his female customers were more interested in the free perfume samples than books, which inspired him to hire them as sales representatives (ibid). The concept of recruiting women to sell perfumes was quite revolutionary back then because during the late 19th century they rarely worked outside their homes (Klepacki, 2005). During the early days, the company was focused on production and sales of perfumes and, taking into consideration his business partner's suggestions, he changed the name of the business to California Perfume Company (CPC, 2020).

In 1920, the company's annual turnover reached one million USD (Hudson, 2020). Besides fragrances, the company also offered various cosmetic products, but with a certain lack of brand recognition. Therefore, in 1928 the company introduced Avon as a brand name to improve and modernize its image (Catanese, 2015). In 1939, the company changed its name to Avon Products. Interestingly, besides producing various cosmetics and toiletries for its own needs, the company also dedicated some of its R&D and production capacity for retailers' private labels (Avon Allied Products, 1950). In 1972, Avon's global sales reached a staggering one billion USD (Hudson, 2020). However, during the late 1990s, the Avon's business model faced some serious challenges in the form of raising competition, emerging e-commerce and the changing role of women in society (Pellet, 2000). After the appointment of Andrea

Jung as a new CEO in 1999, the company slowly recuperated from the free fall. The new CEO rejuvenated the brand but also introduced certain changes to the business model, such as selling of the Avon products in retail stores (Brooker, 2001). Although the implementation of a parallel marketing channel poses a threat to the traditional door-to-door selling and the network of sales representatives, it helped the company to reduce expenses and improve the overall turnover in short-term (ibid). However, Ms Jung also had to face allegations for bribing officials in China (Boyle and Rosenblatt, 2011). Avon entered the Chinese market in 1990 with its direct selling model, but in 1998 the Chinese government banned direct sales, which forced the company to switch sales to retail channels (Reuters, 2012). In 2006, Avon managed to receive the first direct-selling licence in China, However, what seems to be a huge success for the company ended up with the official investigation by the US government to confirm a potential case of bribery (ibid). Due to the company's below expectations performance during the second half of the 2000s and early 2010s, Ms Jung was replaced in 2012 (Kowitt, 2012). During the 2010s, Avon's struggle continued, with declining sales, from 10 billion USD in 2008 to 5.5 billion USD in 2018 (Trefis Team, 2019). In 2020, Natura &Co finished the acquisition of Avon Products Inc.

The company's initial business model was based on a highly successful network of sales representatives ("Avon ladies" and "Avon men") selling company's products door-to-door. Additionally, the sales representatives are supported with printed catalogues used to promote company's products and product lines. One to the sales representative's task is also to recruit new sales representatives. Actually, they usually have a double role being both customers and sales representatives soliciting their family, friends and neighbours (Ehrenfreund, 2014). In 1902 the company already had a network of 10,000 representatives, while nowadays the company reports the network of 6.4 million representatives worldwide (Kowitt, 2012).

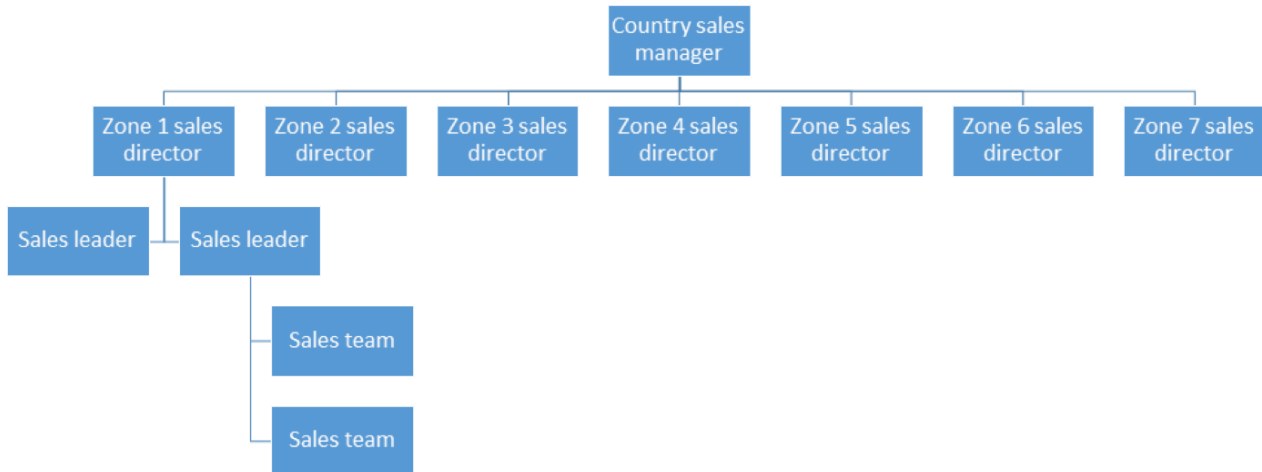
During recent years, Avon tried to implement various digital tools to modernize and digitalize its business model and the brand experience around the world. However, from the perspectives of the overall market penetration of internet technologies and mobile apps, Avon seems to be a slow starter in embracing technological progress. While online shopping is being with us since the 1990s and there are many successful cases of companies selling cosmetics online, Avon waited until mid-2010s to introduce My Avon Store, which allows sales representatives to easily set-up its own online shop (MakeUpInBusiness, 2016). In 2018, Avon (2019) reported implementation of the online ordering system for all markets where they have a presence, together with the launch of eBrochure in 60 markets. In the same year, Avon reported My Avon Store to become available in 23 countries.

The Avon's business model in Croatia

Avon entered the Croatian market in 1997. The Croatian subsidiary has a staff of around 40 employees, with around 100 thousand customers (Mikulandra, 2011). Currently, the salesforce comprises around 15 thousand Avon Ladies and Gentlemen. From the organizational standpoint, Avon Croatia belongs to the Adriatic region, together with subsidiaries in Slovenia, Bosnia and Hercegovina and Serbia. Following the global business model, the Croatian market is divided into seven zones and each is managed by a free-lance zone sales director (see Figure 2). These sales directors directly report to the country sales manager. Each zone sales director has a

team of sales leaders whose responsibilities range from the sales team management to the recruitment of new sales representatives. Their activities are also supported by a dedicated trainer who provides education and training for the sales team members.

Figure 2: A simplified organizational chart of Avon's direct selling organization in Croatia



Avon's main target audience in Croatia are women between 25 and 45 years of age, preferably employed. These females usually work for companies with a significant proportion of female employees. Female students represent Avon's secondary target audience. Sales representatives initiate and maintain communication with clients through telemarketing, in-person, instant messaging and Facebook product page. To maintain certain exclusivity of Avon's products, customers can only make purchases from registered Avon Ladies and Avon Gentlemen. For the purpose of monetary compensation and to improve loyalty, Avon Ladies and Avon Gentlemen receive additional price discounts, motivational gifts, payment delay, free training and access to special events. Sales and Unit Leaders have part-time contracts with Avon and are entitled to a 17% commission, together with additional performance bonuses, motivational programs and between 25% and 35% price discount for personal purchases.

Promotional activities are managed by a dedicated Avon Croatia's employee who acts as a Senior PR & Advertising Specialist. This person develops communication strategies and plans, implements activities within the approved budget and focuses on the brand's image and sales support. Communication with Avon's clients is usually initiated by Sales Leaders. Messages are commonly communicated via e-mail and Facebook live video. Furthermore, Avon organizes conferences for sales representatives where new products are revealed, and best performing sales representatives are recognized and awarded. For the internal communication between the company and sales representatives, a closed Facebook group is being set up. Therefore, the group membership is limited to Avon Ladies and Avon Gentlemen. The main purpose of the group is for members to share best practices, recognize successful sales representatives, discuss product reviews and to provide advice and support to less experienced members.

Avon's direct sales model in Croatia is traditionally based on the sales catalogue with both printed and online versions. In Croatia, Avon usually publishes a total of 17 different catalogues annually, supporting the same number of three-week promotional campaigns. Interestingly, in the US, Avon publishes 26 catalogues that complement two-week promotional campaigns. Products are also offered through Avon Parties, which can be described as informal gatherings at sales representative's home. Additionally, Avon also regularly organizes formal conferences and personal meetings with clients. Avon directly competes with other direct-selling companies, such as Oriflame and Farmasi, together with traditional drugstores, such as Müller, DM and Bipa.

In recent years, Avon put certain emphasis on the development of digital sales channels. In 2018, Avon introduced an online catalogue that is accessible through desktop computers and mobile devices. Like in a typical webshop, the product can be selected and put into the shopping basket. Once a client finishes with purchase, the order is forwarded to the Avon Lady/Gentlemen, who is responsible for the delivery. Also, sales representatives with an online profile can post orders via Avon's official website. Since 2019, Avon's catalogues and products can be also accessed via a mobile app named Avon ON. Additionally, the app also provides make-up tutorials and offers social media integration. Besides Facebook, Avon uses Instagram and YouTube for brand communication activities. Like other cosmetic brands, Avon also nurtures relationships with different influencers in Croatia, such as Ella Dvornik and Lucija Lugomer.

For years, Avon's strategy in Croatia was mostly focused on the traditional approach in direct sales, utilizing communication in person and Avon parties. Due to the rapid digitalization of Croatian society and economy in the past decade, Avon also shifted some of its marketing and sales activities online. However, printed catalogue and in-person sales activities remained as a predominant *modus operandi*. On the other hand, the Avon's business model in the US is more focused on digital channels. The sales representatives are encouraged to sell through social media platforms, together with the creation of digital content on personal websites and blogs.

COVID-19 impact on the Avon's *modus operandi* in Croatia

The COVID-19 pandemics caused a series of unprecedented developments on the global level. To contain the spread of the new virus, most governments had imposed country lockdowns, together with limitations and closings of personal services industry operations, stores and also many factories. Unfortunately, some of these closings may become permanent due to the inability of businesses to cover the ongoing expenses, such as salaries and rent (Fairlie, 2020), despite the monetary and fiscal measures rapidly implemented by governments to tackle with the developing global recession (Ozili and Arun, 2020). On the other hand, a lot of businesses manage to adapt to new conditions and pandemic challenges, mainly by developing online sales channels and by giving more emphasis on digital marketing activities. Apparently, the pandemic situation speed-up the digitalization process for some companies and industries. However, some critics argue that these business model adaptations have a temporary character and once the situation will become normal again, the companies will move back to the old business models (Seetharaman, 2020).

In 2020, the Croatian government implemented two lockdowns, with significant limitations for personal service industries and social gatherings, together with restrictions on all non-essential travel within the country and to the countries affected by COVID-19. Quite obviously, these measures made a high impact on regular business activities for many businesses, including Avon. Consequently, the Avon's salesforce network lost one of its main sales tools. Organization of Avon parties and product presentations became virtually impossible. Therefore, the focus of Avon's sales activities in Croatia had to deviate from the traditional model and embrace the new reality. As the response, Avon applied elements of the global digitalization strategy (Prance-Miles, 2020), providing sales representative with upgraded digital tools, such as the aforementioned Avon ON application, digital forms for the new client self-registration and personalized online product catalogues. Additionally, Avon set-up the Digital Innovation University, an internal two-month digital skills improvement educational module, with the focus on building individual businesses online and utilizing social media for sales purposes.

Nevertheless, the pandemic made a certain positive impact on the Avon's business in Croatia. Like in the rest of the world, Avon Croatia recorded an increased rate of sales representative sign-ups during the pandemic. People losing jobs and rising unemployment rate resulted in the additional number of job seekers among the Avon's target audience. Furthermore, "the new normal" also produces new business opportunities. The urge to contain the pandemic significantly increased demand for certain types of products, such as alcohol-based disinfectants and protective masks. During the initial phase of the pandemic, occasional shortages of these products were reported (Vrdoljak, 2020). However, Avon Croatia reacted very quickly and introduced hand sanitisers and protective masks within their online product range. Additionally, Avon Croatia demonstrated its social responsibility by supplying its 60+ sales representatives with the complimentary basic sets of cosmetic and hygienic products.

Traditionally, the physical distribution of Avon's products would almost completely rely on the Avon Lady and Avon Gentlemen network. Once the products are delivered to the sales representatives via postal service or by a courier company, they would deliver it to customers. In most cases, customers would pay for the products with cash to sales representatives. Since the pandemic limited social interactions and there was a general recommendation to reduce travel, Avon implemented direct deliveries to customers via the courier company. Since the courier company introduced contactless delivery system, the customers in many cases prefer this option over the traditional personal deliveries by Avon Ladies and/or Avon Gentlemen. Additionally, customers can also make payments for the ordered products via the internet banking system.

The COVID-19 pandemic initiated further digitalization of AVON's business model in Croatia comprises different digital tools and updated processes. Due to restrictions, Avon Croatia rapidly implemented the usage of video conferencing applications (e.g., Facebook Live, Zoom and Skype) for the communication with the sales network. Same applications are being used for the new catalogue presentations and sharing of good practices and product-related advice within the network. To fully utilize the power of social media channels, Avon Croatia intensified content publication and also started with the Facebook post promotions to reach a wider target audience.

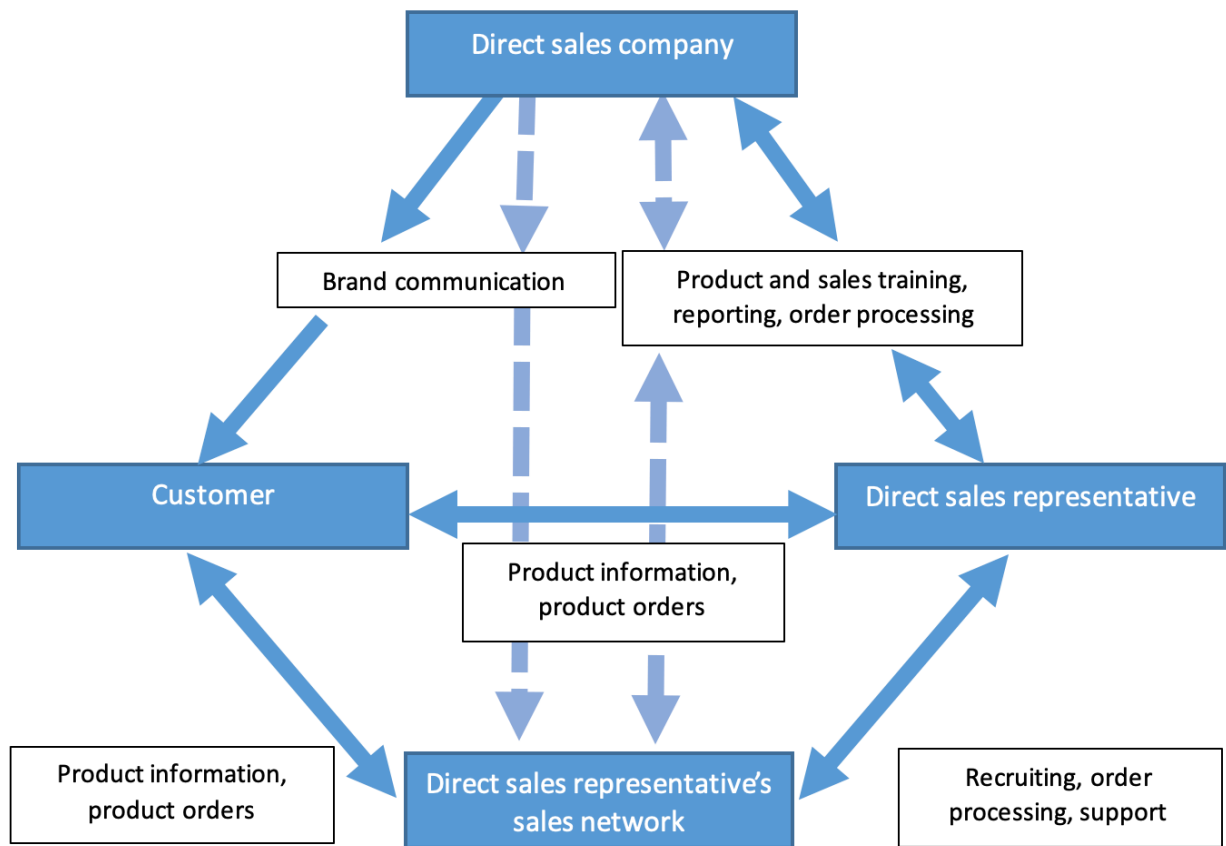
Discussion and conclusion

Following its standardized approach, Avon successfully implemented its direct selling business model in Croatia (P1). The size of the sales network and the substantial customer base confirm the positive outcome of the company's operations in Croatia. Following the global marketing strategy, the Croatian subsidiary also implemented certain digital tools, such as online orders and a mobile app. However, taking into consideration competitors, Avon was not among the pioneers of business model digitalization.

Like many other companies, Avon Croatia digitalized its business model to address the COVID-19 related challenges (P2). The company's marketing and sales activities moved online. On the other hand, customers modified their purchase behaviour which resulted in the growth of e-commerce in Croatia for 13.9% in the first half of 2020 (HGK, 2020). The Croatian subsidiary of Avon quickly adapted to the "new normal" by moving most of its marketing and sales efforts to various online platforms. However, is Avon going to pursue the all-digital approach or move back to the traditional way? Most probably, once the pandemic will be behind us, Avon will resume the traditional business model with Avon parties and door-to-door sales. Furthermore, the emphasis will shift again to "high touch". However, digital channels will remain as an element of the Avon's business model because Avon's customers will get used to it. Additionally, if Avon would like to be more successful with attracting younger generations, much more emphasis will have to be given to the digitalization of the business model. Avon's future success will depend on the way how this very traditional company will utilize digital platforms. Avon will also have to reconsider its traditional sales tools, such as Avon parties, and search for online alternatives.

The technological development and the catalytic impact of COVID-19 pandemic modified traditional models of direct selling and changed the nature of relationships among the parties within the direct selling model. Figure 3 represents an upgrade of the traditional model to fit the multi-level set-up of direct selling, which is a feature of the Avon's model. Furthermore, there is an additional emphasis on two-way communication between the company and the network of sales representatives. Further digitalization of the model will result with more interaction between the parties since the two-way communication is going to fully utilize the convenience and speed of digital communication tools.

Figure 3: The updated view on relationships within the direct selling model



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