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Editorial

Dear Readers,

Welcome to Volume 11 of the Irish Business Journal. All past issues of the journal can be accessed on our webpage at www.irishbusinessjournal.ie. In this edition, we are pleased to present a range of topics, which include qualitative and quantitative research and opinion pieces, which we believe fit the remit of the journal.

The academic articles published in this edition range from marketing oriented behaviours, information technology, strategies for small businesses, to counterfeit sport products.

We are delighted that Brian Sheehan and Jerry Kennelly accepted our invitations to write for our journal. Brian is Editor of Industrial Relations News, and in his article he shares his expertise on social partnerships in Ireland. Brian argues that the underlying influence of the 22-year construct still remains strong and illustrates how the social partners manage key industrial relations issues, thereby suggesting continuities with the partnership era.

Jerry is Founder & CEO, Tweak, and his article entitled 'Where will technology lead us?' Jerry shares his views as a very successful entrepreneur, and suggests that this is the golden age of technology. He also gives entrepreneurs some useful advice for operating successful companies.

As usual, the papers submitted for publication were double-blind peer reviewed, and as usual, we would like to thank the reviewers who gave willingly of their time.

Dr Rose Leahy and Prof. Margaret Linehan,
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The Influence of Price, Status Consumption and Reference Groups on Consumer Attitude to Purchase Counterfeit Sport Products in UAE

Hamza Salim Khraim

Abstract

The purpose of this study is to explore factors that influence the consumers' attitude to purchase counterfeit sports products in the UAE. We will examine the influence of price, status consumption and reference groups on consumers' attitudes to purchase counterfeited sport products in the UAE. A sample of 235 respondents was collected for the study, which was carried out in two famous sports retailers GO Sports and Rebook in the UAE. The collected data were analyzed using SPSS. Different analytical tools have been used including, descriptive statistics, and multiple regression. Results show that price and reference groups have a positive influence on consumers' attitudes to purchase counterfeited sport product in the UAE, while status consumption was not significant. Reference groups were found to be the most significant in influencing consumers' attitudes towards purchasing counterfeited products.

Key Words: Counterfeiting, Price, Status Consumption, Reference Groups, Attitude

Introduction

Counterfeiting is one of the rapid growing economic crimes which can be found in developed and developing countries. For example, counterfeit clothing, both fashion and sportswear is very prevalent in Europe. A common technique is to import plain clothing and attach the labels in one EU member state and then release the products for sale in another member state, benefiting from the free movement of goods across borders (OECD, 1998). Phau, et al., (2001) declared that counterfeited products are an international problem, and the demand for counterfeited activities has been growing in the developing economies of Eastern Europe and Asia. The estimates for the size of the worldwide counterfeit goods market seem to have coalesced around \$600 billion annually (Chaudhry and Zimmerman, 2013). In fact, it is a problem that is in part fueled by consumer demand. Consumers demand for counterfeited luxury products and pirated products such as clothing, music, accessories and movies has increased due to the status of the product's logo and due to the fact of their value (Phau et al., 2001). Pertaining to sport products there are mainly two types of counterfeit products in the market. The first is products that are readily reproducible, such as T-shirts, non-technical shoes and gadgets, which are primarily sold on stalls in local markets and, more generally, by street vendors: it is estimated that this type of counterfeiting amounts to about 90% of the total market.

The remaining 10% are counterfeit products of high quality, which are sold in stores along with original products. This type of merchandise is more difficult to identify as it is used by those same companies in outsourcing or licensing, which in contravention to agreements with companies who own the labels continue to produce, even after the expiry of the license agreement. According to Jacobs et al., (2001) product counterfeiting fall into four categories:

Highly visible, high volume, low tech products with a well-known brand name such as toothpaste and chocolate.

1. Highly visible, high volume, low tech products with a well-known brand name such as toothpaste and chocolate.
2. High-priced, high-tech products such as computer games, CDs, DVDs, auto and airplane parts.
3. Exclusive prestige products such as clothing, apparel, and perfume.
4. Intensive R&D, high-tech products such as pharmaceuticals.

It is obvious that counterfeiting is a very huge and serious problem facing the whole globe, and it is beyond the scope of this research to cover all types and aspects of this problem. Therefore, this research will focus on the third type concerning clothing and more specifically sports products and more exclusively to understand the factors that influence the consumers' attitudes to purchase counterfeit sports goods in the UAE. Furthermore, Eisend and Schuchert-Guler (2006) carried out a meta analysis of 30 studies about counterfeit purchases which allowed them to prove the need for further research, indicating the shortfalls in the majority of previous studies which includes: 1) absence of general framework, suitable for detailed investigation, 2) narrow geographic area of the previous research, mainly North American and South Asian countries. This study will try to contribute in understanding and constructing the suitable framework to study this phenomenon. In addition, the study will be conducted in a new location and with new perspectives.

Research Objectives

The purchase of counterfeit products in the UAE is increasing and government agencies have focused mainly on the supply side (Fernandes, 2012). The growth in counterfeiting activity has pressured manufacturers to redesign strategies to overcome this problem. To contribute to preventing this phenomenon and to help in reducing demand for counterfeit products, it is essential to recognize what factors influence the buyer to willingly buy a counterfeit product. Based on that, the objectives of this research are from three folds:

1. To explore the demand side of counterfeiting purchase patterns.
2. To highlight the nature and side effects of sport product counterfeiting.
3. To understand the factors that affect the consumers' attitudes to purchase counterfeit sports products in the UAE.

Literature Review

Chiu et al., (2014) confirmed that sporting apparels among consumers are very popular, despite that, counterfeits in this product category has not received much research interest. The rise of counterfeit products is very popular in the UAE. Almost every product does have a counterfeit and one of the prominent sectors which we focus on our study is sports products. Since there isn't much trade flow restrictions in the UAE with respect to the other countries, counterfeit product enter into the country.

The unprecedented rise of the counterfeit goods used by the consumers in the country can bring several damages to the economy of the UAE. UAE is mainly a trading hub rather than a manufacturing one and as a result almost all the counterfeits come into the country via international trade. Havocscope (2011) estimates the counterfeit market across industries in the UAE to be around \$1.02 billion a year with counterfeit auto spare parts having the highest share at 48 per cent. The UAE government is concerned about its image as a tourist retail-shopping destination and is striving to eliminate counterfeit products which may deter high-end customers from shopping in the UAE (Fernandes, 2012).

Counterfeit Typology

In preceding literature, researchers use terms like counterfeiting, forging, brand piracy, imitation of brands or logos, fake replicas etc. The most commonly used term in the reviewed literature was counterfeiting or counterfeits (Jurgita, et al., 2013). Different definitions have been used for counterfeiting in different areas by different authors. For example, there is a difference between music piracy and cloth counterfeiting, and based on consumer's consciousness as deceptive and non-deceptive counterfeiting. Kay (1990) defined counterfeiting as the production of copies that are identically packaged, including trademarks and labeling, so as to seem to a consumer that the item is the genuine article. Bloch, et al., (1993) defined counterfeiting as the unauthorized copying of trademarked or copyrighted goods. While Cordell et al., (1996) defined product counterfeiting as any manufacturing of goods whose special characteristics are protected as intellectual property rights. Previous research has identified two types of counterfeiting based on consumer's perspective, deceptive and non-deceptive.

Under deceptive counterfeiting, the consumer is a victim of deception, they are not aware of purchasing a fake product. In this study, we specifically focus on non-deceptive counterfeit product, where consumers intentionally purchase fake products (Grossman and Shapiro, 1988). According to Eisend and Schuchert-Guler, (2006) non-deceptive counterfeiting occurs when consumers, due to the situation (place of purchase, price, and item composition) are aware that the item is not original, but still make a conscious decision to buy it. This implies that consumers are often able to distinguish counterfeits from genuine brands based on differences in price, the distribution channels, and the inferior quality of the product itself.

Damages Caused by Counterfeiting

There are numerous documented damages that counterfeiting can cause for society, economy and governments. From an economic point of view, it causes problems such as unfair competition, brand companies invest in product, materials and communication research; they strive to offer their customers products that are better, safer, more functional and more attractive. These huge investments are largely outweighed by those who produce counterfeits. They often use inferior materials, do no research, and exploit brand advertising. Also they cause loss of product value. Registered brand name products are based on a thorough job of planning, design, manufacturing, distribution and communication. While for counterfeit products all these requirements are not applicable. Counterfeit products weaken the market share and sales volume of genuine products in the market, putting downward pressures on prices.

Trademark- and copyright-infringing items cause sales lost to consumers who purchase a counterfeit or pirated product believing it is genuine and as well as consumers who knowingly purchase a lower-priced counterfeit or pirated product instead of a genuine article (OECD 2007). Another damage caused by counterfeited products is loss of tax revenue for the government. The huge turnover of the counterfeits industry generates huge profits for international crime, but does not produce any income tax which lowers their tax revenue. The loss of tax revenue then fatally translates into increased social costs. Another drawback of counterfeiting is destroying jobs. Counterfeiting also has a big impact on employment. Data suggests that approximately 2.5 million jobs have been destroyed by counterfeiting and piracy in G20 countries (IEC, 2013). Finally, concerning the environment, counterfeiting can have negative effects on the environment. The growing volume of seized goods raises environmental issues since destruction can be a costly process that creates considerable waste (OECD 2007).

Counterfeit of Sport Products

According to OBCD (2008) counterfeit sportswear is relatively easy to produce for a number of reasons. Firstly, international trade in counterfeit clothing is relatively straightforward since the counterfeiter can import plain clothing and attach logos close to the point of sale. Another method that is becoming increasingly common is to use grey-market channels. The second reason is sale of counterfeit sportswear is closely connected to large events. Concerts and championships or other major events normally attract organized counterfeiters who set up trade around the venues. The vendors are very mobile and carry small stocks, making police action ineffective. Police investigations in Europe have found evidence of international rackets specializing in selling counterfeits at large events. Thirdly, the main target customers for counterfeit sportswear are youngsters who are the most willing to buy counterfeits. In the United Kingdom, for example, a study on public attitudes to counterfeiting showed that 40 per cent of consumers knowingly go shopping for counterfeits and of these, more than 50 per cent were between the ages of 15 to 24 (Anti-counterfeiting Group, 1997).

Finally, large-scale counterfeiters of sportswear generally target only a few brands that are market leaders, such as Adidas and Nike. These companies have in-house facilities to deal with counterfeits. Table 1 summarizes the driving factors for counterfeit sport products from supply and demand sides. It is important to note that we will focus on the demand side in this study.

Table 1: Drivers for Counterfeit Sport Products

Summary of Drivers for Counterfeit and Pirate Activities	
Counterfeit Supply Driving factors	Knowing Demand for Counterfeit Products Driving Factors
Market Characteristics High unit profitability Large potential market size Genuine brand power	Product Characteristics Low prices Acceptable perceived quality Ability to conceal status
Production, Distribution and Technology Moderate need for investments Moderate technology requirements Unproblematic distribution and sales High ability to conceal operation Easy to deceive consumers	Consumer Characteristics No health concerns No safety concerns Personal budget constraint Low regard for IPR
Institutional Characteristics Low risk of discovery Legal and regulatory framework Weak enforcement Non-deterrent penalties	Institutional Characteristics Low risk of discovery and prosecution Weak or no penalties Availability and ease of acquisition Socio-economic factors

Source: OECD 2007

Attitudes Towards Counterfeited Products

The pioneer definition of attitude was provided by Fishbein and Ajzen (1975) who defined attitude as the psychological emotion and the positive or negative evaluation which was caused as an individual engages in a certain behavior. Previous research indicated that attitude is an important construct in the study of counterfeit purchase behavior (Sharma and Chan, 2001), and that unethical decision making such as the purchase of counterfeits is explained largely by attitudes, (Wee et al., 1995, Ang et al., 2001, Phau and Teah, 2009, Koklic, 2011). Research has pointed out that consumer’s attitudes towards counterfeits can be influenced by social elements and personality influence elements (Phau and Teah, 2009; Ang et al., 2001). The social element is social pressure which could influence consumers’ attitude by either “follower” or as well as “break rules” (Ang et al., 2001). This includes the normative and informational susceptibility towards social influence and collectivism. Informational susceptibility is an element that influences consumers to be a “follower.” The person, who has expert knowledge on the differential advantage between forged and original, as well as in product quality, can influence consumers' attitude towards counterfeits brands. While normative susceptibility indicates that purchase decision is based on impressing others.

If the counterfeit products will not provide a good look or make a good impression, consumers will not buy it.

Kozar et al., (2011) assert that attributes such as price, brand name (logo), demographics (age, gender, cultural background, religion etc.) and ethical and moral standards are important characters that impact consumers' attitudes towards counterfeit. While in Eisend and Schuchert-Guler (2006) meta analysis, they identify four main factor groups, influencing counterfeit consumers: personal (demographic and psychographic variables), product (price, product attributes, and scarcity), social and cultural context, purchase situation/ mood. In this current research we will focus on two factors; product and social factors. A brief discussion on those factors will be given below. Based on that we can propose the following hypothesis:

H1: There is a significant positive influence of price, status consumption, and reference groups on consumers' attitudes toward purchasing counterfeited products.

Price

In the majority of studies price was indicated as the most important factor influencing consumers to purchase counterfeit goods (Wiedmann et al., 2007; Stravinskiene et al., 2013). For consumers who do not possess the economic means to purchase the higher priced genuine products, counterfeits can be substitutes for the real thing (Weisheng and Leng, 2016). Low price of counterfeits allows consumers to save money, therefore the perceived value (price and quality ratio) of these goods is high (Ang, 2001). Most of previous research has addressed this relationship as "value consciousness" which is defined as the willingness to pay lower prices for products but subject to some quality constraint. It plays an important role in counterfeit purchase as it is directly linked with the price and the degree to which consumers feel that the product's worth is comparable to the cost they incur (Fernandes, 2013). Consumers who are value conscious are likely to have a favorable attitude towards purchasing counterfeits than the less value conscious (Ang et al., 2001). Based on that we can propose the following hypothesis:

H1a. Price has a positive influence on attitude toward purchasing counterfeit sport products.

Status Consumption

One important motivating force that influences a wide range of consumer behavior is the desire to gain status or social prestige from the acquisition and consumption of goods (Park et al., 2008). Goldsmith et al., (1996) defined status consumption as the "motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others". Regardless of their current class ranking, status-consumption consumers may desire products which are indicators of a higher social status (Goldsmith et al., 1996). While O'Cass and McEwen (2004, p.28) defined status consumption as the individual nature of possessing status goods both for inner reasons (self-reward, without showing the product to the public) and/or external reasons (to show wealth through public display of products).

Yoo and Lee (2009) identified that consumer interest in buying counterfeit products may be affected by their perceived future social status and self-image. Husic and Cacic (2009) assert that by using status goods as symbols, individuals are able to communicate impressively about themselves to their reference groups. Previous research found that status consumption seems to consistently influence attitudes of counterfeits (Phau and Teah, 2009). For some consumers it is important to have superior status for the symbolic value or to belong to a higher social class, hence, some consumers do not have the income to support it. These consumers want to achieve respect and envy from others and counterfeit products may help them achieve the respect they want (Phau, et al., 2009). In short, consumers buy counterfeits because they are getting prestige without paying for it (Bloch et al., 1993).

Sport products are among the product categories used to communicate one's status, since it's used externally outside home. Therefore, clothing assists individuals in expressing their identities associated with social class (Coskuner and Sandikci, 2004, p.287). It's noteworthy to say that there are also different results shown from another literature that status consumption has no effects on attitudes towards counterfeit products (Nordin, 2009). In UAE, consumers are motivated to purchase counterfeited products to be part of the elite society and to gain social approval from their peers and close knit community, friends and family (Vel et al., 2011). With this background, we suggest the following hypothesis:

H1b. Status consumption has a positive influence on attitude toward purchasing counterfeit sport products.

Reference Groups

Consumers' attitudes towards counterfeits are different in different communities. The social structure plays a significant role in influencing views of family and friends on their social circle, leading to an affirmative attitude towards counterfeits products (Riquelme et al., 2012). Social environment plays an important role in influencing consumers, because the more respondents see their friends, family and other people in their society buying counterfeit products, the more they develop a positive attitude towards counterfeits products (Hernan et al., 2012). The reference group includes mainly the family members, relatives, or friends. The norms followed by a social group and the pressure arising from the instinct to emulate that reference group, can induce a consumer's decision to use original or counterfeits of luxury brands. Consumers are more likely to purchase counterfeits under the influence of their peers (Bearden et al., 1989). Fernandes (2013) in his study of counterfeit fashion in the UAE discovered that social influences are a significant factor for the consumer that is likely to purchase counterfeits, indicating that the pressure of significant others is likely to influence purchase of counterfeits. Vel et al., (2011) maintained that UAE consumers are social oriented type of people and they have a need to maintain class and exclusivity in everything they do. Most of them are concerned with society approval and care about being approved and accepted by others. Based on that, we will propose the following hypothesis:

H2c. Reference groups have a positive influence on attitude toward purchasing counterfeit sport products.

Research Methodology

A self-administered questionnaire was distributed to the respondents to collect the required data. The questionnaire was distributed randomly to 250 consumers in two famous retail sport stores called GO Sport at Dubai's Mall of the Emirates and Reebok at Marina Mall. Participants were asked to tick the box that best represented their answer for each of the questions. The options ranged from 1 = strongly disagree to 5 = strongly agree on a five-point Likert scale. Around 235 completed questionnaires were collected for the study.

Measurement of Variables

The questionnaire contained 31 questions. The first section includes participant demographics. While the second section, contained statements reflecting consumer attitude, price, status consumption, and reference groups' influence. Attitude towards purchasing counterfeited sport products has been measured by 7 questions adopted and modified from De Matos et al., (2007) and Chiu and Leng (2015) and (Weisheng and Leng, 2016). Status consumption consisted of 5 questions and were adopted from Eastman et al., (1999) and Phau and Teah (2009). For price variable, it was measured by 6 questions adopted and modified from Lichtenstein et al., (1993). While for reference groups' influence, it was measured by 7 questions adopted and modified from Van den Putte et al., (2005). Coefficient alpha reliability was used to test the several scale items used in this study. All the scales demonstrated a satisfactory level of reliability with coefficient alphas exceeding the cut-off value of .70. For Attitude towards counterfeiting (alpha = .74), status consumption (alpha = .77), price (alpha = .77), and for reference groups was (alpha = .80). Cronbach Alpha exceeded the critical value (0.60) suggested by Sekaran. So, the overall reliability of the scale is acceptable as shown in Table 2.

Table 2: Descriptive and Reliability Analysis Results

Variables	No. of Items	Mean	S/D	Cronbach's Alpha Coefficient
Price	6	3.530	.8711	0.77
Reference Groups	7	3.650	.9364	0.80
Status Consumption	5	3.542	.8158	0.77
Attitude	7	3.632	.7500	0.74

Table 3: Respondents Demographic Profile

Variables	Total Cases	Categories	Fre	%
Gender	235	Male	191	82.3
		Female	44	18.7
Age	235	16-22years	120	51.1
		23-30years	102	43.4
		More than 30	13	5.5
Income	235	Level of Education	122	51.9
		5001 –10,000 AED	42	17.9
		10,001 – 20,000 AED	34	14.5
		20,001 – 30,000 AED	37	15.7
Nationality	235	Indian	97	41.3
		Pakistani	91	38.7
		Jordanian	9	3.8
		Lebanese	17	7.2
		Emirati	21	8.9
Level of Education	235	High School	152	64.7
		Graduate	83	35.3

In this section we will highlight the highest mean scored for the different variables used in this study. For the dependent variable, attitude towards purchasing counterfeit sports products, statement number 2, "I prefer the counterfeit market for sport products", received the highest mean with (4.18) and it was also the highest among all variables as well. Statement number 6, "I recommend to friends and relatives to purchase a counterfeited sport product" received the second highest mean with (3.85). While statement number 3, "In general, buying counterfeit sporting products is a better choice" received the third place with (3.75) mean. Concerning the independent variables, the highest mean was for statement 3 in price, which says "I purchase counterfeit sport products, because of the high price of the original sports products". While statement number 2 "Considering price importance, I prefer counterfeit sporting products" arrived in the second place with (3.66) mean. In third place statement 3 "Counterfeit sport products are cheap and easily available" with (3.65) mean. Regarding status consumption, statement number 4, "I buy counterfeit sport products because I am concerned about the manner I present myself to others" received the highest mean in this variable with (3.84). Followed by statement number 5 "I am interested in new counterfeit sport products with status" with (3.78) mean. While statement number 1 "I buy counterfeit sport product because I want to have high status" ranked thirdly with (3.69) mean.

Finally, reference groups received the highest mean among the three independent variables. Statement number 7, "My family members think it is okay to purchase counterfeit sport products" received the highest mean with (3.87). Whereas statement number 1, "I purchase counterfeit sport products because I have seen them with my colleagues" ranked second with (3.85) mean. Finally, statement number 4, "The usage benefits of counterfeit products by reference groups motivate me to buy the same" was in the third place with (3.81) mean.

Research Finding

Multiple Regression is used because it can identify each variable's relative contribution and determine the best predictor variable between a set of variables. Multiple regression analysis was used to test the influence of price, reference groups and status consumption on consumer attitude to buy counterfeited sport product. The main hypothesis was tested with a regression analysis. The R-square result of explaining 77.5% is considered an excellent predictor in marketing research. While Durbin-Watson test result of 1.950, as shown in Table 4, is an indicator that the autocorrelation is almost reaching to zero or there is a significant difference which exists between the dependent and independent variables (no autocorrelation).

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson	F	Sig
1	.881a	.775	.772	0.3578	1.950	265.7	.000a

a. Predictors: (Constant), Status Consumption, Reference Group, Price

Table 5 show the Variance Inflation factor (VIF) indicates that Multicollinearity does not cause any problem since all independent variables are below the threshold of 10 (Neter and Kunter, 1990). Furthermore, when the tolerance value is above .60, it is also considered as an evidence of the absence of multicollinearity among the independent variables as indicated by Hair et al. (1995).

Table 5: Model Testing

	Unstandardized Coefficients		Unstandardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	sig	Tolerance	VIF
(Constant)	1.341	34.5		3.82	.000		
Price	.276	.071	.185	11.6	.000	.783	1.925
Reference Group	.807	.029	.878	28.0	.000	.996	1.004
Status Consumption	.011	.035	.014	0.91	.058	.754	1.919
Hypothesis Testing							

H1: There is a significant positive influence of price, status consumption, and reference group on consumer attitude toward purchasing counterfeited products.

As shown in Table 5, The R2 value is 0.775; therefore, the model is regarded as being suitable to be used for multiple regressions with the data. The three factors together explained 88.1 per cent per cent of the variance, where $R^2 = 0.775$, $F = 265.7$ and significance = 0.000. In testing the main hypothesis, we found that two variables, price and reference group have a significant positive influence on consumer attitude toward purchasing counterfeited products. While for status consumption, there was no significant influence. We can assume that the main hypothesis is partially accepted. The results also shows that the reference group variable has the highest effect on consumer attitude toward purchasing counterfeited products, where $\beta = 0.87$ and significance = 0.00. Thus, it indicates that reference group variable is the most significant, and it positively and directly regresses to consumer attitude toward purchasing counterfeited products, followed by price, where $\beta = 0.18$ and significance = 0.00. While status consumption variable has the lowest effect, where $\beta = 0.014$ and not significant. H1a. Price has a positive influence on attitude toward purchasing counterfeit sport products

From Table 5, it is concluded that there is a positive direct effect of price on consumers' attitudes to purchase counterfeited sport product, where $\beta = 18.5$ and significance = 0.05. Because $t = 11.60$ and $p < 0.05$, based on that the hypothesis is accepted, which indicates that price has a positive influence on attitude toward purchasing counterfeit sport products, at $\alpha = 0.05$.

H1b. Status consumption has a positive influence on attitude toward purchasing counterfeit sport products

From Table 5, it is concluded that there is no positive direct effect for status consumption on consumer attitude to purchase counterfeited sport product, where $\beta = .014$ and significance = 0.05. Because $t = .091$ and $p < 0.58$, based on that the hypothesis is rejected, which indicates that status consumption has a positive influence on attitude toward purchasing counterfeit sport products, at $\alpha = 0.05$.

H2c. Reference groups have a positive influence on attitude toward purchasing counterfeit sport products

From Table 5, it is concluded that there is a positive direct effect of reference groups on consumer attitude to purchase counterfeited sport product, where $\beta = 87.8$ and significance = 0.05. Because $t = 28.0$ and $p < 0.05$, based on that hypothesis is accepted, which indicates that reference groups has a positive influence on attitude toward purchasing counterfeit sport products, at $\alpha = 0.05$.

Discussion and Conclusions

Given the large market for counterfeits and the potential impact it has on business, it is not surprising that there exists a large body of literature on counterfeits. However, there have been few studies examining the purchase of the category of counterfeit sporting products. This issue exists all over the world and the UAE is not an exception. In this paper the focus is mainly on the influence of price, status consumption and reference groups on consumers' attitudes to purchasing counterfeit sports products in the UAE. Results of hypotheses testing revealed that, out of the three independent variables (price, status consumption and reference group), two were found to be significant and to have a positive influence on consumer attitude toward purchasing counterfeited products. Reference group has the highest standardized b , it is a key factor in consumers' decision to purchase counterfeits sport products and more specifically, family, which have the highest influence. Results show that price is one of the most important factors for consumers who purchase counterfeits. Another result shows that status consumption has no significant influence on consumer attitude toward purchasing counterfeited products. Based on these results it is highly recommended that companies target their consumers with highly original brands advertisements that appeal to those consumers. Also it's worth to focus on personal image. Consumers who value the opinion of others will feel awkward and experience 'loss of face' if they are discovered to be using or buying counterfeit products. The majority of consumers emphasize that they purchase counterfeit sport products, because of the high price of the original sports products. This fact can help brands in offering more sales promotions for customers, such price discounts or in-store samples and coupons in order to reduce price sensitivity for original products. In addition, educating the potential buyer of the superior physical attributes of the product is important.

Customers also cite that counterfeit sport products are cheap and easily available. This extensive availability of counterfeit products in the marketplace give consumers more opportunities and choices to purchase counterfeit products since these products can be easily found in local markets and high street shops scattered across most cities in the country. To overcome this problem, marketing managers need to emphasize the quality of their products and demonstrate how counterfeits cannot compare to the genuine products. In addition, managers can focus their communications on how socially desirable a genuine product is compared to a counterfeit. This can inhibit consumers from purchasing counterfeit sports products especially when counterfeits can be easily identified.

Results also reveal that family members are the most influential reference groups in purchasing counterfeit sport products. When respondents see their family members and other people in their society buying counterfeit products, the more they develop a positive attitude towards counterfeits products. Findings from this study suggest that there are differences between countries when it comes to consumer behavior in the purchase of counterfeit sporting products. While status consumption is predictive of attitude in some countries, it is not applicable in other countries. The findings from this study also suggest that attitude towards counterfeits may explain the differences between countries. Theory development in this area will need to take this into consideration.

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Questionnaire

Section1: Respondents Demographics

Please choose the answer reflect your status:

1. Gender: Male Female
2. Age: 16-22 years 23-30 years More than 30
3. Choose income category you belong to:
 Less than AED 5,000 AED 5001 – AED 10,000
 AED 10,001 – AED 20,000 AED 20,001 – AED 30,000
 More than 30,000
4. Nationality _____
5. Level of Education _____

Section2:

To what extent do you agree to the following statements given below:

No.	Attitude	Strongly Disagree	Dis Agree	Neutral	Agree	Strongly Agree
1	I say favorable things about counterfeited sport products					
2	I prefer counterfeit market for sport products					
3	In general, buying counterfeit sporting products is a better choice.					
4	I enjoy shopping for counterfeit sporting products.					
5	Buying counterfeit market goods generally benefits the consumer					
6	I recommend to friends and relatives to purchase a counterfeited sport product					
7	There is nothing wrong with purchasing counterfeit sporting goods					

No.	Status Consumption	Strongly Disagree	Dis Agree	Neutral	Agree	Strongly Agree
1	I buy counterfeit sport product because I want to have high status					
2	My social class is a reason for the purchase of the counterfeit products.					
3	When I buy counterfeit sport products I want to impress others					
4	I buy counterfeit sport products because I am concerned about the manner I present myself to others					
5	I am interested in new counterfeit sport products with status.					
	Price Factor					
1	Considering the price importance, I prefer counterfeit sporting products					
2	Counterfeit sport products are cheap and easily available					
3	I purchase counterfeit sport products, because of the high price of the original sports products					
4	I am very concerned about low prices, at the same time I want to own the original goods					
5	I am worried if I purchase the genuine good, whether I would get the right quality from the product					
6	Generally speaking, considering the price, I prefer counterfeit sporting products					
	Reference Group Influence					
1	I purchase counterfeit sport products because I have seen them with my colleagues					
2	It is because of the peer pressure I purchase counterfeit sport products					
3	The credibility source from the reference group is a source of inspiration for me in purchasing counterfeit sport products					
4	The usage benefit of counterfeit products by reference groups motivate me to buy the same					
5	Imitating Celebrities/Famous personalities are the reason behind the purchase of the counterfeit sport products					
6	Usually I take advice from friend/peer when purchasing counterfeit sport products					
7	My family members think it is okay to purchase counterfeit sport Products					

Drivers of Early Technology Sector Development in Ireland

Sarah Davis and Breda Kenny

Abstract

This paper explores the origins of the electronics and software sector, now called the Information Communications and Technology (ICT) Sector in the Republic of Ireland and its subsequent development from 1960 to 2010 inclusive. The research sought to identify key developments that influenced the emergence of the sector. For the purposes of this study, the ICT sector is defined as the foreign-owned and indigenous firms actively involved in the production, design and/or servicing of hardware and software electronic products within the Republic of Ireland. Empirical evidence in the form of 15 semi-structured interviews was analysed and validated by three respondents as well as one external ICT expert. Two key drivers found in the data were the development of a capable managerial cohort and a spin-off mechanism.

Key Words: ICT Industry Development, Ireland, Management Development, Spin-off Mechanism.

Introduction

This paper presents evidence of two drivers found in a study, which explored the origins of the Information and Communications Technology (ICT) sector in the Republic of Ireland and its subsequent development from 1960 to 2010 inclusive. The main aim of the research was to identify key developments that influenced the emergence of this important industrial sector. The electronic and software industry in Ireland, currently called the ICT sector, is defined as the foreign-owned and indigenous firms actively involved in the production and/or servicing of hardware and software electronic products within the Republic of Ireland. This broad definition is a modified version of the definition used by Collins and Grimes (2008). The requirement to explore the emergence and development of the sector from its beginnings in the early 1960s drove the decision to maintain a broad definition. Whereas many drivers were identified, this paper focuses on the two key drivers identified for the sector, namely, management development and a spin-off mechanism.

This paper is structured as follows: First, we review the literature on industry development, management development and spin-offs, followed by the methodological approach. Next, the findings that support a spin-off mechanism and management development as key drivers for the ICT industry development are presented. Finally, conclusions are drawn and some limitations of the research are outlined.

Industry Development as an Evolutionary Process

This section draws on theory from the strategy literature on industry development and management development. Every industry begins with an initial structure and is configured by *evolutionary processes* (De Wit and Meyer 2010). These evolutionary processes operate *even if there are no important distinct events to signal this* (Porter 1980 p. 140). Porter (1980) points to evolutionary processes as the forces that create the incentives or pressures for change. Evolutionary processes push industry from its initial structure towards one of many potential structures. Phaal et al. (2011) find that enablers and barriers to industrial development are contextual, industry-specific and depend on the phase of industrial emergence of the industry under review. They identify a co-evolutionary process between the demand side (market forces) and the supply side (technological forces) as a key driver. Changes within industry are usually due to interactions of many drivers and inhibitors, and industry dynamics itself, can act as a driver. Within the evolutionary process, management development is an important dynamic or evolutionary driver for industry development.

Talent Management

Most approaches to talent management are directed towards those managers who are seen as having the potential to be executive talent (Stahl *et al.* 2012). Globalisation has caused changes in the management of talent (Tarique and Schuler 2010). Where before, MNEs made an assumption that the techniques of the parent company could be adopted worldwide and staffed their key management positions with expatriate managers, a more recent trend is to manage talent on a global basis in a context which is more complex and multifaceted.

Where many context-dependent definitions exist, Blass (2007) defines talent management in terms of the extra management opportunities and processes that are provided to ‘talented’ people within an organisation which relates well to the McDonnell *et al.* (2010) definition of talent as a dynamic concept, which may change over time and with changing priorities within organisations. Key talent may also reside in technical employees who do not fulfil a senior management role (McDonnell et al. 2010).

In analysing over 414 structured questionnaires from multinationals (both indigenous and foreign owned), McDonnell et al. (2010) developed a framework of four Global Talent Management (GTM) approaches (global succession planning, global management development, global talent management and global talent development). Moreover, they identified five independent variables (sector, country of origin, employment size, level of standardisation of product/service, existence of a global HR policy body) which largely explain multinationals engagement in GTM. They concluded that MNEs were more likely to engage in management development if they employed more people and they identified a difference between high-tech manufacturing and traditional manufacturing, with high-tech manufacturing less likely to employ global management development, as they are likely to operate across different sectors and with non-standardised products.

McDonnell *et al.* (2010) also explored a number of talent development mechanisms, such as short or long-term international assignments, formal global management training, assessment of performance against global management competencies and qualifications. They concluded that existence of a global HR policy body within the MNE had a positive influence on a greater use of management development mechanisms. Of the MNEs that were surveyed, 90% of them still used the traditional mechanism of sending employees on qualification programmes and the least commonly used mechanism was overseas assignments. Their study showed more than 80% of the MNEs were using a multimethod approach to talent development. There was no significant difference between the indigenous MNEs and the foreign-owned MNEs (McDonnell *et al.* 2010).

While McDonnell *et al.* studied multinational practices within the Republic of Ireland between 2006 and 2007, as we are exploring retrospective drivers for the ICT sector in Ireland, it is useful to review the beginnings of this sector and the original spin-off mechanism at the often designated source of origin, Silicon Valley.

A Spin-off Mechanism

Adams (2011) delves into the story of the early scaling up of ICT industry development in Silicon Valley in the USA. During the period between 1940 and 1965, a mix of both large and small high-tech firms had been a key feature of the Silicon Valley area. The large enterprises were primarily branches of multi-locational firms. Hence, distant organisations played critical roles through their subsidiary branch plants located in the Valley. *Incumbent firms are natural training grounds for the next generation of entrepreneurs in an industry* (Klepper 2011 p. 145). These training grounds developed some entrepreneurial employees who then went on to set up their own firms as spin-off companies. Fairchild Semiconductor was, either directly or indirectly, responsible for 82% of the spin-offs that entered Silicon Valley (Klepper 2011). Often, these entrepreneurial employees located their new spin-off companies in close proximity to the seed company.

Moore and Davis (2004) relate the spin-off companies to the creation of, and the increase in, the numbers of technologist managers in the early days of development in Silicon Valley. This involved a three-phase process consisting of (1) the learning of both people management and firm management; (2) the structuring of a technology business (i.e. the moving from a one-off design in the laboratory to mass production processes); and (3) guiding the innovation process within the technology firm. While this echoes the management development perspective, already described, a spin-off mechanism provides an alternative perspective on the evolutionary processes involved in industry development and focuses attention on business development as well as human capital development.

New firms in an industry can be categorised as diversifiers, spin-offs and their parents, or other start-ups. A *spin-off* mechanism is posed by Klepper (2011 p. 143) to explain the evolution of four industry clusters. The four clusters were the automobile industry in Detroit, the tire industry in Ohio, the cotton garment industry in Bangladesh and the semiconductor industry in Silicon Valley. There were common features of these extreme clusters (Klepper, 2011). In each cluster studied, more than a hundred firms entered in a 30-year period.

Each cluster started with a single seed company and followed similar evolutionary paths. Klepper (2011) traced the background of the new firms by establishing who had founded them and their previous work history.

Industries do not develop in isolation and elements in the general economic environment may contribute to the creation of spin-offs. *Caiazza et al.* (2014 p. 103) define spin-off companies as *new companies created with human resources as well as core technology previously used in other organisations (mother-firms)*. These mother-firms can be either industrial firms or public research institutions. In either case, spinning-off is an entrepreneurial activity. In the case of public research institutions, the factors that affect spin-off creation can be of the macro, of the meso, or of the micro order (*Caiazza et al.*, 2014). At the macro level, government policy and entrepreneurship supports push the economy; at the meso level, structures promote and support new economic activities from collaborative research with institutions; at the micro level, the focus of single researchers on the possibility to commercialise research or the development of an entrepreneurial mind-set at the individual level.

This research seeks to understand if a spin-off mechanism was operating in the evolution of the early ICT sector in Ireland and highlights the variety of factors that may influence such dynamic and complex sectors, leading, at best, to contextual findings. The next section reviews the methodology and then the empirical data collected which supports the evolutionary forces of management development and a spin-off mechanism are reviewed in the findings and conclusion sections.

Methodology

A critical realist (CR) philosophical approach (Sayer 1992, Bhaskar 1997, Danermark et al. 2001) is chosen to deal with the time-frame and the subject area breadth. CR allowed the viewing of the Irish ICT sector as an open system (Danermark *et al.* 2002, p.199) thus allowing the complex and dynamic and interactive nature of the government policy and the ICT sector to be explored.

The unit of analysis is a social construct, an open system, consisting of the industry sector. It contains, embedded within it, other entities such as the ICT enterprises, institutions, and individual actors. In CR, entities will usually be structured. For example the ICT sector, as defined, can be seen as an entity in its own right, consisting of a series of other entities such as firms, associations, networks, people, processes, resources etc. all of which can have an effect on one another. Some of these structures are nested. Each firm, for example, can have its own structure; can be a member of a network and a constituent of the ICT sector as a whole. Each entity has its own causal powers and liabilities. According to Ryan *et al.* (2012 p. 300), *Critical realism is well suited to addressing the central questions of structural change and transformation in industrial relationships and networks*. There is a match between the evolutionary processes (Porter 1980, De Wit and Meyer 2010) and the CR view of underlying structures and driving mechanisms (Bhaskar 1997).

A semi-structured research interview plan addressed relevant areas of government policy, technical education and industry development and this plan formed the basis for conducting interviews with all respondents. Empirical evidence in the form of fifteen semi-structured

interviews (Davis 2015) was gathered. Interviews times were typically between 45 minutes and 2 hours. Kvale and Brinkmann (2009 p. 2) call it an interview, where knowledge is constructed in the inter-action between interviewer and the interviewee.

A non-pre-specified within-case sampling (Miles and Huberman 1994) or selection process was used to identify key *experienced and knowledgeable experts* (Lincoln and Guba 1985). Only persons with ten or more years of ICT managerial experience with working knowledge of the contexts (Maykut and Morehouse 1994 p. 57) were interviewed. The sampling spectrum covered three representatives of the industrial development agencies, four educational influencers (people actively involved in technical educational) and eight people with relevant ICT industrial experience. Some of the respondents had relevant ICT industrial experience and academic experience. Under the banner of industrial experience, hardware and software development, as well as indigenous industry and MNCs (multinational corporations) were represented by the selection of experts with relevant experience. Table 1 summarises the respondent/interviewee selection, their areas of expertise and the enterprises or organisations where they worked. The final column in Table 1 provides an indication of when the respondent first joined the workforce, an indication of the range of their historical perspective of the ICT sector development.

Table 1: List of interviews

Interview Number	Area of Expertise (Company history)	Gender	Year range Start of work/ career
Interview 1	Government Policy Enterprise Ireland, ICT sector	Male	1980-1984
Interview 2	Government Policy IDA, ICT sector	Male	1990-1994
Interview 3	Education and Electronics Industry Institute of Technology, Farran Technologies, Apple	Female	1980-1984
Interview 4	Government Policy Local Enterprise Office	Female	1980-1984
Interview 5	Electronics Industry DEC, Logitech, Computer Products	Male	1980-1984
Interview 6	Education and Industry University, Bourns, Electronics, EMC	Male	1985-1989
Interview 7	Electronics Industry Krupps, Wang, EMC, Incubator advisor	Male	1965-1969
Interview 8	Education and Electronics Industry University, a university spin out company,	Male	1990-1994
Interview 9	Software Industry Serial Entrepreneur	Male	1985-1989
Interview 10	ICT Industry DEC, Microsoft	Male	1970-1974
Interview 11	Electronics Industry Northstar, Apple	Female	1985-1989
Interview 12	Education and Indigenous Electronics Industry Institute of Technology, Telectron, 2 IDA green field start-up companies	Male	1965-1969
Interview 13	Electronics Industry GE Subsidiary ECCO, Apple, mentor/advisor to high tech start-ups	Male	1960-1964
Interview 14	Electronics Industry ESB, GE subsidiaries Ecco & EI, CEO of large Irish owned electronic Company.	Male	1970-1974
Interview 15	Telecommunications Industry Amdahl, Telecom Éireann, Engineers' Ireland	Male	1980-1984

Yin (1989) points out the suitability of a single longitudinal case study to identify trends over an extended period. Documents and Journals in the *Engineers Ireland* library and archival documents in The National Archives of Ireland in Dublin, corroborated and augmented the evidence from the fifteen semi-structured interviews. In order to validate this research, 3 respondents and 1 knowledgeable ICT expert who had not taken part in the research, reviewed the findings and conclusions. All four concurred that the findings depicted the industry as they knew it and found it a good representation of the industry development.

Findings and Discussion

Many drivers for the ICT sector were identified during the research. Five categories of driver were identified, namely, global, national, industry-level, firm-level and individual drivers. This paper focuses on two key industry drivers, management development and a spin-off mechanism. First, we review the empirical support for the development of a managerial cohort and then we consider the support for the spin-off mechanism.

In the early 1960s, there was a lack of a developed base in electronics, which was borne out by the experience of 5 of the respondents. The Committee of Industrial Organisation (1963), which was tasked with reviewing the state of industrial development in Ireland, examined only twelve companies in their “Wireless, Television and Telecommunications” Report. These companies were mostly manufacturing radios and televisions for the home market and had no design or development functions. By the late 1960s, with the IDA policy of attracting overseas investment, new options were appearing for engineering graduates in Ireland. The first electronic subsidiary of GE in Ireland was EI. This was GE’s first overseas subsidiary and it was set up in Ireland in 1963. GE’s second subsidiary, in Dundalk, called Ecco, opened in 1966. *I finished up here [university] in ‘68 and I was just lucky that General Electric and Westinghouse came recruiting in the college that year (Interview 7).* This respondent and others described the electronics industry at the time as an ‘exciting’ option compared to the semi-state bodies and existing industry options.

The ICT sector developed and changed over the five decades. Initially, the subsidiary work was, typically, in manufacturing of components that were end-of-life in the USA and *normally you would only get the assembly of these products for GE (Interview 14).* Cheap labour and preferential tax were driving forces for overseas investment. *The way it kicked off here was around the Shannon Free Zones and that kind of idea and manufacturing tax (Interview 3).* One respondent referred to GE as the first wave of development and identified the arrival of Digital Equipment Corporation or DEC and computer manufacture as the start of the second wave (Interview 7).

The data showed the respect and admiration of the respondents for the training and development that they received from company training, on-the job training and mentoring by individuals. In GE subsidiary, Ecco, Respondent 13 stated, *I got a lot of development from Jim (Interview 13).* He was involved in setting up the first training programme and grant application in Ecco. This training programme was prompted by the fact that the company was looking to grow by 300 people in that year. In addition, *I invented all kinds of training. That we would send everyone to the IMI and we would rotate people and send them to the States (Interview 13).* This course has been attributed with producing some of the cohort of

managerial experience that spun-off into other companies (McCambridge 2001). In fact, this respondent had worked with and could name more than fifty former Ecco employees who subsequently became CEOs or leaders of other technical companies.

Respondent 11 referenced the environmental learning benefit of working in a small set up. It [Northstar in the 1980s] *was an extremely good learning environment because it encapsulated an entire electronics company on a small premises with a few people* (interview 11). This all-around view then supported further career advancement for this respondent. The work place as a learning environment was referenced by two others as follows: *And I learned more in my four years at Apple than I have in any four years since* (Interview 3) and *There were great lessons in Apple* (Interview 13).

Management Development

Initially, management personnel came from corporate headquarters to run the Irish subsidiaries (Tarique and Schuler, 2010). *The plant manager [in DEC] when I was there [1970s] was American. Most of the senior management were American* (Interview 10) and *they [GE] originally came in with all American Managers* (Interview 13). These subsidiaries offered a new opportunity for training and development. *GE offered me a job in the States on their Manufacturing Management Programme* (Interview 5). This changes with time to a situation where it is mostly Irish management as illustrated by the comment: *It's over to the Irish management to make the European thing run* (Interview 2).

In the early electronic companies, training was about development of the engineering manager and this is described well by Respondent 14. *I had made the transition from being engineer to being supervisor with engineering responsibility. That set me up then for an Operations job, which I got. And then my boss said to me 'You are going nowhere unless you spend some time in marketing' and later when choosing between job options this respondent was advised you want two years under your belt as operations manager and then you've done your marketing. You are dead-on then. You'll pick up an MD job no problem.* In the second wave, Digital Equipment Corporation (DEC) had the advantage of training managers in the American way of doing business with monthly and quarterly reports and with the rhythms and demands of US-style business (Interview 5). These habits, training and knowledge were then transferred to other companies when DEC closed down, illustrating the interlinking of management development and spin-off mechanisms.

There was a divide between the engineer who remained as an engineer throughout his working life in industry and those who were promoted through the management route. In line with McDonnell et al. (2010), two respondents commented on the differences between the engineer and the technical manager and Respondent 13 commented, *there is the divide between the professional engineer and the manager and I probably went the manager route.* Good technical companies ensured that there was a promotion path for both of these types of talent. Two respondents stated that this was the case at EMC *You could follow both paths* (Interview 6).

DEC was widely known as an open company, which encouraged development of their employees (Interview 10). Similarly, with the successful company EMC, two respondents

indicated how progressive their training policy was and the commitment to training continued even when the company was going through difficulties in 2001 and 2002. *They never cut back on their training and development budget. They always invested in people (Interview 6). Furthermore, two leadership development courses were mandatory for us all at director level at EMC* and this respondent reported that training in EMC was updated to match ongoing requirements, thus supporting the dynamic notion of talent as proposed by McDonnell et al. (2010).

From a low base, the sector exhibited the first two phases of Moore and Davis (2004) development process, namely, development of management of large manufacturing organisations and in the structuring of technological companies. As a successful example, EMC had developed to phase 3, i.e. guiding an innovation process, by developing a *really multifunctional campus* (Interview 6). This reflects the multimethod approach to talent management referenced by McDonnell et al. (2010). However, this respondent attributed success to the roots in manufacturing where *one of the unique things about EMC at the time ... it was manufacturing the full product range for worldwide and that this is what allowed it to become that centre of excellence.*

In general, the management development process was an effective legacy for the future developing industry. Key companies invested in management development and provided good training to talented employees. These companies were then the source of management for further incoming investing companies and, in some cases, for starting up Irish technology companies. The case presented here differs from Davis and Moore Silicon Valley phase 2, in that, typically, in the Irish case, the manufacturing came first and then the design or development of products was added later (Interview 11). This respondent related the example of the GE subsidiary EI in 1974, where for the first time design responsibility for one product was added to the Irish subsidiary's mission.

The next section explores a recurrent theme in the data collected of prior experience leading to spin-off effects as the learning and development from the past is inherited and develops the new generation of companies and entrepreneurs.

Evidence of Spin-off Companies

References to the formation of spin-off companies, both from indigenous companies and from the foreign-owned multinationals, were found in 10 of the 15 interviews. 'Seeding' was a term that was used by some of the respondents to denote experience or training in one company or environment that then led to subsequent development of other new companies and skills. As seeding, typically, refers to funds that venture capitalists invest in start-up companies, the term spin-off has been used hereafter to avoid confusion. This spin-off process was notable for being continuous and ongoing throughout the fifty years from 1960 to 2010.

Many individuals were mentioned as key figures in the development of the industry through the process of spin-off. One such individual (mentioned in 2 Interviews), who in GE subsidiary Ecco, *was one of the top management team... and later went on to become the manager of EI and later again then, managed Digital and ended up managing Intel.* This was reflected by Respondent 6 who worked in EMC around the year 2000 and found *the training under*

American companies like that is fantastic. It really develops leaders in people (Interview 6). The continuous support and development of the indigenous industry then led to a more positive business environment. From an entrepreneur's perspective, *as it is today ...If you want to start your own business – this [Ireland] is the place to start* (Interview 9). From this software entrepreneur's point of view, development for the indigenous software industry began around the time of the dot.com era: *the incubation centres, the accelerated programmes like the Enterprise Development Programmes*. That was one thing that was necessary to help people realise and give them a support structure to start a business (Interview 9). This lends support to the complex nature of industrial development where evolutionary drivers exist in government policy, educational support, and the industry itself, reflecting *Caiazza et al. (2014)* macro, meso and micro factors that drive spin-off development. The following statements from the semi-structured interviews, illustrate the spin-off mechanism as an evolutionary force that operated throughout the five decades under review. Initially, *Ecco was a gem really and it was a source of a lot of us guys who came up* (Interview 6)

The continuous support and development of the indigenous industry then led to a more positive business environment. From an entrepreneur's perspective, *as it is today ...If you want to start your own business – this [Ireland] is the place to start* (Interview 9). From this software entrepreneur's point of view, development for the indigenous software industry began around the time of the dot.com era: *the incubation centres, the accelerated programmes like the Enterprise Development Programmes*. That was one thing that was necessary to help people realise and give them a support structure to start a business (Interview 9). This lends support to the complex nature of industrial development where evolutionary drivers exist in government policy, educational support, and the industry itself, reflecting *Caiazza et al. (2014)* macro, meso and micro factors that drive spin-off development.

The following statements from the semi-structured interviews, illustrate the spin-off mechanism as an evolutionary force that operated throughout the five decades under review. Initially, *Ecco was a gem really and it was a source of a lot of us guys who came up* (Interview 6) and the next generation of management came from General Electric *because General Electric had a fantastic management training programme... and maybe, even in the 1970s, when you looked around Irish industry, the number of General Managers that had come from either EI or Ecco... it was very significant. The next wave was DEC* (Interview 7) and *Wang came in and so I applied there and I was taken on as part of the start-up crew for Wang, which was fantastic... the general manager was from DEC* (Interview 7). Similarly, the Amdahl organisation was compared with DEC as a source of spin-off companies and management talent. EMC was the source of the entrepreneurs who founded VMWare by following the management experience trail through Bourne's Electronics, EMC and then to VMware (Interview 6). Similarly, three interviews referenced the closure of Motorola as a spin-off source company. It was the source of a high-tech start up with *five of the best people* (Interview 13). An example of the spin-off process was described as follows in one interview: *Motorola in Cork, right, look at Alcatel, even go further back to the earlier times when Wang were. [here] and Northstar and look at the people that came out of those companies and where they went. And all these people and the skills that were created. And what happened was what happened with DEC in Galway when they shut down. Galway now has a very strong industry coming out of the back of that* (Interview 9).

Where the above describe the spin-off mechanism from the multinational presence in Ireland, there was also support for the spin-off mechanism operating within indigenous industry and with some migration of management talent between the multinationals and Irish companies. Indigenous company, Telectron was identified as a source of spin-offs by one respondent who named two talented individuals, *one who left then afterwards [Telectron] and formed a company called Aisling. They made emulators and another who went on to become Engineering Manager in Analog Devices in Limerick* (Interview 12) and again this respondent emphasised the importance of allowing talent a dual path towards career progression. A software manufacturing company called SMC was another 'mother company' *where companies such as Client Solutions, PFH, Pepco, WASP ... came from SMC* (Interview 9) and within this interview, Baltimore Technologies as attributed as a spin-off source company or 'mother company' where the number of *people that came from that company to form their own and absolute leaders of industry today.*

Development of essential management capabilities and talents, alongside a spin-off mechanism are clearly, when taken in context, important drivers for ICT development from the sector's emergence in Ireland in the early 1960s and throughout the subsequent decades.

Conclusions

The ICT industrial sector demonstrated a general trend of national development (Porter 1991) by upgrading from provision of factors, such as provision of low-cost labour, graduating to investment-based growth and, with further evolution, leading to innovation-led development. The development of the industry began with the promotion of Ireland as a low-cost manufacturing electronics location which corresponds to factor-based development, as illustrated by the early work in the two GE subsidiaries; it moved to more advanced technological foreign direct investments including software and services (such as DEC, Apple, Microsoft, EMC) and these moves were reflected in the data collected.

The sector subsequently moved to encourage venture capital investment and entrepreneurship as the successful indigenous software base developed. More recently, industrial policy has sought to drive innovation to further national economic development. The data generally support this evolutionary path, where, on an industry level, the semi-state bodies played a key role in sector development in the 1960s, where the dominant industry players were in radio and television receiver manufacturing. This is in stark contrast to the 2000s, where indigenous firms emerged and prospered from MNCs' outsourcing strategies while campus-based incubators expanded and supported both spin-in and spin-off technology entrepreneurship activity.

In Ireland, there has been much debate over the years about the role of foreign direct investment and its effect on development of an innovative or entrepreneurial culture. Early criticisms of foreign direct investment centred on the types of skills developed and the lack of self-determination and control by management of the subsidiary. However, a spin-off mechanism combined with the development of a capable managerial cohort, as part of the evolutionary processes, may offer insight into ICT industrial development in Ireland. This may reconcile the entrepreneurial nature (Caiazza *et al.* 2014) of both the foreign-owned multinational and indigenous industry within the ICT sector development within Ireland.

Management development and training were instrumental in bringing managerial talent to the fore, in particular for those who were capable of successfully starting-up the next generation of spin-off companies leading to a successful evolutionary process when viewed over five decades. However, McDonnell et al. (2010) warn that high-technology companies are now less likely to engage in global talent management than were the previous companies engaged in traditional manufacturing, because they have operations across different sectors and because of their non-standardised products. This has implications for future management development in this country.

A limitation of this paper is that the findings here focus on two effects from a much larger study and cannot, in isolation, be representative of the industry as a whole and counter arguments would warrant a complete paper in their own right.

The types of company and company culture within the industry were seen as drivers. 'Open' and 'developmental' were frequently used words to describe companies which supported management development. Management development and a spin-off mechanism were both needed to produce the evolutionary processes of successful ICT development. In the complex and multifaceted talent management requirements for global talent development, further examination of what can be concluded from the historical context of successful development is warranted, particularly, with the emphasis on modern talent management in the more complex global environment. This paper views management development as the legacy, with the spin-off companies as the inheritors, in an on-going, dynamic, evolutionary process of ICT sector development which served Ireland well from 1960 to 2010.

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Where will Technology Lead us?

Jerry Kennelly, Founder and CEO, Tweak

Introduction

Technology is a little bit like photography, another favourite topic of mine. It's an aspirational area. And like many other areas in life, there are those that talk and those that do. Everyone wants to be involved in technology. It's cool. It's exciting. Living our lives through Instagram or Facebook is not what technology means to me. There's a world of difference between being a digital consumer and being a digital creator.

Being a digital creator means you can change the world. Technology, automation and artificial intelligence are dramatically changing our lives, often silently. Understanding technology and how it can transform lives is truly empowering for individuals, towns, counties and countries. This kind of innovation rarely starts in big companies. It usually starts with an entrepreneur.

Someone with a driving passion to change the world. For whom success and making money is a consequence of their actions rather than the motivator. I've met hundreds of Ireland's greatest as a judge in the EY Entrepreneur of the Year Awards over the past 12 years. Ireland punches well above its weight in the creation and application of technology. But it's risky and always takes much longer than you think and costs multiples of whatever you budgeted for it.

Enablers and Transformers

I see technology entrepreneurs in two ways. Those who are taking on big problems and solve them in a new and interesting way. This kind of enabling technology like the video chip design created by the Irish company Movidius and bought by Intel in 2016 can become hugely valuable and earn long term licensing or a big payday in an acquisition, as it did in the case of those courageous founders.

Then there are digital transformers like the Newatch Group, a Carlow headquartered firm who monitor more than 300,000 premises around the world using the best of technology and intervene when a crime is about to be committed.

At my own company Tweak, we're a hybrid.

As anyone who's ever been involved in a graphic design project knows well, the process is now almost exactly as it was when Steve Jobs launched the first Macintosh in 1984. Painful and slow. Since we started work on this project ten years ago, we've pioneered technology allowing rich design documents to be edited in a web browser and delivered in print with single pixel accuracy - with 100% automated production and delivery of print ready PDFs. My team created the world's largest library of graphic design – about 1.5 million designs ranging from large format display to brochures flyers and hundreds of more products.

We then made it available to easily integrate to ecommerce print websites and now supply some of the world's largest online printers. There are millions of small and medium businesses in the world who aspire to make their businesses look great with professional and creative graphic design and images. So we pre-make these designs complete with copywriting and imagery for more than 350 business types. Every design is available in seven languages and custom sizes for some markets.

Unknown to the customers of websites like Flyeralarm, who are Europe's largest B2B online printer, they are using design and technology conceived and delivered from a small town on the western seaboard of Ireland. So, because we had a vision of what those small business owners wanted and what online printers needed - my team and I were able to create significant disruption in a €100 billion industry and create a sustainable business in my own home place.

There are lots of opportunities for digital transformation in every industry. I'm sure that clever entrepreneurs are looking at the processes in every workplace and finding ways to make them more efficient and operate at a lower cost. In the push to deliver value for money for private business and the public service, that may mean that everyone be among those who will lose their jobs if they're not in a role which demands human brainpower, problem solving and creativity. Putting yourself in that position is key to survival.

Automation

When we reflected on what we built with Tweak – simplifying the very complex task of design to the point where someone who was unskilled could tweak our original design and create professional graphic design in minutes, we considered what even smarter technology could do for larger businesses. An important criterion was that no desktop software should be required - just a web browser. That's how our journey to create Tweak Cloud began. The result of our efforts is a platform that allows organisations to make their brand design documents available to users using no third party software and only a web browser - empowering them to create professional design in minutes.

The Government development organisations of Australia and New Zealand are customers who use the service to edit their marketing materials. Previously their employees around the world were straddling time zones to talk to graphic designers back at home. Now their remote employees do it themselves on Tweak Cloud. The ads you see in the daily papers for the Estate agents Savills are made on Tweak Cloud by a non-designer in less than an hour – a task that previously took several hours and required two people.

We've recently pioneered connectivity between data and design. Using Tweak Cloud's dynamic data feature, retailers can now create a point of sale poster or a flyer just by clicking on a product barcode. Our technology places the latest pricing, product information and images straight onto the page in a second with no risk of errors. Or real estate agents can simply click on a property code to populate brochures, ads and signage. We've just released our first totally automated solutions which will instantly create new social media ads at a rate of hundreds of thousand per hour when criteria for an online ad (i.e. price or availability)

changes. This solution solves a problem for major brands who need to react in real time when pricing and stock levels are changing by the minute.

Those solutions can streamline major businesses by making their business processes better, faster and cheaper. The annual savings for organisations with significant design and marketing spend can easily run to seven figures. That is, after all, what shareholders of these businesses expect.

How it's done

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The ability to create Intellectual property with technology and commit to learning and refreshing fast moving skills will define independence, quality of life, earning power and freedom of location. In short, if you're any good the world is your oyster. And you can run a global business from Kerry or wherever else you choose to live.

It's also really important to understand the frameworks available - in both software and the readymade technologies provided by companies like Amazon, Google, IBM and Microsoft. Developing technological solutions is difficult and really expensive so it's important to focus on making that investment in an area that matters – not reinventing the wheel. So, there are many software framework technologies that one can use as a base rather than starting from scratch.

Factors that will impact your decision is the entire product life cycle – thinking about where the product may need to go and ensuring that it's not restricted or constrained in any way because of your choice.

For example, if you were starting an online shop tomorrow, I'd say you'd be mad to build an ecommerce website yourself. You should go to Shopify and rent their technology for \$30 a month unless you had a very specific need that wasn't met by them, rather than wasting your time building your own. Using a software framework means that there is a community of software engineers who know the territory. They could help answer your questions on forums without revealing your secret sauce.

Selecting technologies is probably the biggest potential point of failure. Some new technologies are very buggy and you can find yourself competing with giants to get staff because they're usually in short supply at this point. Once you've done that you need to know that your applications can be easily maintained by being created in bite size functions that can quickly be changed and adapted. And finally, almost nobody hosts their applications on their own hardware any more. You'll be using the services of Amazon or IBM or Google. Renting their hardware in a datacentre and configuring it remotely.

The new, new thing that we're working with is serverless hosting – so instead of renting servers, you use a service like Amazon Lambda which offers an endless array of servers for which you pay by the millisecond. This provides you with infinite scalability seamlessly – without the intervention of hardware engineers or processes. The more efficient you make your software -the less server time is used and the less each function costs. There are now services for artificial intelligence and machine learning from these giants too, so that startups can concentrate on where they can create value - meaning faster time to market. And because most applications including ours are delivered on the SAAS - software as a service model, means that they are effectively rented and constantly updated for a set fee, costs are predictable for users. It's also the norm to deliver software through the cloud where the end user just needs a browser. This means that users of services like ours don't need to have big expensive servers, or the staff to support them, saving considerable sums.

Autonomous Vehicles

For more than 20 years, autonomous forklifts have been used in industry. Fly by wire has been used in production aircraft since 1969. Apart from takeoff and landing, pretty much every aircraft journey you take is being executed by a computer. This has contributed hugely to air safety.

So, autonomous cars have been moving pretty slowly by comparison. The world concentrates on one or two accidents in Teslas, but never counts the lives saved by smart computers instead of dumb humans. Yes, there will be accidents because technology has failed, but far, far less than those caused by the failure of mankind. The most significant development globally in this space is Waymo's deal with Jaguar Land Rover who plan to introduce driverless taxis in Phoenix Arizona by the end of this year. Waymo, owned by Google's parent Alphabet have placed an order for 20,000 autonomous cars to be delivered in the next two years. Waymo are planning to provide 1m trips per day when their service is up and running.

Significantly and luckily Ireland will play its part with 150 employees set to join Jaguar Land Rover's new global software development centre in Shannon. Luckily because an open source programming computer code language called Python is extremely popular with Irish colleges and autonomous car makers. However, the recurring revenue that Government and motor dealers enjoy today is going to change dramatically as tax revenues from fuel and servicing costs are slashed with the growth in electric cars.

Artificial Intelligence

Artificial intelligence is a misnomer in my opinion. You get out what you put in. AI seeks to simulate intelligent human behaviour in software and computers. If you consider AI software like a big database and learns along the way. It is programmed by clever humans who create algorithms which use all of the data available and process it to give a calculated result.

For example, my iPhone will tell me that it's going to take me ten minutes to drive home when I walk onto the street from my office in Killorglin. It doesn't know I'm going home, but it's making a good guess that I am based on the way it's been tracking me and my driving over the past while. It hasn't yet figured out that on an odd Friday, I turn left instead of right and cross the road to Declan Falveys Bar for a few pints and take a taxi home. Google might make a good guess, but they clearly don't know what's going on inside my head! Of course, Amazon use AI to predict what they think we need to buy next, Netflix on what we want to watch, and Siri finds the answers to those questions when we're too lazy to Google

Manufacturing

The only manufacturing plants that are safe in their current form are in those industries that add huge value on where, whatever can be automated has been automated. The car manufacturing industry has taken the lead, but robotics combined with automatic intelligence will create sustainable manufacturing jobs rather than ones that are waiting for the guillotine to fall.

My friend Michael Carey, former owner of Jacob Fruitfield had invested €20 million in a brand-new state of the art biscuit factory in Drogheda, when the Brexit hammer fell. The original business plan for his East Coast Bakehouse was to supply primarily the British market with the most productive plant in Europe, with a capacity of producing €80,000 worth of biscuits every 24 hours. Only because he specified a very high level of automation and efficiency in his plant was he able to weather the storm that is Brexit. He found that every day we import €5million worth of mainly UK biscuits, so he flipped his plan to displace tariffed biscuits in the case of a hard Brexit. His experience taught him to be ready for the worst, putting everything at his side - strategy, economics and technology.

The Future

So, it's clear that the future isn't bright for those who are in jobs where their human skills can or will in the future compete with machines. A PWC study estimates that 2% of Irish jobs can be automated by the early 2020s and 19% within ten years. The estimate that 31% of jobs could be wiped out by 2030. Notably, half of all manufacturing jobs could be wiped out by 2030, according to PWC's research. Manual tasks, routine tasks, and computational tasks will be the first to get the chop. Transport, financial services and health are other obvious targets.

Education

Those at lower and middle levels of education are the most vulnerable group, so clearly, we need to adapt and do so quickly. Ireland regards itself as a leader in the global software business – and indeed, we have had some success. However, it's important to separate the jobs in large international companies from those indigenously owned firms like my own. The reason is that most international firms with rare exceptions like Intel, don't undertake research

and development here. We get the sales and customer service jobs, which has the unintended consequence of driving technology salaries through the roof for early stage companies.

There are also the questions of supply. Out of 70,000 graduates in the 2016/17 academic year, just 1397 graduated in Software Development out of a total of 4,000 across all of the ICT area. The net result is that companies like mine either encourage foreigners to emigrate to Ireland for some of the best and highest paid jobs in our country or have remote workers in places like India, Brazil and the Ukraine. This clearly makes innovation and research and development much less efficient and more expensive. The ideal is to have everyone in the same room. This is an appalling lack of connectivity between education and the real world. It makes Irish startups less competitive than those based in many parts of the world.

Our Government has provided a stable environment for business with excellent supports, but it fails to understand that skilled people are behind every successful enterprise. We like to think that we are the best educated workforce in the world. As someone who never experienced a college education, I'm no one to contradict that. However, I do know for certain that in the area of empowering citizens to take part in the technological transformation in today's world, we are failing miserably. In fact, we are Paddy last.

Being highly educated and poorly skilled is a really bad place to be whenever larger waves of automation will be blasting away the future of our people. Government and our education sector has a big part to play here in helping college goers become aware of the impact of the education choices they are making, and should help them make a decision for a sustainable career in an area that interests them.

The education choices that our teenagers make are among the most important they will have made in their lives – and there is no statistical or predictive information to support them. Parents too need to cop on and stop herding their children into the professions. Many of those jobs will become wide open to automation. My advice is to get them into summer jobs and internships – unpaid if necessary – to arm them with the experience to decide what they like and don't.

Our citizens too need to take personal responsibility for themselves and their skills and not place all of the burden on the state for something so important to their lives. Technology – particularly social media - is capable of robbing our cognitive ability at a vastly greater scale than television did before it. However, if we as citizens take control and learn the technology skills – and invest in them with our time and our money – it is possible to be the makers and leaders.

It doesn't need college. It doesn't need to take years. Information has never been more freely available. We each have a responsibility to be the best we can be, to make the biggest impact we can while we are on this earth – using whatever resources, we can get our hands on.

This is the golden age of technology. Never has so much been possible with so little. Never has there been a time in history where turning an idea into reality has been easier – though it's still a very painful process! For those who are skilled and passionate and masters of their chosen domain, there is a global market, full of competition, but also full of potential customers. It just needs fire in the belly, talent and luck – but it's a lot better than becoming roadkill on the highway to progress

Market Oriented Behaviours' Influence on Organisational Culture

Catherine Tiernan, Tomás Dwyer and Julie Mulligana

Abstract

This paper examines the influence of the market oriented behaviours of generating, disseminating and responding to market intelligence on the values, norms and artifacts of a market oriented culture. Analysis of data from 251 respondent companies to a questionnaire survey using multiple regression demonstrates the higher the degree of market oriented behaviours the higher an organisation is likely to score on its market oriented values, norms and artifacts. Thus the implementation of market oriented behaviours in organisations will encourage the development of a market oriented culture. This is desirable due to the strong, positive relationship between market orientation and organisational performance. Organisations are advised to assess and if necessary proactively strengthen the degree to which they implement market oriented behaviours.

Key Words: Market Oriented, Market Orientation, Organisational Culture.

Introduction

Organisations who achieve a strong market orientation (MO) generally outperform other organisations (Liao *et al.*, 2011). Research is however limited in identifying the actions to bring about a market orientation (van Raaij and Stoelhorst, 2008). Furthermore, despite its importance there is no agreement on the exact nature of market orientation (Gainer and Padanyi, 2005). MO is however argued as being driven by two key factors: namely, organisational culture and behaviour. The first factor, organisational culture, consists of four distinguishable layers: namely, values, norms, artifacts and behaviours (Homburg and Pflesser, 2000). While, the second factor refers to three specific behaviours that are concerned with implementing the marketing concept: namely, generation of market intelligence, dissemination of market intelligence and responsiveness to market intelligence (Kohli *et al.*, 1993).

The majority of research adopts the cultural perspective which assumes that the organisational culture (i.e. values, norms and artifacts) drives the market oriented behaviours in an organisation (Sheppard, 2011). This traditional cultural perspective has been challenged by an emerging behavioural perspective to MO, that market oriented behaviours can create and drive organisational culture (González-Benito and González-Benito, 2005; Gainer and Padanyi, 2005). This behavioural perspective needs further investigation. Furthermore, research in the field of MO is limited in making a distinction between an organisational culture's four distinguishable layers: namely, values, norms, artifacts and behaviours. So, while it is agreed that these layers are closely interrelated the body of research that aims to examine and understand the relationship(s) between them remains surprisingly scant, particularly from the behavioural perspective (Taras *et al.*, 2009).

In essence, the role that behaviours play in creating and driving a market oriented organisational culture and thus organisational performance remains unclear. This has importance as establishing a market oriented organisational culture promoting behaviours may be a more fruitful strategy (González-Benito and González-Benito, 2005). Therefore this study investigates: Do market oriented behaviours influence the layers of an organisation's culture?

Market Orientation

There is widespread disagreement as to how MO should be defined (Uncles, 2000). From a cultural perspective, its focus is on values and norms that create the necessary behaviours. On the other hand, a behavioural perspective describes market orientation in terms of the specific behaviours aimed at implementing the marketing concept. Although the cultural and behavioural perspectives of MO differ there is overlap (Sheppard, 2011). In order to engage in market oriented behaviours there must be a corresponding culture deeply embedded in the organisation (Shapiro, 1988). Conclusively, MO can be considered as a hybrid with cultural and behavioural aspects (Gainer and Padanyi, 2005).

Organisational culture is considered to be multi-dimensional in nature consisting of a number of components, often referred to as layers. Namely, these are: shared values, norms and artifacts (Homburg and Pflesser, 2000). Furthermore, MO is also concerned with specific behaviours; the generation, dissemination and responsiveness to market intelligence (Kohli et al., 1993). These behaviours represent the fourth and final layer of a market oriented organisational culture (Homburg and Pflesser, 2000). While it is agreed that these layers are closely interrelated, the body of research examining the relationship(s) between them is limited (Farrell, 2005).

Furthermore, as the majority of the definitions of organisational culture follow Schein's (2010) assumption that values create norms which, in turn, influence behaviour a strong focus on the cultural approach to MO has transpired (Sheppard, 2011). Resultantly, the relationships between values, norms, artifacts and behaviours are most commonly considered from the cultural perspective.

However, with no agreement on the exact nature of market orientation (Gainer and Padanyi, 2005, p. 854), it can be argued as irrational that the traditional culture drives behaviour approach is always taken (Taras et al., 2009). This is illustrated in an exploratory study carried out by Gainer and Padanyi (2005) in which the traditional cultural approach, which they term culture-drives-activities, and an emerging behavioural approach, which they term activities-create-culture were tested. While the traditional culture-drives-activities model produced a poor fit, the activities-create-culture model produced an exceptional fit. While Gainer and Padanyi's (2005) work was conducted in a non-profit setting the authors suggest their findings may be applicable in a for-profit setting. Furthermore, their study drew on for-profit MO literature and measurement scales. A behavioural approach has also been supported by González-Benito and González-Benito (2005), who found that market oriented behaviour, may be an antecedent of market oriented culture. The authors explain that while behaviour is often considered to be a consequence of culture, there may be support for "inverse reasoning" (González-Benito and González-Benito, 2005, p. 808). While there are limitations

on the generalisability of the findings González-Benito and González-Benito (2005) conclude they are consistent with a reciprocal causality in the relationship between market oriented culture and behaviours (Griffiths and Grover, 1998).

The behavioural approach has thus gained credibility however the relationship between market oriented behaviours and the three cultural layers of MO (values, norms and artifacts) remains unexplored from this perspective. Thus with a for-profit focus the research question ‘Do market oriented behaviours influence the layers of an organisation’s culture?’ was established

Research Hypotheses

In order to answer this research question three relevant hypotheses with supporting rationales are proposed.

An artifact is a tangible manifestation a group creates and leaves behind that is reflective of their culture (Schein 2010). Based on this understanding, one could assume that, in order for a tangible manifestation to be created, action or behaviours must first materialise. Thus, the first hypothesis is that ‘market oriented behaviours have a positive influence on cultural artifacts’.

Norms are shared expectations about behaviour. They determine the behaviours that members of an organisation pressure each other to follow (Homburg and Pflesser, 2000). Therefore, when an organisational practice becomes entrenched pressure to adhere to the practice develops (Zeitl et al., 1999). Hence, entrenchment of a practice essentially creates a norm. Conclusively, the practice or behaviour precedes and influences the norm. Therefore, the second hypothesis is that ‘market oriented behaviours have a positive influence on cultural norms’.

González-Benito and González-Benito (2005) outline that there are grounds for the belief that behaviour may lead to culture and, ultimately, foster the formation of values. They argue that some firms may implement market oriented behaviours without necessarily possessing market oriented values. In such cases, behaviour acts as the foundation for the development of values that make up the organisational culture (González-Benito and González-Benito, 2005). Thus the third hypothesis: ‘market oriented behaviours have a positive influence on cultural values’.

Methodology

A cross-sectional survey methodology utilising a questionnaire tool was undertaken in the present research. The population of interest was companies in Ireland that are likely to be market oriented. Consequently, The Irish Times’ database of the “Top 1,000 Companies in Ireland”, which ranks companies based on their turnover, was selected as the sample. This database has been described as a representative, multi-industry set of Irish-based operations featuring both Irish companies and foreign-owned companies and used as a sample in research conducted on behalf of both government and independent agencies (Flood et al., 2008). Companies in the sample, as of 2016, ranged in turnover from between

16 €m and 23,635 €m and ranged in size from micro companies with less than 10 employees to large companies with up to 89,000 employees. The cleansing process identified a number of companies to be omitted from the study resulting in a final sample size of 952 companies.

Homburg and Pflesser's (2000) survey instrument which incorporates Kohli et al.'s (1993) widely recognised MARKOR measurement tool were used as guides in developing the questionnaire. The questionnaire development process included a strategy for minimising Homburg and Pflesser's (2000) scales by combining scale items that were deemed comparable without removing the multidimensional nature of the original research instrument. The resulting questionnaire consisting of 53-items, including six items adapted from Gebhardt *et al.* (2006) and an additional developed item, utilised a Likert scale measurement approach. The questionnaire was refined via the dispersion of a number of negatively-worded statements, the use of a pre-test using an expert panel and a pilot test which received nine responses. The resulting, finalised scales are presented in Appendix I.

The research procedures and their associated ethical considerations were granted approval by a higher education institution's ethics committee. Thus a mail questionnaire, deemed appropriate for this study, was administered to a targeted individual in all 952 sample companies, accompanied by a cover letter and a pre-paid envelope. Given the nature of the research the questionnaires were targeted at Marketing Managers or other relevant employees who were likely to be knowledgeable about the company's marketing activities in the sample companies; similar to other studies in the area of market orientation. From the 952 questionnaires administered, 242 usable responses were received with fourteen questionnaires returned by the postal service as undeliverable. As the nine pilot test questionnaires were also included in the actual study, being deemed comparable to those used in the final study, this gave a final response rate of 251 companies, that or 26.4%, within the expected range for an organisational study (Baruch and Holtom, 2008).

Of the 251 companies that participated in the study, 93.6% had been in business for a minimum of eleven years. A further 6% had been in business for a period of between one and ten years. Consequently, the majority of participating companies were considered extremely likely to have an established culture (Harris, 2001). Approximately 14% of the participating companies were described as small (employees < 50), 36% were described as medium (50 – 249 employees), while the remaining 50% were described as large (employees > 250) (Enterprise Ireland, 2014). Overall, the respondent companies in this study can be described as medium to large, well-established companies that operate across a broad range of sectors. Given their similarity the respondent companies were considered to be fairly representative of not just the overall sample, but of the overall population of interest.

Table I: Factor Loadings Retained in the Principal Components Analysis of the Market Oriented Behaviours Scale.

Item	Factor Loading
We have regular meetings involving co-workers from multiple departments to discuss market trends and developments.	.788
Co-workers from multiple departments get together regularly to plan a response to changes taking place in our business environment (e.g. regarding customers, competitors, technology).	.765
Market intelligence (e.g. regarding customers, competitors, technology) is communicated at all levels on a regular basis.	.725
When implementing plans based on our market intelligence (e.g. regarding customers, competitors, technology), our departments carry out their activities in a coordinated manner.	.709
We regularly review our product and/or service development efforts to ensure that they are in line with what customers want.	.687
Market intelligence (e.g. regarding customers, competitors, technology) is generated by multiple departments.	.591
When something important happens to a major customer or market, the whole company knows about it within a short period.	.563
Eigenvalue	3.37
% of variance	48.16

The scales measuring values, norms and artifacts used just one item representing a dimension in each of the scales and thus did not allow for PCA.

The revised market oriented behaviours scale had a high reliability, Cronbach's $\alpha = .82$, with the further deletion of items resulting in no increase. The validation of the index operationalization test of correlating items to the scale indicated that the correlations were in the expected direction and were high, indicating convergent validity (Harris, 2000). Table II provides a summary of the results for Cronbach's Alpha for each of the four scales as well as the lowest and highest item-total correlations for the behaviours scale.

Table 2: Summary of the Cronbach's Alpha (α) Results Obtained

Scale	No. of Items	Cronbach's α	Item-Total Correlation ¹	
			Lowest	Highest
Behaviours	7	.82	.602	.794
Values	14	.870	n/a	
Norms	13	.863	n/a	
Artifacts	12	.718	n/a	

¹ Pearson correlation coefficients. All correlations significant at the .000 level.

Each scale achieved the targeted level of internal consistency ($\alpha > .7$ to $\alpha < .9$). These α results were comparable to those reported by Homburg and Pflesser (2000). Moreover, all four scales achieved and/or surpassed the average α value of .72, which was reported by over 500 studies in the field of organisational culture (Taras et al., 2009). External validity was established by assessing non-response bias by comparing early respondents to late respondents (Miller and Smith, 1983; Lindner et al., 2001) with no significant differences between early and late respondents identified.

All three hypotheses were initially investigated using Pearson's correlation coefficient. This enabled quantitative confirmation of whether or not there was, in fact, a relationship between the relevant variables in each hypothesis. Subsequently the total market oriented behaviours scale was categorised. This categorisation would thus indicate to what degree organisations with "Moderate", "High" or "Exceptional" market oriented behaviours influence their values, norms and artifacts. This allowed comparisons to be made of the influence of differing degrees of market oriented behaviours on an organisations values, norms and artifacts. Responses to the market oriented behaviours scale were divided into three groups or categories by the visual binning function of SPSS. The categories were assigned the following names: "Moderate", "High" and "Exceptional" degree of market oriented behaviours. Each category is summarised in Table III.

Table 3: A Summary of the Three Categories Created for the Total Market Oriented Behaviours Scale

Category Name	Score on Original Scale	No. of Cases/Participants
Moderate degree of market-oriented behaviours	36 or below	94
High degree of market-oriented behaviours	From 37 to 41	93
Exceptional degree of market-oriented behaviours	42 or above	64

The above process essentially transformed the original scale into categorical data. Multiple regression requires data to be interval rather than categorical in nature. Therefore, it was necessary to create dummy variables in order to include these categories in such an analysis.

Results

H1. Market oriented behaviours have a positive influence on cultural artifacts

Hypothesis 1 was explored using multiple regression with dummy variables. From a multiple regression analysis conducted, an R² value of .104 was obtained. Thus 10.4% of the variance in total artifacts could be accounted for by market oriented behaviours (F(2, 245)=14.448, p<.000). Furthermore, the results indicated that organisations with a “Moderate” degree of market oriented behaviours scored, on average, 3 points lower on the total artifacts scale than those with a “High” degree of market oriented behaviours ($\beta = -3.387$, Sig. = .001) and organisations with an “Exceptional” degree of market oriented behaviours scored, on average, 2 points higher on the total artifacts scale than those with a “High” degree of market oriented behaviours ($\beta = 2.289$, Sig. = .035).

H2. Market oriented behaviours have a positive influence on cultural norms

From the multiple regression analysis conducted, an R² value of .290 was obtained. Thus 29% of the variance in total norms could be accounted for by market oriented behaviours (F(2, 247)= 50.564, p < .000). Organisations with a “Moderate” degree of market oriented behaviours scored, on average, 7 points lower on the total norms scale than those with a “High” degree of market oriented behaviours ($\beta = -7.241$, Sig. = .000) whereas organisations with an “Exceptional” degree of market oriented behaviours scored, on average, 6 points higher on the total norms scale than those with a “High” degree of market oriented behaviours ($\beta = 6.043$, Sig. = .000).

H3. Market oriented behaviours have a positive influence on cultural values

From the multiple regression analysis of hypothesis three an R² value of .136 was obtained. Thus 13.6% of the variance in total values could be accounted for by market oriented behaviours (F(2, 246)= 29.775, p < .000). Based on the unstandardized coefficient beta values (β) organisations with a “Moderate” degree of market oriented behaviours were found to have scored, on average, 5 points lower on the total values scale than those with a “High” degree of market oriented behaviours ($\beta = -5.127$, Sig. = .000). Furthermore, organisations with an “Exceptional” degree of market oriented behaviours scored, on average, almost 4 points higher on the total values scale than those with a “High” degree of market oriented behaviours ($\beta = 3.823$, Sig. = .010).

The regression results indicated that Market-Oriented behaviours could account for a substantial percentage of the explained variance in artifacts, norms and values. Thus the higher the degree of Market-Oriented behaviours, the higher the predicted score for artifacts, norms and values. Additionally, the multiple regression analyses demonstrates that organisations with a “Moderate” degree of Market-Oriented behaviours scored consistently lower on the artifacts, norms and values scales than those with a “High” degree of Market-Oriented behaviours - represented by the negative β values obtained. Moreover, organisations with

an “Exceptional” degree of Market-Oriented behaviours scored consistently higher on the artifacts, norms and values scales when compared to those with a “High” degree of Market-Oriented behaviours - indicated by the positive β values obtained (Field, 2009; Presidion, 2015).

Overall, the research findings support the idea that market-oriented behaviours have a positive influence on all three layers of an organisation’s culture. Conclusively, all three hypotheses are supported.

Conclusions

The results of this study demonstrate market oriented behaviours can influence each of the layers of an organisations culture and thus can create and drive a market oriented culture in a for-profit setting. Managers should thus concentrate on strongly implementing market oriented behaviours in order to embed a market oriented culture within their organisation. This is desirable as such a culture is strongly linked to positive organisational performance (Liao *et al.*, 2011).

While previous studies have found that culture positively influences behaviour in organisations (Homburg and Pflesser, 2000; Farrell, 2005), the findings of this study support the opposite. That is, market oriented behaviours have a positive influence on cultural values, norms and artifacts and, thus, influence the organisational culture as a whole. The findings demonstrate and confirm that the behavioural approach to market orientation is, in fact, applicable to organisations outside of the non-profit sector (Gainer and Padanyi, 2005). In addition, the relationship between market oriented behaviours and the layers of a market oriented culture has been illustrated. These contributions strengthen as well as add detail to the behavioural perspective literature.

Furthermore, market oriented behaviours may according to this study be argued as an antecedent of market oriented culture (González-Benito and González-Benito, 2005). There has been an over-reliance on the traditional cultural approach to market orientation, which has resulted in market-oriented behaviour being treated, in general, as merely a consequence of culture (Narver and Slater, 1990; Homburg and Pflesser, 2000; Farrell, 2005). This has led to an apparent underestimation of the importance of market-oriented behaviours and the role that they may play in establishing a market-oriented organisational culture.

This study gives merit to the claim that market oriented behaviours may be considered as the inception of a market oriented organisational culture (Kohli and Jaworski, 1990; Harris and Ogbonna, 1999). Consequently, the findings dispute the belief that, in order to engage in market oriented behaviours, there must be a corresponding culture deeply embedded in the organisation (Shapiro, 1998).

Additionally, market oriented behaviours may determine the overall level of market orientation. Considering market oriented culture as a consequence of market oriented behaviours, the extent to which an organisation engages in the relevant behaviours determines its overall level of market orientation (Hamadu *et al.*, 2011). Conclusively, the stronger the degree of market oriented behaviours, the greater the degree to which an organisation is likely to be

market oriented (Hamadu et al., 2011; Kohli et al., 1993).

The findings of this study also suggest that market oriented behaviours influence and, thus, have the potential to manifest themselves in cultural values, norms and artifacts. Therefore, market oriented behaviours are potentially worthy of being considered to be at the very heart of a market oriented organisational culture.

Thus the contribution of this research: behaviours can precede and influence values, norms and artifacts in for-profit settings. As a result they are argued as the inception, an antecedent, at the heart of a market oriented culture and determining the overall level of market orientation; a role not previously prescribed in the literature.

The research findings do not however dispute the perspective that culture drives behaviour in organisations. Thus the findings of this study combined with the literature imply that a mutual, causal relationship between market oriented behaviour and market oriented culture is likely to exist (Griffiths and Grover, 1998; González-Benito and González-Benito, 2005). That is the values, norms and artifacts of a market oriented culture influence the behaviours which in turn drives the culture as well as vice versa.

The implications of the research require managers to assess the degree to which they engage in market oriented behaviours; the generation, dissemination and responsiveness to market intelligence. A plan of action can then be drawn up in order to proactively strengthen these behaviours within the organisation. This guidance allows managers to focus on tangible and, therefore, perceptible aspect of market orientation. The observable nature of behaviours implies that they are easier to comprehend, measure and/or assess in comparison to much less tangible aspects, such as values. Resultantly, employing market orientation as a behavioural construct, rather than a cultural construct, is likely to be a much more understandable approach for managers and employees alike, thus allowing the establishment of this specific culture to appear somewhat more realistic and achievable. Actions and procedures may be what enforces organisation performance (González-Benito and González-Benito, 2005).

Furthermore, if a manager needs to actively encourage his/her employees to embrace the concept of market orientation, then its adoption as a behavioural construct is likely to make this a less complex task, with a higher chance of generating a successful outcome. In short, when attempting to establish a market-oriented organisational culture, promoting behaviour may be an easier and, more importantly, a more fruitful strategy than promoting culture (González-Benito and González-Benito, 2005).

In summary, the guidance offered in this study aims to provide managers with a clear and practical route to achieving their desired level of market orientation. If this guidance proves to be successful, then the final outcome of its implementation may transpire as an improvement in organisational performance as a whole. Thus, this guidance may provide somewhat of a competitive advantage, ultimately enabling an organisation to “outperform” other organisations (Deshpandé and Farley, 2004, p. 5).

The challenges of undertaking MO research have been comprehensively documented nevertheless a number of limitations to the present research require documentation (Uncles, 2011). The research findings could be argued as restricted to the Irish context in which this study was undertaken. That said, market orientation has been studied under a wide array

of national settings and, thus, this research is argued as by no means applicable to merely an Irish context. Therefore, it may be the case that some, if not all, of the research findings are internationally transferable. Nevertheless, future research of a similar nature should be undertaken in various geographical settings. Although common in studies of market orientation the cross-sectional nature of this study could also be considered a limitation, restricting the ability to infer causality from the research findings. In addition, the research approach did not aim to investigate the potential reciprocal relationship between the layers of culture and market oriented behaviours, a logical next step from this study. Alternative research approaches and their associated advantages could thus be considered. Finally, this study sought information from a single informant in each participating company thus future research should investigate the concept of market oriented organisational culture using multiple informants or gather data from customers themselves.

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Appendix 1

Behaviours	Values
We meet with customers at least once a year to find out what products or services they will need in the future	We aim to place great value on performance-oriented employees.
We are not always quick to detect changes in our customers' product and/or service preferences.	We are not always open towards innovations and creativity related to products and/or processes.
We survey customers at least once a year to assess the quality of our products and/or services.	We feel that the flexibility of our employees should be rated very highly.
We are not always quick to detect crucial changes in our industry (e.g. competition, technology and/or regulation).	We aspire to open and proactive communication between our departments.
We collect industry information by informal means (e.g. lunch and/or talks with our industry contacts).	High quality work is greatly valued.
Market intelligence (e.g. regarding customers, competitors, technology) is generated by multiple departments.	We aspire to achieve the highest level of qualification and competence in our field.
We have regular meetings involving co-workers from multiple departments to discuss market trends and developments.	We aim to carry out our work in a prompt manner.
When something important happens to a major customer or market, the whole company knows about it within a short period.	We believe that teamwork and cooperation amongst our departments should be valued very highly.
Market intelligence (e.g. regarding customers, competitors, technology) is communicated at all levels on a regular basis.	The responsibility of each individual employee is not always emphasised.
A lot of informal communication (e.g. conversations during break times) is about our business environment (e.g. customers, competitors, technology).	We strive to emphasise our appreciation of each individual employee.
We regularly review our product and/or service development efforts to ensure that they are in line with what customers want.	We endeavour to place great value on a feeling of belonging among our employees.
Co-workers from multiple departments get together regularly to plan a response to changes taking place in our business environment (e.g. regarding customers, competitors, technology).	Our main aspiration is to deliver the best possible service and/or solutions to our market (e.g. customers).
When implementing plans based on our market intelligence (e.g. regarding customers, competitors, technology), our departments carry out their activities in a coordinated manner.	Each individual employee strives to do his or her part.
When we find that customers would like us to modify a product or service, the departments involved make a coordinated effort to do so.	We feel that we can have positive expectations about our co-workers' intentions and/or behaviours.

Norms	Artifacts
Market performance (e.g. market share, customer satisfaction) is measured regularly.	Our buildings and their exterior surroundings are laid out very clearly so that visitors/customers can easily find their way.
New products and/or services which add value for our customers are frequently identified and developed.	Our reception area is well organised and clearly laid out.
Standardised practices and procedures are reviewed regularly to improve efficiency in serving our customers.	Our online presence (e.g. company website, social media) is designed to allow easy navigation and browsing for customers.
Regular meetings are held between co-workers from multiple departments to openly discuss and record market related trends and/or problems.	Our meeting and discussion areas (e.g. canteens, offices, meeting rooms) are designed to support communication.
Quality is assessed by customers or, at least, from the customers' point of view.	Employees who are exceptionally customer-focused are rewarded regularly.
Employees who have contact with customers have all of the necessary work and social skills to do so.	We regularly organise events for our customers.
We cannot always respond quickly to market changes (e.g. competitors' actions).	We often hear about exceptional customer-focused behaviour of management (e.g. founder, chief executive, manager).
Decisions based on our market intelligence (e.g. customer satisfaction) are made in a coordinated manner by multiple departments.	We often hear about factors that prevent us from being customer-focused (e.g. communication barriers, unwritten rules).
Each individual employee feels responsible to our customers, particularly for the detection and solution of their potential and actual problems.	"From the customer's point of view . . ." is a statement, or similar to a statement, that we often hear.
Our employees are essential to us in fulfilling our customers' needs.	"Can we offer our customers what they are expecting?" is a statement, or similar to a statement, that we often hear.
We always consider how our decisions and actions will affect our market, particularly our customers.	"I know exactly what our customers want" is a statement, or similar to a statement, that we often hear.
Each individual employee is responsible for following through on commitments.	"I am not interested in what competitor XY plans! We need to . . ." is a statement, or similar to a statement, that we often hear.
Our employees are honest and will follow through on commitments.	

Strategies for Success: How a Small Business Competes in the Motorhome Industry in Ireland.

Niamh Lenihan and Catherine Kavanagh.

Abstract

The motorhome industry in the Irish economy has grown and transformed over the last 20 years with a rise in the number of motorhome companies and campsites around Ireland. This is a small competitive industry that has faced numerous economic challenges, in particular since the economic downturn in 2008. The failure of many firms' strategy can arise from the firm's inability to gain a competitive advantage (Porter, 2008). This study provides an analysis of how a small Irish motorhome company can achieve a competitive advantage to increase its business profitability, growth and performance.

The motorhome industry in Ireland has received little attention in the business literature. Therefore, the methodology of this study involved the collection of primary data from interviews held with a motorhome manufacturer and a motorhome company. Customer surveys were also randomly distributed to obtain information regarding the motorhome industry and motorhome company in question. This qualitative analysis is accompanied with Porter's Five Forces (1980) framework to analyse how a small business positions itself in the market to gain a competitive advantage.

Since the 2008 economic downturn, a complex and highly competitive marketplace confront many small businesses in Ireland. There is an increase in the intensity of rivalry as the motorhome industry is relatively small in Ireland with each dealer striving to increase its customer base. In 2012, the government introduced policies such as an introduction in Vehicle Registration Tax (VRT) on all new motorhomes purchased and a Value Added Tax (VAT) Margin Scheme which inhibited positive growth and performance in the motorhome industry. These constraints heighten the importance of a company to diversify its strategy. In the motorhome industry, the rental service provides the opportunity of increasing a company's profitability, customer base and business profile. A larger motorhome market exists in the UK which could potentially increase the performance of a company, however uncertainty is exposed in the British market due to Brexit.

The aim of the study is to provide context on the Irish motorhome industry, identify the position of a small motorhome company within the industry and provide suggestions to the company for future development.

Key Words: Motorhome, Small Business, Competitive Advantage, Growth, Profitability.

Introduction

A significant part of Ireland's income comes from the tourism industry, accounting for just over €8.3bn in 2016 (Fáilte Ireland, 2017). This sector employs approximately 220,000 people (Department of Transport, Tourism & Sport). Under the Tourist Traffic Acts 1939 – 2016, a caravan or camping site must be registered with Fáilte Ireland. "In 2011 there was 93 registered caravan and camping parks in Ireland, with a stock of approximately 5,400 pitches which translates to around 21,600 beds" (Fáilte Ireland, 2012). The Caravan and Camping product as a part of Irish tourism accommodation contributed €120m to the economy in 2011¹ (Fáilte Ireland, 2012). The Irish motorhome industry is a relatively new industry within the camping sector which not only represents an opportunity for tourism in Ireland but can add monetary value to the Irish economy: Camping and caravanning appear to be holding its share of the domestic holiday market, with 13% using this form of accommodation of the total Irish holiday bed nights in 2016 (Fáilte Ireland, 2017). The Irish motorhome industry comprises mainly of small businesses. According to the Small Firms Association (2017), "98% of all businesses in Ireland are small firms (less than 50 employees) accounting for one third of the value of the Irish economy and of business investment". Given the size of the Irish economy, the success of small business is vital for the sustainability and prosperity of economic growth.

The global financial crisis of 2008, created a complex and highly competitive marketplace that confronts many small businesses in Ireland. In 2009, one of the largest motorhome dealers 'Motorhome Ireland' was declared bankrupt which resulted in its' closure. In 2012, the government introduced policies such as an introduction in Vehicle Registration Tax (VRT) on all new motorhomes purchased and a Value Added Tax (VAT) Margin Scheme which inhibited positive growth and performance in the motorhome industry. This increased the level of competition in the motorhome industry.

The word 'motorhome' is typically the name used in Ireland and the UK. It is commonly known as a wohnmobil in Germany, camping cars in France, campervans in Australia and recreational vehicles in the US. A motorhome is a relatively new concept in Ireland with camping being modified from the traditional tenting option or caravan facility. A motorhome combines living accommodation and the vehicle engine in one unit. There are three types of motorhome categories; Alcove, Low Profile and A-Class. These motorhomes have different berths and various layouts depending on the manufacturers and customer preferences.

Leisure Homes² is a small motorhome company with under 15 employees which has been in operation for over 28 years. The business repairs, services and sells motorhomes with stocking van conversions, family coach built motorhomes and elite motorhomes ranging from approximately €20,000 to €120,000. During the difficulties of the financial crisis, Leisure Homes resorted to expanding its business by renting motorhomes. This niche has since grown, with Leisure Homes increasing its stock of rental units and in 2016 it received a European franchise to hire motorhomes in Ireland. This has attracted a number of tourists into the Irish economy and is increasing Leisure Home's international recognition; however, the attractiveness of this market has caused an increase in competitors with new companies setting up in Ireland. Therefore, it is critical for Leisure Homes to focus on how to increase its competitive advantage. A competitive strategy can assist firms to achieve a competitive advantage within an industry (Porter, 2008).

The objective of this study is to provide an extensive analysis of the motorhome industry which has been overlooked in the Irish context. This is a small competitive industry in Ireland and the focus here is to examine how a small business positions itself in the market to gain a competitive advantage.

Methodology

A mixed research strategy is incorporated to examine the overarching framework which focuses on the operating and internal environment of the motorhome industry. The research conducted consisted of both face-to-face interviews and customer surveys. Primary data was obtained from a semi structured interview that was held online with Dethleffs, a German Motorhome manufacturer to discuss the Irish motorhome industry. Dethleffs have been exporting motorhomes into the Irish market since 2002 and have two main agents operating in the Irish economy. The interview provided context on the development of the Irish motorhome industry, the impact of the economic downturn and the motorhome feasible future.

There were two in-depth face-to-face interviews conducted with the Directors of Leisure Homes to gain a detailed perspective of the position of the company within the motorhome industry. These interviews provided an analysis on the company's operations, regulations, and the overall market.

A customer survey also provided key information on the operating and internal environments of Leisure Homes. The survey was completed by customers and potential (non-customers) customers of Leisure Homes. It randomly selected 30 respondents at the company's premises, which targeted both male and females. It included motorhome owners, motorhome renters and non-motorhome owners. The sample age ranged from 21 to over 61 years old. All statistical analysis was performed using SPSS statistical package (SPSS 22).

The findings of the surveys and interviews enabled us to examine the industry performance through the application of Porter's Five Forces (1980) analyses. This framework identifies five competitive forces that shape an industry and explains how firms' profitability is influenced by industry attractiveness. These include: competition in the industry; potential of new entrants into the industry; power of suppliers; power of customers; and threat of substitute products.

¹Up – to- date information is only available for 2011. This reinforces the need for more evidence and data on the industry.

²The company under investigation wishes to remain anonymous throughout this study and hence, will be known as Leisure Homes from here on in.

Findings from Survey and Interviews

The key findings from the survey are as follows:

- Leisure Home's age profile is largely weighted on the 51-60 years old age group.
- 80% of those surveyed were owners of a motorhome with 39% visiting Leisure Homes to purchase a motorhome (see Figure 1).
- The main purpose of visiting Leisure Homes was for sales (39%) and repairs (42%).
- 68% respondents indicated that word of mouth is the main source of advertising for Leisure Homes.
- Price and quality were the two main factors to consider before purchasing a motorhome (see Figure 2).
- The main change in regulation recommended was VRT, with 77% of respondents' highlighting that this change would enhance the use and reduce the cost of motorhomes in Ireland.

Figure 1: Purpose for Attending Leisure Homes

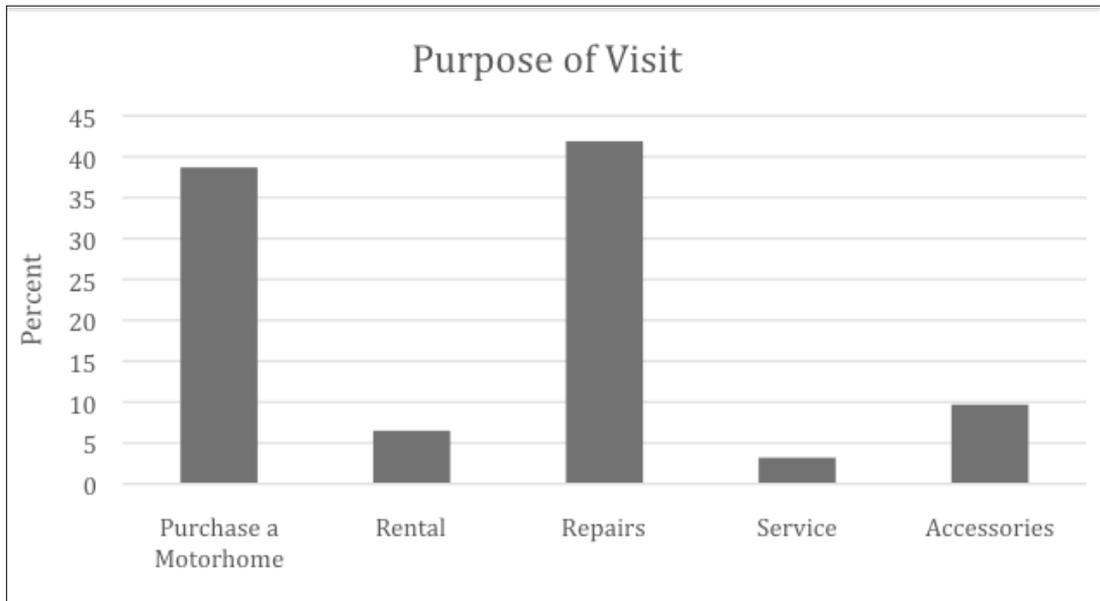
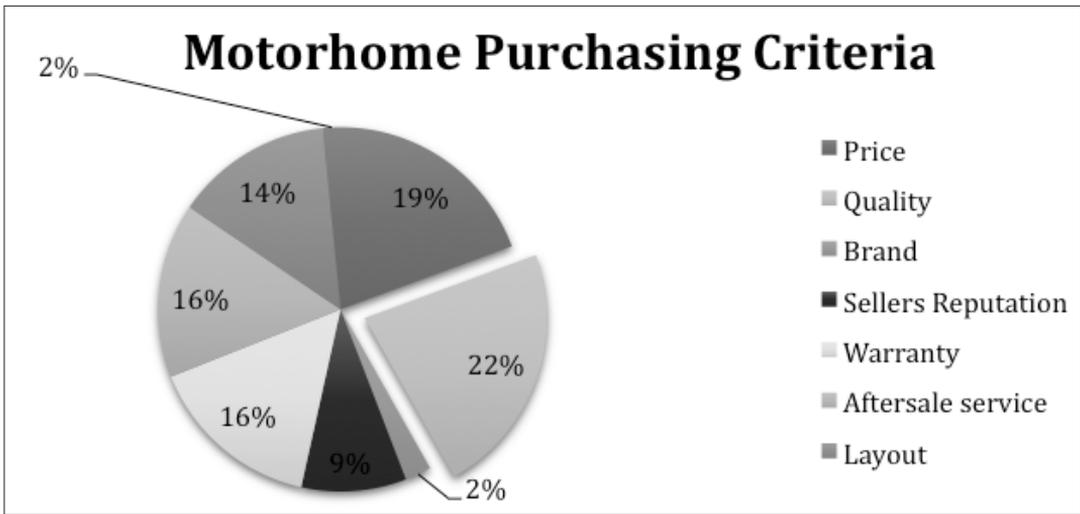


Figure 1: Purpose for Attending Leisure Homes



Source: Author's analysis

The key findings from the interviews are as follows:

1. The sale of family coach built motorhomes has declined due to credit constraint.
2. From 2013- 2014, Leisure Homes motorhome sales declined by 6%.
3. Regulation has increased; motorhomes over 4 years old are required to complete a DOE test.
4. VRT and the VAT margin scheme are constraining the growth of businesses and causing a reduction in motorhome sales.

The survey and interviews combined gave an in-depth analysis into the internal and operating environment of Leisure Homes and the motorhome industry.

Leisure Homes' survival over that last 28 years has been attributed to the reputation that it has built with its customers. From the survey findings, 68% of people heard of Leisure Homes via word of mouth. The main purpose of visit was for motorhome repairs (42%) and sales (39%). In purchasing a motorhome, the four main factors that were considered important, ranked in order, include: quality, price, aftersales service and warranty. People purchase motorhomes due to the freedom (94%) and the travelling (81%) experience associated with them; however 78% of respondents indicated that changes in VRT regulation would enhance the use of motorhomes in Ireland. For the prosperity of Leisure Homes, while 52% recommended no changes, 19% suggested an increase in adverting methods and 13% recommended improvements in their website. In such a relatively small market, the power of reputation is fundamental in gaining a competitive advantage and surviving in the motorhome industry. In addition, given the size of the Irish economy, the success of small businesses is vital for the sustainability and prosperity of economic growth, yet with the economic downturn in 2008,

three major challenges confronted small businesses: access to finance, regulatory burden, and the cost of undertaking business in Ireland. These have been similarly reflected in the motorhome industry.

In terms of access to finance, the Irish Small & Medium Enterprises Association (2017) stated that from a survey completed in December, “50% of businesses seeking credit from banks over the last three months had been refused”. This credit restriction impacts the growth and sustainability of small businesses. This is evident in the motorhome industry as Leisure Homes noted that “*credit restrictions have caused the sales of coach built motorhomes to decline, in particular for younger families*”. The difficulty that younger aged people have with accessing finance for investing in a motorhome has caused a change in the age profile of motorhome owners. Approximately 48% of customers surveyed fell between the age of 51- 60. This coupled with the current economic climate, and high unemployment has affected the sale of luxury products, such as motorhomes. Overall sales for Leisure Homes declined by 6% from 2013- 2014, hindering the growth and survival prospects of the company.

The sale prospects of motorhomes has also been impacted by the regulation burden which has fallen disproportionately on small businesses (Watt et al, 2007). From March 2012, a mandatory test on motorhomes was imposed by the Minister for Transport, Tourism and Sport which was cited by the European Communities Regulations 2012. This Commercial Vehicles Test (CVT) or more commonly known as the Department of Environment (DOE) test is a legal requirement that all motorhomes over four years old have to undertake once every two years and motorhomes over ten years old require a yearly DOE test. Leisure Homes indicated that “DOE tests on older motorhomes ensure customers that the motorhome is mechanically sound”. This regulation enforced by the Road Safety Authorities ensures the roadworthiness of motorhomes.

Further regulation was introduced in the 2012 Budget with the introduction of VRT on all new motorhomes purchased and increased the VAT rate to 23%. The VRT is based on 13.33% of the open market selling price of the motorhome which is determined by Revenue. The Director of Leisure Homes stated that “the sales of new motorhomes been affected due to the changes in legislation, such as the new VRT”. This VRT has increased the price of the product to an unaffordable rate for many customers, reduces sales for motorhome companies and reduced the number of motorhomes imported into Ireland. Dethleffs stated that “*because of the economic downturn in Ireland and the tax for motorhomes, the size of the market has fallen*”.

Applying Porter's Framework

The analysis on the operating and internal environment of the motorhome industry is further assessed using Porter's theory. Porter's Five Forces theory (1980) explains how firms' profitability is influenced by industry attractiveness. "The collective strength of these five competitive forces determines the ability of firms in an industry to earn, on average, rates of return on investment in excess of the cost of capital" (Porter, 1980:4). Porter's framework can demonstrate how the Irish motorhome industry is influenced by five competitive forces which include: threat to new entry; threat of substitution; buyer power; supplier power; and competitive rivalry, as seen in figure 3. This framework is supported by the findings from the interviews and surveys conducted for this study.

Figure 3: Porter's Five Forces Analysis



Source: Porter (1980)

³ Dethleffs is a German Motorhome manufacturer in operation for over 80 years. It is the largest manufacturer of motorhomes in Europe and has won a number of prestige award for its product. Leisure Homes started importing Dethleff motorhomes into Ireland in 2002 and remains the main agent for these motorhomes in the south of Ireland.

The motorhome industry has high barriers of entry and exit to the market. A new entrant would face high start-up costs in the form of premises, equipment and opening stock. The manufacturer of motorhomes will analyse the market and nominate particular dealers to represent their product. Leisure Homes has achieved agencies from three international motorhome manufacturers (Dethleffs, Sunlight and Rapido) becoming an importer and distributor of these motorhomes in Ireland since 2002. The cost of a new premises is high due to the size of motorhomes and space required to display the units. The high end luxury product can range from €50,000 upwards; therefore, for a retailer to have a minimum stock level of 20 motorhomes, can cost in excess of €1m. From a buyers' perspective, sellers must ensure a good price and a high quality service is offered. The bargaining power of customers on second hand motorhomes remains high as the price can vary significantly on the private market e.g. private sales on Done Deal (a classified ad website). This has resulted in the sale of motorhomes below market value. The private market impacts on the value of the second hand motorhomes as motorhome companies are competing with the low prices that the private market can afford to set.

In contrast, the bargaining power on new motorhomes tends to be low as the new motorhome is less varied in its retail price. The manufacturer has a fixed cost for the vehicle, where overheads (transport cost, VRT, VAT) will remain similar. From the survey, 81% of respondents indicated that the price of motorhomes was a main factor to consider before purchasing a motorhome. The bargaining power of buyers of second hand motorhomes is strong due to the customer having the option to purchase on the private market where the price can vary significantly. Leisure Homes stated that *"customers are determining the market price"*. Motorhome companies can reduce this power by increasing loyalty, increasing value added to ensure repeat business, provide an efficient service, good reputation and present high quality in its business. From the survey, it was indicated that quality (94%), warranty (65%) and aftersales service (65%) are essential to consider when purchasing a motorhome. Dethleffs offers a 2-years bumper-to-bumper and 6-year water ingress warranty on all new motorhomes. Due to the nature of the product, it can be some time before any issues arise for the customer and it is imperative that Leisure Homes offers a high quality after sales service. Leisure Homes stated that *"a strict trade in process with all motorhomes being thoroughly checked before the sale and price is agreed"*. Poor after sales service will likely hinder future repeat business.

There is a high concentration of direct and indirect competition in the industry. Porter (1980) argues that the higher the degree of competition, the more difficult it is for firms to exercise higher returns. Buyers have a choice in selecting a motorhome dealer. This increases the intensity of rivalry as the motorhome industry is relatively small in Ireland with each dealer striving to increase its customer base. Therefore, differentiating products via branding of motorhomes and avoiding price competition are generally expected to reduce the competitive rivalry between existing players.

Indirectly, the internet provides readily available information on motorhomes in European markets to the public. As there is an increasing acceptance for people to purchase left-hand drive vehicles, these markets are very much a threat to motorhome businesses. Left hand drive motorhomes have a lower cost price than right hand drive. This coupled with a lower VAT rate in European markets (i.e Germany VAT is 19%), and the absence of transport costs, has resulted in left-hand drive vehicles being advertised for sale at greatly reduced prices. This heightens the importance of advertising for Leisure Homes to increase consumer

awareness in the market.

When exiting the industry, the business premises can generally be sold and converted to another use but reducing stock levels is the main concern due to part exchange (trade-in) vehicles. As vehicles are initially expensive, it is not unusual to experience 2, 3, 4, part exchange vehicles associated with the sale of one new vehicle. For example, customer A decides to buy a new motorhome worth €100,000. They may have a part exchange vehicle with a trade in value of €80,000. Customer B then comes to buy customer's A vehicle with a trade in vehicle of €60,000. This may continue on until a suitable customer arrives without any part exchange and has the funding to purchase a motorhome. A motorhome dealer can decide to choose any of the three options to exit the industry: sell the business as a going concern, trading away out of the business (slow process) and auction (fast process). These high barriers to exit can make the industry less attractive.

Discussion

Based on the original data and evidence collected from the customer surveys and interviews, this study shows how a company positions itself in the Irish motorhome industry. It examined the internal and operating environment and applied Porter's Five Forces theory to assess the market further. There is an intense level of competition in the motorhome industry which heightens the importance of motorhome companies gaining a competitive advantage to increase its business profile.

When the sale of motorhomes fell, Leisure Homes accessed a niche in the market, focusing on the rental of motorhomes. Leisure Homes began renting motorhomes in 2009 with 3 vehicles. The number of motorhome rentals has increased by 49% from 2013- 2014 and by 32% from 2014 – 2015. Due to the increase in demand, Leisure Homes' rental stock increased to over 10 units. These rentals increased the cash flow in the business. In 2016, Leisure Homes was granted a European franchise to hire motorhomes, which is a significant advantage. The franchise has provided Leisure Homes with an extensive online booking system where customers now have the opportunity to check availability, cost and book a motorhome rental. This service has started to heighten the company's international recognition, with a rise in the number of German and French nationalities, in particular, visiting Ireland. Leisure Homes should continue pursuing a differentiation based strategy to gain a competitive advantage.

From the surveys, the main purpose for visiting Leisure Homes was for repairs. This reflects the importance of gaining a strong reputation for motorhome companies due to the intensity of competition in the industry. Reputation is key to promoting the brand and the survival of Leisure Homes as 68% heard of the company via word of mouth. It is necessary for motorhome companies to establish strong positive relationships to enhance the potential for repeat business. Extended periods of business existence often serve as an underlying signal of high quality. Following Porter (1985), one of the critical platforms for effective differentiation is to provide superior service on criteria valued highly by customers. This study shows that motorhome companies have high levels of personal contact with customers and experience repeat custom.

In terms of Porter's Five Forces industry analysis, unlike the car industry, where car dealerships have ongoing support from the Society of the Irish Motor Industry (SIMI), there is no such body to offer support or guidance for motorhome dealers. Furthermore, recent changes have made it more difficult for the motorhome industry with the introduction of new regulation (VRT and VAT Margin Scheme). This is impacting largely on the daily operations of motorhome companies and these new regulations have tightened companies' cash flow. Further operating costs are also hindering the survival of small businesses.

Given the size of the Irish market, an alternative market for expansion would be the UK. The UK has a population of 65.6m in 2016 in contrast to Ireland with a population of 4.7m, which identifies a larger consumer market in the UK. According to the National Council Caravan (2017), there is an estimated 225,000 motorhomes in current use in the UK. This indicates that there is a potentially vibrant market for new motorhomes in the UK which Leisure Homes could consider for future expansion growth. However, the economic environment could potentially propose further challenges given the uncertainty surrounding Brexit, the UK's announcement to leave the EU by March 2019. It is still unclear what the effects of Brexit on the Irish economy, Britain's trade agreement with the EU and in particular, the effects it could have on the Irish motorhome industry.

One implication for the motorhome industry is that 51% of people indicated that a disadvantage of holidaying in Ireland was due to the condition of the camping facilities. This concern was also echoed in the interviews held with Leisure Homes as they suggested that *"the Tourism Board could try to promote motorhomes in Ireland by providing more camping facilities, parks, lay by areas, and larger spaces in public car parks to make it easier for motorhoming"*. This is a concern given the importance of the camping facilities to support the use of motorhomes and attract motorhome tourists to the Irish economy.

Conclusion

The study focuses on the Irish motorhome industry and the position of Leisure Homes in the market. The motorhome industry comprises of a number of small firms in Ireland. While the industry is relatively small in Ireland, it plays a role in contributing to tourism. The tourism sector is a large employer and revenue stream to the economy. Therefore, there is an onus on the Department of Transport, Tourism and Sport to continue supporting, funding and investing in tourism and in particular, to focus on the relatively new motorhome industry. A key conclusion from the research, is that both consumers and dealers alike of the motorhome industry welcome more development and support from the tourism board to ensure the growth of a vibrant and sustainable market.

While the motorhome industry has grown over the last number of years, the research shows that there is an increase in the intensity of competition. Since the economic downturn in 2008, three major challenges confronted many small businesses: access to finance, regulatory burden, and the cost of undertaking business in Ireland. This was reflected in the motorhome industry which experienced changes in the industry, changing consumer profiles and demands. The target customer for a motorhome due to its luxury nature and expensive price, consists of an age profile between 51 -60 years. The statistical analysis indicates that there was a strong positive relationship between age and the ownership of a motorhome. The

analysis shows that the sale of motorhomes has declined for many motorhome companies. Leisure Homes experienced negative growth (-6%) in sales from 2013 – 2014. For businesses attempting to achieve a cost leadership strategy, this may prove challenging when faced with competition from the internet and the private market.

In response, Leisure Homes diversified its strategy by expanding its business into the rental of motorhomes. This has enhanced the company's competitiveness by increasing its profitability; increased its customer base, and the company's public profile. This service ensures the promotion of the company brand as the motorhomes are exposed while traveling around Ireland. Its new European franchise will also heighten international recognition and is attracting tourists to holiday in Ireland.

As highlighted above there are opportunities for the growth and evolution of the business through the rental market, increase in ancillary services and potential expansion in the UK market. These opportunities are reliant on specific factors occurring and the outcomes from the Brexit agreement. The business promoters have important decisions to make in order to formalise appropriate short and long term strategies if the business is to maintain its present position or future growth.

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Social Partnership and its Continuities

Brian Sheehan

Social partnership has long been pronounced 'dead' and buried, lamented by few. But thirty years on from the watershed Programme for National Recovery of 1987, the underlying influence of the 22-year construct is stronger than it might seem. How pay formation in the private and public sectors works today; how management-union disputes are resolved; how employers and trade unions engage; and how the social partners manage key industrial relations issues, all suggest important continuities with the partnership era.

Thirty years ago, the social partners signed a national-level agreement which hinged on a 3-year year pay arrangement, covering the private and public sectors, entitled the Programme for National Recovery (PNR). In return for pay moderation, this programme also included a measure of tax relief for PAYE workers, largely ensuring industrial harmony after a period of high strike activity in the 1980s.

The PNR was first of eight social partnership agreements, stretching from 1987 to 2009 when the final 'Transitional Agreement' collapsed under the weight of the fiscal and economic crisis, which the country only emerged from with gusto after 2014 onwards. While the economy has recovered from this more recent crisis – the second in thirty years - the construct known as social partnership has never been revived. Instead, the whole notion of social partnership has taken a beating from the media and what might loosely be described as the 'commentariat'. Although defended by some former adherents, the political system has tended to shun social partnership as if it were a toxic brand, commenting that 'it went too far', without explaining or examining what is meant by this. Caught up in some of the more hysterical commentary during the worst crisis years (2008-2012), the reputation of social partnership has been left in tatters, and with few defenders. Many trade union leaders did defend it, as did some on the employer side, but given the tide of opinion flowing in the other direction, this defence was never full-blooded.

Unbeknownst to its more trenchant critics, however, there are strong continuities between the social partnership years and how industrial relations and pay negotiations are carried on today, in both the private and public sectors. There are also obvious discontinuities, such as the absence of an overarching pay deal for both private and public sectors. These national-level pay deals used to be 'policed' by the social partners and the state's dispute resolution agencies. The absence of an all-encompassing agreement is perhaps most starkly evident in the spate of public transport disputes in recent years, which could never have occurred during the partnership era, simply because those pay deals were 'nailed down'.

No major union or employer was able to breach the social partnership pay agreements during the partnership era, albeit with one significant and consequential exception, namely, the nurses in the 1997. They secured a deal that ultimately led to the Public Service Benchmarking Body and the collapse of what was then known as the 'grade restructuring' approach to public service pay reform.

Self-Policing

The social partnership agreements had their own ‘policing’ system, patrolled not least by the trade unions. Unions wouldn’t openly criticise a fellow union that prosecuted a dispute, but their silence was usually deafening if a particular strike was seen to go against a national social partnership agreement. Their influence was made known via tripartite bodies like the old Employer Labour Conference, or the more ad hoc National Implementation Body. These bodies were usually able, to either stop disputes in their tracks, or ensure that no local deal would breach the terms of the national agreement in question.

This approach is continued today in the public service agreements (Croke Park, Lansdowne Road, etc) between the Government as employer and public-sector trade unions. These multi-year agreements also include an innovation in the form of voluntary binding arbitration in the public service that replaces the self-policing approach of the social partnership years. The commitment to binding arbitration in the event of disputed issues, starting with the Croke Park Agreement, has received little attention. When was the last industrial action in the public service over a centrally agreed pay arrangement, apart from that involving the ASTI in 2016? Moreover, that dispute came from outside the Lansdowne Road Agreement, because the ASTI hadn’t signed up to the pact. Likewise, in the case of the threatened ‘strike’ by Gardai in late 2016, this too arose at a time when the Garda Representative Association (GRA) remained outside the Lansdowne Road Agreement (2015-2017).

Since the holding of a nationwide one-day strike by all unions before the Croke Park Agreement (2010-2013) was agreed, there has been virtually no action by any of the *signatories* to the various public service agreements over the course of the two retrenchment agreements (Croke Park and Haddington Road) and subsequent restoration agreements (Lansdowne Road and the current Public Service Stability Agreement). In essence, the ad hoc self-governance of the social partnership era in the public service has been replaced by a more formal governing mechanism, in the form of voluntary binding arbitration. Neither have unions raised objections to this self-policing mechanism, voluntarily accepting that disputes are resolved through binding arbitration. They have also been relaxed about where these decisions emanate from; they can emerge from the WRC, from agreed independent third-party experts or from agreed tribunals.

Behaviours learned in the partnership period have, it would seem, been effectively absorbed and given practical effect in the crisis and post-crisis public service agreements, in the form of binding arbitration. This innovation has assisted greatly in maintaining industrial peace at a time of trauma and recovery, as well as accommodating a measure of change and reform. It has also been quietly welcomed by the public service unions, in that it is rarely debated at trade union conference level, despite its importance. Union leaders and officials would acknowledge that it brings finality to issues that might otherwise get bogged down in traditional procedures, freeing up time for more productive representation work.

Looking Back

Looking back, the crisis of the 1980s was, of course, different in character to the recent 2008-2012 crisis. There was no banking crisis in the 1980s, but during that earlier period there was a fiscal crisis, an unemployment crisis (unemployed touched 17%), an inflation crisis (18% at peak), and emigration returned in the 1980s to levels not seen since the 1950s. Moreover, trade union recognition was seen as the norm in the private sector in the 1980s, whereas such arrangements have become more the exception today, mirroring a similar decline in other western democracies. Nonetheless, union density in Ireland, while nowhere near the levels of some Nordic countries (70% plus), is still higher than in countries like Germany, UK, USA and France.

Despite paying lip service to reform, however, social partnership achieved little in this regard, while attempts to change how pay was formed also failed spectacularly. The idea behind the public service benchmarking approach, reviled today, was to address the failure of the previous 'grade restructuring' reform effort. Benchmarking at least did one thing: it ended the old system of relativities and brought everyone up the same position at the 'starting gate', even if the price paid was too high. When the tide went on the economy in 2009/10, benchmarking attracted a good deal of the blame, and by association, so too did social partnership.

In addition, the social partners were seen as being 'too cosy' with Government, a charge that exaggerated the closeness between unions and the political system. There were also charges that the partnership process, underpinned by successive reports from the tripartite National Economic & Social Council (NESC), by-passed parliament. However, there was little interest shown in Dail Eireann in getting involved in the sort of strategising that NESC engaged in.

Haughey Upped Ante

Forgotten today is that in 1987 the unions had been called in and asked by then Taoiseach, Charles Haughey, to give assurances that they would stick to a modest pay deal in all sectors, albeit in return for a measure of tax reductions on members' incomes. Previous national-level deals during the 1960s and late 1970s had failed on this crucial point, partly because the unions had used the basic pay agreements as a platform on which they could build higher pay rises.

These early pre-partnership national agreements certainly didn't match the soaring vision of former Taoiseach Sean Lemass who, post-war, had advocated a radical corporatist approach to the economy. Lemass was not only responsible for the establishment of the Labour Court, he also envisaged "much of what came to pass"ⁱ in the social partnership period. As Professor Bill Roche has observed, it is startling that "so much could emanate from the mind and imagination of a single politician in an age without 'think tanks', expert advisors and all the associated paraphernalia of the modern political and administrative world".ⁱⁱ

In 1987, the employers body, FUE (Ibec today), told Haughey, who was Lemass's son-in-law, that they didn't want a national pay deal because the unions wouldn't abide by its pay terms. That had been the employer experience in previous such arrangements. According to

some accounts, the controversial Fianna Fail leader strong-armed them into a pact, assuring employer leaders that this time the unions would adhere to it. Haughey knew they would, because he and his shadow Labour spokesman, Bertie Ahern, had spent years in opposition cultivating the unions. But the clincher was that the terms of the pay deal on offer were very attractive to employers; they knew they couldn't achieve such a modest arrangement in 'free for all' bargaining. Haughey had been told by union leaders like Bill Attley (FWUI), John Carroll (ITGWU) and Phil Flynn (LGPSU) that a national pay deal would stick. Attley said the unions had been securing high pay rises, but that members' real incomes were falling:

"We were pushing pay up over and above the level of inflation which was at enormous heights and yet, at the end of that period people were 7% worse off than when they had started".

Attley also admitted that the industrial relations environment at the time was poisonous. Some 250,000-man days were being lost per year, "so nobody wanted to invest ... there was a genuine feeling of 'last out – turn out the lights'ⁱⁱⁱ. A straight forward pay deal for all sectors (a modest 2.5% a year over three years), plus gradual tax relief, led to industrial peace on the pay front. The Government could get on with putting the finances in order, something the previous Fine Gael-Labour coalition had dallied over.

Indeed, Haughey's Finance Minister, Ray McSharry, had forged ahead with deep cuts even ahead of national talks on the new pact with the unions and employers. The unions could not be expected to sign up to those cuts, in the same way that they couldn't sign up to pay and pension impositions that were implemented ahead of the Croke Park Agreement 24 years later. Therefore, both the PNR (1987) and the CPA (2010) heralded periods of industrial peace, the tough question of public spending cuts having already been unilaterally made by two FF Ministers, Ray McSharry in the earlier period - and in the more recent crisis, by Brian Lenihan.

In both cases, from the unions' perspective, it was easier that the cuts were made before the agreements were negotiated, for the union side could never be seen to formally assent to such draconian measures. This was pragmatism writ large, and while this approach had its critics, the result in each period was a faster than anticipated recovery.

Major attempts by some groups to challenge those early partnership pay deals (PNR and PESP) in strong union bastions like ESB and the main banks were seen off in the early 1990s. There would be no breach in the dam for the first 15 years or so. Not only did the state agencies like the Labour Court (and later the LRC, now WRC) play a key role, so did the main union and employer bodies themselves. This is where self-policing started, for self-interested pragmatic reasons, and we see something similar today at play in the public service, a critical and largely unrecognised continuity between the two eras.

“Substantial People”

Social partnership mightn't have created the Celtic Tiger that followed, but it certainly accommodated business in providing something investors crave - pay and industrial stability over a long-extended period. These deals stuck, in a way that previous deals hadn't, and strike action became a rarity. The role played by union leaders like Peter Cassells (ICTU), John Carroll (ITGWU), Bill Attley (FWUI) and Phil Flynn (LGPSU) was acknowledged by a long-line of senior employers. Take these comments by former IBEC director general, John Dunne, looking back twenty years on from that first 1987 agreement:

The same people if they hadn't been in the trade union movement, would have been CEOs of some of Ireland's biggest companies ...they were substantial people ... they demonstrated very significant leadership qualities .

The pay arrangements and attendant industrial stability achieved in the private sector seem to have been largely forgotten today. This may be because in the private sector, while we have moved from centralised bargaining to local bargaining, it has remained largely peaceful.

Underlying Similarities

When it comes to pay, there are critical underlying similarities between the two periods, which demonstrate that the pay stability of the social partnership years remains solid, though of late some voices on the employer side^v are starting to raise concerns that without a more formal structure, we could be in danger of damaging our competitiveness. Coverage of private sector pay deals in Industrial Relations News (IRN), plus a related forensic analysis by Professor Bill Roche and Tom Gormley of UCD, show how the trade unions set their sights post-recovery on achievable pay rises^{vi}. Led by the SIPTU Manufacturing Division, these demands were pitched at 2% (known as the '2% strategy'), a level that would 'travel' through manufacturing, slowing spreading onwards to services, retail and so on. The 2% strategy is now a thing of the past. In late 2016, the ICTU private sector unions pitched in with a figure of around 4%, but this was nothing more than a distraction on the ground, where pay deals edged up past 2.5% towards 3%. Ibec's survey of pay deals in November (2017) averaged out rises at about 2.2%; with an IRN-CIPD (Chartered Institute of Personnel Development) survey suggesting the level might settle around the 2.5% mark.^{vii} Meanwhile, in May of 2017, the Public Service Pay Commission, established to advise government on public service pay in the lead-up to negotiations on the current PSSA agreement, used a mixture of IRN-CIPD and CSO data, to observe that pay increases in the private sector had ranged between 1.5% and 2.5% annually in recent years.^{viii} The move away from a set figure of 2% and toward, but not reaching, an ICTU 2017 guided 3.1% basic rise (December 2017), has not upset the industrial climate in the private sector, not even in the semi-states. The ICTU private sector committee updated their pay target to include "compensation for the excessive costs" of housing, childcare and pensions, "in addition to a minimum pay increase of 3.1% to take account of normal productivity and cost of living factors". Ibec called the claim "wildly unrealistic" but there has been little evidence that the ICTU 'pitch' has had much of an effect. By February 2018, however, a greater proportion of pay agreements were being made for 2.5% or more compared to the previous year, with only a minority moving beyond that range. This modest upward movement reflected the

continued improvement in the economy, and the tightening labour market as unemployment hovered at just over 6%.

The commercial semi-state companies have also been remarkably peaceful post crisis, except for the obvious stand-out exception of the public transport entities in the CIE group (Dublin Bus, Irish Rail, Bus Eireann), and the Luas tram service, a public service operated by a private contractor. The semi-states are in an interesting position, post social partnership. For some commentators it came as a shock to be told during the crisis that these companies (e.g. ESB, RTE, daa, Coillte, IAA) had been regarded as part of the private sector for pay purposes during the partnership years. The reason was simple: they were required to operate commercially, and they were no longer allowed get a 'leg up' from the state. They would also have to adopt the sort of IR and HR practices common to the private sector, which they have done, over time.

Fashioning Solutions

In an unexpected development, no fewer than four semi-states in the post-financial crash years have developed, in cooperation with their trade unions, some form of internal dispute resolution mechanism or tribunal. Prior to 2009, only the ESB and RTE had internal industrial tribunals tailored to their own circumstances. This pair has now been joined by Bord na Mona, daa (the Dublin Airport Authority), Coillte and the IAA (Irish Aviation Authority). When social partnership collapsed, these semi-states lost their moorings, and they were prey to populist demands that pay be cut or frozen, even if some of them could afford to maintain modest rises. From being part of the private sector in industrial relations terms, they were suddenly prey to Ministerial whim. Pay was frozen, and the pay of semi-state CEOs was capped.

As the economy recovered, it might have been expected that industrial action would have been inevitable in these highly unionised entities but, bar the aforementioned public transport firms, this hasn't happened. There can be little doubt that the development of internal tribunals has played some role in this; in each case the level of pay rises has been moderate and in several, performance related pay has become the norm. A quiet revolution has occurred.

In the CIE companies, the recent spate of disputes resembled the 1970s and 1980s, not the social partnership years when there was, by and large, industrial peace in CIE. Competitive trade unionism is a major feature in these CIE companies, between SIPTU and the NBRU, a reality that can engender a tendency to 'bid up' pay offers in a climate marked by battles over seemingly low subsidies. An internal industrial tribunal to help clarify and elaborate on the respective positions of the parties before they arrive at the WRC, or in front of the Labour Court, could help to reduce conflict.

Ultimately, the fact that there is no social partnership agreement has been compensated for in industrial relations terms in most of the semi-states, but the absence of a national agreement remains keenly felt by transport users nationwide.

Systematic Approach

Returning to the public service proper, which covers 320,000 public servants, including teachers, nurses, doctors, gardai, local authority staff, civil servants and the defence forces, they may no longer have the security of a social partnership arrangement, but what they do have in the post-crisis public service agreements is a formula for pay restoration, and a dispute resolution system. This means that many of the certainties that partnership provided are, in effect, replicated under the new government-public service union agreements. They now also have a Public Service Pay Commission, which is approaching – in a structured way – thorny issues like recruitment and retention and pay equality for new entrants. This systematic approach promises a peaceful resolution of these issues. Any union attempting a ‘solo run’ won’t be tolerated, another continuity from the social partnership era.

There has also been more real progress on reform than in the past, although it is on the industrial relations end of the change ledger that the more substantial achievements have been made: a new public service pension scheme; new sick pay and annual leave schemes; extra unpaid working hours; and the elimination of a number of what are, arguably, anomalous allowances. There will be plenty of debate and demands for ‘rollback’ in relation to these changes, especially on the working hours and allowance issues, but there is in place now a tried and trusted binding mechanism to deal with them if they cannot be addressed in national-level negotiations.

Powerful Continuities

Looking back, it is no surprise that there are powerful continuities between the social partnership and post-partnership eras. Even though there is now free collective bargaining in the private sector, today’s behaviours are informed by the successful response to the crisis of the 1980s. What is the point in trying to break pay norms in one or two high profile firms, rather than make steady progress across a spectrum? Conflict can put off investors; what is required is a balancing act. SIPTU, which represents a generality of workers, knows this. If it pushes too hard, too fast, this may rebound as it did in the 1980s. If there are specific downward pressures on pay, as happened on previous occasions (e.g. currency crisis, financial crisis), these can be accommodated at plant level in the interests of maintaining jobs and investment. Likewise, the public service has shown in the crisis that it too can live with retrenchment - as long as there is a route back to better pay and conditions.

Writing back in 1973, at a time when strike activity was at a level that is unimaginable today, that doyen of industrial relations commentators, Charles McCarthy, suggested that in Ireland we suffer from “an enormous poverty of perspective”. That has certainly changed, partly perhaps because of social partnership but also through a growth in economic literacy through an understanding of how business works. It is something Sean Lemass would surely have welcomed. Charles McCarthy also lamented the lack of an institution where “wider strategies can be jointly considered and jointly recommended”. It is this sort of body that both Ibec and ICTU have been suggesting of late that could be useful to discuss issues common to both, a place where they might arrive at a broad consensus on key policy areas. It might also usefully discuss broad guidelines on how pay is managed, without being overly prescriptive.

With pay expectations heating up at a time of uncertainty due to external factors largely beyond our control, such a forum could be far more useful than an occasional ‘talking shop’, like the annual national economic dialogue (NED). These days almost no-one is proposing a return to social partnership, although the Irish Times columnist, Fintan O’Toole, did just that in a presentation at an industrial relations conference in Dublin late last year^{ix}.

How private and public-sector pay are managed locally and nationally remains crucial for stability. The behaviours that helped moderate pay during the partnership years are still evident in the conduct of collective bargaining in the private sector and in the gradual approach to pay restoration throughout the public service. Meanwhile, outside of these two ‘bedrock’ issues, and because of the scale of the external and internal challenges facing the country, there is certainly a need for something more substantial than the lip service currently being paid to social dialogue. A more structured forum could help develop a consensus around how to manage the sort of big issues that, if not addressed, could ultimately threaten our relative political and social stability.

ⁱProfessor Bill Roche, Countess Markievicz Memorial Lecture, 2008.

ⁱⁱRoche, Markievicz lecture, 2008

ⁱⁱⁱAttley quoted in ‘Saving the Future’, Hastings T., Sheehan B. & Yates P., Blackhall, 2007

^vJohn Dunne quoted in ‘Saving the Future’, 2007.

^{vi}‘Private sector pay will drift in the absence of a ‘settled pay policy’, McGinty Brendan, in IRN 43 - 23/11/2017

^{vii}‘The advent of pattern bargaining in Irish industrial relations’, Roche WK and Gormley T., in IRN 38- 19/10/2017.

^{viii}IRN-CIPD pay survey: 2.5% expected to be average rise, but caution is evident’, in IRN 12 - 23/03/2017<http://paycommission.gov.ie/>

^{ix}Social Partnership may be only way to meet challenges facing country conference told, in IRN 44-17 (this issue)

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