MIDWESTERN BUSINESS AND ECONOMIC REVIEW

Number 52, Fall 2017 **ISSN 1045-9707**

In This Issue…

Bureau of Business and Government Research
Midwestern State University
Wichita Falls, Texas

MSU TEXAS

Midwestern State University
Wichita Falls, Texas
http://www.mwsu.edu

Please direct all comments to:

Chief Editor:
Midwestern Business and Economic Review

Bureau of Business and
Government Research

Dillard College of
Business Administration

Midwestern State University
3410 Taft Boulevard
Wichita Falls, Texas 76308-2099

Telephone: (940) 397-4990
Fax: (940) 397-4693

MIDWESTERN BUSINESS AND ECONOMIC REVIEW

Midwestern Business and Economic Review, founded in 1983, is the official journal of the Bureau of Business and Government Research, Dillard College of Business Administration, Midwestern State University. The journal publishes empirical and theoretical papers in the following tracks: economics, finance, management, accounting, marketing, and management information systems.

The journal accepts submissions of original work that is not under consideration by any other journal or publication outlet. The journal is published twice annually, in the fall and spring. Papers published present the points of view of the individual authors and do not necessarily reflect those of the Bureau of Business and Government Research, the Dillard College of Business Administration, or Midwestern State University.

Responsibility for the authenticity and accuracy of facts published in each article is assumed by the author.

EDITORIAL REVIEW BOARD

ENVIRONMENTAL SCANNING AND A PROPOSED STAKEHOLDER MAPPING PROCESS

Nolan A. Sosa, Angelo State University
Sandra K. Pate, Angelo State University

ABSTRACT

Stakeholder Theory has been defined as an "additive model," in which all powerful, urgent and legitimate individuals and groups must be treated as important entities to engage when evaluating important decisions for the organization. This article contends that stakeholder definition and the appropriate selection of important stakeholders depends, at least in part, on environmental influences. Thus, a "one definition for all environments" paradigm may lead to stakeholder mismanagement. This paper proposes an alternative model in which situations, such as industry conditions identified by a number of different tools for environmental scanning, may compel an organization's leaders to address the claims of those stakeholders who are less than "definitive" by the classical additive model.

INTRODUCTION

In today's global competitive environment, it can often be difficult for organizations to remain viable despite efforts to succeed and survive. Therefore, managers often rely upon their strategic initiatives in order to achieve their long-term objectives. The seminal work by R. Edward Freeman (1984) states that organizations pursuing their strategic objectives not only emphasize the needs of their organization, but also the needs of stakeholders as key constituencies for the organization.

Stakeholder theory empowers practitioners to move from an inward-facing management paradigm toward an approach that focuses on external relationship networks and their influence upon the organization and its performance. At its core, stakeholder theory describes the relationship between the organization and its stakeholders, who differ with respect to their interest in the performance of the organization (Jones et al., 2007). Thus, the primary objective of stakeholder theory is to aide practitioners in identifying and managing critical stakeholder constituencies (Freeman, 1984).

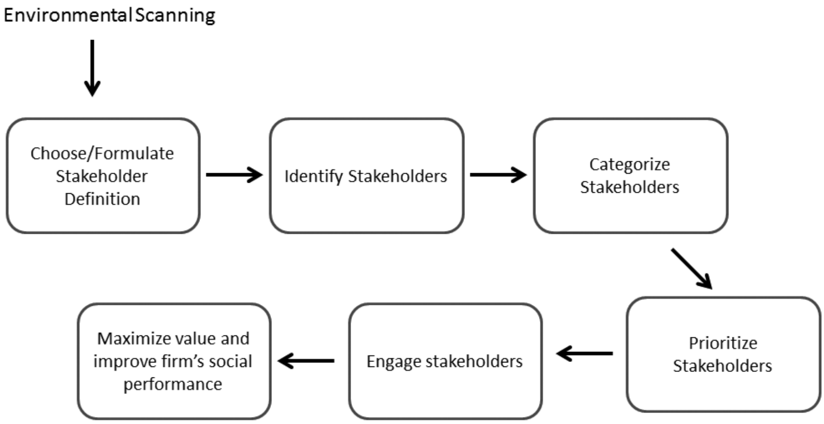
This paper opens with a discussion of organizational theory and its treatment of the environment in order to establish the value of environment-based theories as a means for explaining an organization's behavior and performance. This discussion provides context regarding the different streams of research all converging on the central premise that the environment warrants managerial consideration during all steps of the decision-making process.

Yang and Rivers (2009) suggested that research on stakeholder management processes converged on two related conceptual schemes: (1) identifying stakeholders (including identifying the stakeholder boundary), assessing the commitments and interests of stakeholders, and diagnosing their potential performance; and (2) analyzing different types of stakeholder relationships, explaining how stakeholders react to environmental factors and how managers must formulate strategies based on this analysis.

Cleland (1986) divided the project stakeholder management process into stakeholder identification, classification, analysis, and formulation of a management approach. Additionally, Karlsen (2002) described a six-step stakeholder mapping process that includes initial planning, identification, analysis, communication, action and follow-up. Findings from the extant literature (Cleland, 1986; Karlsen, 2002; McElroy & Mills, 2003; Yang & Rivers, 2009) suggest that the following activities should be included in stakeholder analysis: identification of stakeholders, characterization and classification of stakeholders and decisions about which strategy to use to influence each stakeholder. As a result of stakeholder analysis, project managers should be able to determine how to interact with and manage each stakeholder. Yet, these processes do not consider the role of the environment to the degree proposed for the purpose of this paper. Once a review of the literature was compiled, the articles were categorized by their pertinence to a specific step in the mapping process and were summarized in the context of the process step they addressed.

Upon completion of this initial survey of literature, a seven-step process (Figure 1) was developed with the central purpose of aiding practitioners as an adaptive tool that considers the role of the environment in stakeholder management with the intended outcome of maximizing value for the organization and its stakeholders.

Figure 1: Proposed Stakeholder Mapping Process

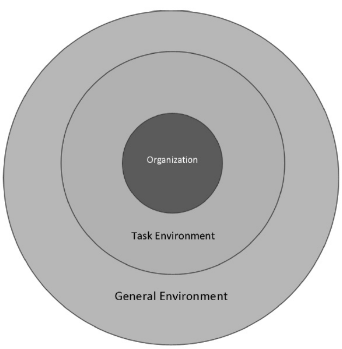


This paper, intentionally organized according to the steps in the proposed Stakeholder Mapping Process, provides support from the extant literature as a means to investigate the relationship between a given organization and its environment. Thus, stakeholder theory clarifies how an organization engages with individuals, groups, and other organizations from its environment to create value for the organization and its stakeholders.

STEP ONE: ENVIRONMENTAL SCANNING

The success and survival of the organization are also mitigated (to some degree) by influences outside of the organization. This reality must be perceived by managers and addressed on a continuing basis as the organization is planned and operated. This section examines two types of environment and how they are reciprocally linked to the organization. There are the general environment and the task environment (Hall, 1982; Osborn and Hunt, 1974; and Kast and Rosenzweig, 1979). The authors will demonstrate that the two types of environment are linked to one another as well as to the organization itself. Variation in any particular element of the three linked systems can, and often does, affect the others (Figure 2).

Figure 2: Levels of the Environment



Environment, in the broadest sense, refers to the general political, economic, social, and technological context within which all organizations operate. Kast and Rosenzweig (1979) suggest nine important characteristics of the general environment which constrain the activities of all organizations. While reviewing their findings, it should become apparent that each of these characteristics impacts all organizations embedded within the general environment. The general environment, as described by Kast and Rosenzweig in 1979, is a constraint on the process of organizational design wherein the objectives of the organization must be reasonably matched to the environmental context in which they will be implemented.

One potential cause of the ambiguity regarding the effects of the environment on the firm can be found in a failure to distinguish between the two types of environment. In addition to the general environment, organizations are also confronted by a task (or specific) environment (Hall, 1982; Osborn and Hunt, 1974; and Kast and Rosenzweig, 1979). According to Hall (1982), "the specific environment is composed of the organizations and individuals with which an organization is in direct interaction."

The task environment differs for each organization, whereas the general environment is essentially the same for all organizations in a given industry or society (Kast and Rosenzweig, 1979). The organization is linked with its task environment within the context of the general environment. The organization engages with units of its task environment, each affecting the other, but both are impacted by the general environment (and vice versa). A failure to clearly distinguish the two types of environment can only add to managerial confusion concerning the effects of the environment on the specific organization. For the purposes of this paper, the term "environment" describes the firm's task environment unless specifically noted otherwise.

In order to formulate an effective business strategy, it is incumbent upon practitioners to assess the organization's current situation. Typically, strategic analysis of an organization is conducted in two stages: external and internal analysis. External analysis reveals opportunities and threats while internal analysis reveals strengths and weaknesses (Wheelen and Hunger, 2012). Both are equally important but the scope of this paper will be limited to those environmental factors impacting the firm.

During the first step of the proposed process, practitioners are encouraged to analyze and monitor the external factors that impact organizational performance. This can be accomplished in numerous ways, though it is recommended that managers use an approach that is grounded in theory and well-supported by sound research. Therefore, the authors offer two tools for environmental analysis: PESTEL Analysis and Porter's Five Competitive Forces.

PESTEL Analysis is a tool that identifies those macro-environmental influences facing the organization. PESTEL identifies external factors across six primary categories: Political, Environmental, Social, Technological, Legal, and Environmental. The benefits of PESTEL Analysis are twofold, it allows for the identification of the environment in which the firm operates and provides useful information to management that enables the organization to better confront future changes in a dynamic competitive landscape (Dockalikova and Kashi, 2014). (Figure 3)

In his classic paper, "How Competitive Forces Shape Strategy," Porter (1979) suggested that an organization confronts five principal competitive forces: degree of buyer power, degree of supplier power, threat of new entrants, threat of substitution, and the intensity of rivalry among existing competitors. Each force is measured on a spectrum ranging from low to high. The configuration of these five forces varies among industries.

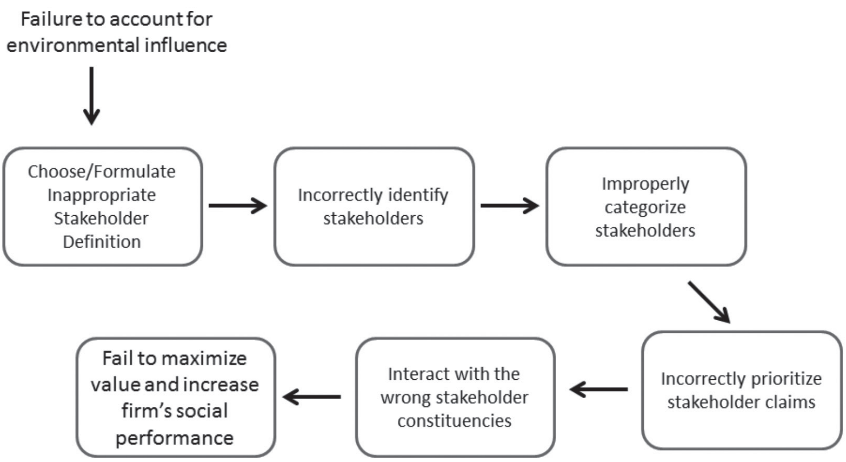
Figure 3: PESTLE Analysis Explanation

PESTLE Analysis		
Political	**Economic**	**Social**
Refers to governmental policy such as political stability, governmental policy, or degree of governmental influence in the economy.	These include interest rates, taxation, economic growth, GDP, disposable household income, and exchange rates.	Socio-cultural factors that involve the shared belief and attitudes of the consumerate. These factors include – population growth, age distribution, career attitudes life expectancy, and so forth.
Technological	**Legal**	**Environmental**
These factors include changes in the technological landscape that impact the creation, marketing, and delivery of products/services to consumers.	These factors include health and safety regulation, equal opportunity law, consumer rights and consumer protection laws, product labelling regulation, and product safety law.	Environmental factors include polution targets, corporate social responsibility initiatives, scarcity of raw materials, carbon emissions regulations (legal factor as well).
Top Opportunities		**Top Threats**
Managers identify top opportunities here…		Managers identify top threats here…

Therefore, in order to understand their own competitive landscape, the organization should analyze their macro-environment in terms of these five forces (Porter, 2008: p. 79-80).

These tools are not mutually exclusive. It is recommended they be used in conjunction to more thoroughly assess the variety of environmental factors impacting the structure and activities of the organization. This step is the most critical of all steps in the proposed mapping process. Without a clear picture of the firm's situation, it is nearly impossible to accurately define which stakeholders truly matter to the organization. A failure to properly execute this important first step is compounded throughout the stakeholder mapping process, a phenomenon referred to herein as the "snowball effect" (Figure 4).

Figure 4: Snowball Effect Illustrated



STEP TWO: STAKEHOLDER DEFINITION

There are numerous opinions within stakeholder theory as to who should be considered a stakeholder and who should not. A review of the extant literature yields two principal schools of thought - a broad and a narrow interpretation of stakeholder definition. Those definitions which are narrower in scope typically encompass those groups connected to the key economic interests of the organization (Alkafajhi, 1989). Conversely, those definitions which are wider in scope acknowledge that nearly anyone can influence the organization and its performance (Mitchell, Agle, &

Figure 5: Stakeholder Definition Typologies

Author	Year	Typology of Stakeholder Definition
Freeman and Reed	1983	1) "Individual or group who can affect/is affected by the achievement of the organization's objectives. 2) "Groups on which the organization is dependent for its continued survival"
Freeman	1984	"Those groups without whose support the organization would cease to exist"
Freeman	1984	"Any group or individual what can affect or is affected by the achievement of the firm's objectives"
Freeman and Gilbert	1987	"Can affect or is affected by a business"
Cornell and Shapiro	1987	"Those claimants who have 'contracts'"
Evan and Freeman	1988	1) "Have a stake in or claim on the firm" 2) "Benefit from or are harmed by corporate actions"
Alkafajhi	1989	"Groups to whom the corporation is responsible"
Thompson et al.	1991	"Groups in relationship with the organization"
Brenner	1992	"Having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities"
Nutt and Backoff	1992	"All parties who will be affected by or will affect the organization's strategy"
Carroll	1993	"Asserts to have one or more of the kinds of stakes in business"
Freeman	1994	"Participants in the 'human process of joint value creation'"
Wicks et al.	1994	"Interact with and give meaning and definition to the corporation"
Bryson	1995	"Any person group or organization that can place a claim on the organization's attention, resources, or output, or is affected by that output"
Donaldson and Preston	1995	"Persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity"
Roloff	2008	"Any group or individual who can affect or be affected by the approach to the issue addressed to the [stakeholder] network"
Florea and Florea	2013	"Those who are interested, who can be affected , or which could influence the company's decisions or actions"

Wood, 1997). The latter school of thought can often present issues to practitioners who struggle to clarify exactly who and what really matters.

Figure 5 presents a small sample of the numerous proposed definitions of stakeholder:

In order to offer more clarity to practitioners, a flexible definition is proposed that borrows from both the narrow and broad perspectives based on the following operational definition of stakeholder: An individual or group who stands to "win" when the organization "wins," and "lose" when the organization "loses." Further, "win" and "lose" are fluid constructs that are defined by the stakeholder and vary depending upon that stakeholder's situation.

STEP THREE: STAKEHOLDER IDENTIFICATION

Once the practitioner clearly articulates what it means to "win" and to "lose," the next step in the proposed process is to apply this definition and delineate between stakeholders and non-stakeholders. This step is critical to the success of the proposed mapping process, because it could prove harmful to overlook any group of stakeholders. As numerous authors state, managers often find it difficult to discern which stakeholders are important to the successful achievement of the organization's goals (Kaler, 2002; Tashman and Raelin, 2013). In an applied setting, however, the typology offered by Friedman et al. (2004) is proposed as an effective means for identifying stakeholders and the relationship they have with the organization. Their paper identifies four criteria for identifying stakeholders and typifying the relationship between the stakeholder and the organization:

(1) A direct or indirect connection exists between the stakeholder and the organization.

(2) A stakeholder represents definable interests.

(3) A stakeholder is perceived as a legitimate and integral part of the organization.

(4) Stakeholders may undertake different functions/roles in relation to the organization.

Thus, the process step of stakeholder identification helps managers articulate who is a stakeholder and who is not. This first distinction is a critical step toward organizing stakeholders in a way that is more manageable for practitioners. Further, by creating this key distinction, practitioners transition into the next phase of stakeholder management -- stakeholder categorization.

STEP FOUR: STAKEHOLDER CATEGORIZATION

The process of stakeholder categorization has been undertaken in a variety of ways in an effort to more efficiently prioritize stakeholder claims (Achterkamp and Vos, 2007). Figure 6 outlines selected approaches from the extant literature.

The proposed framework encourages practitioners to formulate their own operational definition of stakeholder, as a static classification paradigm would prove counterintuitive. For example, if an internal/

Figure 6: Stakeholder Categorization Typologies

Author	Year	Classification Criteria	Typology of Stakeholder Definition
Freeman	1984	Proximity to locus of control	"Internal" and "External"
Savage, G. T., Nix, T. W., Whitehead, C. J., & Blair, J. D. (1991).	1991	Nature of relationship	"Supportive", "Mixed Blessing", "Marginal", "Non-Supportive"
Goodpaster	1991	Nature of claim	"Strategic" and "Moral"
Clarkson	1995	Nature of claim/degree of influence	"Primary" and "Secondary"
Mitchell, Agle, and Wood	1997	Possession/non-possession of three traits - power, urgency, legitimacy	"Dangerous" , "Dominant" , "Dependent" , "Definitive", "Discretionary", "Demanding", "Dormant"
Rowley	1997	Proximity/nature of claim	"Compromiser", "Commander", "Subordinate", "Solitarian"
Frooman	1999	Degree of influence	"Low interdependence", "Stakeholder power", "Firm power", "High interdependence"
Kaler	2002	Nature of relationship	"Claimant" and "Influencer"
Friedman and Miles	2002	Nature of relationship	"Direct" and "Indirect"
Phillips	2003	Nature of relationship	"Normative", "Derivative", "Dangerous/Dormant"
Kamann	2007	Interest/power	"Type A - Minimal Effort", "Type B - Keep Informed", "Type C - Keep Satisfied", "Type D - Key Players"
Fassin	2008	Proximity and nature of claim	"Stakeholder", "Stakekeeper", "Stakewatcher", "Non-relation"
Florea and Florea	2013	Degree of influence	"Primary", "Secondary", "Key stakeholders"

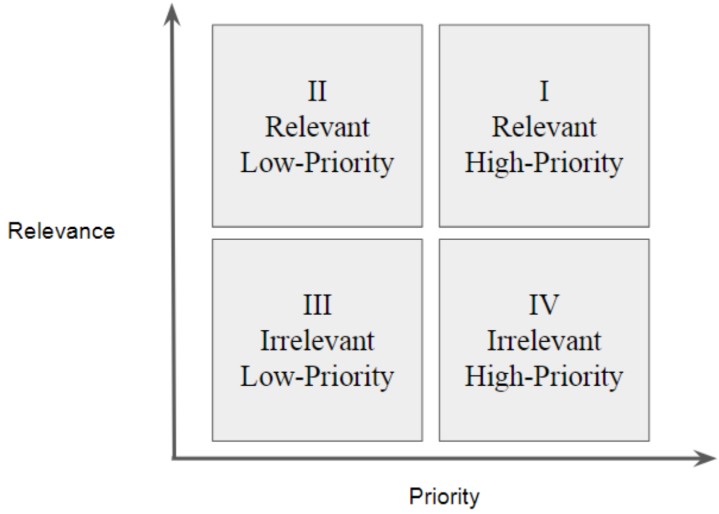
external classification paradigm is applied, practitioners would prioritize internal stakeholders, those more concerned with the financial activities of the organization, over external stakeholders, those interested in value, quality, ethical actions, and so on (Florea & Florea, 2013). Despite the fact that the claims of internal stakeholders are considered most important, the claims of external stakeholders can have an equal or greater impact upon the firm's performance, therefore these stakeholders should not be demoted (Bailur, 2006).

During an initial review of the extant literature, a categorization typology was sought that would be flexible enough to account for a variety of stakeholder definitions without adversely affecting downstream processes. Several of the classification systems described in Figure 6 (Goodpaster, 1991; Savage et al., 1991; Hill and Jones, 1992; Clarkson 1995; Frooman, 1999) use only a single dimension to classify stakeholders. For example, Goodpaster (1991) classifies stakeholders according to the nature of their fiduciary obligations to the organization. It could be argued, however, that these single-dimension approaches are too simplistic to provide a meaningful framework for stakeholder categorization because of the complexities involved with network relationships in a dynamic macro-environment.

To overcome this impasse, a dyadic framework was selected that evaluates stakeholder claims and typifies them based on two criteria - relevance and priority. Relevance (for the purposes of this paper) can be ascertained by evaluating whether or not the stakeholder claim in question has the power to prevent the firm from achieving its full set of strategic objectives or potentially cause the organization to "lose" if left unattended. Priority, derived from the Mitchell et al. (1997) concept of urgency, is derived from the time-sensitivity of a stakeholder's claim and the criticality or perceived importance of the claim to the organization itself. Essentially, the concept of priority represents the degree to which the stakeholder claim warrants immediate attention.

Thus, stakeholder salience is to be evaluated along various configurations of relevance and priority. Figure 7 indicates that those groups who have been identified by the previous step as a stakeholder can be classified into four groups according to the nature of their claims. These four groups range from low-priority irrelevant stakeholders requiring little action to high-priority relevant stakeholders where managers have a clear responsibility to act upon the stakeholder's claim immediately.

Figure 7: Proposed Stakeholder Categorization Framework



It should be noted that the proposed framework does not suggest wholly disregarding those stakeholders identified as low-priority irrelevant. Rather, practitioners in a decision-making capacity must appreciate the reality of scarce resources. Financial capital, labor, equipment, natural resources, management time/attention, and similar issues must all be allocated so as to maximize value for the organization's stakeholders. How do practitioners go about this process of resource allocation?

STEP FIVE: STAKEHOLDER PRIORITIZATION

The prioritization of competing stakeholder claims is an important issue in stakeholder research (Laplume, Sonpar, & Litz, 2008). Managers constantly balance the claims of stakeholders against those of other stakeholders, particularly shareholders (Berman, Wicks, Kotha, & Jones, 1999). This "balancing game" warrants a holistic assessment of individual claims and how addressing said claims will impact the firm's performance. It is to be reasonably expected that salient stakeholder interests are embedded within the various interdependencies between the organization and its stakeholders. It is also understood that managers act as the "locus of control" for the firm's decision-making "apparatus" (Jensen & Meckling, 1976; Hill & Jones, 1992). Simply put, managers are tasked with identifying important stakeholder claims and prioritizing them in a manner that satisfies these varying interests and achieves the ultimate goal of value maximization (Freeman & Evan, 1990; Mitchell et al., 1997).

Bundy, Shropshire, and Buchholtz (2013) contend that, when prioritizing stakeholder claims, the practitioner must make an important distinction between the issue at hand and the stakeholder themselves. They position "issue salience" as the main driver for managerial responsiveness to stakeholder claims. Their contribution is a strategic cognition view of issue salience, which argues that managers prioritize issues (and, consequently the groups supporting these issues) based on their own perceptions of how these issues relate to strategic actions and goals. An important conclusion of their research is that issues not framed as salient do not receive managerial priority or attention. The proposed stakeholder mapping process presents a similar paradigm.

During the categorization phase of the proposed process, stakeholder claims were evaluated using two criteria - relevance and priority. Unique monikers have been assigned to each group in the interest of accessibility.

Figure 8: Proposed Stakeholder Prioritization Framework

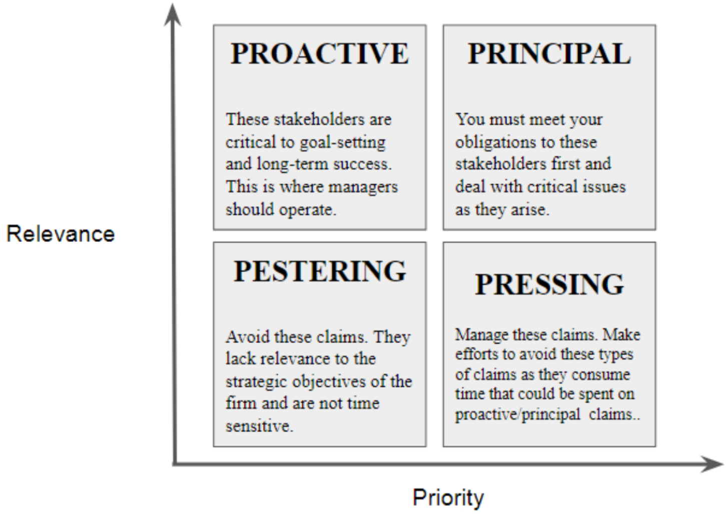


Figure 8 outlines a rudimentary approach to prioritizing stakeholder claims. Quadrant I (Principal Stakeholders) are those relevant stakeholders with high-priority claims. As the claims of this group are relevant, they can be directly linked to the achievement of the organization's goals. Further, the urgency of the claims requires immediate attention and will create issues if they are not addressed. Thus, resources should first be allocated to Principal stakeholders.

Quadrant II (Proactive Stakeholders) includes those stakeholders whose claims are relevant but do not require immediate attention. The claims of stakeholders in this quadrant should be addressed after those from Quadrant I are met. While managers must first meet the important obligations of those groups in Quadrant I, the claims in Quadrant II are often just as important to the organization. Because of the importance of their claims, these stakeholders are often critical to goal setting and the long-term success of the organization. The moniker "Proactive Stakeholder" is derived from the notion that addressing the claims of these constituencies can benefit the organization by helping management align their expectations with those of stakeholders whose needs are relevant but not yet urgent.

Quadrant IV (Pressing Stakeholders) represents those stakeholders whose claims are time-sensitive but cannot be directly linked to the achievement of the organization's goals. As such, their claims should be addressed after the claims of Quadrant I and II stakeholders are satisfied. Practitioners should avoid falling into the trap of addressing "pressing" claims which do not align with the strategic objectives of the organization.

Lastly, Quadrant III (Pestering Stakeholders) is comprised of those stakeholders whose claims are neither relevant nor high-priority. Managers should make efforts to avoid allocating resources to these activities as they are neither time-sensitive nor linked to the performance and strategic goals of the organization. For this reason, these stakeholders are called "Pestering" stakeholders.

This section outlined a simplified approach to stakeholder prioritization. Before this step in the process, the practitioner defined their situation through environmental scanning, clarified what it means to be a stakeholder (and what it means to "win" and "lose"), and categorized stakeholders according to the relevance and priority (urgency) of their claims.

It should be noted that this tool is not intended to be a faultless method. Rather, this approach to stakeholder prioritization is intended to aide practitioners in making sound decisions when allocating scarce resources (time, money, human resources) and to encourage the practitioners to evaluate stakeholder claims in a manner that accounts for situation confronting the organization.

STEP SIX: STAKEHOLDER ENGAGEMENT

Thomson and Bebbington (2005) describe stakeholder engagement as organizations taking a structured approach to connect with stakeholders. Once stakeholder claims have been prioritized, research suggests that managers develop policies, strategies, and organizational goals to engage with those constituencies most critical to the core strategic objectives of the organization.

In their task environment (Dill, 1958; Gerloff, 1985), organizations confront a variety of sources of uncertainty and interdependence (Bazerman & Schoorman, 1983; Pfeffer & Salancik, 1978; Thompson, 1967). To handle these problems effectively, organizations must forge relationships with the critical constituencies in their environment (Bresser & Harl, 1986; Pfeffer, 1972; Selznick, 1949). As Schoorman, Bazerman, and Atkin (1981) noted, "the management of an organization's linkages to financial institutions, suppliers, and customers may be just as crucial to the effectiveness of the total organization as its internal management" (p. 244).

Huegens, van den Bosch, and van Riel (2002) developed a dyadic typology of stakeholder integration mechanisms based on the relationship between the stakeholder and firm (locus) and the firm's response to the stakeholder's influence (modus). The researchers found that the development of a mutually enforcing relationship with key constituencies (high-priority stakeholders) is broadly seen as the dominant pathway to superior market performance and yields concrete competitive benefits for practicing managers.

Fassin, Deprez, van den Abeele, and Heene (2016) analyzed how stakeholder management was applied in the case of a special youth guidance home in Belgium. The authors contend that critical stakeholders consider participation at the operational level as being more important than participation at the strategic level (e.g. on the board of directors). Their findings suggest that critical stakeholders do expect to be involved in the operationalization of strategic decisions and expect that their specific situations and interests are considered during the decision-making process.

Bottenberg, Tuschke, and Flickinger (2017) analyzed corporate governance systems in Germany. Their findings suggest that processes of cooperation, trust, information sharing, and long-term commitment lead to effective firm management and value creation for stakeholders. The authors contend that, by addressing the needs of critical stakeholders, the firm renders more balanced decisions that yield short- and long- term strategic benefits.

Thus, as detailed during the prioritization stage of the process, managerial time and attention are scarce resources. The extant literature suggests that firm performance is closely linked to the engagement of key stakeholder groups. Therefore, simply prioritizing claims is not sufficient for sustained value creation. Managers must involve these key constituencies in the decision-making processes and respond to their claims in a manner that satisfies both parties.

STEP SEVEN: INCREASE FIRM PERFORMANCE

Stakeholder theory provides a reasoned perspective for how firms should manage their relationships with stakeholders to facilitate the development of sustained superior financial performance. A central premise of much of the literature on stakeholder theory is that treating stakeholders well and managing for their interests helps the firm create value along a number of dimensions and yields improved firm performance (Donaldson & Preston, 1995; Freeman, 1984; 1994; Freeman et al., 2007; Harrison, Bosse & Phillips, 2010; Jones, 1995; Jones & Wicks, 1999). The extant empirical literature, reviewed by Parmar et al. (2010), is generally supportive of the positive correlation between stakeholder-oriented management practices and increased firm performance, which is almost always measured in terms of financial returns (Berman et al., 1999; Choi & Wang, 2009; Hillman & Keim, 2001). Consequently, the empirical stakeholder literature itself reinforces the idea that financial returns are the most relevant measure of the value created by a firm. While stakeholder theory, by nature, emphasizes a multidimensional approach to "value creation" (e.g., corporate social responsibility, increased wealth, improved reputation). In the interest of brevity, this article focuses on value creation by financial/economic measures.

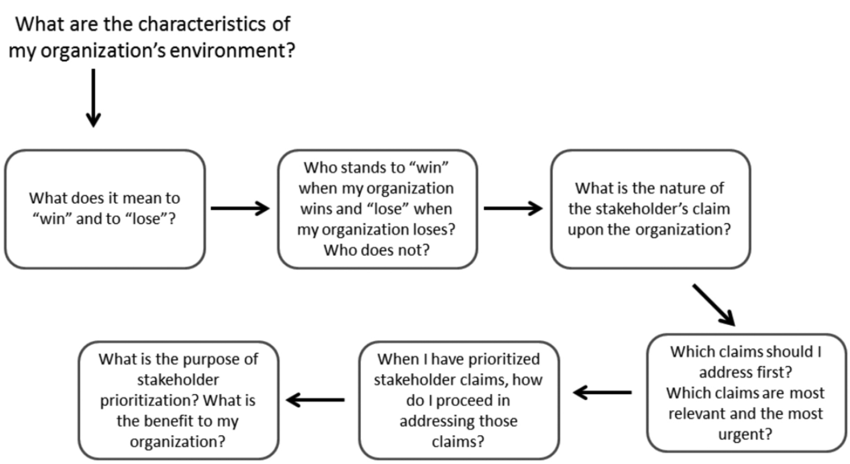
Stakeholder theory is predicated on the idea that the success of the firm depends on its ability to satisfy stakeholders over the long run. Jones (1995) contends that a stakeholder orientation is in the best interest of the firm's long-term economic viability by stating that building lasting relationships with individual stakeholder groups will reduce operational costs (e.g. lower turnover will reduce hiring and training costs or stable shareholder relationships will reduce stock market volatility and lengthen strategic planning horizons).

Multiple theorists contend that the stakeholder approach positively impacts the firm's perception among key stakeholder constituencies. As a result of this enhanced reputation, the firm is more attractive in the marketplace to potential investors, employees, and consumers (Fombrun & Shanley, 1990; Jones, 1995; Harrison & St. John, 1996). This enhanced reputation can also facilitate the formation of strategic alliances, long-term contracts, and joint ventures that broaden the firm's potential to earn economic returns (Barringer & Harrison, 2000; Harrison & St. John, 1996). Lastly, this enhanced reputation can act as a source of competitive advantage when the firm is presented with a larger breadth of business opportunities from which to select, leading to a greater degree of organizational flexibility (Harrison & St. John, 1996; Harrison et al., 2010).

Berman et al. (1999) derived a "strategic stakeholder management model," which premised that firms will address stakeholder concerns to the extent that (they believe) doing so will enhance the firm's financial performance. These authors found that fostering connections with key stakeholders (and allocating resources accordingly) can help with firm profitability. This study also found a positive relationship between return on assets and the level of support the firm provides its employees.

Sisodia, Wolfe, and Sheth (2007) surveyed 62 corporations who adopted the stakeholder approach to management. Their findings suggested that, when compared to firms who did not engage actively in effective stakeholder management, the "Firms of Endearment" (as they were so called in their book) outperformed their competitors at a 6:1 ratio. Harrison and St. John (1996) emphasized that stakeholder management correlates with higher financial performance. The authors cautioned that, while stakeholder management implies that more resources be allocated to satisfy the needs of various stakeholder constituencies than would otherwise be deemed necessary, the firm will realize an increased return on this investment when the stakeholder reciprocates by "treating the firm well in return." Lastly, Choi and Wang (2009) discovered that effective stakeholder management not only led to sustained superior financial performance, but also helped poorly performing firms increase their financial performance more quickly.

Figure 9: Proposed Mapping Process – Questions for Practitioners



By correctly identifying those stakeholders most relevant to the firm's core strategic interests, managers interface with those groups who "truly matter." In doing so, the manager satisfies the core objective of the stakeholder concept by creating value for the firm and its key stakeholder groups.

CONCLUSION

In this paper, the authors support the consonance hypothesis's claim that organizations who achieve a greater degree of fit to their environment achieve greater performance than those who do not. The authors identified improper stakeholder definition as an issue leading to dissonance between the organization and its environment. This paper also discussed the snowball effect as a consequence of an improper definition and proposed an alternative framework for stakeholder management in the form of a heuristic tool for practitioners, the stakeholder mapping process.

Many questions remain unanswered. This process, while developed from a review of the extant literature, cannot stand alone as the panacea for the many problems facing an organization. It would be remiss to assume that the influence of the environment is the sole mitigating variable that determines the success/failure of the organization. With that in mind, it is suggested that future research be conducted to explore (in a similar fashion) the wide range of factors affecting firm performance so they might be applied in a way that is more accessible to practitioners. In doing so, organizational practice will align with theory and advance the stakeholder approach to management in various facets of the organization.

Additionally, this article considered the performance of the organization as measured solely by financial indicators. While economic returns are often the most apparent determinants of success/failure, these measures alone do not encompass the multidimensional nature of the stakeholder concept. Many of the inducements associated with the stakeholder approach stem from the increased returns in the form of reputation, corporate social responsibility, and improved stakeholder relationships. These benefits are often intangible and difficult to perceive from the managerial perspective but are nonetheless important considerations.

REFERENCES

Achterkamp, M. & Vos, J. (2007). Critically Identifying Stakeholders. *Systems Research and Behavioral Science.* 24. 3 - 14. 10.1002/sres.760.

Alkhafaji, A. F. (1989). *A Stakeholder Approach to Corporate Governance: Managing in a Dynamic Environment.* Westport: Quorum Books.

Bailur, S. (2006). Using Stakeholder Theory to Analyze Telecenter Projects. *Information Technologies and International Development,* 3(3): 61–80.

Barringer, B. R., & Harrison, J. S. (2000). Walking a tightrope: Creating value through interorganizational relationships. *Journal of Management,* 26(3): 367–403.

Bazerman, M. H., & Schoorman, F. D. (1983). A Limited Rationality Model Interlocking Directorates. *The Academy of Management Review,* 8(2): 206–217.

Bebbington, J., & Thomson, I. (2005). Social and environmental reporting in the UK: a pedagogic evaluation. *Critical Perspectives On Accounting,* 16(5), 507-533.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal,* 42(5): 488–506.

Bottenberg, K., Tuschke, A., & Flickinger, M. (2017). Corporate Governance Between Shareholder and Stakeholder Orientation: Lessons From Germany. *Journal of Management Inquiry.*

Brenner, S. N. (1993). The stakeholder theory of the firm and organizational decision making: some propositions and a model. *International Association for Business and Society.*

Bresser, R. K., & Harl, J. E. (1986). Collective Strategy: Vice or Virtue? *Academy of Management Review,* 11(2): 408–427.

Bryson, J. (1995). *Strategic planning for public and non-profit organization.* San Francisco: Jossey-Bass Publishers.

Bundy, J., Shropshire, C., & Buchholtz, A. K. (2013). Strategic cognition and issue salience: Toward an explanation of firm responsiveness to stakeholder concerns. *Academy of Management Review*, 38(3): 352–376.

Carroll, A. B. (1993). *Business and society.* Cincinnati: South-Western Publishing.

Choi, J., & Wang, H. (2009). Stakeholder relations and the persistence of corporate financial performance. *Strategic Management Journal,* 30(8): 895–907.

Cleland, D. (1986). Project stakeholder management. *Project Management Journal,* 17(4): 36–44.

Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review*, 20(1): 92–117.

Cornell, B., & Shapiro, A. (1987). Corporate Stakeholders and Corporate Finance. *Financial Management,* 4-14.

Dill, W. R. (1958). Environment as an Influence on Managerial Autonomy. *Administrative Science Quarterly,* 2(4): 409–443.

Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review,* 20(1):

Dockalikova, I., & Kashi, K. (2014). MCDM Methods in Practice: Determining Importance of PESTEL Analysis Criteria. International Days of Statistics and Economics, 334-344.

Evan, W., & Freeman, R. E. (1988). A stakeholder theory of the modern corporation: Kantian capitalism. *In Ethical Theory and Business:* 75–84.

Fassin, Y. (2008). The stakeholder model refined. *Journal of Business Ethics,* 84: 113-135.

Fassin, Y., Deprez, J., Van den Abeele, A., & Heene, A. (2016). Complementarities Between Stakeholder Management and Participative Management: Evidence From the Youth Care Sector. *Nonprofit and Voluntary Sector Quarterly.*

Florea, R., & Florea, R. (2013). Stakeholders Interests Analyse and Harmonization – Starting Point of Strategic Approach. *Economy Transdisciplinary Cognition,* 16(1): 130–135.

Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach.* Pitman Series in Business and Public Policy (Vol. 1).

Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly.* 4: 409-421.

Freeman, R., & Evan, W. M. (1990). Corporate governance: A stakeholder interpretation. *The Journal of Behavioral Economics,* 19(4): 337–359.

Freeman, R. E., & Gilbert, D. R. (1987). Managing stakeholder relationships. In S. P. Sethi & C. M. Falbe (Eds.), Business and society: Dimensions of conflict and cooperation, 397-423. Lexington, MA: Lexington Books.

Freeman, R. E., Martin, K., & Parmar, B. (2007). Stakeholder capitalism. *Journal of Business Ethics,* 74(4): 303–314. https://doi.org/10.1007/s10551-007-9517-y

Freeman, R. E., & Reed, D. L. (1983). Stockholders and shareholders: a new perspective on corporate governance. *California Management Review,* 25(3): 88–106.

Friedman, A. L., & Miles, S. (2006). *Stakeholders: Theory and Practice.* Oxford: Oxford.

Friedman, M., Parent, M., & Mason, D. (2004). Building a framework for issues management in sport through stakeholder theory. *European Sport Management Quarterly,* 4(3), 170-190.

Fombrun, C., & Shanley, M. (1990). What's in a Name? Reputation Building and Corporate Strategy. *Academy of Management Journal,* 33(2): 33–5.

Frooman, J. (1999). Stakeholder Influence Strategies. *Academy of Management Journal,* 24(2): 191–205.

Gerloff, E. (1985). *Organizational theory and design: a Strategic Approach for management.* New York: McGraw-Hill.

Goodpaster, K. E. (1991). Business Ethics and Stakeholder Analysis. *Business Ethics Quarterly,* 1(1): 53.

Harrison, J. S., Bosse, D. A., & Phillips, R. A. (2010). Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal,* 31(1): 58–74.

Harrison, J. S., & St. John, C. H. (1996). Managing and partnering with external stakeholders. *Academy of Management Executive,* 10(2): 46–60.

Heugens, P. P. M. A. R., van den Bosch, F. A. J., & van Riel, C. B. M. (2002). Stakeholder Integration. *Business & Society,* 41(1): 36–60.

Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal,* 22(2): 125–139.

Jones, T. M., Felps, W., & Bigley, G. A. (2007). Ethical Theory and Stakeholder-Related Decisions: The Role of Stakeholder Culture. *Academy of Management Review,* 32(1), 137-155.

Kamann, D.-J. F. (2007). Organizational design in public procurement: A stakeholder approach. *Journal of Purchasing and Supply Management,* 13(2): 127–136.

Hall, R. (1982). *Organizations: Structure and Process.* Englewood Cliffs, New Jersey: Prentice-Hall.

Harrison, J. S., Bosse, D. A., & Phillips, R. A. (2010). Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal,* 31(1): 58–74.

Hill, C. W. L., & Jones, T. M. (1992). Stakeholder - Agency theory. *Journal of Management Studies.* 29(2): 131-154.

Hunger, J. D., & Wheelen, T. L. (2012). *Essentials of strategic management*. Essex: Pearson.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics,* 3: 305-360.

Jones, T. M., & Wicks, A. C., Jones, T. M., & Wicks, A. C. (1999). Convergent Stakeholder Theory. *Academy of Management Review,* 24(2): 206–221.

Jones, T. M. (1995). Instrumental Stakeholder Theory: a Synthesis of Ethics and Economics. *The Academy of Management Review,* 20(2): 404–43

Kaler, J. (2002). Morality and strategy in stakeholder identification. *Journal of Business Ethics,* 39: 91–99.

Kamann, D. J. F. (2007). Organizational design in public procurement: A stakeholder approach. *Journal of Purchasing & Supply Management,* 13(2), 127 - 136.

Karlsen, J. (2002). Project stakeholder management. *Engineering Management Journal,* 14(4): 19-24

Kast, F. E., & Rosenzweig, J. E. (1979). *Organization and management: a systems and contingency approach.* New York: McGraw-Hill.

Laplume, A. O., Sonpar, K., & Litz, R. A. (2008). Stakeholder Theory: Reviewing a Theory That Moves Us. *Journal of Management,* 34(6): 1152-1189.

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review,* 22(4): 853–886.

Osburn, R. N., & Hunt, J. G. (1974). Environmental and Organizational Effectiveness. *Administrative Science Quarterly,* 19(2): 231-246.

Matuleviciene, M., & Stravinskiene, J. (2015). The importance of stakeholders for corporate reputation. *Engineering Economics,* 26(1): 75–83. https://doi.org/10.5755/j01.ee.26.1.6921

McElroy, B., & Mills, C. (2003). Managing Stakeholders. In Turner, RJ (Ed.) *People in Project Management.* Aldershot: Gower: 99-118.

Nutt, P.C. & Backoff, R.W. 1992, *Strategic management of public and third sector organizations,* 1st ed., Jossey Bass Inc., San Francisco.

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & de Colle, S. (2010). Stakeholder Theory: The State of the Art. *The Academy of Management Annals,* 4(1): 403–445.

Pfeffer, J. (1972). Size and Composition of Corporate Boards of Directors: The Organization and its Environment. *Administrative Science Quarterly,* 17(2): 218–228.

Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations.* New York: Harper & Row.

Porter, M. E. (1979). How Competitive Forces Shape Strategy. *Harvard Business Review,* 133-143.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review,* 86(1), 78-93.

Roloff, J. (2008). Learning from Multi-Stakeholder Networks: Issue-Focused Stakeholder Management. *Journal of Business Ethics,* 233-250.

Rowley, T. J. (1997). Moving beyond dyadic ties: A network theory of stakeholder influences. *Academy of Management Review,* 22(4): 887–910.

Savage, G. T., Nix, T. W., Whitehead, C. J., & Blair, J. D. (1991). Strategies for assessing and managing organizational stakeholders. *Executive,* 5(2): 61–75.

Selznick, P. (1949). TVA and the Grass Roots: A Study in the Sociology of Formal Organization. *University of California Publications in Culture and Society.*

Sisodia, R., Wolfe, D., & Sheth, J. (2007). Firms of Endearment: How World-Class Companies Profit From Passion and Purpose. *Executive Book Summaries,* 29(3): 29–18.

Sontaite, M. (2011). Stakeholder role of corporate reputation management. *Management of Organizations: Systematic Research,* 129–140.

Tashman, P., & Raelin, J. (2013). Who and What Really Matters to the Firm: Moving Stakeholder Salience Beyond Managerial Perceptions. *Business Ethics Quarterly,* 23(4): 591–616.

Thompson, J. K., Wartick, S. L., & Smith, H. L. (1991). Toward a substantive definition of the corporate issue construct: A review and synthesis of the literature. *Business & Society,* 33: 293–311.

Yang, X., & Rivers, C. (2009). Antecedents of CSR practices in MNCs' subsidiarie*s: A stakeholder and institutional perspective.* Journal of Business Ethics, 86: 155–169

A COMPARATIVE REVIEW OF FINANCIAL PERFORMANCE AND MANAGEMENT DIFFERENCES AMONG ALBANIAN CORPORATIONS[1]

Zhaklina Dhamo, University of Tirana
Vasilika Kume, University of Tirana

ABSTRACT

This research aims to explore management approach and the financial reasons of distress of companies operating in Albania. The Altman (2000) model has been used for assessing the probability of bankruptcy of privately owned businesses. The differences in the financial performance have been identified for companies considered as "bankrupt" and companies that are considered as "non-bankrupt." We identify, through a survey, the differences in management of "bankrupt" versus "non-bankrupt" companies.

1. INTRODUCTION

This research follows the investigation of reasons of financial distress of businesses operating in Albania, initiated in the previous works of Dhamo and Kume (2015, 2016).

The main objective of the study is to identify management quality causes of potential default. The seminal work of Altman (1968) on predicting failure through multi-discriminant analysis of financial ratios, which is followed by other studies of Altman et al. (1977, 2000, 2005, 2013, 2014), explores that business failure is affected by liquidity of firms' assets, cumulative profitability over time, asset productivity, sales generating ability of assets, and financial leverage. The Z models proposed by Altman show two types of errors. Type I error occurs when the model classifies failed companies as non-failed, while Type II error occurs when the model classifies non-failed companies as failed. There are evidences of many pros and cons in the literature regarding Altman's predictive approach for business failure. Hayes (2010) confirms that Z" model has a 94% predictive power in the retail sector of the US. Altman et al. (2014) evidenced that Z" model may perform well in different countries. The authors show that Z" models work well for Italian manufacturers, if used with caution (Altman et al., 2014). Muminovic (2013) suggests that local market models should perform better than Altman Z models in the local context.

However, the predictive power of the financial ratios does not explain much about the reasons of companies' financial distress. Gaskill et al. (1993) evidenced that retail businesses' poor managerial functions, ineffective advertising/promotional strategy, failure to generate long term business plan, and personnel plan are all factors that may cause business failure. Ropega (2011) shows that the combination of both financial and organizational analysis, may help businesses track proper actions to avoid failure. Ahmad and Seet (2009) conclude that in Australia and Malaysia failure comes due to the lack of clear business direction, conduct research, recognize opportunities, organization, and relationship skills. Zilbershtein (2013) stresses on the fact that successful entrepreneurs are proactive, consider the firm as people centered entity, and engage others in their decision processes.

Following the suggestions of Ropega (2011), our research focuses on how the management differences may affect the financial performance of failed and non-failed companies operating in Albania. We use the Z models approach, suggested by Altman (2000) to identify "bankrupt" and "non-bankrupt" companies in the sample considered in this research. We conducted a modified version of the survey method suggested by Nikolic et al. (2015), as presented by Dhamo and Kume (2015), to observe the management differences between "bankrupt" and "non-bankrupt" companies considered in this study.

The methodology of the research has been described briefly in the next section. Section three presents the sources of the data used in the Z-Score assessment and survey results. Section four compares the bankruptcy potential results of different sectors through the period 2011–2014. The fifth section describes the differences in financial and management style of "bankrupt" and "non-bankrupt" companies considered in this study. Conclusions of this research are presented in the last section.

2. RESEARCH METHODOLOGY

Considering the fact that in Albania there is no company listed in any capital market, we use the Z' and Z" models suggested by Altman

(2000) to identify "bankrupt" and "non-bankrupt" firms in the sample used in this research.

The Z' model is:

$$Z' = 0.717(X_1) + 0.847(X_2) + 3.107(X_3) + 0.420(X_4) + 0.998(X_5) \quad (1)$$

Where,

X1 = Working Capital/Total Assets (a measure of liquid assets relative to total capitalization)

X2 = Retained Earnings/Total Assets (a measure of relative cumulative profitability over time)

X3 = EBIT/Total Assets (a productivity measure of firms' assets)

X4 = Book Value of Equity/Book Value of Total Debt (a measure of the relative tolerance regarding decline in value of assets until the company becomes insolvent)

X5 = Sales/Total Assets (a measure of the sales generating ability of company's assets)

Z' = Overall index value

If the Z' score is lower than 1.23, than the company is considered as bankrupt. If the score is higher than 2.9, than the company is non-bankrupt. A score between 1.23 and 2.9 is considered as zone of ignorance—does not indicate anything regarding financial distress.

The ability to generate sales from company's assets (X5) is left out in the Z'' model, since it is considered as a ratio influenced by the type of industry.

$$Z'' = 6.56(X_1) + 3.26(X_2) + 6.72(X_3) + 1.05(X_4) \quad (2)$$

If the Z'' score is lower than 1.1, than the company is considered as bankrupt. If the score is higher than 2.65, than the company is considered as non-bankrupt. A score between 1.1 and 2.65, considered as zone of ignorance, does not indicate anything regarding financial distress.

In this paper, "bankrupt" companies are considered when both Z' and Z'' models score below the minimum thresholds explained in the previous paragraphs, for the last year of available data (2014). Similarly, if a company is ranked as "non-bankrupt" in both the models based on the maximum threshold explained above in the last year of available financial data (2014), it is categorized as non-bankrupt in our study. Although we are aware that such methodology gives only an "estimate" whether a company is bankrupt or not, it is imposed by the lack of data/publications of bankrupt firms operating in Albania as well as problems with current legislation and practice, such as the amount of time, clarity in procedures, and costs required for declaring bankruptcy. The current practice in Albania has resulted in a few companies experiencing bankruptcy filing, while no official list of such companies has been published. The legal reform on bankruptcy, finalized in October 2016, is expected to change such practice and make it easier and less costly to file for bankruptcy.

We use a modified version of the questionnaire suggested by Nikolic et al. (2015), presented by Dhamo and Kume (2015), to highlight the management differences between bankrupt and non-bankrupt firms.

The Nikolic et al. (2015) survey aims to show whether individual characteristics of entrepreneurs and/or non-individual characteristics of businesses cause the companies to fail. The authors consider the demographics, professional experience, motivation of SME startup, etc. as the individual characteristics. Nikolic et al. (2015) divide non-individual characteristics into two categories internal—business age, sector, life cycle in time of distress, number of employees, financial resources, infrastructure in the surrounding region of operations—and external—like political, economic and social issues, technological, ecological, and legislative issues. The questionnaire was revised by changing the approach questions number 10, 11, 12, 13, 14, and 20 from "rating" to "ranking" the importance of this individual/SME characteristics. Moreover, Dhamo and Kume (2015) added eight questions regarding the financial decision making of the firm, such as cash management, the use of dividends from the shareholders, fixed assets of the company, and factors that affect the investment decision of the respondent.

The revised questionnaire was conducted in 92 businesses who have been assessed in terms of bankruptcy potential through the Z' and Z" models. These companies are a part of the "VIP" list of the Albanian Tax Authority. The respondents of the survey were either the finance managers or the general managers of the firms. The 92 respondents answered all the questions of the survey. The analysis of the survey result is presented in section 5.

3. DATA

This work uses the list of VIP companies from the Albanian Tax Authority. The list includes the biggest tax paying firms operating in Albania. We have considered the list published by the Albanian business magazine "Monitor" in 2015.

The financial information of the companies classified as "biggest," in terms of turnover has been obtained from the official website of the National Registration Center of the Republic of Albania. We have used the current assets, current liabilities, total assets, total liabilities, sales, EBIT, retained earnings, and book value of equity for the years 2011, 2012, 2013, and 2014 to compute the explanatory variables X1, X2, X3, X4, and X5 in Z' and Z" models. The authors put all their efforts to contact the top 200 businesses included in the "biggest" list, but only 92 companies participated in the survey. The survey collection period lasted 10 months.

Next section presents a thorough analysis of the bankruptcy potential for the construction, telecommunication, FMCG, transportation, manufacturing, retail, and energy sectors of Albania from 2011–2014.

4. DESCRIPTION OF Z' AND Z" MODEL RESULTS BY SECTOR UNDER STUDY

Table 1 shows Z' and Z" performance statistics for the seven most represented sectors in the sample considered from 2011–2014.

The construction sector seems to dominate "the worst" performers during the last three years of the study. Moreover, the Z' score qualified the sector as "bankrupt" in 2014. However, for the period 2011–2012, Z" model qualified the sector as "non-bankrupt".

Based on both Z' and Z" model, the fast-moving consumer goods (FMCG) sector seems to be performing the best in terms of lower probability of financial distress, during the period under consideration. The models qualify this sector as "non-bankrupt" for all the four years, although it shows the greatest level of variability in Z-scores within the sector in 2011 and 2013, as compared to other sectors.

Energy shows the lowest probability of default in three years, based on Z' model. However, the sector shows the highest level of variability of its companies for the level of financial distress within the industry in 2012 and 2014, referring to Z' score.

Table 1. Summary Statistics of the Z' and Z" model for the main industries considered in the study

Sector	2011			2012			2013			2014		
		Z'	Z"		Z'	Z"		Z'	Z"		Z'	Z"
Construction	Mean	1.87	2.99	Mean	1.68	2.71	Mean	1.60	2.60	Mean	1.05	1.51
	Min.	0.38	-0.94	Min.	0.53	-0.51	Min.	0.39	-4.96	Min.	-3.60	-16.65
	Max	4.92	10.84	Max	4.42	8.53	Max	4.02	9.74	Max	3.27	7.64
Energy	Mean	6.35	3.84	Mean	7.66	3.69	Mean	3.62	2.10	Mean	6.29	2.83
	Min.	1.20	-2.40	Min.	0.61	-2.76	Min.	-0.01	-3.35	Min.	0.72	-2.70
	Max	26.48	15.73	Max	49.81	9.63	Max	16.44	6.55	Max	54.45	16.90
FMCG	Mean	5.17	8.16	Mean	3.01	3.45	Mean	7.18	7.49	Mean	3.14	3.82
	Min.	0.42	-2.14	Min.	0.48	-2.70	Min.	0.34	-2.78	Min.	0.73	1.05
	Max	40.35	83.50	Max	11.66	12.84	Max	57.51	61.86	Max	8.07	8.26
Retail	Mean	3.51	4.52	Mean	2.86	3.59	Mean	2.96	3.87	Mean	4.16	7.14
	Min.	-0.53	-4.58	Min.	0.25	-0.97	Min.	0.07	-1.22	Min.	0.38	0.11
	Max	10.02	20.10	Max	5.09	9.43	Max	6.47	13.36	Max	8.24	20.06
Telecommunications	Mean	1.53	2.03	Mean	2.57	5.39	Mean	2.76	6.03	Mean	2.17	3.90
	Min.	-1.25	-5.74	Min.	-0.92	-3.63	Min.	-1.10	-5.34	Min.	-2.44	-13.68
	Max	6.94	15.46	Max	8.16	17.72	Max	6.89	20.39	Max	7.20	21.99
Transportation	Mean	1.92	3.61	Mean	4.77	7.19	Mean	1.86	4.08	Mean	1.74	3.25
	Min.	1.33	2.61	Min.	1.31	1.30	Min.	0.97	0.46	Min.	1.32	-1.06
	Max	2.98	4.96	Max	12.11	16.67	Max	3.42	7.73	Max	2.88	6.21
Manufacturing	Mean	1.76	2.08	Mean	1.69	2.75	Mean	1.66	3.02	Mean	1.55	2.96
	Min.	1.46	-0.76	Min.	1.21	1.13	Min.	0.78	0.76	Min.	0.48	0.93
	Max	2.24	4.77	Max	2.59	5.60	Max	3.22	7.30	Max	3.49	8.08

The retail sector is qualified as "non-bankrupt" through all the periods based on both the models, except in 2012 based on the Z' score. The transportation sector is qualified as "non-bankrupt" through all the periods based on Z" score. The telecommunication sector shows the highest probability of default, based on both the models, in 2011. Moreover, this industry has the highest variability within the sector in 2012 and 2014, referring to the Z" model. The manufacturing sector seems to have the lowest variability of default potential within the sector throughout all the years.

This section describes the probability of default trends of the seven main sectors represented in this study. The construction sector, based on our sample, seems to perform the worst, while the FMCG sector seems to perform the best. The manufacturing and telecommunication sectors are classified in the gray area for the period under consideration, referring to the industry's average Z' score.

5. IDENTIFICATION OF FINANCIAL AND MANAGEMENT DIFFERENCES BETWEEN "BANKRUPT" AND "NON-BANKRUPT" COMPANIES

Section 5 aims to identify the differences in management style of "bankrupt" and "non-bankrupt" companies.

Referring to the sample considered in this research, Z' models shows the probability of 54% of a company classified as "default" in 2011 being classified as default through all the periods, including 2014. However, Z" model shows 35% probability of consistent default through four years for the 92 companies that took the survey. Such results suggest that, although Z' and Z" models may predict "bankruptcy" for companies for a specific year, such companies may not face continuous bankruptcy later.

However, the main constraint of this research is the lack of information regarding "bankruptcy filings" or alternatively "bank default cases" for the companies under consideration. Such information, to the best of our knowledge, is either non-public or not available. Thus, for describing the financial performance and management differences between "bankrupt" and "non-bankrupt" companies, we consider firms that have a Z' score lower than 1.23 and a Z" score lower than 1.1 in 2014 as "bankrupt" firms, and firms that have a Z' score higher than 2.9 and Z" score higher than 2.65 in 2014 as "non-bankrupt" firms. Based on this methodology, from the sample of 92 companies, 17 are classified as "bankrupt" and 29 are classified as "non-bankrupt". The remaining 46 companies are classified under the zone of ignorance. The following analysis considers the 46 companies classified either as "bankrupt" or "non-bankrupt".

Table 2 results suggest that a firm's cumulative profitability over time, asset productivity and sales generation ability (valid for Z' model) are the main drivers of difference in probability of default between

Table 2. Summary Statistics of the Financial Ratios for the bankrupt and non-bankrupt companies for 2014

		WC/TA (X1)	RET.EAR/TA (X2)	EBIT/TA (X3)	EQ BV/TL (X4)	SALES/TA (X5)
Bankrupt	Mean	-0.191	-0.167	-0.025	0.188	0.507
	Min.	-1.184	-1.442	-0.674	-0.538	0.166
	Max.	0.233	0.119	0.181	0.680	1.109
Non-Bankrupt	Mean	0.384	22.189	13.722	3.375	51.832
	Min.	-0.009	-0.463	0.001	0.216	0.145
	Max.	0.921	633.945	392.882	16.637	1387.205

"bankrupt" and "non-bankrupt" firms. Liquidity of a firm's assets and financial leverage seem to be influenced by less probability of default for Albanian companies, based on the sample considered in this study. Negative working capital, cumulative profits, and EBIT seem to be the main financial reasons for companies to face "bankruptcy", based on the Z models used in this research.

Based on the survey results, referring to the summary statistics presented in Table 3, time spent at work does not seem to influence the financial performance of companies in terms of probability of default. "Non-Bankrupt" companies' managers work less hours per week, in comparison to "bankrupt" companies' managers, although no statistical inference has been conducted.

"Bankrupt" companies' managers value more internal locus of control and independence as personal characteristics for companies' success, as compared with "non-bankrupt" companies' managers.

The motivation for entrepreneurship startup is considered, from the authors, as an indicator of priority of the business in an individual's life.

Table 3. Management Differences between "Bankrupt" and "Non-Bankrupt" Companies – The Influence of Individual Characteristics

Individual Characteristics Categories	Individual characteristics Sub-Categories	Questionnaire results for "Bankrupt" Companies	Questionnaire results for "Non-Bankrupt" companies
Professional experience	Number of hours spent at work weekly	52	45
Professional experience	Proportion of time spent in solving strategic problems/decision making/addressing the operational challenges, weekly	44.14%	40.18%
Professional experience	Proportion of time spent in administrative work, weekly	40.16%	48.43%
Personal characteristic	Internal locus of control is the most important personal characteristic of entrepreneur for success of companies (rank)	5.18	4.54
Personal characteristic	Independence is the most important personal characteristic of entrepreneur for success of companies (rank)	4.12	3.54
Motivation for company startup	My motivation for Entrepreneurship startup was desire to be independent (rank)	4.71	5.50
Motivation for company startup	My motivation for Entrepreneurship startup was good networks (rank)	3.71	3
Motivation for company startup	My motivation for Entrepreneurship startup was employment creation (rank)	3.59	2.63
Motivation for company startup	My motivation for Entrepreneurship startup was access to additional financial resources (rank)	4.41	3.85

The higher the priority, the more focused the individual is in the business, and the lower probability of default. Desire to be independent seems to motivate the "non-bankrupt" companies' managers more to startup a business compared to the "bankrupt" companies' managers. Managers of "Bankrupt" companies consider good network, employment creation, and additional financial resources as source of motivation for business startup in comparison to the managers of "non-bankrupt" companies. It seems that need for independence may drive the managers of "non-bankrupt" companies to run the firm successfully compared to the managers of "bankrupt" companies.

The importance that managers give to internal business problems may indicate whether they are more short-term or long-term focused. The authors suggest that the more long-term the focus of the manager is, the higher is his/her predictive power of business success/failure, and the lower is the probability of default. Based on survey results summarized in Table 4, in terms of non-individual characteristics, delay in fulfilling bank obligations, delegation of responsibilities, difficulties in absorption of new technology, and level of clearing transactions; seem to be the dominating problems in the "bankrupt" firms in comparison to the "non-bankrupt" firms. Prioritizing such problems may indicate that managers of "bankrupt" firms focus more on the liquidity management of the company on a daily bases, and the managers of "non-bankrupt" firms seem to focus more ways to grow the company's operations.

The need for liquidity seems to influence the choice of the main factor affecting the new investment decision for managers of "bankrupt" firms. The latter, blame the lack of resources to increase capacity, existing market for products offered, and existing resources for raw material, as external factors of the companies' problems. Managers of "Non-bankrupt" firms consider improved transportation system and enough regional qualified workforces important external factors to solve the companies' problems. Moreover, managers of "bankrupt" companies rank economic and social issues with higher importance regarding their influence on companies' operational problems, compared with managers of "non-bankrupt" companies.

This section explores the differences in financial performance and management of the "bankrupt" and "non-bankrupt" companies. Cumulative profitability, sales generation ability, and productivity seem to influence the financial default of companies, which are a part of this study.

Table 4. Management Differences between "Bankrupt" and "Non-Bankrupt" Companies – The Influence of Non-Individual Characteristics

Non-Individual Characteristics Categories	Non-Individual characteristics Sub-Categories	Questionnaire results for "Bankrupt" Companies	Questionnaire results for "Non-Bankrupt" companies
Internal Influences	Delay in fulfilling bank obligation, as internal factor, can have importance for companies' problems	5.94	5.31
Internal Influences	Delegation of responsibilities, as internal factor, can have importance for companies' problems (rank)	5.35	4.59
Internal Influences	Difficulties in absorption/acquisition of new technologies/innovation, as internal factor, can have importance for companies' problems (rank)	5.12	4.52
Internal Influences	The level of clearing/barter transaction, as internal factor, can have importance for companies' problems (rank)	4.65	3.03
Internal Influences	When considering a new investment, the main factor affecting the decision	Future Cash Flows of Investments	Future Value of Investment
Internal Influences	Number of Employees	101-250	51-100
External Influences	Transportation system is important infrastructural issue of the surrounding region of my company (rank)	3.41	4.66
External Influences	Possibility to increase capacity is important infrastructural issue of the surrounding region of my company	4.12	3.50
External Influences	Existing share of market for products/services is important infrastructural issue of the surrounding region of my company	4.29	3.11
External Influences	Existing resources for important raw material is important infrastructural issue of the surrounding region of my company	3.53	2.97
External Influences	Enough qualified work force in the region is important infrastructural issue of the surrounding region of my company	3.12	4.48
External Influences	Economic issues , as external factor, can have importance for companies operational problems (rank)	5.53	4.66
External Influences	Social issues, as external factor, can be of importance for companies' operational problems.	3.71	2.86

Managers of "non-bankrupt" companies spend less time at work than managers of "bankrupt" companies. In terms of management quality, the desire for independence seems to be an important motivation to manage a business better. Managers of "Non-bankrupt" firms seem to focus more on growing the business, while managers of "bankrupt" firms seem to focus more on financing their company's liquidity needs. Managers of the "bankrupt" companies, as per the qualification criteria used in this paper, consider the existence of competitors and lack of resource for increasing capacity and raw material as an important external factor for firm's distress, while managers of "non-bankrupt" companies consider improvement of the transportation system and enough qualified workforce as external solutions to their business problems. In summary, the long-term focus rather than short-term micro management of daily problems, and the ability to not blame competitors and suppliers for the companies' problems, seems to be the desired management attitude that lowers the probability of defaults of firms. We could not conduct inference statistics to make more robust conclusions due to the limited number of data available. Section six summarizes the conclusions of this study.

6. CONCLUSIONS

This research aimed to explore how management attitude can influence financial distress of firms. The models Z' and Z" are used as a classification mode for the 92 businesses analyzed in this research, using the financial data of fiscal year 2014. Moreover, a modified version of the survey suggested by Nikolic et al. (2015) has been used, introduced in the research of Dhamo and Kume (2015), to identify management differences between "bankrupt" and "non-bankrupt" firms. Based on the summary statistics of default models Z' and Z", sectorial performance for seven different sectors of the Albanian economy through the period 2011–2014 has been described. We observed the fast-moving consumer goods sector as "non-bankrupt" through all the periods under consideration, and the construction sector as the worst performing sector.

Cumulative profitability over time, sales generation ability of company's assets and asset productivity seem to be the main financial influencers of the business default, referring to the companies studied in this research.

The desire to be financially independent helps in entrepreneurial success, based on this study. An improved transportation system and qualified workforce are the external most important influencers for managers of "non-bankrupt" firms. Moreover, the focus on long-term growth of the managers of "non-bankrupt" firms versus the focus on managing liquidity of the managers of "bankrupt" firms is indicated in this study as a driver of company's default. A natural extension of this research is the increase of the sample under consideration, since including only 92 companies may not drive statistically robust conclusions considering the fact that companies qualified in the default gray area are not included in the assessment. However, this paper shows some guidelines for future specific research on the individual and non-individual motives of business failure. Another extension may be the use of real default data instead of Z' and Z" criteria in classifying firms as "bankrupt" and "non-bankrupt" in economic realities where such data can be accessible.

REFERENCES

Ahmad, N. H. & Seet, P. S. (2009). Dissecting behaviours associated with business failure: A qualitative study of SME owners in Malaysia and Australia. *Asian Social Science,* 5(9), 98.

Altman, I. E. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The Journal of Finance,* 23(4), 589–609.

Altman, E. (2005). An emerging market credit scoring system for corporate bonds. *Emerging Markets Review,* 6(4), 311–323.

Altman, I. E., Danovi, A., & Falini, A. (2013). Z-Score models' application to Italian companies subject to extraordinary administration. *Journal of Applied Finance,* 23(1), 128–137.

Altman, I. E., Haldeman, R., & Narayanan, P. (1977). Zeta Analysis: A new model to identify bankruptcy risk of corporations. *Journal of Banking and Finance,* 1(1), 29–54.

Altman, I. E. & Heine, M. (2000). Predicting financial distress of companies: Revisiting the Z score and zeta models. *Stern School of Business, New York University,* 9-12.

Altman, I. E., Iwanicz-Drozdowska, M., Laitinen, K. E., & Suvas, A. (2017). Financial distress prediction in an international context: A review and empirical analysis of Altman's Z score model. *Journal of International Financial Management & Accounting,* 28(2), 131–171.

Anjum, S. (2012). Business bankruptcy prediction models: A significant study of the Altman's Z score model. *Asian Journal of Management Research,* 3(1), 212–219.

Balcaen, S. & Ooghe, H. (2004). 35Years of studies on business failure: An overview of the classical statistical methodologies and their related problems. *British Accounting Review,* 38, 63–93.

Beaver, W. (1966). Financial ratios as predictors of failure. *Journal of Accounting Research,* 4, 71–111.

Chava, S. & Jarrow, A. R. (2004). Bankruptcy prediction with industry effects. *Review of Finance,* 8(4), 537–569.

Dhamo, Z. & Kume, V. (2015). Further analysis of the characteristics for financial distress: A qualitative approach. *Journal of Entrepreneurship & Innovation,* 7(7), 20–27.

Dhamo, Z. & Kume, V. (2016). Tendencies and characteristics of financial distress: An introductory comparative study among three industries in Albania. *Athens Journal of Business and Economics,* 4(2), 167–179.

Gaskill, L. R., VanAuken, H. E., & Manning R. A. (1993). A factor analytic study of the perceived causes of small business failure. *Journal of Small Business Management,* 31(4), 18–31.

Hayes, S., Hodge, K., & Hughes, L. (2010). A study of the efficacy of Altman's Z to predict bankruptcy of specialty retail firms doing business in contemporary times. *Economic and Business Journal: Inquiries and Perspectives,* 3(1), 122–134.

Heracleous, L. & Werres, K. (2016). On the road to disaster: Strategic misalignments and corporate failure. *Long Range Planning,* 49(4), 491-506.

Laitinen, E. K., Lukason, O., & Suvas, A. (2014). Behaviour of financial ratios in company failure process: An international comparison. *International Journal of Finance and Accounting,* 3(2), 122–131.

Longenecker, C.O., Simonetti, J. L., & Sharkey T. W. (1999). Why organizations fail: The view from the frontline. *Management Decision,* 37(6), 503–513.

Mellahi, K. & Wilkinson, A. (2004). Organizational failure: A critique of recent research and a proposed integrative Framework. *International Journal of Management Reviews,* 5(1), 21–41.

Mihajlovic, I., Nikolic, N., Dhamo, Z., Schulte, P., & Kume, V. (2015). The reasons for SME's failure, comparative analysis and research. Proceedings from *FIKUSZ '15 Symposium for Young Researchers,* Budapest, Hungary, 7–22.

Muminovic, S. (2013). Revaluation and Altman's Z score - the case of the Serbian capital market. *International Journal of Finance and Accounting,* 2(1), 13–18.

Nikolic, N., Dhamo, Z., Schulte, P., Mihajlovic, I., & Kume, V. (2015). An analysis of factors affecting failure of SMEs. Proceedings from IMKSM 2015: *International May Conference on Strategic Management,* Bor, Serbia, 162–180.

Ropega, J. (2011). The reasons and symptoms of failure in SME. *International advances in economic research,* 17(4), 476–483.

Smith, M. & Liou, D. K. (2007). Industrial sector and financial distress. *Managerial Auditing Journal,* 22(4), 376–391.

Zilbershtein, D. (2013). A qualitative multi case study to explore the root causes of small business failure (Doctoral Dissertation), *North Central University,* Arizona, USA.

ENDNOTES

1. We are grateful for the helpful comments to the participants of the International Academic Conference organized by the West East Institute, held in Rome on November 2016.

ORGANIZATIONAL THEORY AND THE POLITICAL REALITIES OF CITY PLANNING

Nicolas A. Valcik, Central Washington University

ABSTRACT

This research discusses the decision-making process between city administrators in a municipality and the elected officials in the context of city planning. Both parties have different agendas and different stakeholders who must be considered during the decision-making process. Throughout this research, the theoretical aspects of the decision-making process will be examined in terms of the dichotomous-decision making theory, which impacts the interplay and tension between city administrators and elected officials during the planning process.

UNDERSTANDING THE POLITICAL WATERS

As stated by Tip O'Neill, "All politics is local" (O'Neill and Hymel, 1995). In the case of city management, this statement is even more accurate since the city management (or, in mayor strong cities, the senior city administrator) must interface with local elected officials (city council, mayor, etc.) and the public. Interactions with elected officials successfully is critical when planning and zoning issues arise that can impact residents located in voting districts in a specific geographic area where planning and zoning issues are slated to occur. If the political aspects of the planning and zoning process are handled poorly, then the planning and zoning process can be jeopardized.

Elected officials and city administrators will need to have a full comprehension of the political influences and forces at work when engaged in the planning and zoning process. An understanding of these political pressures allows both city administrators and elected officials to prevent and control potentially disruptive events—legal challenges for example—which can occur during the planning and zoning process. To achieve a successful planning and zoning process, it is necessary for both the city administrators and the elected officials to build support among the public as well as tax payers in the community. Disregarding the political nature of planning and zoning can cause residents to turn against their elected and appointed officials. City management must also contend with additional pressure from potential developers or contractors, the media, state and federal officials, as well as the municipality's employees.

Additionally, a wide variety of agencies and elected officials (or other municipalities) who may have jurisdiction or interests in a city planning project, can create obstacles for a municipal planning project. Organizations ranging from large to small will have obstacles throughout the process. An example of a mid-sized municipality, the City of Glenn Heights (State of Texas in Dallas and Ellis Counties) is working with a developer to plan affordable housing in the City of Glenn Heights (Cook, 2015). However, the project does not have the support of a state representative John Wray from Ellis County for approval of a Texas Department of Housing and Community Affairs Housing Tax Credit (Cook, 2015). Without this tax credit, the program will likely not be implemented by the developer (Cook, 2015). This is one of many examples of where it is necessary to gain support from external entities that can make a project planning a reality. Without the support from those external entities, the project will never be realized. Therefore, it is important to understand the interactions between city administrators and elected officials for the decision-making process in city planning.

THEORETICAL ORGANIZATIONAL THEORIES AND A PRACTITIONER'S PERSPECTIVE

Entire libraries could be filled with organizational theory and organizational behavior books, chapters, and journal articles. There are several main organizational theories and many more variations that have been developed over the years. For the purposes of this research, the organizational theory used and developed for city administrators, elected officials, students and practitioners is designed to inform and analyze the interactions between city administrators and elected officials in regard to city planning. The list of organizational theories in this research is not exhaustive, but the theories referred to within this research are the most relevant organizational theories to city planning and interactions between city administrators and elected officials. While terminology can be fixated in the minds of academics who are siloed in their disciplines, this can contradict with how practitioners and interdisciplinary "pracademics" define terms from a very different perspective. Often what works in the classroom, this often does not explain or frame appropriately the actions that actually occur in the workplace or within an organization.

Different fields of study for example have a different concept and definition on what a term actually means. For example, in this research the term agenda will be used for how parties (or actors as some may refer to them as) will be used to describe a driver for motivation for attaining goals the party has set. Merriam-Webster defines an agenda as: "An underlying often ideological plan or program." (Merriam-Webster, 2017)

An academic political science perspective may very well define a political agenda as stated from Walgrave and Van Aelst:

> ***Political actors such as political parties, presidents, or governments have their own agendas as well, the list of things they care about and intend to act upon. They display their attentional intentions through party manifestos, government agreements, the state of the union, or other speeches, etc. (Walgrave and Van Aelst, 2017)***

From a practitioner's viewpoint, agendas do not have to be discussed or shared to exist. A top-level administrator or elected official can very well have their own agenda and work to implement their agenda without discussion or sharing that agenda with anyone. While both definitions are acceptable and correct, the question becomes which definition is the best fit for the organizational theory for analyzing interactions between city administrators and elected officials. For the purposes of this research, the Merriam-Webster definition will be the standard for definition of agenda. This term is also in line with the definition provided for Agency Theory:

> ***Agency theory assumes both the principal and the agent are motivated by self-interest. This assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate and even conflict with the goals of the principal. Yet, agents are supposed to act in the sole interest of their principals. (Steven Pillars Institute, 2017)***

Pursuing a goal for self-interest does not have to be shared or discussed, it simply has to be an objective that an individual or collective group is attempting to obtain.

The other term used throughout this research is rational. For practitioners, students, academics, pracademics and elected officials this can have different definitions depending upon the perspective of the individual observing the behavior. What may be a rational choice for one person to observe may in fact be very irrational from another person's perspective. An elected official appealing to their political base for example may take positions that are not making rational choices from the perspective to a city administrator since the elected official is attempting to keep their elected position by appealing to voters' social norms and morals (e.g., culture). These different definitions and perspectives is not conducive to using only one organizational theory as the basis for analysis on interactions between city administrators and elected officials. For analysis purposes, city administrators, elected officials, practitioners, students and pracademics should consider using an organizational theory framework that can more accurately explain interactions between city administrators and elected officials.

Although some organizational theories explain some of the interactions between city administrators and elected officials, no one theory adequately defines these interactions. Organizational theories such as Neoclassical Economics, Transaction Cost Analysis, Marxist Theory, Scientific Management (Taylor), Organizational Decline, Life-Cycle, Learning Organizations (Senge), Open Systems Theory, Community and Organizational Morality theories do not describe the interactions, motivations and tensions between city administrators and elected officials during the decision-making process (Fligstein, 2001; Walonick, 1993). These theories are generally more applicable to private sector entities rather than public organizations and do not adequately define the interactions between city administrators and elected officials in a public setting. Other organizational theories do not address the decision-making process between stakeholders in a manner, which can be consistently analyzed. For example, Advocacy Coalition Framework (ACF), delves more into political systems to changing a policy or law on a large theoretical scale and does not address having parameters from the perspective of a practitioner (Sabatier, 1998). ACF does not explain at a micro-level how decision-making occurs and the difference in how stakeholders have to operate when the decision-making process occurs. ACF applies a system to all entities involved in the decision-making process. As stated by Sabatier:

> ***The ACF assumes that policy core beliefs are fundamental 'glue' of coalitions because they represent basic normative and empirical commitments within the domain of specialization of policy elites. (Sabatier, 1998, page 103)***

In reality, the different stakeholders of elected officials and city administrators may have different agendas and goals. To explain these interactions, more than one organizational theory needs to be applied to provide how multiple organizational theories exist and co-exist in an overall organizational theory framework.

With Institutional theory, the decision-making process is conducted over time and is rooted in social structure (Lawrence and Shadnam, 2008). While social norms explain some of aspects of the decision-making process, it does not frame the decision-making process from the standpoint of the bureaucracy of a government organization nor does it focus on the interactions between elected officials and the bureaucracy when faced with making decisions with limited resources. There is also a lack of absence with agendas driving the elected officials and the bureaucratic administrator's decision-making process. Often the decision-making process can occur rather quickly, which does not allow particular decision-making processes to become institutionalized.

Public administration theory primarily focuses on the history of past decisions made in a public service organization context and takes an overall look at how public administration and bureaucracies have evolved over time (Fredickson, 1996). The history of past decisions does not explain the interactions between elected officials and the bureaucracy, nor does the theory address the issue of how both groups have different agendas and different limitations. Using history of the decision-making process does not allow for a study of how the decision-making process actually works between elected officials and public administrators. In short public administration theory focuses on bureaucracies in itself instead of how decisions are arrived at working with elected officials.

The interactivity of a bounded-rational decision-making model and a consensus decision-making model should not be underestimated or overlooked. For example, if new risk management policies are proposed as an improvement to the organization and the political consensus is that the policies will be a benefit to the organization, then this is an example of a bounded rational decision-making process. However, if those same risk management policies are rejected or revised because some political interests view the policies as a political threat, an encroachment on personal liberties, or an unnecessary expense, then the decision-making model becomes more complex. Even internal to a municipality, there will be two models utilized.

The Bounded rational decision-making model was conceived by Herbert Simon to frame the decision-making process in public organizations with limited resources (George and Jones, 2005). In the bounded rationality decision-making model, Simon articulates that while the decision-making process is rational, an administrator only has a limited amount of time to consider the top possibilities for consideration unlike the rational model, which has the administrator consider every possibility. The act of satisficing is the focal point for the bounded rational decision-making model since an administrator has limited resources and thus it is impossible for every possible choice to be considered (George and Jones, 2005). In today's fiscally tight environment, it is even more apparent that public organizations are making decisions under more scrutiny with less resources than in the past.

Unlike the bounded rational decision-making model, the consensus decision-making model arrives at the final decision by consensus and agreement of the group. Consensus decision-making seeks to be all-inclusive with as many of the stakeholders as possible throughout the decision-making process (Harnett, 2017). With elected officials, this decision-making process requires the voters of the elected officials voting block to be represented by the elected official. The elected official is in turn representing their constituents' interests in issues that are considered governmental negotiations with other elected officials as well as votes to support the constituents' interests. If an elected official fails to successfully promote or reflect their constituents' interests, then the elected official is in danger of being voted out of office or being faced with a recall election. An elected official's focus is to successfully represent their constituents' interests, which in turn enables them to retain their elected position.

The bounded rational decision-making model is used for bureaucratic decision-making and the consensus decision-making model used for political decisions, will often both be active when decisions are being made by city administration. Currently there is no one organizational theory that layers characteristics from both organizational theories or explains the interactions between a professional bureaucratic organization and a political driven organizational decision-making process. Both organizational theories explain each silo, but neither model by itself fits by itself these decision-making processes much less explains the intersection between the two or describes what serves as a driver in each organizational silo (Agency Theory).

An example is seen in a large metropolitan municipality, using the alias of Texas Star for the case study that had no police pursuit policies[1]. The City Manager of Texas Star had attempted to implement police pursuit policies for years, but had been unable to do so since the city council supported the police and the police did not want to be restricted by administrators in how their police pursuits were conducted. The city council wanted to be seen as a supporter of the police (which involved a police union) as well as the public, which favored support of the police department. The police themselves had their own agenda of not being restricted by any type of police pursuit policy since they "did not want their hands tied" when pursuing alleged criminals.

However, the liability to Texas Star for accidents that could occur during police pursuits remained fairly high since there were no policies restricting pursuit by police officers. The city council's viewpoint changed to having pursuit policies in place after a police pursuit ended with the death of a child when a police car accidentally slammed into a motorist. The death of the child led to litigation against the city, which resulted in paying the family of the child a large sum in monetary damages. After the city was litigated against, the city council requested the City Manager develop and implement police pursuit policies, which would limit the number of cars involved in pursuit of an alleged criminal entity. The new policies were developed and implemented as a result of agreements and compromises between the City Manager, the city council, and the police department.

Since those policies were developed, there are new elected officials and new city management now in place at Texas Star who are considering changes to the pursuit policy (if not to completely do away with the policy altogether) due to the resistance from the rank and file of the police department. With the passage of time, the reasoning and political will to keep, delete, or modify a policy can change with when new entities assume control and political power. However, the new actors will still have to operate within a certain set of guidelines to be viable decision-makers for the municipality.

Under the bounded rationality model, the City Manager recognized a decision had to be arrived at to reduce liability, protect the city's assets as well as safeguard the public. The City Council, using the consensus decision-making model, recognized the public sentiment that the elected officials needed to take action to safeguard the public. Both models of decision-making intersect to allow for a compromise to be reached within the parameters of each model. The City Manager had to operate within the resources the city could provide (e.g., policies, jurisdiction, training etc.) and the City Council developed the ability to push back on what the police department's agenda (e.g., no pursuit policy) by having the weight of the population wanting to place restrictions upon the police department. The City Manager used the consensus building decision-making model to build support for the new policies with the Police Department as well as other city employees who were affected. Since the City Council has no ability or mechanism to implement new policies they vote to accept, the City Council in reality is bound by what the City Manager has for resources to implement such policies.

The Texas Star case study demonstrates both the bounded rational model by the City Manager and the consensus building model by the city council in the decision-making process. As Herbert Simon indicated, government officials are not always free to use pure rational decision-making (Vasu, 1998). Rational decision-making involves the process of identifying a problem, establishing planning criteria, creating alternatives, implementing those alternatives, and monitoring the progress of the alternatives. A government official must have sufficient time and resources to analyze all the possible choices available to them to constitute a true rational decision-making process. Unfortunately, government officials rarely have the time and resources to consider every possible choice during the decision-making process. Therefore, a government official will begin to select the choices that are only the most viable, a process known as bounded rational decision-making.

DICHOTOMOUS DECISION-MAKING MODEL

With the case study for the city of Texas Star, there are essentially three entities involved in the internal decision-making process (the City Manager, the City Council, and the Police Department), which is an example of a fairly simplified decision-making process. The police department is still a government agency that answers to the City Manager and will still operate primarily in a bounded rational decision-making model. However, the needs (and desires) of a police department will be a focal point for the consensus decision-making model for elected officials since the public wants a safe community or if a police department is endangering public safety, elected officials want to be seen as "taking action" to safeguard the community. The public, or community, has an active role in setting boundaries for both city management and elected officials to operate in the decision-making process. The public at large may relatively little influence in the decision-making process, but the public that consists of the community, will dictate the boundaries since they vote on their elected officials and can influence policy by retaining or ousting elected officials.

The complexity in the decision-making process increases when the developer (or applicant), the elected officials and the citizens in the community become involved in the decision-making process with government staff members. To explain these decision- making process with all four entities, governmental staff members, elected officials, developers (applicants), and citizens in the community, a hybrid model has been developed. The hybrid model consists of the two primary decision-making processes of bounded rationality and consensus building and is called the Dichotomous Decision-Making Model. This model can be utilized by practitioners in governmental and non-profit organizations to explain or document the decision-making process.

From the standpoint of city management, a bounded rational decision model is used (often with data supporting the decision-making process) to determine what are the most likely possible decisions that can be made with a given set of criteria, restrictions, or resources taken into account. Elected officials will be using a consensus model since their political careers hinge on the community re-electing them for public offices. The developers serve as a catalyst when economic development projects occur (or applicants if it is a non-profit organization (e.g., church). The underlying driver for the model is propelled by each entity's agenda (Agency Theory). All four entities have agendas and are therefore tied to Agency theory within the context of the Dichotomous Decision-Making Model.

This hybrid model acknowledges that in the practitioner's world, statistical and financial data is used to assist with in a bounded rational decision-making process. That particular data (unlike social data) will be utilized with the consensus decision-making model if political means need to be pursued as well as a data driven rationale for a decision. Even though data will rarely be perfect, especially in large data sets, the statistical and financial data should be accurate enough to provide guidance in the bounded rational decision-making model. If statistical or financial data is analyzed incorrectly, a mistake could be potentially made in the decision-making process or could result in stalemate between the bounded-rational decision-making model and the consensus decision-making model. In actuality, the data provides a "defense" against political aims if citizens or developers are unhappy with the decision that is ultimately made by the municipality staff members and the elected officials. This assumes that the information and data which is used is accurate or has been analyzed or used correctly. City management and city councils will not choose one decision-making process or the other; they will actually use both models in the decision-making process. What can appear to be two decision-making models in progress is actually one process, which is motivated by the community and the developers who have their own agenda.

As seen in Figure 1 each model intersects (i.e., Set Theory) and illustrates the agenda for each entity driving the decision-making process and is balanced between the two different types of decision-making. The parameters that the model operates within consist of the social norms,

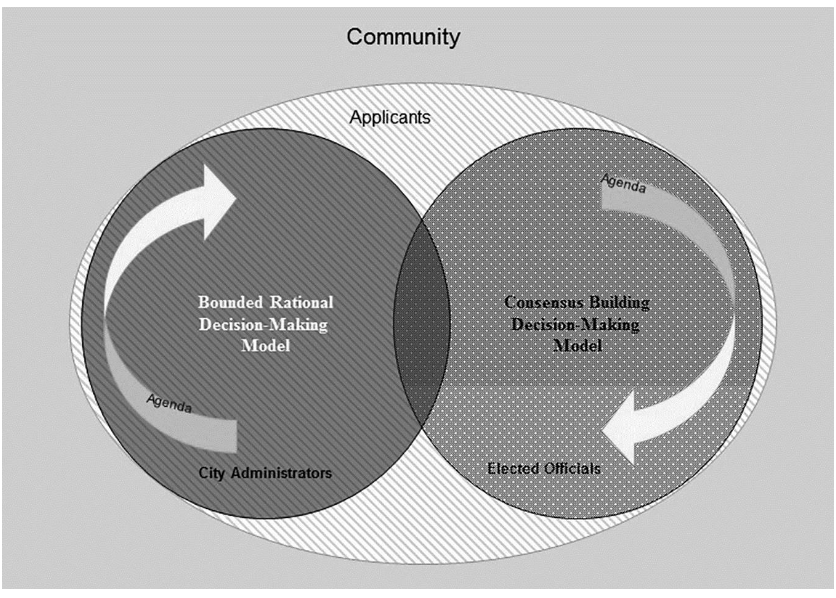


***Figure 1*–Dichotomous Decision-Making Model**

fiscal resources, assets and political nature of the citizens living within the community. The model operates inside these parameters, which are set by both the community and, to a lesser extent, the applicants (e.g., developers). Applicants include non-profit organizations such as churches as well as the developers proposing business projects. For the purposes of this example, the developers will be the focus of the drivers on the decision-making process. Both the elected officials and the city administrator have to work within these parameters if a successful development or economic development project is to occur. As can be seen in Figure 1, the applicants also have to operate within what the community will demand, require, or tolerate in respects to what the applicants want to build. If the applicants attempt to bypass the community, then the city administrators and elected officials are at risk of either being terminated (city administrators) or ousted in the next elections (elected officials). The city administrators and elected officials for job security reasons will need to operate in the parameters of what the community sets as a standard and desire for what the developers are willing to build in their area. The applicants set the parameters for city administrators and elected officials since there are certain points of tension, which will need to be resolved with both entities if the applicants are to bring building projects to their area.

BALANCE AND IMBALANCE IN THE DECISION-MAKING MODEL

City management will make choices within the parameters of certain political and financial limitations, which influences where the boundaries lie in any decision-making arena. If the city management has limited data, the ability to make a bounded rational decision-making process will potentially have less influence on an outcome than the consensus model, which creates an imbalance in the decision-making model. In the absence of any substantial data, they are forced to use the consensus decision-making model, a model that seeks primarily to involve as many stakeholders as possible in the decision process, achieve cooperation and reach consensus. A decision can then be achieved in the absence of data, which provides more decision-making power to the elected officials and less for city management. That being stated, the decision-making process by the consensus model will not necessarily produce the optimum decision

Dichotomous Decision-Making Model
Balance and Imbalance of Case Study Examples

Organization	Bounded Rationality Decision-Making Bias	Equal Decision-Making Process	Consensus Model Decision-Making Bias
City of Glenn Heights			X
City of Texas Star		x	
Hamilton County			x

Chart 1

for the organization. The balance and imbalance in the three case studies used in this research are shown in Chart 1.

Between two protagonists there will be potential for tension on certain issues based on each agent's agenda. These agendas will serve as a driver for what choices are seen as "viable" by each entity while they attempt to appease their constituents. Anthony Downs refers to this as Agency Theory (Downs, 1967). The driver can exist within the confines of the bounded rational decision-making model or the consensus-building model.

CITY MANAGEMENT'S PERSPECTIVE

City management consists of paid professionals who manage an organization administratively (e.g., budget, finance, human resources, facilities, police, fire etc.). The city management understands the constraints in which they operate due to resources, function, time, and legal guidelines. As stated by Richard Stillman II in the job description of a City Manager:

> ***The "professional" nature of managers work in terms of their on-the-job activities, skills, experience, training, and career is legally prescribed by most council-manager city charters, as well as promulgated as official doctrine by the International City Manager Association (ICMA), the professional association of city managers and CAOs. For instance, the typical council-manager charter that outlines the manager's job reads: "As***

> ***chief administrative officer, the city manager provides professional counsel to the city council. . . His work is performed with professional independence. . . " The introduction to the ICMA's Code of Ethics for managers also emphasizes that one of their primary purposes is ". . . to strengthen the quality of urban government through professional management." (Stillman II, 2003, page 12)***

This forms the basis of how the city management must work with the elected officials on resolving issues. City management, however, also has to build political support within their organization to ensure any mandate given to city administrators by elected officials (within legal parameters), will be implemented effectively by the city staff members.

ELECTED OFFICIALS' PERSPECTIVE

Elected officials, however, are for the most part not trained professionals and are elected by their citizenry based on how the residents want the city to be managed. In broad theoretical terms, elected officials are representative of their constituents, but in specific contexts, the elected official's agenda is to be re-elected. As such, elected officials are "bounded" by realities of being re-elected by their constituents. As stated by James H. Svara:

> ***Council members help to keep the city in touch with the electorate, they serve as a pressure valve that helps to moderate the tension of distraught constituents, they draw attention to specific breakdowns in systems and problems with services, they promote consideration of a wider range of alternatives, and they deal with the political realities that surround many city government actions. (Svara, 2003, page 84)***

Within this realm, decisions are made within the confines of what those who elected the officials are willing to accept as representative decisions from their elected official. The elected official, however, has to build "consensus" not only with their constituents, but also with other elected officials who in turn represent their own constituents. As can be seen in the above statement from Svara, elected officials may very well promote other alternatives for potential choices. However, Svara does not note how many of these "alternatives" are valid (e.g., fall within legal guidelines), realistic (e.g., resources are available) or would have the buy-in from city employees to implement those types of alternative choices.

INTERACTION OF CITY MANAGEMENT AND ELECTED OFFICIALS

The framework for both government administrators and elected officials is that both must operate with a bounded rational decision-making process and with a consensus-building model of decision-making. Government administrators and elected officials will not necessarily have a balance between the two decision-making models and the balance can be dependent upon their political power base and data available on which model will be the overarching model that has more influence in how the decision is made. Both entities will also have their own agendas, which serve as a driver during the decision-making process. Where bounded rational decision-making and consensus decision-making models overlap determines where and how decisions will be made by the governmental representative (e.g., city manager) and the elected official. If no overlap exists between the two entities, the decision-making process will breakdown and effectively create silos between the two parties. This will end in either no decision being made on an issue, or, in the worst-case scenario, an entity will either be out of a job (e.g., terminated, resigned, etc.) or be out of elected office (e.g., recalled, resigned, impeached, etc.).

CONSENSUS BUILDING OCCURRING AS OPPOSED TO BOUNDED RATIONAL DECISION-MAKING

The other issue with this proposed model is timing. How and when an entity decides to pursue an agenda will be dependent upon the situation. For example, if a potential economic development deal for the city is being pursued by the mayor, does the mayor use the consensus model of decision-making to gain support for the project among other elected officials, or does the mayor use a bounded rational decision-making model to determine what options are viable? The answer will be dependent upon which entity is addressing the issue first. A city manager approached with the same economic development question (prior to an elected officials' involvement) may go through a checklist of what options are "viable" before involving the elected officials. The city manager may ask questions such as: "Can the city legally provide the developers what they are requesting? Can the city afford to give certain businesses tax breaks, or can the city pay for the infrastructure of a massive development project?" If the city manager does not consider the project viable, then the project can be stalled thus obviating the need to bring a proposal to the elected officials. To ensure the applicant or developer does not do an "end run" around city management, the City Manager may approach the city council to build consensus for not proceeding with the applicant or developer's project if the applicant or developer approaches the city council directly.

However, if the mayor is approached first by the developer, the mayor will attempt to discover if the economic development proposal has the support of other city council members before bringing it before the city administration. Once the top administrators are approached by the elected officials, the bounded rational decision-making model will take hold as city administrators evaluate the proposal to determine if it is viable. If the economic proposal is viable, then city administrators and elected officials will need to work together within the framework of the Dichotomous Decision-Making Model, which begins the cycle of joint decision-making between the two groups.

CASE STUDY FOR A MUNICIPALITY WITH AN ECONOMIC DEVELOPMENT PROJECT

To see the framework of the Dichotomous Decision-Making Model in practice at the county level, Hamilton county (State of Ohio) provides an excellent example of the model in an applied setting with the building and financing of the new Paul Brown football stadium. In 1996 the City of Cincinnati faced the possibility that the National Football League (NFL) Cincinnati Bengals would relocate to another city if the football team did not receive a new football stadium funded by Hamilton county (Albergotti and McWhirter, 2011). The developer (Cincinnati Bengals) are the catalyst for the economic development proposal. The developer is operating within the parameters of the citizens of Hamilton county wanting the stadium to keep the Cincinnati Bengals in Cincinnati under the threat of the team relocating. The elected officials under the consensus building model, had support of the county elected officials and the public to use public

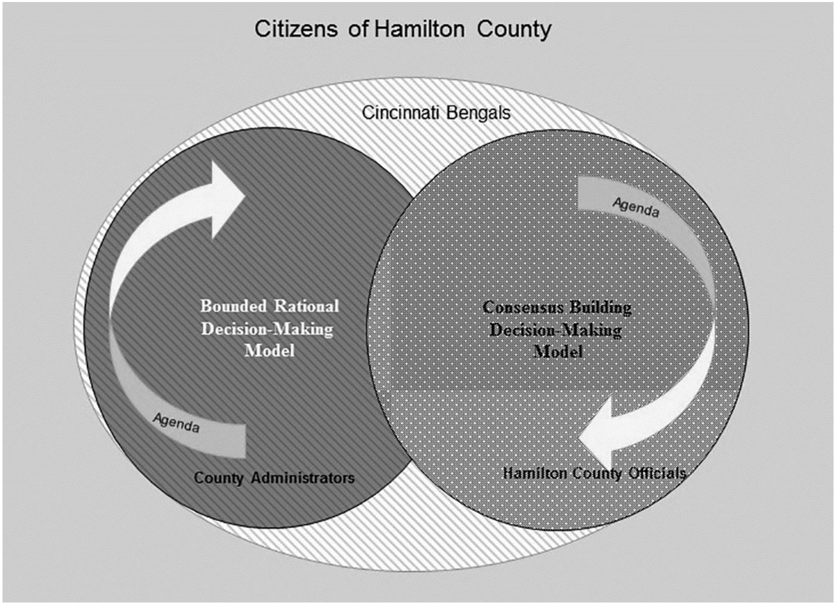


Figure 2

financing to construct the stadium for the Cincinnati Bengals since the idea of a new stadium was supported by the community (Albergotti and McWhirter, 2011). The elected officials of the county negotiated the deal and the residents voted on a sales tax to fund the project (Albergotti and McWhirter, 2011). By putting the sales tax to a vote by the public, the elected officials and the county officials had "support" by the community, or in this case provided coverage politically for an arrangement that had long term ramifications for the community.

County staff members for Hamilton county are bound by constraint of reality and now that there are budget shortfalls in the stadium fund, the staff members have been forced to sell stakes in assets such as Drake Hospital for $15 million (Lopez, 2014). In an ideal situation, there would be equal parity for both bounded rational model and consensus building model where a reasonable decision could be arrived at within the limitations of resources available. This example shows what can occur if the consensus building model overrides most of the bounded rational model in the decision-making process. Because of this imbalance, Hamilton county has been left essentially in a dire financial situation since county commissioners agreed to finance the stadium 100 percent without involving the state or for that matter the Cincinnati Bengals (Albergotti and McWhirter, 2011; Lopez, 2014). In Figure 1 the model is balanced. In the Hamilton county example, the model is imbalanced with negative financial results for the taxpayers.

As can be seen in Figure 2, the consensus decision-making model is dominant in the decision-making process in the Cincinnati Bengal stadium fund. Measurement on the imbalance would require one to acquire the minutes for the public hearings to see how and why the elected county officials and county administrators made their decisions on the new stadium. While the bounded rational model is present, it is subservient to the consensus building decision-making model. While this is an extreme example of an imbalance of the model on a big impact economic development project, it serves as a good example of public officials', elected officials', and developers' interactions in the decision-making process. Any economic development project that goes before a public organization for approval and implementation, will be subjected to the same decision- making process. The biggest difference in how the decision-making process occurs is whether or not the decision-making process is balanced between the two factions, or if the model is imbalanced, which can potentially hurt the public organization fiscally.

SUMMARY OF DICHOTOMOUS DECISION-MAKING MODEL

The decision-making process is often fraught with tension, possibilities, constraints, and negotiation. Provided in this chapter is a framework for how the decision-making process works between elected officials and city administrators. The degree to which either parties (or agents, in this case) use a bounded rational decision-making model or a consensus decision-making model will be largely dependent upon what resources are available and how homogenous each party is in social norms and values when consensus decision-making occurs.

Each party will have their own agenda as well as their own viewpoints, which can make negotiations with consensus decision-making more time-consuming than the opposing bounded rational decision-making process. In previously discussed organizational decision-making theories, one-theory approach has been taken to explain how decision-making occurs within organizations. However, as proposed in this chapter, there are, in fact, two sets of agendas and approaches that can be taken to find a successful resolution between the two or more parties. City administrators as well as elected officials should be aware of these agendas and approaches if they wish to be successful in the decision-making process.

CONCLUSION

Understanding the decision-making process is important in local government. The organizational theories, which have been used over the years, are limited in fully explaining how the decision-making process occurs in local government. However, by utilizing and combining different organizational theories, a framework can be provided which adequately explains how the decision-making process occurs at the local government level. The organizational theory model should also be equally effective in explaining how the decision-making process occurs in other public and non-profit entities that have appointed or elected officials involved in the process.

All city planning occurs within a framework of the decision-making process. Without a formal decision-making process, there would be the risk of disenfranchising residents, administrators, and elected officials. There is never just one decision to make in city planning. The planning process is multi-faceted with a number of stakeholders who should be involved throughout the process to ensure a transparent decision-making process. To be successful in the planning process in a municipality, transparency will be the key to satisfying as many of the stakeholders as possible for the planning issues to be considered and implemented.

The implications for providing an organizational theory model, which can explain the decision-making process for a practitioner, allows for a practitioner to understand and be able to navigate the decision-making process successfully for city planning projects. For researchers, the organizational theory model allows for analysis on how decisions are made between elected officials and city administrators. The model should also be applicable beyond just city planning to other policy making or fiscal decision-making between elected officials and city administrators.

REFERENCES

Albergotti, R. and C. McWhirter, 2011. "A stadium's costly legacy throws taxpayers for a loss", *The Wall Street Journal.* July 12, 2011. Retrieved on August 27, 2015. www.wsj.com/articles/SB10001424052748704461304576216330349497852

Breech, J., 2017. "San Diego interested in pursuing the Raiders if 'Vegas falls through', *CBSSPORTS.com.* February 1, 2017. Retrieved on March 3, 2017. www.cbssports.com/nfl/news/san-diego-interested-in-pursuing-the-raiders-if-vegas-falls-through/

Cook, R., 2015. "Palladium project in Glenn Heights stalls", *Focus Daily News.* April 7, 2015. Retrieved on October 20, 2015. http://focusdailynews.com/palladium-project-in-glenn-heights-stalls-p14881-1.htm

Downs, A., 1967. *Inside Bureaucracy.* Library of Congress Catalog Card No. 67–18259, Little Brown Publishing Company, Boston, MA.

Fligstein, N., 2001. "Organizations: Theoretical debates and the scope of organizational theory". Retrieved on January 8, 2015. http://sociology.berkeley.edu/sites/default/files/faculty/fligstein/inter.handbook.paper.pdf

Fredrickson, H. G., 1996. "Comparing the reinventing government movement with the new public administration", *Public Administration Review* 56(3), pp. 263–270. Wiley, Hoboken, NJ.

Gantt, D., 2017. "San Diego developer offers plan to build 'alternative' stadium", *NBC Sports.* February 15, 2017. Retrieved on March 3, 2017. http://profootballtalk.nbcsports.com/2017/02/15/san-diego-developer-offers-plan-to-build-alternative-stadium/

George, J. M. and G. R. Jones, 2005. *Understanding and managing organizational behavior.* ISBN: 0-13-145424-2. Upper Saddle River, NJ: Pearson-Prentice Hall.

Hartnett, T., 2017. "The principles of consensus decision making", *Consensus Decision Making.* Retrieved on February 10, 2017. www.consensusdecisionmaking.org/

Hong, H, 2017. "City leaders should shed the Qualcomm Stadium debt, but only for the right deal", *Voice of San Diego.* February 28, 2017. Retrieved on March 3, 2017. www.voiceofsandiego.org/topics/opinion/city-leaders-shed-qualcomm-stadium-debt-right-deal/

Jenkins, L., 2017. "At best, SoccerCity is second-best option for Qualcomm", *San Diego Tribune.* February 21, 2017. Retrieved on March 3, 2017. www.sandiegouniontribune.com/news/columnists/logan-jenkins/sd-me-jenkins20170222-story.html

Lawrence, T. B. and M. Shadnam, 2008. "Institutional theory". In Wolfgang Donsbach (Ed.), *The encyclopedia of communication,* pages 2288–2293. Oxford, UK: Blackwell.

Lopez, G., 2014. "Bengals loss reminds of County's terrible stadium deal", *CityBeat.com.* January 8, 2014. Retrieved on August 27, 2015. http://citybeat.com/cincinnati/article-29412-bengals_loss_reminds_of_county%e2%80%99s_terrible_stadium_deal.html

Merriam-Webster, 2017. "Definition of agenda", *Dictionary.* Retrieved on March 7, 2017. www.merriam-webster.com/dictionary/agenda

O'Neill, T. and G. Hymel, 1995. *All Politics Is Local: And Other Rules of the Game.* ISBN-13: 978–1558504707, Adams Media Corporation, Fairfield, OH.

Sabatier, P. A., 1998. "The advocacy coalition framework: Revisions and relevance for Europe", *Journal of European Public Policy* 5(1), 98–130. Retrieved on October 14, 2015. http://dx.doi.org/10.1080/13501768880000051

Steven Pillars Institute, 2017. "Agency theory", *Steven Pillars Institute.* Retrieved on March 7, 2017. http://sevenpillarsinstitute.org/morality-101/agency-theory/agency-theory

Stillman II, R. J., 2003. "The city manager: Professional helping hand, or political hired hand?". In D. J. Watson and W. L. Hassett (Eds.), *Local government management: Current issues and best practices.* ISBN: 0-76-56-1127-9. Armonk, NY: M.E. Sharpe, Inc..

Svara, J. H., 2003. "The shifting boundary between elected officials and city managers in large council-manager cities", In D. J. Watson and W. L. Hassett (Eds.), *Local government management: Current issues and best practices*. ISBN: 0-76-56-1127-9. Armonk, NY: M.E. Sharpe, Inc.

Vasu, M. L., D. W. Stewart, and G. D. Garson, 1998. *Organizational behavior and public management 3rd edition, revised and expanded.* ISBN:0-8247-0135-6. New York: Taylor and Francis Group.

Walgrave, S., and P. Van Aelst, 2016. "Political agenda setting and mass media", *Politics: Oxford Research Encyclopedias.* August 2016. Retrieved on March 7, 2017. http://politics.oxfordre.com/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-46

Walonick, David S., 1993. "Organizational theory and behavior", *StatPac.* Retrieved on January 8, 2015. www.statpac.org/walonick/organizational-theory.htm

ENDNOTES

1. The case study of the City of Texas Star had information gathered from the authors from a former employee. The authors did research the actual incident referred to by the former employee and the information was consistent with the qualitative data collected. Due to possible ongoing litigation, the city and employees have remained anonymous.

CUBA'S INTERNET FUTURE AND ECONOMIC POLICY DECISIONS: PERSPECTIVES AND QUESTIONS

Dr. Pat LeMay Burr, University of the Incarnate Word
Dr. Roberto E. Montalvo, Our Lady of the Lake University

ABSTRACT

This mixed-method study examines and contributes to a greater understanding of the history of Cuba's evolution of Internet within a broader socio-political-economic context that includes an economic embargo, the governmental relaxation of Internet use, and the continuing social Cuban Internet expansion. Data for the study were collected through a review of literature in English and Spanish and visits to the Cuban cities of Havana, Santiago de Cuba, Camagüey, Cienfuegos, Varadero, and Trinidad in 2015, 2016 & 2017.

The study notes the collaboration decisions ahead regarding Internet expansion and their potential impact upon Cuba's economic and political model. Finally, policy questions facing Cuba's new leadership are raised for future inquiry as the Island moves from near-total Internet isolation to a new access model.

PERSPECTIVES ON CUBA'S INTERNET FUTURE AND ITS POLICY DECISIONS

INTRODUCTION

Cuba's introduction to the Internet1 era arrived at the end of the 20th century, almost ten years later than for most developed economies. As Cuba now navigates a path toward increasing its national productivity and gross domestic product (GDP) that can lead to higher living standards (Wild, Wild & Ball, 2016), its policy leadership must develop an information and communications technology (ICT) infrastructure that (1) establishes key points of economic opportunity and access on the island and (2) connects the island to the world economy.

The Internet, which originated as a communication tool, has evolved into a pervasive force that supports all sectors of an economy in the same way that electrical infrastructure and water systems support an economy (OECD, 2013). Its impact upon an economy may include trade growth, innovation, entrepreneurship, general economic benefit, and social well-being (OECD, 2016).

Studies indicate that significant economic value added from Internet-related activities may be documented and that these percentages are growing over time, highlighting the increasing importance of the Internet in an economy (OECD, 2013). In addition, increases in a nation's Internet speeds lead to growth in national productivity (Little, 2013 & Minges, 2016). Other studies have centered upon the impact of Broadband connectivity has on an economy, and almost every study has found a positive economic impact resulting from increased Broadband Internet access (Minges, 2016). The extent to which an economy embraces the Internet's positive impact upon growth potential depends upon whether policy makers understand the opportunity and institutionalize policy reforms that support the opportunity—in this case, Broadband's central role in national development policy (Qiang, Rossotto & Kimura, 2009).

CUBA'S CONSTITUTIONAL HISTORY AND INTERNET ACCESS

Article 12 Paragraph (g) of Cuba's 1976 Constitution establishes the country's sovereign right to regulate the use and benefits of telecommunications within its borders in accordance with universal practice and signed international agreements. One such international agreement is the 2014 International Telecommunications Union's (ITU) Connect 2020 Agenda for Global Telecommunication—Information and Communications Technology (ICT) Development known as Resolution 200.

The ITU is the United Nation's (UN) agency that coordinates the international ICT development of its 171 member states (International Telecommunications Union n.d.). Resolution 200 established four worldwide ICT goals that include (1) growth, (2) inclusiveness, (3) sustainability and (4) innovation & partnership development to be attained by the year 2020. The ITU wants 55 percent of the world's households to have access to the Internet by 2020 while making ICT access 40 percent more affordable (Spencer, 2014).

EVOLVING CONNECTIVITY

Researchers can distinguish between two stages in the evolution of Internet in Cuba. The first corresponds to the initial decade of the new millennium, from 1999 to 2011 during which the number of Internet users as a percentage of population rose steadily to 16.02%, an average rate of 1.30 percentage points per year. The second stage, extending from 2011 through 2016, shows an acceleration in the growth rate of Cuba's Internet penetration; in only five years, the level documented in 2011 virtually doubled, from 16% to 31.1%.

One feature of Cuba's connectivity is that it has been achieved primarily through government-installed Wi-Fi hotspots positioned throughout the Island. By the end of 2016, the government had installed 237 of these hotspots (Marsh, 2016). This is in large part the result of the characteristics of a centrally planned economy where the government plans the supply-side of the economy.

EVOLVING GOVERNMENTAL POLICY

Raúl Castro, who in 2008 succeeded his brother, Fidel, began to legalize Internet access that until then had been available only on the black market. Private ownership of home computers had remained illegal until 2008 when he eased ownership restrictions for cell phones, computers, video players, all sizes of televisions, car alarms and other personal purchases for home ownership and use (Roig-Franzia, 2008). Yet, Broadband connectivity has remained limited by the availability number of access points, high cost, slow speed, and government control (Aldous, 2015).

Cuban authorities are likely to maintain control of access to sites considered objectionable via the state-owned telecommunications monopoly (San Pedro, 2016). Access, for example, to the government-controlled and restrictive version of the Internet was available to about 25% of the population in 2014 but only about 5% of the population had access to the Internet at home (Scola, 2014, December 17). Even though in 2017, Facebook and Twitter are available at the government-operated hotspots many other "objectionable sites" remain blocked. The government monitors users who post or access information online and blocks those it deems critical of the state media (Henken & van de Voort, 2014). In order to control Internet use, the Cuban government regulates the legal and institutional structures that determine who has access to the Internet, how much access is permitted, and the sale and distribution of Internet-related equipment.

EVOLVING POPULATION RESPONSE

When in 2008 the government began allowing Cubans to buy personal computers, the population's interest in computer access sparked. (Aamoth, 2008). Yet, even by 2014, in a country of more than 11 million people, the number of computers was only a little over one million, and, of these, only about half had connectivity. ("Cuban ICT statistics report," 2015). Academic institutions do have computer labs but Internet access is usually prohibited for students or it is limited to very short time periods. It is also limited to approved email accounts or other supervised activities on the official government intranet. The Minister of Higher Education in May 2015 announced Internet access for teachers, researchers, and students at four university campuses and in a limited number of residences, but few details, such as information regarding the speed of the connection, were provided and all access is subject to no-notice changes. (Pinto, 2015).

Importation of phones that use Global Positioning System (GPS) technology or satellite connections are still explicitly prohibited by Cuban customs regulations. Special in-advance government-issued permits are required on modems, wireless faxes, and satellite dishes entering the country (Republic of Cuba, n.d.). Some Cuban citizens, in spite of such regulations, have installed wired or Wi-Fi-based local area networks to exchange information, games, music, and photos. Cuban authorities, at first, did not actively seek out the installations, but in May 2014, government selective dismantling of these networks began in some Havana neighborhoods even though the networks appeared to be non-political. ("El régimen desmantela," 2014).

Official policy allows the government to "take the necessary steps to prevent access to sites whose contents are contrary to social interests, ethics and morals, as well as the use of applications that affect the integrity or security of the state," while Voice over Internet Protocol (VoIP) is still blocked throughout the country (Humphries, 2012). Reports of bloggers removing posts after being threatened by officials for publishing views criticizing government actions continue. ("Malestar por Cambio," 2012).

GOVERNMENT RESPONSES TO INTERNET ADOPTION

Along the way, Cuba has, it seems, adopted one test policy at a time and then waited to see the population response to that test policy. Various policy implementations include the following.

Access to independent media. Cuban laws stipulate that all materials intended for publication or dissemination on the Internet must first be approved by the National Registry of Serial Publications (Republic of Cuba, 1999), and those laws place strict limits on free speech and outlaws independent media. Although many foreign news websites are accessible from government Internet access points, the websites about Cuban news and websites from Cuban dissidents or expats are often blocked. Some universities and other institutions further restrict content by blocking social media sites.

Blogging control. Under Raúl Castro, the Cuban government has shifted its control tactics from long-term imprisonment of bloggers to short-term extralegal detentions, intimidation, and harassment ("World Report," 2016), and bloggers are still routinely summoned for questioning,

In addition, a network of pro-government bloggers and social media activists often monitor and harass other bloggers who are critical of the government (Avila & Sánchez, 2013).

Email access. Access and use remain tightly controlled. The government routes most connections through proxy servers and obtains user names and passwords through special monitoring software called Avila Link, which is installed at most public access points (Franseschi-Bicchiera, 2014 & Infosurgents, n.d.). In addition, delivery of email messages is consistently delayed and it is not unusual for a message to arrive without its attachments.

As Islanders push the limits of access, growing numbers of tourists, entrepreneurs, and youth advocate for more options. American visitors' access demands have led home-stay hosts to install WIFI extenders points. (CBS Interactive, 2016).

Yet, access and use remain tightly controlled. A Ministry of Communications decree announced the government's continued monitoring of Internet traffic, stating that it will immediately end a user's access if he or she commits "any violation of the norms of ethical behavior promoted by the Cuban state" (Republic of Cuba, 2013a).

Neighborhood sniffing. In addition to the pro-government monitoring network, government technicians are known to "sniff" neighborhoods with handheld devices as they search for ham radios, satellite dishes and illegal networks. In response, the government has shut down large illegal Wi-Fi networks. (Uniradioinforma, 2012).

THE CUBA-VENEZUELA PLAN

An initial attempt to integrate countries of the western hemisphere into a single free trade area began in Miami, Florida, with the "1994 Summit of the Americas I" when thirty-four western hemisphere country representatives met to discuss establishing the Free Trade Area of the Americas (FTAA). The goal was to use existing regional and bilateral agreements to gradually eliminate trade and investment barriers. The proposed agreement addressed market access, subsidies, duties, antidumping, investment, services, agriculture, government procurement, competition policy and intellectual property rights (Vivas-Eugui, 2003).

Seven years after the initial Summit of the Americas, the "Summit of the Americas III" was convened in Québec, Canada where Venezuela's President Hugo Chávez declared Venezuela's opposition to the FTAA and proposed an alternate coalition. In 2004, Cuba's President Fidel Castro and Venezuela's President Hugo Chávez formalized a bilateral coalition known as the Bolivarian Alternative for the Peoples of Our America (ALBA) and established a bilateral agreement between Cuba and Venezuela (ALBA-TCP., n.d.).

The ALBA-TCP is significant in economic terms because it is an agreement between two countries who rank first in two resource factors - health care (an advanced factor) and proven oil reserves (a basic factor). Cuba ranks among the top countries in the world with the highest number of physicians per 1,000 inhabitants (World Health Organization, 2016) while Venezuela has the largest proven oil reserves in the world (Central Intelligence Agency, 2016). International classical trade theories such as David Ricardo's and Heckscher–Ohlin's predict countries export their abundant factors of production and import factors of production that use the country's scarce resources. The October 2000 exchange of Cuban physicians for Venezuelan oil exemplifies these international trade theories.

THE ALBA-1 UNDERSEA CABLE

Maps of Caribbean international undersea fiber optic cable routes prior to 2014 illustrate Cuba's high-speed data (HSD) isolation with no undersea fiber optic cable landings anywhere in Cuba due in part to U.S. economic sanctions, (TeleSur, 2006, Montoya, 2010 & Cubadebate, 2015). Undersea fiber optic cables carry over 90% of the world's Internet data (Dormon, 2016) and without a direct international fiber optic connection to the world-wide-web, Cuba was destined to remain isolated (San Pedro, 2015 & Vox Media, 2015).

Telecom Venezuela (60%) and Cuba's Transbit (40%) in late 2007 formed a joint venture, Telecom Gran Caribe (TGC), to build and operate the 1,538 km, 5.12 TBps ALBA-1 undersea fiber optic cable connecting Venezuela, Cuba and Jamaica (Telegeography, 2007). The nearly 1,000 mile (955.6) cable was activated in January 2013 (Madory, 2013). The joint venture's 2020 goals call for home connections of 50 percent of the population and mobile Internet connections of 60 percent of the population (Adams, 2015) with descending focus on urban, near rural and distant rural areas, respectively. Hotels, businesses, business parks and residences are assigned varying priority levels. (Carballo-González, 2016).

CUBA'S POPULATION AND HOME INTERNET ACCESS

Cuba's 11 million-plus population is comparable to that of the U.S. State of Ohio; urban population makes up 75% (Republic of Cuba, 2013b). Population profiles range from Havana Province's high of 100% urban population to Granma Province's low of 61.3%. The density of any one of the Island's population centers has a direct bearing on the costs associated with installation of new forms of access. (Republic of Cuba, 2013b).

One primary option of providing broadband connections for consumer or residential use is DSL, a wired transmission option that uses traditional copper telephone lines already installed to homes and businesses. Central Havana's high population density and existing infrastructure significantly reduces the costs of launching home DSL broadband service since the greater number of potential customer "passings" per mile of plant, the lower the marginal cost per passing becomes. And because Cuba has nearly one million (967,973) residential telephone lines and 677 out of 740 telephone central offices (91%) are digital (Republic of Cuba, 2015), DSL broadband services could be rapidly deployed within a 5.5 km radius of Cuba's 677 digital telephone central offices requiring minimal infrastructure investment to approximately 24.8% of Cuban households.

SOURCES OF CAPITAL

The Portfolio of Opportunities for Foreign Investment published by the Ministry of Foreign Trade and Investment (MINCEX) lists the country's current industry sectors open to foreign investment (Feinberg, 2017). The telecommunications, ICT, and postal services sectors were included for the first time in the 2016-2017 edition of the publication, albeit without any specific projects likely signaling coming projects in subsequent editions.

China has become Cuba's largest single trading partner, accounting for 22% (USD $308 million) of its exports and 28% (USD $1.88 billion) of its 2015 imports (Simones, 2017). The Chinese company Huawei Technologies Co. Ltd (Huawei) and Cuba's state telecom Empresa de Telecommunicaciones de Cuba S.A. (ETECSA) in 2015 signed an agreement for the supply of web-capable smartphones and technical training (Cuba Business Report, 2015). ETECSA currently offers eleven web-capable smartphones for sale on its website ranging in price from USD$65 to USD$162, three from China's Huawei and six from France's Alcatel (ETECSA, 2017). In early 2017 a three-year agreement between Cuba's Gedeme Servimática and China's Haier Group Corporation established the country's first computer factory capable of producing up to 500 devices a day (Granma, 2017).

CUBA'S LEADERSHIP CHANGE

Miguel Mario Díaz-Canel Bermúdez, First Vice President of the Council of State and Council of Ministers, an engineer with extensive government experience is credited with pushing for increasing internet access on the island (Persio, 2017). In 2018, 56 year-old Miguel Díaz-Canel is expected to assume the presidency of the Council of State and the Council of Ministers when 85 year-old Raul Castro retires, (Whitefield & Gamez-Torres, 2017). With Díaz-Canel's party history as secretary of the communist youth, he's an insider, modern, uses a tablet, carries on a forward-thinking conversation, and reads constantly. His understanding and use of technology and the Internet suggest that he will continue to make decisions on how technology integrates into the island's formula for economic growth (Vela, 2017).

CUBA'S INTERNAL DEBATE TO SHAPE ITS ECONOMIC POLICY ON ACCESS

No policy decision related to Cuba's Broadband expansion and access will be made lightly since each step can influence the country's economic and political structure and may take its relationship with its global trading partners in a decidedly different direction from today's status quo. The following ten policy questions are only a few that Cuba's new leadership faces as it moves towards greater universal access and its integration into the World Wide Web. These policy questions also represent rich areas for further academic research.

1. Should Cuba continue with Venezuela or with China or with both in its financial plan to support Broadband development or should it attempt to move ahead with only internal funding?
2. What should Cuba's broadband access and speed policies be to meet its ITU Vision 2020 goals?
3. What should the urban access goals be?
4. What should the rural access goals be?
5. Should Cuba first focus on public access, in-home access, or in-business access or all three?
6. What is the long-term political risk of Cuba's decision to partner with other nations to reach a Broadband goal?
7. What should Cuba's future policy be regarding monitoring of account use, control of blogs, opinions, criticisms, and cancellation of Internet accounts?
8. Should Cuba allow uncontrolled access and use of Broadband by international travelers?
9. How might private enterprise use by in-home business operations lead to economic expectations in opposition to Cuba's economic model?
10. Should Cuban leadership, as an economic development tool, merely permit open access or encourage a higher velocity use pattern of Internet by its citizens?

SUMMARY

Cuba's international trade relations with current and future global trading partners, its internal economic development success, and the prosperity of its citizens are all associated with decisions concerning broad access to and use of digital communication. Broadband Internet access is technologically possible today, but the availability of unfettered use of that access and expansion of access is dependent upon Cuba's new policy decision makers.

As Cuban Vice President Miguel Diaz-Canel Bermúdez takes the helm of Cuba in 2018, educational advancement of the Island's population, commercial innovation in its production sector, and technological advancement in intellectual property discovery will all benefit from policy decisions that support affordable and advanced technology access for the Island.

REFERENCES

Aamoth, D. 2008. Personal computers finally available in Cuba. TechCrunch. Retrieved from: https://techcrunch.com/2008/05/03/personal-computers-finally-available-in-cuba/

Adams, D. 2015. Cuba aims to ramp up Internet access: U.S. State Department official. Reuters. Retrieved from: http://www.reuters.com/article/us-cuba-usa-telecommunications-idUSKBN0MQ2BV20150330

ALBA-TCP. (n.d.). History of ALBA-TCP. Retrieved February 09, 2017, from http://alba-tcp.org/en/contenido/history-alba-tcp

Aldous, V. 2015. Censorship in Cuba. University of Chicago Law School. Retrieved from: http://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=1001&context=international_immersion_program_papers

Avila, E. & Sanchez, Y. 2013. Operation truth video transcript. *Translating Cuba*. {Web Log Post}. Retrieved from: http://translatingcuba.com/wp-content/uploads/2013/04/Operation-Truth-Video.pdf

Carballo-González, C. 2016. Propuesta de soluciones de acceso para la introducción por ETECSA de los servicios de banda ancha en Cuba. [ETECSA's proposal for broadband access in Cuba]. Retrieved from http://revistatelematica.cujae.edu.cu/index.php/tele/article/view/208

CBS Interactive. 2016. Americans turn to Airbnb service to see "real" Cuba. Retrieved from http://www.cbsnews.com/news/airbnb-founder-brian-chesky-opportunities-challenges-of-business-in-cuba/

Central Intelligence Agency. (2016). Country comparison: crude oil-proved reserves. Retrieved from https://www.cia.gov/library/publications/the-world-factbook/rankorder/2244rank.html

Cuba Business Report. 2015. Huawei Technologies signs smartphone agreement with ETECSA. Retrieved from: http://www.cubabusinessreport.com/huawei-technologies-signs-smartphone-agreement-with-etecsa/

Cubadebate. (2015). El bloqueo impide mayor y mejor acceso de Cuba a Internet. Retrieved from http://www.cubadebate.cu/noticias/2015/10/09/el-bloqueo-impide-mayor-y-mejor-acceso-de-cuba-a-internet/#.Wg4amEqnHD5

Cuban ICT statistics report for 2014. 2015. *The Internet in Cuba.* {Web Log Post}. Retrieved from: http://laredcubana.blogspot.com/2015/08/cuban-ict-statistics-report-for-2014.html

Dormon, B. 2016. How the Internet works: Submarine fiber, brains in jars, and coaxial cables. ARS Technica. Retrieved from http://arstechnica.com/information-technology/2016/05/how-the-Internet-works-submarine-cables-data-centres-last-mile/

El régimen desmantela una red Wi-Fi clandestina en Víbora Park. 2014. Diario de Cuba. Retrieved from http://www.diariodecuba.com/cuba/1401536782_8829.html

ETECSA. 2017. Equipos que se comercializan. [Mobile phone equipment for sale]. Retrieved from: http://www.etecsa.cu/telefonia_movil/equipos_que_se_comercializan/

Feinberg, R. 2017. Cuba: portfolio of opportunities for foreign investment, 2016–2017.
Retrieved from: https://www.foreignaffairs.com/reviews/capsule-review/2017-02-13/cuba-portfolio-opportunities-foreign-investment-2016-17

Franseschi-Bicchiera, L. 2014. The Internet in Cuba: 5 things you need to know. {Web Log Post}. *Mashable.* Retrieved from: http://on.mash.to/1Fmi1Rg /

Granma. 2017. Cuban style laptops and tablets. Retrieved from: http://en.granma.cu/cuba/2017-01-19/cuban-style-laptops-and-tablets

Henken, T., & van de Voort, S. (2014). From Cyberspace to Public Space? The Emergent Blogosphere and Cuban Civil Society. A Contemporary Cuba Reader, 99–110. Retrieved from: https://www.baruch.cuny.edu/wsas/academics/black_latino/documents/Cyberspace2PublicSpaceReader-final.pdf

Humphries, M. 2012. The legality of voip abroad: Where you can access it. Retrieved from: http://www.nextadvisor.com/blog/2012/04/16/the-legality-of-voip-abroad-where-you-can-access-it/

Infosurgents. n.d. Internet filtering. *Tracking the Information Revolution*. University of Michigan. Retrieved from: http://bit.ly/1KHrM9m.

International Telecommunications Union. n.d.. About ITU. Retrieved from: http://www.itu.int/en/about/Pages/default.aspx

Little, A. 2013. Socio-economic effects of broadband speed. Ericsson. Retrieved from https://www.ericsson.com/res/thecompany/docs/corporate-responsibility/2013/ericsson-broadband-final-071013.pdf

Madory, D. 2013. Mystery Cable Activated in Cuba. {Web Log Post}. Retrieved from http://dyn.com/blog/cuban-mystery-cable-activated/

Malestar por Cambio de Edificio del Partido Comunista en Camagüey. [Unease after Communist Party changes building in Camagüey]. 2012. Retrieved from: http://cafefuerte.com/csociedad/2050-malestar-por-cambio-de-edificio-del-partido-comunista-en-camagueey/

Marsh, S. 2016. *Cuba sets up free Internet for Havana residents in pilot scheme.* Retrieved from: http://www.independent.co.uk/news/world/americas/cuba-free-Internet-wi-fi-havana-residents-raul-castro-pilot-scheme-communist-a7501721.html

Minges, M. 2016. Exploring the relationship between broadband and economic growth. Background Paper prepared for the World Development Report 2016: Digital Dividends. Retrieved from: http://pubdocs.worldbank.org/en/391452529895999/WDR16-BP-Exploring-the-Relationship-between-Broadband-and-Economic-Growth-Minges.pdf

Montoya, R. (2010). Estados Unidos bloquea el acceso a los servidores de internet desde la isla. Diagonal. Retrieved from https://www.diagonalperiodico.net/global/estados-unidos-bloquea-acceso-servidores-internet-desde-la-isla.html

OECD. 2013. Measuring the Internet Economy: A Contribution to the Research Agenda, OECD Digital Economy Papers. No. 226, OECD Publishing. Paris. Retrieved from: http://www.oecd-ilibrary.org/content/workingpaper/5k43gjg6r8jf-en

OECD. 2016. Economic and Social Benefits of Internet Openness. *OECD Digital Economy Papers*. No. 257. OECD Publishing. Paris. Retrieved from: http://dx.doi.org/10.1787/5jlwqf2r97g5-en

Pinto, E. 2015. Garantizarán Acceso a Internet a Estudiantes y Docentes de La Universidad de Oriente[University of the Oriente guarantees faculty and student Internet access.] Sierra Maestra. Retrieved from: http://www.sierramaestra.cu/index.php/ciencias/357-garantizaran-acceso-a-Internet-a-estudiantes-y-docentes-de-la-universidad-de-oriente

Persio, S.L. (2017). Who will be Cuba's next president? Raul Castro sets election timeline ahead of Trump's policy speech. Newsweek. Retrieved from: http://www.newsweek.com/who-will-be-cubas-next-president-raul-castro-sets-election-timeline-ahead-626226

Qiang, Z., Rossotto, C. & Kimura, K. 2009. Economic Impacts of broadband. Information and Communications for Development. Washington D.C.: World Bank.

Republic of Cuba. Cultural Ministry. 1999. Resolución No. 56/99. [Resolution No. 56/99]. Retrieved from: http://www.cubaeduca.cu/index.php?option=com_content&view=article&id=992:ciencia-y-tecnica-institucional-publicaciones-seriadas&catid=37:ciencia&Itemid=101

Republic of Cuba. Justice Ministry. 2013a. Gaceta oficial de la República de Cuba Ministerio de Justicia (MINJUS), Resolución No. 197/2013 [Republic of Cuba Ministry of Justice (MINJUS) Official Journal, Resolution No. 97/2013]. Juventud Rebelde. Retrieved from: http://www.juventudrebelde.cu/file/pdf/impreso/2013/05/28/iespeciales.pdf.

Republic of Cuba. National Statistics Bureau. 2013b. Censo de población y viviendas 2012. [2012 Population and housing census]. Retrieved from: http://www.one.cu/resumenadelantadocenso2012.htm

Republic of Cuba. National Statistics Bureau. 2015. Tecnología de información y comunicaciones. [Information and communications technologies]. Ministerio de Tecnología y Medio Ambiente. [Ministry of Technology and Environment]. Retrieved from: http://www.one.cu/aec2014/17%20Tecnologias%20de%20la%20Informacion.pdf

Republic of Cuba. Customs. n.d. Artículos que necesitan autorización a la importación. [Items that require import authorization]. Retrieved from: http://www.aduana.co.cu/index.php?option=com_content&view=article&id=11&Itemid=188&la

Roig-Franzia, M. 2008. Cuba lifts restrictions on personal cellphones. *Washington Post Foreign Service*. Retrieved from: http://www.washingtonpost.com/wp-dyn/content/article/2008/03/28/AR2008032801242.html

San Pedro, E. 2015. Cuban Internet delivered weekly by hand. *British Broadcasting Corporation*. Retrieved from http://www.bbc.com/news/technology-33816655

San Pedro, E. 2016. Cuba Internet access still severely restricted. British Broadcasting Corporation. Retrieved from http://www.bbc.com/news/world-latin-america-35865283

Scola, N. 2014. Only 5 percent of Cubans can get on the same Internet Americans do. That could soon change. The Washington Post. Retrieved from: https://www.washingtonpost.com/news/the-switch/wp/2014/12/17/cubans-might-soon-actually-be-able-to-get-on-the-real-Internet/?utm_term=.246736cb5d9e

Simones, A. 2017. The observatory of economic complexity. Massachusetts Institute of Technology. Retrieved from: http://atlas.media.mit.edu/en/profile/country/cub/

Telegeography. 2007. Telecom Venezuela and Transbit form new company for undersea link. Retrieved from https://www.telegeography.com/products/commsupdate/articles/2007/10/23/telecom-venezuela-and-transbit-form-new-company-for-undersea-link/

TeleSur. (2006). Bloqueo imperialista: EEUU prohíbe acceso de Cuba a fibra óptica. Aporrea. Retrieved from https://www.aporrea.org/actualidad/n79513.html

Uniradioinforma. 2012. Denuncia Cuba violanciones a su systema de telecomunicaciones. [Cuba prosecutes telecommunications system violations]. Retrieved from: http://www.uniradioinforma.com/noticias/internacional/162728/denuncia-cuba-violaciones-a-su-sistema-de-telecomunicaciones.html

Vela, H. 2017. Who will be Cuba's new leader? WPLG Inc., Retrieved from: http://www.local10.com/news/cuba/who-will-be-cubas-new-leader

Vivas-Eugui, D. 2003. Regional and bilateral agreements and a TRIPS-plus world: the Free Trade Area of the Americas (FTAA). *Quaker United Nations Office* (QUNO).

Vox Media. 2015. This is Cuba's Netflix, Hulu, and Spotify–all without the internet. Retrieved from https://youtu.be/fTTno8D-b2E

Whitefield, M. & Gamez-Torres, N. (2017). The countdown begins for Raúl Castro's retirement in 2018. Miami Herald. Retrieved from: http://www.miamiherald.com/news/nation-world/world/americas/cuba/article134121954.html

Wild, J., Wild, K., & Ball, A. 2016. International business: the challenges of globalization. Boston: Pearson.

World Health Organization. (2016). Density of physicians. Global Health Observatory (GHO) Data. Retrieved from http://www.who.int/gho/health_workforce/physicians_density/en/

World Report 2015: Cuba. (2016, March 21). Human Rights Watch. Retrieved from: http://www.hrw.org/world-report/2015/country-chapters/cuba

ENDNOTES

1. Authors use the terms *Internet, WIFI,* and *Broadband* interchangeably in this study to describe the broad concept of access.

Midwestern Business and Economic Review
Manuscript Submission Guidelines

All papers submitted to Midwestern Business and Economic Review will undergo a thorough double-blind peer review process. Authors whose papers need to be revised will receive anonymous reviewer's comments and suggestions. Please see the flowchart below for details.

Each paper should be submitted electronically as a word document to: **agim.kukeli@mwsu.edu**. Manuscripts submitted are anonymously reviewed by members of the Editorial Review Board and ad hoc reviewers, as needed. To meet the interest of a broad spectrum of the academic and business community, readability and expository clarity are considered essential in the review process.

All manuscripts submitted for review must meet the following guidelines:

- The manuscript should be doubled-spaced, 12 point Times New Roman, with 1" margins, and should not exceed twenty five pages with the exclusion of tables, figures, and references
- The first page should include the title of the article and an abstract 50-75 words in length
- Endnotes are preferred over footnotes
- References should follow the American Psychological Association guidelines
- All tables and figures, titled and numbered, should be included on separate pages

A **cover letter** should be included with the submission containing the following:

- Title of the manuscript and one track [any of the following: economics, finance, management, accounting, marketing, and management information systems]
- Name, degree, rank, and affiliation of each author
- Contact information for each author (mailing address, telephone number, and email address)

Midwestern Business and Economic Review has **no submission and publication fee**. Authors receive a printed copy of the journal. Additional copies are available upon request for **$30.00** each.

Payment instructions
Please make check payable to:
Bureau of Business and Government Research
Midwestern State University
Attn: Amanda Clawson/BBGR
3410 Taft Blvd.
Wichita Falls, TX 76308

All **correspondence** should be directed to:
Midwestern Business and Economic Review
Bureau of Business and Government Research
Midwestern State University
3410 Taft Boulevard
Wichita Falls, TX 76308-2099 USA

Bureau of Business and Government Research
Midwestern State University
3410 Taft Boulevard
Wichita Falls, TX 76308-2099

ADDRESS SERVICE REQUESTED