Aims and Scope

Welcome to the first issue of the Advances in Management and Informatics (AMI) Journal for the 2015/16 academic year. This issue provides a selection of topics that should be of interest to members of the School.

Advances in Management and Informatics Systems is a quarterly journal that allows members of Cardiff School of Management to contribute topics of interest, ranging from embryonic ideas through to work that is nearing completion. Some of the ideas presented to the editor have since been published, and some are undergoing further research. Papers include a “note about this work” to highlight targeted publications, and some details about the origins of the particular article, including what future plans are in place for the work presented. We would like to stress that as this is a working paper journal, publication here does not preclude the authors from publishing their work elsewhere. We welcome submissions and comments to the address AMISjournal@cardiffmet.ac.uk, a template can be found in the CSM webpage, http://www.cardiffmet.ac.uk/management/Pages/default.aspx

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Government, Funding and Infrastructure support for ICT start-ups in the Middle East: ..........................................................
A case study of Palestine ..........................................................................................................................................................................................
UNDERSTANDING THE NATURE OF VALUE: A CONCEPTUAL FRAMEWORK .................................................................
LEAN UNIVERSITY PROGRAMMES: THREE FALLACIES THAT PREVENT EFFECTIVE IMPLEMENTATION ....................
NURSES’ PERCEPTIONS OF MANAGEMENT INFLUENCES ON JOB SATISFACTION .........................................................
GOVERNMENT, FUNDING AND INFRASTRUCTURE SUPPORT FOR ICT START-UPS IN THE MIDDLE EAST: A CASE STUDY OF PALESTINE

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ABSTRACT

This paper discusses the potential of technology entrepreneurship in Palestine through identifying and evaluating the characteristics of its ecosystem. Following the model introduced by the World Economic Forum (2013), we define the ecosystem under six characteristics: funding; human resources; market potential; legal and government policies; support organisations; and challenges facing the entrepreneurs. The study focuses on three of the six characteristics, namely funding, legal and government policies, and support organisations, analysing the different funding possibilities and available support from various organisations in Palestine. Entrepreneurship is gaining an increasing importance in the Middle East which can be seen in the recent boom; most of the entrepreneurship activity is either ICT centred or has some link to ICT. As a result, many countries are making efforts to become the main tech hub for ICT start-ups; Palestine is one of those. This makes studying the ecosystem behind the boom both interesting and important. However, to date, the case of Palestine has not been studied extensively. This research assesses three of the ecosystem pillars' characteristics in Palestine through a qualitative study based on interviews with experts and entrepreneurs in the Palestinian entrepreneurial scene. Although many countries are trying to imitate the Silicon Valley model, this research finds that it may not be universally applicable; instead many organisations in Palestine are pushing toward an ecosystem more fit for the local economic and political situation. We also demonstrate, through this, that Palestine can develop a viable and successful entrepreneurial ecosystem, with ICT being the primary field.

Keywords: ICT ecosystem, venture funding, Middle East development.

Abbreviations

GDP: Gross Domestic Product
ICT: Information and Communication Technology
IP: Intellectual Property
IT: Information Technology
KPI: Key Performance Indicators
MENA: Middle East and North Africa
PNB: Palestine for a New Beginning
1 INTRODUCTION

This research analyses the entrepreneurial situation in Palestine identifies factors affecting the financing and support of entrepreneurship, and how they can be enhanced to better support the ecosystem development, thus allowing the ecosystem to produce higher quality ICT ventures with a higher success rate.

At the community level in Palestine Information and Communication Technology (ICT) entrepreneurship is gaining an accelerated importance and acceptance, with most newspapers dedicating monthly or fortnightly columns to introducing new start-ups or interviewing key personnel who contribute to the entrepreneurship scene. The main newspaper in Palestine, AlQuds, even used to issue a quarterly magazine called ‘Digital AlQuds’ between 2012 and 2013 dedicated to ICT news in Palestine and in the world.

Moreover, there is a growing interest in ICT entrepreneurship proved by the increased interest in activities like start-up weekends and Hackathons (Petersen-Paaske, 2014), and the increasing importance of guest speakers who address the developers as part of such activities (startupweekend.org, 2013). Furthermore, these activities are usually sponsored by international companies like Google and Microsoft which show global interest in the area’s ICT capabilities.

Palestine has a unique political situation resulting in a small and fragile economy. The Israeli occupation has imposed a series of closures on the country since 2000, resulting in the collapse of the tourism industry and the barred flow of most exports and imports (GEM, 2010). With no way for an economy to survive under these conditions and with a national education levels among the highest in the Middle East North Africa (MENA) region, directing efforts toward ICT internet-based entrepreneurship was a logical decision. In 2011 the ICT sector contributed 6.4% of the Palestinian Gross Domestic Product (GDP) compared to 0.8% in 2008 with an annual growth of 25%. It is expected that the ICT sector will eventually account for as much as 21% of GDP (The Portland Trust, 2012).

Palestine offers significant advantages and incentives for companies that want to outsource their Information Technology (IT) operations to locally initiated start-ups, as the workforce has a relatively wide range of IT skills, and the banking environment is well-regulated, making Palestine relatively investor-friendly from a financial point of view. The workforce in Palestine is its main strength as highly educated employees are relatively cheap in the ICT sector. Hiring an ICT professional in Palestine costs 75% less than Western Europe or the US, 70% less than the occupying state of Israel and even 25% less than a similar professional in India or China. When such low cost is combined with the relatively close proximity to Europe and US, good language skills and cultural awareness of the workforce, Palestine could be considered a rich land that fits the international ICT industry requirements (The Portland Trust, 2012).

2 CONCEPTUAL FRAMEWORK

Entrepreneurship literature mainly defines six pillars for ecosystems: policy; finance; culture; infrastructure support; human resources; and markets (World Economic Forum, 2013). Each pillar contains many variables
which influence the ecosystem. This paper will discuss support in terms of financing, infrastructure and government support.

Policies set by the government and those pushed by organisations are highly important for the creation of a functioning ecosystem, as without even the simplest supportive policies an ecosystem cannot stem. They can vary from tax exemptions for start-ups, or even reduced taxes for normal people, to institutional support, to venture friendly legislations and most importantly a national strategy for entrepreneurship support. An example of supportive policies is the US short bankruptcy period which is much shorter than anywhere in the world, with only twelve months required for an individual to recover from bankruptcy (Department of Enterprise, Trade and Investment, 2006).

In the Middle East few governments set strategic initiatives to enhance technology start-ups, like the ‘National ICT Strategy’ in Jordan, ‘TIEC 2014 Strategy’ in Egypt, and ‘Dubai SME’ and ‘ICT Fund’ in the UAE. This indicates governmental awareness regarding entrepreneurship in general and technology entrepreneurship in particular. Nevertheless, this does not mean these policies are good or are achieving everything they are supposed to. No efficient bankruptcy and liquidation regulations currently exist, causing entrepreneurs to face major legal litigations in the unfortunate case of venture failure (KPMG; Zawya; and MENA Private Equity Association, 2013).

Financial support is a vital aspect of the ecosystem. Money can be considered to be the blood vessel for any company, and no company can survive without it. Financial support comes in different forms; start-ups.co.uk (Raising finance, 2014) identified various funding including peer-funding, bootstrapping, crowd-funding, investment banks and even multi-million pound venture capitals (VCs). The amount of funding raised and what the entrepreneurs have to provide in return depends on the stage the start-up is at in the firm cycle. Generally start-ups raise funds over six stages: seed financing at the pre-initiation stage; start-up financing to establish the business and initiate production; first round financing to establish the direction of the new venture side by side to start-up financing; second round financing is used to expand the start-up core activities and operations; and mezzanine financing is required to improve products and services of the start-up firm (Leach & Melicher, 2012). Finally, once the company passes the initiation stages and starts approaching maturity stage, risk is lowered, allowing VCs and investment banks to come into view and pump large amounts of money into the firm to help it cross the chasm to maturity.

Entrepreneurship infrastructure, such as a set of supportive organisations, is another vital pillar that supports healthy ICT entrepreneurship ecosystem. The supportive infrastructure provides telecommunication networks, transportation, incubators, accelerators, education and mentorship, networking services and much more (World Economic Forum, 2013). Infrastructure support provides ventures with information about the market, surrounding environment, information and knowledge, legal advice, technical support, resource endowment, competitive skilled labour, and supportive regulations. Ho and Tseng (The Global Digital Divide and Social Inequality: Universal or Polarized?, 2001) argue that if support organizations did not provide those services then ventures are more likely to fail, while ones that do get access to all the support facilities are more likely to succeed. Van de Ven (The development of an infrastructure for entrepreneurship, 1993) attributes
this to the reduced risk, time and cost incurred by these entrepreneurs which also explains why they tend to prefer to work in packs. Legislative and governmental support is of special interest, as many countries try to actively develop their culture and ecosystems further as a way to create jobs and economic development, nevertheless most countries’ policies to create a supportive infrastructure fail to achieve their goals (Michael & Pearce, 2009). Michael and Pearce (The need for innovation as a rationale for government involvement in entrepreneurship, 2009) argue that the most important support action governments should do is reduce the risk of entrepreneurship financially by means of tax incentives and legally by means of regulations that protect them and reduce bureaucracy. It is important to realize that an efficient and supportive infrastructure cannot emerge instantly and cannot mature by the efforts of entrepreneurs only. Instead, it requires the collaboration of various institutions over an extended period of time. When such a well-established infrastructure exists, it will enable firms to rapidly and more easily catch up with competitors in other countries (Van de Ven, 1993).

3 METHODOLOGY
The research is based on eight in-depth Skype interviews which were held between August and October 2014. Interviews discussed all ecosystem pillars totalling 10:58 hours. The relevant parts used for this paper extended over 2:15 hours.

Analysis was done thematically using NVivo10. The researchers went through the imported audio recordings and tagged them with thematic descriptions. Questions revolved around the available funding, how hard securing funding is, how funded start-ups are chosen and the source and purpose of funding. Support organisations discussion revolved around which organisations exist and what facilities are available or missing in terms of logistics, infrastructure and mentorship.

Palestine has multiple incubators, one technology oriented VC, and few other investment organizations. Many NGOs are also funding and pushing entrepreneurial activities including USAID, Welfare Association, Mercy Corps. and others. Currently there are tens of ICT start-ups existing in Palestine.

The target interviewees were picked to represent all levels of the ecosystem; that is at least one incubator or accelerator, one VC, one NGO, one technology expert, and one entrepreneur. In total eleven personnel were contacted; eight of them were able to take part in the research. The researcher could not get a reply from anyone working at the government sector. All personnel were chosen based on their reputation in the Palestinian entrepreneurship scene and expertise in the field, all held senior roles in their respective organizations and had been involved in entrepreneurship in general and specifically in Palestine for few years. The interviewees list and their respective positions at the time of the interview are as follows:

- Ambar Amleh: Digital Entrepreneurship Program Manager at Leaders Organization & Programs Manager at Palestine for a New Beginning (PNB).
- Faris Zaher: CEO at YaMsafer (entrepreneur).
- George Khadder: CMO at Yafa Energy, freelance consultant and co-founder of Peeks.
- Khaled Abu AlKheir: CEO at Pinch Point (entrepreneur).
There is diversity in the way people see the potential in Palestine. There is a deep belief that Palestine could become a successful ICT entrepreneurship hub; otherwise they would not continue working in it. Although most of them believe that Palestine has a few competitive advantages, others believe that no real advantages exist over other places. Despite the fact that many conferences and discussions were held to look into formulating a national ICT entrepreneurship strategy, none of the decisions were ever applied on the ground according to Younis.

The Palestinian ecosystem could be portrayed as a dynamic, continuously growing and changing system that is mainly driven by an increasing number of organisations that get involved with the ecosystem. Nevertheless, change does not have to always be in the positive direction on all levels all the time. As Tova pointed out, a couple of years ago there were many more grassroots and community activities compared to today.

Palestine as an ICT entrepreneurship hub benefits from a wide range of advantages, starting from human resources to the time zone being comfortable with the redundant network infrastructure from various countries; according to Mohammad this raises network availability compared to other locations most regional countries. The ICT field in Palestine is the ‘most fortunate sector’ (Khalid, Entrepreneur) as many people and organisations are working to create an infrastructure that supports ICT ventures and allows them to grow. The interest in ICT start-ups of those organisations originates in their interest to create a regional or global success story from Palestine in terms of the ‘digital economy and knowledge based economy’ (Ambar, Accelerator). In addition, such ventures are believed to have the highest success potential in the current digitally globalised world.

The advantages of creating a start-up in Palestine do not stop at the facilities available. Faris considers the environment in general provides low starting costs, less post-work distractions, and Arabic speaking developers. The latter is an advantage due to Palestine having the potential to lead the development of Arabic content on the internet. Ambar also agrees that this is one of the main opportunities for ICT start-ups.

5 GOVERNMENT AND LEGAL

This section will discuss the legal system from two axes; the government attitude towards entrepreneurship, and the available policies and regulations as shown in Figure 1. Palestinian regulations are outdated since according to Younis it is based on 1963 regulations which resulted in a huge barrier facing ICT ventures; there is a lack of any incentives, processing times are long, investment laws are bad, and no IP protection exists.
Everyone agreed that the complexity and bureaucracy of the government regulations is a huge challenge. ‘Regulations completely hinder registering a company’ (George) while Younis described company registration as 'lengthy'. Nevertheless, it was agreed also that the government is not in a position to drive entrepreneurial change, thus they should only remove the obstacles and leave the rest to the community ‘the government should step out of the way and remove any obstacles’ (George); ‘the government has to remove its barriers’ (Faris). This has been supported by many writings in the literature where Mason and Harrison (After the exit: Acquisitions, entrepreneurial recycling and regional economic development, 2006) mentioned that one of the main movers for the start-up community are the entrepreneurs themselves in what is known as ‘entrepreneurial recycling’, where previous entrepreneurs will help develop and push the start-up infrastructure forward by creating more entrepreneurial activity such as mentoring new entrepreneurs and starting venture capital fund.

Despite all criticism to the outdated regulations, Younis noted that there have been some regulation updates approved by the parliament to encourage software IT-oriented ventures’ creation; however, he also stated that such regulations unfortunately did not go past the paper and were never implemented on the ground. There is also a gap in the legal framework where no e-commerce, ICT, and/or IP specialised courts exist to rule in conflicts arising in the sector.

Mohammad pointed out that the lack of a supportive legal framework is not a non-evadable barrier that prevents entrepreneurship. In fact currently companies that receive VC funding work around the problem by registering abroad mainly in Delaware, USA as they will benefit from the advanced investment regulations which allow the VC to hold preferred stock, and employees to receive stock options, with the free addition of it being a tax haven, and the fact that in the long term it facilitates exits. Registering abroad was a debated approach; on the one hand, Khalid considered it to be short-term solution that deprives the Palestinian economy from tax benefits if any of those ventures became very successful. On the other hand, Mohammad mentioned that all companies look for tax havens, thus it is natural for start-ups to register abroad. However, Younis said that Palestine features one of the lowest corporate income tax rates in the region which should diminish the need to look for tax havens.
6  FUNDING

This section will discuss funding from three points: NGOs and donor-driven funding, profit-driven investments, and picking start-ups to invest in as shown in Figure 2.

![Diagram showing funding axes]

In Palestine the funding scene is dominated by two realities. Firstly, the funding scene is glutted with NGO and donor money, with, apart from a very few exceptions, an evident lack of profit driven entrepreneurship organisations. This fact was agreed on by all the interviewees. The reason for this was explained by Tova who noted that the ‘private sector have not stepped up’, with barely any Angels or companies offering support to start-ups, leaving the burden to NGOs and donors. Such a reality has its benefits alongside its drawbacks. The nature and advantages/disadvantages of the funding structure and its spending ways in Palestine was debated by interviewees. Secondly, as mentioned by Khaled, most funds are directed towards ICT ventures as it is thought that they can survive better in Palestine.
All the interviewees agreed that relying on donor money is a huge problem. Currently at the idea level three types of organisations offer help - pre-incubators, incubators, and accelerators - all of which are donor funded NGOs or university-based centres. Being donor funded means that the organisations are ‘subject to the wills of funders’ (Ambar, Accelerator) which means those organisations have to abide to their funders’ guidelines on where and how to spend the money. What’s more, the organisations’ goals should be easily measurable: ‘you need clear metrics that you can measure that you can put in a report to a donor’ (Tova, NGO), such requirements direct both donors and organisations to think about and focus on non-entrepreneurship optimal directions. George noted that donors do not put too much thought into the programs they are funding and tend to ‘put all their eggs in one basket’; ‘the funders do not understand how long does it take to get a win in this type of work’ (Ambar, Accelerator).

The problem of being donor funded extends to the operations and decisions made by the NGO support organisations. Those organisations are not-for-profit, thus even if one of the companies produced by that organisation succeeded the organisation would not get any financial benefit; this according to Ambar reduces the organisation’s management incentives. According to Khaled the first step to start fixing the funding scene is to have a purely business oriented accelerator.

Moreover, aid and NGO driven funds mean that it is easier to dissipate the money either on useless events as mentioned by Mohammad, or lower the funding bar as ‘the risk profile of those organisations is lower...they are willing to tolerate more risk’ (George, Community leader). This tendency to profligately spend the money is explained by a concept called “burn-rate” which is explained by Mohammad as a need to spend the allocated budget by the end of the year.
However, despite all the problems caused by the excess funding it has its advantages. Most of the NGO donor funding is concentrated on the early stage resulting in ‘more money on offer than there is on demand’ (Faris, Entrepreneur) which allow entrepreneurs to easily get seed funding and start their venture. Yet this was objected by Faris who considered the funding abundance to be very bad and creates “undying zombie start-ups” where those failing start-ups keep getting rounds of small funds, thus effectively draining the entrepreneurs by preventing them from moving on and working on new ideas. Another benefit according to Tova of the high availability of donor funds was that it resulted in lots of services and programs being available to potential entrepreneurs, some of which exist only in Palestine and do not have to exist on the same scale everywhere else in the region.

Everyone agreed that either current donor funding should be replaced by business oriented funding or at least the donor funding directed in smarter, more optimal ways: ‘it would be stupid to say no we do not want your money, I think we should use it better’ (Ambar, Accelerator). The importance of being privately funded comes from the higher risk which raises the incentive to invest in better teams and work harder to target success. Tova and Younis also raised a huge concern regarding the sustainability of donor funding as it would ‘eventually dry-up’.

Profit-driven funding

Profit-driven organisations offer various levels of funding. The first level is Pre-incubators which focuses on coaching with barely any micro-funding available. Mohammad mentioned that funders should inject more money into micro-fund projects to provide $5,000 for each venture. Incubators and accelerators provide office space and funding for ventures at a level around $20,000 for an equity share. No concerns were raised regarding the amount of funding and equity taken, and it was considered to be fair and good by the interviewees.

Arabreneur also works at the acceleration level but as they work at a seed level instead of idea level they were considered to be close to the post-acceleration level. George considered that the need for post-accelerator funding to be covered by the introduction of Arabreneur which effectively created a smooth pipeline, Mohammad and Taylor considered that a post-acceleration funding gap still exists with a need for more organisations to come into play. Arabreneur funding is considered to be a mix of both the NGO and profit world which frees them from many donor constrains.

Purely business driven funding is very rare and mainly concentrated on the VC level with Sadara being the only tech-focused in Palestine. Achieving VC sponsorship from Sadara was thought to be a little bit easier compared to the world as there is much less competition according to Faris and Khaled, as a VC has to ‘deploy some capital’ (Faris, Entrepreneur) which forced them to go a little bit easier on entrepreneurs. Nevertheless, Taylor did not think it is easy at all as no one will give someone a million dollars easily. Sadara occasionally seed fund ventures, so they are actively working to partially cover the post-acceleration level. Nonetheless, this was argued by Ambar to be wrong: ‘They are actually hurting the ecosystem by not remaining, I think, at the one million dollar level’.
The second form of business driven investment existing in Palestine is angel investment which is rare according to Ambar and Mohammad. Khaled noted that entrepreneurs lean towards VC for funding rather than angels as they tend to take lower equity, in addition to the fact that the concept of angel investment is yet to mature among local investors.

Normally there would be regional or international VCs and angels taking part in rising ecosystems, yet in the case of Palestine, outside investors are not encouraged to invest in Palestine due to it being seen as a “war-zone” (Mohammad, Expert) which resulted in considering investing in Palestine a “taboo” (Faris, Entrepreneur). Khaled added that angels are generally discouraged from investing in over-seas companies as they naturally prefer being located in the same geographical area with entrepreneurs so as to be able to efficiently guide and help them.

Choosing who to fund

Regardless of the funding sources, the funders should have a way to decide who to fund and who to not. At the very early stages of the ecosystem, funding decisions were based on business plans and the entrepreneurs’ ability to pitch their idea. This methodology is currently highly criticised and even was described as ‘dumb’ (George, Community leader), for ‘business plans are based on unfounded assumptions’ (Younis, Pre-Incubator), and a ‘pitch is a terrible way to select the best companies to invest in’ (Taylor, VC). Many proposals were made on how funding decisions should be made. George proposed a start-up weekend style competition to pick ventures. Younis said they moved to a business model strategy, while Mohammad and Taylor went to considering pitching to be more like a “nominal tool” which could be part of a set of tools used by the funder when combined with a due diligence study. In fact Taylor mentioned that most organisations currently employ a selection process where entrepreneurs have to go through a specific process of activities over the span of several days.

On the VC level investment decisions are made after reviewing detailed documents, interviewing the team, learning about the company and its market. The venture’s market penetration strategy accounts for great importance when making investment decisions, there should be a match between the venture’s strategy and the VC’s criteria. First, they look for organisations with, potentially, regional or global reach: ‘We only invest in companies that target non local markets, they target the region or the world’ (Taylor, VC). Second, an investor always considers the risk profile of the venture’s target market; this will be linked to the revenue potential from the venture target segment. Third and most importantly is market growth, as even if a venture with a regional product approached a VC they will not be funded if the market is very small or the market is ‘not growing quickly or significantly’ (Taylor, VC). This is important according to Mohammad as it will result in higher ability to expand in the future. Markets’ maturity level could be visually demonstrated in terms of Rogers’ S-Curve in Figure 4; according to the research findings a very fresh technology involves lots of risks, higher than most investors are naturally willing to tolerate, while technologies at the end of the curve can’t yield enough growth rates. VCs ideally invest in ventures targeting markets at their take-off phase, there the risk is manageable and growth rates are decent to yield good return on investment.
SUPPORT ORGANISATIONS

There are various types of support offered through organisations operating at various levels. Each organisation provides different types of support to entrepreneurs pursuing ICT ventures, whether material or non-material support and over various time lengths. As seen in Figure 5 the material support is more straightforward, while the non-material support has more variation from extended mentorship by incubators to generic community support like PEEKS. Taylor noted that the support organisations’ role is stronger and wider in Palestine than it is usually in other countries, caused by weak government involvement in the ecosystem.

It is worth mentioning that not all support organisations are operating at their best, in fact PICTI which was the first incubator is currently suffering stagnation and as many of the interviewees noted is no longer adding much value. There was some discussion with some of the interviewees around keeping an organisation that no longer provides as much added value as it should. This caused them to suggest that much like anything else in the world, if something does not provide value, it should be re-evaluated and, if expedient, stopped to allow its funds to be redirected into more useful activities. Currently there are a few active university based incubators who focus on students and as there is nearly an incubator at every university, Taylor thought that the incubator segment is currently saturated and no more incubators are needed. University based incubators offer office space incubation and could help entrepreneurs get access to university labs.
Material support is usually thought of as funding. This is true for organisations operating past the idea-level such as VCs and angels. Nevertheless, material support also comes in other forms.

Leaders is one of the main active organisations in providing material services; they have established a co-working space called e-Zone. Co-working spaces offer ventures office space for low price with internet access, secretarial services and few other office logistics, the importance of such spaces was stressed by most of the interviewees who noted their huge role in knowledge transfer and facilitating office logistics for entrepreneurs. A famous similar workspace is the iPark in Jordan; such co-working spaces have two major benefits, firstly they relieve the co-founding team from the headache of dealing with landlords and costly office spaces, secondly they provide a work place where entrepreneurs can meet and diffusion of knowledge and experience could happen. This is the reason why such spaces aim to have around 30% of its occupants from experienced serial entrepreneurs (Innovative Partners Inc., 2009) which Leaders tries to achieve in e-Zone. Nevertheless, Younis criticised the current level and number of co-working spaces, and stressed that there should be even more push towards creating more industrial and tech parks that could hatch successful ventures, adding that the current, growing, parks in Jordan and their rarity in Palestine may explain the huge difference between the two in terms of ICT exports where the former exports three times more than the latter.
Organisations operating past the idea-level acceleration provide only material support in terms of monetary support.

The weakest link in material support lies in specialised labs. Since it was established that hardware products could be marketed more easily for the regional market, it is important to have 3D printing facilities to create product prototypes, the purpose of which would be both better to explain the product to potential investors and do some market testing. Entrepreneurs lack access to such facilities which Younis attributed to the lack of interest from donors to fund such facilities that their success yield is not easily quantifiable.

Non-material support

Non-material support is offered by the same organisations offering material support plus few other organisations. Some organisations provide all types of support while others focus on special services. The most common non-material support is mentorship. Mentorship and coaching exist from the earliest stage of pre-incubators to the latest stage of VCs, where for the latter it would become more of guidance. According to the experience of Faris and Khalid, Sadara Ventures goes beyond what normal VCs do as it provided them with lots of mentorship and consultation.

The second thing organisations focus on most is attracting new entrepreneurs. This is generally thought of as one of the main roles for university based excellence centres which target the pool of graduate students and provide them with basic coaching to encourage them to diffuse to the entrepreneurship cycle. Nevertheless, the relative scarcity of entrepreneurs at the ecosystem pushed the problem to be a concern for almost everyone, and forced most organisations to do lots of events and outreach activities to encourage more people to become entrepreneurs. Even a VC like Sadara according to Taylor does lots of events and community outreach and establishes connections with professionals working in technology companies who have the potential to become entrepreneurs to encourage them to consider entrepreneurship. Despite what has been said, Faris criticised the way organisations promote entrepreneurship, where they do not work to attract new, good, entrepreneurs or give them the right image of entrepreneurship, but rather they employ ‘a spray and pray approach’ where organizations glorify cofounders life making everyone want to be a CEO but no one willing to work for a start-up as an employee. To support that, a recent article by The Economist (Schumpeter, 2014) revealed that having extremely high start-ups per capita, as in the case of Israel, doesn’t mean the economy is gaining any benefit. Israel has an advanced ecosystem and high-level entrepreneurs, but they are focusing on the number of start-ups created which causes a high churn rate rather than a high level of achieved success; many of those start-ups are sold at an early stage before they have the chance to make any economic impact. This leads to a conclusion that the critical factor isn’t the number of start-ups but the level of success those start-ups can, and do, achieve.

The third type is providing connections and exposure to the external markets; the type and level of exposure varies depending on who is providing it and at what level is the venture. This type of support is vital as movement affects entrepreneurs’ ability to build relations with potential international customers or suppliers.
due to the fact that a virtual relation could never replace a real face-to-face relation, with the latter resulting in the venture being part of the customer “consideration set”.

Leaders among its various programs manages the “Palestinian House” program which aims to provide local entrepreneurs with exposure to the US market by sending the most brilliant entrepreneurs to the Bay Area, introducing them to the US market. The program also brings American experts to Palestine to give lectures and one-on-one training sessions. Ambar noted that although the Palestinian House exists to facilitate the US market penetration, there is no similar program to facilitate exposure to, and penetration of, the European market. Arabreneur provides similar exposure to Leaders where they send entrepreneurs to compete internationally at SeedStart and link entrepreneurs with Angel investors (Dajani, 2014); Sadara Ventures much like any VC provides exposure and connections to external entities; this is normally the case as a VC will usually do whatever it takes to make their ventures succeed. Khalid and Faris noted that Sadara provided them with excellent value in terms of connections and extensive consultation.

A few also related the difficulty of penetrating regional and international markets to the inability to do effective remote market research without existing in that market physically: ‘you need to have boots on the ground’ (George, Community leader); ‘it is really important to get there to understand the market, you can only do so much market research online without experiencing it, without seeing it’ (Tova, NGO). This is even more important for complex products like enterprise software. Taylor also linked the market penetration difficulty to the entrepreneurs themselves, where the local entrepreneurs have less work experience and exposure to technology trends which puts them at a disadvantaged compared to their western peers.

The fourth support are events, which usually overlap with more than one of the previous support types. Regardless of the event they are all important to create a spark in the community and slowly affect the culture and acceptance of entrepreneurship, according to Tova. The most known and most important event of all is Start-up Weekend; there a group of people simulate working on a start-up over the course of a weekend. Start-up Weekend’s firstly promotes and attracts people into entrepreneurship, secondly it enables entrepreneurs to meet, network, and create connections. Therefore many venture founders go to Start-up Weekends to find co-founders or to find talented employees. Third according to Taylor events affect the mentality of those who attend them, and encourage them to think more creatively and innovatively while keeping their skills sharp. At the same time, many of the interviewees also agreed that Start-up Weekends teach practical things like brainstorming, creating teams, market testing, prototyping...etc. The positive effect even extends beyond the event as many noted that many teams who created ventures initially met and created ideas during the event, then turned their ideas into start-ups, one of which is socialdice.net. Never the less, all advantages can be neutralised by poor organisation of the event.

Another event that was mentioned by Ambar is the “celebration of innovation” which is an innovation competition held by PNB and over the past couple of years mainly focused on entrepreneurial initiatives. During the competition semi-finalists would be provided with training that would help them on the final level while the winner would get extended coaching and mentorship support. Despite what has been said, Mohammad mentioned that not every event is a positive one. On the contrary there have been events which
did not add value and were so bad that they were a total waste of money. For reasons of diplomacy such events could not be named.

The final is consultation and general support. Such support does not have to be arranged or provided in a structured manner as is usually the case of the previous support types. On the contrary it is provided many times by individuals. Khalid noted that during their journey of creating Pinch Point they asked many professionals and experts to help them, and they usually were very helpful. According to him, this is even easier as the ecosystem is small and hence everyone knows everyone. For general legal and accountancy services Faris and Younis gave opposing opinions: Faris said there is a lack of experts who could provide such services while Younis said there is. A deep look at their fields of expertise and operations could explain the contradiction as for Younis the experts and services provided are probably for the local or regional market, while for Faris, as an owner of a venture registered in the US, his need is for experts in US regulations and laws. Such expertise is important because companies that receive VC funding work often register in Delaware, USA, as they will then benefit from advanced investment regulations which allow the VC to hold preferred stock, and employees to receive stock options, with the additional bonus of it being a tax haven and providing a supportive legal framework.

Non-material support programs target youth, mainly fresh university graduates, which is highly criticised due to a notion that entrepreneurship should come from experienced professionals and hence those are the ones that programs should target. The reason behind targeting the youth, and steering the support in the way it currently is relates to the fact that most organisations are largely donor funded which ties their hands and forces them to abide to the donor’s agendas rather than what is best to help the ecosystem. Earlier it was introduced that there is an agreement that the NGO funding is misplaced and has to be corrected. To do that, Ambar noted that it would be smarter if NGOs focused on building technology capacity for entrepreneurs, Faris was the main supporter to that ‘Do not teach them how to pitch, teach them how to write a piece of code’. Faris explained that the problem starts from the Key Performance Indicators (KPIs) of NGOs: ‘KPIs are wrong’ (Faris, Entrepreneur). KPIs have to be corrected from being based on the number of small businesses initiated to more realistic long term impact such as the industry worth after few years.

Another way to leverage the financial support is to direct it into bilateral government initiatives which should aim to develop the legal and governmental support structure for entrepreneurship, something which Ambar thought would be ‘a worthwhile investment’, as: ‘All the players that support this ecosystem need to think long term and more strategically’ (Ambar, Accelerator). Such investments would be more worthy than investing in accelerators or incubators, unfortunately ‘aid organisations’ concept of development many times is not what the country really needs’ (Mohammad, Expert).

To conclude, Ambar explained that Leaders among other organisations are trying to provide as much support to entrepreneurs as possible while trying not to cross the fine line of support to doing the job for the entrepreneurs. Moreover, excess support without really added value in meaningless. Taylor gave a similar notion that the big number of support organisations diffuses the resources, which made him prefer fewer concentrated organisations.
CONCLUSIONS AND RECOMMENDATIONS

Despite being rarely studied before, ICT entrepreneurship is seen as critical to the economic future of Palestine, a view which this research supports. And although the current Palestinian regulations unfortunately disincentivise entrepreneurs to create and register ventures, it is found that there are many individuals and entities working to help start-up ventures grow and prosper through leading initiatives and setting-up mechanisms to support ICT start-ups. Those mechanisms and initiatives are spread across various stages from the initial idea level to the international expansion level. Moreover, it is expected that regulation changes will eventually come into existence when more successful start-ups emerge as advancements in such systems are often driven by commercial needs. It is clear that Palestine still has a long way before a wider, more efficient, pipeline is introduced. Support organisations’ services are also far from mature; although the current services they provide are crucial for the way the ecosystem is currently set, there is a need for a reform in those services to hit the exact problems entrepreneurs face.

It can be noticed that new grassroots activities are starting to emerge, of those is Reyadi 2.0 (which is Arabic for entrepreneur) that is a founder club where entrepreneurs meet to network and discuss problems they face and try to find solutions to them. Another rising community activity is Start-up Grind which invites a highly successful professional to inspire others interested in starting their own businesses.

Moreover, despite the limitation that this research faced in not being able to interview every support organisation, like Arabreneur or the any government representative, the research is not at a disadvantage as all the interviewees discussed most of the topics and considered the government role to be minimal. The research also discussed issues beyond those specific to Palestine. The research looked into how targeted markets affect VCs’ investment decision by linking it to Rogers’ adoption model; empirically proving an implied rule that investors have but many entrepreneurs don’t know where by investors are mostly interested in start-ups in growing markets with manageable risks. Future research could conduct deep legal, regulatory, and political study to analyse the effect of the political realities on the development of the ecosystem.

Also, the research uncovered an interesting fact. Effective financial support to start-ups and abundance of such support are not the same thing: on the contrary too much funding, especially donor/development-oriented, may end up causing more harm due to promoting a culture of incompetency or profligacy. In contrast, profit-oriented funding is only available to those who are judged worth it, forcing those who seek it to work harder.

Having identified the ecosystem, and analysed in depth the financing of, and support for, entrepreneurs in Palestine, we recommend that:

1. Donors should also invest money in programs that promote organic development and sustainability. This can be done through an insurance fund for external investors to boost their confidence in the system, and sponsoring activities and events without managing them directly.
2. All parties interested in the ICT entrepreneurship should work on attracting investors who can establish profit oriented organisations, especially at the accelerator and incubator levels.
3. Investors of all forms should not ask for too much in return for their investment; otherwise they might drive entrepreneurs away.

4. Early stage investors like incubators and accelerators should choose which ventures to support based on 75% for the team capabilities and their previous professional and educational experience, and 25% on the business idea.

NOTES ABOUT THIS WORK
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REFERENCES


UNDERSTANDING THE NATURE OF VALUE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

Despite research interest over many years the nature of value remains unclear. In recent years value creation, and co-creation, has been of increasing interest in marketing research underlining its importance to theorists and practitioners alike. Most marketing studies describe value as being phenomenologically based with an increasing number also emphasizing its experiential nature. Attempting to conceptualize value in this way leads to tension between phenomenology’s search for an essence and the qualitatively different ways in which value is experienced by individuals. The purpose of this article is to understand value as individual and experiential through the lens of family resemblances rather than the search for an essence. We also propose a research methodology that accommodates differences rather than essences and builds on our conceptualization of value in terms of family resemblances. Understanding value as a family will assist researchers in establishing the nature of value in different contexts and aid practitioners through a clearer understanding of customer values.

Keywords: Value, phenomenology, experiential, family resemblances.

1. INTRODUCTION

Value has been studied extensively for more than two thousand years (Francis et al., 2014). Despite research during this time it has become clear there is no agreement over what value means (Zeithaml, 1988). In attempting to understand the nature of value there does not appear to be an essence, something that is common to all instances of it. Instead, what is evident is that value means different things to different people.

Since Vargo and Lusch’s (2004) article proposing an evolution towards a new service dominant logic of marketing (SD logic) the concept of value has achieved new prominence in marketing research. The importance of value has also been identified by Ostrom et al. (2010) who suggest that measuring and
optimizing value is a key area for research, although the focus is on measurement and metrics rather than on understanding what value actually means. In other research Holbrook (1996) argues for an understanding of the interactive and relativistic characteristics of the customer. It is the theme of experience in understanding value and the value creation process that is proposed by Ojasalo (2010) who argues that customer experiences result from situations where the customer defines and creates value. Other researchers (e.g. Chen et al., 2012; Helkkula et al., 2012; Mele and Polese, 2011) also discuss the importance of experience in value creation and co-creation, while arguing that value is phenomenologically based. Attempting to understanding value phenomenologically implies that there is some property that is common to all instances of it, that is an essence of value. Juxtaposed is the notion that value is experienced differently by actors, that is there is no common feature, leading to methodological tension.

In addition to the methodological tension identified above, Kohli (2006), Grönroos and Voima (2013), Heinonen et al. (2013) and Vargo and Lusch (2006), suggest a need for new approaches, while Payne, Storbacka and Frow (2008) likewise call for research into understanding what customers actually do when they co-create value. While much effort in marketing research has focused on the creation and co-creation of value, and the actions of producers and consumers, there is little research directed towards understanding the underlying nature of value itself (Grönroos, 2011; Grönroos and Voima, 2013). Reconceptualizing value in terms of family resemblances will provide methodological clarity and a new approach to understanding value. In proposing this we argue that there is no essence or necessary condition present in all instances of value. This is the gap in academic literature and marketing theory that this research aims to address. In addressing the knowledge gap our contributions to marketing theory and practice are threefold: First, we provide an overview of the extensive literature on the topic of value to establish how the nature of value has been conceptualized and applied in marketing research. Second, through the lens of family resemblances, we address the methodological tension present in much marketing research where value is conceptualized as being phenomenologically and experientially based. Third, we identify a means of operationalizing value based on the experiences of actors to guide future research in marketing.

The research is important as it provides a sound basis for understanding the nature of value. Understanding what customers and producers conceive value to be in different contexts is fundamental to marketing research and practice.

2. BACKGROUND

2.1 Attempts to Define Value

Research into value has noted its ubiquitous nature and the many attempts to define it (Francis et al., 2014). From the plethora of ways in which value has been conceptualized there is universal agreement that value contributes to the well-being of humanity (Ben Ahmed and Yannou, 2003). In their research these authors examine the philosophical origins of value and consider its connection with desire and truth. They explore links to sociology, economics, marketing and management, noting the polysemy of value. Their research concludes that there is a profusion of definitions of value,
which require investigation to understand the similarities and differences in meaning (Ben Ahmed and Yannou, 2003). In other research Ramsay (2005) examines the meaning of value in economics, strategy, marketing and operations. Ramsay argues that each field uses an unbalanced approach due to an over-emphasis on the customer. He asserts that for many authors the term ‘value’ is used as though its meaning is self-evident, although it mainly remains undefined. The indistinct and elusive nature of value is also discussed by Zeithaml (1988, p. 2) who argues that consumers use the term in ways that are ‘highly personal and idiosyncratic’. In an exploratory study of consumers Zeithaml (1988, p. 13) found that although value was used in many different ways consumers tended to use it in four main ways: 1) as having low price; 2) as having benefits; 3) as quality for price; and 4) as what one gets for what one pays. Zeithaml concludes that perceived value may be defined in terms of a consumer’s assessment of the utility of a product based on what is received relative to what is given.

Ramsay (2005, p. 563) argues that the words ‘value’ and ‘value-chain’ are ‘...currently used with a bewildering variety of disparate meanings...’ Elsewhere, value has been associated with excellence, usefulness or desirability and has been used as a starting point for discussions of value theory (Baier and Rescher, 1969). Whilst acknowledging that precise terminology has not yet been obtained, what constitutes value has been debated for more than two thousand years, and a full discussion is beyond the scope of this paper. However, it is clear that there is no agreement over the nature of value. There does not appear to be an essence, something that is common to all instances of value. Instead, what is evident is that value means different things to different people. Value is a concept and there is not likely to be a single wholly satisfactory answer to its meaning (Najder, 1975).

What people value has a direct impact on attitudes, and an indirect influence on behaviors through people’s attitudes. Personally held values suggest that it is not possible to determine a priori which global values will be aligned with which domain specific values, with linkages only being determined by empirical research (Xie et al., 2008). Although the importance of personal values on attitudes and behaviors has long been recognized (e.g. Gutman and Vinson, 1979; Hirschman and Holbrook, 1982; Schwartz and Sagiv, 1995; Vinson et al., 1977) personal values have received little attention in recent marketing research, with the exception of Flint et al. (1997) and Grönroos and Voima (2013). Since Vargo and Lusch’s (2004) seminal article proposing an evolution towards a new service dominant logic of marketing, value has achieved a new prominence in marketing research, particularly in the area of the creation and co-creation of value at the nexus of the producer and the consumer. Within the extensive marketing literature discussions of value arising from service dominant logic are most relevant for our research and this is the basis for the selection of literature in the following section. Value creation in marketing is considered next.

2.2 Value in Marketing

Lindgreen and Wynstra (2005) suggest that the concept of value has long been a fundamental part of marketing, with firms seeking to provide enhanced value for customers. Value creation and co-creation have also been recognized as key elements of marketing (Woodruff and Flint, 2006), with customer value being regarded as fundamental (Holbrook, 1996). Despite the primacy of value in business markets it is surprising how poorly the characteristics or properties of value, especially its nature, are understood by both academic and practitioner alike. Tracing the development of research on value Lindgreen and Wynstra (2005) argue the need for increased research effort to develop theory about value, and also to develop an understanding of what
it is that consumers value and how this can be delivered. Their research suggests that value may vary with
time, place and the use to which goods or services are put. Lindgreen and Wynstra (2005) identify four main
strands of value based on use, cost, value of ownership (which they identify as esteem value) and exchange
value. Customers’ perceptions of value are influenced by the benefits of having products less the cost of
acquiring them. Two main areas for future research are identified: one that focuses on the value of products,
the other on the value of relationships (Lindgreen and Wynstra, 2005). In further research Lindgreen et al.
(2012) discuss the co-creation of value, initially between buyer and seller before extending it to a wider
network of actors.

Research by Sánchez-Fernández and Iniesta-Bonillo (2007) suggests that perceived value is complex and
multi-dimensional, implying an interaction between a consumer and a tangible or intangible product. They
discuss perceived value as nebulous, leading to a lack of agreement amongst scholars about its meaning. In an
attempt to distinguish the terms ‘value’ and ‘values’ Holbrook (1994) argues that value is a result of judgement
while values are the basis on which an evaluative judgement is made. Values denote personal beliefs held by
people and are used in a marketing sense to make choices between products or services. Values are
behavioural and guide persons in making judgements (Flint et al., 1997). Sánchez-Fernández and Iniesta-
Bonillo (2007) discuss two main streams of research into value, one unidimensional, the other multi-
dimensional. The authors conclude that while a unidimensional approach based on price is appealing, it does
not reflect the more complex nature of perceived value. Though different, both approaches contribute to the
knowledge of perceived consumer value. Further research by Sánchez-Fernández et al. (2008) attempts to
understand and measure the multidimensional nature of consumer value using a previously developed
typology (Holbrook, 1999). The typology considers economic, social, hedonistic and altruistic elements in an
approach that supports the multidimensional structure of value. However, beyond proposing the existence of
different forms of value the research reviewed so far does not consider the nature of value as experienced by
actors in marketing contexts.

In proposing priorities for marketing research Ostrom et al. (2010) identify measuring and optimizing the
value of service as key areas for research, although the focus is on measurement and metrics rather than on
understanding what value actually means. In other research Ojasalo (2010) suggests that the theme of
experience in understanding value and the value creation process is that customers’ experiences result from
situations where the customer defines and creates value. Customers’ experiences and perceptions are essential
to value determination and value is co-created by learning together.

Corsaro and Snehota (2010) review the concept of value as it relates to customer/supplier relationships. Their
study focuses on value in its central role in management practice, in particular its importance in decision-
making. They argue that in practice applying the value concept to business relationships is not a
straightforward process. The need for research into how customers engage in the co-creation of value is a
theme articulated by Payne et al. (2008), where the authors develop a framework for understanding value co-
creation. In the research the authors discuss value creation and co-creation and claim to provide new insights
into managing the processes of value creation, though the nature of value is not clear. Payne et al. (2008) argue
that customers create value through activities that achieve goals using processes that are dynamic, non-linear and often unconscious. Suppliers create value by understanding customers’ value-creating processes and taking actions to support these processes. Payne et al. (2008) also call for research into understanding what customers actually do when they create value. However, understanding what customers actually do is different from understanding the qualitatively different ways in which actors experience value.

In other research Mele and Polese (2011) discuss value from a stakeholder-centric perspective in terms of balanced centricity. They explain that value creation refers to value-in-experience as resources to be shared and exchanged by all actors to achieve certain aims. The notion of shared value is also discussed by Chen et al. (2012) where value is embedded within experience through shared experiences. Chen et al. (2012) and Flint (2006) argue that experience sharing can be explained by symbolic interaction where the views of actors of what is valuable are triggered by social interaction. The importance of the social world in understanding value is also proposed by Edvardsson et al. (2011) who propose that value is embedded in social systems and therefore is socially constructed. The more an experience is shared the more participants understand the value associated with the experience. Helkkula et al. (2012) propose that the role of experience in the way value is conceptualized is extended to customers’ lived experiences with customers make sense of value through their experiences of phenomena in their life world. We extend this notion in our reconceptualization of value.

Vargo and Lusch (2008) discuss the need to recognize the networked nature of value. They argue that value is phenomenologically determined, which they claim is implied by the term ‘service’, as defined in service dominant logic. Vargo and Lusch (2008, p. 7) propose a new foundational premise (Fp10) whereby ‘...value is always uniquely and phenomenologically determined by the beneficiary’, further explaining value as being ‘...idiosyncratic, experiential, contextual, and meaning laden.’

In other research Heinonen et al. (2013, p. 112) propose a customer dominant logic where the customer is not ‘at focus’ in value formation, with ‘...a network of actors, activities and practices...’ forming an ecosystem in which value is formed. The authors claim that under their approach value moves from being idiosyncratic to collective. We argue that Heinonen’s (2013) description of the collective is not a new approach, but restates Husserl’s (1936) notion of the ‘lifeworld’ as a context in which experiences occur. Furthermore, if conceptions result from a conceiving act (the mind) and an object of conception (the object) as suggested by Husserl (1962), then conceptions are idiosyncratic not collective.

Although the roles of sensemaking and experience are important in understanding the nature of value, the point of departure of this study from the research findings discussed above is rejection of the proposition that value is always phenomenologically derived. In proposing a new framework for understanding the nature of value we will argue that regarding value as being phenomenologically derived is an impediment to understanding its nature. This is consistent with Grönroos and Voima’s (2013) review of Fp10 of SD logic in which they argue that customers determine and experience value. The use of terms such as ‘idiosyncratic’, ‘phenomenological’ and ‘experience’ interchangeably by Vargo and Lusch (2008) is in our view problematic. The individualistic natures of idiosyncratic and experiential behaviors are at odds with the communality
implied by phenomenology and results in methodological tension. This is a gap in literature that our research will address.

In summary, value has been extensively researched from a marketing perspective, particularly since Vargo and Lusch’s (2004) article proposing SD logic. While much research effort has focused on attempting to explain how value is created and co-created, and the actions of producers and consumers, most research (with the notable exception of Grönroos 2008, 2011, and Grönroos and Voima 2013) has failed to advance understanding of the characteristics or properties (i.e. the nature) of value, through conceptions of value based on the qualitatively different experiences of actors. Understanding actors’ individual conceptions of value will enable construction of a holistic picture of the values experienced by actors in a particular marketing context. Our key contribution to marketing theory is a reconceptualization of the nature of value that accommodates the qualitatively different ways in which value is conceived by actors in a marketing context. We contribute to marketing practice by proposing a methodology and method that can be readily used by practitioners.

3. A FRAMEWORK FOR UNDERSTANDING THE NATURE OF VALUE IN MARKETING

As discussed above many previous studies (e.g. Chen et al., 2012; Edvardsson et al., 2011; Grönroos, 2011, 2012; Grönroos and Voima, 2013; Heinonen et al., 2013; Helkkula et al., 2012; Lusch et al., 2008; Ojasalo, 2010) have described value creation as a phenomenon arising from a phenomenological process, while attempting to argue the importance of both experience and sense making through experience in value creation. Grönroos and Voima (2013, p. 146) suggest that Fp10 of SD logic is flawed, arguing that value is cumulative and based on the experiences and perceptions of customers. Grönroos and Voima’s (2013) proposal highlights, but fails to resolve, the tension between a phenomenon (value) that is argued as being phenomenologically based, yet is uniquely experienced by the customer in a particular context. Phenomenology involves a search for the essence of value, yet value is uniquely experienced by the customer. Following Grönroos and Voima’s (2013) line of thought, customers experience the characteristics and properties of value (i.e. its nature) in qualitatively different ways. If this is so, and in response to the call for research methods that have been applied less frequently in service research (Grönroos and Voima, 2013), an alternative to phenomenology is needed. The alternative requires a focus on the qualitatively different ways people make sense of phenomena in their lifeworld rather than the search for an essence.

3.1 Family resemblances

Wittgenstein (1969, 2000, 2006) challenges the notion that a concepts must be expressed in terms of necessary conditions, or essences. Wittgenstein (2000, p. 65) argues that phenomena may have no single thing in common, no essence that ‘makes us use one word for all’. However, despite the absence of an essence, phenomena may be related in ‘many different ways’. He goes on to provide an explanation (2000, pp. 65-66):
Consider for example the proceedings that we call “games”. I mean board-games, card-games, ball-games, Olympic games and so on. What is common to them all? Don’t say “there must be something common, or they would not be called ‘games’” – but look and see whether there is anything common to all. For if you look at them you will not see something that is common to all, but similarities, relationships, and a whole series of them at that. To repeat: don’t think but look! Look for example at board games with their multifarious relationships. Now pass to card-games; here you find many correspondences with the first group, but many common features drop out and others appear. When we pass next to ball-games, much that is common is retained, but much is lost. Are they all ‘amusing’? Compare chess with noughts and crosses. Or is there always winning and losing, or competition between players? Think of patience. In ball-games there is winning and losing, but when a child throws his ball against the wall and catches it again this feature has disappeared. Look at the parts played by skill and luck; and at the difference between skill in chess and skill in tennis. Think now of games like ring-a-ring-a-roses; here is the element of amusement, but how many other characteristic features have disappeared! And we can go through the many, many other groups of games in the same way; can see how similarities crop up and disappear.

And the result of this examination is: we see a complicated network of similarities overlapping and criss-crossing: sometimes overall similarities, sometimes similarities of detail.

As Wittgenstein suggests there is no characteristic common to all games, only family resemblances (Monk, 2005). In the same way that Wittgenstein expresses a game as a belonging to a family, we argue that value cannot be expressed in terms of necessary conditions. There is no essence of value; instead value should be understood as forming a family. Thinking of value as forming a family is consistent with Najder’s (1975) contention that there is not likely to be a single wholly satisfactory answer (i.e. essence) to the meaning of value.

Regarding value as a family addresses the methodological tension that exists from attempting to conceptualize value as being phenomenologically determined yet qualitatively different based on the experiences of actors. The implications of applying Wittgenstein’s philosophy of family resemblances to marketing research into the nature of value, and how it is created, are that the nature of value can now be conceived as wholly experiential. The nature of value may differ between people, time and place, or some aspects of it may be the same. In order to support understanding value in terms of family resemblances an appropriate approach is needed to guide research and this is outlined in the next section.

3.2 Applying family resemblances to value in marketing

As noted earlier since Vargo and Lusch’s (2004) proposed evolution to a new service-dominant logic of marketing, much research effort has been directed towards understanding the nature of value, and how it is created. Such research has been moving towards a different way of understanding the nature of value in terms of an experiential process but has been constrained by phenomenology’s search for an essence. Other studies have suggested the need to understand what customers actually do when they create value (e.g. Payne et al., 2008; Schau et al., 2009) without progressing the discussion further.
Using Wittgenstein’s philosophy of family resemblances to address how value may be conceived requires a different approach to phenomenology. An approach that accommodates family resemblances by focusing on the qualitatively different ways in which people experience, conceptualize, perceive and understand phenomena in their lifeworld is offered by phenomenography, which was originally developed by Marton (1986) for educational research in Sweden. It is an empirical, interpretive approach with an ontology and epistemology based on knowledge, and an ideographic methodology (Bowden, 2000; Burrell and Morgan, 1979). Phenomenography is increasingly being used in business research, for example in a study of human competence at work (Sandberg, 2000), in understanding quality improvement processes (Kobayashi, 2009) and in service research (Di Mascio, 2010). Further discussion on developing a framework for understanding the nature of value using a phenomenographic methodology is beyond the scope of this article and will be presented in future research. However, phenomenography does provide a methodology for implementing the concept of family resemblances empirically.

4. DISCUSSION
In our overview of an extensive literature it is clear that there is no universal understanding of the meaning of value. In many studies value is presented as being phenomenologically determined, as originally suggested by Vargo and Lusch (2006) in their amended Fp10 of SD logic. There is also a growing body of literature that views individual experiences as fundamental to value creation. In our view the tension resulting from phenomenology’s search for an essence of value, and what individuals conceive value to be, has caused a tension that has proved difficult to overcome. Having said that, there is a growing body of research that focuses on the experiential nature of value (e.g. Chen et al., 2012; Helkkula et al., 2012; Mele and Polese, 2011; Ojasalo, 2010) including empirical studies (e.g. McColl-Kennedy et al., 2012) that are based on what customers and suppliers actually do in the value creation process. The reconceptualization of value proposed in our research informs and extends these studies.

In order to address the methodological issues discussed above we have reviewed Wittgenstein’s philosophy, which shows that many concepts cannot be defined in terms of necessary conditions. We argue that as no essence of value is evident in the extensive body of previous research over a period of more than two thousand years we can conclude that one does not exist. While there is no essence of value there are characteristics (family resemblances) that identify phenomena as members of the value family. Thinking of value as forming a family is consistent with Najder’s (1975) contention that there is not likely to be a single wholly satisfactory answer (i.e. essence) to the meaning of value. Conceptualizing value as a family provides researchers and practitioners with the philosophical basis to understand the nature of value in a given context.

Our research presents a new way of conceptualizing value in marketing. In doing this we extend the work of Grönroos and Voima (2013) whose enlightening article on the nature, locus, role and scope of value helped to focus our attention on the development of this paper. The reconceptualization of value that we present confirms and is supported by the reframed Fp10 presented by Grönroos and Voima (2013), where value is conceptualized as being accumulative, unique, experiential and contextually perceived and determined by the
provide a response to the call for investigation into the profusion of definitions of value in order to understand the similarities and differences in meaning (Ben Ahmed and Yannou, 2003).

We provide a response to Ostrom et al. (2010) who identify 10 overarching research priorities for service science, which include measuring and optimizing the value of service. The point of departure for our research is our contention that before value may be measured and optimized it needs to be conceptualized and understood in a particular context.

4.1 Theoretical and research implications

Tension has arisen from the simultaneous search for essences and the assertion that value is experientially created by individuals. Recognizing that there is no necessary condition or essence by which value may be defined is a contribution to marketing theory and informs academic literature. Reconceptualizing value in terms of family resemblances is a major theoretical contribution that resolves the methodological issue caused by Fp10 of SD logic (Vargo and Lusch, 2006). The current focus in marketing on the co-creation of value will be informed by understanding what the nature of value is and how it may be understood in a given context. Understanding the nature of value through the experiences of actors is a precursor to understanding how it is created. In proposing that the nature of value can be understood through family resemblances our research provides a new approach to the conceptualization of the nature of value in marketing research. Using our reconceptualization of value to guide phenomenographic studies in various contexts (e.g. healthcare, education, tourism) will enable researchers and practitioners to understand the nature of value experienced by actors. As an example the authors are currently engaged in a phenomenographic study in a healthcare context that follows a patient pathway through a hospital visit. In the study we establish where and how clinicians, nurses, allied health workers, patients, their families etcetera experience value in the network. We envisage that identifying the value(s) experienced by actors in a given context will enable a determination to be made about whether value is created or co-created, and at which points in the interaction. Regarding value in terms of family resemblances enables researchers to identify how individuals experience value(s) and to identify clearly whether value is created individually or co-created.

The proposition that value be conceived through the lens of family resemblances rather than the search for an essence, along with the concomitant use of phenomenography, represents a novel approach within marketing research. It is consistent with the move towards qualitative research as a means of understanding the nature of value and builds on Flint’s (2006) suggestion of symbolic interactionism and Edvardsson et al.’s (2011) suggestion that social construction may be a way of making sense of value creation. It is also a response to Grönroos and Voima (2013) who call for different research approaches. Making sense of the nature of value can only occur through the qualitatively different ways actors interpret experiences in their lifeworld.
In addition to providing a solution to the issues caused by attempting to understand the ways in which actors experience value through an inappropriate approach (i.e. phenomenology), this research will enable empirical studies of the nature of value in any context to be conducted soundly and relatively quickly while providing a more inclusive and holistic set of values based on the experiences of individuals. A detailed account of the use of phenomenography will be addressed in forthcoming article.

Achieving a holistic understanding of the nature of value through our reconceptualization has important implications for research and practice. Researchers will be able to rely on a sound methodology and method in pursuing further research into the nature of value. We also provide a response to the call for new approaches, identified by previous researchers (Grönroos and Voima, 2013; Kohli, 2006; Payne et al., 2008). The implications for managers include the ability to plan and deliver business outcomes that are more closely aligned with customer values. Understanding the conceptions of value experienced by actors in service networks, as determined through family resemblances, has clear implications (e.g. product planning, promotion) for marketing research.

4.2 Potential for further research
For SD logic to be a major force in service research it must have practical application. Few articles have been published so far that report studies where SD logic has been tested empirically. Reconceptualizing value as a family and operationalizing it through the qualitatively different ways in which actors experience value (i.e. using a phenomenographic methodology and method) offers an empirical research approach that can advance SD logic. Our reconceptualization provides a sound basis for discussing value creation and co-creation grounded in a clear understanding of the nature of value in different contexts. A starting point in understanding the nature of value, through the lens of family resemblances using phenomenography as method, is to understand the key family characteristics of value in a particular service context. Following the way that Wittgenstein speaks of gait, color of eyes, facial characteristics etcetera as characteristics of human family membership, identifying the characteristics of membership of the family of value is needed. It may be that the nature, locus, role and scope of value identified by Grönroos and Voima (2013) are characteristics of members of the value family. However, the qualitatively different ways in which actors make sense of phenomena in their life world can only be discovered by research based on their experiences.

5. CONCLUSION
This article has reviewed the nature of value from its philosophical origins to its use in marketing research. What is clear from the review is that there is no universal way in which value is understood or defined. Framing value as being phenomenologically determined (as in Fp10 of SD logic) has been a constraint to research, particularly when coupled with a contradictory proposition that value is experientially and individually determined by actors. Wittgenstein argues that the reason concepts like value are not understood is that they have no essence or necessary conditions. Following the logic of Wittgenstein’s philosophy we view
value as a member of a family rather than a phenomenon that has an essence.

In our reconceptualization value is viewed as being a member of a family, where value in one context may have similarities or differences to value in a different context, but cannot be expressed in terms of necessary conditions or an essence. We also propose phenomenography as an appropriate research approach that accommodates the experiential, individual ways in which actors conceive value. Using phenomenography as an approach to guide empirical studies of value will be discussed further in a forthcoming article.

Our reconceptualization provides a means of understanding more effectively the nature of value in marketing research through the qualitatively different lived experiences of individuals. Understanding the nature of value is a precursor to understanding how value is created. Our research contributes to the body of academic literature in marketing and promises to facilitate improved understanding of the value creation process for both academics and practitioners.

NOTES ABOUT THIS WORK

This paper originated from the Value Flow Centre’s (VFC) stream of work on the conception of ‘value’. A version of this paper was sent to Marketing Theory but was rejected by that journal. The reviewer feedback comments from that submission exercise will be incorporated into this paper, which will then be submitted to Marketing Letters; an ABS (2015) ‘3’ ranked journal with an impact factor of 0.642.

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LEAN UNIVERSITY PROGRAMMES: THREE FALLACIES THAT PREVENT EFFECTIVE IMPLEMENTATION

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ABSTRACT

Lean techniques have diffused into Higher Education (HE) in recent years. While improvement in HE is desirable, we argue that Lean University Programs (LUPs) have proved largely ineffective and are fundamentally flawed. Lean University Programs suffer from three inherent fallacies. First, there has been a failure to recognise the complex, networked nature of value domains. Second, Lean is an approach that aims to eliminate craftsmanship, yet higher education is characterised by craft work, resulting in paradox. Third, the uncritical acceptance by LUP of claims made by institutional elites that they desire to maximise or enhance value for stakeholders. Actors’ conceptions of value underpin each of the three fallacies. Therefore, understanding the nature of value as conceived by stakeholders in HE is the starting point in any discussion of effective Lean programs in HE. In this paper we propose a new way of understanding the nature of value based on family resemblances. We also propose a novel methodology and method for undertaking empirical research into the nature of value in HE.

Keywords: Lean University (LU), Higher Education (HE), Implementation.

1. INTRODUCTION

Lean Production is one of the contemporary operations management paradigms that emerged from post-war Japanese manufacturing (Francis et al., 2014). Lean aims to emulate the Toyota Production System and the management discourse that results by increasing customer value (Samuel, 2011). Lean has been widely institutionalised since its emergence in the early 1990’s, with recent diffusion into Higher Education (HE). As
a result there are now a number of Lean University programs (LUPs) that seek to implement lean within an academic environment.

The authors share the conviction that continuous improvement within Universities is legitimate, appropriate and desirable. However we believe that LUPs have proved largely ineffective and are fundamentally flawed. In this paper we argue that LUPs suffer from three inherent fallacies that undermine their efficacy within academic contexts. A common strand linking the fallacies is the notion of value, which we argue is poorly understood and consequently poorly operationalised.

The paper is organised as follows. First, we identify the three fallacies that act as barriers to the successful implementation of LUPs in Higher Education (HE). Second, we identify and discuss the nature of value, which is fundamental to lean techniques, yet is poorly understood. Finally we propose a new approach to understanding the nature of value for stakeholders in HE as the starting point in addressing the three fallacies and the effective implementation of LUPs.

2. BARRIERS TO IMPLEMENTING LEAN IN HIGHER EDUCATION

2.1 The Value Stream Fallacy

The Value Stream is a focal concept in the Lean paradigm. Value Streams consist of linear sequences of activities, which add value, cost and time to products and services. Under the Lean prescription practitioners define the value stream and map it in order to identify and remove waste.

However the conceptualisation of the value stream is hopelessly inadequate within the complex value landscape of the University. Universities have three distinct value domains: 1) the domain of Learning. This domain provides educative value to students and financial value to the institution; 2) the domain of Knowledge Creation. This involves a complex of activities centred on research and publication. In this domain value is provided by the production of knowledge and also by professional value to the scholars engaged in producing knowledge; and 3) the domain of Public Engagement. Public engagement consists of using knowledge to produce and maintain what Karl Popper (1945) described as the open society. In this domain academics use knowledge, or a rigorous analytical method for the creation of knowledge, to protect or improve the institutions of Liberal Society. The Engagement domain thus delivers a public, societal value.

The vital characteristic of these value domains is that they operate in a complex network of mutual dependency. Universities facilitate complex flows and transformations of value. Put simply, financial surpluses are taken from the Learning domain and are transformed into professional and societal value within the Knowledge Creation and Public Engagement domains. However, none of this complexity has been recognised by LUPs. In our experience such programs simply search for isolated linear processes that can be
labelled as value streams and mapped. LUPs have failed to recognise the essential need to reticulate, or administer the value network (Provan and Milward, 2001). The unfortunate consequence of this is the misguided attempt to maximise the performance of individual domains, which results in undermining the effectiveness of the network as a whole.

2.2 The Lean Solution Fallacy

It seems axiomatic that a Lean University would be one that enacts Lean practices. Womack, Jones and Roos (1990, p. 91) contrast Lean with two other methods of production, Mass and Craft production. They offer the following advice about craft production:

> Our advice to any company practicing “craftsmanship” ... is simple and emphatic: Stamp it out. Institute lean production as quickly as possible and eliminate the need for all craftsmanship at source.

However the work of Universities, across the value domains, is emphatically of a craft nature. Academic freedom, lectures, tutorials, the peer review process, engaging in public life are all quintessential craft endeavours (Perrow, 1967). Yet LUPs are apparently committed to stamping these craft practices out! To the best of our knowledge, no LUP has engaged seriously with the paradox of how to apply a paradigm dedicated to the destruction of professional craft within a craft environment. Perhaps the craft paradox provides a theoretical explanation of why LUPs have restricted themselves to the administrative processes of Universities.

2.3 The Value Creation Fallacy

Possibly the most important concept within Lean is that of value creation. LUPs have uncritically accepted claims made by institutional elites that they desire to maximise, or at least enhance, value offered to stakeholders.

Is this acceptance justified? We respectfully suggest that it is not. Instead we suggest that many Universities are actively pursuing Value Extraction strategies. Taking an example from the learning domain, if Universities really are seeking to enhance the value they provide to students as stakeholders, then it might be suggested that they should seek to reduce class size, increase the amount of face-to-face time with lecturers, allocate greater status to the teaching role and reflect that status in awarding teaching staff more secure terms of employment.

Informal inquiry suggests that the opposite is more often the case. Class sizes are increasing, face-to-face time is being reduced, teaching staff are increasingly seen as fulfilling an auxiliary role (particularly in the Russell Group or G8 Universities and their equivalents) and teaching staff are more and more frequently employed on a casualised basis.
The implications of the *Value Extraction* view of academic strategy is that LUPs have been naïve in failing to distinguish between what is said by Institutional Elites and what is decided and done by those elites. In consequence LUPs have become the willing victims of organisational hypocrisy (Brunsen, 1989). The result is that LUPs provide a legitimising narrative repertoire to institutional elites, but do little to improve the conditions of University staff or enhance outcomes and values for academic stakeholders (Hamer and Jones, 2014).

The three fallacies of LUPs are linked by a common thread, namely differences in conceptions of the nature of value among actors in the HE domain. However, while value is a term that has been in common usage for more than two thousand years no universal understanding of the nature of value has yet been reached (Fisher et al., 2012; Fisher et al., 2014; Francis et al., 2013). Given the fundamental nature of value to the implementation of lean programs we argue that LUPs are destined to fail unless the different values sought by stakeholders are identified, recognised and considered in lean programs. In this paper we propose an experiential approach to understanding the nature of value based on the qualitatively different ways in which people conceive and understand phenomena in their lifeworld.

3. THE NATURE OF VALUE

The importance of value has been identified by Ostrom (2010) who suggest that measuring and optimising value is a key area for research, although the focus is on measurement and metrics rather than on understanding what value actually means. In other research Holbrook (1996) argues for an understanding of the interactive and relativistic characteristics of the customer. It is this theme of *experience* in understanding value and the value creation process that is proposed by Ojasalo (2010) who argues that customer experiences result from situations where the customer defines and creates value. Customer experiences and perceptions are essential to value determination and value is co-created by learning together. Other researchers (e.g. Chen et al., 2012; Helkkula et al., 2012; Mele and Polese, 2011) also discuss the importance of experience in value creation and co-creation, while arguing that value is phenomenologically based. Grönroos and Voima ((2013), Kohli (Kohli, 2006) and Vargo and Lusch (2006) suggest a need for new approaches, while Payne, Storbacka and Frow (2008) likewise call for research into understanding what customers actually do when they co-create value. In other research Flint (Flint, 2006) suggests that symbolic interactionism may be an appropriate research approach while Edvardsson, Tronvall and Gruber (2011) suggest social construction as a way of making sense of value creation.

Recent research (Fisher et al., 2014) suggests the reason value is not clearly understood stems from a reliance on phenomenology as the ontological basis for attempting to understand it. We argue that basing understanding on phenomenology is a flawed approach as this involves a search for *essences* in an attempt to express value in terms of necessary and sufficient conditions (Fisher et al., 2014). Instead, the nature of value should be regarded as idiosyncratic and expressed in terms of family membership (Wittgenstein, 2000).
Conceptualising value as a family leads to an approach based on the qualitatively different ways in which actors experience phenomena in their lifeworld.

4. CONCEPTIONS OF VALUE AS A FAMILY

Through analogy, and using a discussion about what he terms “a game”, Wittgenstein (2000) provides a means of conceptualising phenomena in terms of differences. He argues that there is nothing that is common to every instance of a game. Instead there are family resemblances in the same way that members of a human family may exhibit similarities in the way they look, walk, talk etcetera yet have nothing that is common to all family members. In arguing that there is no common essence to what we call a game, suggesting that one should first study or look at a phenomenon before thinking about it, hence an experiential approach to understanding. He proposes that understanding can only occur through a sequence of look-think-act. When thinking is the first step in the mental model used to achieve understanding, as in most interpretive research, this typically leads to a search for essences, which is often a non-productive approach to understanding. Wittgenstein suggests that instead of searching for an essence the focus should be on differences as a means of understanding. We should consider phenomena as members (or otherwise) of a family based on family resemblances. In the same way that Wittgenstein expresses “game” as a belonging to a family, we argue that there is no essence of value and it should be understood as forming a family, which is consistent with Najder’s (1975) contention that as value is a concept there is not likely to be a single wholly satisfactory answer (i.e. essence) to its meaning. Conceptualising value as a family addresses the ontological tension that arises from attempting to regard it as being phenomenologically determined (Vargo and Lusch, 2006, 2008) yet qualitatively different based on the experiences of actors (Ojasalo, 2010).

Regarding value as forming a family is the first stage in our proposed framework. The implications of applying Wittgenstein’s philosophy of family resemblances to research into the nature of value in HE are that the nature of value can now be conceived as being wholly experiential. This means that the nature of value may differ between people, time and context, or some aspects of it may be the same. In order to guide research into how value may be understood in terms of family resemblances a different approach to the usual search for essences based on phenomenology is needed.

Using Wittgenstein’s philosophy of family resemblances to address how value may be conceived requires a different research approach to phenomenology. Phenomenography is an alternative approach that accommodates family resemblances by focusing on the qualitatively different ways in which people experience, conceptualise, perceive and understand phenomena in their lifeworld (Marton, 1986, p. 31). Phenomenography was originally developed in the 1980s by Marton (1986) for educational research in Sweden. It is an empirical, interpretive approach with an ontology and epistemology based on knowledge, and an ideographic methodology (Bowden, 2000; Burrell and Morgan, 1979). Phenomenography is a qualitative approach in which data are usually collected by means of interviews and observation (Sandberg, 2000). Once data collection has been completed (based on experience from previous studies between 15 and 20 interviews
are usually conducted) data are analysed *en bloc* rather than on an individual basis as in other qualitative approaches such as grounded theory (Strauss and Corbin, 1990, 1998). Analysis mainly consists of answering *what* and *how* questions (Sandberg, 2000). Phenomenography is increasingly being used in business research, for example in a study of human competence at work (Sandberg, 2000) and in understanding quality improvement processes (Kobayashi, 2009). By accommodating the different ways in which the nature of value may be conceived phenomenography provides a methodology and method for implementing the concept of family resemblances empirically. Adopting phenomenography as a research approach is the second part of the proposed framework.
When discussing family resemblances Wittgenstein (2000) advocates that in investigating a phenomenon we should first look and see as seeing demands consideration of what is open to view. Seeing is grounded in the shared world connecting people and other aspects of the world and involves differences (Genova, 1995, p. 57). Second, we should think, as thinking tends to focus on identities and essences (Genova, 1995, p. 57). Finally, we should act. Wittgenstein is advocating an experiential way of understanding based on look-think-act. Usually, the first step when considering a phenomenon is an attempt to theorise in an instinctive search for essences. Wittgenstein (2000) argues that in thinking we convince ourselves that the ideal must be found in reality, yet we have not yet seen how it occurs. Thinking means we lose sight of the “disorder of things” (Genova, 1995, p. 58). On the other hand looking and seeing shows the family resemblances between concepts, “the connections that criss-cross the conceptual domain” discovering differences not essences. Looking resists the temptation to get involved with theoretical possibilities and enables us to see particulars, based on differences (Genova, 1995, p. 57).

Look-think-act complements a phenomenographic methodology by providing a method for conducting field work and guiding data analysis in a way that follows the phenomenographical process. It is the third stage in the three-stage framework for reconceptualising value, which is shown at Figure 1.

Understanding individual values identified using the three-stage model provides the grounding for further discussion about conceptualising and implementing an effective program of Lean in HE. Once individual values have been identified LUPs can focus on increasing custom value, which is the fundamental premise of Lean Production.

5. DISCUSSION

The implementation of lean approaches to HE has failed due to the three fallacies discussed above. The main thread linking the fallacies is the nature of value as conceived by actors in HE. Lean is a business process improvement technique that aims to improve or enhance customer value. However, understanding what actors in HE value has not been adequately considered in previous research. Before lean techniques can be implemented it is necessary to understand the nature of value in this domain. Conceptualising value as a family enables researchers to understand the idiosyncratic nature of value in HE contexts. Use of a phenomenographic methodology and a method guided by look-think-act is a novel approach to understanding the nature of value in the HE domain.
Understanding the nature of value as conceived by stakeholders is the first step in reshaping HE organisations to cope with the challenges presented by the three fallacies of Lean implementation. Until this happens, LUPs will continue to be ineffective and rife with ambiguity and tension.

6. CONCLUSIONS

We have argued that due to three inherent fallacies, LUP’s have failed to achieve their objectives and therefore represent a misapplication of the Lean Paradigm. That is not to say that LUP’s have made no contribution to Universities. We recognise that those involved in LUP’s are sincere individuals who are acting in good faith and to the best of their abilities on behalf of their institutions. However, the contribution of LUP’s has been largely restricted to disseminating good organisational practice (Hamer, 2014). We conclude with the contention that until the inherent contradictions and fallacies on which they are founded are addressed, LUP’s will remain an ineffective and peripheral misapplication of a management paradigm.

Stakeholder value is a theme that links the fallacies, yet it is poorly understood. Before action can be taken to address the three fallacies the nature of value as conceived by stakeholders needs to be clearly understood. The research proposes a new approach to conceptualising value in terms of family resemblances. Phenomenography is proposed as a novel methodology in the HE domain, together with a method based on Wittgenstein’s (2000) look-think-act approach to analysis.

NOTES ABOUT THIS WORK

This paper represents a collaboration between staff at the Value Flow Centre (VFC) at Cardiff School of Management, and researchers at the School of Business at Buckingham University. This was originally a conference paper that was presented at the 28th Australian and New Zealand Academy of Management (ANZAM) Conference in December 2014. The authors are currently deciding the most appropriate target journal for the full journal paper version of this.

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NURSES’ PERCEPTIONS OF MANAGEMENT INFLUENCES ON JOB SATISFACTION

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ABSTRACT

Context – To examine the impact of nurses’ perceptions of supervisors, senior managers and executive managers on intrinsic and extrinsic job satisfaction. Relationships with managers have been shown to influenced nurses’ job satisfaction, but there is limited research to explain nurses’ perceptions of different levels of management as drivers of intrinsic and extrinsic job satisfaction. Job satisfaction is linked to ...

Method(s) – A secondary analysis of data collected from 573 nurses in an Australian hospital. Descriptive, bivariate and multivariate analyses are used to test hypotheses.

Findings – Overall nurses experience higher levels of intrinsic job satisfaction than extrinsic job satisfaction. Higher levels of intrinsic job satisfaction are associated with nurses’ perceptions of supervisor than with senior or executive managers. Perceptions of senior and executive managers decline significantly as length of service increases.

Conclusion(s) – Perceptions of supervisor are linked to intrinsic job satisfaction, while perceptions of senior managers are linked to extrinsic job satisfaction. Nurses’ perceptions of management are valid predictors of job satisfaction. The research adds to the body of knowledge about the intrinsic and extrinsic drivers of nurses’ job satisfaction. The study also identifies areas where nurse supervisors, senior managers and executive managers can improve nurses’ job satisfaction.

Keywords: Job satisfaction, nurse, management.
1. INTRODUCTION
Changes in the workplace, together with the growing intensity of work, impact on work practices and organisations need effective processes to accommodate such changes (Bellou, 2010). Within an environment of constant change maintaining employee satisfaction poses a challenge to most organisations, and nursing is no exception in this regard.

Few studies have examined the impact of intrinsic and extrinsic job satisfaction in a nursing context (Hegney et al., 2006). In the limited studies that have been conducted supervisors have been shown to influence job satisfaction (Hayes et al., 2010; Jayasuriya et al., 2012), and supervisor-subordinate relationships have been researched (Brunetto et al., 2012; Farr-Wharton et al., 2011). However, nurses’ perceptions of the effectiveness of senior and executive managers have not been considered, particularly where the impact on intrinsic and extrinsic job satisfaction is concerned. Failure to consider nurses’ perceptions of all levels of management in relation to JS is a gap in literature that this research aims to address by investigating how nurses’ perceptions of supervisors, senior managers and executive managers impact on intrinsic (IJS) and extrinsic job satisfaction (EJS), and how these perceptions change across tenure. Understanding nurses’ perceptions of management in relation to JS will add to the body of knowledge relating to caregivers’ attitudes towards managers and could have important implications for hospital management.

This research extends qualitative research conducted by Morgan and Lynn (2009) by considering the impact and relative importance of the three groups of management on intrinsic and extrinsic JS. In addition to addressing a gap in knowledge, the research is important as job satisfaction has been identified as an important issue in nurse retention and performance.

The article is organised as follows: (a) first the extensive literature relating to JS is reviewed and summarized; (b) then research methods, data collection and data analysis are discussed; and (c) finally the results are discussed along with implications for management and nursing practice and opportunities for further research.

2. BACKGROUND
Hospitals’ management groups are becoming more concerned with the governance, profitability and sustainability of hospitals as work sites for effective patient care, as well as critical teaching facilities for contemporary medical students. Essentially, effective patient care is about ensuring quality of service and patient safety (Fraenkel and McGraw, 2007). Professional caregivers such as nurses negotiate their roles to comply with organisational policies and practices in providing expertise in support of patients and physicians. How nurses perceive their roles is important to the raison d’être for a hospital’s very existence, namely the best of patient care. The literature presented here considers intrinsic and extrinsic job satisfaction and the
dynamics of these areas. Its purpose is to establish relationships between nurses’ perceptions of supervisors, senior and executive managers, and, intrinsic and extrinsic JS.

3. JOB SATISFACTION
Job satisfaction is most frequently understood to be “a pleasurable or positive emotional state resulting from the appraisal of one’s job” (Locke, 1976, p. 1300). Fundamentally, job satisfaction is a positive response proportionate to the degree to which an individual enjoys his or her job (Lu et al., 2005). Job satisfaction is dependent upon the kind of job and also each individual’s expectations of what that job will bring, both intrinsically and extrinsically.

Intrinsic job satisfaction has an affective basis, that is it captures how people feel about the content of their jobs, and is associated with job involvement. In a study of job satisfaction of nurses in a rural setting, Jayasuriya et al., (2012) established that supervisory support was a factor in intrinsic job satisfaction. Indeed, the relationship with supervisors has the capacity to influence satisfaction either positively or negatively (Hayes et al., 2010). Intrinsic JS includes the emotional and physical challenges of nursing work and is related to work stress, morale, autonomy and the value associated with nursing work (Hegney et al., 2006).

Extrinsic job satisfaction is associated with the context in which work is carried out, and can be explained by rewards for the work (Hirchfeld, 2000) including remuneration, rewards for skills and experience, organisational policies, and working conditions (Hegney et al., 2006). Developing a better understanding of extrinsic job satisfaction is a critical factor in understanding the attitudes and behaviours of employees, as well as gauging organisational effectiveness (Zangaro and Soeken, 2007).

Qualitative research by Morgan and Lynn (2009) found that nurses experience intrinsic and extrinsic satisfiers in their work. The traditional view of nurses’ job satisfaction tends to be grounded in extrinsic satisfiers (e.g. pay and benefits), though these are not the main satisfiers of present day nursing staff. For many nurses the most rewarding aspects of their job are those that must be sacrificed in order to get the job done (i.e. things associated with the job itself and not context in which it is conducted). Morgan and Lynn (2009) argued that managers should focus on what nurses perceive to be important, while the traditional focus on extrinsic rewards is not likely to be sufficient. Managers should recognize intrinsic nurse satisfiers.

The importance of job satisfaction is underpinned by its status as the most studied organisational variable (Hirchfeld, 2000) in literature that is “…perhaps the most extensive of all of the management fields” (Lovett et al., 2004, p. 217). Low levels of job satisfaction have been associated with increased absenteeism and turnover (Loke, 2001), and may have an adverse impact on patients’ and stakeholders’ satisfaction. Strong links exist
between job satisfaction and work performance (Saari and Judge, 2004), both of which have been identified in a nursing context (Adams and Bond, 2000; Aitken et al., 2002; Ingersoll et al., 2002).

Zangaro and Soeken (2007) investigated the correlation between job satisfaction and autonomy, collaboration (nurse-physician) and stress. The results of their meta-analysis of 31 studies and over 14,000 respondents revealed that job satisfaction was definitely related to job stress; where the hospital environment and continuous technological change were found to be the main contributors. Job satisfaction was also found to be associated with turnover, with low levels of job satisfaction associated with intention to leave (Zangaro and Soeken, 2007). Regardless of the variables, Shader, Broome, Broome, West and Nash (2001) argued that job stress leads to job dissatisfaction and augments the probability of high turnover. Other studies have found job satisfaction to be related to tenure with the longer the tenure the less likelihood of turnover (Oshagbemi, 2000; Sarker et al., 2003).

Aitken et al. (2001) conducted a study of 43,000 nurses from over 700 hospitals across five countries, finding employee satisfaction with their jobs to be low in Canada (33%), England (36%), Scotland (38%), United States (US) (41%) with a particularly low result in Germany (17%). Overall, nurses were not satisfied with work design and management constraints. An alarming finding was that one third of nurses in England and Scotland planned to resign within twelve months of the study, suggesting that job satisfaction may decrease over time. Three hospitals in Taiwan were the sites for Tzeng’s (2002) study, which aimed to gather data from 786 nurses employed across all three hospitals. With 82 per cent participation rate Tzeng (2002) concluded that low job satisfaction, poor remuneration and lack of career advancement were high predictors of nurses’ intentions to resign from their jobs. In another study of Chinese nurses Wang (2002) found that a high number of nurses were mostly not satisfied with remuneration and job promotion. Moreover, the issues are conducive to deliberate action for improving job satisfaction as a strategy for job retention. In ascertaining predictors of nurses’ job satisfaction, intrinsic factors embrace effective relationships with physicians, peers and patients (Loke, 2001), motivation through work content and participation (Manojlovich and Spence-Laschinger, 2002).

Petrescu and Simmons (2008) claimed that the link between work practices and job satisfaction had been made whereby effective work practices could raise levels of job satisfaction, sometimes to a significant level. Effective practices respond to the many challenges of an organisation to ameliorate productivity. Collaboration (such as between nurses and practitioners) has been identified as an important factor in hospital management that has an important impact on the satisfaction of employees (Pfeffer, 2005; Zangaro and Soeken, 2007). Finally, in studies conducted in Taiwan between work practices and JS have been shown to be associated (Chang et al., 2011; Wei et al., 2010). The impact of IJS and EJS on nursing work, nurse retention and other organisational issues make it imperative that the phenomena are well understood by hospital managers and decision makers.
4. HYPOTHESES

Previous research (e.g. Hirchfeld, 2000; Lu et al., 2005) suggested that, JS is dependent upon each individual and their expectations of the organisation and the job (Meglino and Korsgaard, 2004). As hospitals depend on the attitudes and behaviours of individual employees for delivery of service quality, IJS and EJS are important components for achieving successful organisational outcomes in hospitals worldwide. Job satisfaction has also been hypothesized as a predictor of other employee behaviours (Bell and Mengue, 2002).

Morgan and Lynn (2009) found that although the traditional view of nurses’ job satisfaction tends to be grounded in extrinsic satisfiers (e.g. pay and benefits), these were not the main satisfiers for present day nursing staff. For many nurses the most rewarding aspects of their job were associated with the job itself and not the context in which it is conducted. On the basis of Morgan and Lynn’s (2009) research, intrinsic JS should be more important to nurses than extrinsic JS, providing the hypothesis:

H1. Nurses will report higher levels of intrinsic JS than extrinsic JS.

Jayasuriya et al.’s (2012) research established that supervisory support was a factor in intrinsic job satisfaction. Other research has suggested that supervisors have the capacity to influence satisfaction either positively or negatively (Hayes et al., 2010). The relationship between nurse and supervisor should be stronger than between nurse and other levels of management, due to the day-to-day interaction with supervisors that nurses do not experience with senior and executive managers. Therefore, we hypothesize the following:

H2a. Nurses will experience higher intrinsic job satisfaction from their perceptions of supervisors than senior managers.

H2b. Nurses will experience higher intrinsic job satisfaction from their perceptions of supervisors than executive managers.

On the basis of Jayasuriya et al.’s (2012) research that established supervisory support as a factor in intrinsic job satisfaction, together with findings that supervisors have the capacity to influence satisfaction either positively or negatively (Hayes et al., 2010), suggest that this relationship will be stable over time. Also, that the perceptions nurses’ have of senior and executive managers will be stable across tenure. Therefore, we hypothesize the following:
**H3a.** There will be no significant relationship between nurses’ perceptions of supervisors and their length of service.

**H3b.** There will be no significant relationship between nurses’ perceptions of senior managers and their length of service.

**H3c.** There will be no significant relationship between nurses’ perceptions of executive managers and their length of service.

Jayasuriya et al.’s (2012) research established supervisory support as a factor in intrinsic job satisfaction, confirming that supervisors have the capacity to influence satisfaction either positively or negatively (Hayes et al., 2010). Links have also been confirmed in research by Farr-Wharton et al., (2011) and Brunetto et al., (2012) into supervisor-subordinate relationships. Thus we hypothesize the following:

**H4.** Nurses’ perceptions of supervisors will be a major aspect of nurses’ intrinsic job satisfaction.

The strength of the supervisor-subordinate relationship (Brunetto et al., 2012; Farr-Wharton et al., 2011) also suggests that the relationship between nurses and senior managers, and nurses and executive managers will be weaker than with supervisors. Therefore we hypothesize as follows:

**H5a.** Nurses’ perceptions of supervisor will have a greater impact in predicting IJS than perceptions of senior or executive management.

**H5b.** Nurses’ perceptions of supervisor will have a greater impact in predicting EJS than perceptions of senior or executive management.

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**5. METHOD**

**5.1 Design**

In this study we used secondary data in a cross-sectional design to determine the impact of nurses’ perceptions of Supervisors, Senior Managers and Executive Managers on IJS and EJS. The study also examined variations of nurses’ perceptions relating to length of service.
5.2 Sample

Eligible participants were 1012 full-time and 945 casual and part-time nurses employed at an Australian hospital. Participants were invited to respond to a hospital-generated questionnaire that was circulated to all employees. Participation was voluntary and anonymous. Approval to conduct the study was given by the hospital board prior to commencement. Questionnaires, together with envelopes for return when completed, were distributed by the hospital to all employees on a predetermined date. Sealed boxes were provided for returned questionnaires. Completed questionnaires were removed from sealed boxes and forwarded unopened to a central location for collation and coding. Questionnaires captured data relating to employment status and terms of employment, together with a series of questions designed to determine employee attitudes and behaviors across a range of topics including JS. A series of questions related to the perceived effectiveness of Supervisors, Senior Managers and Executive Managers. Each of the questions invited participants to indicate their response on an interval scale anchored at 1 = strongly disagree to 5 = strongly agree.

Overall 573 of the 1957 nurses employed at the hospital completed the questionnaire, a response rate of 29.3%. The sample was predominantly female (n=527, 92%), less than two years service (n=123, 20.9%), two to five years service (n=151, 26%), six to ten years (n=125, 21.4%) and more than 10 years (n=174, 30%).

5.3 Variables and measures

During the scale development process, Nunnally and Bernstein’s (1994) approach was employed which comprised of: (a) item to item correlations (with coefficients required to exceed .30 for each item); (b) principal component analysis (a single factor with each item exceeding .50); and (c) Cronbach’s alpha (Cronbach, 1951) of at least .70 with at least three items in the measure. If particular items were found to have poor factor loadings, communalities or correlations, they were noted for possible exclusion.

Job satisfaction

Nurses’ job satisfaction was examined using a well-established and extensively validated measure. The measure captured intrinsic job satisfaction and extrinsic job satisfaction. Measures of perceptions of the effectiveness of supervisor, senior managers and executive managers were developed for the study.
Job satisfaction was conceptualized and measured using the short-form of the Minnesota Satisfaction Questionnaire (MSQ), originally developed by Weiss, Dawis, England and Lofquist (1967). Organizational research has shown the 20-item short-form of the MSQ to be a valid and reliable measure of overall job satisfaction, intrinsic job satisfaction and extrinsic job satisfaction (Hirchfeld, 2000; Spector, 1997). Intrinsic job satisfaction is a measure of employee satisfaction with the job itself (i.e. its content). Extrinsic job satisfaction is a measure of employee satisfaction with the situation in which the job is conducted (i.e. its context).

As a result of varying item numbers and factor structures found in past research involving the MSQ, a confirmatory factor analysis was used to confirm whether the structure resulted in two factors as per Arvey, Abraham, Bouchard and Segal (1989). A Principal Components Analysis (direct oblim) was chosen given the factors were expected to be correlated. Two factors (based on eigenvalues and scree plot formation) were identified. Further items were removed either due to poor loadings or for conceptual reasons. A final PCA resulted in a two factor solution accounting for 61% of the variance. The factors accounted for the following amounts of variance: factor one – internal job satisfaction (IJS) with seven items accounted for 41% of variance; and factor two – external job satisfaction (EJS) with three items accounted for 20% of the variance. Example items from the IJS and EJS scales include – “My work makes good use of my skills and abilities” (IJS); and “This organisation does its best to provide job security for its employees” (EJS).

Reliability and validity for the intrinsic and extrinsic JS measures have been established in numerous previous studies (e.g. Hirchfeld, 2000; Spector, 1997; Weiss et al., 1967). Reliability for the measures developed for use in this study, calculated using Cronbach’s (1951) alpha, for nurses’ perceptions of the effectiveness of supervisor, senior managers and executive managers were high as shown in Table 1.

Perceptions of the effectiveness of supervisor

As the measures for nurses’ perceptions of the effectiveness of supervisor, senior managers and executive managers were developed for this study, tests to confirm the factor structure and reliability were conducted and are discussed below.

The effectiveness of supervisors was conceptualized and measured using an eight-item scale developed by the researchers from the questionnaire completed by participants. Example items included in the measure are “I am satisfied with the way my supervisor handles complaints, grievances and problems” and “My supervisor sets fair standards of performance”. A PCA of the eight items returned a single factor accounting for 72% of total variance.
Perceptions of the effectiveness of senior managers

The effectiveness of senior managers was conceptualized and measured using a seven-item scale developed by the researchers from the questionnaire completed by participants. Example items included in the measure are “Senior management responds promptly to most problems” and “Senior leaders are doing a good job of planning for the future.” A PCA of the seven items returned a single factor that accounted for 68% of total variance.

Perceptions of effectiveness of executive managers

The effectiveness of senior managers was conceptualized and measured using a four-item scale developed by the researchers from the questionnaire completed by participants. Example items included in the measure are “Executive Management does a good job communication major developments with employees” and “Executive management’s actions reflect our missions and values”. A PCA of the four items returned a single factor that accounted for 82% of total variance.

All manager scales were found to have high reliability, with the lowest scale alpha being .82 (see Table 1). In terms of validity analysis - divergent or discriminate validity may be evidenced by low correlations between theoretically independent constructs. In contrast convergent validity may be evidenced by high correlations between related constructs. Thus IJS and EJS may be seen to have divergent validity given their inter-scale correlation of .34. In comparison the manager scales were all found to have divergent validity with exception of the relationship between Senior and Executive, which was found to have convergent validity given the inter-scale correlation of .81. (Why)

Table 1: Psychometric Properties of Key Outcome Variables.

<table>
<thead>
<tr>
<th>Measure</th>
<th>n</th>
<th>M</th>
<th>SD</th>
<th>Alpha</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrins JS</td>
<td>483</td>
<td>3.69</td>
<td>.78</td>
<td>.82</td>
<td>-.68</td>
<td>-.08</td>
</tr>
<tr>
<td>Extrinsic JS</td>
<td>483</td>
<td>3.61</td>
<td>1.04</td>
<td>.93</td>
<td>-.82</td>
<td>-.01</td>
</tr>
<tr>
<td>Supervisor</td>
<td>502</td>
<td>3.58</td>
<td>1.07</td>
<td>.84</td>
<td>-.16</td>
<td>-.43</td>
</tr>
</tbody>
</table>
6. RESULTS

6.1 Descriptive analysis

Data were analyzed using SPSS version 20 software. Preliminary analysis of the data included examination of measures of central tendencies and dispersion, along with visual inspection of the data using histograms, boxplot, skew and kurtosis.

For the five variables, diagnostics denoted departures from normality for two variables (IJS and EJS), which were negatively skewed. All other variables were normally distributed. Various reflected transformations were applied to the skewed variables with minimal change in statistics of later analyses. As such for ease of interpretation, and because both DVs were skewed in the same direction, no transformations were applied for the later analyses. In regards to the later multiple regression analyses, the sample size (n=573) well exceeded the minimum number of cases required (Hair et al., 1998). Two multivariate outliers were detected via Mahalanobis Distance and were removed, resulting in the assumptions of linearity, homoscedasticity of residuals and tolerance being met.

The mean (M=3.69) for IJS suggested that this was an attitude strongly held by nurses. The mean for EJS (M=3.61) was only slightly lower than that for IJS. This suggests nurses were just as satisfied with issues relating to the context in which nursing work was carried out (EJS) and also with nursing work itself (IJS). Therefore Hypothesis 1 was not confirmed. (See paired sample T-test t(482) = 1.72, p=.086).

Means for perceptions of senior (M=2.69) and executive managers (M=2.80) were substantially lower than for the mean for supervisors (M=3.58), suggesting that nurses experience higher levels of intrinsic job satisfaction through their interaction with supervisors than with senior or executive managers, thus supporting Hypotheses 2a and 2b.

6.2 Correlational and regression analyses
Correlation analysis of the key variables was conducted in order to establish the level and significance of the relationships between them prior to conducting any further multiple regression analyses. Bivariate correlations were examined initially to determine whether any significant relationships between nurses’ length of tenure (tenure) and their perceptions of supervisors, senior managers and executive managers existed.

All bivariate correlations are shown in Table 2. Tenure was initially measured as a four level categorical variable. Category levels were however aggregated into two levels based on inspection of category means across the perception variables. Bivariate correlations were computed with tenure as a dummy variable comprising two levels of service length (0 = less than two years, and 1 = more than two years). Table 2 denotes significant negative bivariate correlations between tenure and all perception variables, however the relationship between tenure and supervisor may be considered weak given the small effect size \( r = -0.09 \). This relationship was more likely found significant by virtue of the sample size, with the difference between means of those with recent tenure (M=3.79) and long tenure (M=3.54) being minimal. Thus a finding of no meaningful significance supports Hypothesis 3a.

Of more relevance are the significant negative relationships between tenure and the variables of senior manager \( r = 0.19 \) and executive manager \( r = 0.22 \). The effect sizes of both relationships were between small to medium in size by Cohen’s (1988) standards. Large differences were found for perceptions of senior managers, where the mean of those with recent tenure (M=3.10) was much larger than for those with longer tenure (M=2.60). Declining mean scores indicate a decline in nurses’ perceptions of senior managers as length of service increased. Similar trends were found for executive managers, where large differences were found for those with recent tenure (M=3.34) compared to longer tenure (M= 2.68). Declining mean scores indicated a decline in nurses’ perceptions of executive managers as length of service increased. These results were surprising as nurses’ perceptions of management were not expected to significantly change with length of tenure. Overall these trends reject Hypotheses 3b and c.

Given the relationships between tenure and the other predictor manager variables, which in turn were significantly correlated with the outcome variables of internal and external job satisfaction, further hierarchical regressions were conducted. Based on Tabachnick and Fidell (1996, p. 149), variables were entered ‘according to logical or theoretical considerations’. Thus the three manager variables of Supervisor, Senior and Executive were entered at step one, with tenure entered at step two. Conducting the regression analyses in this manner allowed the unique effect of tenure to be estimated (after controlling for the effects of all the other IVs). Because there were two outcome variables (IJS and EJS), two such models were computed.
Such regression models may assess how nurses’ perceptions of supervisor, senior managers and executive managers and also their length of tenure were in predicting intrinsic and extrinsic job satisfaction.

Table 2: Summary of Bivariate Correlations for IJS, EJS and Nurses’ Length of Tenure and Perceptions of the Effectiveness of Supervisor, Senior Managers and Executive Managers.

<table>
<thead>
<tr>
<th>Measure</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Intrinsic JS</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Extrinsic JS</td>
<td>.34**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Supervisor</td>
<td>.56**</td>
<td>.31**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Senior</td>
<td>.49**</td>
<td>.48**</td>
<td>.35**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5. Executive</td>
<td>.55**</td>
<td>.46**</td>
<td>.28**</td>
<td>.81**</td>
<td>1</td>
</tr>
<tr>
<td>6. Tenure</td>
<td>.02</td>
<td>-.04</td>
<td>-.10*</td>
<td>-.19**</td>
<td>-.22**</td>
</tr>
</tbody>
</table>

* p<.05 ** p<.001

**Intrinsic job satisfaction**

Overall the model accounted for 43% (Adj $R^2$) of the variance in nurses internal job satisfaction, a significant and large effect, $F(4,375) = 72.44$; $p = .00$. At step 1, the three manager variables (Supervisor, Senior and Executive) significantly accounted for 42% of the variance, $F(3,376) = 93.13$; $p = .00$. However only nurses’ perceptions of Supervisor ($\beta = .45**$) and Senior ($\beta = .33**$) were significant individual predictors. At step 2, the inclusion of Tenure accounted for a significant additional 1% of the variance. Of the significant individual predictors in the final stage, Supervisor was the strongest predictor of IJS ($\beta = .45**$), followed by Senior ($\beta = .33*$) and then Tenure ($\beta = .10*$). These results and the prior bivariate correlations reveal Tenure to be a suppressor variable - one that is minimally correlated to the outcome variable but correlated to other predictors. Given Tenure has an almost negligible and non-significant bivariate correlation with the outcome IJS, once the other predictor manager variables are included, the relationship between Tenure and IJS becomes slightly stronger and significant. As Pandey and Elliot (2010, p. 29) indicate “The correlations of suppressor variables with the independent variables increase the multiple correlations by partialling out invalid variance of the other predictors included in the regression equation”. In this model, the suppressor variable of Tenure removes a small amount of irrelevant variance from the other predictors, given the enhancement of all the
predictors’ beta weights, leading to a small but significant increase in overall model predictability (Pandey and Elliot, 2010).

Overall, given the importance of nurses’ perceptions of supervisor in predicting IJS Hypotheses 4 was accepted. As the link between supervisor-subordinate was the strongest of the three, Hypothesis 5a was accepted.

**External job satisfaction**

Overall the second model accounted for 28% ($Adj \ R^2$) of the variance in nurses external job satisfaction, a significant and large effect, $F(4,380) = 37.99; p = .00$. At step 1, all three manager variables (Supervisor, Senior and Executive) significantly accounted for 27% of the variance, $F(3,381) = 49.03; p = .00$. All three variables, including Senior ($\beta = .30^{**}$), Executive ($\beta = .19^{*}$) and Supervisor ($\beta = .14^{**}$) were significant individual predictors. At step 2, the inclusion of Tenure accounted for a small but significant additional 1% of variance. Of the significant individual predictors in the final stage, Senior was the strongest predictor of EJS ($\beta = .31^{**}$), followed by Executive ($\beta = .20^{**}$), Supervisor ($\beta = .14^{**}$) and then Tenure with a significant but negligible effect ($\beta = .09^{*}$). These results reveal a suppressor variable effect of Tenure. While Tenure has an almost negligible negative bivariate correlation with EJS, once the other predictor manager variables are included, the relationship between Tenure and EJS becomes positive and significant.

Overall this model suggests that nurses’ perceptions of the effectiveness of managers were reasonably good predictors of extrinsic job satisfaction. Perceptions of the effectiveness of the senior managers showed a substantially higher beta value than the other predictors, confirming it was the most important of the predictor variables in respect of EJS. This was unexpected, as no previous research had identified the importance of the nurse-senior manager link in predicting EJS. Given the importance of nurses’ perceptions of senior managers in predicting EJS, Hypotheses 5b was rejected.

Table 3: Nurses’ perceptions of the Effectiveness of Supervisors, Senior Managers and Executive Managers in Addition to Length of Tenure as Predictors of Intrinsic and Extrinsic Job Satisfaction.
7. DISCUSSION

In examining the impact of nurses’ perceptions of supervisor, senior managers and executive managers on intrinsic (IJS) and extrinsic job satisfaction (EJS), analysis indicates a number of important relationships and provides insights in terms of nurses***. The importance of IJS for nurses is established, grounded strong satisfaction with the content of the job itself. Also suggested is the differential relationships between supervisor and subordinate that result in higher levels of IJS from perceptions of supervisors than from senior managers or executive managers. Changes in nurses’ perceptions of senior and executive managers are significant over time, which is an unexpected result. The importance of nurses’ perceptions of supervisors to IJS is confirmed. Finally, regression analysis shows that perceptions of supervisors are more important than other management groups in predicting IJS, while perceptions of senior managers are more important in predicting EJS.

The results confirm that intrinsic job satisfaction is perceived as being more important by nurses than extrinsic satisfaction, supporting previous research by Morgan and Lynn (2009). This finding has important
implications for hospital managers who may believe that nurses are motivated by pay and conditions. The finding that nurses experience higher levels of IJS from their perceptions of supervisors than other levels of management confirms previous research by Jayasuriya et al., (2012) and Hayes et al., (2010) about the importance of the supervisor-nurse relationship. While the finding may have been expected, given the more regular interaction with supervisors than other levels of management, it does present an opportunity for senior managers and executive managers to improve how managers at these levels are perceived by nurses.

Whether nurses’ perceptions of management vary over time has not been previously established. In this research the assumption that perceptions would remain stable was based on relationships being established early in a nurse’s working life and continuing as length of service increased. While there was no significant change for the nurse-supervisor relationship, significant changes were noted for senior and executive managers as tenure increased. These findings were unexpected and are important for senior and executive management as nurses’ perceptions of them could have a direct impact on turnover and performance by diminishing nurses’ EJS. This finding is a separate issue to the level of interaction discussed above, as one would assume that the level of interaction with senior and executive managers would be relatively constant.

The regression models to test the usefulness of nurses’ perceptions of supervisor, senior managers and executive managers as predictors of IJS and EJS produced interesting results. Of the three predictor variables, perceptions of supervisors were the most important predictor of IJS. This result was expected based on studies by Jayasuriya et al., (2012), Hayes et al., (2010), Brunetto et al., (2012) and Farr-Wharton et al., (2011) that focus on the supervisor-subordinate relationship. However, the relationship does not hold as the most significant predictor of EJS, where the senior manager-subordinate relationship is the most important. It may be that nurses perceive that senior managers have more control of extrinsic issues, such as pay and conditions. The finding does tend to support research (Morgan and Lynn, 2009) that suggests the traditional view that nurses are motivated by extrinsic issues, while in reality intrinsic issues are the main drivers of nurses’ job satisfaction.

The regression models show that nurses’ perceptions of supervisor, senior managers and executive managers are effective predictors of IJS (R²=.63) and EJS (R²=.74). Executive managers contribute significantly to the model, but the level of influence (β=.02,.08) is minimal.

8. IMPLICATIONS FOR NURSING MANAGEMENT
This article adds to the body of knowledge about the intrinsic and extrinsic driver of nurses’ job satisfaction. It identifies areas where nurse supervisors can reinforce the intrinsic satisfaction that nurses’ experience, for example in areas such as stress, morale, autonomy and value associated with nursing. It also confirms a traditional view that exists (in this research held by senior management) whereby nurses are perceived to achieve job satisfaction by extrinsic means, notably pay and conditions. Research suggests, and the findings of this study confirm, that nurses receive greater satisfaction from the content (the intrinsic part) of their job than the context in which it is carried out (the extrinsic part). This is not to say that extrinsic issues are not important, they are just not the main drivers of job satisfaction for nurses. It does seem that executive management makes a significant though minimal impact on the predictive models of IJS and EJS.

The research highlights areas where senior and executive management could improve nurses’ perceptions and thereby intrinsic job satisfaction. An area of particular concern for senior and executive management should be the declining perceptions held by nurses as length of service increases.

9. CONCLUSIONS
Job satisfaction is an important issue for hospitals, having an effect of retention and performance. This research provides support for the importance of IJS and EJS as seen through the lens of nurses’ perceptions of supervisor, senior managers and executive managers. Declining levels of nurses’ perceptions of senior and executive managers, as tenure increases, are interesting findings. The proposition that nurses’ perceptions decline over tenure is an important area for future research. The study illustrates the importance of perceived organisational values that align with employee attitudes and behaviours. It also denies the traditional view that nurses predominantly gain job satisfaction through extrinsic means.

In conclusion, the research not only provides extended insight into the roles of IJS and EJS but also identifies an important area involving nurses’ declining perceptions over time. The need to understand nurses’ IJS and EJS and the need to address nurse-senior manager and nurse-executive manager relationships is a challenge for hospital management.

NOTES ABOUT THIS WORK
This paper originated from research conducted by Prof. Fisher whilst at Griffith Business School in Australia. The working paper has been registered whilst the author team decide the most appropriate target journal as an outlet. This will probably be an ABS (2015) ‘2’ ranked journal.
REFERENCES


