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*Abstract: Investigating issues of Persons with Disabilities (PwD) and employment is well established in research; studies on tourism products and facilities for this segment are gaining an incremental ground. Conversely, little work has been conducted to examine the potentiality of qualifying and integrating PwD to work in tourism. On the other hand, although tourism is a relatively new sector in Oman, the contribution of the Omani workforce to tourism is evolving. Furthermore, Oman has also announced its new tourism strategy 2040, which aims to create half a million jobs over the coming 20 years. Accordingly, this research examines the prospects of integrating Omani PwD to work in this promising sector. A combination of self-administrated surveys and semi-structured interviews was utilized in this research, which helped generate qualitative and quantitative data. The research results shed light on the suitability of tourism as a career for PwD, the appropriate work areas, equality, and the required qualifications for integrating PwD in the tourism career, which could be significant for enhancing the ongoing efforts for empowering PwD in Oman.*

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*Abstract: Strategy implementation failure, a continuing debate, jeopardises business performance. Our study complements this research by examining the overlooked role of competitive advantage, facilitating implementation and securing profitability, a leadership responsibility. Globally wine businesses struggle with profitability, signalling the lack of competitive advantage. To understand the failure of strategy implementation in the wine business, we explored the influence of the perceived leadership style on employee satisfaction which affects the strategy implementation and business performance results of selected businesses in the South African wine industry. The South African wine industry exemplifies the global wine industry, and an under-researched context, was the setting for studying this problem. An exploratory qualitative case study collected data by interviewing participants from purposively selected businesses, which were content analysed. Leadership plays a significant role in shaping a competitive advantage. The reasons for the strategy implementation failure can be summarized as the thwarting of employees' needs for competence, autonomy, and relatedness, which are the levers of motivation. These motivational needs can be addressed by effective coordination and cooperation, which are integral to the structural dimensions of organisation for implementing strategy. The structural dimensions of organisation for implementing strategy unlocks human competence to implement strategy, and harness competitive advantage. Autocratic leadership styles, more so than democratic leadership styles, have undermined the structural dimensions of organisation for implementing strategy. Structural dimensions of organisation for implementing strategy can thus serve as a tool enhancing competitive advantage and guide leadership to implement strategy to improve business performance. This study augments overlooked research on strategy in wine businesses, favouring technical and marketing agendas and provides leadership with practical tools*

to enhance competitive advantage, facilitating strategy implementation and securing much needed profitability. The main limitation of the study is its cross-sectional nature. Scholars can modify their research agendas to include strategy considerations in addition to technical and marketing issues. Practitioners can immediately use the proposed tools for change to shape a competitive advantage, facilitating strategy implementation and securing profitability, and so augment a solid product with a sound strategy.

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*Abstract: This paper aims to test complexity science theory adoption by Zimbabwean banks to fulfil the Basel Committee’s demand for a new method and paradigm on emerging risk management. Unlike conventional risks, the absence of standard definition, framework, and paradigm for emerging risks’ management poses challenges in Zimbabwean banks and globally. Data are collected by a structured questionnaire from 120 Risk Managers in 16 banks. Banks are divided into strata by bank size and ownership structure. Data analysis uses descriptive statistics. This paper finds higher levels of complexity science adoption on four-realms of emergence and adaptive properties but lower on modeling methods. The level of adoption and awareness is similar in Pan African, indigenous, and international banks. This paper contributes to the body of knowledge in two specific ways. First it adds insights to debate on finding standard definition for emerging risks. Second it pioneers and validates the adoption of complexity science theory for emerging risk management in Zimbabwean banks.*

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*Abstract: High unemployment is an economic, social and political problem. This study analyses employment and unemployment in the western Balkans, looking particularly at youth unemployment in Kosovo. It considers the employment and unemployment of young people (aged 18-24 years) and labour market policies in Kosovo. The results of the study show that unemployment in this age group is high, and that labour market policies are also not appropriate. The study was conducted during the pandemic (2020). It involved young people aged 18-24, and used data from various local and international institutions regarding the labour market for young people, labour market policy, etc. The study shows that in Kosovo 48.7% of young people aged 18-24 are unemployed, and that the most pronounced unemployment is among women. The variables in the study are found to be linearly related, and the correlation is significant at the 0.01 level (2-tailed). The linear regression of the dependent variable (employment in the 18-24 age group) differs as the independent variables (education, etc.) change. Kosovo’s problem with youth unemployment is the result of poor economic development as well as inefficient labour market policies. The study recommends that policymakers develop sustainable and effective policies that will lead to stability in youth employment and improve the labour market performance. These policies should help organizations and businesses to increase the number of employees, but should also create long-term employment stability. Furthermore, a critical appraisal is necessary to avoid youth unemployment, instability in youth employment and labour market instability as a whole.*

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*Abstract: South Africa's communal farming possesses a realistic potential for commercial viability and sustainability, but that its capacity is impaired because the "historical structure" of agriculture remains unreformed with concentrated and verticalized, yet paradoxically dynamic and complex, agricultural materials, institutions, and ideational regimes. The absence of commercial viability and sustainability of communal farming in South Africa is generally blamed on the lack of government support, especially regarding financing of the farming activities. The lack of government financing for smallholder farming is a symptom of a deeper root cause because increased financing addresses materials, which is only one of the three characters of the historical forces of agricultural regimes and value chains. The irony is that agricultural financialization has in reality provided liquidity that exacerbated commodification of agricultural production and the "insertion" as well as conversion of productive smallholder farming activities into large-scale commercial farming monocultures. The paper adopts theoretical foundations of agricultural financialization which reveal that smallholder farming in developing economies such as South Africa leads to financialized farmlands and financialized commodities in global derivative markets. Agricultural financialization has served to strengthen "concentration and verticalization" of agriculture, thereby re-orientating productive smallholder farming activities towards global markets, stifling entry, commercial viability, and sustainability. That is, financialization of smallholder farmlands inevitably leads to financialized commodities and insertion into global derivative markets through "integration" into large-scale commercial farming. Agricultural financialization does not transform the institutions and ideational nature of the "historical structure" of the agricultural regime and value chains. It is recommended that government financing of communal smallholder farmlands need to be accompanied by concomitant restructuring of the state-agricultural business relations as well as the reconfiguration of the public institutions-private business actors' relations, which are central to the upward influence upon the global agricultural markets. In practical policy terms, the state has to protect smallholder farmlands from speculative financialization, both public and private.*

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# EDITORIAL

Investigating issues of Persons with Disabilities (PwD) and employment is well established in research. Conversely, little work has been conducted to examine the potentiality of qualifying and integrating PwD to work in tourism. On the other hand, although tourism is a relatively new sector in Oman, the contribution of the Omani workforce to tourism is evolving. Accordingly, the **first paper by Galal M.H. Afifi** examines the prospects of integrating Omani PwD to work in this promising sector. A combination of self-administrated surveys and semi-structured interviews was utilized, which helped generate qualitative and quantitative data.

In this regard, five major conclusions could be established. First, both PwD and employers firmly believe that tourism is a suitable career for PwD in general; PwD are willing to work in tourism with no significant difference between different segments except PwD less than 18 years old, who have a large inattentiveness toward working in tourism. However, PwD are uncertain about the appropriateness of their health conditions for such a demanding sector, which holds them back from taking significant steps forward. Second, no deliberate inequity emerges in the Omani tourism sector; nevertheless, a general complaint about the delay in finding appropriate jobs is notified, which results in an indecisive feeling of equity. This feeling exists fundamentally among PwD aged 36 and above, PwD having a higher education degree, and persons with mobility impairment.

Third, the preference for government jobs is still evident in Oman; tourism is not an exception. However, the older the segment and the higher the educational level, the less they favor government jobs. On the other hand, rejecting jobs in accommodation is still overwhelming. For almost all segments, “deficiency of job opportunities” has a qualitative rather than a quantitative concept as job opportunities are physically available. However, qualitative features such as low salaries and unsuitable work conditions are the real reasons behind such statements, especially amongst women, older segments, and PwD with higher education.

Fourth, selecting the option “I will not accept a job in tourism if offered” is frequently associated with a limited belief in tourism as a suitable career for PwD, a low assessment of health ability to fit with tourism requirements, and a fragile trust in tourism as a fair career. Unfortunately, refusing an offered job in tourism is even evident in the unemployed PwD segment for the same earlier reasons. In contrast, PwD who have a current or previous professional experience in tourism have a much broader trust in tourism.

Fifth, employers argue that mobility impairment, especially feet disability is the easiest to be accommodated in numerous tourism jobs, whereas vision and hearing impairments are the hardest. Guidance is the only tourism career that can accommodate 4 out of the 5 disability categories. Sixth, challenges facing hiring Omani PwD in tourism are mainly centralized around the work environment, such as “employers’ concerns of hiring PwD” and “costs required for providing special equipment for PwD”.

The **second paper by Annelize Morkel, Hester Nienaber, & Richard McNeill** explored tools enhancing competitive advantage in the wine business. They contend that strategy implementation failure, a longstanding issue, jeopardises business performance as reflected in the profitability challenge experienced by many businesses, including wine businesses from across the globe. The profitability challenge stems from the lack of a competitive advantage, the quintessence of a sound strategy. This is unsurprising as product is most wine-makers’ primary consideration, with limited attention to strategy. The product focus is reflected in prevalent studies in viticulture, oenology, operations and marketing that support product. It is axiomatic that every business foundationally rests upon a solid product or service, necessitating focused attention on technical, operations and marketing issues. However, this is a near-

sighted focus that often excludes the need for profit which is mandatory from an economic viability perspective. Strategy blends near-sighted product and far-sighted profitability, in a total view that is vested within business leadership. Without a sound strategy, a business cannot succeed in the long run; which is particularly true in dynamic businesses like wine. Thus, the study complements wine business research by examining the overlooked role of competitive advantage, facilitating implementation and securing profitability; a leadership responsibility.

To understand the failure of strategy implementation in the wine business, Morkel, Nienaber & McNeill explored the influence of the perceived leadership style on employee satisfaction which affects strategy implementation and business performance results of key players in the South African wine industry. The South African wine industry exemplifies the global wine industry, and an under-researched context, was the setting for studying this problem. Because limited information is available on the topic, an exploratory qualitative case study was employed and collected data by interviewing leadership and employees in direct contact with both leadership and customers of purposively selected businesses. These businesses were associated with strong and premium brands, which were sustained over an extended period of time and, thus, deemed to be top performers. Data were collected until saturation occurred. The collected data were content analysed. The findings show that leadership is key in securing employee satisfaction, which has a domino effect on strategy implementation; and central in shaping a competitive advantage, via the structural dimensions of organisation for implementing strategy. The reasons for the strategy implementation failure can be summarized as the thwarting of employees' needs for competence, autonomy and relatedness, which are the levers of motivation. Thus, leadership fails to secure employee satisfaction and their cooperation in implementing strategy. These motivational needs can be addressed by effective coordination and cooperation, which are integral to the structural dimensions of organisation for implementing strategy. The structural dimensions of organisation for implementing strategy unlocks human competence, that catalyses autonomy, which fosters relatedness, permitting employees to efficaciously discharge their daily duties, which constitute strategy implementation; and harness competitive advantage. Autocratic leadership styles, more so than democratic leadership styles, have undermined the structural dimensions of organisation for implementing strategy. Structural dimensions of organisation for implementing strategy can thus serve as a tool enhancing competitive advantage and guide leadership to implement strategy to improve business performance.

This study met trustworthiness criteria and can be accepted as contributing knowledge to theory and practice. It augments overlooked research on strategy in wine businesses, favouring technical and marketing agendas and provides leadership with practical tools to enhance competitive advantage, facilitating strategy implementation and securing much needed profitability. Scholars can modify their research agendas to include strategy considerations in addition to technical and marketing issues. Practitioners can immediately use the proposed tools for change to shape a competitive advantage, facilitating strategy implementation and securing profitability, and so augment a solid product with a sound strategy. The main limitation of the study is its cross-sectional nature however, it does not undermine the contribution of the study. Future research could expand upon the mathematical link between leadership style that yields employee satisfaction that yields customer satisfaction that in turn yields financial performance, which is consistent with the service-profit chain.

As a response to call by standard setting bodies such as the Basel Committee in Banking and Supervision for a new method for emerging risk management, the **third paper by Gilbert Tepetepe, Easton Simenti-Phiri, & Danny Morton** analyses heterogeneous definitions of emerging risks, develops, and tests complexity science theory adoption in Zimbabwean banks. Emerging risks pose challenges in Zimbabwean banks and globally because there is no standard definition, paradigm, theory and/ or framework. Recently emerging risks have become topical globally because they have caused global systemic crises and shook foundations of risk governance. For example, emerging risks such as climate

change or rising temperatures, financial crisis, internet of things, technological changes, uprisings, and Covid19 pandemic have caused both systemic new opportunities and disasters to societies.

Furthermore, current methods in banks such as Basel III are inapplicable to emerging risks' management because they assume homogeneity, linearity, stability, perfect information, and rational expectations. They also rely on historical data. Unlike conventional risks, emerging risks are complex adaptive systems based on realistic assumptions such as heterogeneity, non-linearity, instability, chaos, emergence, evolution, and irrational expectations. Hence as highlighted by standard setting bodies a new theory is required to understand them. To fill the identified knowledge gap, first, Tepetepe, Simenti-Phiri, & Morton's paper provides an in-depth analysis of seventeen different emerging risks' definitions from various organisations and authors. The paper reports heterogenous definitions among various entities and researchers due to differences in ontological and philosophical positions. As a result of this analysis, their paper proposes a standard definition of emerging risks that consider path of emergence, relativity, knowledge dimension and complex systems. Second, their study develops and tests adoption of complexity science theory in sixteen Zimbabwean banks using a structured questionnaire distributed to Risk Managers. Their paper reveals adoption of complex adaptive systems properties and the four-realm emergence classification method. However, Zimbabwean banks are not yet compliant to complexity science modeling methods. Conclusively, results show similar levels complexity science adoption in Pan African, international, and indigenous banks. The paper contributes to knowledge in two specific ways. First it adds insights to definition of emerging risks. Second it pioneers and validates the application of complexity science theory in developing country settings.

Unemployment is a multifaceted, negative phenomenon that affects all human societies. The primary goal of the **fourth paper by Bashkim Bellaqa** is to investigate both unemployment and employment in the Western Balkans, with a particular focus on unemployment and labour-market policy management in the Republic of Kosovo. The study thoroughly examines unemployment in Kosovo of youth ages 18 through 24 as well as the management of labour-market policies in Kosovo. According to the findings of Bellaqa's study, Kosovo continues to have a high unemployment rate and a low employment rate among young people. The analysis also reveals that Kosovo continues to have labour-market policies that are ineffective in terms of improving labour-market performance. The study demonstrates that the relationships between variables are intense and multifaceted, and that recognizing the regularity of these relationships is an important component in advancing labour-market policies in Kosovo to reduce youth unemployment.

According to the study, policymakers should develop long-term policies that will improve labour-market performance; thus, active management of labour-market policies at the appropriate level is critical to reducing unemployment. Employment in the 18–24 age group is unsatisfactory, with the overall unemployment rate for men around 26% and for women around 10%, while the unemployment rate for the 18–24 age group is around 48.7%. The empirical data analysis was also conducted using a heteroscedasticity-corrected model. The variables in the study are found to be linearly related, and the correlation is significant at the 0.01 level (2-tailed). The linear regression of the dependent variable (employment in the 18-24 age group) differs as the independent variables (education, etc.) change. The first econometric model has a satisfactory coefficient of determination, with changes in the dependent variable EY being explained by changes in the independent variable Sed, of 99% (in R-squared) or 99% from the regular to R square. Based on the F test, the estimated model is statistically significant with a significance level of 1%,  $P(F) = 15704.449$ . The model also meets the condition regarding the distribution of residual values and cannot be rejected, which means that the residual values have a normal distribution. The risk of multicollinearity is negligible because the value of VIF for an independent variable is much less than 10. The second model tests the influence of the independent variable Bcc on the growth of the dependent variable EY. For this model, the best fitting one has a functional, log–log form. As can be seen, the changes in the independent variable Bcc are of 99% (in R-squared) or 99% in R-squared. The situation is



approximately the same with the third model, which tests the impact of the independent variable Fdfwh on the dependent variable EY. A change in the independent variable Fdfwh by 99% (in square R) or 99% in R-squared is found. The variance inflation factor (VIF) value for the independent variables is less than 10.

Based on a comparative analysis, Kosovo's unemployment rate is higher than that of other Western Balkan countries. The overview of youth unemployment and labour-market policies serves as a foundation for a fair presentation of the problem of the youth labour-market system in the Republic of Kosovo; it is a new state with a problematic economy that inherited backwardness and a resized structure that includes aspects of internal and external evolution. Therefore, the author concludes that the unemployment rate in Kosovo, particularly the youth unemployment rate, is still too high, and labour-market policies, especially targeting young people, should be more sustainable to improve the labour-market performance for this age group.

The **fifth paper by M.A. Mamabolo, M.P. Sebola & J.P. Tsheola** grapples with the application of theoretical foundations of the agricultural value chain “financialization” in developing economies in order to specifically examine the use of the conceptual frameworks of “financialized farmlands” and “financialized commodities” to test the economics of communal smallholder farming in South Africa. The paper evolves out of the Economic Geography of “Financialization” as well as research on agricultural financialization of farmlands and commodities. The foundational theoretical argument of the paper is that conceptions of agricultural value chain financialization, commercialization, concentration, exclusivity, verticalization, inclusivity and horizontalization provide a judicious mix for the explanation and understanding of the simultaneous but contradictory processes of marginalization of developing economies communal smallholder farming whilst large-scale commercial farming is productively integrated into the lucrative global agricultural market.

The paper points to evidence suggesting that South Africa’s communal smallholder farming has not been commercially viable nor sustainable; and, that copious studies have blamed these conditions on the lack of government financial support. This paper rejects this conclusion as simplistic and an erroneous conflation of symptom with root cause that seeks to address materials financing. Instead, the paper argues that such studies fail to understand that government financing on its own cannot lift all the boats in regard to the performance, commercial viability and sustainability of communal smallholder farming in South Africa because it addresses materials to the exclusion of institutions and ideational regimes. The paper asserts that such studies ignore the significance of South Africa’s unreformed “historical agriculture structure,” as a developing economy, wherein commercial farming continues to be concentrated in the hands of a few and is structurally vertically connected to global markets in terms of both its institutions and ideational regimes, whilst communal smallholder farming is isolated, marginalized and excluded. Simultaneously, agricultural financialization in South Africa has resulted in the conglomeration, conversion and commodification of agricultural production by selectively providing materials liquidity to groups of productive communal smallholder farms, assembling them into large-scale commercial farming monocultures for vertical connection and inclusion in the lucrative global agricultural markets. In the process, communal smallholder farms that are excluded from this process of agricultural financialization are left exposed to the destructive historical agricultural forces, institutional regimes and value chains.

The paper concludes, therefore, that agricultural financialization in South Africa did not transform institutions and ideational regimes of the “historical agricultural structures” and value chains. As a result, no amount of government materials financing for the excluded communal smallholder farming can prevent nor reverse the destruction caused by the historical structures, institutions and ideational regimes of those financialized farmlands and financialized commodities that are concentrated into a few hands and vertically connected to global derivative agricultural markets. The paper finds that both public and private financialization of agriculture has served to strengthen “concentration and verticalization” of agriculture through financialized farmlands and financialized commodities, thereby re-orientating productive farming

activities towards global derivate markets in ways that stifle entry as well as commercial viability and sustainability of communal smallholder farming in developing economies such as South Africa. For this reason, South Africa’s agricultural legislation has to prohibit financialization of corridors of smallholder farmlands into large-scale commercial farming and, by implication, financialization of their commodities into global agricultural monocultures, especially those which perpetrated through speculative global financing, inclusive of the philanthropic forms. Instead, the state has to intervene in smallholder agricultural farmlands and commodities by transforming institutions and ideational “historical agriculture structures,” regimes and value chains. Equally, public financing of communal smallholder farmlands cannot be speculative, instead it needs to be accompanied by concomitant restructuring of the state-agricultural business relations as well as the reconfiguration of the public institutions-private business actors’ relations.

In the final analysis, Mamabolo, Sebola, & Tsheola recommend that government materials financing of communal smallholder farmlands needs to be accompanied by concomitant restructuring and transformation of the state-agricultural business relations as well as the reconfiguration of the public institutions-private business actors’ relations, which are central to the vertical upward influence upon the global agricultural markets. The state needs policy reforms that strengthen domestic agricultural markets and access thereto for horizontal “inclusivity,” rather than conglomeration and conversion of groups of communal smallholder farming corridors into financialized large-scale commercial farmlands and financialized global monoculture commodities for “concentration” of production and ownership into a few hands and for vertical integration into global derivative markets. Therefore, the authors propose that the state has to protect smallholder farmlands from speculative agricultural financialization, from both public and private agencies, especially the global actors. Finally, the paper notes that the creation of communal smallholder farmland corridors needs to be insulated from financialization that turns them into large-scale commercial farming in order to prevent their conversion into global monoculture commodities for global derivative markets. That is, the state has to legislate against the re-orientation of productive communal smallholder farming corridors towards global derivative markets disguised as large-scale commercial farmlands and monoculture commodities production. This paper by Mamabolo, Sebola, & Tsheola contributes to existing scientific literature by testing the theoretical foundations of agricultural financialization, specifically through financialized farmlands and financialized commodities, using South African communal smallholder farming, which no known study has previously engaged.

**N. Delener, Ph.D.**  
**Editor-in-Chief**

# NOTE FROM THE EDITORS

As an interdisciplinary indexed journal, *The Journal of Global Business and Technology (JGBAT)* serves academicians and practitioners in the fields of global business and technology management and their related areas. JGBAT is also an appropriate outlet for manuscripts designed to be of interest, concern, and applied value to its audience of professionals and scholars.

Readers will note that our attempt to bridge the gap between theory and practice has been successful. We cannot thank our reviewers enough for having been so professional and effective in reiterating to contributors the need to provide managerial applications of their research. As is now obvious, the majority of the articles include a section on managerial implications of research. We wish to reiterate once again our sincere thanks to JGBAT reviewers for having induced contributors to answer the “so what?” question that every *Journal of Global Business and Technology* article is required to address.

Thank you for your interest in the journal and we are looking forward to receiving your submissions. For submissions guidelines and requirements, please refer to the Manuscript Guidelines at the end of this publication.

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# INTEGRATING PERSONS WITH DISABILITIES IN THE OMANI TOURISM CAREER

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## ABSTRACT

*Investigating issues of Persons with Disabilities (PwD) and employment is well established in research; studies on tourism products and facilities for this segment are gaining an incremental ground. Conversely, little work has been conducted to examine the potentiality of qualifying and integrating PwD to work in tourism. On the other hand, although tourism is a relatively new sector in Oman, the contribution of the Omani workforce to tourism is evolving. Furthermore, Oman has also announced its new tourism strategy 2040, which aims to create half a million jobs over the coming 20 years. Accordingly, this research examines the prospects of integrating Omani PwD to work in this promising sector. A combination of self-administrated surveys and semi-structured interviews was utilized in this research, which helped generate qualitative and quantitative data. The research results shed light on the suitability of tourism as a career for PwD, the appropriate work areas, equality, and the required qualifications for integrating PwD in the tourism career, which could be significant for enhancing the ongoing efforts for empowering PwD in Oman.*

**Keywords:** Persons with disabilities, tourism, tourism employment, empowerment, Oman

## INTRODUCTION

World Health Organization defines “disability” as “an umbrella term, covering impairments, activity limitations, and participation restrictions. An impairment is a problem in body function or structure; an activity limitation is a difficulty encountered by an individual in executing a task or action; while a participation restriction is a problem experienced by an individual in involvement in life situations. Thus disability is a complex phenomenon, reflecting an interaction between features of a person's body and features of the society in which he or she lives” (WHO, 2019, p. 1). Providing a more detailed understanding, the UK Disability Discrimination Act (DDA) issued in 1995 defines a person with a disability as “someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day-to-day activities” (RNIB, 2019, p. 1). The DAA identifies as well three conditions under which a person should be considered “disabled” (Disabled World, 2019): (1) Having a mental or physical impairment; (2) the impairment has an adverse effect on their ability to carry out normal day-to-day activities; and (3) the adverse effect is substantial and long-term (lasts more than 12 months).

Thus, according to numerous organizations (e.g., ANED, 2013; Disabled World, 2019, WHO, 2019), disability may include impairments in abilities such as mobility, manual dexterity, physical coordination, continence, lift, carry or move everyday objects, speech, hearing or eyesight, memory or

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ability to concentrate, learn or understand, and understanding of the risk of physical danger. Accordingly, the World Bank (2020) records that about one billion people have some form of disability; between 110 to 190 million experience significant disabilities, and most live in developing countries. Analyzing the demographic features of persons with disabilities (PwD) in Europe, for instance, shows that the prevalence of disability is higher for women (19.9 %) than men (15.1 %), for people aged 65 and over (35.6 %) than those aged 45–64 (18.8 %) or aged 15–44 (8.5 %), for people having less than secondary education (25.0 %) than those having secondary education (15.4 %) or higher education (11.0 %), for retired (34.3 %) than unemployed (20.5 %) or employed persons (8.0 %) (ANED, 2013). Recognizing the significance of these numbers and the concerns of this segment, the United Nations Educational, Scientific, and Cultural Organization (UNESCO) issued in 2006 its *"Convention on the Rights of Persons with Disabilities"* to ensure securing equal opportunities for PwD to participate in the different aspects of life.

In this inclusive convention, UNESCO (2006) specified two articles to stipulate in detail the PwD rights for education (i.e., Article 24) and employment (i.e., Article 27). Numerous reports supported these articles (e.g., WHO, 2011; UCC, 2005; UNESCO, 2010), deeming that securing education and qualifying PwD for work are not a matter of luxury, but an issue of necessity if a country aims to handle problems such as poverty and social inequality. Conversely, eliminating a significant part of the community will most probably increase social unrest. It may also negatively affect the economy due to disregarding a potential workforce and expanding the government funds and financial aids, which should be paid for PwD to cover their essential needs. Unfortunately, meeting these well-documented rights is still far from fulfillment, as the World Bank (2020) confirms that PwD are still more likely to witness adverse socioeconomic circumstances, such as lower levels of education and employment, poorer health outcomes, and higher poverty rates than non-disabled persons. Also, in their report entitled *"Examples of good practice in special needs education & community-based programmes"*, UNESCO (2010) claims that although PwD are currently working in almost all the different aspects of life, discrimination between disabled and non-disabled persons in terms of employment, earning, promotion, and positions is still evident.

Screening related statistics supports the UNESCO statements. For instance, in 2011, there were 70 million PwD aged 15 and over in Europe; only 47% of them were employed, compared to 72% of the non-disabled persons in the same age range. Employed PwD were least likely to have a high severity of a disability. The situation is even harder for women and young PwD who are more likely to be discriminated against and excluded from the labor market. 38.6 % of the investigated PwD reported that their disability has negatively impacted their employment opportunities, whereas 25.6 % stated that their education or training had been influenced (Eurostat, 2018). Positively, statistics don't show significant differences in job duties between disabled and non-disabled individuals (ANED, 2013). A harsher situation exists in African countries such as South Africa, where Treurnicht et al. (2011) found out that 82% of the PwD were unemployed, leading to a longer chain of socioeconomic consequences. Concerns are not just confined to securing job opportunities but extend to maintaining them as well, as more than 30 % of the PwD put "own illness or disability" as the main reason for leaving their last job.

On the Omani side, empowering segments such as women and PwD has always been a priority over the last 50 years (Afifi and Al Sherif, 2014). For instance, two royal decrees were signed in 2008 to identify the PwD rights (MoM, 2012). Official statistics show that the total number of PwD in Oman decreased from 34,861 in 2016 to 31,727 in 2018, representing about 1.3% of the total Omani population. Moreover, 65% of the Omani PwD are male and similar to the country's overall situation; most have a secondary school degree (Al Maktomi, 2018; NCSI, 2019). This overall percentage (i.e., 1.3%) is acceptable compared to the WHO (2011) statistics which notify that based on 2010 population estimates and 2004 disability prevalence estimates, around 785 to 975 million persons were living with a disability. Of these, about 110 to 190 million persons (2.2% to 3.8% of the world population) experienced significant difficulties in functioning. In 2012, an official, pioneer study entitled "the employability of PwD in the private sector" was conducted by the Omani Ministry of Manpower, investigating the concerns and

challenges facing this segment in general (MoM, 2012).

## **TOURISM DEVELOPMENT & EMPLOYMENT IN OMAN**

Revising national and international tourism reports (e.g., WTTC, 2014; WTTC, 2020, NCSI, 2015) discloses that Oman has been successfully developing its tourism business for some years now. With the worldwide volatility in the petroleum trade and the expected reduction in petroleum production, Oman has recently started encouraging tourism as a major future source of income. Statistics of international organizations such as the World Travel and Tourism Council (WTTC, 2014; WTTC, 2020) show that the number of tourists visiting Oman has increased from less than 0.5 million in 2004 to more than 3 million in 2018, which perfectly meets the earlier expectations of “Oman vision 2020”. In the same year, tourism achieved about 2.45 billion \$, equivalent to 2.9% of the Omani GDP (MoT, 2019). Believing in the importance of tourism for the country's future, Oman took several major steps. For instance, in 2016, Oman Cabinet approved Oman tourism strategy 2040, aiming to achieve five principal aims: (1) creating 500,000 new job opportunities, (2) attracting 19 billion OMR investments, (3) increasing tourism contribution to the country GDP to 6-10%, (4) creating 1200 new SMEs, and (5) employing tourism as a vehicle to strengthen the local pride and identity internationally (MoT, 2016). This approval was followed up by establishing the National Program for Enhancing Economic Diversification (Tanfeedh), a government initiative that aims to coordinate between manufacturing, tourism, transport & logistics, mining, and fisheries to ensure diversifying the national income resources (Tanfeedh, 2020).

Despite the effects of the recent global economic downturn, these long-term, encouraging expectations led Oman to continue supporting several mega tourism projects (e.g., The Wave, Jabal Seifah, Muscat Dunes). It also stimulates the Omani Ministry of Tourism (MoT) to launch its first global promotional campaign in several countries, including UK, Germany, France, Netherlands, Belgium, UAE, India, and Australia, using the tag line ‘*Beauty has an address ~ Oman*’ (MoT, 2020). In parallel, several educational entities (e.g., tourism department at Sultan Qaboos University, Oman Tourism College, National Hospitality Institute) were established in the last 20 years to provide different levels of tourism education and vocational training.

In a country where citizens under the age of 30 represent 64.8% of the population (NCSI, 2018), securing jobs should be a major concern. Thus, it was not surprising to set creating job opportunities as the foremost aim of the Omani Tourism Strategy 2040, as early mentioned (MoT, 2016). However, the earliest available data about the tourism workforce in Oman dated back to 2009 where 16,507 persons were working in tourism, including 7,849 Omanis (approximately 47%) (Al-Balushi, 2010). Therefore, to better understand the tourism workforce, MoT commissioned a UNWTO extensive project in 2010 to unearth related problems and suggest policies to improve the tourism workforce. The project concluded that the size of the tourism workforce in Oman is expected to double over the following five years and that the tourism workforce is facing qualitative and quantitative concerns (i.e., shortage in numbers and insufficiency in quality). Accordingly, an action plan was suggested to improve the quality and provision of education and training programs and to strengthen the industry/education coordination (UNWTO, 2012), which led to an increase in the number of Omanis working in tourism to 16,487 in 2019 (approximately 29% of the total workforce in tourism) (Atheer, 2019). In this context, it is notable that to date, there are no studies about the prospects of qualifying and integrating PwD to work in the Omani tourism sector, despite the potential benefits of such a study.

## **RESEARCH AIM**

Several studies (e.g., Yates, 2007; Buhalis & Darcy, 2011; Bazazo & Alananzeh, 2016) have intensively discussed the concerns of disabled tourists, which drew more attention to their needs and consequently helped develop their tourism products and facilities. However, fewer researchers (e.g., Afifi



& Al Sherif 2014, Wood 1994) have also investigated issues such as gender, social class, and ethnic equality in the tourism career. In this context, it is unfortunate that while PwD general data is abundant (e.g., their numbers, types of disabilities) and there are many studies about their employability almost all over the world, there is less analogous work in the Arabic region. On the other hand, Oman could be described as an “innovative” country regarding children, women, and PwD rights. Accordingly, this research examines the prospects of integrating Omani PwD to work in the Omani tourism sector, suggesting recommendations to facilitate empowering PwD in Oman.

### RESEARCH METHODOLOGY

Self-administrated surveys and semi-structured interviews were utilized as research methods to achieve the research aims. First, two self-administered surveys were designed to collect data from two segments: persons with disabilities (PwD) and Omani tourism employers and experts. Second, pilot surveys were initially sent to three reviewers to check the questions’ wording, sequence, and clarity and their suitability for achieving the research aims. Finally, minor adjustments were conducted based on the responses, and the surveys were confirmed as relevant and suitable for fulfilling the research aim.

The PwD survey comprises 17 questions covering different areas, including the respondents’ demographic data, attitude, and potentiality to work in tourism, required qualifications, and the level of equality offered by tourism careers. In addition, question 17 asks respondents to write down their telephone numbers if they are ready to receive future personal communications from the researcher. The survey was sent on the 26<sup>th</sup> of May 2020 to 200 persons registered as PwD in official or semi-official related communities. By the 4<sup>th</sup> of June 2020, 133 completed surveys were received with a response rate of 66.5%, and 95 of the respondents provided their contact information for further investigation. The employers’ survey comprises 11 questions covering different areas, including the respondents’ specialty, thoughts about the employability of PwD in tourism, concerns of hiring PwD, and the level of equality offered by tourism careers. The survey was distributed on the 27<sup>th</sup> of May 2020 to 60 staff members from five tourism sub-sectors: Accommodation, travel agencies and tour operation companies, airports and airline companies, tourism guidance, and tourism government-related entities (e.g., Ministry of Tourism, educational entities). By the 5<sup>th</sup> of June 2020, 47 completed surveys were received with a response rate of almost 78.3%. The PwD survey includes four questions measured on a 5-point Likert scale, where 1 = very negative and 5 = very positive, whereas the employers’ survey contains two questions only estimated on the same scale.

Analysing the surveys responses shed light on several initial conclusions. As a result, two semi-structured interview checklists were designed to follow up and discuss the results concluded from the two surveys. Resembling the surveys, the semi-structured interviews were conducted with the same two targeted segments: persons with disabilities and Omani tourism employers and experts, where 15 interviews were conducted with PwD and 5 with employers. The selection of the PwD interviewees considered representing individuals with different disabilities, genders, ages, and educational levels, while the selection of the employers was based on a criterion of two factors. First, “diversity”, where the list of interviewees included interviewees from the five tourism sub-sectors previously mentioned. Second, a minimum of five years of experience in the Omani tourism sector. During the interviews, the interviewees were allowed to develop their own ideas and pursue any new thoughts they believe were associated with the research idea. All the interviews were conducted on-distance between the 25<sup>th</sup> of June and 1<sup>st</sup> of July 2020, where each interview extended between 10 to 30 minutes.

Using the combination of self-administrated surveys and semi-structured interviews was influential in several aspects. First, using the self-administrated surveys facilitated asking analogous questions, which helped collect quantitative data. Second, semi-structured interviews were appropriate to probe for more information, which enabled filling in any gaps, elaborating on conclusions from the surveys, and discussing any additional thoughts raised by the interviewees.

## RESEARCH RESULTS

Analyzing the first survey respondents' profile (table no. 1) reveals that the respondents' gender distribution corresponds broadly to the Omani official statistics notifying that males represent 65.2% of the Omani PwD (NCSI, 2019). In addition, 79.6% of the respondents have secondary or higher education, including 8.3% holding postgraduate degrees, which shows their qualifications. Mobility impairment is the most represented disability (44.3%), followed by hearing and vision impairments, which perfectly matches their order in reality (NCSI, 2019). Furthermore, almost half of the respondents (46.6%) are employed, while the other half (53.4%) are either unemployed or still studying, which helps understand the perspective of both employed and unemployed Omani PwD equally. Finally, 18% of the respondents work in tourism direct or indirect jobs, which should facilitate comparing their thoughts to those who did not work in tourism.

Accordingly, data is analyzed using six classifications: Respondents' gender, age, level of education, type of disability, employability, and work in tourism. Tables no. 2 & 3 show the participants' views according to their gender.

Examining the questions means illustrates that with a  $T.\bar{x}$  of 3.30 on a scale of 5, the participants' overall attitude towards a career in tourism could not be described but modest, which may reflect a challenging relationship between Omani PwD and tourism as a career. The mean of responses to  $Q9$  ( $Q.\bar{x}$  3.96) indicates a general belief in tourism as a suitable career for PwD. Respondents are as well willing to accept a tourism job ( $Q11$  3.89). However, they have serious concerns about their physical fitness to work in tourism ( $Q10$  2.32) and an indecisive feeling of equity ( $Q16$  3.03). Follow-up interviews disclose that measurable or deliberate forms of inequality (e.g., less payment, unsuitable work conditions, ineffective laws) are not evident in any interview. A combination of observations actually aggravates this indecisive feeling. For instance, "*no one can complain about the official regulations...we [PwD] all agree that there are good and enough rules supporting us. But...When I go to a hotel I never saw a PwD working there*" (interview no. 1); interview no. 4 records that "*I can't say it is a fact...but it is just my feeling that we wait more than others to have a job, maybe we are waiting the same as non-disabled persons*".

**Table 1: respondents' Profile (PwD)**

<b>Profile</b>	<b>Frequency (%)</b>
<b>Gender</b>	
Male	71.4 %
Female	28.6%
<b>Age</b>	
Less than 18	3.8%
18 - 35	69.1%
36 - 60	27.1%
Over 60	0%
<b>Level of education</b>	
Pre-secondary school	20.4%
Secondary school	36.4%
Higher education	34.9%
Postgraduate Education	8.3%
<b>Type of disability</b>	
Mobility	44.3%
Hearing	39.1%
Vision	9.8%
Other	6.8%
<b>Employability</b>	
Employed	46.6%
Unemployed	36.9%
Still studying	16.5%
<b>Work in tourism</b>	
Yes	18.0%
No	82.0%

**Table 2: Participants' attitude toward tourism career according to their gender**

Q.	Participants'	Male	Female	Q. $\bar{x}$ . (Question Mean)	(P-value)
9.	Working in tourism is suitable for PwD	4.01	3.84	3.96	0.390789
10.	Working in tourism is suitable for my health condition	2.30	2.37	2.32	0.744222
11.	If I am offered a job in tourism, I will accept it	3.95	3.73	3.89	0.288857
16.	Tourism sector treats PwD fairly	3.03	3.02	3.03	0.982667
	<b>T.<math>\bar{x}</math>. (Total Mean)</b>	<b>3.32</b>	<b>3.24</b>	<b>3.30</b>	

It is significantly evident that males and females share almost the same general attitude towards tourism ( $T.\bar{x}$ . 3.32 & 3.24 successively). This equal gender trend is not surprising considering the Omani embedded efforts for empowering women over the last decades (Neelufer & Goveas, 2011). However, males have a slightly more positive attitude toward the suitability of tourism for PwD ( $Q9$ . 4.01) and accepting jobs in the sector ( $Q11$ . 3.95), which could be interpreted by the common preference of Omani women to don't work in specific tourism jobs (e.g., accommodation) (Afifi & Al Sherif, 2014).

**Table 3: Participants' view according to their gender**

Q12	Tourism area most suitable for working	Male	Female	Mean ( $\bar{x}$ )
	Government entity	53.7%	52.6%	53.4%
	Airports and airline companies	20.0%	7.9%	16.5%
	Accommodation facilities	3.2%	5.3%	3.8%
	Travel agencies and tourism companies	9.5%	10.5%	9.8%
	Others	8.4%	7.9%	8.3%
	None of them	5.3%	15.8%	8.3%
Q13	Competence to work in tourism			
	I am qualified enough to work in the tourism	25.3%	18.4%	23.3%
	I still need some qualifications to work in Tourism	52.6%	57.9%	54.1%
	I am not qualified at all to work in the tourism	22.1%	23.7%	22.6%
Q14	Reasons preventing work in tourism (respondents can select more than one answer)			
	Nothing	33.7%	28.9%	32.3%
	I need more qualifications	55.8%	26.3%	47.4%
	My health conditions	13.7%	13.2%	13.5%
	Family and community refusal	5.3%	13.2%	7.5%
	There are no job opportunities	35.8%	36.8%	36.1%
	I do not want to work in the tourism	8.4%	10.5%	9.0%
	Others	2.1%	5.3%	3.0%
Q15	Qualifications required to work in tourism (respondents can select more than one answer)			
	Languages	58.9%	47.4%	55.6%
	Practical training	56.8%	50.0%	54.9%
	Tourism specialized education	28.4%	42.1%	32.3%
	Others	3.2%	1.1%	3.0%

More than half of the participants ( $Q12$ .  $\bar{x}$  53.4%) believe that government jobs are the most suitable for PwD. Interviews disclose that privileges such as “higher starting salaries” and “career stability” come as the foremost motivating advantages underpinning this selection. Most notably is the availability of facilities, “I am currently working in a small company, they can't fund a PwD ramp...while all the government buildings are already equipped with all that we need” (interview no. 1), and “better health

coverage” (interview no. 8). Oppositely, privileges such as “*a promising career*”, “*higher salaries in the long term*”, and “*potentiality for career development*” (interviews no. 2, 14, & 9) justify the other selections. Expectedly, accommodation is the less preferable tourism profession (*Q12*.  $\bar{x}$  3.8%), as linking habitually between hotel jobs and serving alcohol – prohibited in Islam – is a dominating factor. Unlike the stereotype thoughts that fear of family and community rejection is the principal reason preventing Omanis from working in tourism, “not having enough qualifications” and “deficiency of job opportunities” (*Q14*.  $\bar{x}$  47.4% & 36.1%) emerge as the actual leading obstacles. In contrast, fear from family or community refusal is the less influencing factor (*Q14*.  $\bar{x}$  7.5%). Most of the participants (*Q13*  $\bar{x}$  54.1%) accept that they still need some more qualifications to work in tourism - mostly languages and practical training (*Q15*.  $\bar{x}$  55.6% & 54.9%) - which is rational considering the relatively small number of Omanis who received tourism education or training to date.

Significant differences between male and female responses stand out in different areas. For instance, while males notify airports and airline companies as the second most suitable area (*Q12*. 20.0%), it locates fourth in the females’ selection (*Q12*. 7.9%). It is also noticeable that females arguing that “none of the tourism areas is suitable” are triple the males (*Q12*. 15.8% & 5.3% successively). “*Of course, not all the tourism jobs are suitable for females*” (interview no. 5). On the other hand, while the majority of the male participants (*Q14*. 55.8%) confirms that their own lack of qualifications is the foremost reason preventing them from working in tourism, females record almost half this percentage (*Q14*. 26.3%); instead, females assume that deficiency of job opportunities is the main reason (*Q14*. 36.8%). However, it is actually not the deficiency of opportunities but the unsuitability of the conditions. Interviews illustrate that “*females look for suitable jobs... females will, for example, look for jobs in their regions. Lot of them will refuse shifts due to family commitments*” (interview no. 10).

**Table 4: Participants’ attitude toward tourism sector according to their age**

Q.	Participants’	Less than 18	18 - 35	36 - 60	Q. $\bar{x}$ .	(P-value)
9.	Working in tourism is suitable for PwD	4.00	4.07	3.66	3.96	0.122745
10.	Working in tourism is suitable for my health condition	1.20	2.43	2.20	2.32	0.056191
11.	If I am offered a job in tourism, I will accept it	3.20	4.01	3.69	3.89	0.11296
16.	Tourism sector treats PwD fairly	3.20	3.13	2.75	3.03	0.292462
	<b>T.<math>\bar{x}</math>. (Total Mean)</b>	<b>2.90</b>	<b>3.41</b>	<b>3.07</b>	<b>3.30</b>	

Participants less than 18 years old have less tendency to work in tourism comparing to older segments (*Q11*. 3.20, 4.01, 3.69 successively). This should trigger an alarm that younger generations might be either unwilling to work or unaware of the tourism potentialities. For example, “*I did not know that I could study tourism in the university*” (interview no. 9). The same attitude could be observed in *Q10* as the same segment achieves the lowest indication of tourism suitability for their health conditions (1.20). Another alerting result is the feeling of inequity among PwD aged 36 and above (*Q16*. 2.75), considering that they assumingly have the longest experience in the labor market. “*The older we get and the longer the work experience we have, the more we need more suitable jobs... Tourism is a very active sector in Oman, we were expecting to get more of it...and some employers’ stereotype thinking of disabled persons as not qualified enough to work regardless of their qualifications*” (interview no. 3).

**Table 5: Participants’ view according to their age**

Q.12	Tourism area most suitable for working	Less than 18	18 - 35	35 - 60	Mean ( $\bar{x}$ )
	Government entity	80.0%	53.3%	50.0%	53.4%
	Airports and airline companies	0.0%	16.3%	19.4%	16.5%
	Accommodation facilities	0.0%	3.3%	5.6%	3.8%
	Travel agencies and tourism companies	0.0%	10.9%	8.3%	9.8%
	Others	0.0%	9.8%	5.6%	8.3%
	None of them	20.0%	6.5%	11.1%	8.3%
Q.13	Competence to work in tourism				
	I am qualified enough to work in tourism	0.0%	23.9%	25.0%	23.3%
	I still need some qualifications to work in Tourism	80.0%	56.5%	44.4%	54.1%
	I am not qualified at all to work in tourism	20.0%	19.6%	30.6%	22.6%
Q.14	Reasons preventing work in tourism (respondents can select more than one answer)				
	Nothing	0.0%	33.7%	33.3%	32.3%
	I need more qualifications	60.0%	46.7%	47.2%	47.4%
	My health conditions	40.0%	13.0%	11.1%	13.5%
	Family and community refusal	20.0%	6.5%	8.3%	7.5%
	There are no job opportunities	20.0%	31.5%	50.0%	36.1%
	I do not want to work in tourism	20.0%	8.7%	8.3%	9.0%
	Others	0.0%	3.3%	2.8%	3.0%
Q.15	Qualifications required to work in tourism (respondents can select more than one answer)				
	Languages	40.0%	52.2%	66.7%	55.6%
	Practical training	60.0%	55.4%	52.8%	54.9%
	Tourism specialized education	20.0%	32.6%	33.3%	32.3%
	Others	0.0%	2.2%	5.6%	3.0%

According to *Q12*, the older the participants, the less they prefer to work in government jobs. This is primarily due to the long experience in the labor market and being more aware of the privileges of working in the private sector. Shockingly, none of the less than 18 participants select any non-government tourism job. This confirms the need for a massive effort to spread awareness about the diversity and potentiality of tourism jobs among this specific segment. Responses of the other two segments are majorly aligned in *Q12*, *13*, *14*, and *15*. However, a sizable complaint (*Q14*. 50%) about the deficiency of job opportunities could be observed in the oldest segment responses, which is mainly linked to searching for an appropriate job. “*At a certain age, you have a family, and you can’t accept any job ... Yes, there are [job opportunities in tourism], but with a very unacceptable salary for a person with a family*” (interview no. 3).

**Table 6: Participants’ attitude toward tourism sector according to their education**

Q.	Participants’	Pre-secondary	Secondary	Higher	Postgrad.	Q. $\bar{x}$ . (Question Mean)	(P-value)
9.	Working in tourism is suitable for PwD	3.85	3.95	4.04	3.90	3.96	0.893763
10.	Working in tourism is suitable for my health condition	1.90	2.28	2.57	2.55	2.32	0.099025
11.	If I am offered a job in tourism, I will accept it	3.78	3.87	3.97	3.90	3.89	0.904025
16.	Tourism sector treats PwD fairly	3.28	3.10	2.76	3.18	3.03	0.309557
	<b>T.<math>\bar{x}</math>. (Total Mean)</b>	<b>3.20</b>	<b>3.30</b>	<b>3.33</b>	<b>3.38</b>	<b>3.30</b>	

Participants with higher education are the most believing segment in tourism suitability for PwD (*Q9*. 4.04) and the most willing to accept a job in tourism (*Q11*. 3.97). However, with such enthusiasm, readiness, and willingness to work in tourism, failure in finding suitable opportunities was reflected in a regressive feeling of fairness in tourism (*Q16*. 2.76).

**Table 7: Participants' view according to their education**

Q 12	Tourism area most suitable for working	Pre- seconda ry	Seconda ry	High er	Postgradua te	Mean ( $\bar{x}$ )
	Government entity	50.0%	64.6%	50.0 %	27.3%	53.4%
	Airports and airline companies	10.7%	10.4%	19.6 %	45.5%	16.5%
	Accommodation facilities	10.7%	0.0%	2.2%	9.1%	3.8%
	Travel agencies and tourism companies	10.7%	8.3%	13.0 %	0.0%	9.8%
	Others	7.1%	8.3%	8.7%	9.1%	8.3%
	None of them	10.7%	8.3%	6.5%	9.1%	8.3%
<b>Q 13</b>	<b>Competence to work in tourism</b>					
	I am qualified enough to work in tourism	32.1%	16.7%	19.6 %	45.5%	23.3%
	I still need some qualifications to work in tourism	32.1%	62.5%	63.0 %	36.4%	54.1%
	I am not qualified at all to work in tourism	35.7%	20.8%	17.4 %	18.2%	22.6%
<b>Q 14</b>	<b>Reasons preventing work in tourism (respondents can select more than one answer)</b>					
	Nothing	35.7%	33.3%	28.3 %	36.4%	32.3%
	I need more qualifications	42.9%	43.8%	58.7 %	27.3%	47.4%
	My health conditions	14.3%	16.7%	10.9 %	9.1%	13.5%
	Family and community refusal	14.3%	2.1%	10.9 %	0.0%	7.5%
	There are no job opportunities	42.9%	35.4%	39.1 %	9.1%	36.1%
	I do not want to work in tourism	7.1%	8.3%	8.7%	18.2%	9.0%
	Others	0.0%	0.0%	6.5%	9.1%	3.0%
<b>Q 15</b>	<b>Qualifications required to work in tourism (respondents can select more than one answer)</b>					
	Languages	46.4%	56.3%	56.5 %	72.7%	55.6%
	Practical training	50.0%	50.0%	63.0 %	54.5%	54.9%
	Tourism specialized education	32.1%	35.4%	32.6 %	18.2%	32.3%
	Others	7.1%	0.0%	8.7%	0.0%	3.0%

Unlike most other segments, PwD with postgraduate degrees don't consider government jobs the best option (Q12. 27.3%). Alternatively, they prefer airline jobs (Q12. 45.5%). This is obviously linked to their high inspiration to make the best out of their qualifications. "Government jobs are very static and routine; I will not make the best use of all the skills I have or the education I got...It will also not help me developing myself." (interview no. 9). Participants with secondary or higher degrees are the most assuming that they still need more qualifications to work in tourism (Q13. 62.5% & 63.0% successively). All the segments except PwD holding postgraduate degrees agree that the need for qualifications and deficiency in job opportunities are the key reasons preventing them from working in tourism. Surprisingly, the higher the educational level, the higher the affirmation that they need to learn more languages.

**Table 8: Participants' attitude toward tourism sector according to their disability**

Q.	Participants'	Mobility	Vision	Hearing	Other	Mean ( $\bar{x}$ )	(P-value)
9.	Working in tourism is suitable for PwD	4.01	4.30	3.82	3.88	3.96	0.455953
10.	Working in tourism is suitable for my health condition	2.39	2.54	2.12	2.67	2.32	0.388743
11.	If I am offered a job in tourism, I will accept it	4.05	3.92	3.67	4.11	3.89	0.288332
16.	Tourism sector treats PwD fairly	2.69	3.38	3.23	3.55	3.03	0.040987
	<b>Mean (<math>\bar{x}</math>)</b>	<b>3.28</b>	<b>3.53</b>	<b>3.21</b>	<b>3.55</b>	<b>3.30</b>	

Against any premature thoughts, participants with visual impairment have higher confidence in tourism as a suitable career for them (*Q9*. 4.30), while participants with hearing impairment have the lowest confidence rate (*Q9*. 3.82). A valuable result is that participants with other disabilities (e.g., Epilepsy, Down's syndrome, albinism) have higher self-assurance in their health conditions to fit with professional tourism requirements. Nevertheless, it is still low on average (*Q10*. 2.67); this is supported by having the highest enthusiasm to accept a tourism job (*Q11*. 4.11). Considering that Omanis with mobility impairment represent the largest segment of Omani disabled citizens with 29.2% (NCSI, 2019), it should be alerted that they have the lowest feeling of fairness when dealing with tourism job opportunities (*Q16*. 2.69).

**Table 9: Participants' view according to their disability**

Q 12 Tourism area most suitable for working	Mobility	Vision	Hearing	Other	Mean ( $\bar{x}$ )
Government entity	61.0%	76.9%	36.5%	66.7%	53.4%
Airports and airline companies	16.9%	7.7%	19.2%	11.1%	16.5%
Accommodation facilities	3.4%	7.7%	1.9%	11.1%	3.8%
Travel agencies and tourism companies	8.5%	7.7%	11.5%	11.1%	9.8%
Other areas	6.8%	0.0%	13.5%	0.0%	8.3%
None of them	3.4%	0.0%	17.3%	0.0%	8.3%
Q 13 Competence to work in tourism					
I am qualified enough to work in tourism	18.6%	15.4%	26.9%	44.4%	23.3%
I still need some qualifications to work in Tourism	57.6%	69.2%	50.0%	33.3%	54.1%
I am not qualified at all to work in tourism	23.7%	15.4%	23.1%	22.2%	22.6%
Q 14 Reasons preventing work in tourism (respondents can select more than one answer)					
Nothing	37.3%	30.8%	25.0%	44.4%	32.3%
I need more qualifications	49.2%	76.9%	38.5%	44.4%	47.4%
My health conditions	10.2%	15.4%	17.3%	11.1%	13.5%
Family and community refusal	6.8%	0.0%	11.5%	0.0%	7.5%
There are no job opportunities	47.5%	15.4%	28.8%	33.3%	36.1%
I do not want to work in tourism	8.5%	15.4%	7.7%	11.1%	9.0%
Other reasons	3.4%	0.0%	3.8%	0.0%	3.0%
Q 15 Qualifications required to work in tourism (respondents can select more than one answer)					
Languages	74.6%	53.8%	30.8%	77.8%	55.6%
Practical training	54.2%	76.9%	53.8%	33.3%	54.9%
Tourism specialized education	32.2%	46.2%	32.7%	11.1%	32.3%
Other qualifications	3.4%	0.0%	3.8%	0.0%	3.0%

Respondents with hearing impairment have the lowest desire to work in government jobs (*Q16*. 36.5%) and the highest rate in feeling that tourism jobs are not suitable for them (*Q16*. 17.3%). Supporting their earlier responses in *Q10*, 44.4% of the respondents with other disabilities believe they are qualified enough to work in tourism, and they do not need any other qualifications (*Q. 13 & Q. 14*). Only 30.8% of the respondents with hearing impairment select learning languages, which is relatively low compared to different segments (*Q. 15*).

**Table 10: Participants' attitude toward tourism sector according to their employability**

Q.	Participants'	Employed & stable	Unemployed	Studying	Mean ( $\bar{x}$ )	(P-value)
9.	Working in tourism is suitable for PwD	4.01	3.89	3.95	3.96	0.833093
10.	Working in tourism is suitable for my health condition	2.18	2.47	2.37	2.32	0.420406
11.	If I am offered a job in tourism, I will accept it	3.98	3.77	3.90	3.89	0.604081
16.	Tourism sector treats PwD fairly	3.11	2.87	3.13	3.03	0.565734
	<b>Mean (<math>\bar{x}</math>)</b>	<b>3.32</b>	<b>3.25</b>	<b>3.33</b>	<b>3.30</b>	

Surprisingly, unemployed participants have the lowest intention to accept an offered job in tourism (*Q11*. 3.77); they also have the highest feeling of inequality (*Q16*. 2.87). Follow-up interviews reveal that the main reasons are “Salaries are not suitable...some work requirements are not suitable for our health conditions like shifts” (interview no. 6).

**Table 11: Participants' view according to their employability**

Q 12	Tourism area most suitable for working	Employed	Unemployed	Studying	Mean ( $\bar{x}$ )
	Government entity	50.0%	59.2%	50.0%	53.4%
	Airports and airline companies	24.2%	10.2%	9.1%	16.5%
	Accommodation facilities	3.2%	4.1%	4.5%	3.8%
	Travel agencies and tourism companies	6.5%	10.2%	18.2%	9.8%
	Others	11.3%	2.0%	13.6%	8.3%
	None of them	4.8%	14.3%	4.5%	8.3%
Q 13	Competence to work in tourism				
	I am qualified enough to work in the tourism	33.9%	16.3%	9.1%	23.3%
	I still need some qualifications to work in Tourism	51.6%	57.1%	54.5%	54.1%
	I am not qualified at all to work in tourism	14.5%	26.5%	36.4%	22.6%
Q 14	Reasons preventing work in tourism (respondents can select more than one answer)				
	Nothing	33.9%	34.7%	22.7%	32.3%
	I need more qualifications	48.4%	36.7%	68.2%	47.4%
	My health conditions	6.5%	18.4%	22.7%	13.5%
	Family and community refusal	4.8%	6.1%	18.2%	7.5%
	There are no job opportunities	40.3%	32.7%	31.8%	36.1%
	I do not want to work in tourism	3.2%	14.3%	13.6%	9.0%
	Others	3.2%	2.0%	4.5%	3.0%
Q 15	Qualifications required to work in tourism (respondents can select more than one answer)				
	Languages	58.1%	51.0%	59.1%	55.6%
	Practical training	54.8%	55.1%	54.5%	54.9%
	Tourism specialized education	27.4%	34.7%	40.9%	32.3%
	Others	3.2%	2.0%	4.5%	3.0%

The unemployed participants' previous attitude is confirmed by recording the highest percentage in *Q12* and *Q13*, where 14.3% of them declare that none of the tourism job areas is suitable for them; and 57.1% notify that they are still in need of more qualifications to work in tourism. But, on the other hand, reasons preventing them from working in tourism are actually scattered between almost all the different available options except family and community refusal.



**Table 12: Participants’ attitude toward tourism sector according to their experience in working in tourism**

Q.	Participants’	Worked in tourism	Did not work in tourism	Mean ( $\bar{x}$ )	(P-value)
9.	Working in tourism is suitable for PwD	4.25	3.89	3.96	0.126812
10.	Working in tourism is suitable for my health condition	1.94	2.40	2.32	0.09847
11.	If I am offered a job in tourism, I will accept it	4.08	3.85	3.89	0.34748
16.	Tourism sector treats PwD fairly	3.16	2.99	3.03	0.535414
	<b>Mean (<math>\bar{x}</math>)</b>	<b>3.36</b>	<b>3.28</b>	<b>3.30</b>	

Encouragingly, participants who have a current or previous professional experience in tourism have a broader trust in tourism as a suitable career for PwD (*Q9*. 4.25), a higher willingness to work in tourism (*Q11*. 4.08), and more trust in the fairness of the tourism sector when treating PwD (*Q16*. 3.16). This has a special meaning concerning their experience in the sector. However, they still have a relatively low trust that their health condition is fitting with their work. Interviews reveal that “hotels, in particular, need a lot of physical efforts especially in areas like housekeeping and reception...sales, marketing, and such similar jobs are very suitable for us” (Interview no. 14).

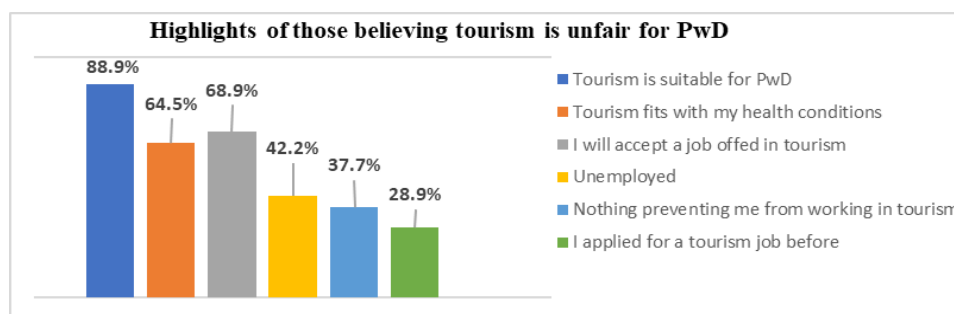
**Table 13: Participants’ view according to their experience of working in tourism**

Q	Tourism area most suitable for working	Working or worked	Did not work	Mean ( $\bar{x}$ )
12	Government entity	25.0%	59.6%	53.4%
	Airports and airline companies	37.5%	11.9%	16.5%
	Accommodation facilities	0.0%	4.6%	3.8%
	Travel agencies and tourism companies	12.5%	9.2%	9.8%
	Others	16.7%	6.4%	8.3%
	None of them	8.3%	8.3%	8.3%
Q	<b>Competence to work in tourism</b>			
13	I am qualified enough to work in the tourism	54.2%	16.5%	23.3%
	I still need some qualifications to work in Tourism	45.8%	56.0%	54.1%
	I am not qualified at all to work in the tourism	0.0%	27.5%	22.6%
Q	<b>Reasons preventing work in tourism (respondents can select more than one answer)</b>			
14	Nothing	41.7%	30.3%	32.3%
	I need more qualifications	54.2%	45.9%	47.4%
	My health conditions	8.3%	14.7%	13.5%
	Family and community refusal	12.5%	6.4%	7.5%
	There are no job opportunities	29.2%	37.6%	36.1%
	I do not want to work in the tourism	4.2%	10.1%	9.0%
	Others	4.2%	2.8%	3.0%
Q	<b>Qualifications required to work in tourism (respondents can select more than one answer)</b>			
15	Languages	62.5%	54.1%	55.6%
	Practical training	45.8%	56.9%	54.9%
	Tourism specialized education	29.2%	33.0%	32.3%
	Others	0.0%	3.7%	3.0%

None of the participants with professional experience in tourism selects accommodation as a suitable profession for PwD (Q12. 0%). Interviews reveal several reasons such as “high physical efforts”, “low salaries”, “low social recognition” The same segment declares that airline jobs are the most suitable for PwD (Q12. 37.5%). “Airlines and airports are the most suitable...I worked in airlines for some time. As part of their requirements, they should have all the facilities for disabled customers and staff...they surely have the required equipment and facilities for persons with different disabilities” (interview no. 14). However, 8.3% still believe that none of the tourism fields is suitable for PwD (Q12), and none of them claim they are not qualified to work in tourism (Q13. 0%). Logically, participants with no work experience tend to look more for practical training (Q15. 56.9%).

Analyzing the correlation between different variables reveals several significant outcomes. For instance, analyzing the responses of the 33.8% who assumed that “tourism is an unfair career for PwD” resulted in chart 1. 88.9% of this segment believe that tourism is a suitable career for PwD; 64.5% believe that tourism is suitable for their health conditions, which could be very meaningful considering that only 50.3% of the overall respondents have the same conviction; and 68.9% of them will accept a job in tourism if offered. With such a remarkable positive attitude, 42.2% found themselves unemployed despite having the qualifications and willingness to work in tourism. This may – among other reasons – justify their feeling of unfairness.

**Chart 1: Data of respondents believing that tourism is unfair for PwD**



Analyzing the respondents' data who mentioned that “I will not accept a job in tourism if offered” (chart 2) exposes that they have mobility or hearing impairment; none of them is with either visual or other impairments. Moreover, 57.1% of this unwilling segment are unemployed, indicating a fundamental rejection of tourism even though they are not working. However, this segment came in with a limited belief in tourism as a suitable career for PwD (21.4%), a low assessment of their health ability to fit with tourism requirements (35.7%), and a fragile trust in tourism as a fair career (7.1%). This combination may justify their earlier selection not to accept a job in tourism if offered.

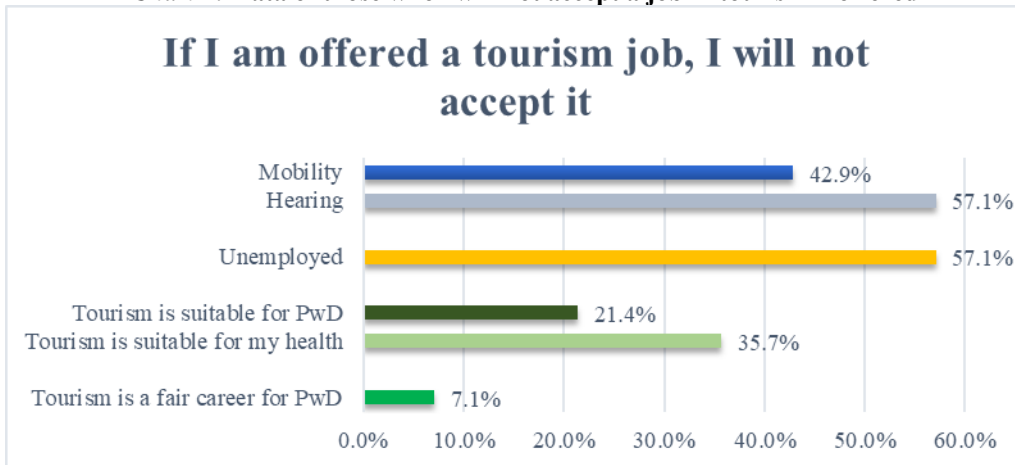
On the other hand, the employers’ survey was sent to 60 individuals from different backgrounds in the tourism sector. Thus, 47 responses were received, analyzed, and then represented in tables 14 & 15 and chart 3.

**Table 14: Employers’ view according to their specialty**

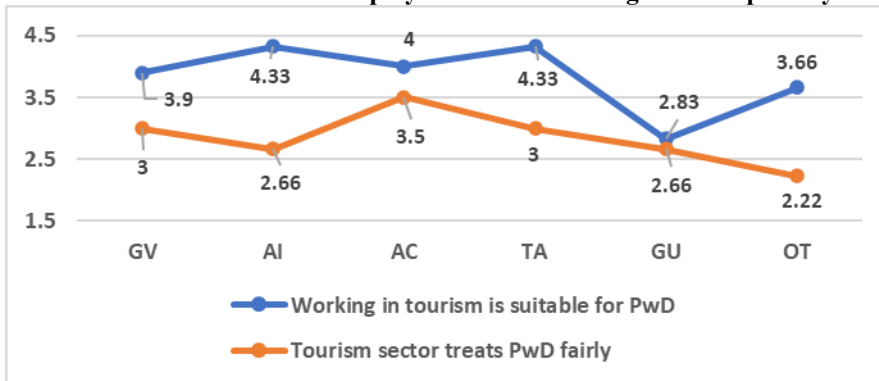
Q.	Participants’	GV	AI	AC	TA	GU	OT	Mean ( $\bar{x}$ )
2.	Working in tourism is suitable for PwD	3.90	4.33	4.00	4.33	2.83	3.66	3.78
7.	Tourism sector treats PwD fairly	3.00	2.66	3.50	3.00	2.66	2.22	2.82
	<b>Mean (<math>\bar{x}</math>)</b>	<b>3.45</b>	<b>3.50</b>	<b>3.75</b>	<b>3.67</b>	<b>2.75</b>	<b>2.94</b>	<b>3.30</b>

GV/ Government    AI/ Airlines, airports    AC/ Accommodation    TA/ travel agencies  
 GU/ Guidance    OT/ Others

**Chart 2: Data of those who “will not accept a job in tourism if offered”**



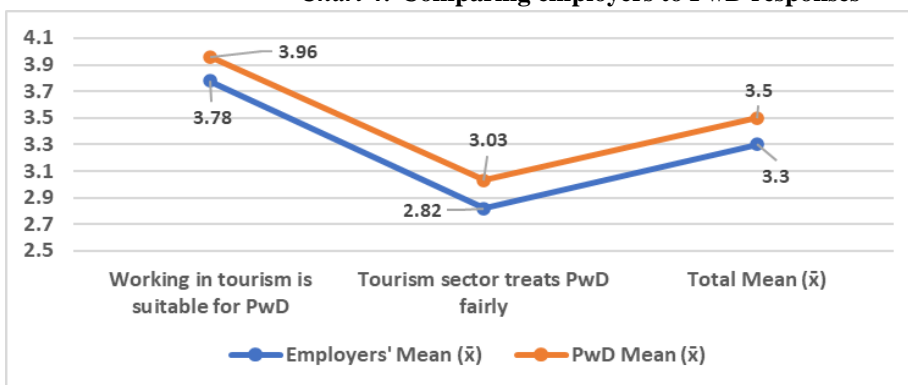
**Chart 3: Employers’ view according to their speciality**



GV/ Government    AI/ Airlines, airports    AC/ Accommodation    TA/ travel agencies  
 GU/ Guidance    OT/ Others

Except for guidance, employers in all other areas have a steady conviction that working in tourism is suitable for PwD. Oppositely, participants from all areas except accommodation state that a tourism career is not fair enough towards PwD. Comparing between the general viewpoints of PwD (table no.3) and employers (table 4) in these two specific questions resulted in chart no.4, which surprisingly reveals that PwD have a higher trust in tourism as a fair career than employers (3.03 compared to 2.82). They also have a firmer belief in the suitability of tourism for them (3.96 compared to 3.78).

**Chart 4: Comparing employers to PwD responses**



Employers notify that individuals with feet disabilities are by far the easiest segment to work in tourism ( $Q3. \bar{x}$  70.2%). In a separate question, each employer was asked to identify the potential jobs they could handle. Provided answers resulted in a long list of suitable jobs for this segment, including all the tourism office jobs (e.g., reservations, ticketing, central calls, administrative jobs) and some practical jobs (e.g., Receptionists, concierge, etc. translation, duty-free jobs). On the other end, vision and hearing impairments are the most challenging disability to be accommodated in a tourism job ( $Q3. \bar{x}$  0% and 2.1% successively).

**Table 15: Employers' view according to their specialty**

<b>Q3</b>	<b>The easiest disability to hire in my profession</b>	<b>GV</b>	<b>AI</b>	<b>AC</b>	<b>TA</b>	<b>GU</b>	<b>OT</b>	<b>Mean (<math>\bar{x}</math>)</b>
	Mobility (Feet disability)	77.3%	100%	75%	33.3%	16.7%	88.9%	<b>70.2%</b>
	Mobility (Hand disability)	18.2%	0%	25%	33.3%	33.3%	11.1%	<b>19.1%</b>
	Vision	0.0%	0%	0%	0%	0%	0%	<b>0.0%</b>
	Hearing	0.0%	0%	0%	0%	16.7%	0%	<b>2.1%</b>
	Others	4.5%	0%	0%	33.3%	33.3%	0%	<b>8.5%</b>
<b>Q4</b>	<b>Major challenges face hiring PwD (More than one option can be selected)</b>							
	Nothing different from other segments	3.4%	0.0%	12.5%	12.5%	6.3%	3.2%	<b>12.8%</b>
	Unsuitability of tourism jobs for them	6.8%	0.0%	25.0%	12.5%	25.0%	3.2%	<b>25.5%</b>
	Employers' concerns of such a challenge	27.1%	37.5%	12.5%	25.0%	31.3%	29.0%	<b>76.6%</b>
	Costs of providing special equipment	23.7%	25.0%	12.5%	12.5%	31.3%	22.6%	<b>63.8%</b>
	Absence of suitable qualification programs	25.4%	12.5%	12.5%	25.0%	6.3%	25.8%	<b>59.6%</b>
	Absence of government incentives	13.6%	12.5%	25.0%	12.5%	0.0%	16.1%	<b>36.2%</b>
	Others	0.0%	12.5%	0.0%	0.0%	0.0%	0.0%	<b>2.1%</b>
<b>Q5</b>	<b>To support PwD work in tourism, the priority is</b>							
	Laws mandating hiring them	31.8%	0%	25.0%	0%	0%	0%	<b>17.0%</b>
	Providing incentives for their employers	18.2%	0%	50.0%	33.3%	16.7%	22.2%	<b>21.3%</b>
	Qualifying them for tourism jobs	40.9%	100%	25.0%	33.3%	50.0%	55.6%	<b>46.8%</b>
	Spreading awareness about PwD rights	0.0%	0%	0%	33.3%	16.7%	11.1%	<b>6.4%</b>
	Others	9.1%	0%	0%	0%	16.7%	11.1%	<b>8.5%</b>
<b>Q6</b>	<b>Comparing to non-disabled, hiring PwD should be formed as</b>							
	Equal duties & rights	13.6%	0%	25.0%	0%	16.7%	12.5%	<b>12.8%</b>
	Modified duties & equal rights	22.7%	66.7%	25.0%	66.7%	33.3%	62.5%	<b>36.2%</b>
	Modified duties & rights	63.6%	33.3%	50.0%	33.3%	50.0%	37.5%	<b>51.1%</b>

Challenges facing hiring Omani PwD in tourism are mainly centralized around the work environment as “*employers' concerns of hiring PwD*” and “*costs required for providing special equipment for PwD*” came as the foremost challenges hindering their integration ( $Q4. \bar{x}$  76.6% & 63.8% successively). Resembling the earlier statement of the PwD that they are mostly not qualified enough to work in tourism (see table 4,  $Q.13$ ), employers confirm that the absence of sufficient qualifications is a significant concern when hiring PwD ( $Q4. \bar{x}$  59.6%). Backing up their earlier statement (see table 15,  $Q.2$ ), only 25.5% of the employers assume that the suitability of tourism jobs could be a concern. Accordingly, calls for qualifying PwD ( $Q5. \bar{x}$  46.8%) and providing incentives for the employers to encourage them to hire more PwD ( $Q5. \bar{x}$  21.3%) came as the foremost requests to facilitate hiring more PwD in tourism; as well, a flexible package of rights and duties is recommended by more than half the employers ( $Q6. \bar{x}$  51.1%).

Finally, a detailed examination of table 16 shows that airlines employers assume that except for feet disability, airlines can hardly hire any PwD. Guidance is a potential career for individuals with hand or other disabilities ( $Q3. 33.3%$ ) rather than feet disability ( $Q3. 16.7%$ ); however, guidance is the only career that can accommodate four out of the five disability categories.

## CONCLUSION

Although there are a plethora of studies, which have investigated most of the PwD related issues such as PwD rights, education, employability, health, and psychological wellness, there is little research dedicated to examining the potentiality of integrating PwD in the tourism career in the Arabic area (Al-Fardan & Morris 2019; El-Moghazi & El-Sherif, 2017). Therefore, this research focused on investigating the opinions of both persons with disabilities (PwD) and employers to explore realities about the potentiality of integrating PwD in the tourism career.

In this regard, five major conclusions could be established. First, both PwD and employers firmly believe that tourism is a suitable career for PwD in general; PwD are willing to work in tourism with no significant difference between different segments except PwD less than 18 years old, who have a large inattentiveness toward working in tourism. However, PwD are uncertain about the appropriateness of their health conditions for such a demanding sector, which holds them back from taking significant steps forward (e.g., applying for a job in tourism). Second, no deliberate inequity emerges in the Omani tourism sector; nevertheless, a general complaint about the delay in finding appropriate jobs is notified, which results in an indecisive feeling of equity. This feeling exists fundamentally among PwD aged 36 and above, PwD having a higher education degree, and persons with mobility impairment. Analyzing the responses of this segment shows that they have a remarkable positive attitude towards tourism. However, 42.2% of them are unemployed despite having the required qualifications and willingness to work in tourism. Employers support the PwD supposition by recording a higher distrust in tourism as a fair career for PwD.

Third, the preference for government jobs is still evident in Oman; tourism is not an exception. However, the older the segment and the higher the educational level, the less they favor government jobs. On the other hand, rejecting jobs in accommodation is still overwhelming. For almost all segments, “deficiency of job opportunities” has a qualitative rather than a quantitative concept as job opportunities are physically available. However, qualitative features such as low salaries and unsuitable work conditions are the real reasons behind such statements, especially amongst women, older segments, and PwD with higher education.

Fourth, selecting the option “*I will not accept a job in tourism if offered*” is frequently associated with a limited belief in tourism as a suitable career for PwD, a low assessment of health ability to fit with tourism requirements, and a fragile trust in tourism as a fair career. Unfortunately, refusing an offered job in tourism is even evident in the unemployed PwD segment for the same earlier reasons. In contrast, PwD who have a current or previous professional experience in tourism have a much broader trust in tourism as a promising career for PwD. This should indicate that first-hand experience in tourism has a significant influence on correcting wrong concepts and assumptions. On the other hand, refusing to work in tourism based on fear of community or family rejection hardly exists in the contemporary Omani community. More practical reasons emerge, including a shortage of personal qualifications approved by PwD and employers as a major concern. In addition, languages – especially for PwD with higher education degrees – and practical training are required considering that tourism education is still in its infancy in Oman.

Fifth, employers argue that mobility impairment, especially feet disability is the easiest to be accommodated in numerous tourism jobs, whereas vision and hearing impairments are the hardest. Guidance is the only tourism career that can accommodate 4 out of the 5 disability categories. Sixth, challenges facing hiring Omani PwD in tourism are mainly centralized around the work environment, such as “*employers’ concerns of hiring PwD*” and “*costs required for providing special equipment for PwD*”. Accordingly, offering incentives is the foremost request to stimulate hiring more PwD in tourism. Also, a flexible package of duties and privileges is recommended.

Accordingly, a plan focusing on (1) removing the ambiguity of tourism work conditions for PwD; (2) enhancing trust in tourism as a fair, transparent career, especially for older PwD having a higher education degree, and persons with mobility impairment; (3) spreading awareness about the potentiality of

tourism education and professions for unemployed and less than 18 years old PwD; (4) designing a package of incentives for employers; and (5) launching a specialized program for qualifying PwD through learning languages and practical training will facilitate attracting a significant number of Omani PwD to work in the tourism sector.

Finally, interviewer no. 1 recorded that “*Yes, I believe worldwide we are even more capable of working in tourism than non-disabled persons. Tourism is about attitude, willingness to accept others; and it is a very challenging career, and this is exactly what a person with a disability can offer. To reach the point of being able to work. We challenge our disability, all the sympathy of our families and friends, bullying during school, and even sometimes in the normal life, and shortage in the facilities we need to continue our education. We are fighting all the time to prove ourselves, and now about myself, I have participated in the Paralympics and have some medals on the continental level. This is what tourism needs someone who can stand up for all the challenges this sector faces*”.

## IMPLEMENTATION

When it comes to tourism, Oman can be described as a relatively new destination. The Ministry of Tourism was actually established in 2004 only. This could be considered a massive delay in entering the tourism market, but it also has its merits. Individuals involved in the Omani tourism public and provide activities (e.g., planning, education, investment) can effortlessly observe the robust connection between research and tourism practical implementation. Currently, the Ministry of Tourism is one of the significant entities funding research in the country. In several previous cases, royal decrees were issued to support tourism based on the results of related studies. In this regard, this research can help decision-makers understand the elements hindering the involvement of persons with disabilities in the tourism sector. These elements can therefore be considered when setting employment strategies in the tourism sector. It can as well help managers on the tourism enterprises level facilitate attracting and hiring PwD.

## FURTHER RESEARCH

As early mentioned, several studies have intensively discussed the concerns of disabled tourists, which drew more attention to their needs and consequently helped develop their tourism products and facilities. On the other hand, fewer researchers have also investigated issues such as gender, social class, and ethnicity equality in the tourism career. However, studies on areas such as academic education and professional training for PwD should be considered. As well, more profound studies are required to identify the most convenient tourism jobs for PwD.

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# TIME FOR CHANGE: TOOLS ENHANCING COMPETITIVE ADVANTAGE IN THE WINE BUSINESS

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*Pioneers encounter resistance – John Cleese*

## ABSTRACT

*Strategy implementation failure, a continuing debate, jeopardises business performance. Our study complements this research by examining the overlooked role of competitive advantage, facilitating implementation and securing profitability, a leadership responsibility. Globally wine businesses struggle with profitability, signalling the lack of competitive advantage. To understand the failure of strategy implementation in the wine business, we explored the influence of the perceived leadership style on employee satisfaction which affects the strategy implementation and business performance results of selected businesses in the South African wine industry. The South African wine industry exemplifies the global wine industry, and an under-researched context, was the setting for studying this problem. An exploratory qualitative case study collected data by interviewing participants from purposively selected businesses, which were content analysed. Leadership plays a significant role in shaping a competitive advantage. The reasons for the strategy implementation failure can be summarized as the thwarting of employees' needs for competence, autonomy, and relatedness, which are the levers of motivation. These motivational needs can be addressed by effective coordination and cooperation, which are integral to the structural dimensions of organisation for implementing strategy. The structural dimensions of organisation for implementing strategy unlocks human competence to implement strategy, and harness competitive advantage. Autocratic leadership styles, more so than democratic leadership styles, have undermined the structural dimensions of organisation for implementing strategy. Structural dimensions of organisation for implementing strategy can thus serve as a tool enhancing competitive advantage and guide leadership to implement strategy to improve business performance. This study augments overlooked research on strategy in wine businesses, favouring technical and marketing agendas and provides leadership with practical tools to enhance competitive advantage, facilitating strategy implementation and securing much needed profitability. The main limitation of the study is its cross-sectional nature. Scholars can modify their research agendas to include strategy considerations in addition to technical and marketing issues. Practitioners can immediately use the proposed tools for change to shape a competitive advantage, facilitating strategy implementation and securing profitability, and so augment a solid product with a sound strategy.*

**Keywords:** Wine business, strategy implementation failure, competitive advantage, profitability, structural dimensions of organisation for implementing strategy

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## INTRODUCTION

Mondavi knew. The moment of turning for Californian wine had revealed itself. His subsequent transformation efforts encountered entrenched status quo resistance, yet his prescience and persistence advanced the Californian wine industry to its present world-renowned status (Flynn Siler, 2007). Robert Mondavi has departed from this earth and has left an enduring leadership example. Once again, in most wine-growing regions, it is time for innovative leadership to rethink the business of wine, and rethink it beyond product alone.

Product is most wine-makers' primary consideration (Carpenter & Humphreys, 2019; Haros, 2020), with limited attention to strategy (Charters et al., 2008; Gilinsky et al., 2018; Gómez et al., 2018; Sánchez et al., 2017; Thach et al., 2005). The product focus is reflected in prevalent studies in viticulture, oenology, operations and marketing that support product (Gilinsky et al., 2018; Gómez et al., 2018). It is axiomatic that every business foundationally rests upon a solid product or service, necessitating focused attention on technical, operations and marketing issues. However, this is a near-sighted focus that often excludes the need for profit which is mandatory from an economic viability perspective. Strategy blends near-sighted product and far-sighted profitability, in a total view that is vested within business leadership. Without a sound strategy, a business cannot succeed in the long run; which is particularly true in dynamic businesses like wine (Chen et al., 2016; McCole et al., 2018).

The strategy oversight is reflected in the profitability challenge experienced by wine businesses across the globe (Gázquez-Abad et al., 2015; Guedes & Rebelo, 2019; Haros, 2020). The profitability challenge suggests that these businesses fail to obtain a "competitive advantage". Competitive advantage is documented in disparate business and strategy literature, and described in various ways (cf. Atkin et al., 2012; Kruger & Viljoen, 2019; Porter, 1985). In short, competitive advantage fortifies strategy, by facilitating its implementation and securing profitability (Barney, 1991; Porter, 1985; Sheehan & Foss, 2017).

"Strategy" aims at delivering "value" which is expressed in various terms: economic for example price or cost, functional such as features and benefits and/or psychological for instance creating an experience, ensuring availability or reducing uncertainty and risk (McNeill & Nienaber, 2020). Value, and consequently profits, come from the combination and deployment of employees and other resources (Barney, 1991; Harter et al., 2020). Yet, successful strategy implementation is a vintage problem (Adobor, 2020; de Oliveira et al., 2019; Mintzberg, 1994) resulting in poor business performance as expressed in terms of profit, and customer and/or employee satisfaction.

Wine businesses face serious competitive challenges, many of which are from non-traditional wine-producing regions and intensified by Covid-19 (Ferrer-Lorenzo et al., 2019; Gázquez-Abad et al., 2015; IOV, 2020; McCole et al., 2018). Some scholars depict this situation as a crisis (Alonso et al., 2014; Low, 2020). Yet, scholars neglect strategy research. Leadership guided by scholars must urgently address this deficit.

Extant but limited studies have found that leadership and superior strategy implementation are the highest predictors of sustained growth in the wine industry and help promote long-term productivity and profitability (Gilinsky et al., 2018; Huertas-Valdivia et al., 2019). Thus, the wine industry provides an ideal setting for studying strategy implementation, a leadership responsibility (Charters et al., 2008; Gilinsky et al., 2018; Thach et al., 2005). This industry lies at the intersection of agricultural production and tourism and require different approaches. Agriculture is product oriented, with technical and operational issues in focus. Tourism is service driven; employees are the direct link with customers and the indirect link with profitability. Profitability pressures are exacerbated by the "autocratic leadership style" that is prevalent in

tourism and justified by the unpredictability in tourism demand (Huertas-Valdivia et al., 2019; Pan et al., 2018; Yamak & Eyüpoğlu, 2018), and most recently, Covid-19 pandemic restrictions (Low, 2020; IOV, 2020). To illustrate the change needed, we present the case of the South African wine industry, which exemplifies the global wine industry (Euromonitor International, 2019; FitchSolutions, 2019) and an under-researched area (Gómez et al., 2018; Sánchez et al., 2017).

### **The South African Wine Industry**

South Africa (SA), a new-world producer and latecomer, boasts a well-established industry, supplying high-quality wines at low prices, most of which are exported to key destinations like the UK and the USA (FitchSolutions, 2019; IOV, 2019). Established in 1652, the Western Cape is the primary wine-producing region and limited to a small area of 129 000 km<sup>2</sup> or 10% of land area, with a Mediterranean climate, picturesque surroundings and beautiful architecture (Winkler, 2012). The wine-land is a world-famous destination for food and wine lovers – wineries have excellent tasting facilities, many have restaurants serving quality sophisticated food, and some have accommodation facilities (Winkler, 2012). Stellenbosch is the most popular wine tourism destination after Cape Town, and visited by domestic tourists (76%) followed by international visitors (22%) from the UK, Germany and the USA in rank order (Cape Town Tourism Board, 2018–2019).

Currently, 126 000 hectares are cultivated, representing 55.2% white cultivars. Chenin Blanc is the most planted white cultivar (18.6%), followed by Sauvignon Blanc (9.7%) and Chardonnay (9%). The most planted red variety is Cabernet Sauvignon (11%), followed by Shiraz (10.3%) and Pinotage, SA's own grape (7.4%) (Euromonitor International, 2018). SA ranks 15<sup>th</sup> among world producers in terms of hectares planted and 9<sup>th</sup> in terms of volume (9.5 million hectolitres) produced in 2018 (IOV, 2019). Most (72.8%) of the vineyards are older than 10 years and require investment to ensure their economic viability (Vinpro, 2019).

The SA wine industry is dwarfed by small producers. A few large producers dominate. Following the deregulation of the wine industry in the late 1990s, Distell is currently the largest producer, with 38% of market share, displacing KWV, which has a market share of less than 0.5% (Euromonitor International, 2018; FitchSolutions, 2019). Some of the small wineries have strong and prestigious brands and they successfully compete with the larger businesses, even in international markets (Euromonitor International, 2019).

The trends in the SA wine industry also correspond to those in the global industry (Euromonitor International, 2019; FitchSolutions, 2019). SA, like many other countries, is affected by premiumisation, which necessitates the planting of new vines and new farming and production methods; low profits deter farmers from replacing relatively old vineyards, which is capital intensive; and prices do not keep pace with inflation, while Covid-19 upsets tourism (OIV, 2020), which further erodes income and profitability. The most popular price category is ZAR 32.01–ZAR 41.00/bottle (\$2.057–\$2.62 - \$15.5937=\$1 on November 11, 2020), which is economically unsustainable. In contrast, the most popular price category in the USA is \$11.99–\$19.99/bottle, with Chardonnay and Cabernet Sauvignon the most popular wines (Thach, 2020). Opportunities include economic advantages of tourism, employment generation for local communities, and increased awareness of environmental issues. Threats include environmental, biosecurity and cultural damage, as well as long-term profitability challenges (Guedes & Rebelo, 2019).

The SA wine industry is small in economic terms as measured by contribution to gross domestic product (GDP). This industry, subsumed in the agriculture sector, comprised about 2.5% of GDP in 2017. In 2017, wine tourism income was marginal at ZAR16 billion (\$1.026 billion) per annum, which represents 5.76% of tourism and travel, and 0.512% of GDP (Statssa, 2019a, 2019b; Vinpro, 2019; WTTC, 2018).

Efforts to ensure the economic viability and competitiveness of the industry date back to the establishment of the South African Wine and Brandy Corporation, which provide technical and market assistance to wine farmers in support of quality products (Morrison & Rabellotti, 2014). However, assistance with strategy is lacking and reflected in the profitability challenge faced by most wineries.

The economic significance of the wine industry may deteriorate if the status quo remains and it may further be diminished by prolonged Covid-19 restrictions. Proactive leadership is necessary to secure a profitable future for the industry. In seeking to understand the failure of strategy implementation in the wine business, we explored the influence of the perceived leadership style on employee satisfaction which affects the strategy implementation and business performance results of selected businesses in the South African wine industry. The research questions guiding the study were:

1. What are the perceptions of executive leaders and employees on leadership style, as cited by Lewin *et al.* (1938/1939)?
2. What is the influence of perceived leadership style on employee satisfaction and impacting strategy implementation?
3. What is the perceived variance between planned and actual business performance resulting from findings relating to questions one and two?

In answering these questions, this study advances theory and practice in three ways. First, it is recognised that strategy is important for business success, but it has been overlooked particularly in wine business research (Gilinsky *et al.*, 2018), while strategy implementation is generally an overlooked area of research (de Oliveira *et al.*, 2019). In view of the competitive crisis facing the global wine industry (Alonso *et al.*, 2014; Haros, 2020), it is important to address strategy.

Second, this qualitative study complements the literature which is dominated by quantitative studies (Arendt *et al.*, 2012; Gómez *et al.*, 2018; Sánchez *et al.*, 2017). Moreover, this study demonstrates the added value of taking a qualitative approach in studying the strategy implementation failure.

Third, disparate literature is distilled into a comprehensive presentation which provides a better understanding of strategy implementation (Mayer & Sparrowe, 2013); offering a framework that shows individual value-creating activities necessary for obtaining a competitive advantage. These activities are comprehensive, yet parsimonious, and sufficient to obtain a competitive advantage, facilitating strategy implementation and securing profitability.

## Significance

Based on sound methodology anchored in theory, this study is of interest to both practitioners and academics. It shows both why and how wine businesses can practically realise competitive advantage that facilitates strategy implementation, thus securing urgently needed profitability. Academics can expand their research agenda to include strategy considerations along with their traditional focus on technical, operational and marketing issues.

The next section reviews the literature, providing a coherent view of strategy, competitive advantage and leadership as a solid literature review is essential for establishing the importance of the phenomena studied (Bryman, 2016; Stake, 1994; Stergiou & Airey, 2018; Van de Ven, 1989). The methodology section follows, after which findings are presented and discussed. The article closes with conclusions, limitations, recommendations for further study, and its contribution to knowledge.

## LITERATURE

This section integrates the role of strategy, competitive advantage, and leadership in value creation in securing business performance.

### Strategy

Strategy is about business performance expressed as goal achievement and complex, thus an illusory concept (Ansoff, 1988; Grant, 2018; Pettigrew, 1987), resulting from its nature:

- Multilevel structure – Corporate, SBU (Strategic Business Unit)/competitive, operational and tactical levels;
- Dynamic – It contends with a myriad influencing environmental factors, including economic, technological, and social factors;
- Multifaceted dimensions – Content, process, context and outcome (Barney, 1991; Grant, 2018; Jarzabkowski *et al.*, 2016; Pettigrew, 1987; Verreyne *et al.*, 2016); and
- Interdependent phases – Formulation, implementation and control (Martin, 2017), all of which are intertwined with competitive advantage.

Strategy is critical in highly competitive and dynamic industries like wine, where customer demand is continuously evolving based on an acquired taste (McCole *et al.*, 2018; Thach, 2020). However, a strategy without implementation is feckless.

### Competitive Advantage

Competitive advantage buttresses strategy implementation. It enables businesses to achieve better financial performance compared with benchmarks, usually an industry average (Barney, 1991; Porter, 1985; Sheehan & Foss, 2017). The resultant financial performance derives from value delivered to customers by satisfied employees. Guided by leadership, employees transform inputs and other resources by performing value-creating activities differently from or better than rivals, thus producing products or services valued by customers (Barney, 1991; Heskett *et al.*, 1994; Porter 1985; Sheehan & Foss, 2017). Competitive advantage comprises three interrelated dimensions and influenced by the nature of strategy:

- (i) the arena, including its dynamics, where the business chooses to compete, which is reflected in the investment decision; and generally associated with the competitive positioning view (Porter, 1985);
- (ii) customer value, which is subjective and evolving based on experience and/or expectations regarding the consumption of the product or service, and is reflected in the customer value proposition (O’Cass & Sok, 2015); and
- (iii) access to resources for providing customer value in the chosen arenas, of which human resources are the most important (Popli & Rizvi, 2017), and generally associated with resource-based theory (Barney, 1991).

The acquisition and deployment of resources and/or resource combinations form the bedrock of competitive advantage. These resources/resource combinations have been abstractly described as valuable, rare, imperfectly mobile, inimitable, and imperfectly substitutable or tacit (Barney, 1991). These descriptions refer to barriers preventing rivals from neutralising the competitive advantage, while at the same time preserving the competitive advantage of the business. Competitive advantage is mandatory for competing successfully, as it fortifies strategy, delivers value, and secures profitable performance.

### Strategy Implementation Failure

An effective response to change demands access to and the (re)combination as well as (re)allocation of resources, especially human resources. This must be done in a coordinated fashion, to ensure value

delivery in the chosen competitive arena (Barney, 1991; Harter et al., 2020; Porter, 1985). Coordination means synchronising all activities of the business to facilitate its functioning and success (Fayol, 1916[2013]). Customers are the final, albeit subjective, judge of value based on expectations and experiences of utility and/or quality obtained. In a services-oriented business, like wine, value is influenced by interactions with employees (Chen et al., 2016; Heskett et al., 1994; O’Cass & Sok, 2015).

Customer value and access to resources for providing customer value are two interrelated dimensions of competitive advantage. Employees are a critical element of resources as they implement strategy through their daily activities by combining and transforming resources to produce products and services that are valued by customers (Jarzabkowski et al., 2016). Employees’ free-willed cooperation is therefore imperative in strategy implementation, particularly in a service-oriented industry, where employees interact with customers and create experiences (Huertas-Valdivia et al., 2019). Cooperation is achieved by command (cf. Fayol, 1916[2013]), and should not be misconstrued to denote coercion. Command inspires employees to optimise their competence to the benefit of themselves and the business as a whole. This inspiration is achieved in two ways. The first is when leadership knows about employees’ core motivational needs contained within the categories of expressing competence: acquiring and applying resources specifically knowledge, skills and attitudes that are necessary and meaningful in task execution (White, 1959); realising autonomy: to be one’s authentic self without overstepping the self-determination of others (deCharms, 1996); and experiencing relatedness: a few enduring, pleasant and meaningful interpersonal relationships (Baumeister & Leary, 1995). The second is when leadership provides employment opportunities enabling actualisation of these motivational needs (Kaiser et al., 2008).

Employees’ free-willed cooperation is therefore influenced by leadership and leadership style. Leadership can provide either a favourable or an unfavourable environment for strategy implementation (Heskett et al., 1994; Huertas-Valdivia et al., 2019).

Several studies have investigated strategy implementation failure, but none have examined wine businesses. Previous studies have found a substantial gap between planned and achieved performance. This gap results from a failure of strategy implementation which jeopardises sustained business performance (Köseoglu et al., 2018; Mintzberg, 1994). Research offers various explanations for the strategy implementation failure. Most of these failures involve two dimensions of competitive advantage: resource availability, specifically human resources, and customer value.

Some authors argue that strategy is formulated in a way that obstructs implementation (Adobor, 2020; Martin, 2017). This is an inexecutable formulation-implementation divide. Autocratically developed strategy encounters employee implementation impediments while democratically derived strategy eases implementation. While autocratic and democratic styles are extremes on a continuum, in practice leaders must find a situationally appropriate balance in leadership style that achieves both strategy formulation and implementation – an interrelated process (Jarzabkowski et al., 2016). Leadership often abdicates implementation responsibility to employees, thus exacerbating the formulation-implementation divide (Adobor, 2020; Martin, 2017). Additionally, relevant stakeholders, notably customer-contact employees, are excluded from formulating strategy, further obstructing implementation. Scholars maintain that the divide between strategy formulation and implementation stems from poor interpersonal relationships and significantly burdens cooperation (Lê & Jarzabkowski, 2015; Scott et al., 2015).

Other researchers, however, maintain that the single most important reason for the failure of strategy implementation is the “unavailability” of human resources, whether leaders or employees (Huertas-Valdivia et al., 2019; Popli & Rizvi, 2017). The unavailability of resources stems from poor coordination. Cooperation and coordination are contained within the sphere of leadership responsibility (Fayol, 1916[2013]; Heskett et al., 1994; Nienaber, 2019).

**Leadership**

Leadership is foundationally responsible for shaping effective strategy, encompassing formulation, implementation and control (Martin, 2017). The notion that leadership and leadership styles influence employee behaviour and, consequently, business performance has been copiously researched. Less optimistic is Barnard’s (1948:432) observation that “leadership is the subject of an extraordinary amount of dogmatic nonsense”. This is consistent with Andersen’s (2015) comment that very little leadership research is conclusive.

We accept the nexus between leadership and employee behaviour and resulting business performance but agree that the vast ocean of leadership research is questionable. However, we concur with the rigorous definitions provided by Andersen (2015), Barnard (1948), Barney (1991), Heskett et al. (1994) and Popli and Rizvi (2017), as paraphrased below.

Leadership is the employees’ perception of the capacity of their hierarchical superiors (which stems from the superiors’ behaviour) to direct their subordinates’ activities and behaviours to pursue a desired outcome (like a business goal); and the outcome is pursued in an (intended) coordinated system of cooperation in conjunction with other resources, all of which are interlinked. It thus follows that leadership style refers to employees’ perception of “a relatively consistent pattern of behaviour displayed by a leader while dealing with and influencing subordinates” (Popli & Rizvi, 2017:294), which impacts business performance via strategy implementation. This description of leadership implies that leader behaviours are adaptable, and not static, as is often presumed. Thus, leaders may display a range of styles along an antipodal continuum between autocratic and democratic styles, judged as appropriate to the situation. These may be displayed as either complementary or alternative styles to promote business goal achievement.

Many different leadership styles are identified in the literature and classified as constructive (positive), destructive (negative), or non-leadership (laissez-faire) as summarised in Table 1 below.

**Table 1** Classification of leadership styles

Positive	Negative	Non-leadership
Participative, democratic, transformational, entrepreneurial, charismatic, authentic, inspirational, visionary and value-based leadership, such as servant, ethical, moral and humble leadership	Autocratic or authoritative, paternalistic, narcissist, transactional and laissez-faire or so-called non-leadership	Laissez-faire, free-rein or delegative

**Source:** Huertas-Valdivia et al., 2019; Pan et al., 2018

Positive leadership styles all have a regard for people, both self and others. They are generally associated with favourable outcomes for both employees and the business. Negative leadership styles, on the other hand, all rely on hierarchical position, which uses a traditional, top-down or autocratic style, with power and control over employees. Negative leadership styles are generally associated with harmful outcomes for both employees and the business as well as reduced levels of well-being for customer-contact employees, which adversely affects customer value delivery (Huertas-Valdivia et al., 2019; Pan et al., 2018). The leadership style classifications in Table 1 correspond to the leadership styles of Lewin *et al.* (1938/1939), namely democratic, autocratic and laissez-faire, and briefly discussed below.

***Democratic Leadership Style***

A democratic leadership style guides employees in subordinate hierarchical positions, while simultaneously promoting participation from the group, especially in decision-making. A democratic

leadership style is most successful when quality contributions from team members are more important than productivity imperatives and is thus considered to be motivational.

### ***Autocratic Leadership Style***

An autocratic leadership style is employed by leaders who make decisions independently and without input from their employees in subordinate hierarchical positions. An autocratic leadership style is deemed to be most suitable in situations when time is of the essence, and when the leader is the authority in the field. In this context leaders furnish employees with unambiguous dicta.

### ***Laissez-faire Leadership Style***

A laissez-faire, free-rein or delegative leadership style, on the other hand, provides scant direction to employees in subordinate hierarchical positions and leaves the group to decide for themselves. A laissez-faire approach is characterised by behavioural non-involvement, rather than an absence of leadership (Yang, 2015). This leadership style is most fruitful in situations where group members are highly qualified, while productivity imperatives are negligible. Inappropriate use of this style could add to pressures on leadership, and have no motivational value, because it may result in ill-specified roles and consequently role ambiguity.

In sum, different leadership styles are effective in different situations or contexts. Thus, to be effective, the leader should employ a style that is appropriate to the situation and that may vary. Doing so helps achieve a positive outcome of business performance as suggested by, among others, Huertas-Valdivia et al. (2019), Kaiser et al., (2008), Nazarian et al. (2017), Pan et al. (2018) and Yang (2015). A mechanism at leadership's disposal for ensuring a positive outcome is the "service-profit chain", proposed by Heskett et al. (1994).

### ***Service-Profit Chain***

The service-profit chain is a special kind of leadership that aims to create value and thus secures profitability by delivering customer value through satisfied employees (Heskett et al., 1994; Hogueve et al., 2017; Popli & Rizvi, 2017). Value materialises at the point of sale when it is exchanged by matching supply and demand through distribution channels (Chi & Gursoy, 2009; Heskett et al., 1994; Popli & Rizvi, 2017). Satisfied customers are usually repeat customers that sustain businesses through initial revenue and potential profit. Generally, satisfied customers cannot exist in service-oriented businesses without interacting with satisfied employees (Heskett et al., 1994; Huertas-Valdivia et al., 2019; O'Cass & Sok, 2015; Popli & Rizvi, 2017). Ergo, these satisfied employees should primarily concentrate their efforts on satisfying customers, thereby facilitating a successful business (Hogueve et al., 2017:57).

Leadership develops satisfied employees by creating an environment that is conducive to performance (Harter et al., 2020; Heskett et al., 1994; Hogueve et al., 2017; Popli & Rizvi, 2017). This is primarily achieved by utilising employees' competence and allowing autonomy, which fosters relationships among employees, and it is contingent upon the role employees fulfil and whether they are provided with the necessary resources to perform their activities productively. Coordination and cooperation are crucial in creating a favourable performance environment (Huertas-Valdivia et al., 2019; Kaiser et al., 2008; Skivington & Daft, 1991).

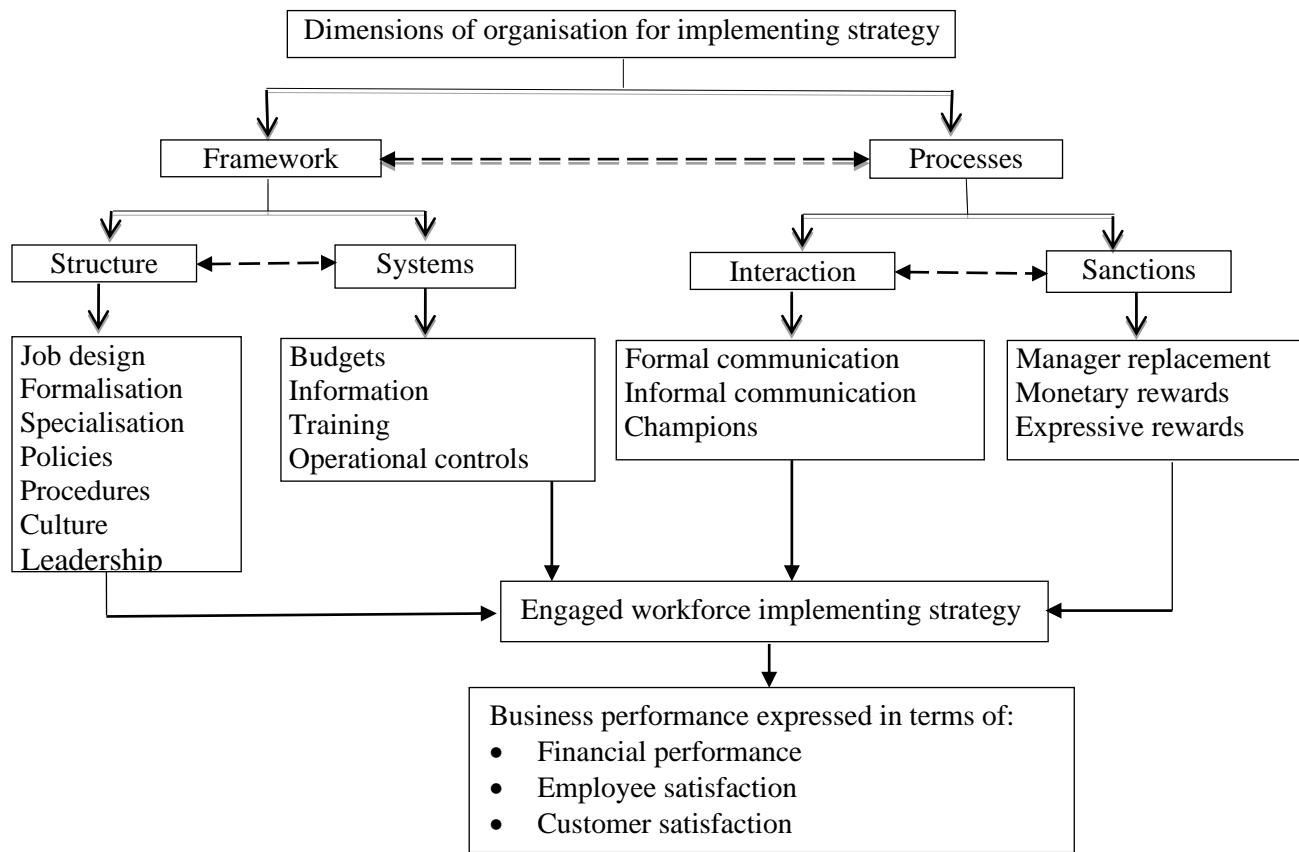
Employee performance, therefore, depends on the leader's belief in employees' competence. This is reflected in a leader's interactions with employees, how a leader deploys employees in the business, and whether they are provided with adequate resources, all of which influence employee satisfaction. Therefore, leadership behaviour influences value creation, exchange and profit. It is imperative for leadership to deploy



employee competence appropriately and to provide them swiftly with adequate resources to create products and services that are valued by customers. Doing so helps create an environment in which employees can cooperate productively. In failing to do so, leadership unwittingly destroys value by mismanaging resources and impeding business performance. Studies on the performance gap, poor customer satisfaction levels, and low levels of employee engagement suggest that leadership often destroys rather than creates value. The result is decaying competitive advantage.

According to Heskett et al. (1994), leadership creates satisfied employees, customers and financial performance by “structural dimensions of organisation” for implementing strategy (analogous to Fayol’s (1916[2013]:53) function of organising: “To provide the business with everything useful to its functioning”). This view is consistent with Nienaber (2019) and Skivington and Daft (1991) as illustrated in Figure 1 below.

**Figure 1:** Dimensions of organisation for implementing strategy



**Source:** Adapted from Nienaber (2019) and Skivington and Daft (1991:48)

**Structural dimensions of organisation for implementing strategy.** Structural dimensions of organisation strengthen business performance by improving resource allocation through enhanced coordination and cooperation, as explained by Fayol’s (1916[2013]) theory of administration. Figure 1 demonstrates that the structural dimensions of organisation for implementing strategy consist of two parts, namely “framework” and “processes”.

The framework dimension enhances coordination, while the processes dimension enhances cooperation and is consistent with the leadership definition provided earlier. The framework dimension provides for structure, which, inter alia, arranges roles/job design, responsibilities, accountability, policies,

procedures, leadership, culture and systems to allocate resources. Thus, the framework dimension utilises employee competence and provides for employee autonomy. The processes dimension provides for interaction among business members, which affects their relationships. Interactions consist of communication along with sanctions – either rewards or punishments.

Thus, leadership uses the structural dimensions of organisation for implementing strategy, to create an environment that is favourable (or unfavourable) for employee satisfaction, resulting in ensuing business performance (Popli & Rizvi, 2017). Heskett et al. (1994:165) found that a 5% increase in customer loyalty could improve profitability by between 25 and 85%. Regardless of criticism aimed at the service-profit chain, Hogreve et al. (2017) established that all the proposed links in the model are statistically significant. Moreover, the service-profit chain has been demonstrated to be useful in tourism research (Chi & Gursory, 2009; O’Cass & Sok, 2015; Popli & Rizvi, 2017) and thus, the wine business.

The literature shows that coordination and cooperation are vital in shaping a competitive advantage, facilitating strategy implementation, and consequently, business performance (cf. Adobor, 2020; Skivington & Daft, 1991). Leadership is ultimately responsible for coordination and cooperation, which are addressed in Fayol’s theory of administration, Barney’s resource-based theory, and Porter’s competitive positioning view, as illustrated in Figure 1; and consistent with the definition of leadership provided earlier. Thus, Figure 1 structural dimensions of organisation for implementing strategy can serve as a framework to guide leadership in strategy implementation.

## RESEARCH METHODOLOGY

The purpose of this study demanded a qualitative approach to provide in-depth and robust information (Arendt et al., 2012; Denzin & Lincoln, 2017; Stake, 1994). Given the limited available research on this topic (de Oliveira et al., 2019), an exploratory case study design was applied to investigate a complex, contemporary phenomenon in its real-life context (Stake, 1994). Theory forms part of context and thus informed and influenced the investigation (Bryman, 2016; Stake, 1994). Qualitative case studies are associated with interpretivist philosophical assumptions which hold that knowledge is subjective, multiple and constructed rather than revealed (Gephart, 2018; Stake, 1994). This study used interviews to collect data on participants’ perceptions with other, multiple sources of data such as internal (strategic planning documents) and external documents (industry reports) (Stake, 1994). Interviews promise the opportunity to investigate a phenomenon in depth and in a real-life context. Through this approach the researchers offer a full-bodied narrative describing the complexity of the dynamic wine industry that is continuously buffeted by many internal and external variables (cf. Charters et al., 2008; Gilinsky et al., 2018; Thach et al., 2005).

### Trustworthiness

Various views of qualitative rigour are available in the literature (Reinhardt et al., 2018). Rigor criteria need to be conditional on the philosophical tradition within which the research was conducted, and may vary (Cassell et al., 2018). However, rigor criteria are compatible with the notion of trustworthiness (Reinhardt et al., 2018). This qualitative study was carried out with scientific rigor and it meets the criteria for trustworthiness (Arendt et al., 2012; Denzin & Lincoln, 2017):

- Dependability – At the commencement of the interviews, participants (CEOs and employees in close contact with both CEO and customers) were informed of the study’s purpose and how and why they had been chosen to ensure that they, especially the employees, were the best informants for the study as they were knowledgeable about the topic;
- Credibility – Members (interviewees) checked the interview transcripts to ensure their accuracy; further, interviews were conducted at different times, from multiple wine businesses (sites) and interviewees from

different hierarchical levels and positions; and interviews were augmented with multiple internal and external sources of data (i.e. data triangulation) and field notes (methodological triangulation). In addition, all researchers were involved in coding, analysis and interpretation (i.e. investigator triangulation);

- Conformability – Researchers applied measures, such as multiple sources to collect data including from a number of participants, representing different positions in the business, from a number of businesses and in different times, to prevent researcher bias to ensure that the results can be corroborated by others and thus the results represent the perceptions of the participants as opposed to those of the researchers;
- Transferability – The study provides sufficient details about the context and process to ensure that the study can be applied to similar situations and ultimately practitioners in similar settings can make this judgment; and
- Transparency and replication – Evidence of the audit trail (what was done and why) allows other researchers to read and make sense of the report, including that the interpretations are plausible; and allowing them to replicate the study.

It can be accepted that this study contributes knowledge to the topic of the strategy implementation failure in the wine business since trustworthiness was achieved and it complies with the criteria for rigor against which qualitative research should be judged. These objective criteria contrast with readers' subjective assessments of what constitutes convincing arguments (Arendt et al., 2012; Gephart, 2018).

### **Research Population and Sample**

Following the established guidelines for qualitative research, three wine businesses were purposely chosen, initially, and met the inclusion criteria (Creswell, 2013; Onwuegbuzie & Collins, 2007). These three businesses were considered key players in the SA wine industry because they were associated with strong and premium brands sustained over an extended period of time and, thus, deemed to be top performers. Moreover, they were active in similar businesses and were operating under similar conditions (Robinson, 2014). Due to the nature of the industry and to protect the anonymity of participants, further information on size, industry leadership position or products offered cannot be disclosed. Executive leadership and employees had extensive wine industry experience and had been in their current positions for a period of between one and 20 years. Executive leadership represented the strategic level and provided comprehensive business insights.

As per the guideline of Onwuegbuzie and Collins (2007), at least three employees from each business participated in the study. They were in close contact with *both* executive leadership and customers. These employees were involved in the wine value chain and were selected based on snowball sampling. Snowball sampling was appropriate given the homogeneous nature of the group studied. It also helped safeguard the anonymity of the participants. No incentives were offered to participants. The sample was adequate in terms of its ability to provide sufficient and appropriate data to answer the research question adequately (Reinhardt et al., 2018; Robinson, 2014).

### **Data Collection**

The lead author, a participant in the wine industry, collected the data. Participants were recruited by email. Semi-structured, face-to-face interviews were conducted. Participants were independently questioned and guided by the research questions of this study. The interviews were recorded with their permission. Immediately after each interview the interview was transcribed, checked by the interviewee, and coded. The unit of analysis was the perceptions of the participants on leadership style, and its influence on employee satisfaction which affects strategy implementation and consequent business performance results. The unit of observation was the participants interviewed and other documents providing data to answer the research question. Interviews were conducted until saturation occurred – the point where interviews become counter-productive because the new discovery does not add substantially to the study (Guest et al., 2006; Reinhardt et al., 2018). Saturation occurred at the third employee interview in Businesses 1 and 3 and the fifth in Business 2.

The interview guide directing the interviews was pre-tested before the interviews commenced, using a sample with a similar profile as that of the participants in the main study. The aim was to identify and correct possible practical issues that could arise during the main study (Creswell, 2013). The wording of the interview guide was slightly adjusted after the pre-test.

Data were collected from 2015 to 2017, in the off-peak seasons, according to the availability of participants at a time and place convenient to them, which was usually their place of work, and complying with classical research ethics principles. The duration of leadership interviews averaged 55 minutes, and 20 minutes for employees. Pseudonyms were used to protect the anonymity of businesses and participants.

## Data Analysis

The lead author content-analysed the data. Data were manually coded and categorised into themes, categories and codes (Gibbs, 2018), which made it possible to consider latent content. The co-authors, outsiders to the wine industry, checked the coding, and in cases where they differed, they discussed possibilities until agreement was reached among all authors. Data analysis was both concept-driven (derived from theory on the topic because the researchers are not *tabula rasa*) and data-driven (via open coding, allowing for new ideas that may arise that were not previously discussed in the literature on the topic). Thus, this process included flexibility to allow for new themes and emerging concepts that could be valuable in contributing to the discussion. Table 2 summarises the themes, categories and codes.

**Table 2** Summary of themes, categories, and codes

Theme	Category	Codes (sub-categories)
Leadership style	Autocratic Democratic Laissez-faire	Isolation; disregards employees Consults; involves employees Free-rein New codes
Framework dimension	Structure Subsystems	Roles and responsibilities; alignment Resource allocation; information – skills training/development New codes
Process dimension	Interaction Sanctions	Communication Conflict handling Interpersonal relationships Rewards New codes

Source: Authors' own compilation

## FINDINGS AND DISCUSSION OF FINDINGS

The interview quotes in this section are presented verbatim.

### Business 1

Both the leader and the three participating employees perceived a performance gap but maintained that it was minimal due to the democratic style of the leader. The leader stated, “[T]here is a gap ... my leadership style helps to minimise the gap ... employees see me as having a positive effect on them and their performance, which reduce the gap.” All employees affirmed this perception saying, “[T]he leader has good relationships with employees ... employees are satisfied ... including employees in strategising ensures excellence in execution.”

Both the leader and all three interviewed employees of Business 1 deemed the leadership style to be democratic. The leader responded, “I am hands-on ... and ultimate responsible for strategy ... with inputs from senior managers ... my style ... balance between democratic and autocratic ... while employees are encouraged to work independently.” All employees perceived the leader as both “democratic and laissez-faire,” as the leader allows for “joint decision-making, while encouraging teamwork, and at times free-rein.” All employees considered the leadership style appropriate for their business and believed that “the leader is ultimate responsible for business success”. Some employees preferred the laissez-faire style to the democratic style.

The three employees responded positively to the proficiency of the business in shaping strategy. In terms of strategy formulation, they responded, “average to good” (Employee 1), “good” (Employee 2), and “excellent” (Employee 3). Regarding strategy implementation, they replied, “good” (Employee 2) and “good to excellent” (Employees 1 and 3). The employees were unanimous that the business was “better at implementation than formulation.”

According to the leader, the reasons for the implementation failure could be ascribed to “a lack of management skills, motivation via remuneration and rewards and better accountability”.

### **Business 2**

Both the leader and the five employees participating in this study observed a small performance gap, which was influenced by leadership style. The leader took full responsibility for this gap by responding, “I am the bottom line ... and am reasonably successful ... ideally there should be a balance between planning and execution but sometimes planning is over-emphasised and execution is under-emphasised ... I am personally responsible for strategy execution.”

In terms of leadership style, the leader responded, “... probably more of a democratic than laissez-faire leader, although employees are encouraged to work independently and look for solutions ... I believe employees see me as democratic.” All five employees viewed the leadership style as democratic, “as the leader involve staff”. However, Employees 2, 3 and 4 also experienced the leader “on occasion, as autocratic, as decisions are made in isolation, though in exceptional cases”. Employee 1, however, experienced the leader as “laissez-faire, as employees are allowed freedom in certain instances”. Nevertheless, all five employees were of the opinion that “the leadership style was appropriate for the business”. All five employees indicated that they were “satisfied with the leadership style”. Employees 1, 2 and 5 added, “[It could be] more forceful or bold, especially in conflict situations.” Nevertheless, they were “satisfied employees”.

In terms of proficiency in strategy shaping, employees were unanimous that they were better at formulation than at implementation. They responded, “average to good at formulation” (Employees 1, 2 and 4), “good” (Employees 3 and 5), “... which [formulation] is better than execution” (Employees 1, 2 and 3). [Execution is] “average to poor” (Employee 1), “average” (Employees 4 and 5), and “average to good” (Employees 2 and 3).

The leader and employees offered different reasons for implementation challenges. The leader was of the view that the gap was caused by factors such as “time constraints, Generation Y who need a different leadership style, employees’ need for a balanced life, opportunities for self-actualisation, over-complicated strategy that should be simplified, energy from leader”. However, the leader maintained that efforts to reduce the gap included “I adapt according to the situation ... and surround myself with able and willing people.” Employees were of the view that the implementation failure resulted from “complexity of strategy” (Employee 2), “a lack of control” (Employee 3), “communication and lack of accountability” (Employees 4 and 5).

### Business 3

The leader and three employees participating in this study responded differently regarding the question of a performance gap. The leader responded, “[T]here is not really a big gap between planning and execution.” The leader also mentioned, “I am the custodian of strategy, and responsible for formulation of strategy, while others are responsible for its execution ... everybody is responsible for strategy ... I am successful ... Change and the ability to adapt to change is the most important factor in terms of strategy planning and execution ... employees need to be adaptable, creative and able to deal with change if they want to achieve success.”

The three participating employees concurred that there was a performance gap and suggested that it was substantial, “[given that] execution is poorer than formulation”.

As for leadership style, the leader stated, “I am a situational leader leaning towards an autocratic style. Communication (making instructions clear) is more important than joint decision-making. I believe employees ultimately want to be led and they view me as autocratic. Employees will respect decisions arriving at the destination, even if they don’t always agree with those decisions. Employees need to be fit for purpose of their job.”

All employees maintained that they experienced the leader as “democratic”; however, additional observations seem to undermine this label. Employees 1 and 3 added, “... not a people’s person as it is sometimes difficult to convince the leader, or the leader may make decisions in isolation of employees”. In addition, Employee 3 also experienced the leader as “laissez-faire”. All employees felt that “the leadership style could be more democratic and/or free-rein to suit the business context better”. This observation implies that these employees perceived their leader’s style as leaning toward autocratic rather than democratic or laissez-faire as they allege.

In terms of proficiency in strategy shaping, all three employees were of the view that implementation was poorer than formulation. Employee 1 indicated “average at formulation and implementation”; Employee 2’s opinion was “average at formulation and poor at execution” and Employee 3 stated, “excellent at formulation, but not good enough at execution”.

Employees offered similar reasons for poor implementation and the resulting performance gap “owing to changes that were not completely communicated ... areas which can be improved ... lack of alignment, accountability, action plans, communication and time management”. Employees indicated that improvements in these areas would improve employee satisfaction and strategy implementation. There appeared to be a lack in communication effectiveness.

## DISCUSSION

All the participants perceived a performance gap in terms of variance between planned and realised performance, which is consistent with the literature (Köseoglu et al., 2018; Mintzberg, 1994). They all agreed that the performance gap was an issue influencing wine businesses. This observation is in line with reported industry performance, namely that most wine businesses operate below an economic viability threshold (Vinpro, 2019).

As expected, in the case of Businesses 1 and 2, where both leaders and employees perceived the leadership style as predominantly democratic or participative, the gap between planned and realised performance was perceived to be smaller than in the case of Business 3, where the leadership style was perceived to be leaning towards autocratic.

In line with the literature, leadership of these businesses were perceived to apply a variety of styles over and above a single prevalent style (Andersen, 2015). The democratic or participative leadership styles are also in line with the observation of Yamak and Eyüpoğlu (2018) indicating that leadership style in tourism may be changing in response to changing business needs. The democratic leadership style was appropriate for the situation and it contributed to employee satisfaction, facilitating strategy implementation. Employee responses suggest that the participative or democratic leadership style utilises the competence of employees autonomously, which unlocks the availability of employees to pursue business goals in a free-willed manner and enhances their satisfaction. Thus, the participants' responses support the literature: leadership styles influence business performance (Heskett et al., 1994; Huertas-Valdivia et al., 2019; Lewin et al., 1938/1939; Pan et al., 2018; Yamak & Eyüpoğlu, 2018).

Leaders of Businesses 1 and 3 reported a separation between formulation and implementation, which concurs with previous studies reported in the literature. In contrast to the literature and the responses by leaders of Businesses 1 and 3, the leader of Business 2 indicated accountability for *both* strategy formulation and implementation. This view is consistent with the observation by scholars (Jarzabkowski et al., 2016; Martin, 2017) that *both* strategy formulation and implementation are the responsibility of leadership.

Employees of *all* businesses indicated that they believed it was the responsibility of *both* leaders and employees to formulate and implement strategy, which was surprising. Employees from Businesses 1 and 2 reported that leaders involved them in strategy formulation and indicated that it helped them implement strategy. Business 3 employees were ambiguous on this matter and despite probing did not directly address the questions concerning practical strategy formulation and implementation.

Notable were the perceptions of employees of Business 1 that the business was better at strategy implementation than at formulation. This observation is contrary to views expressed in the literature (Köseoglu et al., 2018; Mankins & Steele, 2005).

Some of the reasons advanced for the performance gap are recurrent in research, specifically those of Adobor (2020), Jarzabkowski et al. (2016), Köseoglu et al. (2018), Lê and Jarzabkowski (2015), Mankins and Steele (2005), Nazarian et al. (2017), and Scott et al. (2015). These reasons include a lack of alignment, a lack of control, poor interpersonal relationships, poor communication, a different interaction style for Generation Y, and a lack of rewards for implementing strategy.

Some of the reasons offered for the performance gap are new, including a work-life balance and self-actualisation.

However, all of the reasons for the performance gap are not commonly and fully integrated into the structural dimensions of organisation for implementing strategy (see Figure 1). This observation is consistent with the essence of the definition of leadership offered in this article.

The structural dimensions of organisation for implementing strategy affect the levers of motivation (Heskett et al., 1994; Kaiser et al., 2008): employees' need for competence, autonomy and relatedness. These motivational levers influence employee satisfaction and are inextricably linked to the service-profit chain. This is a serial linkage: the autonomous utilisation of employees' competence fosters good relationships.

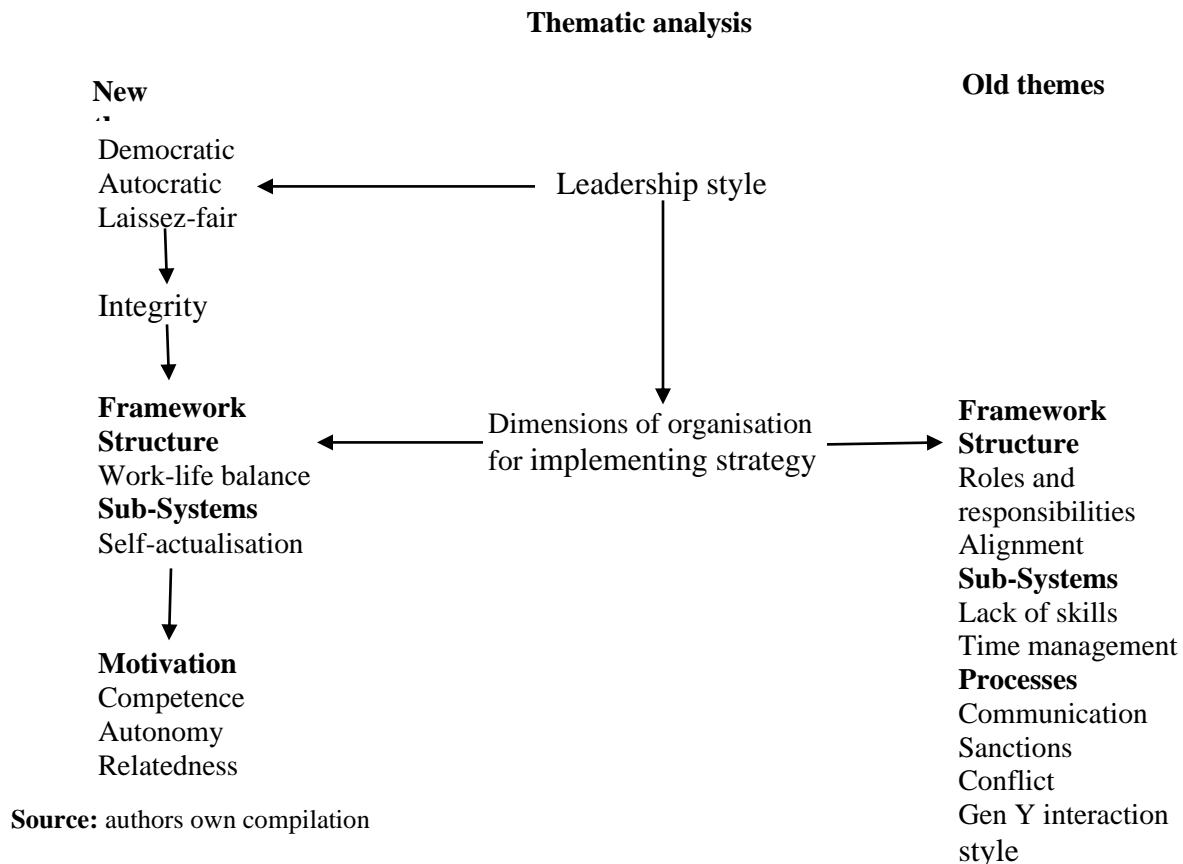
Motivation is essential for effective leadership and fulfilment of the leadership definition used in this study. The multiple reasons for strategy implementation failure are encapsulated in a single concept, namely failure of motivation. They include a failure to enliven employee competence, a failure to animate employee need for autonomy, and their consequent failure to experience relatedness.

The mechanism to achieve motivation is the service-profit chain (Heskett et al., 1994). This view is supported by Hogueve et al. (2017), O’Cass and Sok (2015) and Popli and Rizvi (2017). It is a powerful leadership tool to reduce, if not to close, the performance gap. As such, the service-profit chain shapes competitive advantage. This chain starts with attention to internal variables, especially employee satisfaction. Employee satisfaction is important for enhancing business performance in tourism, and by implication the wine business. The leaders highlighted the importance of employees in strategy implementation. The leader of Business 2 was aware of employees’ needs. This signals leadership integrity. Integrity is associated with positive leadership styles that facilitate copasetic interactions with employees. This, in turn, promotes favourable conditions that lead to superior business performance. This logic is supported by that of Heskett et al. (1994), Martin (2017) and Nienaber (2019), which is more comprehensive than that of Lê and Jarzabkowski (2015) and Scott et al. (2015).

Participant responses in all three businesses studied allude to the complexity of strategy and the challenge of translating intent into action. This is consistent with the literature (Ansoff, 1988; Grant, 2018; Pettigrew, 1987; Verreyne et al., 2016).

The findings of this study reinforce and go further than the findings of earlier studies. The findings of this study demonstrate that coordination and cooperation, dimensions of organisation for implementing strategy, are important in strategy shaping; they also harness competitive advantage. Moreover, leadership style influences both strategy shaping and competitive advantage. Coordination and cooperation are accounted for in Fayol’s (1916[2013]) theory of administration, which seems to be long forgotten. Thus, leadership has tools to aid them in shaping effective strategy and securing business performance. The findings of this study are summarised in Figure 2 below.

**Figure 2** Summary of findings





## CONCLUSION

The cross-sectional nature of the study is its main limitation. Hence, care must be taken in drawing causal conclusions from this exploratory study. However, the themes revealed may be transferred to similar settings, as the study meets the criteria for trustworthiness.

Given that theory forms part of context and thus informs and influences the investigation (Bryman, 2016; Stake, 1994), the researchers interpreted the findings of the study in view of their epistemological assumptions about the role of strategy, competitive advantage, and leadership in value creation in securing business success. Thus, with these considerations in mind, this study demonstrated that “structural dimensions of organisation” shortcomings result in the failure of strategy implementation and a resulting performance gap; dimensions of organisation encapsulate competitive advantage, the hallmark of a sound strategy. Participants perceived the performance gap to be influenced by leadership style. A democratic leadership style resulted in a smaller perceived performance gap than did an autocratic leadership style. Employees were also more satisfied with democratic styles than with autocratic styles.

The study therefore answered the study’s research questions – the perceived leadership style influences employee satisfaction and consequently strategy implementation, which results in a gap between planned and realised strategy. The reasons for the perceived gap can be classified according to the dimensions of organisation for implementing strategy, that harness competitive advantage. At the same time, this study provides insights as to why wine businesses may face a profitability challenge. It also shows that largely forgotten theory of administration (Fayol, 1916[2013]), remains useful for explaining this phenomenon. The exploratory nature of this study does not undermine its contributions and implications.

### Contribution of the Study

This study contributes new knowledge to the topic of the strategy-formulation-implementation-performance gap in the wine business. Its contribution is enhanced by the fact that this topic is infrequently studied simultaneously from both the employees’ and the leaders’ perspectives. Past studies have focused on either one or the other – not both, which is not helpful in promoting understanding.

Leadership is key in securing employee satisfaction, which has a domino effect on strategy implementation and is reflected in the performance gap. Leadership should be re-evaluated in how they address employee motivation, resulting in satisfaction. New themes that emerged from this study include employees’ need for a work-life balance and self-actualisation, aspects that are associated with the motivational needs for competence and autonomy, and that impact relationships.

These new themes should be further examined in future studies. In addition, the motivational needs of Generation Z should also receive attention, as they are currently entering the labour market.

Future research could also expand upon the mathematical service-profit chain link: leadership style yields employee satisfaction, which yields customer satisfaction, which in turn yields financial performance.

### Implications

This study demonstrates that strategy skills are deficient in the SA wine business.

A second implication is that a democratic leadership style is appropriate for the wine business as it is conducive to employee satisfaction and consequently to strategy implementation. Leadership can use the

framework dimension of organisation to implement strategy, specifically policies, to govern strategy implementation more effectively than an autocratic leadership style.

A theoretical implication is that along with more recent theories, Fayol's (1916[2013]) theory of administration still applies to contemporary businesses.

The study provides leadership with practical tools for shaping effective strategy by attending to coordination and cooperation as encompassed in the structural dimensions of organisation for implementing strategy, which harness competitive advantage. It is time to embrace these tools. It is time for leadership action to affect change in the wine business, by augmenting a solid product with a sound strategy. It is time for academics to change their research agendas to focus more on wine business leadership. Once more, the moment of turning has revealed itself.

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# SURVEY ON COMPLEXITY SCIENCE ADOPTION IN EMERGING RISK MANAGEMENT OF ZIMBABWEAN BANKS

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## ABSTRACT

*This paper aims to test complexity science theory adoption by Zimbabwean banks to fulfil the Basel Committee's demand for a new method and paradigm on emerging risk management. Unlike conventional risks, the absence of standard definition, framework, and paradigm for emerging risks' management poses challenges in Zimbabwean banks and globally. Data are collected by a structured questionnaire from 120 Risk Managers in 16 banks. Banks are divided into strata by bank size and ownership structure. Data analysis uses descriptive statistics. This paper finds higher levels of complexity science adoption on four-realms of emergence and adaptive properties but lower on modeling methods. The level of adoption and awareness is similar in Pan African, indigenous, and international banks. This paper contributes to the body of knowledge in two specific ways. First it adds insights to debate on finding standard definition for emerging risks. Second it pioneers and validates the adoption of complexity science theory for emerging risk management in Zimbabwean banks.*

**Keywords:** emerging risks, complexity science, risk management, banks, Basel Committee

## INTRODUCTION

Emerging risk management poses challenges among private and public organisations because there is no standard definition, paradigm, and/or framework (Organisation for Economic Co-operation and Development, 2003; International Society of Actuaries, 2008; International Risk Governance Council (IRGC) 2015; World Economic Forum Global Risk Report, 2021). Furthermore, current cartesian

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paradigms for conventional risk management are inapplicable to emerging risks because they are designed for closed systems which are backward looking and dependent upon historical data (Allan et al., 2013). These current methods are also premised on assumptions of homogeneity, linearity, stability, deduction, absence of information asymmetries, and rational expectations where the whole is sum of its parts (Sornette, 2009; Allan et al., 2013; Arthur, 2021; Bolton et al., 2020). On the contrary Allan et al., (2013) states that emerging risks are open and complex adaptive systems where the whole is not the sum of its parts. They are characterised by heterogeneity, emergence, instability, hierarchy, non-linearity, evolution, chaos, adaptation, creation of new order, far from equilibrium, and irrational expectations (Li et al., 2017; Ellinas, et al., 2018; Arthur, 2021). Hence, emerging risks are better handled with forward looking approaches and paradigms such as complexity science that deal with emergence and evolution (Ellinas et al., 2018; Basel Committee on Banking and Supervision, 2020; Institute of Risk Management, 2021)

Despite lack of standard definition and paradigm, the magnitude of impact of emerging risk events is either quite destructive or creates big opportunities of growth for society. For example, Covid19 pandemic, the 2008 great financial crisis, uprisings, acidification of water, global warming, Japan Fukushima nuclear disaster, internet of things, cybercrime, terrorism, among others have drastically challenged global system dynamics, our previsions and our understanding of their evolution (Mazri, 2017; World Economic Forum Global Risks Report, 2021). By ignoring all boundaries determined by governance structures and scientific disciplines, foundations of current risk governance approaches have been shaken to pieces (IRGC, 2010; Mazri, 2017; World Economic Forum Global Risks Report, 2021). Furthermore, due to interconnectedness emerging risks pose a global systemic threat to financial, economic, ecological, health, transport, societal, information and technology, energy, and water systems (OECD, 2003; Alexander, 2014).

Banks and their regulators are mandated to pay attention to emerging risks because they pose systemic financial instability, adverse impact on capital adequacy and opportunities for new product development (Allan et al., 2013; Alexander, 2014). Current cartesian paradigms and frameworks employed by banks such as Basel III are irrelevant in assessing emerging risks (Alexander, 2014; Bolton et al., 2020; Institute of Risk Management, 2021). Arthur (2021) argues that although conventional cartesian paradigms offer insights on risk management, they produce elegant and unrealistic mathematical models. Due to the recent impact of climatic changes and global pandemics such as Covid19, the Basel Committee on Banking Supervision is beginning to consider emerging risks as sources of financial instability (BCBS, 2020). The Basel Committee, banks, supervisors, and academics concur that emerging risks require an “epistemological break” from traditional to new methods and paradigms of management (Phillips, 2019; Basel Committee 2020, Bolton et al., 2020). In line to this proposition, this pioneering paper aims to test complexity science theory adoption, a new theory in emerging risk management of Zimbabwean banks, within developing country settings. The paper seeks to answer five research questions. What are emerging risks? How does complexity science theory apply in emerging risks management? Are risk managers aware of key emerging risks? What is the level of complexity science adoption in emerging risk management? This paper is structured as follows. Section 2 provides an in-depth analysis on the definition of emerging risks which culminates in the development of complexity science theoretical framework. Section 3 states the research methodology. Section 4 offers results and discussion. Section 5 provides the conclusion.

## LITERATURE REVIEW

### Defining Emerging Risks

The challenge of defining emerging risks is rooted in the divergent definitions of risk provided by various disciplines and philosophical backgrounds (Mazri, 2017). However, our evaluation of divergent definitions indicate that risk is defined from cartesian, interpretivist and neo-modernist ontological positions. Cartesians define risk as measurable uncertainty that combines frequentist probabilities and

consequences (Knight, 1921; Keynes, 1921; McNeil et al., 2015; Aven, 2015). This definition is rooted in conventional theories based on assumptions of closed systems, stability, rational expectations, ordered states, Gaussian normality, independence, homogeneity, and absence of information asymmetries (Ganegoda and Evans, 2014; Hull, 2018; Plosser and Santos, 2018). Cartesians view risk from an objective or positivist scientific philosophy where the system is decomposed into components which are studied in isolation such that the “whole is the sum of its parts.”

Interpretivists define risk as the subjective perception of individuals based on their personal experience, social beliefs, subjective notions, and culture. Thus, risk is qualitative and can be quantified by subjective probabilities (Ramsey, 1926; Shackle, 1949; Aven, 2017; Righi et al., 2019). Interpretivists reject notions of objectivity, certainty in knowledge, rational expectations, subject centred reasoning, and referential use of language (Beck, 1992; Rossa, 2003; Cavallo, 2014; Morin, 2014). The proliferation of qualitative frameworks and books on risk management is testament to progression of interpretivism philosophy in risk management.

Neo-modernists are pragmatists who take risk as a combination of events, consequences, and uncertainties (Aven, 2015; Righi et al., 2019). For neo-modernists, reality is made up by multiple perspectives. Risk, is hence an integration of definitions from multiple disciplines such as mathematics, science, economics, finance, engineering, medicine, arts, humanities, philosophy, and information technology (Althaus, 2005; World Economic Forum, Global Risk Report, 2013, Bolton, et al., 2020). Furthermore, risk is an open and complex adaptive system better understood by using system thinking philosophy (White, 1995; Gros, 2011; Farmer, 2012). In this philosophy emerge complexity science theory which is used to study complex adaptive systems (Mitletown Kelly, 2003; Allan et al., 2013). For example, in engineering and biological sciences complexity science is used to understand ant colonies, condensed matter, worldwide web, biological and ecological systems. In economics it is used to understand economies, distribution of wealth, markets and financial systems having roots in Adam Smith’s laissez faire theory, and Pareto laws (Anderson, 1972; Arthur, 2013). In social sciences, it is applied in understanding crowd dynamics, organisational behaviour, language, societal evolution, and culture (Mitletown- Kelly, 2003).

Neo-modernism leaves open the possibility of modelling uncertainties beyond frequentist formalism to address aleatory, epistemic, ambiguous and surprise nature of risk events (Aven and Kristensen, 2005; Aven, 2010). Mazri (2017) states that the neo-modernist’s definition of risk is more applicable to emerging risks where important epistemic uncertainties are likely to be at play, lack of historical data or experience and the need to prepare for surprises is crucial. In conclusion neo-modernists believe that emerging risks are dynamic systems where the whole is greater than the sum of its parts (Allan et al., 2013; Cavallo, 2014; Grabner, 2015).

Furthermore, there is no standard nomenclature for emerging risks from academics and professionals. Authors use different names, for instance uncontrollable risks (Howell, 2016), black swans (Taleb, 2007) and catastrophic events (Ricci and Sheng, 2017). Aven (2015) state that emerging risks are the “known- unknown” subset of black swans. He further argues that black swans lead into extreme consequences whereas emerging risks into severe consequences. On the contrary Taleb (2007) equate black swans to emerging risks. Ricci and Sheng (2017) sorts catastrophic events into non-routine events, grey swans, dragon kings and black swans.

Despite a lack of standard definition, framework for management, and paradigm, there is consensus by standard setting bodies that emerging risks will increase in future due to changes in demography, environment, technology and socioeconomic structures (OECD 2003; IRGC, 2015; Basel Committee, 2020; World Economic Forum Global Risk Report, 2021). In the spirit of Aven (2015) and



Mazri (2017) we provide an in-depth analysis of 17 definitions of emerging risks. The following is a non-exhaustive representative panorama of definitions:

- 1) European Agency on Health and Safety (2005)- Emerging risks are any occupational risk that is both new and increasing. New means that (a) the risk did not previously exist and is caused by new processes, technologies, workplaces or social or organizational change; or (b) a long-standing issue is newly considered as a risk due to a change in social or public perceptions, or (c) new scientific knowledge allows a long-standing issue to be identified as a risk. Increasing means that (a) the number of hazards leading to the risk is growing; or (b) the exposure to the hazard leading to the risk is increasing (exposure level and/or the number of people exposed); or (c) the effect of the hazard on workers' health is worsening (seriousness of health effects and/or the number of people affected).
- 2) European Food and Safety Agency (2007)- A risk resulting from a newly identified hazard to which significant exposure may occur or from an unexpected new or increased significant exposure and/ or susceptibility to a known hazard.
- 3) Swiss Re (2019)- Developing or changing risks that are difficult to quantify and may have a major impact on society and industry.
- 4) International Risk Governance Council (2015)- Risk that is new or a familiar risk that becomes apparent in new or unfamiliar conditions.
- 5) European Network and Information Security Council (2010)- Risk that may have an impact between one and five years in the future, while future risks ... may have an impact in more than five years.
- 6) PriceWater House Coopers (2009)- are large-scale events or circumstances that arise from global trends, beyond any control and have impact on multiple sectors in ways difficult to imagine today. Emerging risks are those large impact, hard to predict, and rare events beyond the realm of normal expectations.
- 7) Prudential Insurance Company of America (Barney,2011)- A condition, situation or trend that could significantly impact the company's financial strength, competitive position, or reputation within the next five years.
- 8) Lloyds (2010)- An issue that is perceived to be potentially significant but that may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving or capital setting.
- 9) Risk and Insurance Review Editorial (2012) - Risk that is not on the average insurance buyer's radar but probably should be.
- 10) National Academy of Science (2012)- refers to the likelihood that a new material will cause harm in ways that are not apparent, assessable, or manageable with current risk assessment and risk management approaches.
- 11) Risk Glossary ([www.riskythinking.com](http://www.riskythinking.com)) – A new risk that is in the process of being understood and quantified. Unlike other risks, emerging risks do not have a track record that can be used to estimate the likely probabilities and expected loss.
- 12) International Actuarial Society (2008)- developing or already known risks which are subject to uncertainty and ambiguity and are therefore difficult to quantify using traditional risk assessment techniques
- 13) Oppenheimer et al., (2014)-A risk that arises from the interaction of phenomena in a complex system, for example, the risk caused when geographic shifts in human population in response to climate change lead to increased vulnerability and exposure of populations in the receiving region.
- 14) Enterprise Risk Management (Locklear,2011) - a new (novel) manifestation of risk, of a type which has never existed before.
- 15) British Actuarial Journal (Allan et al., 2013)- Emerging risks are the emergence of unintended consequences because of complex interactions between strategic objectives, existing risks, risk management interventions, business and regulatory environment, markets, and people's behaviour.
- 16) Institute of Risk Management (2021) - A risk that is evolving in areas and ways where the body of available knowledge is weak. It exists in three forms. (a) A new risk in a known context. (b) A known risk in a new context (c) A new risk in a new context.
- 17) Flage and Aven (2015) -We face emerging risk related to an activity when the background knowledge is weak but contains indications/justified beliefs that a new type of event (new in the context of that activity)

could occur in the future and potentially have severe consequences to something humans value. The weak background knowledge among other things results in difficulty specifying consequences and possibly also in fully specifying the event itself, i.e. in difficulty specifying scenarios.

As pointed out by Flage and Aven (2015) from analysis of ten definitions, this long list of distinct definitions reveals heterogeneous and divergent understanding of the concept of emerging risks by various organisations and authors. This is because of different ontological positions and domains or industries (food safety, insurance, enterprise risk management, consulting companies, engineering, actuarial science, occupational health, etc.). Flage and Aven (2015) proposes a standard definition that includes states of knowledge and subjective perception of emerging risks.

Furthermore, Mazri (2017) analyses eleven definitions of emerging risks. First, he finds that all the definitions reflect five descriptive factors or themes namely: lack of knowledge, temporary occurrence, dynamic character, high uncertainties, and huge magnitude of consequences. These descriptive factors are generally cited in some literary sources as properties of emerging risks. Mazri (2017) argues that using these factors leads into failure to clearly differentiate familiar risks from emerging risks and provide decision makers with a framework to deal with them. Rather using these properties creates ambiguities on the definition of emerging risks. Second, he finds that these definitions exclude emergence from complexity science theory. Third, he provides a different but complementary perspective to Flage and Aven (2015). His perspective is that emerging risks cannot be treated or defined as a separate category of risks. He proposes a standard definition that categorise emergence into ontological, epistemological, societal, and fully emerged. He argues that it is possible to achieve a weak but unified standard definition which acknowledges path emergence and complex systems.

In support to Mazri (2017) our further analysis of current definitions (12,13,15) shows an inclusion of complexity science. Authors agree, but using different semantics, that emerging risks evolve in complex systems in these forms (a) a new risk in a known context. (b) a known risk in a new context (c) a new risk in a new context. This paper proposes an all-encompassing definition of emerging risks that includes complex systems, knowledge dimensions, relativity, and emergence lifecycle. Hence this paper views emerging risks as complex systems. Such risks are either unknown, undeveloped, developing or already known risks which are subject to four states of uncertainty. Our definition is rooted in Knight (1921), Diebold et al., (2010), Ganegoda and Evans (2014), Flage and Aven (2015), and Mazri (2017)'s conceptualisations of risk and uncertainty. Emerging risks are defined by four path of emergence which are Ontological Uncertainty, Ambiguous Uncertainty, Knightian Uncertainty and Knightian risk. The definition can be standardised although it gives room for relative interpretation of states of emergence by different organisations and risk managers. Section 2.2 and 2.3 provides further details on the framework that works with this definition.

## **Complexity Science Theoretical Framework**

There are various frameworks proposed for the management of emerging risks in the developed countries. Examples are Framework of the European Union Agency for Network and Information Security (ENISA), Framework of the European Food Safety Authority (EFSA), The Swiss Re SONAR system, the Dutch framework, the International Risk Governance Council (2015), International Society of Actuarial Society (2008) and International Risk Management (2021). Classifications are done by source/ theme, type, characteristic, and manner of occurrence (PriceWater House Coopers,2009).

Globally, standard setting bodies have produced frameworks for identification and effective management of emerging risks. For example, the OECD (2003) sorts emerging risks into natural disasters, industrial accidents, infectious diseases, terrorism, and food safety. Alternatively, World Economic Forum

(2006,2018) produces five broad categories by likelihood and impact which are economic, environmental, technology and information, geopolitical and societal risk. Most industries adopt the World Economic Forum naming conventions. However, all these frameworks offer generic guidelines without explicitly explaining how complexity science theory can be used to manage emerging risks. Besides, the frameworks are not designed for the purpose of serving banks. This paper proposes a complementary four-realm complexity science classification framework for managing emerging risks in banks or any other financial institution. The framework rests on path of emergence in complex adaptive systems.

### **Complex Adaptive System Properties**

Emerging risks are complex adaptive systems (Allan et al.2013; Li et al.,2017; Ellinas et al.,2018). A complex adaptive system is an open, living, and dynamic system (Mitleton-Kelly, 2003; Mitchell,2009; Li et al.,2017). It has a large network of autonomous components without a central point of control. Simple rules of operation give rise to complex collective behaviour, evolution, and adaptation (Mitleton-Kelly, 2003; Baranger,2010; Gentili,2021). Newman (2011) provides some examples of complex adaptive systems which are quantum systems, condensed matter, human societies, economies, internet of things, ant-colonies, organisations, human beings, world system, biological and natural systems. Studies summarise properties of complex adaptive systems as heterogenous agents, self-organisation, emergence, adaptation, non-linearity, far from equilibrium, space of possibilities, networks, co-evolution, historicity and time, path dependence and creation of new order (Mitleton-Kelly,2003; Corrigan et al.,2013; Grabner; 2017; Turner and Baker,2019).

Complexity science theory is used to analyze complex adaptive systems from a multidisciplinary perspective. It defies traditional mechanistic and linear theories (Baranger 2010; Lokear, 2012, Grabner,2017). While there is no universal definition, complexity science is a distinct world view, paradigm, conceptual framework, theory, and methodology emanating from systems thinking theory (Mitleton-Kelly ,2003; Allan et al., 2013; Battiston et al., 2016; Turner and Baker,2019). Systems thinking theory is a discipline of seeing wholes, a framework for pattern-based management, and a set of systemic tools to solve problems systematically (Mitleton-Kelly, 2003; Allan et al., 2013). It gives better understanding to problems which cannot be reduced into elements because of interactions, adaptation, dynamism, networks, interconnectivity, relationships, evolutionary and emergent behaviour (Arthur,2013; Beker,2017).

Despite a solid body of literature on complexity science, few studies apply the approach in risk management of financial institutions. Few empirical studies (Li, et al., 2018; Allan et al., 2013, Ellinas et al., 2018 and Li and Evans, 2019) test complexity science theory in emerging risk management of banks and insurance companies in Europe and America. Using modelling experiments, these studies find that network theory, concept mapping, Bayesian networks, and phylogenetic theory gives better insights to emerging risk management. However, these studies focus on developed countries where markets are sophisticated. This paper pioneers the holistic application of complexity science theory in less sophisticated markets of a developing country using a survey research approach. The next section discusses the four realms of emergence.

### **Four Realms of Emergence**

Drawing inspiration from Knight (1921), Hayek, (1964), Diebold et al., (2010), Ganegoda and Evans (2014), Flage and Aven,(2015), Aven (2017) and Mazri (2017) this paper proposes four levels of emergence for emerging risks namely (a) Ontological uncertainty , (b) Ambiguous uncertainty (c) Knightian uncertainty, and (d) Knightian risk . Similar four realm classifications are found in Casti (2011); Higgins (2014); and European Commission (2016) in engineering, environmental economics, disaster risk

and property management. This framework can be used by risk managers and executives to broadly assess, classify, and manage different types of emerging risks faced by banks and any other financial institution. It aids executives and risk managers in contextualising, sense-making, categorising, determining appropriate tools, and setting alternative courses of action from multiple perspectives.

As mentioned earlier, emerging risks in this framework are defined and categorised by path of emergence and availability of knowledge or data (Diebold et al.,2010; Flage and Aven,2017; Mazri,2017). The classification caters for the relative perception of the organisation. The key argument is that every risk at some point in time is emerging, and will mature to “fully emerged” risk; as risk managers, policy makers and scientific communities become conscious of it by acquiring either new knowledge and or psychological mechanism that modify perception or awareness of them. It should be noted that ontological and ambiguous uncertainty matures into Knightian uncertainty and Knightian risks. The four states of emergence are highlighted.

Ontological uncertainty is the first realm in the lifecycle of emerging risks. It is the realm of unknown-unknowns or ignorance or hidden risks (Rumsfeld, 2002; Bronk,2011; Ganegoda and Evans,2014; Mazri,2017). Risk managers and executives are neither aware nor understand emerging risks in this state. According to Mazri (2017) this is because existing combinations of activity and stakes generating negative consequences have evolved or new ones have appeared following complex interactions. Consequently, former risks have worsened, or new ones have emerged. The scientific and policy making community do not have a solution because there is theory and data unavailability. Expanding on Snowden (2003), Turner and Baker (2019) identifies this realm as “chaotic” because there is no visible relationship for cause and effect. The risk manager and executives must sense, act, and respond with novel practice and pattern-based management. This involves a balanced mix of precaution, regular stress testing, scenario analysis, crisis management, early warnings, investing in research and knowledge, heuristics and complexity science (Allan, et al.,2013; Ganegoda and Evans, 2014; Aven,2015; IRGC,2015; Haldane,2017).

Black swans are examples of ontological uncertainty (Taleb,2007). Black swans are rare extreme events that come as a surprise with an extraordinary impact and whose explanation is a posterior activity (Aven,2015; Taleb, 2007). According to Taleb (2007) black swans are regarded as ultimate epistemic uncertainty where there is lack of fundamental knowledge, the probability distribution and in the extreme case the phenomenon itself. These events are thus completely unpredictable, challenge the conventional world view and does not produce precursor warnings (Pate- Cornell,2012; Ricci and Sheng, 2017). Aven (2015) defines a black swan as a surprising extreme event in relation to one’s knowledge /beliefs.

Ambiguous uncertainty refers to emerging risks that emanate from human agents who operate the banking system (Runde, 2009, Wynne,1994; Ellinas, et al.,2018). Banks, economies, financial systems are complex adaptive systems governed by human beings (Newman,2011). Keynes (1921) argues that because of greed and fear human beings more often display “animal spirits” that are contrary to the rational expectations’ doctrine in classical theories and paradigms. Animal spirits caused by adaptive psychological behaviour and irrational expectations lead into cognitive biases and misjudgements (Lo,2012; Thaler 2015). Examples of the biases are herding, mental accounting, overconfidence, anchoring, hindsight bias, representativeness, cognitive dissonance, loss, and regret aversion (Shefrin,2010; Lloyds,2010; Virigineni and Rao, 2017).

Studies highlight that due to interconnectedness man-made emerging risks have the potential to cause global systemic meltdown to the financial system (Zurich,2008; Posner,2010; OECD,2011). History is replete of black swans that emanated from human beings and caused significant changes to the society such as market crashes, depressions and financial crises (Sornette,2009) for example the 2008 financial

crises, the Sarajevo assassination which sparked First World War, and so on. Ambiguous uncertainty is managed by applying behavioural finance and game theory (Lo, 2012; Ganegoda and Evans,2014). By using cognitive psychology, fractal behaviour, heterogeneous expectations, and adaptive markets hypothesis behavioural finance bridges the gap between traditional financial theory and real-world markets (Peters, 1991; Barberis and Thaler, 2003; Lo, 2012; Hommes, 2020). Game theory is applicable to operational risk modelling arising from terrorism, legal, strategic, and cyber risk (Akinwumi et al., 2017; Cuong et al., 2017).

Knightian uncertainty is path of emergence where the risk managers have the knowledge about future outcomes but underlying probabilities cannot be measured explicitly because of insufficient data, lack of well-developed theory and models, wild randomness and high degree unique events (Mandelbrot and Hudson,2004; Ganegoda and Evans, 2014; Higgins,2014). Mazri (2017) calls this state epistemological emergence and scientifically controversial risks. Epistemological emergence occurs when the scientific community knows that there is an emerging risk that poses a threat, but long-term studies are needed to provide more evidence about the risk. Gray swans and dragon kings are examples of scientifically controversial risks (Sornette,2009, Phillips,2019). Of course, the distinction between gray and dragon kings is sometimes blurred.

Although gray swans are uncertain novel and high consequence events, risk managers can predict their probabilities with physical knowledge and historical data (Aven,2015; Ricci and Sheng, 2017). Grays swans are identified in Pate-Cornell (2012) as perfect storms. Perfect storms are aleatory uncertainties or randomness where the future outcome is known but there is a well-known lack of empirical evidence to support theories, or the factual confirmation may take very long. Dragon kings or gray rhinos are large scale epoch changing outliers with high impact yet predictable with early warnings and complexity science (Laherrère and Sornette, 1998; Johansen and Sornette 2001; Sornette 2009; Wucker ,2016; Ricci and Sheng,2017). Sornette (2009) states that dragon kings are complex adaptive systems that are explained by power laws. Examples of dragon kings are earthquakes, volcanoes, landslides, financial crisis, storms, snows, and veld fires. In general, Knightian uncertainty is dealt by investing in knowledge, scenario analysis, stress testing, logic trees, heuristics, and complexity science (Allan et al., 2013; Ganegoda and Evans,2014; Haldane,2017).

Knightian risk is the last realm in the lifecycle of emergence where an emerging risk is regarded as familiar (IRGC,2015) or fully emerged (Mazri,2017). Because of the availability of knowledge on probability and future outcomes, this level of uncertainty is quantifiable or managed with best practice (Snowden and Boone,2007; Ganegoda and Evans,2014). For these risks both scientific and policy communities have found an agreed standard solution or deployed new risk policies or adapted existing policies to the risks or forthcoming risk revolutions (Mazri,2017). Scientific evidence continues to regularly confirm the need to act and provide additional information on possible consequences and available alternatives of action (Mazri,2017).

Apart from fully emerged risks, some non-routine events are considered as Knightian risks if they are foreseeable and measurable outliers. Conventional tools such as probability theory, logic trees and differential equations can be applied (Ricci and Sheng,2017). Aven (2015) states that for those non-routine events or black swans known by the risk manager but believed to be negligible or less likely to occur for instance the September 11 attacks on USA, managers must use subjective judgements (heuristics) and degrees of belief leading to precautionary and resilience management.

## **COMPLEXITY SCIENCE MODELLING METHODS**

In the earlier section above, we identify the four realms of emergence from literature review. The realms are used to define and manage emerging risks. This section highlights the complexity science modelling methods. These are artificial or computational intelligence techniques that reliably integrate quantitative and qualitative features for complex systems. Complexity science methods are more appealing in modelling emerging risks because they mix both facts and experts' judgement (Taleb, 2007; Mazri, 2017; Phillips, 2019). Again, these techniques allow for holistic, fact and pattern-based management where data and systems in question display emergence such that the "whole is not the sum of its parts."

Allan et al., (2013) provides a comprehensive review of complexity science modelling methods for emerging risks. Arthur (2021) summarises the same modelling methods from complexity economics perspective. Concept mapping is a qualitative simulation technique used to visualize complex and non-linear relationships between ideas and concepts in the world. Systems dynamical modeling is causal modeling of nonlinear relationships of underlying structures of flows, delays, and feedback loops (Forrester, 1969; Allan et al., 2013; Grabner, 2017). Chaos theory originates from the fractal market hypothesis and is used to quantify non-linearity, butterfly effects, unpredictable situations, and causation feedback loops.

Fuzzy set theory is applicable to situations where there is vague and ambiguous information (Chaudhuri and Ghosh, 2016). When using fuzzy logic, people's qualitative descriptions and quantitative estimations are elaborated to maximise utility. Zadeh (1965, 1978) extends fuzzy into possibility theory. Possibility theory is a subjective modelling technique applicable to small sample sizes, linguistic information, subjective elements, vague, imprecise, and conflicting data (Georgescu, 2012).

Neural networks are an automated non-linear regression process that mimic the structure, processing method and learning abilities of brain systems. Liu (2016) and Kachalov et al. (2018) apply neural networks to operational and strategic risk respectively. Bayesian networks allow a system to perform inference and learning. Virtually a BN is a hierarchy structure with nodes cascading in layers, allowing users to visually understand the logical relationships among variables. Bayesian networks allow the introduction of prior knowledge and expert opinion into the calculation.

Agent based modelling is when a system is modelled as a collection of autonomous decision-making entities called agents (Bonabeau, 2007; Haldane, 2016). It simulates heterogeneous, adaptive, emerging, and evolving agents. Network theory models entities like assets, stocks, markets, companies, and institutions as vertices while their mutual relationships are abstracted as edges (Allan et al., 2013). Interconnectedness, contagion, shock propagation, market stability and risks are modeled with network graphs (Ellinas et al., 2018; Petrone and Latora, 2018). Algorithms are applied to find clustering, grouping, identification of cycles, hubs nodes and average shortest path (Mitchell, 2006). Haldane and May (2011) apply network theory to measure systemic risks in banks. Ellinas et al., (2018) apply the theory directly to emerging risks in an insurance company.

Ant colony optimization emanates from ants' iterative behaviour to finding the shortest route to a food source (Dorigo and Stutzle, 2004). During each iteration several ants (which is a parameter) construct complete solution using heuristic information and the collected experiences of previous groups of ants. The amount of pheromone deposited in shortest path guides other ants to follow the same route. Ant colony optimisation is applicable in systems where there is self-organisation. Marten (2010) applies ACO in estimating credit risk under Basel II, but not necessarily for emerging risks. This methodology is still limited to academia.

Some scholars argue that emerging risks share similar traits with biological evolution namely competition, inheritance, accumulation modification and adaptation (Mesoudi et al., 2006; Pagel et al.,

2007; Allan et al., 2013, Li et al., 2018). Hence evolutionary techniques from systematic biology such as genetic algorithms, phylogenetics and cellular automata are directly applicable to emerging risks management (Allan et al.,2013; Ellinas et al., 2018). Genetic algorithms are suitable for modelling complex systems where the objective function is stochastic, nonlinear, discontinuous, and non-differentiable (Holland,1929; Mettawa et al.,2017). By using fitness functions, genetic operators, and genetic representations (chromosomes) genetic algorithms replicate natural evolution processes, selection, mutation, crossover, and population growth under the “survival of the fittest” principle. This leads to the evolution of populations that are better suited to their environment than the individuals they originated from.

Phylogenetics theory models historical descent, path dependence and evolution using cladistics. Cladistics are trees and nodes that show the risk’s DNA (Mesoudi et al., 2006; Allan et al., 2013, Li et al., 2017). Phylogenetics theory is applied to analyse operational risk events in European and American banks (Li et al.,2017), World Economic Forum emerging risks (Evans et al.,2017), financial events in Australian banks ( Li and Evans,2017; and Li,2017) and emerging risks in multi-line insurance company in Europe (Allan et al.,2013). Cellular automata explore the discrete behaviour of interacting elements using simple rules to enable the analysis of diffusive, transportive and dissipative effect of risks. The method is commonly applied in natural hazard modelling where data is slow and severity high for example terrorism and floods. As can be seen from the literature review there are few studies that have applied complexity science in emerging risk management. The studies focus on American and European banks. This paper pioneers the application of complexity science to Zimbabwean banks, with intention to add contributions to knowledge from developing country context.

## METHODOLOGY

This section outlines the research methodology used and provides insight into data collection. The study uses a structured questionnaire to collect primary data from 16 Zimbabwean banks. At time of study Zimbabwe had 16 banks after merging building societies into their parent commercial banks. The structured questionnaire is adopted because it provides standardised responses, least cost data collection from a large sample and independent objective data analysis (Zikmund,2003; Fellegi, 2010; Babbie 2011; Saunders et al.,2019). The questionnaire is designed to collect categorical data with a mixture of Likert scale, and “yes/no” questions. The questions are designed by researchers based on theoretical constructs on complexity science theory (Easterby-Smith et al., 2015, Saunders, et al.,2012; Fellegi, 2010; Collis and Hussey, 2009). Four variables are used to determine level of adoption namely emerging risks awareness, four realms of emergence, complex adaptive properties, and modelling method.

The banks are divided into four strata by bank size and ownership structure into International, Pan African, Private owned and Government owned indigenous banks. The sample size is determined at 95% confidence interval using Krejcie and Morgan’s (1970) table as in Sekaran (2003), Yamane’s (1967), and Saunders et al., (2012) formula providing samples of 132,133 and 132 respectively. Out of a population size of 200 Risk Managers,160 self- administered questionnaires are hand delivered and collected within six months. The questionnaires are distributed beyond those recommended by the three techniques to improve the response rates. 131 were returned, representing a 75% active response rate. Out of the 131 returned questionnaires, 120 are used in data analysis because they are adequately completed.

The questionnaire was piloted by employing Babbie and Quinlan (2011)’s two stage procedure. Academics selected from the University of Bolton and ten Risk Managers chosen by stratified random sampling reviewed the questionnaire for correctness and feasibility to study (Saunders et al.,2012; Hussey and Collins, 2010). Ten risk managers are employed following Brace (2008), who states that pilot testing

is successful in identifying the needed changes if few individuals up to ten are willing to complete and provide suggestions. Data was analysed with descriptive statistics on Statistical Package for Social Sciences (SPSS). Following Tukey (1977)'s exploratory data analysis method, data is presented in form of frequency tables and bar charts (Field, 2009; Saunders et al., 2012; Hair et al., 2014). Validity and reliability of the instrument were measured by content validity and Cronbach's alpha. Content validity is established by ensuring that structured questionnaire was reviewed by academic experts from the University of Bolton and ten risk managers who participated in the pilot study (Kimberlin and Winterstein, 2008; Pallant, 2010; Mohajan, 2017). The Cronbach alpha was 0.813 (Heale and Twycross, 2015, Saunders et al., 2012; Mohajan 2017). Hence results are valid and reliable.

Ethical considerations in this study cover permission to conduct survey, informed consent, data privacy and confidentiality. Permission to conduct survey were obtained from the University of Bolton. Participants completed the questionnaire from informed consent where they had a right to withdraw their participation. The purpose of the research was explained to the participants by the researcher on the cover letter attached to questionnaire. The study ensured data privacy on two matters. Firstly, no reference is made to names of banks where questionnaires were distributed. Secondly, no reference is made to any individual or bank on data analysis, presentation, and discussion of outcomes.

## RESULTS AND DISCUSSION

This section reports and discusses the results to show risk manager's awareness and levels of complexity science adoption in emerging risks' management of Zimbabwean banks. As stated in the methodology section a structured questionnaire was completed by 120 Risk Managers. Survey respondents were asked for their perceptions with five-point Likert scale and "yes and no" questions. The Likert scale questions were on scales: 1 Not to any extent, 2 To a little extent, 3 To some extent, 4 To a large extent, and 5 To a very large extent. For reporting purposes scale 1 is collapsed into Nil; while 2,3, 4 and 5 are amalgamated into to a large extent (Large).

Table 1 shows that 77% of the Risk Managers who participated in the survey had above three years' experience in risk management. Hence the structured questionnaire was completed by experienced personnel.

**Table 1: Experience of Participants.**

Experience in years	Frequency	Proportion
At most 2	28	23%
3 - 5	96	38%
6 - 10	32	27%
11 - 15	8	7%
Above 15	6	5%

(Source: Authors)

### Risk Managers' Awareness of Emerging Risks

Table 2 shows there is no significant correlation between bank size and the level of risk manager's awareness of emerging risk management in Zimbabwean banks. On average 94 percent of risk managers



in Pan African, 79 percent in international and 63 percent in indigenous banks are generally aware of emerging risks and have adopted them in their capital management. In comparison, the rate of awareness is slightly higher in Pan African and international banks than indigenous banks due to influence of global presence and quick adoption of international standards.

**Table 2: Risk Manager’s Awareness by Bank Size**

Question	Does your bank recognize the following emerging risks in capital management							
Risk Type	International Banks		Pan African Banks		Private Indigenous Banks		Government Indigenous	
	Large	Nil	Large	Nil	Large	Nil	Large	Nil
Societal	93%	7%	92%	8%	61%	39%	55%	45%
Technology	67%	33%	97%	3%	68%	32%	71%	39%
Environmental	53%	47%	92%	8%	58%	42%	59%	41%
Geopolitical	100%	0%	94%	6%	63%	37%	58%	42%
Economic	100%	0%	97%	3%	78%	22%	71%	29%
Mean	79%		94%		64%		61%	

(Source: Authors)

These results support extant studies by Alexander (2014) and Bolton et al., (2020) who find that environmental risks are material in banks hence must be integrated in Central Bank financial stability regulation such as Basel III. This study finds that all emerging risks are material in Zimbabwean banks. Therefore, rather than concentrating on climate risks only, the Central Bank should focus on all emerging risks.

**Complexity adaptive properties adoption**

Table 3 shows that 81 percent of risk managers in Pan African, 66 percent international and 74 percent in indigenous regard to a greater extent the complex adaptive properties of emerging risks. Furthermore, there is no relationship between bank size and level of adoption of complexity adaptive properties.

**Table 3 Bank Size and CAS properties adoption**

Question	To what extent do you use these properties in emerging risk management							
Property	International banks		Pan African banks		Private Indigenous		Government	
	Large	Nil	Large	Nil	Large	Nil	Large	Nil
Quantitative nature	87%	13%	100%	0%	100%	0%	97%	3%
Self-organisation	40%	60%	83%	13%	87%	13%	71%	29%
Interconnectedness	100%	0%	94%	6%	92%	8%	81%	19%
Chaotic nature	73%	27%	70%	30%	76%	24%	55%	45%
Historicity and time	40%	60%	69%	31%	76%	24%	55%	45%

Path dependence	40%	60%	72%	28%	74%	26%	39%	71%
Evolution and emergence	60%	40%	76%	24%	74%	26%	52%	48%
Non-linearity	60%	40%	78%	22%	71%	29%	71%	29%
Multidimensional nature	60%	40%	96%	4%	82%	18%	52%	48%
Systemic nature	87%	13%	81%	19%	84%	16%	77%	33%
<b>Mean</b>	<b>66%</b>		<b>81%</b>		<b>82%</b>		<b>65%</b>	

(Source: Authors)

From these results it is concluded that risk managers from all bank types equally consider emerging risks as complex adaptive systems. The definition of emerging risks in Zimbabwean banks conform to the multidisciplinary neo-modernist’s definition of risk where positivism, interpretivism and realism are mixed.

### Adoption of four realms of emergence

Table 4 indicates that regardless of bank size there is significant adoption of the four-realm path of emergence for emerging risks. On average 97 percent respondents show that Zimbabwean banks utilise Knightian risks, 88 percent ontological uncertainty, 87 percent ambiguous uncertainty and 73 percent Knightian uncertainty; path of emergence for emerging risks.

**Table 4 Bank Size and Four Realm Adoption**

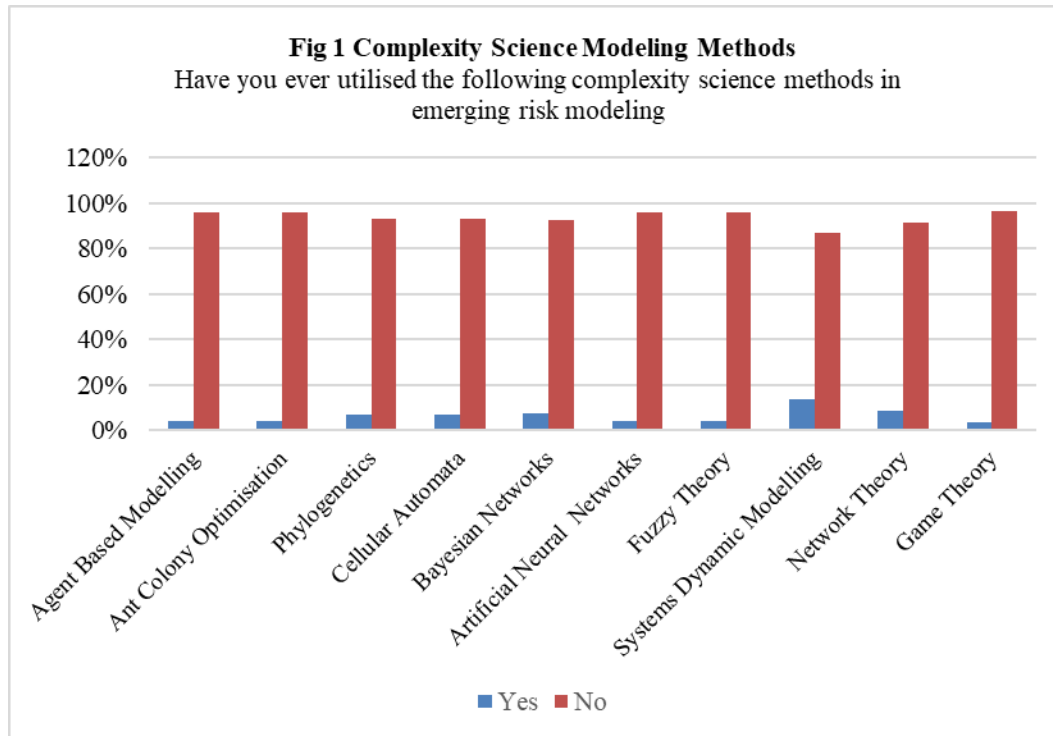
Question	Do you utilise the below classification of emergence for emerging risks							
	International		Pan African		Private Indigenous		Government indigenous	
Realm	Yes	No	Yes	No	Yes	No	Yes	No
Ontological Uncertainty	90%	10%	89%	11%	93%	7%	80%	20%
Ambiguous Uncertainty	93%	7%	89%	11%	90%	10%	74%	26%
Knightian uncertainty	57%	43%	84%	16%	91%	9%	61%	39%
Knightian risks	98%	2%	95%	5%	96%	4%	97%	3%

(Source: Author)

From these results it is observed risk managers in Zimbabwean banks are aware of the path of emergence for emerging risks. They manage them with a mixture of fact and pattern-based management.

### Complexity science modeling adoption

Fig 1 shows low adoption of complexity science modeling methods. In fact, the results show that banks in Zimbabwe are not yet compliant to complexity science modeling methods. On average 93% disagree to using complexity science methods. There is very low adoption of artificial intelligence techniques in emerging risk management.



## CONCLUSION

Emerging risks are complex adaptive systems characterised by emergence, evolution, chaos, and creation of new order. Following proposals for the development of a new theory and paradigm for emerging risk management, this paper tests complexity science theory adoption in Zimbabwean banks. First, the paper carries an in-depth analysis on 17 definitions of emerging risks from various organisations and academics. The paper finds heterogeneous definitions among organizations and scholars due to different conceptualisation and ontological positions. These heterogeneous definitions mainly reflect conventional paradigms of defining risks which does not give an accurate picture of emerging risks. Hence this paper recommends a standard definition which considers complex systems, knowledge dimension, relativity, and path of emergence.

Second, the paper assesses Zimbabwean bank risk managers’ awareness of emerging risks in their capital management. The study finds that risk managers are aware of emerging risks set forth by standard setting bodies and apply them in their strategic capital management decisions. Third, the study tests adoption of complexity science, a new paradigm, theory, and framework for risk management. The study finds that risk managers in Zimbabwean banks have to a greater extent adopted the view that emerging risks are complex adaptive systems and the four-realm emergence classification method. However, they are not yet compliant to complexity science modeling methods. An interesting observation is that the levels of adoption are significantly similar in Pan African, international, and indigenous banks.

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# YOUTH UNEMPLOYMENT AND LABOUR MARKET POLICIES: THE CASE OF THE REPUBLIC OF KOSOVO

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## ABSTRACT

*High unemployment is an economic, social and political problem. This study analyses employment and unemployment in the western Balkans, looking particularly at youth unemployment in Kosovo. It considers the employment and unemployment of young people (aged 18-24 years) and labour market policies in Kosovo. The results of the study show that unemployment in this age group is high, and that labour market policies are also not appropriate. The study was conducted during the pandemic (2020). It involved young people aged 18-24, and used data from various local and international institutions regarding the labour market for young people, labour market policy, etc. The study shows that in Kosovo 48.7% of young people aged 18-24 are unemployed, and that the most pronounced unemployment is among women. The variables in the study are found to be linearly related, and the correlation is significant at the 0.01 level (2-tailed). The linear regression of the dependent variable (employment in the 18-24 age group) differs as the independent variables (education, etc.) change. Kosovo's problem with youth unemployment is the result of poor economic development as well as inefficient labour market policies. The study recommends that policymakers develop sustainable and effective policies that will lead to stability in youth employment and improve the labour market performance. These policies should help organizations and businesses to increase the number of employees, but should also create long-term employment stability. Furthermore, a critical appraisal is necessary to avoid youth unemployment, instability in youth employment and labour market instability as a whole.*

**Keywords:** Unemployment, employment, labour market policies, labour management

## INTRODUCTION

The economic and social dimension of unemployment increases its complexity and requires the adoption of broad analyses to understand the causes and consequences of the phenomenon. The growth of the economy has prospects of augmenting employment rate while providing more opportunities that could help alleviate poverty also unemployment (Kgomo, 2021). Unemployment is a multidimensional negative phenomenon that affects every human society. Simply put, unemployment is the number of people in the

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labour force who want to work but who do not have a job, and the unemployment rate is calculated as the number of unemployed individuals divided by the number of individuals who are part of the workforce. The workforce consists of people who are able to work but excludes those who are retired, those who are incapacitated, and those who are able to work but are not currently looking for a position (Hall, 1979). Employment has always been one of the most important social issues, because it affects the economic development of society and social stability. Employment results in production, production generates income, and income results in demand for products, thus creating a chain. The economic downturn and rising unemployment associated with the pandemic may not necessarily be structural with the result that its effects on property rates and user fees may not be explicable through the established principles about the relationship between unemployment and municipal revenues. Government makes a variety of interventions, including financial relief, during the pandemic which tend to complicate the linkages between unemployment and municipal revenue (Maziwisa, 2021). Unemployment is undoubtedly one of the main indicators of an economy. The problem for most of those who work is that even the jobs they have cannot provide a good future for themselves and their children, and most of the time these people work in precarious conditions. In the global economy, the world of work is evolving very fast. Demographic, technological, and other types of factors are changing the shape of employment around the world. The countries that can adapt quickly to these drastic changes are those that can achieve great benefits in increasing productivity and living standards. The internationalization of the labour market is a product of the global economy and is related to the supply and demand arising from the national and international labour market environment (Eurospeakal, 2020). Slow economic growth forces many young people to leave their own country and emigrate to a developed country, and this is very commonly seen among young people in the western Balkans, with an epicentre in western countries (WDF, 2019). To assess the effects of the labour market, considerable attention must be paid to active labour market forces. In some countries there is inadequate management of labour market policies, and if we refer particularly to labour market policies for young people and their employment needs, this has consequences for the labour market, regardless of the level of development of the country (Kahraman, 2011). The employment challenges for young people vary according to the economic development of the country. Youth unemployment is the result not only of a low level of economic development in the country, but also of a high percentage of young people in the active labour force. Based on the labour market analysis, in Kosovo there is a significant discrepancy between the number of young people entering the labour market (about 25,000 people) and the number of older people leaving the labour market (about 6,000 people (Bellaqa, 2015). Solving labour market problems requires the formulation of sustainable policies and appropriate actions, and these must necessarily take into account the characteristics and specifics of the country and society in which the policies and actions are applied (Verick, 2009). Youth unemployment is quite pronounced at the global level, together with long-term unemployment, unsustainable employment, low wages, poor working conditions, and so on. Members of the 15-24 age group are facing an important period of life during which they are making decisions that inevitably have an impact on their future. The 2008 Report on the Global Youth Employment Trend, published by the International Employment Organization, noted that the unemployment rate among the 15-24 age group is about 40 % (ILO, 2008). The age group used in the definition of youth unemployment varies from country to country, and many states have regulated this through law. In Kosovo, youth unemployment refers to unemployed persons from the age of 15 to 24 years (Bellaqa et al., 2010).

From an analysis of unemployment, members of the 15-24 age group are about three times more likely to be unemployed than members of any other age group. Long-term youth unemployment can have negative consequences in later life, in terms of both social and economic inequality. Resolving the issue of youth unemployment is related to the active management of labour market policies by creating preconditions and conditions that affect the promotion of employment and enable sustainable employment. The contribution of this fieldwork comes from the application of a combination of statistical modelling techniques and tests, including descriptive statistics, correlations, and a heteroscedasticity-corrected model. These have not previously been applied in Kosovo for studies of this nature. These techniques have been

applied in an analysis of 2020 data. We have not found any study in Kosovo that has applied similar techniques and methods to study youth unemployment and labour market policies for 2020. This study aims to research the employment and unemployment of young people (aged 18-24 years) and labour market policies in Kosovo.

## **LABOR MARKET POLICIES IN KOSOVO**

Labor market policies in Kosovo and especially the young age group should be treated with great care, due to the informal economy and incomplete statistical data that are available. Based on the high rate of youth unemployment, labor market policy management should be more sustainable in order to improve employment, where compared to other age groups, unemployment is higher in the younger age group. The demographic changes have profound impacts on businesses and workforce (Oztimurlenk, 2020). Economic development in Kosovo does not have sufficient capacity to absorb such a large number of unemployed people joining the labor market, so Kosovo needs to develop proper management in creating incentive policies for youth employment. Managing active labor market policies plays an important role in alleviating unemployment, creating a motivating environment for existing businesses, and opening new businesses. Capacity building at the appropriate level according to market economy trends, financing programs that affect the creation of new jobs, etc. Active youth labor market policies should focus on improving the education system, supporting self-employment policies and the way knowledge is transferred should be of a higher standard. In addition to education, the workforce, which includes the employed and the unemployed but who are actively looking for work, should be provided with capacity building training according to market economy trends (Bellaqa, 2019).

### **Political actions to improve the labor market in Kosovo**

Active Labor Market Policy (ALMP) should be more focused on the younger age groups and women's employment, therefore their access to programs should be of a more significant level.

Vocational education centers in Kosovo do not have a comprehensive data registration system of standard information, neither an analytical assessment to address the needs of the labor market and the capacity to supply findings in employment service activities, which in turn diminish the quality and the efficiency of services provided to unemployed clients and employers. The alleviation of long-term unemployment, alleviation of female unemployment and the reducing of unemployment among young people aged 18-24 should be placed as priority. The economic sectors that contribute the most to the reduction of unemployment and poverty in Kosovo are: the sector of agriculture, energy, construction, services and mining. Strategic actions that need to be taken in order to alleviate unemployment are as follows: the implementation of active and preventive measures for the unemployed, the increase of knowledge capacity in line with market needs, the creation of new jobs and the improvement of gender balance in employment. The role of active labor market policies can be extensively described as any type of labor market intervention that supports the creation, promotion, placement, and retention of employment. Active labor Market policy measures include the introduction of active labor, market measures and active labor market programs aimed at improving the functioning of the labor market, pointed towards unemployed and unqualified individuals (Bellaqa,2012).

The overall goal of active labor market policy measures is supporting people to enter and remain in the working world. This is a crucial priority on the agenda of any country dealing with unemployment and employment. Active labor market measures should remain as a crucial element of countries' efforts to combat unemployment. For Kosovo, active labor market programs should be an essential part of the employment strategy, which define employment as a key economic policy objective. Active labor market measures must respond to changes in the labor market that can cause increases and decreases in the

demand of employment types, access and employment opportunities, and relevant work and vocational training.

To assist in their design and delivery, active labor market measures can be categorized as follows:

- Measures to reduce non-compliance;
- Measures to improve the skills of the registered unemployed persons;
- Measures to increase the demand for labour;
- Measures to promote equal opportunities; and
- Measures to promote entrepreneurship and self-employment (Nicolò Bird, 2020).

### **Key actors in providing labor market policy development in Kosovo**

Ministry of Labor and Social Welfare (MLSW) is the main bearer for fulfilling the tasks in terms of providing employment services as well as in determining the political priorities of employment and providing appropriate professional training. Kosovo is one of the youngest countries in Europe, with a growing share of the working age population - a temporary demographic bonus that offers opportunities (Cojocar, 2017). Considering the relationship between gender divergences as well as the 15-24 years of age group and the unqualified unemployed persons, we see a negative development. The public employment service offices' main task is generally focused on registering the unemployed in Kosovo in an effort to reintegrate them into employment. Employment can be taken as the most important performance indicator, in terms of all activities in the field of employment promotion. After the initial registration the unemployed meet with employment counselors who carry out an assessment concerning the needs of the unemployed person. To implement the policy and to alleviate unemployment, several activities should be undertaken, among which we can present the following:

- Social policy should have a more active character in order to create preconditions and conditions for employment,
- Development of macroeconomic policies and implementation of appropriate labor legislation,
- Development of fiscal policy in favor of local products,
- Creating a motivating environment for business development, etc.

### **Multidimensional political actions to improve the labor market**

The Ministry of Labor and Social Welfare, respectively the Department of Labor and Employment, has responsibility regarding:

- Formulation, design and implementation of employment policies without any discrimination,
- Compilation and implementation of the employment strategy approved by the highest instances,
- Administration and supervision of employment institutions, regional employment offices, vocational training centers and municipal employment offices,
- Compilation and implementation of necessary legislation in the field of employment,
- Providing technical assistance and monitoring of divisions related to the implementation of employment policies,
- Administration and supervision of trainings so that the defined tasks are successfully performed,
- Security and availability of services provided for the entire territory of Kosovo,
- Full and effective communication and cooperation between all factors related to the field of work and employment,
- Maintenance of regular contacts with donors regarding the design and implementation of local

projects and international mechanisms in the field of work and employment,

- Coordination and cooperation with social partners for the development and advancement of social dialogue in Kosovo, which is applicable in accordance with primary and secondary legislation (International Labour Organization, 2013).

## **THEORETICAL AND EMPIRICAL LITERATURE REVIEW**

There are various sources for studies on the high unemployment rate internationally. Social researchers have long been trying to investigate the causes and effects of high unemployment, especially among young people. Regarding unemployment in Kosovo, different researchers (Bellaqa, 2011) have used data sourced from various institutions (Riinvest, KDI, Labour Force Survey, etc.). However, there is a significant lack of studies on youth unemployment and labour market policies. The literature review is divided into two parts, the first looking at the theoretical framework and the second at empirical studies found in the literature on youth unemployment and labour market policies.

### **Theoretical framework**

As regards the theoretical background, the works of various authors and institutions who have contributed to the theories and literature on the labour market for young people and labour market policies have been reviewed and are presented below.

### **The theory of Neocynicism**

According to Keynes, an increase in effective aggregate demand increases the need for employment and, vice versa, a decline in total effective demand leads to unemployment. Future national aid increases the level of consumption, but the increase in the level of consumption is relatively low compared to the national future. Keynesian theory predicts that an increase in income is fractionally saved and consumed. Therefore, Keynesians assume that income has a positive influence on savings (Ralarala & Masipa, 2021). A low consumption rate is a decline in effective demand. Therefore, the gap between income and consumption levels is reduced by increasing the potential for investment. Consequently, the effective demand is also increased, which further helps to reduce unemployment and bring about full employment. Blanchflower and Freeman (2000) noted that youth unemployment is linked to business cycles. Youth unemployment is more sensitive than adult unemployment: it tends to increase more during a recession, and, conversely, to decrease more during an economic growth phase. Keynesian unemployment, also known as deficient demand unemployment, occurs when there is not enough aggregate demand in the economy to provide jobs for anyone who wants to work. Sackey and Osei (2006) argued that youth unemployment occurs because young people have fewer skills in the labour market than adults. However, a simpler theory of unemployment is that it occurs when labour supply and demand do not meet at a common point, otherwise called equilibrium. The equilibrium point requires that the number of people who are interested in working is in balance with the number of people who are looking for workers. Anyanwu (2013) lists a number of factors that work against young people in the labour market. Regarding dismissal, it has been observed that employers are more likely to lay off new employees than employees with more work experience. This is because the dismissal of new employees has a lower cost than the dismissal of more skilled workers or those who have worked for longer. In her study, Buckley (2015) analyses the effects of youth unemployment. If young people enter the labour market late, this can translate into a lower lifetime income. Moreover, the author points out that this situation is observed in countries with developed economies. According to the International Labour Organization (ILO, 2011), countries with a low rate of economic development and in which businesses are not stimulated show an increase in the youth unemployment rate. Therefore, such countries need to focus more on appropriate policies to promote employment and take advantage of the potential of new employees.

### **The importance of education for the unemployed**

Education plays an essential role in the formation of human resources and in the economic development of a country. Education and skill-building have a positive impact on economic growth and development (Dickens et al., 2006; Schultz, 1961). The most prominent contributions to the issue of the relationship between education and economic development were made first by Adam Smith and then by Marshall, Schultz, Bowman and others (Tilak, 2002). The model of internal development by Romer (1990) assumes that the creation of new ideas directly affects human resources, which is presented through knowledge. Quality and affordable education as well as availability of employment opportunities will reduce the urge to send relative abroad (Onyima, 2019).

A household with continuous unemployment is likely to have to significantly reduce its costs because of the uncertainty, and the resumption of expenditure can only happen after the return of income. The psychological impact of unemployment on a family can be significant for the wider economy. It has also been argued from a dynamic perspective that wage inequality should decrease with increasing levels of education (Tilak, 1989).

The labour market ensures that skills and increased human capital are rewarded with higher wages. There is a large body of literature showing the link between pay and years of schooling (Card, 1999). Unemployment rates are significantly different for different educational levels: more educated workers are two to three times less likely to be unemployed than their less educated counterparts. Most existing research on the effects of demographic shocks on unemployment has focused mainly on aggregate factors or specific groups. Size in groups is defined as the proportion of an age group in the general population with the same level of education. In this case, however, the implicit assumption is that the labour market is segmented with education and that the replacement of all educational groups is very difficult (Welch, 1979). According to Global employment trends for youth, 2013. A generation at risk (ILO, 2013), the youth unemployment rate in 2013 was globally estimated to be around 12.6%. The results communicated in Youth employment: Marginalized youth (Hadzibegovic, 2003), show that shortcomings in the education system, in particular its poor performance for the preparation of young workers with good professional skills and meeting the requirements of the labour market, were one of the main problems faced by the Balkan countries after the political and socioeconomic changes that occurred in the 1990s in these countries. In the study Employment and education policies for young people in EU countries: What can the newly joined EU member states learn from the older member states, it is noted that the EU experience in the field of youth employment and unemployment has changed in recent years, as a result of the Lisbon Strategy and the Bologna process.

### **Labour market and youth unemployment**

Issues related to youth employment and unemployment are of primary importance for economic and social development at the national level as well as at the international level. According to the United Nations, 'youth' refers to all young people aged 15-24 years (UN, 1992). However, this definition is not applied in every country of the world, but depends on institutional, political and cultural factors. The concept of 'young people' is used in Italy for all policies that target the population aged 14-29 years for the northern regions and 14-32 years for the southern regions (O'Higgins, 2001). In order to analyse and identify the labour market for young people, the recommendation is to identify the factors that link and condition unemployment among young people, and to analyse the behaviour of young people towards the offers and demands of the labour market. During the period 2000-2019 in Kosovo, the concept of 'young people' included people aged 15-24 years (LFS, 2020) according to the Labour Force Survey.

This issue is also relevant under Article 4 of the ILO Employment Service Convention, 1948 (No. 88) in relation to employing or facilitating employment for young people. In addition, O'Higgins cites the ILO report at the 72nd session of the International Labour Conference: 'Trade unions and employers' organizations play a crucial role in policy-making and should be involved in the implementation of all

actions taken for the purpose of employment or facilitation of employment for young people'. A special piece that appears in the literature of the time, which deals with aspects related to the labour market phenomenon for young people, is part of Freeman's work (Freeman & Wise, 1982). The employment of young people living in rural areas is one of the issues that is given special importance in the literature of the time. This issue is also conditioned by the fact that, out of the total of about 1.8 billion young people aged 15-24 years, about half live in rural areas of developing countries. Encouraging and supporting initiatives to improve the preconditions and working conditions in the informal economy, where most young people are employed, should be encouraged (Coenjaerts et al., 2009).

## **Youth labour market policies**

The high rate of youth unemployment, particularly in the Middle East and North Africa (MENA) region, has caused social distress and large-scale emigration. It is important for policy makers to develop an effective education programme based on the needs and financial literacy level of the youth (Zerihun & Makgoo, 2019). The emphasis on employment and training programmes proclaims a continuing debate about the extent to which matching as an econometric evaluation estimator can be regarded as a reliable estimate for programme impact. Estimates tend to be more reliable when the selection process for the programme is known and multiple periods of pre-programme data are available for both treatment and control (Smith & Todd, 2005), conditions which are met by few non-experimental evaluations. The first of the conditions that need to be considered is vocational training as a substitute for schooling when it comes to building human capital. Worldwide estimates of the returns from an additional year of schooling show an average of 10 per cent, with returns from tertiary education averaging 21 per cent in Sub-Saharan Africa (Montenegro & Patrinos, 2014).

The direct correlation between unemployment and psychological distress and financial hardship for young people affected by unemployment is also worthy of consideration (Goldsmith et al., 1997). Prominent national initiatives have included the 'New Deal for Young People (NDYP)' in the UK, 'Jugend mit Perspektive (JUMP)' in Germany and the 'Youth Unemployment Program (YUP)' in Denmark. More recently, the 'Youth Guarantee (YG)' adopted by the European Union in 2013 called on all Member States to set up Active Labour Market Policies (ALMPs) programmes to ensure that unemployed young people are offered high quality employment or education opportunities within four months of entering unemployment (European Commission, 2014).

## **Empirical analysis**

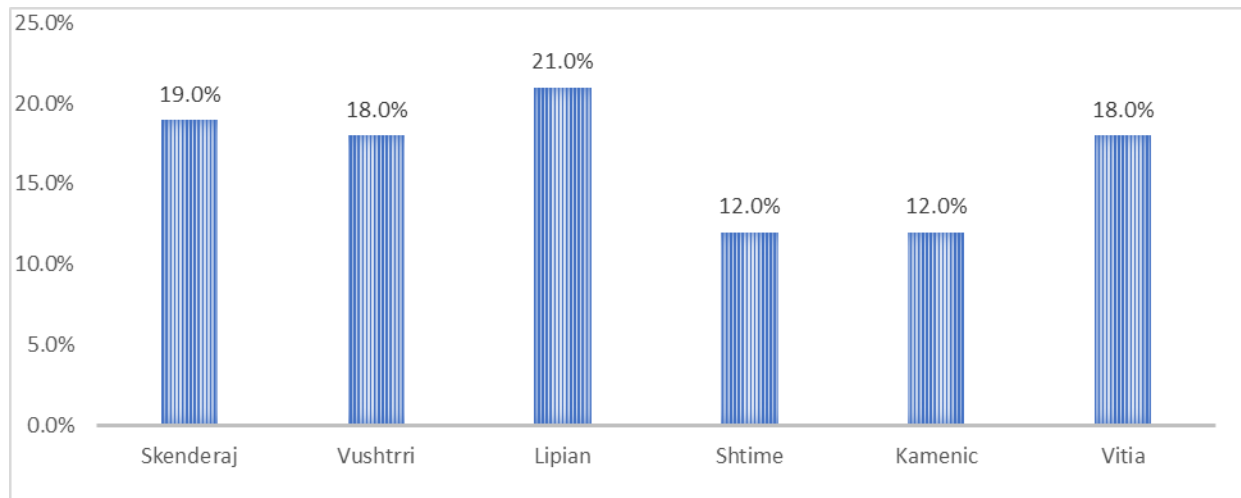
The large number of empirical studies that have investigated the effect of education on employment for young people are often difficult to compare because of both a lack of data and methodological differences. Even a thorough review of studies considered comparable should be treated with caution, because of high country heterogeneity and the time it takes to characterize the experience of European countries (Jimeno & Rodriguez, 2002). In order to conduct the econometric analysis, Gretl, the statistical package for econometric analysis, will be used, and this also offers the possibility of applying the heteroscedasticity-corrected model. Regarding the specifics of unemployment and employment among young people aged 15-24, we can make some approximations using empirical analysis. In order to increase the level of employment in Kosovo we must have a GDP growth of over 7%, taking into account the fact that there is great discrepancy between income and exit from the labour market. A linear link between employment and GDP according to Okun's linear link application had a poor approximation (Bellaqa, 2013).



## DATA AND RESEARCH METHODS

The research methodology used for the study reported in this paper involved literature review as well as questionnaire. The questionnaire consisted of a household data section and then employment, education, finance, and emigration sections. Official data from local and international institutions were used to conduct this study. A survey was also conducted into the youth labour market. This study was conducted in June 2020 and 150 people aged 18-24 were interviewed in six municipalities of Kosovo: Skenderaj (10,371 inhabitants aged 18-24 years), Vushtrri (13,665), Lipian (11,092), Shtime (5,446), Kamenic (7,063) and Vitia (9,210) (ASK, 2012). From the families in these six municipalities, 150 families were randomly selected and from each family a family member aged 18-24 was interviewed.

**Figure 1: Distribution of the sample by municipalities**



The sample was selected by a random method, with 150 households being selected and from these households only one person aged 18-24 years being interviewed. All data collected from the field through the questionnaire were systematized using the Statistical Package of Social Sciences (SPSS), subjected to control and analysed afterwards. The data collection technique was a questionnaire, while the sample was selected using random selection. To ensure the sample was representative, the size of the sample for a municipality depended on the municipality's population. However, for this research, only the employment part of the questionnaire was used for analysis and for the descriptive analysis: data were used from the answers to question P1 concerning employment by gender and P2 regarding employment by age. For the empirical analysis, data were taken from the answers to question P3 regarding employment during the last week, with the question, "During the last week (Monday to Saturday) have you been employed?". If the respondent answered no because he / she had not worked during the last week, then the 4<sup>th</sup> question regarding the reason why he / she had not worked was answered, with the respondent being offered four possible answers from which he / she had to choose one.

The study starts from the main hypothesis that youth unemployment is interdependent with schooling, training, education, and so on. The Youth Unemployment Rate is denoted by the abbreviation 'EY', and education, schooling and training is denoted by the abbreviation 'Sed'. The direct correlations of our variable of interest EY and the other variables X were initially constructed and considered in accordance with a scheme that expected a causal relationship. The hypothesis in the paper is based on the literature review. Empirical analyses in terms of correlations, regressions, coefficients, decoding analysis, and so on were extracted from the database. An empirical model is impossible as the system is complex as well as dynamic, and also there is no evidence that the situation is in equilibrium towards an equation, so it is difficult to express it constantly with a relationship.

To measure the power of the ratios (correlation) between the dependent variable Y and the independent variables X1, X2, X3 and X4, the Pearson correlation coefficient was used.

Data on the dependent variables for youth unemployment in relation to the respondents between the ages of 18 and 24 years were used to perform multifactorial linear regression analyses, with fixed effect factors and panel data. In this way it was possible to assess the effect of each of the factors included in the model, 'cleared' of the effect of other factors (Stock & Watson, 2010). In order to perform this analysis the following regression model with constant factors was used:

$$Y_{ij} = \beta_0 + \beta_i X_i + \varepsilon_{ij} \quad (1)$$

Y - dependent variable  
 X<sub>i</sub> - independent variable  
 β<sub>i</sub> - partial regression coefficients  
 ε<sub>ij</sub> - random residual, with normal distribution

In this study we tested the influence of the independent variables Sed, Bcc, Fdfwh and Ltfc (as defined below) on the dependent variable EY.

The following linear regression model was used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (2)$$

The dependent variable Y (the youth unemployment rate, abbreviated 'EY') was tested against the independent variables:

X<sub>1</sub> - School, education, training, abbreviated 'Sed',  
 X<sub>2</sub> - Bankruptcy or complete closure of business, abbreviated 'Bcc',  
 X<sub>3</sub> - Free days due to flexible working hours, abbreviated 'Fdfwh', and  
 X<sub>4</sub> - Lack of time due to family commitments, abbreviated 'Ltfc',

$$YEY = \beta_0 + \beta_1 Sed + \beta_2 Bcc + \beta_3 Fdfwh + \beta_4 Ltfc + e \quad (3)$$

The model evaluation also used the Custom Square method. Since in time series we often have problems with a lack of stationarity (non-stationarity), which can cause false correlations (Studenmund, 2017), we conducted the ADF (Augmented Dickey–Fuller) test in the presence of the root unit based on the Akaike information criterion (AIC), to ensure that the series was stationary. If non-stationarity was found, then the first distinction was applied, and therefore used the model corrected for heteroscedasticity (part of the Gretl package).

## RESULTS OF THE STUDY

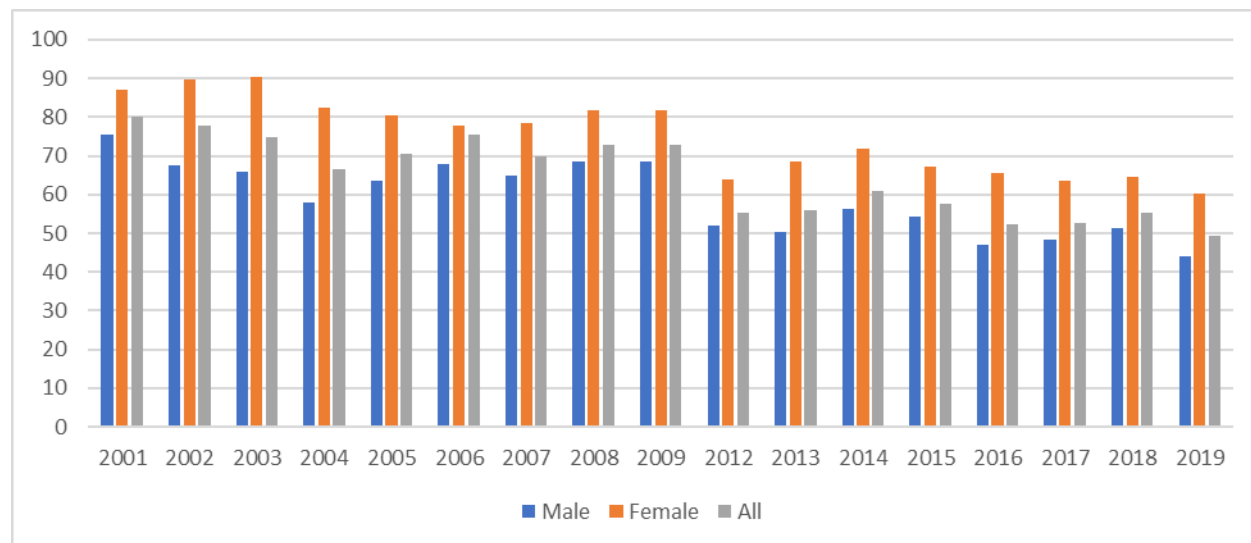
### Unemployment rate for the 15-24 years age group in Kosovo for the period 2001-2019

The population in Kosovo consists prominently of younger generations, given that a third of the population is under the age of 15. Eurostat defines the group of young people as those aged 15-24, with this age group being part of the working-age population. According to the 2019 Labour Force Survey in Kosovo, the labour force in Kosovo was made up of 903,430 people, and, of these, 87,939 persons or about 9.8% were aged 15-24. If we compare Kosovo with other

countries in the region and beyond, Kosovo has the youngest population, with about 30 per cent of the population being under the age of 15.

This can be seen in detail in the table 1. Following the progress over time of parameters such as employment and unemployment based on gender and the 15-24 age group, it can be seen that the trends are complex and the dependence is not evident. Initially, this study was built up under the paradigm that ‘employment must be interdependent with overall production in the country or with its growth’ (Bellaqa, 2018). An analysis of unemployment rate trends for the 15-24 years age group shows that the highest unemployment rate in Kosovo was in 2001 whereas the lowest unemployment rate was in 2019. Over the last decade Kosovo has had a declining unemployment rate as a result of emigration, and this is especially pronounced. A characteristic of Kosovar emigration is the dominance of those of an age who are active in the workforce; expressed as a percentage, the level of working age emigrants is higher than the percentage of that same age group among the resident population in Kosovo (Gollopeni, 2016). Kosovo’s labour market is narrow and is not able to absorb such a large number of unemployed people, and Kosovo therefore needs to develop a proper planning policy to establish a large number of agreements with countries in Europe and beyond to send part of the labour force abroad for temporary employment. The limited development of economic activities forces a significant number of young people to leave the country and emigrate to different countries, particularly western countries. See Figure 2.

**Figure 2:** Unemployment rate of the 15-24 age group in Kosovo, 2001-2019



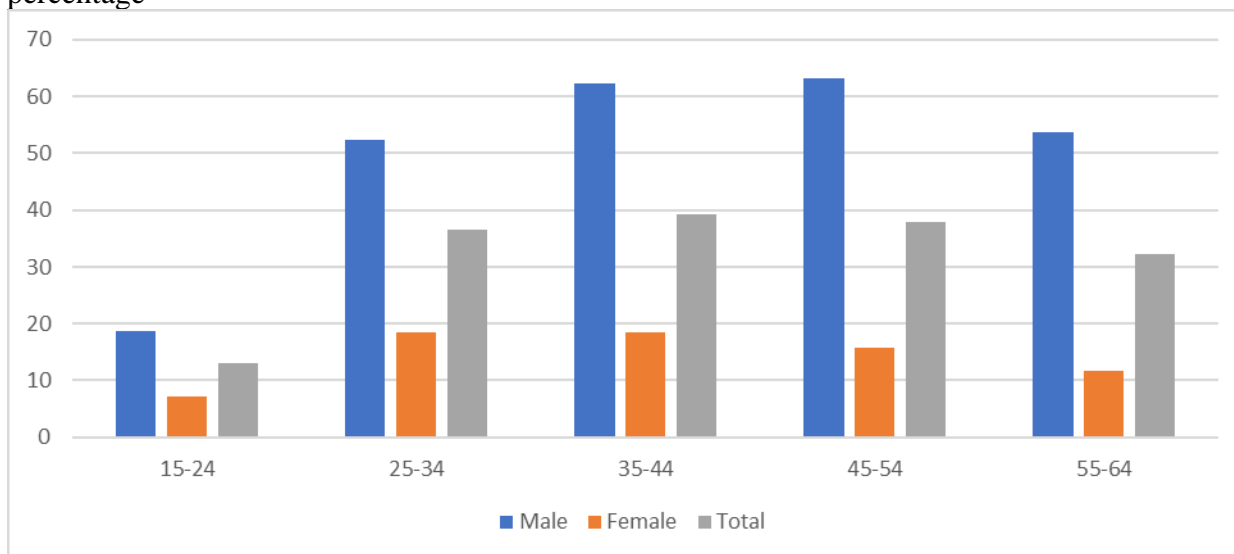
**Source:** Data extracted by the author from Labour Force Survey data, KAS

### Employment and unemployment rate in Kosovo in 2019

Kosovo’s population faces a low employment rate: of the entire working-age population in 2019, 30.1% of the population was employed. In terms of gender, the highest employment rate was found in men, at about 46.2%, while for women it was 13.9% (LFS, 2019).

From the employment analysis, in terms of age groups, the 15-24 age group has a lower employment rate (13.1%). See Figure 3.

**Figure 3:** Employment by age group and gender rate in Kosovo during 2019 expressed as a percentage



**Source:** Kosovo Agency of Statistics, Workforce Survey 2019

In 2019 the unemployment rate in Kosovo at the national level was 25.7%, and it was highest among the younger population and for women. Based on the analysis of data regarding the unemployment rate by age group, the rate is highest for the 15-24 age group, with an unemployment rate of 49.4%, while the lowest unemployment rate is found in the 55-64 age group, for whom it is about 7.3% (KAS, 2019). See Figure 4.

**Figure 4:** Unemployment rate in Kosovo during 2019 expressed as a percentage



**Source:** LabourForce Survey for 2019, KAS

### Employment and unemployment rates in the EU-28 and in the western Balkan countries

An analysis of the employment trends in the EU-28 countries shows that the highest employment rate was about 72.2% in 2017, while the lowest employment rate was in 2013 when it was 68.4%. In the countries of the western Balkans, Northern Macedonia had its highest employment rate in 2017 and its lowest in 2007. Regarding Albania’s employment rate from 2007 to 2017, the highest rate was in 2011 and the lowest in 2013.

The employment trends in Bosnia and Herzegovina from 2007 to 2016 were approximately the same, although there is a difference for 2017, where we see a higher employment rate of about 46.6%. Among the countries of the western Balkans, Kosovo was worst in terms of employment, with the employment rate from 2007 to 2015 varying from 40.9% to 43.2%, while in 2017 we see a higher employment rate of about 46.6% (Eurostat, 2019).

**Table 1:** Employment rates (people aged 20-64 years), 2007-2017, as % of total population in EU-28 and in the western Balkan countries

	2007	2009	2011	2013	2015	2017
<b>EU-28</b>	69.8	69.0	68.6	68.4	70.1	72.2
<b>Montenegro</b>	54.4	54.0	50.9	52.6	56.7	58.2
<b>North Macedonia</b>	45.0	47.9	48.4	50.3	51.9	54.8
<b>Albania</b>	62.7	60.4	64.9	56.7	59.3	63.9
<b>Serbia (1)</b>	55.7	54.7	49.3	51.3	56.0	61.5
<b>Turkey</b>	48.2	47.8	52.2	53.4	53.9	55.3
<b>Bosnia and Herzegovina</b>	40.9	44.2	42.5	42.8	43.2	46.6
<b>Kosovo</b>	:	:	:	33.0	29.1	34.4

An analysis of unemployment rate trends from 2012 to 2017 in the EU-28 countries as well as in the western Balkan countries shows that the unemployment rate in the EU-28 countries was low, at about 7.4% to 10.9%. In the western Balkans, the unemployment rate varied from 13.0% to 41%. Unemployment rate trends for people aged 15-64 in the EU-28 and the western Balkans from 2012-2017 can be seen in Table 2.

**Table 2:** Unemployment rate trends from 2012-2017 in EU-28 countries and in the western Balkan countries

	Men						Women					
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017
<b>EU-28</b>	10.4	10.8	10.1	9.3	8.4	7.4	10.6	10.9	10.3	9.5	8.8	7.9
<b>Montenegro</b>	19.3	20.1	17.8	17.7	18.3	15.4	20.3	18.8	18.2	17.3	17.1	16.9
<b>North Macedonia</b>	31.5	29	27.7	26.7	24.4	22.7	30.3	29	28.6	25.1	22.7	21.8
<b>Albania</b>	14.6	17.8	19.2	17.1	15.9	14.6	11.7	13.5	15.2	17.1	14.4	12.6
<b>Serbia (1)</b>	23.4	21.1	18.5	16.9	14.8	13	25.1	23.9	20.5	18.8	16.2	14.4
<b>Turkey (2)</b>	7.7	8	9.1	9.3	9.6	9.4	9.4	10.6	11.9	12.6	13.6	13.9

<b>Bosnia and Herzegovin</b>													
<b>a</b>	26.5	26.7	25.3	25.9	22.6	19	30.8	29.1	31.2	30.9	30.2	23.3	
<b>Kosovo</b>	28.1	26.9	33.1	31.8	26.2	28.5	40	38.8	41.6	36.6	31.7	36.4	

(% of labour force)

(<sup>1</sup>) 2014: break in series.

(<sup>2</sup>) Based on 4 weeks criterion and using only active jobs search methods.

Source: Eurostat (online data code: une\_rt\_a)

## EMPIRICAL RESULTS ON EMPLOYMENT AND UNEMPLOYMENT FOR THE 18-24 AGE GROUP IN KOSOVO

### Descriptive statistics

The results show that the employment rate for the 18-24 age group is unsatisfactory: the employment rate for men is 26%, whereas for women it is about 10%. There is a significant discrepancy in employment in terms of gender, with the figure for women being lower. Regarding employment of the 18-24 age group, we see that the highest employment is among people aged 23 years, at 8.7%, followed by those aged 24 years, at 6%. People aged 22, 21, 20, 19 and 18 years have a lower employment rate. There are challenges and obstacles for youth employment, and in order to discover what these are, the questionnaire asked about the obstacles to youth employment, that is, the employment of those aged 18-24. The results show that the largest percentage of young people (about 59.2%) are currently attending school or training, 18.4% are faced with a lack of an adequate job, and for 10.2% there is no demand for employment; other reasons for unemployment appear with a smaller percentage. We now consider the impact of Covid-19 on the labour market in Kosovo. According to the LFS the unemployment rate in Kosovo in 2019 was 25.7%, while the employment rate was about 30.1%. Based on these figures, we see that, as a country, Kosovo does not perform well in the labour market in terms of employment and unemployment, and there is an unstable labour market based on informality, temporary contracts, etc. We could therefore predict Covid-19 would have quite a strong impact in the labour market.

Based on the analysis of the labour market information and considering the percentage of employees without a contract within the total number employed, the number of employees without a contract is about 20%, and these will be most affected by Covid-19, although members of this category have also contributed to household income. Also, as a percentage of the total number of employees, those with temporary contracts in the labour market in Kosovo stand at about 54.7%, and these people will have suffered from the consequences of Covid-19. As a result of the negative effects of Covid-19 on the labour market, at least 246,000 people previously employed in the private sector will be added to the unemployed in Kosovo during the time of the pandemic (Bellaqa, 2020). Based on the descriptive analysis, the results for the variable of schooling, education, and training are that the average of the series is 3.63, the median 1.00 and the mode 1. Outside these values, the minimum value of the series is zero, whereas the maximum value is 9. The skewness coefficient of the series is 0.559 and the kurtosis value is -1,667. In Table 3 the description of all the variables used in the econometric models for testing is presented. It can be seen that all the variables have a normal distribution.

**Table 3:** Descriptive statistics of variables

Descriptive statistics		Sed	Bcc	Fdfwh	Ltfc
N	Valid	150	150	150	150
	Missing	0	0	0	0

Mean	3.63	3.26	3.24	3.25
Std. Error of Mean	.332	.353	.354	.353
Median	1.00	.00	.00	.00
Mode	1	0	0	0
Std. Deviation	4.063	4.322	4.334	4.326
Variance	16.504	18.677	18.788	18.714
Skewness	.559	.586	.589	.587
Std. Error of Skewness	.198	.198	.198	.198
Kurtosis	-1.667	-1.675	-1.675	-1.675
Std. Error of Kurtosis	.394	.394	.394	.394
Range	9	9	9	9
Minimum	0	0	0	0
Maximum	9	9	9	9
Sum	544	489	486	488

Source: Author calculations

**Results of econometric models**

Employment is an important economic and social parameter. It is currently a key issue in economic discussions and at the same time a very intensive field of empirical research. Based on the analysis of the strength of the linear correlation for the four quantitative variables regarding unemployment in the 18-24 years age group, with the independent variables being Sed, Bcc, Fdfwh and Ltfc, we found positive correlation results.

It can be noted that the variables are related linearly, and that the correlation is significant at the 0.01 level (2-tailed). See Table 4.

**Table 4:** Correlation of variables

		<i>Variables = Percent</i>		<i>Variables = Numerical values</i>	
Correlation		<b>Sed</b>	<b>Bcc</b>	<b>Dfwh</b>	<b>Ltfc</b>
<b>Sed</b>	Pearson Correlation	1	.994**	.995**	.995**
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
<b>Bcc</b>	Pearson Correlation	.994**	1	.999**	.999**
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
<b>Fdfwh</b>	Pearson Correlation	.995**	.999**	1	1.000**
	Sig. (2-tailed)	.000	.000		.000
	N	150	150	150	150
<b>Ltfc</b>	Pearson Correlation	.995**	.999**	1.000**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source:** Author calculations

Empirical data analysis was also conducted using a heteroscedasticity-corrected model. The first econometric model has a satisfactory coefficient of determination, with changes in the dependent variable EY being explained by changes in the independent variable Sed, of 99% (in R-squared) or 99% from the regular to R square. Based on the F test, the estimated model is statistically significant with a significance level of 1%,  $P(F) = 15704.449$ . The model also meets the condition regarding the distribution of residual values and cannot be rejected, which means that the residual values have a normal distribution. The risk of multicollinearity is negligible because the value of VIF for an independent variable is much less than 10. The second estimated model tests the influence of the independent variable Bcc on the growth of the dependent variable EY.

For this model, the best fitting model has a functional log–log form. As can be seen, the changes in the independent variable Bcc are of 99% (in R-squared) or 99% in R-squared. The situation is approximately the same with the third model, which tests the impact of the independent variable Fdfwh on the dependent variable EY. A change in the independent variable Fdfwh by 99% (in square R) or 99% by R-squared is found. The VIF value for the independent variables is less than 10. For details, see Table 5.

**Table 5.** Models estimating the impact of the independent variables Sed, Bcc, Fdfwh and Ltfc on the dependent variable EY, 2020

<b>Model 1:</b> Heteroskedasticity-corrected, using observations 2020					
<b>Dependent variable: EY</b>					
	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
EY	2.068	.005	404.045	< .000	***
Sed	-118	.001	-125.317	< .000	***
d_ - first difference; _1 lag; R-squared: 0.991; Adjusted R-squared: 0.991; P-value (F) = 15704.449 Test for normality of residual: $p=0.3230 > 0.05$ ; Variance Inflation Factors (VIF): $1.415 < 10.0$					
<b>Model 2:</b> Heteroskedasticity-corrected, using observations 2020					
<b>Dependent variable: EY</b>					
	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
EY	2.003	.002	1252.650	< .000	***
Bcc	-111	.000	-376.256	< .000	***
d_ - first difference; _1 lag; R-squared: 0.999; Adjusted R-squared: 0.999; P-value (F) = 141568.397 Test for normality of residual: $p=0.036 < 0.05$ ; Variance Inflation Factors (VIF): $1.624 < 10.0$					
<b>Model 3:</b> Heteroskedasticity-corrected, using observations 2020					
<b>Dependent variable: EY</b>					
	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
EY	2.002	.001	1528.400	< .000	***
Fdwh	-111	.000	-1.000	< .000	***
d_ - first difference; _1 lag; R-squared: 0.999; Adjusted R-squared: 0.999; P-value (F) = 210581.831 Test for normality of residual: $p=0.024 < 0.05$ ; Variance Inflation Factors (VIF): $1.342 < 10.0$					

**Source:** Author calculations

The findings show that employment in the 18-24 age group is unsatisfactory: the employment rate is about 26% for men and 10% for women, and the unemployment rate among those aged 18-24 years is



48.7%. The high unemployment rate is an economic as well as a social and political problem, and appropriate labour market policies will generate a stimulating environment for the creation of new businesses. Labour market policies are not yet adequate for labour market improvement. According to data for 2019 for Kosovo, the rate of employment in the 15-24 years age group is about 13.1%, whereas the unemployment rate in this age group is 49.4%. Based on the survey on employment and unemployment among the 18-24 age group, we can notice that the highest employment is among people aged 23, at 8.7%, followed by persons aged 24 at about 6%. The biggest obstacles for youth employment are education or training, at about 59.2%, followed by a lack of adequate jobs, at 18.4%. Data on the labour market in Kosovo, especially for the younger age groups, should be treated with great care, because of the informal economy and the incomplete statistical data that are available.

Based on the descriptive analysis, the results for the variable of schooling, education and training are that the average of the series is 3.63, the median 1.00 and the mode 1. Outside these values, the minimum value of the series is 0, whereas the maximum value is 9. The skewness coefficient of the series is 0.559 and the kurtosis value is -1,667. The first econometric model has a satisfactory coefficient of determination, with changes in the dependent variable EY being explained by changes in the independent variable Sed of 99% (in square R) or 99% from the regular to R square. The model also meets the condition regarding the distribution of residual values and cannot be rejected, which means that the residual values have a normal distribution. The second estimated model tests the influence of the independent variable Bcc on the growth of the dependent variable EY. As noted, for this model, the best fitting model has a functional log-log form. The situation is approximately the same with the third model, which tests the impact of the independent variable Fdfwh on the dependent variable EY. During the performance of this research we were faced with a lack of all-encompassing data, which has affected the expansion of the empirical aspects of this research. Because of the high rate of youth unemployment, the labour market policy should be of a more sustainable nature in order to improve employment, considering that unemployment is higher in this age group than in other age groups.

## CONCLUSIONS AND RECOMMENDATIONS

The unemployment rate in Kosovo, especially the rate for youth unemployment, has still not been cured, and therefore the labour market policy should be more sustainable in order to improve employment. According to the analysis, the 15-24 age group suffers more from unemployment. Although Kosovo has had a positive GDP growth in the previous years, this increase has not been sufficient to improve the level of employment trends especially for the youth-those between 15 to 24 years old. To address this high unemployment rate Kosovo government should tailor labor market policies that create a friendly environment for the business start-ups and provide training programs to increase professional capacities according to the needs of the labor market. The study shows that 48.7% of young people aged 18-24 in Kosovo are unemployed. In this paper we test the links between the dependent variable (in this case, youth unemployment) and four independent variables: 1. Schooling, education, training; 2. Bankruptcy or the closure of a business; 3. Free days due to flexible working hours; and 4. Lack of time due to family obligations. Models for testing the dependent variable with the independent variables were used in this paper on the basis of the theories presented. From 2001 to 2019 the unemployment rate in Kosovo for the 15-24 age group was at its highest in 2001 and its lowest in 2019, and in the last decade there has been a slight decline in the unemployment rate. The analysis in this paper demonstrates that employment among people between the ages of 18 and 24 is still not at a satisfactory level, although there has been a slight improvement. The decline in the unemployment rate is more the result of emigration, which has been quite pronounced in recent years. The limited development of economic activities forces a considerable proportion of young people to leave the country and emigrate to western countries. Regarding employment by age, the highest employment is among people of 23 years of age, followed by people of 24 years of age, while the percentages for those aged 22, 21, 20, 19 and 18 are lower. One of the most significant obstacles

to youth employment for this age group is school attendance. From the analysis of the strength of the linear correlation for the four quantitative variables mentioned above in relation to unemployment in the 18-24 age group, the correlation results are positive. In the constructed model, with the level of education and employment as a covariant, the effect of gender is statistically significant. One of the recommendations arising from this research paper is to improve the active management of labour market policies in order to promote employment, with a special focus on employment in the 18-24 years age group. The Ministry of Labour and Social Welfare is the main entity responsible for the tasks of providing employment services as well as determining the political priorities for employment and providing appropriate professional training. Kosovo is one of the youngest countries in Europe, with a growing share of the population being of working age – a temporary demographic bonus that offers opportunities. Looking at the relationship between employment and gender in the 15-24 age group and the number of unqualified unemployed people, we see a negative development.

The main task of the public employment service offices is generally to register the unemployed in Kosovo in an effort to reintegrate them into employment. Employment can be taken as the most important performance indicator, in terms of all activities in the field of employment promotion. After the initial registration, the unemployed meet with employment counsellors who carry out an assessment concerning their needs.

Encouraging domestic and foreign investment in Kosovo through the creation of a more favourable business climate will improve the business climate, and this can, in turn, affect the creation of new jobs. Another issue is the need to increase the education capacity according to the needs of the market economy. To implement a policy to alleviate unemployment, several activities should be undertaken, among which we can present the following: the formulation and creation of sustainable macroeconomic policies that affect the creation of new jobs, the introduction of social policy with a more active character in order to create preconditions and conditions for employment, the development of macroeconomic policies and the implementation of labour legislation at the appropriate level, and the development of fiscal policy in favour of local products. Public and private institutions should facilitate the transition of young people from school to work, to give them more opportunities to be part of programmes that have an impact on the labour market, to provide a larger number of vocational training opportunities for the unemployed, and to improve the legal infrastructure in accordance with the trends of the labour market economy. Active youth labour market policies should focus on improving the education system, supporting self-employment policies, and transferring knowledge at a higher standard. In addition to education, the workforce, which includes the employed and those who are unemployed but actively seeking work, should be provided with capacity-building training according to market economy trends.

There is a need for further comprehensive studies on youth unemployment, not only in these six municipalities of Kosovo but at the national level, and research should be conducted continuously. The expansion of research on the youth labour market will then play an essential role in the design of sustainable labour market policies and will create the greatest opportunity for the expansion of empirical analysis for this age group, which suffers from unemployment.

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# THE ECONOMICS OF COMMUNAL SMALLHOLDER FARMING WITHIN SOUTH AFRICA'S HISTORICAL AGRICULTURAL STRUCTURE

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## ABSTRACT

*South Africa's communal farming possesses a realistic potential for commercial viability and sustainability, but that its capacity is impaired because the "historical structure" of agriculture remains unreformed with concentrated and verticalized, yet paradoxically dynamic and complex, agricultural materials, institutions, and ideational regimes. The absence of commercial viability and sustainability of communal farming in South Africa is generally blamed on the lack of government support, especially regarding financing of the farming activities. The lack of government financing for smallholder farming is a symptom of a deeper root cause because increased financing addresses materials, which is only one of the three characters of the historical forces of agricultural regimes and value chains. The irony is that agricultural financialization has in reality provided liquidity that exacerbated commodification of agricultural production and the "insertion" as well as conversion of productive smallholder farming activities into large-scale commercial farming monocultures. The paper adopts theoretical foundations of agricultural financialization which reveal that smallholder farming in developing economies such as South Africa leads to financialized farmlands and financialized commodities in global derivative markets. Agricultural financialization has served to strengthen "concentration and verticalization" of agriculture, thereby re-orientating productive smallholder farming activities towards global markets, stifling entry, commercial viability, and sustainability. That is, financialization of smallholder farmlands inevitably leads to financialized commodities and insertion into global derivative markets through "integration" into large-scale commercial farming. Agricultural financialization does not transform the institutions and ideational nature of the "historical structure" of the agricultural regime and value chains. It is recommended that government financing of communal smallholder farmlands need to be accompanied by concomitant restructuring of the state-agricultural business relations as well as the reconfiguration of the public*

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*institutions-private business actors' relations, which are central to the upward influence upon the global agricultural markets. In practical policy terms, the state has to protect smallholder farmlands from speculative financialization, both public and private. The creation of communal smallholder farmlands corridors needs to be insulated from large-scale commercial farming in order that commodities produced therefrom do not become secondary players in global derivative markets.*

**Keywords:** Historical Structure of Agriculture; Neoliberalization; Financialization; Materials; Institutions; Ideation; South Africa

## INTRODUCTION

In its attempts at redress of the historical inequities and disparities, a democratic South Africa adopted land reform programme that has ultimately mutated from one aspect to the other over time due to negligible success. In the recent past, this country's land reform prioritized communal farms. However, this communal farm's aspect of land reform, just like most of its predecessors, did not unlock the economic spinoffs that were contemplated, resulting into skeletons of failed communal farm projects that prompted government to seek to retract some of the lands. There is not much cognitive agreement in terms of the primate causes of the failure of communal farms. Some schools of thought argue that the problem lies with the absence of government support, especially financing and monitoring, of communal farms' economic activities. This paper, however, argues that whereas this reasoning is valid, it does not constitute the root cause of the failure of communal farms. The paper asserts that the locus of the failure of communal farms in South Africa is in the "historical structure and forces" of material, institutions and ideation" that define the nature of the agricultural regime which manifests as varieties of economic and social forces of production (see for example, Cox, 1981; Hawkes & Plahe, 2012; Lichtenberger, 2014; Anderson, 2015; Jonsson, 2016; Niederle, 2017). In its entirety, South Africa's land reform, irrespective of the aspects involved, is an attempt at transformation or restructuring of agriculture, which is however exceedingly superficial and *ad hoc* without any realistic prospects of transforming the historical structure. South Africa's colonial and apartheid historical structure of agriculture, just like all such other historical structures, manifests itself through dynamic and complex processes that consist of hardened geo-economic, productive, ideological, geo-political and social regimes (see, for example, Bernstein, 2016).

For this reason alone, the communal farm aspect of South Africa's land reform is destined to fail because it is superimposed upon a "historical structure" of agriculture that is starkly concentrated and verticalized in orientation towards global markets (Isakson, 2013; Anderson, 2014). Whereas there are calls for the South African government to finance communal farms, the irony is that it is agricultural financialization itself that has exacerbated the commodification of agricultural production and the conversion of productive agricultural activities to commercial monoculture in ways that have strengthened "the concentration and verticalization" of agriculture (Isakson, 2013), rendering the entry and sustainability of communal farming virtually impossible. In such a "historical structure" of agriculture, the reproduction of domestic capital is inextricably interconnected with the global markets (Isakson, 2013; Anderson, 2014), which is inaccessible to communal farms. That is, even if government were to increase financing of communal farms they would not be financially and commercially sustainable, beyond basic survivalist pragmatism. Beyond demonstrating the economic predicament in which communal farms find themselves, this paper argues that it is the same financialization of agriculture that has simultaneously provided for liquidity by incentivising large scale commercial farming and monoculture whilst blocking the rural sector communal farms entry through a highly concentrated and verticalized "historical structure" of agriculture that is orientated towards global markets.

It suffices to note that conceptions and theoretical foundations of agricultural "financialization and commercialization," "concentration and verticalization" as well as "inclusivity and horizontalization" have

been framed from the economic geography of financialization scholarship, which is epitomised by Pike and Pollard (2010). Whereas its theoretical foundations are criticised for “fuzziness” (Ouma, 2014, 2016, 2020; Christophers, 2015), financialization perspectives have increasingly served “as epistemic entry point to understand contemporary capitalism and are used by scholars to understand the rising relevance of finance from the global political economy down to everyday life” (Hartmann et al., 2021: 123). Indeed, theoretical foundations of agricultural financialization have provided intellectually plausible understanding and explanations of the destruction of smallholder farming in developing economies through their insertion into global private and public finance within the context of historical colonial structures. The spatially sensible financialization perspective exposes the role of finance, especially global, in shaping the agricultural value chain arrangements, including those that “insert” smallholders into large-scale farming corporations in developing economies. As a result, financialization of agricultural operations in developing economies has instead “inserted” smallholders rather than “integrate” them in the global market economy. Hence, smallholders in the developing economies have experienced, perhaps disproportionately compared to large-scale farming corporations, the deleterious effects of the global financial crises. For many developing economies, therefore, smallholder agriculture has become an important priority on “the agenda of national planning, international development and global capital investments” (Hartmann et al., 2021: 122).

In addition to the literature review on “historical structure” of agriculture, neoliberalization and financialization, commercialization as well as the transformation of the state-agriculture business, or broadly the state-capital, relations, this paper has an empirical component. Empirical data was collected from selected communal farms, managed by Community Property Associations (CPA), from three District Municipalities in Limpopo Province, namely: Leshiba CPA in Vhembe District Municipality; Machikiri CPA in Waterberg District Municipality; and, Makgato CPA, Maraba CPA and Rapetsoa CPA in Capricorn District Municipality. The CPAs are legal bodies representing community beneficiaries in terms of the Communal Property Association Act, 28 of 1996. A total of 300 questionnaires were distributed to beneficiary communities under the five CPAs, in equal proportions of 60. The questionnaire return rate was 258 of the 300, at a reasonable 86%. Additionally, CPA officials and government representatives were purposively selected for interviews, thereby adding to the total number of respondents, 26 CPA officials and 2 government representatives. Empirical data was analysed through the Statistical Package for the Social Sciences (SPSS) to generate proportions, tables and graphs.

## **HISTORICAL STRUCTURE OF AGRICULTURE AND CONSTITUENT REGIMES**

Whereas government financing of communal farms is necessary, it is not a sufficient precondition; and this understanding is particularly pertinent in South Africa where the colonial and apartheid “historical structure” of agriculture has remained intact and untransformed. For government financial of communal farms to become liquid and to generate income sustainably beyond survivalist pragmatism, the “historical structure” of agriculture has to be reorganized, reorganized and transformed. The process of reorganizing the “historical structure” of the agricultural is highly involved and it requires the reconfiguration of the state-agricultural business as well as the public institutions-private actor’s relations in order to effect desirable and progressive changes in the agricultural regulatory formations (McMichael, 2009). Broadly, South Africa’s contemporary agricultural regimes have been couched in a “historical structure” which required “structural rebounding,” regime transformation and reconfiguration of the state-business relations, for any aspect of the post-1994 land reform, inclusive of communal farms, to be commercially viable and sustainable. Therefore, conceptualization of South Africa’s agricultural regime has to posit it as a “historical structure” with its constituent “material, institutional and ideational” (Cox, 1981) regimes. First, the theoretical foundations of agricultural financialization



are discussed below in order to present the locus of the genesis of the conceptual frameworks applied in this paper.

### **Theoretical Foundations of Agricultural Financialization and Conceptual Frameworks**

The concept of agricultural financialization has gained ascendancy and is now being regarded as “a meta-perspective for understanding agricultural production and trade” (Hartmann et al., 2021: 123-124). The entry of public and private finance in agriculture has intensified with ascendancy of neoliberal globalization. In the present world, even the smallholder farmers that have been primarily subsistence-based have not escaped the entry of global private and public finance. Often, large-scale commercial farming served as gateways for entry of global capital in the agricultural sector of developing economies. This phenomenon has been characterized as the integration of smallholders in large-scale commercial farming; however, it has not been unproblematic for developing countries wherein there was more of “insertion,” rather than integration, of smallholder farming. A reasonable reading of both literature and pragmatic experiences suggests that agricultural financialization in developing economies has “financialized farmlands and financialized commodities” (Hartmann et al., 2021: 124) with the effect that smallholder farming became passive actor in a discriminatory historical structure wherein power is concentrated in large-scale commercial corporations that are vertically linked to global networks, rather than horizontally to local communities and states. Literature survey reveals that scholarship on agricultural “financialization,” “commercialization,” “concentration,” “verticalization,” “inclusivity” and “horizontalization” included a longitudinal lineage from McMichael (2012) and White *et al.* (2012) through Fuchs *et al.* (2013), Sulle & Hall (2013), Clapp (2014), Ouma (2014, 2016, 2020), Richey & Ponte (2014), Christophers (2015), Li (2015), Martin & Clapp (2015), Mawdsley (2016), Moseley (2016), Pedersen & Buur (2016), Bargawi & Newman (2017), Bluwstein *et al.* (2018), Staritz *et al.* (2018) & Kisha & Fairbairn (2018) to Borrás et al. (2020), Eton *et al.* (2020), Sulle (2020) & Hartmann *et al.* (2021). The present paper does not seek to chronicle these scholarship works; instead, it uses the relevant conceptual and theoretical foundations to demonstrate that smallholder farming in developing economies is “inserted,” rather than integrated, into global finance under historical colonial structures, to its existential peril.

In developing economies such as South Africa that experienced discrimination, smallholder farming in territories that are ultimately defined through restitutive and redistributive land reforms. Such farmlands are as a result situated in virtual corridors among large-scale commercial farms; and, states have tended to use them “... as territorial tools to attract flows of global capital into agricultural value chains” (Hartmann et al., 2021: 122). In essence, this so-called “integration” leads to financialized smallholder “farmlands” and financialized smallholder “commodities.” This practice has in recent years become significantly problematic as it tended to include “the controversial blending of public with private funding for investments into farmland,” as well as “the integration of smallholders in large-scale operations” (Hartmann et al., 2021: 122). In this paper, we consider such “integration” as “insertion” for reasons exposed in the conceptual argument. Smallholder farmland corridors are demarcated as “territorial tools” for the financialization of the developing economies’ smallholder agricultural value chains, which ironically “inserts” smallholders’ “farmlands” and “commodities” into complexities of spatiality nested value chains inclusive of the extremes of the local and global scales (Hartmann et al., 2021). Evidently, smallholder farmlands and commodities in developing economies would not have the necessary capacity and competence to manage the intricacies of the global financial investments.

The concept of financialization involves “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies” (Epstein, 2005: 3 cited in Hartmann et al., 2021: 123). Presently, financialization is driving agricultural transformation in Africa, but its outcomes are not conclusively progressive and beneficial, especially for smallholders. The role of global, private as well as public, finance in creating and shaping these complex nested agricultural value chains is distinct and preeminent. Financialization literature, provides

for nuance conceptual frameworks for examining, understanding and explaining the deleterious effects of the “insertion” of developing economies’ smallholders into the complex nested agricultural value chains by differentiating “the complexity of territorial and relational spatialities.” There are significant paradoxical tensions involved in such nested agricultural value chains because of the contradictions inherent in the involvement of large global investments, both public and private, in localized smallholder economies (Pedersen & Buur, 2016). In the long-run, Hartmann et al. (2021: 123) argue that there is a potential for these tensions “to existentially jeopardize the efforts of letting smallholders benefit from development corridors” in developing economies.

Smallholder agricultural food chain has experienced financialization through two phenomena, viz.: “financialized farmlands” and “financialized commodities.” The phenomenon of “financialized commodities” suggests that “value chains for globally traded cash crops,” in particular, “are increasingly financialized through the price mechanisms of derivative markets” (Hartmann et al., 2021: 124). In concurrence with Bargawi & Newman (2017) & Staritz *et al.* (2018), Hartmann *et al.* (2021: 124) state that “Far beyond their financial sphere, global derivative markets have transformed how and to the favour of whom value chains are organized.” As such, the “insertion” of developing economies’ smallholder commodities in the global agricultural value chain has meant that they would have a secondary role to that of large-scale commercial farming. Also, the phenomenon of “financialized farmlands” has meant that smallholders in developing economies rely “foremost on complex transnational ‘investment chains’” (Kish & Fairbairn, 2018: 573) or, as Borrás et al. (2020: 1) describes it, “investment webs.” (Hartmann *et al.*, 2021: 124). Financial actors in these transnational investment networks include, among others, “equity investors, financial intermediaries and asset managing firms,” which do not only provide capital, but also set the “financial” and “moral” imperatives of investments (Hartmann *et al.*, 2021: 124). Inevitably, investments in smallholder farmlands in developing economies have been blamed for instigating “neo-colonial” forms of land grabbing (Bluwstein *et al.*, 2018; Hartmann *et al.*, 2021). To legitimize these investments and to pre-empt accusations of neo-colonialism, financialization of agricultural value chains in developing countries has pursued the so-called “integration” of smallholders into large commercial farms’ value chains (Sulle, 2020; Hartmann *et al.*, 2021). This practice has, however, been detrimental to smallholder farmlands and commodities because no single commercial farms could have realistically adopted a moral imperative to abstain from the pursued of profiteering. Indeed, the morality of agricultural financial value of the investments nor the “win-win logic” in balancing “capital accumulation” with “developmental” imperatives in developing economies has continued to be in deficit in the contemporary agricultural value chains. The establishment of agricultural value chain-oriented mega-alliances such as the New Alliance for Food Security and Nutrition and the Alliance for a Green Revolution in Africa (Sulle & Hall, 2013; Moseley, 2016; Hartmann *et al.*, 2021), has not transformed the morality of financial value of these investments.

Also significant, it has to be stated that financialization of the agricultural value chains involves “highly speculative financial investments,” which are “the main beneficiaries of foreign aid flows into frontier markets” (Hartmann *et al.*, 2021: 124). Accordingly, it has been discovered that “public and benevolent capital is increasingly pivotal to escort investments” in the frontier markets “as it subsidises otherwise unprofitable asset classes” (Hartmann *et al.*, 2021: 124). Richey & Ponte (2014: 8) & Hartmann *et al.* (2021: 124) confirm that, together with such subsidies, the “new forms of financialization, through foreign aid and philanthropic funding tends to be ‘neglectful and wilfully blind to the greater exposure to the risk and volatility that such trends entail.’” Indeed, where such investments fail, “frontier markets can ultimately create a vacuum of accountability when the lines of who covers costs and risks and who collects benefits get blurred” (Hartmann *et al.*, 2021: 124-125). Translation of investments imperatives towards everyday lived experiences of smallholder farming occur, as Ouma (2014: 68) & Hartmann *et al.* (2021: 125) put it, in the contexts of “place-based specifics such as policy, legal regimes, infrastructure, and the physical environment shape what imperatives are applicable.” For this reason, these “territorial-institutional settings at investment destination are, therefore, complementary to the financial sphere of investors and

supporters in co-constituting the ground rules for farmland investments” (Hartmann *et al.*, 2021: 125). In regard to the financialization of South Africa’s smallholder farmlands and commodities, the specific territorial-institutional settings are disabling and disempowering.

It is, therefore, plausible to argue that agricultural financialization processes are “inescapably rooted in their geographic context” (Pike & Pollard, 2010: 31; Hartmann *et al.*, 2021: 125), thereby dispelling the idea of one-size-fits-all across the developing economies. Smallholder farmlands in developing economies are, as “territorially bounded entities,” spaces of nation-states, and as “relationally unbounded flows” of capital circulation and trading networks, are incessantly shaped and reconfigured by “a widening range of financial actors and practices” (Hartmann *et al.*, 2021: 125). Simultaneously, these “territorial and relational spatialities under which financialization processes unfold and that they parallelly create can lead to tensions and discrepancies,” which “reveal the often uneven and contradictory everyday consequences of financialization spatialities” (Hartmann *et al.*, 2021: 126). Smallholder farmlands and commodities have, under these financialized spatialities uniformly been rendered mere subsistence farming oscillating on the precipice of collapse with permanency. Using two of the four analytical themes drawn by Hartmann *et al.* (2021: 125, 126), it is befitting to argue that South Africa’s smallholder farming has, under financialization of the agricultural value chains, seen accusations of violation of human rights regulations against investors and the incapacity to meet the necessary conditions for securing financial subsidies from public sources. Indeed, smallholder farming in developing economies such as South Africa has been “inserted” into the processes of agricultural value chain financialization to its detriment.

### **State-Agricultural Business Relations**

The state-agricultural business relations are dynamic and complex, with inherent global orientation, especially as states adopted and defended global liberalization of agricultural production (Hawkes & Plahe, 2012; Lichtenberger, 2014; Jonsson, 2016). Transformation of the agricultural regime is a process of reordering of the state-capital relations. Structural transformation of any kind, inclusive of that of agricultural regime, produces profound “upheavals” and fundamental rearrangements of the state-capital relations (Cox, 1981; Bernstein, 2016); and that has not happened in South Africa’s land reform.

Transformation is dynamic and complex, and it takes place as a series of activities at different levels, inclusive of the local, national and global scales (Bernstein, 2016). The primary purpose of agricultural regime transformation is to alter the direction, content and nature of its constituent geo-economic, productive, ideological, geo-political and social regimes (Bernstein, 2016). Agricultural regime consists of a “historical structure” that is composed of “a particular configuration of social forces of production, forms of state and world order” (Cox, 1981: 38). Also, the internal dimension of a “historical structure” consists of “historical forces of material capabilities, ideas and institutions” (Cox, 1981: 136). As a function of space and time, the character of the historical forces of materials, ideas and institutions define the nature of the agricultural regime which manifests as a variety of economic and social forces of production (Cox, 1981; Anderson, 2015; Bernstein, 2016). If appropriately undertaken, transformation or restructuring of the “historical structure” of agriculture would be a dynamic and complex process that would in space and time produce, reproduce and reconfigure the agricultural regime (Anderson, 2015; Niederle, 2017) for widespread inclusivity and horizontalization that would incentivize communal farming for commercial viability and sustainability.

Historically, and across the rest of the world, agricultural regimes have been transformed; and, the latest was a restructuring towards neoliberalism regime which agitated for the financialization of and vertical integration of the production chain in ways that paradoxically preserved rigidity of “concentration and verticalization” of the “historical structure” of agriculture with dynamism and complexity (McMichael, 2005, 2009). In general, state financialization of agriculture has fixated the state-agricultural business

relations in agricultural neoliberalism which has provided for a secure exclusive space and special position for the private agricultural institutions' actors in the state-capital relations (Hawkes & Plahe, 2012; Lichtenberger, 2014; Jonsson, 2016). For this reason, agricultural commercialization structures and bulk commodity production have not been innocent by-standers in impairing the capacity of developing states, such as South Africa, to restructure and reconfigure the agricultural sector for access, viability, and sustainability of communal farming. Once neoliberalization of agriculture was firmly established and defended, transformation of the "historical structure" of the agricultural regime became virtually impossible if the constituent regimes of institutions and ideas remained intact (McMichael, 2009, 2010; Gimenez & Shattuk, 2011; Jonsson, 2016). In essence, neoliberalization of agriculture has meant that regulatory agricultural authority has diffused from national to the global scale thereby increasing the scope for private institution actors to cement their special position and to project their "ideational" influence on transformation, restructuring and reconfiguration itself (McMichael, 2009, 2010; Gimenez & Shattuk, 2011; Jonsson, 2016).

As a result, the "political history of capital" and the state-capital relations constitute the foundational organizational "historical structure" on the bases of which agricultural regime transformation has to be driven for the purposes of stabilizing the agricultural production accumulation regime (McMichael, 2005). State interventions to create widespread inclusivity and horizontalization of the "historical structure" of agricultural regime has to restructure, with the same degree of exertion, the materials, institutions and ideational nature of the agricultural regime. Hence, it is imperative to understand the characters of the "historical structure" of agriculture that manifests in materials, institutions and ideation because financialization, commercialization, conversion to large-scale farming and monoculture, bulk commodity agricultural production and the "ideational" currents attendant to the neoliberalism agricultural regime are the critical epistemic communities and formations for the contemporary neoliberal agricultural policy making (Bernstein, 2016).

### **Agricultural Financialization and Commercialization**

State agricultural subsidization is longstanding, even in those countries that had professed and defended the notion of free markets. The preceding subsection has already engaged financialization and commercialization of agriculture because of their intricate connections to the transformation of the state-capital relations. This paper has already highlighted the notion that neoliberalization of agriculture has facilitated and fuelled agricultural financialization, exacerbated commodification of agricultural production and the conversion of productive agricultural activities into commercial farming monoculture (Hawkes & Plahe, 2012; Lichtenberger, 2014; Anderson, 2015; Jonsson, 2016; Niederle, 2017). Agricultural financialization has facilitated agricultural investments, beyond just land investments, which involve materials that included, among others, transportation and logistics facilities, capital markets, partnerships, and joint ventures, without altering the character of the "historical structure" of agriculture which resides in its institutions and ideational nature (Cox, 1981; McMichael, 2005; Bernstein, 2016). In this process of neoliberalism and financialization of agriculture, foreign investment did not only come to dominate, but it had in reality taken over the bulk of investment in the prime crops, livestock and such other tradable commodities, with the result that commercial farming monoculture became incentivized (Isakson, 2013). As the paper has already stated in the preceding subsection, neoliberalism and financialization of agriculture provided the necessary liquidity that exacerbated "concentration and verticalization" of agriculture largely through the expansion of large-scale farming and monoculture as well as the re-orientation of productive agricultural activities towards global markets (Isakson, 2013; Anderson, 2014).

The process of creating a class of successful black commercial farmers as redress of the history of colonialism and apartheid cannot be artificially superimposed upon the old discriminatory and segregationist "historical structure" of agriculture. Even if government financialization of communal farms

is increased multiple folds, the colonial and apartheid “historical structure” of agriculture has proven to be capable of self-reproduction. For South Africa’s land reform and agricultural regime changes to succeed in the struggle to be inclusive of the previously excluded majority Blacks, there is a need for profound transformations of the state-agricultural business relations, especially because South Africa has since 1996 become a staunch implementer and defender of agricultural liberalization. That is, restructuring of South Africa’s “historical structure” of the agricultural regime entails concomitant changes in the state-agricultural business relations; and, this change is yet to happen almost after 26 years of democratic experimentation. Under the present circumstances of the historical forces of agriculture, communal farms would never become commercially viable and sustainable, even if greater financing is apportioned.

That is, in its attempt to establish a class of Black successful commercial farmers through, among others land reform aspects such as communal farms, government is supposed to purposefully create a state-private agriculture actors’ cooperation which would then drive the realization of that class of emergent farmers. In South Africa, the CPA model has hoped to produce commercially viable and sustainable communal farms without altering the underlying material, institutional, ideational nature of the “historical structure” of agriculture. It is this “historical structure” that produces, reproduces and reconfigure existing relations of agricultural production, which incentivises large-scale commercial farming that is oriented towards global markets. So, land reform and transformation of the agricultural regime is not just a function of financialization of communal farms.

### **COMMUNAL FARMS ECONOMIC ACTIVITIES IN SOUTH AFRICA**

Most farms in South Africa have collapsed due to limited access to the market (Mkhabela, 2018), which are wholly global, and also due to the lack of enabling governance mechanism for commercial functionality. According to Shackleton (2019), half a million households in South Africa’s former homelands disengaged from communal farming between 2011 and 2016. In other instances, most CPA farms have tended to resort to agricultural activities that are competitive, yet without achieving commercial viability and sustainability (Bennett, Ainslie & Davis, 2010; Mmbengwa, Nyondo, Myeki, Ngethu & van Sckalkwyk, 2015). It has been argued that game and livestock farming had the potential to be competitive and to achieve commercial sustainability compared to crop farming. However, as extended spells of draught struck South Africa, communal farming drifted towards non-farming economic activities such as accommodation, lodging and tourism, which has in reality made their odds of being competitive even stiffer. Despite their lack of sustainability and suboptimal productivity, communal farming challenges relating to financing, institutions, marketing and ideas are substantial and have accounted for the collapse of most CPA farms in South Africa. Whereas there is general acceptance that the lack of government support for communal farms has contributed to their failure, and whereas economic activities practised on communal farms have the potential to be commercially viable and sustainable, this paper calls for the examination of the root cause rather than the symptom.

According to Mkhabela (2018), small-scale farming in South Africa does not guarantee viable and sustainable agricultural production, largely because, as variously asserted by Bennett (2013) and Sebola & Tsheola (2014), land reform has not facilitated the restructuring of the “historical structure” of agriculture. As a result, negligible economic spinoffs accrued to both the state and communal farm beneficiaries (Sebola, 2018). It is trite that an overwhelming majority of restituted and redistributed communal farms have not been economically viable or sustainable, thereby failing the test of food security. A wide range of activities such as crop, game and livestock farming, as well as the unconventional non-farming activities like accommodation, lodging, conferencing and tourism, have been tried on communal farms. Whereas there is evidence of the potential for some of the economic activities on communal farms to be competitive, they have generally failed the test of viability and sustainability.

The prime reason for South Africa's communal farms' failure of the test of commercial viability and sustainability as discussed in the preceding section, is that the "historical structure" of materials, institutions and ideational regimes persisted untransformed in a democratic South Africa. Even if government were to provide substantial financial support to economic activities practised on communal farms such as crop, game and livestock farming as well as tourism, accommodation and lodging, that would only address the materials regime without transforming the historical forces of agricultural regime institutions and ideation. Also, provision of extensive materials regime to communal farms in isolation would not alter or restructure the concentration and verticalization of agriculture, commercialization of production, conversion to bulk commodity production, expansion of large-scale commercial farming and monoculture and the re-orientation towards global markets. Whilst these regimes, which are supported by the neoliberalization and financialization of agriculture and the upward diffusion of the regulatory authority towards the global scale, remain intact, communal farming would remain constrained to survivalist pragmatism, instead of progressing towards commercial viability and sustainability.

### **FINANCING COMMUNAL FARMS ECONOMIC ACTIVITIES, MARKETS, VIABILITY, SUSTAINABILITY, REVENUE AND EMPLOYMENT GENERATION**

This section discusses the results of analysis of the empirical data collected through the 258-questionnaire survey of the beneficiary communities in the five CPAs, 26 interviews of the CPAs officials and the 2 government representatives.

#### **Communal Farm Economic Activities in the Five CPAs**

Notably, commercial and emerging farms in South Africa contribute to the society's job creation through different economic farming activities, which include crop, game and livestock farming, lodging and banqueting and tourism. Whereas Leshiba CPA is the only CPA that have listed three functional economic activities namely, crop, livestock and game farming as their major economic activities, Makgato CPA identified livestock farming alone as the major agricultural activity (table 1).

**Table 1:** Communal Farm Economic Activities in the Five CPAs

CPA Name	Potential economic activities	Active/Not Active
Leshiba	Crop farming	Active
	Game farming	Active
	Livestock farming	Active
Machikiri	Crop farming	Not Active
	Game farming	Not active
Makgato	Accommodation/Lodging	Not active
	Crop farming	Not active
	Livestock farming	Active
Maraba	Accommodation/Lodging	Not Active
	Game farming	Not Active
	Livestock renting	Active
Rapetsoa	Crop farming	Not active
	Livestock renting	Active

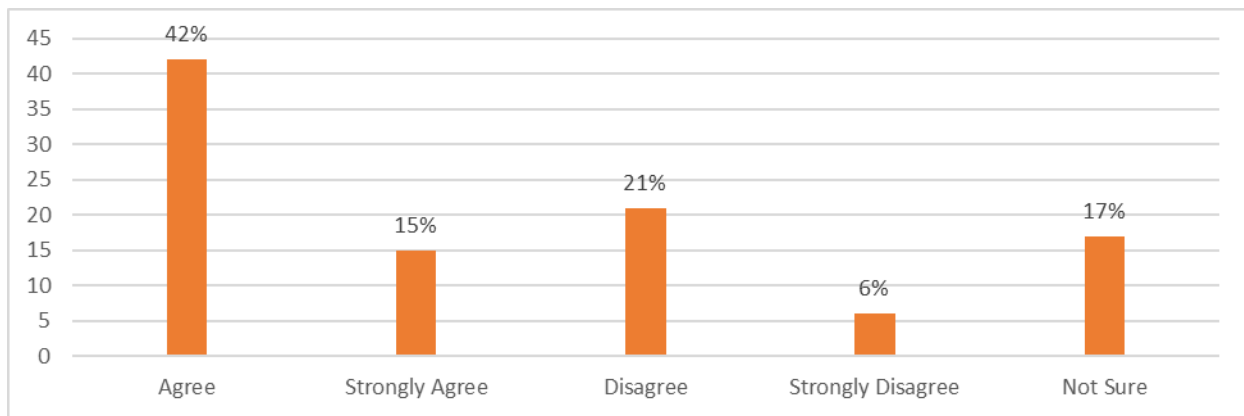
All other three CPAs, Maraba, Machikiri & Rapetsoa, as at the time of the survey, did not have functional economic activities except livestock which rented the farm for grazing. However, one interviewee from Maraba CPA said that "*on our farm we have few wild animals that were left by the previous owners, and they have now become part of the rented livestock cattles rented in the farms because we don't have skills to continue with game farming*". In general, almost 98% of the CPA officials

interviewed indicated that their farms are still struggling to be commercially viable and sustainable due to financial constraints. They highlighted the funding mechanism for farmers, which takes almost a decade to secure, and that by the time it succeeds, the funding is not worth it anymore; hence, they argue that they had resorted to leasing their farms to other beneficiaries at a lower rate.

**Viability of Communal Farm Economic Activities**

There is evidence that most local communities rely on communal farms for their agricultural products, which are generally sold at local informal fresh produce market. Given the negligible money that circulates in such poor communities, communal farms are unable to break even on the basis of this local fresh markets alone. Whereas literature suggests that livestock farming for agricultural production, such as beef, dairy, sheep and goats, are considered commercially viable, most communal farms are geographically located in spaces where only a limited number of such economic activities can be reasonably practised. Figure 1 shows that 57% of the respondents agree/strongly agree that there are economic activities that can be viably practised on their communal farms, whilst 27% of respondents believed that not all economic activities could be viably practised on their farms. Only 17% of the respondents were not sure about the viability or lack thereof of economic activities on their farms.

**Figure 1:** Viability of Communal Farm Economic Activities



There could be variable scenarios that explain the nature of the responses. One could be that the CPA was constituted, and the communal farm was allocated to community beneficiaries without providing them with detailed feasibility analysis. Given the absence of seriousness with which the CPAs were established, it is also possible that their communal farms could have been allocated without any feasibility studies conducted. It is worrying that 17% of respondents sampled from the five CPA beneficiary communities would be unsure about the economic viability of the different economic activities on the farms they own. Perhaps, this level of the absence of feasibility information explains the reasons why the most commonly accepted logic is that CPAs requires government funding support. It would have been understandable if CPAs and communities complained about government funding support whilst they held a firm and realistic idea of what potentially viable economic activities they would seek to practice.

**Revenue Generation and Sustainability of Game and Lodging**

South Africa is popularly known for its wildlife attractions and a wide variety of species, such as African lions, elephants, rhinos, wildebeest, buffalos and leopards. Literature reveals that game framing has had notable growth since mid-2000, with a realistic potential to generate revenue through tourism. However, it is still not clear whether such growth arose from private or communal farms. Additionally, communal farm

lodging has been found to possess the potential to generate revenue, especially where it is practised in tandem with game farming. A relative majority of 55.5% respondents agree/strongly agree that communal farm game and lodging has the potential to generate sustainable revenue (table 2).

**Table 2:** Revenue Generation and Sustainability of Game and Lodging

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	119	46.1	46.5	46.5
	Strongly Agree	23	8.9	9	55.5
	Disagree	70	27.1	27.3	82.8
	Strongly Disagree	13	5	5.1	87.9
	Not Sure	31	12	12.1	100
	Total	256	99.2	100	
Missing	System	2	0.8		
Total		258	100		

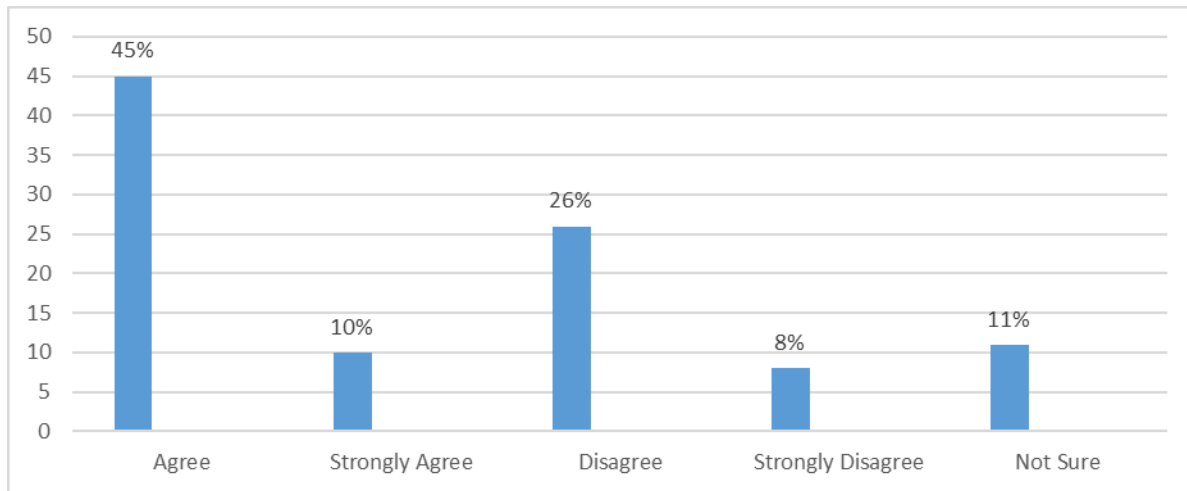
According to the majority of respondents, communal farm game and lodging have the capacity to generate revenue; however, such revenue is not adequate to render such communal farms commercially viable and sustainable. The fact that 32.1% of the respondents indicated that they do not see potential of their communal farm game and lodging generating revenue sustainably is a serious concern. Again, it is unclear how 12% of respondents, who are owners of the communal farms, would be unsure of the potential of their own game and lodge farming to generate revenue sustainably. Overall, these results suggest that even if there was potential to generate revenue from communal farms game and lodging, such revenue generation would have never been sustainable because beneficiary communities would have been unanimous.

### Marketing Communal Farms Agricultural Produce

Globally, emerging farmers have faced problems accessing both the national and global agricultural produce markets; and, South African communal farmers have not been an exception to the norm. There is a commonly accepted belief that communal farmers lack of business skills and finances that are necessary for entering into the agricultural industry and markets. As a result, marketing of communal farms economic activities, particularly agricultural produce, remains suboptimal and ineffectual. Almost 55% of the respondents agree/strongly agree that they are marketing their own agricultural produce, but only in local informal markets (figure 2). In South African itself, both emerging, small-scale and large-scale commercial farmers have the responsibility to independently market their own agricultural produce; yet, communal farms do not have the necessary materials, institutions and ideational regimes to mount substantive marketing campaigns. Appropriate government intervention in this regard, would require restructuring of the state-capital, or perhaps state-agricultural business, relations in order to ensure that the historical forces create widespread inclusivity and horizontalization of the agricultural regime.



**Figure 2:** Marketing Communal Farms Agricultural Produce



Over 45% of the respondents disagree/strongly disagree or are unsure about the state of marketing of their communal farms agricultural produce. These results are at best awkward because the owner communities should be well-informed about the marketing strategies or the lack thereof; however, it is evident that there is no marketing at all if sense has to be made of the 45% respondents (figure 2). It is clear that government intervention is necessary, but a call for pumping financial resources into communal farms would be an irresponsible strategy. Instead, as this paper has clearly articulated in the preceding sections, the most effective strategy and reasonable policy intervention would be focused on restructuring the state-agricultural business relations in order to ensure that subsequent government financialization of communal farms may not be superimposed on rigid, yet paradoxically dynamic and complex, “historical structure” of institutions and ideation.

### Employment Opportunities on Communal Farms

In all the five communal farms managed by the CPAs, there is basically no inspiration in regard to the employment opportunities that these farming operations could generate. Whereas two farms had no single employment opportunity, the other two employed a total of 7 persons on a permanent basis (table 3). Only one CPA communal farms employ between 20 and 80 persons, but a significant majority of these employment opportunities are seasonal. Clearly, the suboptimal employment opportunity generation indicates that these communal farms are not viable nor sustainable, and that there is no substantive agricultural produce to contemplate therefrom.

**Table 3:** Employment Opportunities on Communal Farms

CPA Name	Type of employment	No of employees	Seasonal/Permanent
Leshiba	Farm labourers	20-80	Seasonal and Permanent
Machikiri	None	None	N/A
Makgato	Cattle headers	4	Permanent
Maraba	No employees	None	N/A
Rapetsoa	Security guard and Farm labourers	3	Permanent

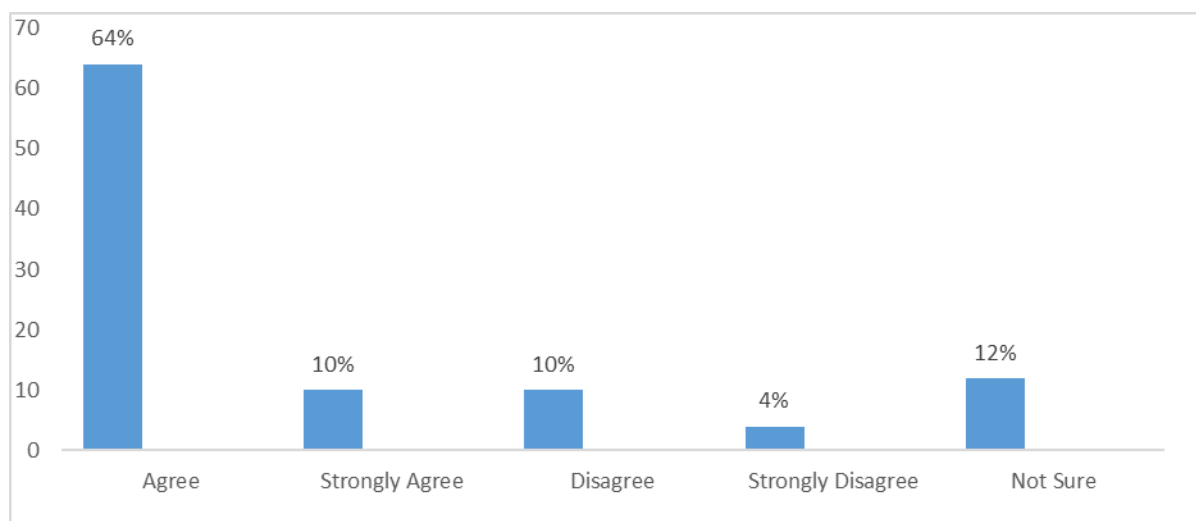
The question is whether this status quo is original in the farm before they were allocated to CPA as communal farms, or if the situation arose post-allocation. However, in all other three CPAs farms there are employment opportunities, but most respondents mentioned that it is difficult to hire farm labourers as most beneficiary communities do not possess the necessary skills. The majority of the five CPA communal farms

are leased for livestock grazing, which generates negligible revenue. On that note, one interviewee from Rapetsoa CPA mentioned that “because we have rented our farms for livestock rental there are security guards from the beneficiaries who are employed to take care of the rented animals in the farms and it is difficult to pay them.” It is apparent, that the CPA and government are all bereft of credible economic activities and productive agricultural produce options to take communal farming forward; that is, they are stagnated and frustrated.

### Survivalist Pragmatism on Communal Farms

Given the absence of meaningful employment opportunities and income generation capacity, an increasing majority of the CPA beneficiary communities have tended to use communal farms for survivalist agricultural production (figure 3).

**Figure 3:** Survivalist Agricultural Production on Communal Farms



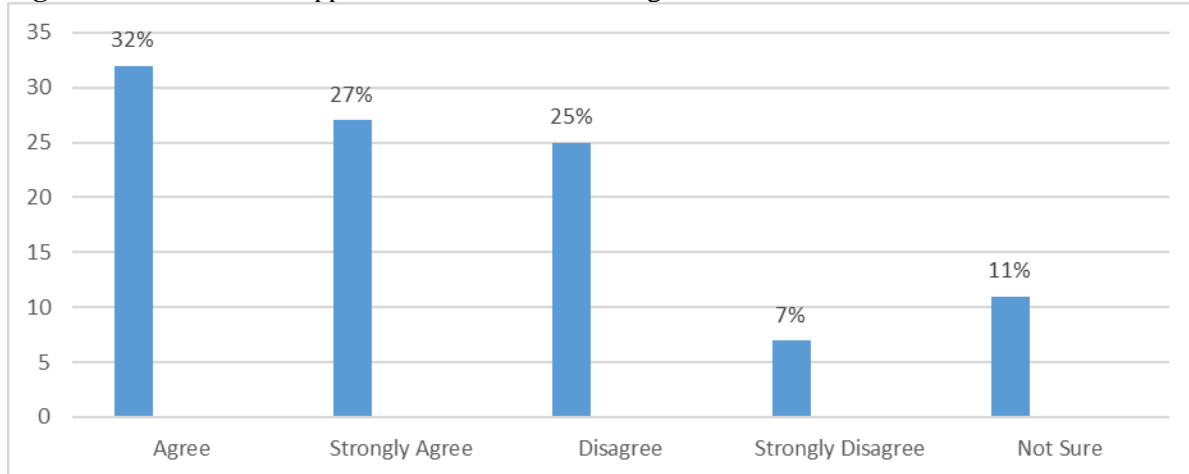
A substantial majority, 74%, of the respondents agree/strongly agree that they have been using their CPA communal farms for survivalist agricultural production because of the void of revenue and income, compared to only 14% who disagree/strongly disagree. It is again difficult to understand how 12% of the CPA communal farm beneficiaries would be unsure if they ever used or not used their communal farms for survivalist agricultural production. Anyway, this overwhelming proportion of respondents who are using their communal farms for survivalist agricultural production attests to the incontrovertible finding that communal farms are not commercially viable nor sustainable. Indeed, South Africa’s historical agricultural structure consists of social, productive, ideological, geo-economic and geo-political regimes that remain untransformed, rendering state financing as materials redundant in the face of the hegemonic institutions and ideation.

### Government Support for Communal Farming

From the five CPA communal farm beneficiaries, 59% respondents agree/strongly agree that they had received financial support from the government, which they consider as insufficient, compared to 32% who disagree/strongly disagree (figure 4). The fact that 11% of the respondents claim that they are not sure if their CPA communal farms had received financial support from government, raises vexed questions of transparency. In fact, this component of the results has been constant in all the themes tested in the survey, suggesting that governance of the CPA communal farms is not transparent, *lest* it would be concluded that

they are just ignorant. As always, the absence of transparency in governance often creates fragile terrain for fraud and corruption. It is not surprising that CPA officials argue that in case where CPAs received government funding, it was partial. This aspect of the absence of transparency and the potential for corruption is outside the scope of this current paper.

**Figure 4: Government Support for Communal Farming**



Land reform in South Africa is one of the most important programmes that government initiated with the intention of returning land to the historically disadvantaged groups as a means of redressing the historical imbalances. Whereas government shoulders the responsibility to support communal farming, interventions need to be strategic, rather than rely on wasteful financing of their agricultural production. It is now clear in South Africa that financing, as materialisms intervention, communal farms on its own is a necessary, but not sufficient, condition for viability and sustainability of their agricultural production. Despite existing financing programmes, most agricultural production in communal farms have either collapsed or never emerged out of the starting blocks. For the new class of “black farmers (to) succeed and (to) potentially contribute to the success of agriculture and the economy in South Africa” (Sebola, 2018: 2), government should first facilitate substantive agricultural transformation that deals with both materials, institutions, and ideational regimes of the “historical structure.”

## CONCLUSION AND RECOMMENDATIONS

The paper adopted the theoretical foundations of agricultural financialization which reveal that smallholder farming in developing economies such as South Africa leads to financialized farmlands and financialized commodities in global derivative markets. It has demonstrated that South Africa’s communal smallholder farming possesses a realistic potential for commercial viability and sustainability, but that its capacity is impaired because the “historical structure” of agriculture remains unreformed with concentrated and verticalized, yet paradoxically dynamic and complex, agricultural materials, institutions, and ideational regimes. Furthermore, it has argued that the absence of commercial viability and sustainability of communal farming in South Africa is generally blamed on the lack of government support, especially with regard to financing of the farming activities. Drawing from pertinent literature, it portrayed the lack of government support as a symptom of a deeper root cause of the problems of communal farming because their financing addresses materials, which is only one of the three characters of the historical forces that define the nature of agricultural regimes and value chains. The other two characters of the historical forces, institutions, and ideation, undergirding the agricultural regime and value chain remain intact even as finances are pumped into communal farming.

Furthermore, the paper highlighted the irony that government financialization of agriculture has in reality provided liquidity that exacerbated commodification of agricultural production and the conversion and “insertion” of productive smallholder farming activities into large-scale commercial farming and monocultures in global derivative markets. Both public and private financialization of agriculture has served to strengthen “concentration and verticalization” of agriculture, thereby re-orientating productive farming activities towards global derivative markets in ways that stifle entry as well as commercial viability and sustainability of communal smallholder farming. The paper concludes that agricultural financialization in developing economies does not transform the institutions and ideational nature of the “historical structure” of the agricultural regime and value chains that thwarts economic viability and sustainability of communal smallholder farming.

To this extent, the paper recommends that financialization of communal farming in developing economies need to be accompanied by concomitant restructuring of the state-agricultural business, or perhaps the state-capital, relations as well as the reconfiguration of the public institutions-private business actors’ relations, which are central to the upward influence upon the global agricultural markets that are now firmly neoliberal in nature. The state needs policies that strengthen agricultural markets “inclusivity and horizontalization” rather than “insertion” into global derivative markets through “concentration and verticalization.” Similarly, the state has to legislate against the so-called “integration” into large-scale commercial farming of smallholder farmlands and commodities as well as the re-orientation of productive smallholder farming activities towards global derivative markets that stifle entry, commercial viability and sustainability. Agricultural legislation has to prohibit financialization of smallholder farmlands and, by implication, financialization of their commodities, especially that which is perpetrated through speculative global financing, inclusive of the philanthropic forms. Instead, the state has to intervene in smallholder agricultural farmlands and commodities by transforming institutions and ideational nature of the “historical structure” of agricultural regimes and value chains. As already stated, even public financing of communal smallholder farmlands cannot be speculative, instead it needs to be accompanied by concomitant restructuring of the state-agricultural business relations as well as the reconfiguration of the public institutions-private business actors relations. In practical policy terms, therefore, the state has to protect smallholder farmlands and commodities from speculative financialization, both public and private. The creation of communal smallholder farmlands corridors needs to be insulated from large-scale commercial farming in order that commodities produced therefrom do not become secondary players in global derivative markets. There is no known study that is published that applies the conceptual frameworks, drawn from the theoretical foundations of agricultural financialization, to the economic viability and sustainability of communal smallholder farming in South Africa. For this reason, this paper adds invaluable insights into the economics of financialized farmlands and financialized commodities in reference to South Africa’s communal smallholder farming that has irrefutably continued to be dysfunctional.

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