

PHILIPPINE ACADEMY OF MANAGEMENT E-JOURNAL

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The Philippine Academy of Management e-Journal, which recognizes the need for stronger management scholarship in the country, provides opportunities to faculty members, academic staff (especially early-career academics), doctoral students, and other graduate students to have their works reviewed and published. These works come mainly from the proceedings of the annual National Business and Management Conference, which tackles a different theme every year. The themes address relevant issues in the Philippine business and management landscape.

As management scholarship is the main thrust of the PAoM, it provides an avenue for faculty members / academic staff, doctoral students, and other graduate students to hone their research skills by utilizing the PAoM e-Journal as a platform for knowledge sharing and dissemination. It also enables them to expand their repertoire of research publications, thereby helping them advance their academic careers.

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Message from the PAoM President

On behalf of the Board of Governors of the Philippine Academy of Management (PAoM), I am pleased to announce that the maiden issue of the Philippine Academy of Management e-Journal is now available not only to the scholarly community but to the general public. This is a manifestation of our commitment to promoting management scholarship in the country.

Back in 2004, Philippine management education depended almost exclusively on Western theories, frameworks, and models. There was no visible annual scholarly conference on management. There was also no venue for management scholars to regularly interact and share their research findings. Thus, management practitioners did not benefit from insights derived from research about business and management practices in the country. This prompted a group of individuals, mostly from De La Salle University (DLSU) and the Asian Institute of Management (AIM), to organize PAoM, which promoted both scholarly inquiry and practice-orientation for national development. In 2005, the first meeting of the board of trustees (now board of governors) took place, and was attended by the following individuals: Louie Divinagracia, Divina Edralin, Herminia Fajardo, Ramon Katigbak, Ricardo Lim, Cesar Mansibang, Jose Maximiano, Epictetus Patalinghug, and Benito Teehankee. We thank these individuals for starting the Academy.

Just like any new organization, PAOM experienced the so-called birth pains. It also underwent a period of dormancy, given the extremely busy schedules of its officers, many of whom handled administrative positions in their respective academic institutions. Two years ago, I assumed the presidency of the academy. Shortly after, we established a partnership with DLSU in co-organizing the National Business and Management Conference (NBMC).

The NBMC, which DLSU founded with the University of San Carlos (USC) in 2013, has become our primary venue for getting business and management faculty members and doctoral students all over the country to present their research papers and to have these disseminated further through the conference proceedings. The papers included in this maiden issue of PAOM e-Journal came from selected manuscripts submitted during the past two editions of the NBMC, all of which underwent a blind peer-review process. We thank all of our generous reviewers for helping us assure the quality of the works that are (and will be) published in this journal. PAoM e-Journal editor Dr. Emilina Sarreal and I would also like to especially thank Mr. Ian Benedict Mia, who facilitated the review process, and who handled the layout and design of the journal.

As I end my term as PAoM President this year, I am happy to have been given an opportunity to contribute to the fulfillment of the mission of the academy. I thank the other members of the PAoM Board—Dr. Zorayda Ang, Dr. Divina Edralin, Dr. Ricardo Lim, Dr. Ronald Pastrana, Dr. Robert Ramos, and Dr. Ben Teehankee—for accompanying me in this journey. I am hopeful that, with this journal, we will be able to contribute to the dynamism of management scholarship and practice in the country.



Raymund B. Habaradas

President, Philippine Academy of Management

Editor's Note

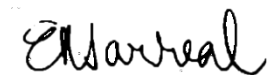
It is my pleasure to introduce the maiden issue of Philippine Academy of Management (PAoM) e-Journal. PAoM e-Journal provides a really exciting opportunity to consider the truly interdisciplinary nature of business, management and entrepreneurship research at a time of great change across the diverse and global realm of management scholarship as it affects the Philippine business environment.

The objective of PAoM e-Journal is to publish up-to-date, high-quality and original research papers of faculty members / academic staff (especially early-career academics), doctoral students, and other graduate students mainly from the proceedings of the annual National Business and Management Conference (NBMC), which tackles relevant global themes as applied to local issues in the Philippine business and management landscape.

Alongside relevant and insightful paper reviews, the PAoM e-Journal aspires to be vibrant, developmental, engaging and accessible. The maiden issue contains research papers in a more traditional form and will demonstrate a sound theoretical and/or methodological underpinning and a clear contribution to knowledge in the areas of 1) sustainability reporting's relevance in aligning the business, society and environmental objectives; 2) effects of perceived risks, incentives and behavior of crowdfunding platforms on project or campaign success; 3) use of social media analytics on social enterprises' quest for customer engagement; 4) insurance industry's financial performance drivers and indicators and; 5) leadership competencies of bank administrators' impact on organizational culture.

In line with the NBMC being held in various regions of the country, the succeeding issues will also provide "comprehensive reviews" of a particular theme specific to the different regions yielding summary notes and policies pertinent to the fields of business, management, and entrepreneurship.

Contributions from both industry practitioners and academicians will be encouraged for comprehensive reviews, summary notes and policies of a particular business, management and entrepreneurship issue. All types of papers, however, will be subject to the journal's peer review process. Any papers submitted either individually or collaboratively, are much appreciated and will make a substantial contribution to the early development and success of the journal. Congratulations to the authors of the maiden issue and thank you in advance for your contribution to the succeeding issues of the PAoM e-Journal.



Dr. Emilina Sarreal

Editor in Chief, Philippine Academy of Management e-Journal

Sustainability reporting in the Philippines: The case of Manila Water Company, Inc.

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Abstract

Sustainability reporting is gaining traction in the international community. More and more corporations are seeing the importance of aligning business objectives with those of society and the environment. However, while sustainability reporting has become commonplace in developed countries, it is still in its infancy stages in developing countries. This paper aims to describe and analyze the reporting pattern of the first corporation in the Philippines to prepare sustainability reports that comply with two internationally recognized standards. By undertaking a content analysis of the ten sustainability reports issued by Manila Water Company, Inc., we found that while the company has achieved significant developments in terms of reporting, it still has to report on more difficult areas such as non-conformance and other not-so-positive aspects of the company.

Background and Rationale of the Study

On December 12, 2015, almost 200 countries adopted the Paris Agreement of the United Nations Framework Convention on Climate Change, a “framework that establishes a global warming goal of well below 2°C on pre-industrial averages” and seeks to “strengthen the global response to the threat of climate change” (The Paris Agreement Summary, 2015).

This proves that global warming and other issues concerning sustainability are growing in importance. According to Welford and Gouldson (1993, as cited by Welford, 2013), “be it because of the resources that they consume, the resources that they apply or the products that they manufacture, business activity has become a major contributor to environmental destruction” (p.4). Businesses, therefore, should assess their operations and determine how they can reduce the greenhouse gases that they release into the atmosphere (Wittneben & Kiyar, 2009), and switch to other practices that result in sustainable development.

Ciegis, Ramanauskiene, & Martinkus (2009) looked at various definitions of sustainable development, and determined that the definition of the World Commission on Environment and Development in its 1987 *Our Common Future*, written by the Brundtland Commission, is the most comprehensive because it includes economic, ecological, social, and institutional dimensions. *Our Common Future* (1987), as cited in Ciegis et al. (2009), defines sustainable development as “the development that satisfies the needs of the current time period without jeopardizing the ability of future generations to satisfy their needs” (p. 34). Twenty-six years later, Daizy, Sen, & Das (2013) defined sustainable development as “a vision and a way of thinking and acting so that we can secure the resources and environment for our future generation” (p. 8).

According to Lozano (2015), corporations can have internal and external motivators for practicing corporate sustainability. Internal drivers can include “help improve trust within the company,... help boost innovation and innovative practices,... help manage risks, intangible assets, and internal processes,... improve performance and generate more profits and growth” while external drivers can include “help improve trust outside the company, i.e. with business partners, suppliers, consumers, and others,...improve access to markets and customers,...improve customer satisfaction,...help enhance corporate and brand reputation” Lozano (2013, p. 36). No matter what the corporations’ motives are, the public expects businesses to address climate change issues (Wittneben & Kiyar, 2009).

Sustainability Reporting Frameworks

To communicate their CSR and sustainability activities, corporations prepare sustainability reports. Sustainability reports contain quantitative and qualitative information on how a corporation has contributed to the improvement of the social, economic, and environmental aspects of its community (Roca & Searcy, 2012). A sustainability report takes various forms – it may be an attachment to the annual report, or it may supplement it. Extra-financial reporting is mandated by law in certain countries (Aktas, Kayalidere, & Kargin, 2013). For example, in December 2014, the European Union issued a directive requiring member nations to require large undertakings, which are “public-interest entities exceeding on their balance-sheet dates the criterion of the average number of 500 employees” to disclose “non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery” (“Directive of the European Parliament and of the Council,” p. 9). And since a lot of these large undertakings operate in more than one country, a worldwide framework could guide them and their readers in reporting and reading about their activities.

Global Reporting Initiative (GRI) is a nonprofit organization created by the United Nations Environmental Program, Coalition for Environmentally Responsible Economies, and the Tellus Institute (GRI, n.d.-a). The aim of the organization is to create an accountability mechanism to ensure companies were following the CERES Principles for responsible environmental conduct. The result is the GRI standards, which allow organizations to assess and inform their stakeholders about the effect of their businesses on “critical sustainability issues” (GRI, n.d.-b).

The first version of GRI Standards was launched in 2000, and the second version, G2, two years later. However, these versions were characterized by “controversial issues regarding the performance indicators for economic, environmental, and social activities” (Lin, Chang, & Chang, 2014, p. 30). To resolve these issues and to increase buy-in, over 3,000 experts from “companies, non-governmental organizations, labor unions, accounting firms, investment institutions, and academia” participated in the crafting of the G3 Guidelines, which were introduced in 2006 (GRI, n.d.-a.; Lin et al., 2014). The G3 Guidelines allowed organizations to adapt sustainability disclosures incrementally. An intermediate version, G3.1, which was released five years after, had more explicit guidelines on “local community impacts, human rights and gender” (GRI, n.d.-c).

According to the PricewaterhouseCoopers website, the current version, G4, launched in 2013, features “greater focus on materiality and boundary setting; new guidance with respect to anti-corruption and emissions; increased reporting on management approach with respect to

sustainability; and greater transparency regarding governance structures and remuneration” (PricewaterhouseCoopers, n.d.).

Sustainability Reporting in the Philippines

The Philippine government is increasingly recognizing the need for corporations to include social responsibility and sustainability in its operations. In fact, in November 2016, the Security and Exchange Commission (SEC) issued its Code of Corporate Governance for Publicly-Listed Companies, with Principle 10 stating, “The company should ensure that the material and reportable non-financial and sustainability issues are disclosed” (Securities and Exchange Commission, 2016). According to the SEC,

As external pressures including resource scarcity, globalization, and access to information continue to increase, the way corporations respond to sustainability challenges, in addition to financial challenges, determines their long-term viability and competitiveness. One way to respond to sustainability challenges is disclosure to all shareholders and other stakeholders of the company’s strategic (long-term goals) and operational objectives (short-term goals), as well as the impact of a wide range of sustainability issues.

Disclosures can be made using standards/frameworks, such as the G4 Framework by the Global Reporting Initiative (GRI), the Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) and/or the Sustainability Accounting Standards Board (SASB)’s Conceptual Framework. (Securities and Exchange Commission, 2016)

Several corporations in the Philippines have also recognized the value of creating sustainability reports. Based on the Sustainable Disclosure database of Global Reporting Initiative, forty-nine organizations based in the Philippines have submitted sustainability reports at least once (although a review of the records shows that three of these organizations do not have data about the kinds and dates of the reports) (Global Reporting Initiative [GRI], 2016). Of these organizations, forty are classified as either multinational enterprises or large enterprises (GRI, 2016).

Methodology

Choice of Company to be Studied

Manila Water started issuing corporate sustainability reports in 2004, the same year when the company became publicly listed. In this paper, we analyzed the overall pattern of the sustainability reports for the period 2004 to 2014. We chose to analyze the sustainability reports of Manila Water for the following reasons:

1. It has the most number of sustainability reports (ten) among companies operating in the Philippines. This indicates that the company takes its sustainability initiatives seriously.

2. The company's services – the distribution of water and the maintenance and operation of the sewage system – are vital to the comfort and survival Metro Manila residents.
3. As a concessionaire, it is the sole provider of water and sewerage facilities in its service area. Yet the fact that it is in effect a monopoly did not hinder the company from performing so well that it has received numerous accolades from both local and international award-giving organizations since 1999 (Manila Water Company, Inc. [Manila Water], n.d.-a).

Manila Water Company, Inc. services what is called the East Zone of Metro Manila, which includes much of the Makati business district and expanding suburbs in the east, and which in the mid-1990's housed 40 percent of the Metro Manila population (IFC, 2010; Metropolitan Waterworks and Sewerage System, n.d.). The company was incorporated on January 6, 1997, and started operating on January 1, 2000 (Manila Water, n.d.-b). The company became a publicly listed company through an initial public offering on March 18, 2005 (Manila Water, n.d.-b). According to its 2013-2014 Sustainability Report, 50.1% of the shares are owned by the public, 48.7% by the Ayala Corporation, the holding company of one of the oldest and largest business groups in the Philippines, and 1.2% by Mitsubishi Corporation, one of Japan's largest trading companies (Manila Water, n.d.-c).

Manila Water Company, Inc. is "the first Philippine company to issue a sustainability report that complies with two internationally recognized standards — the Global Reporting Initiative (GRI) guidelines and the ISO 26000 guidance on social responsibility" (Manila Water, n.d.-c). The company started issuing corporate sustainability reports in 2004. It issued sustainability reports annually until 2012, but issued a consolidated version for 2013 and 2014. The table below shows the sustainability reporting frameworks that the company used throughout the years.

Table 1

Sustainability Reporting Frameworks of Manila Water Company, Inc., 2004-2014

Year	Sustainability Reporting Framework Used
2004	None mentioned
2005	None mentioned
2006	None mentioned
2007	GRI G3
2008	GRI G3
2009	GRI G3
2010	GRI G3
2011	GRI G3.1 and ISO 26000
2012	GRI G3.1 and ISO 26000
2013-2014	GRI G4 and ISO 26000

Sources: Manila Water Company, Inc. Sustainability Reports for 2004 to 2014.

Data Collection

For this study, we downloaded Manila Water's sustainability reports from the company's website. We also examined information from the company's website. After this, we did a content analysis of each sustainability report of Manila Water. Content analysis, a research method used

to discover the presence or the absence of information about a particular topic (Krippendorff, 1989), has been used in past researches that also analyzed sustainability reports (Aktas et al., 2013; Asif et al., 2012; Kolk, 2003; Guziana & Dobers, 2013; Roca & Searcy, 2012; Sawani, Zain, & Darus, 2010). We analyzed the content of each report for themes identified by Asif et al. (2012), and did the same with the information contained in the company's official website. These themes are shown in the next section.

Key Areas of Analysis

In their study, Asif et al. (2012) analyzed ten key areas in sustainability reports of 33 Dutch companies. They chose these key areas based on previous studies on content analysis of sustainability reports, and on general literature on corporate sustainability (Asif et al., 2012).

The key areas are as follows:

1. Top management endorsement of the sustainability report – Asif et al. (2012), recognizing that the pursuit of corporate sustainability is an organization-wide endeavor, explained the importance of getting top-level buy-in. Top management endorsement of the report reflects its commitment to this undertaking. The endorsement takes the form of a statement signed by the chairman of the board or the CEO or the equivalent (Asif et al., 2012).
2. Formal corporate governance – According to Asif et al. (2012), sustainability entails a system-wide approach. This portion of the report shows how the company employs strategies with regard to sustainability. A section in the sustainability report about governance indicates that sustainability is being taken seriously, strategically, and systematically by the organization (Asif et al., 2012).
3. Sustainability dimensions – Sustainability is a multi-dimensional concept (GRI, 2013). This part of the report describes the organization's approach to the economic, environmental, and societal contexts within which it operates. Information reported on these dimensions can be qualitative and/or quantitative, and the depth with which these dimensions are discussed can be used to measure the effectiveness of the organization's sustainability approach (Asif et al., 2012).
4. Management of stakeholder dimensions – Asif et al. (2012) explain that this part of the report provides insights on how an organization communicates and coordinates with its stakeholders with regard to sustainability. This is very important because sustainability needs the concerted efforts of the organization and its stakeholders.
5. Supply chain management – According to Asif et al. (2012), an organization's supply chain is very important to its overall sustainability efforts. How an organization describes its supply chain and the impact it has on its sustainability approach indicate the strategic and system-wide sustainability commitment of organization (Asif et al., 2012).
6. Other key areas specified by Asif et al. (2012) include:
 - a. Third-party assurance – An external audit verifies the veracity of the contents of the reports (Asif et al., 2012).
 - b. Means of sustainability reporting – This indicates how the reports are disseminated to the public (Asif et al., 2012).
 - c. Linking of sustainability issues to broader public policy – An organization should recognize its impact on the environment it operates in (Asif et al., 2012). Asif et al.

(2012) explain that since an organization cannot achieve sustainability alone, it needs to discuss how its efforts tie up with the broader governmental policies addressing sustainability.

- d. Disclosure of non-conformance – This part of the report focuses on how an organization discloses its violations and instances of non-conformance. This part includes the extent of the violation and non-conformance, its financial and non-financial impact on the sustainability dimensions, the organization's response, and how the organization has informed the public about these matters (Asif et al., 2012).

Table 2 compares these key areas with the areas that GRI G4 looks at.

Table 2

Comparison between key areas of the content analysis used by Asif et. al. (2012) and the G4.

Asif et al. (2012) Ky Areas	GRI-G4
Top-management endorsement of the sustainability report	Strategy and Analysis
Formal corporate governance	Governance, Ethics and Integrity (mostly embedded or implied in many parts of the report)
Sustainability dimensions	Same as the material categories
Management of stakeholder relations	Stakeholder Engagement
Supply chain management	Category: Economic Material Aspect: Economic Performance Material Aspect: Indirect Economic Impacts Material Aspect: Procurement Practices Category: Environmental Material Aspect: Materials Material Aspect: Energy Material Aspect: Procurement Practices Material Aspect: Water Material Aspect: Biodiversity Material Aspect: Emissions Material Aspect: Effluents and Waste Material Aspect: Procurement Practices Category: Social Subcategory: Labor Practices and Decent Work Material Aspect: Employment Material Aspect: Occupational Health and Safety Material Aspect: Training and Education Material Aspect: Diversity and Equal Opportunity Material Aspect: Supplier Assessment for Labor Practices Material Aspect: Labor Practices Grievance Mechanisms Category: Economic Material Aspect: Economic Performance Material Aspect: Indirect Economic Impacts Material Aspect: Procurement Practices

Asif et al. (2012) Ky Areas	GRI-G4
	Category: Environmental
	Material Aspect: Materials
	Material Aspect: Energy
	Material Aspect: Procurement Practices
	Material Aspect: Water
	Material Aspect: Biodiversity
	Material Aspect: Emissions
	Material Aspect: Effluents and Waste
	Material Aspect: Procurement Practices
	Category: Social
	Subcategory: Labor Practices and Decent Work
	Material Aspect: Employment
	Material Aspect: Occupational Health and Safety
	Material Aspect: Training and Education
	Material Aspect: Diversity and Equal Opportunity
	Material Aspect: Supplier Assessment for Labor Practices
	Material Aspect: Labor Practices Grievance Mechanisms
	Subcategory: Human Rights
	Material Aspect: Non-Discrimination
	Material Aspect: Child Labor
	Material Aspect: Forced or Compulsory Labor
	Material Aspect: Security Practices
	Material Aspect: Indigenous Rights
	Material Aspect: Supplier Human Rights Assessment
	Subcategory: Society
	Material Aspect: Local Communities
	Material Aspect: Anti-Corruption
	Material Aspect: Public Policy
	Material Aspect: Anti-Competitive Behavior
	Material Aspect: Compliance
	Material Aspect: Supplier Assessment for Impacts on Society
	Material Aspect: Grievance Mechanisms for Impacts on Society
	Subcategory: Product Responsibility
	Material Aspect: Customer Health and Safety
Other key areas: Third-party assurance	No counterpart because this is optional
Means of sustainability reporting	No counterpart
Linking of sustainability initiatives with broader public policy	Subcategory: Society
	Material Aspect: Local Communities
	Material Aspect: Anti-Corruption
	Material Aspect: Public Policy
	Material Aspect: Anti-Competitive Behavior
	Material Aspect: Compliance
	Material Aspect: Supplier Assessment for Impacts on Society
	Material Aspect: Grievance Mechanisms for Impacts on Society
Disclosure of non-conformance	Material Aspect: Anti-Competitive Behavior
	Material Aspect: Compliance

Sources: Asif, M., Searcy, C., Santos, P. Dos, & Kensah, D. (2012). A Review of Dutch Corporate Sustainable Development Reports. *Corporate Social Responsibility and Environmental Management*, 20 (March 2012), 321–339. doi: 10.1002/csr.1284

Global Reporting Initiative. (2013). *G4 Sustainability Reporting Guidelines*. Amsterdam.

Research Findings

Our review of the ten sustainability reports reveals that Manila Water's pattern of reporting has remained stable over time with an increase in the coverage of various sustainability dimensions

such as the inclusion of carbon emissions in subsequent reports. It also reveals the growing sophistication with which the reports discussed certain dimensions and the inclusion of a framework compatible with GRI, specifically ISO 26000.

Top Management Endorsement

All ten sustainability reports contain messages signed by the CEO and chairman of the board of Manila Water. In the 2004 to 2010 reports, the messages were consolidated while in 2011 and 2012, the messages were separate. The report after that returned to the merged format. To be effective, corporate sustainability should be organization-wide, and top management messages in the reports signal the organization's commitment. Acting sustainably entails creating and implementing policies. It also necessitates allotment of appropriate resources. This is why it is very important that top level buy-in is expressed so that sustainability does not remain an isolated endeavor of one department.

As Asif et al. (2012) explain, the message should describe the strategic plan of the company, which should go beyond mere compliance with the law. Buy-in by Manila Water's top management can be seen from the following excerpts:

"The publication of this, our first annual sustainability report, formally articulates what we have always instinctively known at Manila Water: that our long-term viability as a business is very much dependent on our management of environmental impacts and our ability to improve people's lives through the provision of clean, safe water (Manila Water Company, 2004, p. 3).

"Manila Water's role goes beyond delivering water to its customers. Ultimately, it is to uplift the quality of life of its customers across all economic segments by providing them their rightful access to safe and clean water. It is ensuring a sustainable water supply and an environment that will preserve it for succeeding generations (Manila Water Company, 2009, p. 5).

"Sustainability has always been at the core of Manila Water's business and its guiding principle. Today, as in 2005 when we published our first Sustainability Report, Manila Water continues to make sustainability a priority, always seeking ways to address the impact of climate change and meet the water needs of a growing population (Manila Water Company, 2012, p. 1)

Although the first two (2004 and 2005) sustainability reports are similar to accomplishment reports, Manila Water gradually improved the contents of its reports to discuss its strategic plans more thoroughly as can be read in the following excerpts:

"In November 2007, our Board of Directors ratified our Climate Change Policy, which ensures that we consider climate change in all of our operations. This policy also dictates that we put in place mitigating measures in all our future investments (Manila Water Company, 2007, p. 4).

“After Manila Water’s Board of Directors gave the directive in November 2007 to pursue programs on climate change, the Company began quantifying its baseline carbon footprint and measuring its operations’ impact on the environment (Manila Water Company, 2008 p. 4).

This improvement continued in later years with the inclusion of the future sustainability directions of the company:

“Moving forward, we shall continue to be guided by the triple bottom line as we sustain our business, the communities we serve, and the environment within which we operate. We aspire to replicate our success in the East Zone in communities outside our concession area through our subsidiaries and our additional CSR arm, the Manila Water Foundation, which aims to provide sustainable water access to base of the pyramid (BOP) communities (Manila Water Company, 2010, p.5)

Corporate Governance for Sustainable Development

The corporate governance part of a sustainability report is important as this indicates the way through which sustainability is addressed systematically and within the entire organization (Asif et al., 2012). Asif et al. (2012) further explain that governance for sustainable development makes it possible for sustainable development to be institutionalized.

Out of the ten reports analyzed, only five discuss governance within the company. Discussions on corporate governance started in the 2009 reports. However, the discussions are about integrity, not sustainable development. The sections explain the function of the board, its powers, the committees, the directors, and their remuneration. Furthermore, only two of the five reports mention governance as it pertains to sustainable development.

In the 2010 report, the discussion on sustainable governance was placed in the main section of the company’s approach to sustainability. However, only one sentence discusses governance with regard to sustainable development –

“Manila Water employs a top-to-bottom approach to sustainability through our corporate governance, where sustainability serves as a key guiding principle together with accountability, fairness and transparency (Manila Water Company, 2010, p. 10)

The 2011 and 2012 reports did not mention governance and sustainability. In the 2013-2014 report, the main section of “About the Company” included a subsection on governance explaining the mechanisms in place for managing the company’s sustainability dimensions.

Sustainability Dimensions

All ten reports contain data about the company’s sustainability dimensions, namely societal, environmental, and economic. Both quantitative and qualitative data are presented. The qualitative information is in the form of statements. Asif et al. (2012) explain that combining

qualitative and quantitative data provides a rich context of the company and its sustainability development efforts.

While such data are useful, the authors advocate the need for cross-cutting indicators because the three sustainability dimensions overlap (Asif et al., 2012). Asif et al. (2012) continue that as such a change in one dimension affects the other two, and in order for corporate sustainability to be achieved, there needs to be a concerted effort to tackle all dimensions.

A company's CO₂ production is one such cross-cutting eco-efficiency indicator. Manila Water's 2008 sustainability report includes data on this, as follows:

"In 2008, the Company started quantifying its impact on the environment by accounting its carbon emissions. Using the calculation tools of the Greenhouse Gas Accounting Protocol developed by the World Research Institute, the Company has started accounting for the carbon emissions based on the fuel used by both its stationary (generator sets) and mobile (vehicles) sources and the consumed power during its operations (Manila Water Company, 2008, p. 21).

The discussion in the 2008 Report is limited to the above paragraph. However, the subsequent reports provide numeric data in tables with labels such as non-CO₂ emissions and CO₂ emissions. The reports also explain the basis for the calculations.

Management of Stakeholder Relations

Engaging with stakeholders and the methodologies employed were implied in all of the reports, with the first report not devoting any separate discussion to this. This practice continued through the other nine reports; however, the 2005 report includes a main section on Celebrating Partnerships, as follows:

"In all of these, we believe it is important to bring together various stakeholders to ensure our programs are carried through and are sustainable. Thus, we have engaged not only our management team and employees but also the public, the government, and other private sector groups in our initiatives to improve and create even better programs that will increase our effectiveness in giving back to our communities and the publics we serve (Manila Water Company, 2007, p. 4).

This approach was used again in the eight subsequent reports (see Table 3). A discussion on stakeholder engagement and the methods through which this engagement was done is important because "sustainable development is fundamentally a stakeholder-oriented concept" (Asif et al., 2012, p. 330).

Table 3

Manila Water's Sustainability Reports, 2004-2014

Sustainability Report Year	Title of Section on Stakeholders	Number of Times "Stakeholder/s" was Mentioned
2004	None	3
2005	Celebrating Partnerships	7
2006	Stakeholder Management	3
2007	Sustaining Strong Relationships	10
2008	Managing other Stakeholders	23
	Non-government Organization's Engagement	
2009	Building Partnerships for Sustainability	37
2010	Engaging Stakeholders	49
2011	Partners in Sustainable Growth	60
2012	Inclusive Business Model	81
2013-2014	Stakeholder Engagement	75

In 2011, ISO 26000 was integrated in the reports and as such, the discussion on stakeholders became more distinct and in-depth. The report shows a diagram of Manila Water's Stakeholder Universe. It also includes a table identifying the relevant stakeholders, the issues that they deem important, the company's practices and initiatives that they commend, and their suggested improvements. The stakeholders were also asked about their definitions of sustainability through multiple focus group discussions.

The reporting practices that Manila Water started in 2011 continued in the two subsequent reports as indicated by the following statement: "Manila Water will regularly seek and accept feedback on how it can more effectively respond to its stakeholders' needs and expectations" (Manila Water Company, 2011, p. 19).

Supply Chain Management Information

Discussion about supply chain management in the reports did not become apparent up until the 2007 report. The 2004 report includes a description of the company's supply chain, but the term "supply chain" itself was not used. The discussion on supply chain evolved with the inclusion of a sustainable procurement policy, vendor code of conduct, greening of the supply chain, types of management systems implemented, and risk management measures. Both qualitative and quantitative data about the company's supply chain increased over time. The term "value chain" appeared in the 2014 report, as can be seen below:

"Innovations through a collaborative effort to attain resource efficiency and operational excellence are constantly employed throughout the value chain. Moreover, an Operations Management System that includes sub-systems for Quality Management, Environmental Management, Energy Management, as well

as Occupational Health and Safety Management is being implemented to ensure continuous improvement (Manila Water Company, 2014, p. 72)

Third-Party Assurance

Third-party assurance is very important for sustainability reports because it verifies the information contained in the reports and helps to convince stakeholders of the company's reputation (Keeler and Simnett et al. as cited by Sawani et al., 2010b). Assurance can come from a variety of sources, with leading accountancy and consultancy firms having been identified as major sources along with stakeholders and sustainability experts (KPMG, 2008).

As a form of third-party assurance, stakeholder commentaries and testimonials are used by the company throughout all ten reports. Stakeholders' commentaries and testimonials are always integrated in every section of the ten reports. However, it was not until the 2008 report that Manila Water included a section devoted solely to these commentaries. This reporting practice was done until the 2012 report, after which the commentaries were embedded in other sections again.

No formal third-party assurance in the form of reviews from major accountancy or consultancy firms has ever been included in any of Manila Water's reports. This may be due to the high cost associated with seeking such assurance as well as the lack of evidence that such assurance makes the reports more credible (Park & Brorson, 2005). However, Tînjălă, Pantea, & Buglea (2015) state that third-party assurance has become standard practice since 2005. They point to KPMG's 2013 Survey of Corporate Responsibility Reporting, which revealed that more than half of 2012's Fortune Global 500 companies enlist the services of third-party assurance organizations.

Instead of third-party assurance, GRI self-declaration was included in Manila Water's reports from the 2007 report up to the most recent 2013-2014 report. There is also the declaration of following ISO 26000 beginning with the 2011 report. Table 4 shows the self-declaration done in the company's sustainability reports and some direct quotes about the self-declaration.

Table 4
Self-declaration in Manila Water Company, Inc.'s sustainability reports

Sustainability Report Year	Self-Declaration	Sample Quote
2004, 2005, 2006	None	
2007	G3 Self-Declaration Level C	This is Manila Water's fourth annual Sustainability Report. It covers the calendar year 2007 and mentions the highlights of our performance over the past 10 years. This report follows the internationally-accepted Global Reporting Initiative (GRI) G3 guidelines, and we self declare this report as level C. While there are no significant changes from our last report in terms of scope, boundary and measurement methods, we have added more information as required by the newly-adopted G3 guidelines. (inside front cover)

Sustainability Report Year	Self-Declaration	Sample Quote
2008	G3 Self-Declaration Level B	The Company included stakeholders' commentaries in this report. Manila Water will seek to progress in its level of reporting and also address the matter of seeking independent external verification on its report in the future. (p. 1)
2009	G3 Self-Declaration Level A	The Company will seek external assurance of its compliance with GRI G3 standards in its succeeding Sustainability Reports. However, Manila Water ensures the accuracy of all information presented in this report, as well as, in the previous reports. To add to the veracity of the report, stakeholder testimonials are included in each of the major sections. (p. 1)
2010	G3 Self-Declaration Level A	This report is in accordance with the Global Reporting Initiative (GRI) G3 Guidelines, a set of internationally-recognized standards that have been followed by the Company since 2004. Similar to the previous year, we self-declare our 2010 Sustainability Report as Level A application with stakeholders' commentaries. (p. 1)
2011	G3.1 Self-Declaration Level A; ISO 26000	Manila Water will again self-declare its 2011 Sustainability Report as Level A application of these standards, but will use stakeholder testimonials and commentaries from a panel of sustainability experts to validate the Report's content. The Report will also be guided by the ISO 26000 standards, which are governed by two fundamental principles, namely, recognizing social responsibility and stakeholder identification and engagement. (p. 3)
2012	G3.1 Self-Declaration Level A; ISO 26000	Manila Water has not submitted the Report for validation by any third-party auditor. Instead, Manila Water has chosen to support the Report through stakeholder testimonials given by customers, employees, government and institutional partners, and other civil society groups. Furthermore, Manila Water has enjoined sustainability experts and reputable personalities to provide their commentary and review of the Report. (p. 1)
2013-2014	G4 Self-Declaration Level A; ISO 26000	This report is in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting guidelines core option. To further ensure relevance and consistency with globally recognized sustainability standards, this report is aligned with ISO 26000:2010. (p.1)

Means of Sustainability Reporting

Aside from publishing its sustainability reports, Manila Water discusses its sustainability programs on its website. However, the information on sustainability in the company's website is a summary of certain portions contained in the published reports. It is notable, though, that the website serves as an information platform for the company's advocacies and contains information on how to join the company in its advocacies. The PDF files of the sustainability reports are also posted on the website in the sustainability section.

The opposite is true with regard to corporate governance. In this aspect, the website features a more in-depth discussion of the company's corporate governance. This section contains the company's governance structure, the governance manual, the code of business conduct and

ethics, and the annual corporate governance report. Information about board committees, enterprise risk management, policies and shareholder information is also included.

Asif et al. (2012) note that

“A comprehensive report should be concise, provide the required information in one place in an integrated manner, and be easily accessible to the general public. A combination of formal reports and website reporting could provide a comprehensive approach to sustainability reporting. In any case, a key challenge for companies is to balance the presentation of information provided on websites with that presented in reports (p. 334).

Linking Sustainability Initiatives to Public Policy

Sustainability requires a concerted effort by multiple sectors of society. This is why a company needs to link its sustainability initiatives to broader public policy. Doing so also demonstrates the leadership stance that the company is taking (Asif et al., 2012).

Based on statements in its sustainability reports, Manila Water actively supports various programs of the Philippine government. Some illustrative statements are as follows:

“Consequently, all of Manila Water’s CSR programs contribute not only to its business goals, but more importantly to the attainment of the poverty alleviation, as well as, the water and wastewater infrastructure targets of the Medium-Term Philippine Development Plan (MTPDP), and ultimately the environmental sustainability targets of the Millennium Development Goals (MDGs) (Manila Water Company, 2009, p. 16).

“In 2007, Manila Water became the first company in the Philippines to have a formal, Board-ratified Climate Change Policy. The Company’s Climate Change Policy predates the national climate change policy, including the Philippine Climate Change Act, National Framework Strategy on Climate Change and the National Climate Change Action Plan. In order to better align its Climate Change Policy with the government’s anchor strategy of adaptation, Manila Water revised its policy” (Manila Water Company, 2012, p. 20).

The company also demonstrates that it not only links its sustainability initiatives with national public policy, but also actively shapes it:

“Manila Water has always positioned itself as the voice of the private sector in the water industry in technical working groups (TWGs) that aim to draw national policies related to water and wastewater, as well as, environmental sustainability” (Manila Water Company, 2009, p. 56)

The reports explain the incentive and motivation for undertaking these linkages in the following:

“The global community is realizing that concerted effort and greater collaboration are necessary to address and overcome the challenges in the water sector. Manila Water recognizes its responsibility not only as a service provider, but also as an active stakeholder and partner in developing solutions to today’s water concerns” (Manila Water Company, 2012, p. 1).

“Manila Water also recognizes its responsibility to promote sustainability among its stakeholders, and considers stakeholder identification and engagement a fundamental principle of social responsibility” (Manila Water Company, 2012, p. 1).

“The Company, however, recognizes that a lot more still needs to be done to ensure that the next generations will continue to enjoy the same services that current customers are enjoying, if not better... The business partners on which the Company is highly dependent will have to be ready too, along with government agencies, civil society and other stakeholders” (Manila Water Company, 2014, p. 56).

However, there is a lack of quantitative information about such linkages except on the company’s watershed rehabilitation initiatives.

Disclosure of Non-Conformance

This key area is where the reports are lacking. Non-conformance is not discussed in any of the ten sustainability reports. What the reports have are statements of non-violation as evidenced by the following statements: “Guided by the provisions for Social Justice and human Rights, the Company protected the rights of the three indigents and there was no reported violation of the articles of the Indigenous Peoples Rights Act” (Manila Water Company, 2012, p. 32). “For the year 2012, Manila Water received no sanctions for non-compliance or violation of environmental regulations such as on spills” (Manila Water Company, 2012, p. 52).

Asif et al. (2012) offer two reasons why it is uncommon for companies in the Netherlands to disclose non-conformance. First, such disclosure may negatively affect the image of the company. Second, the company may view non-conformance as not having any significant impact (Asif et al., 2012). We believe that a possible third reason is that the regulatory frameworks of Third World countries such as the Philippines are neither developed nor implemented effectively.

However, since the company has declared itself as being a sustainability champion and that it goes beyond mere compliance, it may do well to declare any non-conformance. After all, sustainability reports are used for a lot of purposes, one of which is “conveying trust and confidence to its stakeholders and the general public. Not disclosing non-conformance is contrary to the basic principles of trust and confidence” (Asif et al., 2012, p. 336).

Conclusion

This research contributes to and extends the existing sustainability reporting literature. It describes the sustainability reporting of one company in a Third World country and traces the evolution of its sustainability reporting. Before the adoption of the GRI reporting framework, the reports mostly appear to be accomplishment reports rather than sustainability reports.

From our examination of the ten sustainability reports of one company, we were able to identify gaps. These gaps are the lack of discussion on non-conformance, and the lack of quantitative measures for ascertaining the benefits derived from linking sustainability initiatives with those of broader public policy.

Considering that the company examined is the pioneer in sustainability reporting in the Philippines, other Philippine companies could benchmark their own reporting against it. Since this research involved content analysis of the reports, it does not fully reflect all sustainable activities done by the company. Given that a sustainability report has a limited capacity to convey information, the corporate website can be a tool for augmenting the published sustainability reports.

In light of the above, future researchers can analyze other sustainability reports in the Philippines using the same key areas. Through such research, additional key areas may be identified that may be culturally unique to the Philippines. Another possibility is to benchmark Manila Water's sustainability reports against those of water and sewerage companies abroad to determine the areas in which Manila Water can improve.

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Crowdfunding platform contributions to campaign success: A two-case study of Philippine-based platforms

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Abstract

Current literature discussing factors affecting crowdfunding outcomes focus on fundraiser characteristics and behavior, and funder motivations as determinants of success. While literature acknowledges that crowdfunding platforms are stakeholders, literature has yet to fully explore its contributions to crowdfunding campaign outcomes. This inquiry investigates how Philippine crowdfunding platforms contribute to crowdfunding outcomes. It finds that, motivated by perceived incentives and risks, platforms design policies and protocols—screening, fraud detection, and fundraiser support—minimize risks and maximize incentives, which, in turn, impact crowdfunding campaign outcomes.

Key Words: Crowdfunding; Philippines; incentives; crowdfunding campaign

Introduction

Crowdfunding is an alternative fundraising vehicle that allows a project to raise funds through many small amounts of money from the public, or the “crowd,” usually through a platform found on the Internet. Crowdfunding involves the following: the fundraiser, the funder, and the crowdfunding platform. The fundraiser launches a campaign on a crowdfunding platform to raise funds for a project, which funders support by pledging funds.

Belleflame, Omrani and Peitz (2015) identify three major crowdfunding model categories: investment-based, rewards-based, and donation-based. Investment-based crowdfunding is further categorized into three: royalty-based, equity-based, and lending-based. In all three models, funders play the role of investors—funders receive a royalty fee, an equity stake, or interest income in exchange for their investment or loan. In rewards-based models, funders play the role of “prosumers,” (Belleflame et al, 2015; Ordanini, Miceli, Pizzetti & Parasuraman, 2011) and receive a product reward in exchange for their funding. Kickstarter and Indiegogo are popular examples of rewards-based crowdfunding platforms. In donation-based models, funders act as philanthropists and do not receive anything in return.

In the Philippines, three crowdfunding models exist: rewards-based, donations-based, and lending-based. The Spark Project, which started operations in 2013, and Artiste Connect, which was established in 2011, are two platforms that operate using the rewards-based model. Both platforms operate a flexible funding model, which allows fundraisers to keep any amount of funding they raise, whether or not they achieve their funding targets. This is the opposite of the

fixed funding model that Kickstarter operates, where fundraisers are required to achieve their funding targets to receive funder pledges. In 2017, The Spark Project also started accepting donations-type of crowdfunding campaigns. Cropital, established in 2015, and FarmOn.PH are examples of lending-based crowdfunding platforms. Both focus on raising loans for agricultural projects. While Cropital currently caters exclusively to rice farmers, FarmOn.PH raises funds for its own farm crops.

There are also hybrid crowdfunding models in the Philippines, such as PhilCrowd and RaisePH, which operate as investment-based crowdfunding platforms and are registered as cooperatives. In this type of model, funders are paid project returns in exchange for their support. This hybrid model is a result of the Philippines' lack of crowdfunding laws that allow the legitimate operation of equity-based crowdfunding models.

Much of the inquiry on crowdfunding focus on understanding fundraiser-related factors that contribute to project or campaign success (Agrawal, Catalini, & Goldfarb, 2011; Belleflamme, Lambert, & Schwienbacher, 2014; Cordova, Dolci, & Gianfrate, 2015; Etter, Grossglauser, & Thiran, 2013; Koch & Siering, 2015; Mollick, 2014; Ward & Ramachandran, 2010; Yao & Zhang, 2014). On the other hand, some studies focus on understanding fundraiser and funder motivation in participating in crowdfunding campaigns (Gerber & Hui, 2013; Gerber, Hui, & Kuo, 2012; Hui, Gerber, & Greenberg 2012; Ordanini et al, 2011), but still within the context of crowdfunding campaign success. Furthermore, many of these studies focus on fundraisers and funders. While some contend the importance of choosing the right platform to increase the possibility of success (Canadian Media Fund, n.d.; Holm, 2013; Spacetec Capital Partners, 2014), contributions of crowdfunding platforms to campaign success is rarely explored.

Nonetheless, there are studies that illuminate crowdfunding platform behavior by exploring incentives and risks that platforms face (Agrawal, Catalini, & Goldfarb, 2013; Belleflamme et al 2015). Agrawal et al (2013) explain that platforms face profit and market exposure incentives. On the other hand, Belleflamme et al (2015) acknowledge risks stakeholders face in crowdfunding, particularly fraud as a result of asymmetric information (i.e., one stakeholder holding more information than other stakeholders), such as fundraisers knowing more about the quality of the project than the funders do. Campaign backers or funders deal with financial losses when a fundraiser fails to deliver rewards, as a result of fraud, or the failure of a project to materialize due to project owner incompetence risks or project risks (Agrawal et al 2013). All of these incentives and risks influence stakeholder behavior. Specifically, crowdfunding platforms formulate and enforce policies to mitigate these risks and to optimize incentives. Examples of platform rules include stringent screening requirements and fraud detection measures (Agrawal et al 2013; Belleflamme et al 2015) to mitigate fraud. Platforms can also offer fundraiser support, through mentorships, or supplementary information in the form of blogs or crowdfunding tutorial workshops (Gerber & Hui, 2013; Gerber et al, 2012; Hui et al, 2012), to reduce project owner incompetence risks and project risks.

It would seem that these crowdfunding platform measures affect fundraiser performance. Fundraiser performance, in turn and among other things, determines campaign outcomes (Agrawal et al, 2011; Belleflamme et al, 2014; Cordova et al, 2015; Etter et al, 2013; Koch & Siering, 2015;

Mollick, 2014; Ward & Ramachandran, 2010; Yao & Zhang, 2014). Thus the research question of this study: how do crowdfunding platforms contribute to campaign success?

Conceptual Framework

How crowdfunding platforms influence campaign outcomes revolves around its perceived risks and incentives, and its behavior that result from these perceptions. Agrawal et al (2013) believe that platforms are incentivized to participate in the crowdfunding exercise by profit and market exposure incentives. Platforms earn a commission from funded campaigns. Beyond short-term profit, platforms are motivated by long-term effects of a continuous stream of successful campaign outcomes through the positive externalities they provide. Successful campaigns increase positive market exposure to platforms. This, in turn, increases funder and fundraiser interests on the platform, which may result in more successful campaigns. In the long term, this continuous stream of successful campaigns will improve the platform's profits.

On the other hand, failed and fraudulent campaigns produce the opposite effect. Since failed and fraudulent campaigns do not achieve their funding target, platforms do not receive optimum profit. Given that fraud and failure produce negative exposure to the platform, funders and fundraisers will be less likely to participate in crowdfunding, which affects the platform's long-term profitability.

Crowdfunding platforms adopt measures to encourage successful campaign outcomes and to curb fraud. These measures include platform rules, such as screening and fraud detection systems; and platform support for fundraisers, such as mentorship programs and crowdfunding workshops. These measures can mitigate the risks of negative exposure brought about by failed products, due to project owner incompetence or project risks, or incidents of fraud. These measures may help improve overall crowdfunding campaign outcomes.

Thus, to understand crowdfunding contribution to campaign outcomes, this study will explore risks and incentives that platforms perceive, the measures they establish to minimize risks and maximize incentives, and how these affect overall performance of campaigns in the platform.

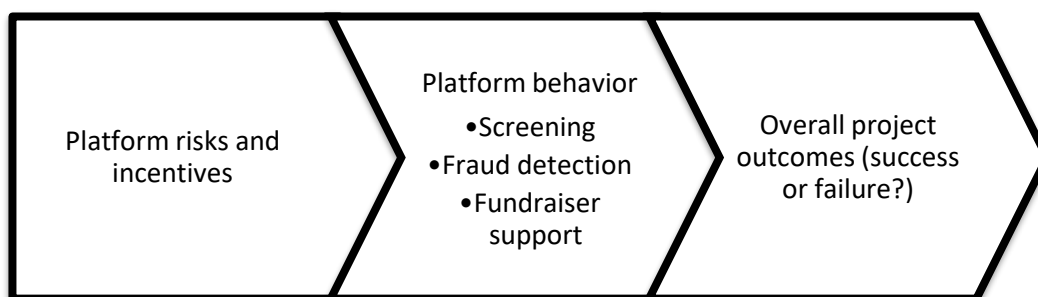


Figure 1. Conceptual Framework

Methodology

This inquiry employed a qualitative, intensive case-based approach to examine two cases of Philippine-based crowdfunding platforms. The research design sought to achieve analytical generalization by building upon previously developed theory, as detailed in the conceptual framework, against which the results of this empirical study were compared.

This inquiry chose two crowdfunding platforms, The Spark Project and Cropital, using the following selection criteria:

1. Platform must be based in the Philippines
2. A single entity or individual must not control active projects in the platform
3. Platform must have an active campaign in June 2017

Both Artiste Connect and RaisePH did not have active campaigns in June 2017. Artiste Connect, for example, has not had an active campaign since November 2016. While both FarmOn.PH and PhilCrowd have active campaigns, all of these campaigns are controlled by a single entity. It is important that different fundraisers initiate campaigns within the platform, as this provides a nuanced analysis on effects of platform policies, particularly screening policies, on campaign and fundraiser performance.

Data were collected from primary and secondary sources. An intensive desk research yielded data from the crowdfunding platform website, online news sites, blogs, and different social media platforms. A semi-structured interview questionnaire was used to gather data from key informants: co-founders of the two crowdfunding platforms. The secondary data were also used to enhance the interviews with platform-specific probing questions. To ensure the trustworthiness of this research, the study combined Guba and Lincoln's (1994) quality framework with Yin's (2014) quality design tests.

Findings

Case 1: The Spark Project, reward-based crowdfunding

According to its website, the Spark Project has hosted 45 crowdfunding campaigns that have raised about PhP 4.5 million in funding from over 2,000 backers. About 66% of these campaigns either achieved or exceeded their funding targets. The platform's CEO and founder contend that the success of the campaigns is a result of careful planning and strategic execution, which includes carrying out effective communication and lead generation strategies, and incorporating crowdfunding best practices, as detailed in current literature (Agrawal et al, 2011; Belleflamme et al, 2014; Cordova et al, 2015; Etter et al, 2013; Koch & Siering, 2015; Mollick, 2014; Ward & Ramachandran, 2010; Yao & Zhang, 2014). He also attests to how crowdfunding fundraisers have benefitted from gaining access to networks through their participation in crowdfunding and how these have formed communities around their brand. These communities have also benefitted from the platform. Former fundraisers have willingly provided time and energy to give back to the platform's crowdfunding community through support for crowdfunding projects, knowledge transfer and mentoring, and the spread of crowdfunding awareness.

The platform charges two sets of fees for its rewards-based model: a standard PhP2,500 set-up fee, and a platform fee. Campaigns that achieve or exceed their funding goal are charged 7% of the total funds raised, while those that fail to reach their goals are charged 10% of total funds raised.

Perceive incentives and risks.

The CEO and founder of The Spark Project believes that successful campaigns improve their reputation and offer positive market exposure, while failed campaigns negatively impact their reputation. The platform also risks their reputation if and when projects are found to be fraudulent.

On the other hand, The Spark Project values community and sees it as an incentive; they believe that their success is a result of the conscious effort to build a community around their platform. They actively engage former fundraisers, through communication and networking events, and draw on their experiences and expertise to help potential fundraisers succeed with their campaigns, through workshops and mentoring.

These incentives, community building and market exposure, and risks, reputation losses affect their long-term sustainability and profitability. Profit is also viewed as an incentive as this affects the platform's long-term viability. The platform designed their policies and protocols to mitigate risks and optimize incentives.

Screening.

Since it launched its first campaign in 2013, The Spark Project has revised its screening process at least three times. In the early stages of its operations, The Spark Project carefully handpicked the campaigns it hosted on site. The screening process included a face-to-face interview with the fundraiser or fundraising team, and required all projects to show a proof-of-concept in the form of either a product prototype or a detailed service or event plan. The CEO and founder explained that the interview aimed to assess the readiness of potential fundraisers to launch a crowdfunding campaign. This is to ensure that the platform only approved the campaigns of fundraisers who have carefully researched about crowdfunding, thoroughly planned out their campaigns, and are immensely motivated to succeed in their projects. The Spark Project believed at that time that the outcomes of the first several campaigns in the platform would determine that platform's sustainability, and that the campaigns' outcomes will impact their reputation.

To generate more awareness and interest for crowdfunding, the platform also organizes monthly networking events, called meet-ups, to introduce crowdfunding to interested startup entrepreneurs. These meet-ups also served as initial screening for potential fundraisers.

In its succeeding years, The Spark Project altered its screening process. It experimented with the Spark-a-thon, a multi-step protocol through which potential fundraisers were required to fulfill stipulations for each step before being allowed to launch a campaign. They revamped this process and simplified it into a two-step process that involved an interview and attendance in a crowdfunding workshop. In 2017, acknowledging that awareness for crowdfunding has increased and that its current screening process was difficult to scale, it automated and streamlined the

process further by allowing fundraisers to launch a project online without a stringent application process.

Fraud detection.

In its early stages, the intensive interview process and close monitoring of projects served as the platform's informal fraud detection system. Close monitoring also addressed a potential leakage in the platform's profits.

The immature financial system in the Philippines and limited online gateway facilities available in the country restricted how the platform collects pledges from funders. In the United States, for example, a majority of the population carries credit or debit cards, which allow platforms to conveniently transfer pledges from funder to fundraiser through online payment gateways. In the Philippines, only 3% of the population (15 years and above, in 2014) owns a credit card, according to the latest report from the United Nations Conference on Trade and Development (UNCTAD, 2016), which indicates that not all backers can transact online. To work around this limitation, the platform allows fundraisers to accept pledges from funders on their behalf. However, for the funds to be reflected into The Spark Project's system, the fundraiser must disclose the funds remitted to them directly.

The scenario above reflects a potential loss in platform revenue and the risk of fraud, both of which The Spark Project acknowledges. It minimizes these risks by closely monitoring project progress. Current published guidelines also disclose that the platform "has the right to determine and take down campaigns that are dishonest or fraudulent" (The Spark Project website).

In the platform's history, there have been no recorded incidents of fundraiser fraud. The CEO and founder, however, disclosed that there was a campaign that experienced supplier difficulties, which severely delayed the delivery of rewards. The platform worked closely with the fundraiser and provided options on how to resolve the issue. This issue was eventually resolved.

Support for fundraisers.

The Spark Project in its very early stages provided close hands-on campaign support, in the form of crowdfunding tips and advice, to fundraisers. The CEO and founder, for example, acknowledged personally dispensing suggestions on how to improve campaign outcomes to fundraisers who came to him for guidance in the platform's early years.

In 2015, the platform introduced crowdfunding workshops to fundraisers. During these workshops, the platform introduced key crowdfunding concepts and explained how to set up a campaign, prepare marketing messaging and collaterals, launch a campaign, and execute strategies. It also discussed protocols that must be observed post-campaign. The workshops also stressed fundraiser responsibilities, underscoring the need for transparency through constant communication and integrity through prompt reward delivery. Former crowdfunding project owners, called the Spark Alumni, also attend as guest speakers. They share their experiences in carrying out their own crowdfunding campaigns and the lessons they learned from the exercise.

As the number of campaigns hosted on the platform grew, the workshops also provided a venue for the platform to interact with and nurture close relationships with all fundraisers.

In 2017, the platform introduced a free online crowdfunding bootcamp, an alternative to the crowdfunding workshops. The platform also recently released a crowdfunding checklist detailing the elements required to launch and run a campaign. This document can be freely downloaded by anyone from the website.

Case 2: Cropital, lending-based crowdfunding model

Cropital operates a peer-to-peer lending or lending-based crowdfunding model. It was launched in November 2015, and has raised US\$120,000 worth of investments (Flores, 2017). In September 2017, its website indicated that it had helped raise and fully fund loans for 84 farm projects. Of the 84 projects, 63 of these have been completed, which means its principal farmers have paid off loans and distributed returns to its investors or funders. In its initial stages, the farm projects consisted of a diverse group of farm crops and livestock. However, in 2017, the platform focused on rice farm projects.

The platform aims to provide low-cost agricultural loans to small farmers. It also aims to “reduce the risks in farming and improve productivity by processing crop insurance, providing a buyer, and giving trainings and access to technology partners” (Cropital website). To achieve these goals, the platform works with several partners, including farm community leaders, direct crop buyers, agriculturists and researchers, and crop protection specialists.

Perceived incentives and risks.

Cropital’s goal is to help improve farmer profitability and farm sustainability in the long-term through low-cost funding and technological support. Their advocacy is their primary purpose in developing the crowdfunding model of Cropital and is their core incentive. To successfully achieve their goals, they work to ascertain a farmer’s ability to pay, which is determined by, among other things, farm harvest and the value a farmer places on reputation, or the Filipino value of “*hiya*,” as this impacts their ability to access funding in succeeding cycles. As farm harvest is affected by many risks factors, such as farmer risks, weather risks, pest risks, and market risks, the platform implements measures to manage these risks through screening, insurance, technological support, and seeking direct crop buyers.

The platform understands that overall repayment rates will affect their ability to sustainably secure funding for farmers. High repayment rates will positively affect their reputation, while low repayment rates may result in reputation losses.

Cropital sees its advocacy and access to networks as incentives, and reputation losses as risks. Like The Spark Project, generating profit is also an incentive as this affects long-term viability.

Screening

Cropital works with farm communities where their partners have established ties. The platform employs a multi-level vetting process, which includes farmer orientation, documentary requirements that include community-based clearances and local government certifications, community leader vetting, and an interview with Cropital personnel. The platform considers various factors that traditional lending institutions do not, such as stability of agricultural production, community vetting, and other family income sources. Farmers who have successfully paid off their loans are allowed to get funding again. The screening process is meant to ascertain the farmer's ability to pay on time.

Fraud detection

The platform integrates checks and balances in its fund disbursement process. "The local community partner disburses resources in the form of inputs and working capital to these farmers. Farmers are provided with the resources only at the time the product is already needed and only when the labor has been finished" (Cropital website). This is to ensure that farmers use the funding only for the farm project.

Each Cropital farm project is provided with a farm plan, which details the project scope from the beginning and the end of the farm cycle, and includes the schedule of activities along with the resources and labor needed. Each farm is managed by a local community partner, who conducts farm visits to monitor the progress of each farm project.

In its short history, the platform has yet to encounter an incident of fraud. It was, however, confronted by three incidents of repayment difficulties, but which were all resolved through closely working with these farmers. All three farmers were able to repay investors within the specified repayment period.

Support for fundraisers

Cropital provides a holistic approach to farmer support. Aside from financial capital, it provides access to important information resources and farm inputs. It connects farmers with agriculturists and technology partners to help increase farm productivity. The platform also works with authorized crop buyers to assist farmers in the selling of crops.

Discussion

The cases above illustrate that both platforms have screening and fraud detection protocols in place, and provide support for fundraisers. The inquiry, however, observes differences in how these platforms carry out their protocols and what the focus of their protocols are. Table 1 provides a comparative matrix comparing the protocols of each platform.

Table 1

Platform Behavior: The Spark Project vs. Cropital

	The Spark Project	Cropital
Screening	Previously stringent; platform recently automated process	Stringent, multi-level process
	Focused on determining fundraiser readiness to crowdfund	Focused on determining ability to repay
Fraud detection	Informal, close monitoring of projects	Platform manages fund, performs farm visits
	Fundraisers are encouraged to openly communicate with funders.	Platform monitors fundraisers and updates funders about
Support for fundraiser	Campaign-focused: crowdfunding workshops and mentorships; online resources	Holistic: trainings, access to technology partners and buyers, crop insurance options
	Focused on educating fundraisers on how to mount a successful campaign	Focused on enhancing farmer productivity, managing farm risks, and increasing farmer income

The Spark Project's screening protocols and fundraiser support are particularly concerned with the fundraiser's crowdfunding campaign readiness—that is, whether fundraisers understand the amount and kind of preparation work, as detailed in Hui et al (2012), required to launch and run a successful crowdfunding campaign. There is some effort to mitigate project risks and project owner incompetence by requiring proofs-of-concept from potential fundraisers, and underscoring the importance of post-campaign activities, such as post-campaign communication to backers and rewards delivery, during crowdfunding workshops. The platform also provides a venue, through meet-ups and workshops, for fundraisers to network with each other and provide opportunities. It was observed that the key role that The Spark Project plays is to educate fundraisers on how to launch and run successful crowdfunding campaigns, as well as to provide fundraisers access to a network of entrepreneurs. Its goal is to help ensure that fundraisers are equipped with the necessary information and that they will have access to networks that will help achieve crowdfunding success.

On the other hand, Cropital focuses more on helping farmers carry out and complete farm projects. To ensure that all farmers repay their loans, Cropital helps enhance farmer productivity, helps them manage risks, and helps them increase their income. These, in turn, help keep repayment rates at 100% in the short term, and boost farm profitability and sustainability in the long term.

Unlike The Spark Project, fundraisers on Cropital are not encouraged to manage a social media campaign to raise funds. Instead, the platform undertakes the role of fundraising campaigner since it directly engages with the funders, through its website and newsletters. Its screening and fraud detection protocols, and fundraiser support revolves around helping farmers successfully and profitably complete farm projects. It is of note that Cropital also takes on the responsibility of updating funders on the progress of farm projects, a responsibility that fundraisers on The Spark Project undertake. It was also observed that the platform's key roles are certifying a farmer's ability to complete the project and repay loans, and providing farmers access to farm support services and technology.

It was also observed that the key roles platforms play correspond to the platforms' perceived risks and incentives. The Spark Project plays the key roles of crowdfunding educator and network connector. It equips fundraisers with crowdfunding knowledge and provide them with access to a network of entrepreneurs to enhance the probability of the crowdfunding success. It does so because it believes that fundraiser success strengthens its reputation and enhances market exposure, which, in turn, contributes to its long-term viability. Being a network connector also helps build and nurture the community around the platform. This contributes to widening its network, which also positively impacts its fundraisers in the long-term. Performing these key roles also mitigates risks associated with fundraiser crowdfunding failure, which could lead to reputation losses.

Cropital, on the other hand, plays the key roles of project certifier and network connector. By certifying projects through its multi-layered screening process, by implementing a stringent monitoring system, and by closely working with farmers, it mitigates the risks of loan misuse, repayment delays, or non-repayment. In turn, it minimizes reputation losses that it could suffer should any farmer default on loans. As a network connector, it works with local communities, farm technology providers, and agriculture specialists to help manage farm risks and improve productivity to ensure a profitable harvest. This, in turn, allows it to follow through on its advocacy and to maximize profit.

Table 2
Platform Risks and Incentives

	The Spark Project	Cropital
Perceived risks	Reputation risks (due to fraud, project owner incompetence or project risks) Profit loss	Reputation risks (due to misuse of loans, repayment delays or non-repayment)
Perceived incentives	Community building Market exposure Profit	Advocacy: improve farm sustainability and profitability Access to networks Profit

Conclusion

Crowdfunding platforms in the Philippines contribute to crowdfunding campaign outcomes through their screening protocols, fraud detection systems, and support provided to fundraisers. These efforts primarily help mitigate perceived risks platforms face, including reputation and profit losses. These also help optimize incentives that platforms perceive, such as community, market exposure, advocacy, access to networks and profit. These risks and incentives can impact the platforms' long-term viability. In turn, these efforts also help mitigate the risks of project failure as a result of project risks, project owner incompetence, or fraud. In doing so, platforms contribute to platform success by equipping stakeholders with knowledge and resources that will help improve the probability of project success.

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Like, comment, and share!

Analyzing post types and content categories of selected Philippine social enterprises' Facebook posts

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Abstract

This study examines the current social media practices of ECHOstore and Human Nature, two social enterprises in the Philippines engaged in retail of organic consumer products with at least 10,000 Facebook Fan Page likes. By assessing the possible effects of the various independent variable groups (specific social enterprise's fan page, post type, and post content categories), this study intends to understand the characteristics of social media messages that are most likely to facilitate specific customer responses (reactions, comments, and shares).

Inspired by the research design of Kim, Spiller, and Hettche (2015), the findings of Tafesse and Wien (2017), and the media richness theory (Daft and Lengel, 1984, 1986), this paper analyzed all Facebook posts of ECHOstore and Human Nature from April 1, 2017 to June 30, 2017. Data that generated from each post include its post type (e.g. link, text/status, photo or video), its content category (e.g. general and specific categories as proposed by Tafesse & Wien, 2017), and the number and type of customer responses (reactions, shares, and comments).

The study found that photos have significantly more reactions and shares than videos, general categories of transformational, interactional, and informational posts have no collective significant effect on the dependent variables, and specific content categories have a collective significant effect on reactions, comments, and shares. This research fills the gap of understanding how social enterprises use social media in the Philippines as most papers published using this study's design focus on big corporations and nonprofits.

Key Words: Social enterprise, social media marketing, customer engagement, marketing communications, public relations, media richness theory

Background of the Study

Informally branded as the 'social networking capital of the world', the Philippines was featured in a global report published by (WeAreSocial.com, 2017)—showcasing the country as the worldwide leader in terms of social media usage (Camus, 2017; Rappler.com, 2017). As such, it is no surprise that various organizations have attempted to utilize popular platforms such as Facebook to engage with their target stakeholders.

In a case study research conducted in the country (Habaradas & Aure, 2016), the researchers observed that social enterprises—organizations that simultaneously pursue both financial and social objectives—capitalize on social media to reach their target customers. Establishing a digital presence is made easier by Facebook through its Fan Page feature, through which social enterprises can encourage customers to follow their public profiles and interact with the content they publish. Given the popularity of Facebook as a means of reaching customers, it is important to learn which posts tend to generate more user engagement—activities that Facebook tracks as reactions, comments, and shares.

As such, this study aims to uncover the link between Facebook post characteristics (content categorization, post type) and user engagement metrics (reactions, comments, shares). For this paper, we examined two Filipino social enterprises engaged in the retail of consumer goods (ECHOstore and Human Nature). While previous studies focused on comparing as many top global brands via a one-month snapshot (Kim et al., 2015; Tafesse & Wien, 2017), our study prioritized depth and explored two social enterprises belonging in the same category covering a three-month period. This research also sought to understanding of nuances brought about by the Philippine social media context—increasing the study’s applicability for practice.

Literature review

Various scholars and practitioners have studied, via content analysis and application, the usefulness of social media for marketing strategy and customer engagement. Social media has also been utilized by social enterprises and nonprofits for the purpose of advocacies and engaging stakeholders to be involved with the organization’s mission. Tables 1 to 3 feature salient findings about these phenomena and how they were researched.

Table 1

Prior literature utilizing social media for research, marketing, and customer engagement

Authors	Summary of findings	Methodology	Management implications	Areas for future research
Baird & Parasnis, 2011	Companies are no longer in control of the relationship with customers; the highly influential networks of customers drive conversation.	Two online surveys of (1) 1,056 customers globally across different generations and household incomes and (2) 351 business executives	Organizations should shift their mindset from controlling the conversations to collaborating with customers how online conversations should happen.	There is a need to further study how customers want to engage with social media, given its difference against other media channels.
De Vries & Carlson, 2014	“The findings show that co-creation value, social value, usage intensity and brand strength influence customer engagement (CE) with brand pages. CE was also found to influence brand performance outcomes of CE behaviours	Survey of 404 consumers of various brand pages analyzed through the use of structural equation modelling.	The findings are of value to brand managers of social media sites and focus on how managing critical user gratifications together with customer-brand relationship variables acts as a mechanism for unlocking CE with brand pages.	Specific product or industry categories should be researched. Larger random sample of respondents should be adopted by studies adopting the same methodology. Utilize mixed-methods approach to get deeper

Authors	Summary of findings	Methodology	Management implications	Areas for future research
	directed at the brand page and brand loyalty.”			insights about consumer responses.
Hsu, 2012	Although use of Facebook as an international e-marketing strategy varied among Taiwan hotels, it is successful in allowing organizations to build relationships with regional and global customers.	Qualitative study using observation methods of the organizations’ respective fan pages.	Facebook is a useful tool to communicate with target segments that transcend geographical limitations.	Pursue quantitative and mixed methods research design to explore specifically how Facebook can be better used to engage stakeholders.
Kang, Tang, & Fiore, 2014	Facebook Fan Pages help organizations establish and maintain consumer-brand relationships. Members tend to visit restaurant fan pages when they receive hedonic and social-psychological benefits.	Survey to explore relationship between four benefit components (functional, social-psychological, hedonic, and monetary benefits)	Managers should develop strategies that deliver hedonic and psychological benefits to customers if the marketing strategy revolves on engaging them online.	Build on findings that Facebook is a useful platform and marketing tool for building online communities and developing brand strategies through other research methods.
Kosinski, Matz, Gosling, Popov, & Stillwell, 2015	Facebook can be used as an innovative research tool for primary data gathering (surveying respondents with consent) and archival research (mining publicly available data ethically).	Various Facebook-based research, with a cumulative sample of over 10 million participants (collected through snowball sampling), allowed the researchers to synthesize research design.	Scholars and practitioners should consider Facebook as innovative data gathering tool and even a repository of publicly available data to understand stakeholders.	Opportunities and challenges should be explored in utilizing Facebook as a research tool, such as implementation procedures and discussing ethical considerations.
Ruiz-Mafe, Marti-Parreno, & Sanz-Blas, 2014	“Data analysis shows that attitude appears as a key variable in increasing loyalty to fan pages. The empirical study also found a significant positive influence of perceived usefulness, attitude, trust and dependency on loyalty in fan pages, and an indirect influence of perceived ease of use mediated by perceived usefulness and attitude.”	“The impact of trust, fan page content dependency, attitude and consumer beliefs on loyalty to fan pages was tested through structural equation modelling techniques. The sample consisted of 691 Spanish Facebook users”	“This research enables managers to know what aspects to highlight in their communication strategies to increase fan page use and positive word-of-mouth. Research findings show managers that Facebook fan page content should provide valuable information, be fun and foster user interactions in order to improve user attitude and loyalty”	There continues to be few papers that study trust and fan page dependency of customers. More research about these fields are desirable.

Table 2

Literature review matrix on utilizing social media for advocacy and mission

Authors	Summary of findings	Methodology	Management implications	Areas for future research
Campbell, Lambright, & Wells, 2014	Nonprofits tend to use social media for raising awareness, promoting activities, and conversing with stakeholders. Barriers to usage of managers include stringent institutional policies, concerns about the inappropriateness of using social media, and client confidentiality.	Qualitative design -use of interviews and examination of publicly available data.	Managers should be aware how to navigate through existing policies and processes, get buy-in from leaders regarding the appropriate use of social media, and overcome sensitive issues.	“Future research should investigate not only the different ways organizations use social media but also whether organizations use it strategically to advance goals”
Cho, Schweickart, & Haase, 2014	There is high engagement of stakeholders when two-way symmetrical communications was utilized.	Randomly sampled 36 organizations from the “Nonprofit Times 100” list. A total of 678 posts from October 1-20, 2012 were analyzed.	Public organizations should explore crafting social media campaigns capitalizing on two-way symmetrical communications.	Widen sample size and / or timeframe of posts to be analyzed to test findings.
Hall-Phillips, Park, Chung, Anaza, & Rathod, 2015	“Findings suggest a positive influence of engagement and attractiveness on C-SV identification. Two aspects of consumer social media experience, escapism and educational value, were found to enhance consumer engagement, while identity similarity and identity distinctiveness contributed to the attractiveness of a social venture's identity.”	Survey of 304 social venture consumers connected to the ventures via social media websites.	“The research provides social ventures with practical knowledge about the strategic use of social media sites as a vehicle for enhancing emotional and behavioral bonds with consumers.”	Research is still limited about social media's effect on customer identification and customer engagement.
Satar, John, & Siraj, 2016	Marketing concepts, which can be extended to social media marketing, can be useful for social entrepreneurship.	Qualitative case study methodologies of various social enterprises in western countries	Social marketing can be combined with social media marketing for effecting behavioral change among stakeholders, beneficiaries, and customers.	Explore other marketing strategies that are useful for managing social enterprises.
Saxton & Waters, 2014	In terms of engagement, stakeholders prefer dialogic posts	1000 updates from organizations on the Nonprofit Times 100 list were analyzed.	For strategies revolving on engaging customers, managers should craft posts that encourage interaction and dialog.	Public relations research can be extended further by researching how social media can be used for engaging customers.

Table 3

Literature review matrix on content analysis applied on social media

Authors	Summary of findings	Methodology	Management implications	Areas for future research
Čeněk, Smolík, & Svatošová, 2016	“All of the analysed e-shops should increase the frequency of contact with their fans through more frequent posting and modification in the content of the posts”	Quantitative content analysis of Facebook profiles of three Czech electronic shops. Qualitative analysis and explanations were utilized for interesting findings.	Frequency of posts can increase engagement with fans.	Test whether increasing frequency of posts, and increased contact with fans, facilitate better customer engagement.
Kim, Spiller, & Hettche, 2015	“Research findings reveal that global brands actively utilize social media, posting on average three messages per week and generally use photos (as a media type) and interaction-focused content (as a content orientation) to secure consumer responses. However, differences in consumer responses exist along various product categories, message media type and message content orientation.”	“A content analysis of 1,086 social media posts was conducted from the corporate Facebook pages of 92 global brands during a one-month (snapshot) time horizon in July 2013. The data collected from each individual post include its media type (i.e. text, photo or video), its content orientation (i.e. task, interaction and self-oriented) and the number and type of consumer response it generated (i.e. likes, comments and shares).”	“Findings imply that marketers should not only carefully consider the media type they use to message consumers on social media but should also try to consider the individual consumer’s motive for interaction.”	Find other content categorizations which may be useful for classifying Facebook content. Extend time horizon of studying posts.
Lai & To, 2015	Social media affects beliefs, attitudes, values, intentions, and behaviors (as evidenced by a systematic study on customer perceptions on Macao as a destination image).	“In this paper, we introduce a grounded theory approach that involves (i) defining the goal and scope of a study; (ii) logically and systematically identifying social media sources, total sample size, and the sample size of every source category; (iii) employing computer-aided lexical analysis with statistical and graphical methods to identify the key dimensions of the topic while minimizing human errors, as well as coding and categorization biases; and (iv) interpreting the findings of the study”	Social media posts can be analyzed to understand customer perceptions.	Test the grounded theory and methodology proposed by the authors.

Authors	Summary of findings	Methodology	Management implications	Areas for future research
McGetrick, Bubela, & Hik, 2016	“Automated content analysis (ACA) techniques can provide a rapid, replicable, inductive, and systematic way to examine public hearing transcripts, consisting of the critical development and application of computer programming scripts that synthesize evidence from extensive document sets.”	ACA was used for a case illustration of the methodology.	Content analysis, specifically ACA, is a valid procedure in understanding rich qualitative data.	Further test content analysis techniques in other sources (e.g. social media).
Tafesse & Wien, 2017	3 general categories and 12 specific, exhaustive, and mutually exclusive categories of brand posts were developed in pursuit of refining social media marketing strategies.	Deductive and inductive coding was utilized to develop a new framework for categorizing social media posts.	Social media marketers can specifically craft their content based on the specific categories to drive customer engagement.	Test the proposed framework for categorizing posts and whether it can be approved or is applicable in other settings.

The media richness theory (Daft and Lengel, 1984, 1986) may also help explain how variables such as the social enterprise fan page, post type, and post content categories elicit specific customer responses such as reactions, comments and shares. The premise of the media richness theory is that messages will be understood more effectively by a particular consumer only if the appropriate communication channel is used. These communication channels range from face-to-face, telephone, electronic media, memos, letters, and computer reports, among many others. In this case, the usage of a fan page, post type, and post content category can be considered as “electronic media” by which ECHOstore and Human Nature used to convey their message to consumers. The question, therefore, lies on the effectiveness of these media in eliciting specific customer responses such as reactions, comments, and shares. These will be discussed further in the corresponding analyses section.

Synthesis of Literature Review and Significance of the Study

Reconciling the usefulness of social media in enabling social organizations to engage their stakeholders, we build on the results of the literature review with the articles of Daft and Lengel (1984, 1986), Kim et al. (2015), and Tafesse and Wien (2017) as the main articles. The research methodology of Kim et al., which used multivariate analysis of covariance in analyzing content, proved to offer explanatory power in understanding the effects of certain independent variables on likes/reactions, comments, and shares in Facebook. However, we intend to utilize the proposed categories of Tafesse and Wien (2017) given its novelty. Meanwhile, in a qualitative perspective, the media richness theory of Daft and Lengel (1984, 1986) provides additional insights as to how using electronic media as the main communication channel helps elicit specific forms of customer engagement through comments, reactions, and shares.

This study is significant because it provides new ways to study how social enterprises can strategically utilize social media towards customer engagement—be it for building the social enterprises' brands or advocating mission. By finding out which factors affect customer engagement, operationalized by Facebook reactions, comments, and shares, managers of social enterprises' fan pages can craft more pointed strategies and develop compelling content. Moreover, this research fills a local and global gap in terms of understanding how social enterprises use social media in the Philippines as most papers published using this study's design focus on big corporations and nonprofits all over the world.

Statement of the Problem and Assumptions

Generally, the research questions and hypotheses were derived from the most salient findings of literature, particularly that of Kim et al. (2015) and Tafesse and Wien (2017). The findings of this research will be further assessed using the media richness theory of Daft and Lengel (1984, 1986). We propose a main research question and its corresponding hypotheses, which are based on previous findings.

Research question: What is the effect of the independent variables (post types and content categories) on reactions, comments, and shares?

- H1. Post types, as a whole, have a significant effect on reactions, comments, and shares.
 - H1-1. Among the specific post types, photos have a significant effect on reactions, comments, and shares.
 - H1-2. Among the specific post types, videos have a significant effect on reactions, comments, and shares.
- H2. General content categories, as a whole, have a significant effect on reactions, comments, and shares.
 - H2-1. Among the general content categories, interactional posts have a significant effect on reactions, comments, and shares.
 - H2-2. Among the general content categories, transformational posts have a significant effect on reactions, comments, and shares.
- H3. Specific content categories, as a whole, have a significant effect on reactions, comments, and shares.
 - H3-1. Among the specific content categories, cause-related brand posts have a significant effect on reactions, comments, and shares.
 - H3-2. Among the specific content categories, sales interaction brand posts have a significant effect on reactions, comments, and shares.

Scope and Limitations

Our study deliberately focuses on two social enterprises over a three-month period. ECHOstore and Human Nature were chosen due to the following factors: (1) have at least 10,000 followers in their Facebook Page, (2) have at least three years of experience, and (3) have posted at least 20 times per month during the time period April 1, 2017 to June 30, 2017. The time period was chosen as an improvement to Kim et al.'s limitation of only conducting a one-month snapshot.

Moreover, three months correspond to a quarter of the enterprises' business cycle, which allows researchers to analyze more posts.

Conceptual Framework

The following conceptual framework guided us in our analysis. It suggests that the characteristics of Facebook posts, such as post type (link, text, photo, and video) and content category (general and specific content category) would have an effect on customer engagement in Facebook as shown by the number of reactions (likes, love, haha, wow, and angry), number of comments, and number of shares.

A link, text, photo, or video, for instance, may elicit different levels of customer engagement. As links, texts, photos, or videos also have varying characteristics ranging from the use of words, images, animations, and recordings, the researchers suggest that this may impact the level of customer engagement. Tafesse and Wien (2017) narrated several concrete examples by which links, texts, photos, or videos help in eliciting customer engagement among Facebook users. For instance, a link in a Facebook post leading to a particular YouTube video would have an additional impact to the user as it may provide them additional information and entertainment, to name a few.

On the other hand, general and specific content categories have different intended uses and impacts among Facebook users (Tafesse and Wien, 2017). For instance, cause-related brand posts may elicit emotional feelings and the drive to become part of a cause or movement. Depending on how the cause-related brand post made the Facebook user feel, the user may react accordingly. Based on cause-related brand posts in Facebook such as those from non-government organizations and social enterprises, for instance, certain Facebook users will express additional insights through the comments section. Their comments range from adding more information on the cause, asking for inquiries on how they can be part, and sharing personal experiences and learnings, among others. Some users also opt to spread more awareness on the cause-related brand post, and this can be done through the sharing feature of Facebook. Hence, this conceptual framework suggests that different content categories elicit different types of customer engagement.

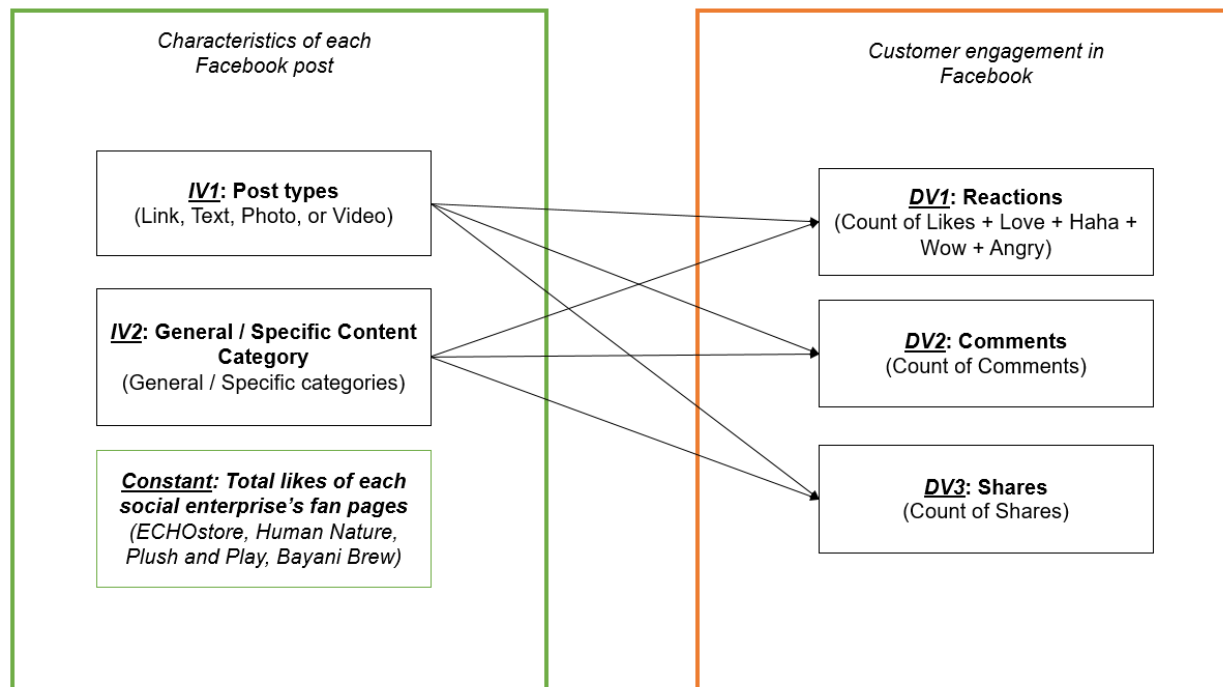


Figure 1. Conceptual framework

Methodology

For this study, we replicate the methods of Kim et al. (2015) in doing multivariate statistical analyses to infer which independent variables have significant effects on various dependent variables. We also adopted a qualitative approach by using the media richness theory of Daft and Lengel (1984, 1986) to make sense of our quantitative results.

Given the relationship of the various independent and dependent variables we wanted to explore, we utilized ANOVA as our core statistical analysis tool. However, the research design of Kim et al. (2015) overcomes the limitation of multiple univariate ANOVAs—multiplying the error term and lessening the presence of bias. This is why a multivariate analysis of variance is the desirable statistical method. To better understand the relationships of the identified variables and to try lessening the effect of spurious variables, Kim et al. (2015) used multivariate analysis of covariance—with the total number of likes of each Facebook page serving as a constant or the covariate. This method intensifies the ability to analyze the effects of the independent variables to customer engagement.

MANCOVA is a sophisticated statistical method that needs to satisfy various assumptions. Recently, the study of Blanca et al. (2017) showed how ANOVA processes are somewhat robust to violations of its assumptions as long as samples are sufficiently large. Nevertheless, we did pre-statistical treatments (such as tests of normality on data and residuals, logarithmic transformations of data if needed) to examine whether all MANCOVA assumptions can be met. In case assumptions of univariate ANOVA and MANCOVA will be violated, the researchers will explicitly state them while acknowledging the limitations of the results (Spencer, Lay, & de Lopez,

2017). We also conducted post-hoc analyses (Bonferroni method) on significant results from the MANCOVA, which resembles the design of Kim et al. (2015)

The coding procedure for this study is straightforward—we used deductive coding based on the proposals of Tafesse and Wien (2017). Table 4 shows a summary of general and specific content categories compiled by Tafesse and Wien (2017), which we used as a guide.

Table 4
General and specific content categorizations (Tafesse & Wien, 2017)

General categories	Specific categories	Definition and common message themes
Informational	Functional brand posts	These brand posts highlight the functional attributes of company products and services. Typically, these posts promote the benefits of company products and services according to performance, quality, affordability, design and style criteria Common themes: product functional claims, product reviews, awards, green credentials, and so forth
Informational	Educational brand posts	These brand posts educate and inform consumers. These posts help consumers acquire new skills on proper ways of applying products, or discover new information about broader industry trends and developments Common themes: do it yourself tips, instructions, blog posts, external articles, technical interviews with employees, and so forth
Informational	Employee brand posts	These are brand posts about employees. Employee brand posts present employees' perspective on a range of issues, such as employees' technical expertise, their managerial philosophies, or their personal interests, hobbies and worldviews
Interactional	Current event	These brand posts comment on themes that capture active talking points in the target audience, such as cultural events, holidays, anniversaries, and the weather/season. These brand posts initiate conversations with consumers using timely and widely talked about events Common themes: weather, cultural events (i.e. sport, film, TV shows), holiday, special day and anniversaries
Interactional	Personal brand posts	These brand posts center around consumers' personal relationships, preferences and/or experiences. These brand posts typically invoke personally meaningful themes, such as family, friendship, personal anecdotes or future plans to initiate deeply personal conversations with consumers Common themes: friends, family, personal preferences, anecdotes and future plans
Interactional	Brand community	These brand posts promote and reinforce the brand's online community. These brand posts foster a sense of community identification and engagement with the community, by recruiting new community members, as well as encouraging participation from existing members

General categories	Specific categories	Definition and common message themes
Interactional	Brand Community	Common themes: encouraging fans to become members of the brand's online community, acknowledging fans (e.g. mentioning their name, tagging them), using/soliciting user-generated content
Interactional	Customer relationship	<p>These brand posts solicit information and feedback about customers' needs, expectations and experiences. These brand posts seek to deepen the impact of customer relationships in social media channels by encouraging customer feedback, reviews and testimonies</p> <p>Common themes: customer feedback, customer testimony and customer reviews and customer services</p>
Interactional	Sales promotion	<p>These are brand posts that entice consumers to take actions toward a buying decision. These brand posts often contain transactional details such as price and availability points, as well as concrete promotional offers, such as price discounts, coupons and competitions</p> <p>Common themes: price discounts, coupons, free samples, customer contests and product competitions</p>
Transformational	Emotional brand posts	<p>These brand posts evoke consumers' emotions. To this end, the posts typically employ emotion-laden language, inspiring stories or humor and jokes to arouse affective responses, such as fun, excitement and wonder</p> <p>Common themes: emotionally worded posts, emotional storytelling, jokes and trivia</p>
Transformational	Brand resonance	<p>These brand posts direct attention to the brand promise and identity of the focal brand. These posts highlight some of the main tropes of brand identity, such as brand image, brand personality, brand association and branded products with the goal of differentiating the brand and favorably influencing consumers' brand attitude and association</p> <p>Common themes: brand image (i.e. brand logo, brand slogan, brand character, etc.), photos of branded products, celebrity association, and brand history</p>
Transformational	Experiential brand posts	<p>These brand posts evoke consumers' sensory and behavioral responses. Experiential brand posts highlight the sensory and embodied qualities of the brand and often associate the brand with pleasurable consumer experiences</p> <p>Common themes: sensory stimulation (i.e. visual, auditory, taste, odor, etc.), physical stimulation (i.e. physical actions, performances, activities, etc.), brand events (product launches, festivals, fan events, sponsored events, etc.)</p>
Transformational	Cause-related brand posts	These brand posts highlight socially responsive programs supported by the focal brand. These brand posts promote worthy social causes and initiatives and encourage customers and fans to support them

As recommended by Tafesse and Wien (2017), it is useful to code the posts under the three general content categories. However, the specific content categories of each post were coded as well to help arrive at context-specific insights that may be unique to the social enterprises. We worked together to categorize each post according to their general and specific categories (Tafesse & Wien, 2017). In cases of difference in categorization between us, we engaged in a discussion

until we agreed on the more appropriate code. While coding, we found out that ECHOstore and Human Nature also used their Facebook page for announcements and news about store hours. These kinds of posts do not properly fit specific categories under the informational category. As such, we resolved to introduce a specific category called “general announcements and updates”. These are posts that only intend to inform followers about website maintenance, store hours, and other miscellaneous updates that do not fall in any other informational subcategories. The limitation of the coding procedure is that it only accounts for the most salient general and specific content categories; the procedure disregards the other general and specific content categories in cases where posts fall under two or more categorizations.

The sampling design (that is, the rationale of choosing social enterprises to be part of the study) is purposive based on two criteria: (1) the social enterprise’s fan page should have at least 10,000 likes (albeit an arbitrary criterion that aims to limit the sample to include only those which have substantial followers); (2) the social enterprise should have been in operation for at least three years (also an arbitrary criterion that aims to limit samples to include those who have undergone at least three business cycles, indicating that the enterprise has spent some time marketing its brand).

The data source is publicly available Facebook data from the social enterprises’ fan pages. We manually collected the publicly available data and processed them via Excel. We used SPSS to perform MANCOVA on the data.

Results

Table 5 summarizes the number of general content categories used by the social enterprises’ Facebook pages. Overall, there were 326 social media posts from Human Nature and ECHOstore that were studied in the research. Informational posts topped the most number of posts with 45.10%, whereas transformational posts were the least used with 14.40%. Table 5 shows that the social enterprises commonly use informational posts in their social media posts in Facebook.

Table 5
General content categories studied in the research

General content categories	Total number of posts	%
Informational	147	45.10
Interactional	132	40.50
Transformational	47	14.40
Total	326	100.00

Table 6 summarizes the specific content categories that were used by the social enterprises. The table shows that social enterprises made use of sales promotion posts the most (31.00%). The least used, on the other hand, are customer relationship (2.00%) and personal brand posts (2.00%).

Table 6

Specific content categories studied in the research

Specific content categories	Total number of posts	%
Sales promotion	101	31.00
Functional brand posts	65	19.90
Educational brand posts	55	16.90
Brand resonance	23	7.10
Cause-related brand posts	22	6.70
General announcements and updates	20	6.10
Brand community	17	5.20
Current event	9	2.80
Employee brand posts	7	2.10
Experiential brand posts	3	0.90
Personal brand posts	2	0.60
Customer relationship	2	0.60
Total	326	100.00

For post types, table 7 shows that the most frequently used were photos (50.6%). On the other hand, the least post type being used were the statuses (2.1%). This shows that Human Nature and ECHOstore use photos more frequently in their Facebook posts as compared to links, statuses, and videos.

Table 7

Post types studied in the research

Post types	Total number of posts	%
Photo	165	50.60
Video	108	33.10
Link	46	14.10
Status	7	2.10
Total	326	100.00

Table 8 shows the number and percentages of general content categories used per social enterprise of ECHOstore and Human Nature. According to the table, ECHOstore had the most number of social media posts throughout April 1, 2017 to June 30, 2017 (N=297). On the other hand, Human Nature had N=29 social media posts. For ECHOstore, the least used general content category are transformational posts (14.48%). The same goes with Human Nature (13.79%). On the other hand, both ECHOstore and Human Nature used informational posts the most (44.44% and 51.72%, respectively). This shows that ECHOstore and Human Nature use mostly informational posts in their social media campaigns in Facebook.

Table 8

Frequency distribution of general content categories used per social enterprise

General content categories	ECHOstore		Human Nature		Total	%
	f	%	f	%		
Informational	132	44.44	15	51.72	147	45.10
Interactional	122	41.08	10	34.48	132	40.50
Transformational	43	14.48	4	13.79	47	14.40
Total	297	100%	29	100%	326	100%

Table 9 shows that ECHOstore and Human Nature used sales promotion posts the most (26.75% and 40.82%, respectively). On the other hand, the least used specific content category are customer relationship posts (0.04%) and personal brand posts (0.04%). Note that ECHOstore and Human Nature has a total number of specific content categories that are not equal to the total number of posts per social enterprise as shown in table 8. This is because in the identification of specific content categories during the data mining process, one post may have at least two specific content categories. Considering the flexibility of some posts to be categorized under several specific content categories, the researchers took this into account as shown on table 9. In summary, table 9 shows that both social enterprises make use of sales promotion posts the most.

Table 9

Frequency distribution of specific content categories used per social enterprise

Specific content categories	ECHOstore		Human Nature		Total	%
	f	%	f	%		
Sales promotion	61	26.75	40	40.82	101	30.98
Functional brand posts	48	21.05	17	17.35	65	19.94
Educational brand posts	41	17.98	14	14.29	55	16.87
Brand resonance	19	8.33	4	4.08	23	7.06
Cause-related brand posts	20	8.78	2	2.04	22	6.75
General announcements and updates	11	4.82	9	9.18	20	6.13
Brand community	8	3.51	9	9.18	17	5.21
Current event	9	3.95	0	0	9	2.76
Employee brand posts	6	2.63	1	1.02	7	2.15
Experiential brand posts	3	1.31	0	0	3	0.09
Personal brand posts	1	0.04	1	1.02	2	0.06
Customer relationship	1	0.04	1	1.02	2	0.06
Total	228	100%	98	100%	326	100%

Data transformations and covariate

Consistent with the past content analyses examined by Kim et al. (2015) the data for our dependent variables, namely individual posts' number of reactions, comments and shares, were not normally distributed. The distribution of the reactions, comments, and shares was skewed positively, with skewness coefficients of 8.2, 8.4, and 7.3 respectively. Similar to the procedures of Kim et al. (2015), to normalize the distributions while reducing influence of unusual cases, logarithmic transformations were applied to the data. Logarithmic transformations were applied to positively skewed data with nonnegative and non-zero values (Kim et al., 2015). The transformations improved the normality of the data—producing skewness coefficients of 1.2, 2.1,

and 1.8. Although the data, strictly speaking, is not normal, the study of Blanca et al. (2017) showed that ANOVA-based statistical methods are generally robust to nonnormality of data, as long as the data analyzed are sufficiently large. With 326 posts analyzed, we contend that the number of posts are sufficiently large to offset the mild violations of normality.

The total number of followers, or the total number of fan page likes in each social enterprises' Facebook pages, were also transformed and controlled as a covariate. This is to account for the different popularities of the social enterprise's fan pages in measuring the effects of post types and content categories to the dependent variables. Similar to the findings of Kim et al., the covariate has a very significant effect in all of the statistical analyses performed ($p < 0.001$).

MANCOVA and post-hoc analyses

To answer the research question, it is essential to utilize MANCOVA and perform post-hoc analysis through the Bonferroni method (Kim et al., 2015). To test H1, which expected that post types collectively have a significant effect on reactions, comments, and shares, a MANCOVA was performed through the use of the SPSS software. The MANCOVA's explanatory power on reactions ($r^2 = .524$; adjusted $r^2 = .468$), comments ($r^2 = .437$; adjusted $r^2 = .371$), and shares ($r^2 = .597$; adjusted $r^2 = .550$) were desirable. The results showed that post type, collectively, has a significant effect on all customer responses (Pillai's trace = .103, $F(9, 873) = 3.46$, partial $\eta^2 = .034$, $p < .001$; Wilk's lambda = .899, $F(9, 704) = 3.51$, partial $\eta^2 = .035$, $p < .001$; Hotelling's trace = .111, $F(9, 863) = 3.54$, partial $\eta^2 = .036$, $p < .001$; Roy's largest root = .086, $F(3, 291) = 8.35$, partial $\eta^2 = .079$, $p < .001$). A post-hoc analysis utilizing the Bonferroni method showed that photos have more reactions ($p = .018$) and shares ($p = .027$) than videos. Surprisingly, videos have lesser reactions than links ($p < .001$) and photos ($p = .018$); lesser comments than links ($p = .046$); and lesser shares than links ($p < .001$) and photos ($p = .027$). The most surprising result is that links have more reactions than photo ($p < .001$) and video ($p < .001$); have more comments than video ($p = .046$); and have more shares than photo ($p < .001$), status ($p < .001$), and video ($p < .001$).

To test H2, the MANCOVA results showed that collectively, general categories (transformational, interactional, informational posts) do not have a significant effect on the three dependent variables (Pillai's trace = .007, $F(6, 624) = .364$, partial $\eta^2 = .003$, $p = .902$; Wilk's lambda = .993, $F(6, 622) = .363$, partial $\eta^2 = .003$, $p = .902$; Hotelling's trace = .007, $F(6, 620) = .363$, partial $\eta^2 = .003$, $p = .902$; Roy's largest root = .007, $F(3, 312) = .714$, partial $\eta^2 = .007$, $p = .545$). Since general categories do not have a significant effect on customer responses, no further post-hoc analysis is required.

To test H3, another MANCOVA was performed. Specific categories replaced general categories in the model. The results showed that specific categories collectively have a significant effect on the three dependent variables (Pillai's trace = .212, $F(33, 873) = 2.013$, partial $\eta^2 = .071$, $p = .001$; Wilk's lambda = .800, $F(33, 852) = 2.026$, partial $\eta^2 = .071$, $p = .001$; Hotelling's trace = .234, $F(33, 863) = 2.038$, partial $\eta^2 = .072$, $p = .001$; Roy's largest root = .131, $F(11, 291) = 3.478$, partial $\eta^2 = .116$, $p < .001$). A post-hoc analysis utilizing the Bonferroni method showed that specific categories have no significant differences with each other on their effect on comments.

In terms of reactions, a post-hoc analysis utilizing the Bonferroni method showed the following results. Brand community posts have a positive significant difference compared to

functional brand posts ($p = .016$). Educational brand posts have a positive significant difference compared to functional brand posts ($p = .003$).

In terms of shares, a post-hoc analysis utilizing the Bonferroni method showed the following results. Educational brand posts have a positive significant difference compared to cause-related brand posts ($p = .021$), functional brand posts ($p < .001$), and sales promotion ($p = .006$).

Conclusion

This study aspired to build on the research of Kim et al. (2015) by replicating their methodology while using new content categories. The general and specific categories advanced by Tafesse and Wien (2017) have the potential to offer crisper insights about what content categories lead to particular customer responses. Meanwhile, using the media richness theory by Daft and Lengel (1984, 1986) provides a qualitative, complementary perspective on the effectiveness of the general and specific categories in terms of eliciting customer responses.

With regards to testing H1, this study validates that photos have significantly more reactions and shares than videos. The findings of Kim et al. (2015) and Tafesse and Wien (2017) surmise that the Facebook browsing habits of customers tend to feature relatively short attention spans; customers may want to wholly consume rich content in an instant. Photos provide the balance between instant consumption of content while still providing rich and visual stimuli. This is not to say videos should not be posted; rather, the lesson from the success of photos is that videos should be crafted in a way that engages customers in the first few seconds of viewing.

Meanwhile, it is a surprise that links have more reactions than photo and video; have more comments than video; and have more shares than photo, status, and video. Given the current trends where Facebook seamlessly works with third-party applications and websites, the finding makes sense. Perhaps customers are engaged when fan pages serve as a curator of content that are still related to the brand. ECHOstore and Human Nature maximize the capability of links by showing product reviews, product tutorials, and other useful content.

With regards to testing H2, we find it interesting that general categories do not have a collective significant effect on the dependent variables. Although a little bit surprising, the finding does make sense because each general category (transformational, interactional, informational) could have many reasons why customers will react, share, or comment on them. For transformational posts, it could have significant customer engagement when a brand is well-known, and customers can be considered as possible loyal fans of a brand. Interactional posts could have significant customer engagement because it encourages fans to participate via contests and online activities. Informational posts could have significant customer engagement especially for brands that are involved with teaching customers new ways to use innovative products, similar to what ECHOstore and Human Nature did in their pages. As such, it makes sense that generally, transformational, interactional, and informational posts have no significant differences from each other on their effects on reactions, comments, and shares.

With regards to testing H3, the specific content categories have a collective significant effect on reactions and shares. However, when digging deeper, there is no significant difference among the specific categories in terms of their effect on comments.

In terms of reactions, brand community posts have a positive significant difference compared to functional brand posts. This makes sense because brand community posts are interactional in nature and they encourage customers to participate in online activities or even real-life events. On the other hand, functional brand posts only serve to inform customers on the benefits of products.

Educational brand posts have a positive significant difference compared to functional brand posts. Although educational brand posts are informational in nature, these posts engage customers because they are immersed with learning new things about using products and solve existing problems, needs, and wants they might have. Given that ECHOstore and Human Nature continuously introduce new products, educational brand posts allow customers to better understand and be engaged with the brand.

In terms of shares, educational brand posts have a positive significant difference compared to cause-related brand posts, functional brand posts, and sales promotion. The finding that cause-related brand posts have lesser shares compared to educational brand posts is crucial, especially because ECHOstore and Human Nature are social enterprises. Our a priori belief is that cause-related brand posts will have significant effects on customer engagement, given the socially-oriented nature of social enterprises. However, this finding emphasizes that social enterprises, in communicating with customers, need to make sure that the brand has real commercial benefits for the customers beyond advocating mission.

The findings on educational brand posts' positive significant difference compared to functional brand posts on shares is consistent with the findings on reactions. Customers tend to share useful tutorials or new learnings that truly benefit how they patronize the brand. Specific to the case of ECHOstore and Human Nature, customers appreciate the efforts of the brands to teach them varying uses of innovative organic products. When these are deemed effective, the customers become evangelizers to fellow fans—an effective way for digital word-of-mouth marketing activities.

Sales promotion having a negative significant difference compared to educational brand posts makes sense as well, given that customers browse Facebook not to shop, but to be updated with news from friends and even the brands they follow. Similar to real life, customers do not want in-your-face hard selling; and this behavior can be translated to their digital browsing habits. However, one of the key qualitative findings of this research is that ECHOstore and Human Nature combine sales interaction with their more engaging posts. For example, one post may start as educational, but in the end there is a call-to-action for the fans to order online or seek the brands in their retail stores. As such, marketers must find ways to seamlessly reconcile engaging posts with call-to-action (such as sales promotions).

Recommendations

This study aimed to contribute to the evolving literature of social media engagement, specifically in the field of social entrepreneurship. Utilizing a quantitative method to make sense of ECHOstore and Human Nature's social media activities, we were able to understand what potentially works in terms of customer engagement. The study can be advanced further by including more social enterprises and expanding the time period, so as to increase the number of posts and make the statistical model of MANCOVA more robust to nonnormality of data.

For further research, the researchers recommend the following:

1. For a more generalizable study, the research can be expanded to including more social enterprises, and can cover a longer period
2. Although analyzing archival data through the different fan page's posts provide useful quantitative insights, it is limited to what Kosinski et al. (2015) call as digital footprints. As such, it is a good idea to test the findings of this research through replication and even performing an explanatory sequential mixed method approach. A follow-up qualitative research, which can be testing different types of posts in interviews and focus group discussions, can help explain the behavior of respondents on what causes them to react, comment, or share on a particular post.
3. Experimental designs can also help to isolate specific variables in terms of what causes customer engagement. For example, there are many reasons why customers will react on a particular post – maybe it is the brand name, maybe it is because of one's certain mood that was influenced by prior posts seen before the brand's posts. Meanwhile, commenting on posts and sharing them are more deliberate – it takes more conscious effort to share and comment on posts than it is to react on them. Further research that tests these behaviors can lead to better insights.

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Forecasting the net income performance of the life insurance industry using economic and insurance development indicators through multiple linear regression

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Abstract

The life insurance industry is primarily concerned with helping insureds manage the risks that they face in life through its varied product offerings. The industry, which belongs to the financial services sector, is a potent vehicle for capital formation which contributes funds for national development. It also provides meaningful engagement through employment as well as selling and financial services work for its sales force called the agency. As with all businesses, it has to generate sufficient level of net income to adhere to compliance and reserve requirements of the government, provide adequate benefit payments to its insureds when due, provide its employees with salaries and benefits and adequate commission and incentives for its agency as well as generate sufficient surplus to be a going concern.

This paper determined significant variables in terms of economic indicators and insurance development metrics which affect the industry's net income. Data was generated from the Insurance Commission website, the government agency in charge of supervising the industry's operations. The multiple linear regression forecasting approach was used to come up with significant results. Among the economic indicators and industry development metrics considered, the one variable with statistically significant impact on net income performance was the number of its agents. It has been a challenge for the industry to recruit and develop members of its agency force who will stay with the business and generate sufficient production to contribute to the company's sales targets as well as adequate income for the agents' personal needs. The industry should continue its recruitment and development effort focusing on motivation, development, recognition and training activities to support this thrust.

Key Words: Life insurance; economic indicators; insurance development metrics; recruitment and development; multiple linear regression

Introduction

The life insurance industry is primarily concerned with helping insureds manage the risks that they face in life through its varied product offerings. The industry, which belongs to the financial services sector, is a potent vehicle for capital formation which contributes funds for national development. It also provides meaningful engagement through employment as well as selling and financial services work for its sales force called the agency.

Broadly defined, “a life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death.” (What is life insurance?, n.d.). There are insurance plans which provide living benefits to insureds in terms of maturity benefits from endowment plans, anticipated payments and dividends, health and critical illness benefits as well as fund appreciation through variable unit linked products.

The financial needs and goals of the insured determine the kind of life insurance coverage they will get. It provides opportunity for the insured to build funds for future needs – family protection; education; capital for purchase of big ticket items like a house and a car or put up a business; retirement, among other things.

The industry, which belongs to the financial services sector, is a potent vehicle for capital formation which contributes funds for national development. It generated P32B in investments in 2015; its total premium income of P188B accounted for 1.41% of the country's gross national income (GNI) of P16T; and the life sum insured of the industry amounting to P3.68T was 33.13% of GNI for the same year (Key insurance indicators, n.d.).

It also provides meaningful engagement through employment as well as selling and financial services work for its sales force called the agency. The 30 life insurance companies in 2015 had around 10,000 employees but more significantly, engaged more than 61,000 licensed agents who sold life insurance products to the public (Key insurance indicators, n.d.).

Economic indicators

The general economic performance of the country generally impacts the well-being of the population and the way business and industry operate and perform. For the latter, in general, a robust set of macroeconomic fundamentals will lead to better business and economic opportunities which in turn will lead to favorable business results in terms of revenues, profits as well as other value creation for the benefit of the business' stakeholders.

Table 1 identifies economic indicators for the period 2007-2015 (Key insurance indicators, n.d.). These figures will be used to relate to and forecast the net income performance of the life insurance industry.

Gross national income (GNI) as of 2015 stood at P16 trillion with a compounded growth of 7.09% for the period, one of the fastest in the Asia-Pacific region. Per capita income stood at P158K with a good 5.5% growth. The labor force, which numbered 39 million, 38% of the population, did not grow as fast at only 1.62%. Population, exchange rate and inflation exhibited growth of less than 2%.

Table 1

Economic Indicators

	Gross National Income (P Billion)	Population (in millions)	Per capita GNI (in pesos)	Labor force (employed—in millions)	Exchange rate (P:\$)	Inflation rate (in percent)
2007	8,634	89	97,340	33.7	41.4	1.25
2008	9,776	90	108,024	34.1	47.49	4.26
2009	10,652	91	117,060	35.1	46.36	2.09
2010	10,852	93	117,190	36.1	43.88	1.51
2011	11,598	94	123,123	37.2	43.93	2.72
2012	12,608	96	130,796	37.6	41.19	3.20
2013	13,850	99	140,191	38.1	44.41	3.20
2014	15,327	100	153,429	37.3	44.62	4.10
2015	16,096	102	158,434	39	47.17	1.40
Average	12,155	95	127,287	36	44	3
Compounded growth	7.09%	1.51%	5.50%	1.62%	1.45%	1.25%

Insurance development metrics

Table 2 shows insurance development metrics (Key insurance indicators, n.d.) which indicate the level of performance of the industry. Net income, the primary variable of interest to be forecasted, stood at P21B in 2015 and posted 4.12% compounded growth. Premium income, number of business policies and number of agents were the three fastest growing metrics for the period with 10.49%, 9.01% and 6.06% respectively. Only one variable declined for the period – operating expenses which may be favorable for bottom-line purposes.

Table 2

Insurance Development Metrics

	Net income after tax (P Million)	Premium income (P Million)	Number of agents	Number of policies—new business	Number of policies—in force	Benefit payments (P Million)	Operating expenses (P Million)	Gross investment income (P Million)
2007	14,719	76,213	35,987	316,338	3,405,970	28,273	14,936	25,598
2008	10,581	56,891	40,865	269,375	3,336,609	35,158	10,994	26,290
2009	11,953	57,239	35,550	267,840	3,344,432	37,556	5,002	28,345
2010	12,024	70,727	34,364	314,954	3,385,934	34,154	11,518	30,929
2011	14,045	86,345	36,828	317,241	3,505,704	45,519	15,755	32,853
2012	12,046	120,298	36,646	399,972	3,770,915	50,034	35,578	33,662
2013	13,756	171,154	32,576	617,813	3,829,252	54,763	12,342	33,301
2014	17,939	158,727	55,169	640,819	4,104,664	55,113	13,690	33,128
2015	21,244	188,818	61,461	692,884	4,426,405	49,964	12,704	32,561
Average	14,256	109,601	41,050	426,360	3,678,876	43,393	14,724	30,741
Compounded growth	4.12%	10.49%	6.06%	9.01%	2.92%	6.46%	-1.76%	2.68%

Objective

The objective of the study is to come up with a forecasting model to determine net income of the life insurance industry as affected by macroeconomic indicators as specified in the foregoing as well as insurance development metrics.

As net income is an effective measure in the performance of business, it will be useful at the macro-level for industry decision makers to determine variables which impact the income performance of the organization.

Multiple linear regression and correlation analysis was used to build forecasting model for net income as dependent variable and the economic indicators and insurance development metrics as independent variables. The study covered the period 2007-2015 and was done at the industry level.

Literature Review

Life insurance

There are four basic characteristics of life insurance operations: (1) products, (2) premiums, (3) marketing and sales, and (4) business operations (Feng, 2007).

Products. The general types of life insurance products can be classified as follows: term, whole life, direct purchase, endowment, investment-linked and annuities (Types of life insurance, n.d.). The products generally contain features and benefits which cater to the financial needs of insurance clients.

Sale of insurance products relies on sales people (Feng, 2007). Although direct marketing (thru print media, mailers, and lately the Web) are being used and bancassurance (selling through bank branches with life insurance tie up) have gained traction as a distribution system in the country at the start of the millennium, sales people known as the agency remains to be the principal distribution system for life insurance products.

Premiums. “An insurance premium is the amount of money that an individual or business must pay for an insurance policy. The insurance premium is considered income by the insurance company once it is earned, and also represents a liability in that the insurer must provide coverage for claims being made against the policy.” (Insurance premium, n.d.).

The two basic types of premiums are first year and renewal (Feng, 2007). First year premiums are the amount of money paid by insureds during the first twelve months of their policies and are “key performance indicators among insurance companies” (Feng, 2007) as they measure the amount of new sales they generate. Single premium is the third type which is “a lump sum of money paid into the policy in return for a death benefit that is guaranteed to remain paid-up until you die” (Single premium, n.d.). Based on my experience in the industry, about 60% of the premiums come from renewals, 30% from first year and 10% from single premiums.

Marketing. Marketing and sales are all the activities done by insurers to generate new business premiums or revenues for the company. “The marketing mix is the combination of marketing activities that an organization engages in so as to best meet the needs of its targeted market...The marketing mix includes sub-mixes of the 7 P’s of marketing i.e. the product, its price, place, promotion, people, process & physical attraction” (Shodhganga, n.d.).

Sales. Most sales processes follow roughly the same pattern. It's a cycle of seven different steps, starting with prospecting, appointment, qualifying, presentation, handling objections and ending with asking your new customer for referrals (The seven stages of the sales cycle, n.d.). The life insurance industry, given the nature of its product which remains in the books of the company for future benefit payments, has a seventh critical step – servicing of the policy.

Business operations. This involves all the other activities undertaken by life insurance companies to provide quality service to existing clients, maintain branch network to access clients, manage the financials of the company to maintain sufficient reserves for future benefit payments and observe and implement compliance rules. “Life insurance company’s financial stability is very important. Prudent business operations are the fundamental management principle of a life insurance company” (Feng, 2007).

All the foregoing, when properly planned and implemented will result to specific levels of performance manifested through insurance development metrics identified in Table 2 which are the macro-level measures of the success of its operations. The eventual net income experience of the companies will depend on generating improving levels of performance variable results.

Economic indicators

“An economic indicator is a piece of economic data, usually of macroeconomic scale, that is used by analysts to interpret current or future investment possibilities or to judge the overall health of an economy. Economic indicators can be anything the investor chooses, but specific pieces of data released by government and non-profit organizations have become widely followed. Such indicators include but aren't limited to: the consumer price index (CPI), gross domestic product (GDP), unemployment figures and the price of crude oil” (What is an economic indicator?, n.d.).

“Leading indicators, such as consumer durables, net business formations and share prices, are used to predict the future movements of an economy. Coincident indicators, which include such things as GDP, employment levels and retail sales, are seen with the occurrence of specific economic activities. Finally, lagging indicators, such as gross national product (GNP), CPI, unemployment rates and interest rates, are only seen after a specific economic activity occurs. Most of these economic indicators have a specific schedule for release, allowing investors to prepare for and plan on seeing certain information at certain times of the month and year” (What is an economic indicator?, n.d.).

This study focused on economic indicators as specified in the Insurance Commission website (Key insurance indicators, n.d.) discussed earlier in the Introduction portion. Since

economic indicators affect the level of income and ability to consume among the population, they were used as predictors for the performance of the life insurance industry.

“Rise in income is necessary but not sufficient condition for insurance purchase...Ability to purchase insurance depends not only on income but readiness of households to postpone consumption and save. Life insurance institutions as financial intermediaries are seen as conduits for mopping up savings surplus of the people...Strong correlation between low levels of per capita income and insurance penetration have been observed” (Kutty, 2008).

Framework

Net income performance of life insurance companies is affected by external variables which in this paper are identified as economic indicators. Identified economic indicators in this paper are GNI, population, per capita income, labor force, exchange rate and inflation.

In addition, internal variables in the life insurance operations also affect an insurance company's net income. Internal variables included in the paper are premium, number of agents, new business policies, in-force policies, benefits paid, operating expenses and investment income.

Methodology

The Insurance Commission website (Key insurance indicators, n.d.) was accessed to surface key indicators for the life insurance industry during the period 2007-2015. Two sets of indicators were identified – economic indicators and insurance development metrics (see Tables 1 & 2).

Net income of the industry was identified as the variable of interest to be forecasted using the economic indicators and insurance development metrics. Multiple linear regression and correlation analyses were done to identify which among the surfaced indicators will be good predictors of net income performance.

The correlation analysis established which of the variables were related to each other so as to avoid the condition of multicollinearity – the independent variables being correlated (What is multiple linear regression?, n.d.).

Results

Correlation

The initial evaluation involved correlation analysis to establish which variables were significantly correlated. For this study, the cut off adopted as significant correlation were values which were 0.7 or higher. Correlation measure was determined using Pearson r determination.

In Table 3 are the correlation matrix of economic indicators together with the net income (NI) as the independent variable. The results show that NI had a significant relationship with gross

national income (GNI), population and per capita income. Of the three, GNI had the highest correlation measure at 0.746.

GNI, however, had very strong correlation measures with population and per capita income. Therefore, to avoid multicollinearity, GNI alone was used to predict NI among the economic indicators.

Table 3

Correlation matrix, r: net income with economic indicators

	GNI	Population	Per capita income	Labor force	Exchange rate	Inflation
NI	0.746	0.736	0.731	0.578	0.184	-0.247
GNI		0.989	0.998	0.903	0.249	0.184
Population			0.983	0.931	0.162	0.142
Per capita income				0.9	0.267	0.192
Labor force					0.052	0.051
Exchange rate						0.181

Note: Specified significance cutoff: $r > 0.70$

1. NI with GNI significant
2. NI with population and per capita income significant but GNI multicollinear with population and per capita

For the insurance development metrics, NI had significant correlation measures with premium, number of agents, new business policies and in-force policies. In-force policies however were multi-collinear with premium, number of agents and new business policies. Hence, it was dropped as a variable of interest in the regression model generated.

The three insurance development metrics used in the multiple linear regression to predict NI were: premium, number of agents, and new business policies.

Table 4

Correlation matrix, r: net income with insurance development metrics

	Premium	Number of agents	New business policies	In-force policies	Benefits paid	Operating expenses	Investment income
NI	0.767	0.856	0.804	0.872	0.471	-0.087	0.377
Premium		0.612	0.982	0.945	0.843	0.192	0.707
Number of agents			0.683	0.815	0.256	-0.084	0.256
New business policies				0.944	0.802	0.05	0.637
In-force policies					0.773	0.187	0.647
Benefits paid						0.305	0.879
Operating expenses							0.417

Note: Specified significance cutoff: $r > 0.70$

1. NI with premium, number of agents, new business policies significant
2. NI with in-force policies significant but in-force policies multicollinear with premium, number of agents, new business policies

Multiple linear regression

The initial multiple linear regression model had the NI as the dependent variable with GNI, premium income, number of agents and number of new policies as independent variables, four in all. Table 5 is the full regression output.

Significance of p-value. The critical p-value used was 0.05. All computed p-values for the independent variables which were higher than 0.05 resulted to the acceptance of the null hypothesis that they do not have significant statistical impact on NI. The results showed that all the independent variables have p-values greater than 0.05. Using sensitivity analysis however, we considered evaluating number of agents whose p-value at 0.08 was close to the 0.05 critical value and the least p-value among the four variables.

From Table 6, a simple linear regression where NI was the dependent variable while number of agents was the independent variable was modeled. The p-value for number of agents at 0.0032 was much lower than the critical p which made us conclude that they were significantly related.

In addition, the r-value for the model of 0.856 meant a strong linear relationship between the variables and the r-squared figure at 0.733 meant that 73% of the changes in NI can be explained by the changes in number of agents.

The analysis of variance result for the F-test also supported the significance of the model since the F value at 0.0033 was a lot smaller than the critical value of 0.01. We rejected the null hypothesis of no relationship and concluded that the model was indeed statistically significant.

The final regression model is as follows: $NI = 2,551.197 + 0.285 \text{ Number of agents}$. This means that NI will increase by an average of P285,000 for every increase of one (1) agent.

Table 5

Summary Output: Net income with GNI, premium income, number of agents, number of new policies

Regression Statistics					
	Multiple R	0.923966752			
	R square	0.853714558			
	Adjusted R Square	0.707429117			
	Standard Error	1830.092175			
	Observations	9			

ANOVA					
	df	SS	MS	F	Significance F
Regression	4	78183930.52	19545983	5.83595	0.057937441
Residual	4	13396949.48	3349237		
Total	8	91580880			

	Coefficients	Standard error	t Stat	P-value	Lower 95%
Intercept	6640.578628	5052.855776	1.314223	0.259067	-7388.398059
GNI (P Billion)	-0.65355162	0.768300823	-0.85065	0.44289	-2.78669668
Premium income (P Million)	0.046826937	0.078867254	0.593744	0.584632	-0.172143663
Number of agents	0.241817475	0.106111712	2.278895	0.08489	-0.052795867
Number of policies—new business	0.001174442	0.023685263	0.049585	0.96283	-0.064586389

Table 6

Summary Output: Net income with number of agents

Regression Statistics	
Multiple R	0.856153828
R square	0.732999378
Adjusted R Square	0.694856432
Standard Error	1869.000954
Observations	9

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	67128728.05	67128728	19.21717	0.003219799
Residual	7	24452151.95	3493165		
Total	8	91580880			

	Coefficients	Standard error	t Stat	P-value	Lower 95%
Intercept	2551.196388	2741.8432	0.930468	0.383097	-3932.232536
Number of agents	0.285146496	0.065046413	4.383739	0.00322	0.13133617

Stepwise regression. After building the simple linear regression with NI as dependent variable and number of agents as independent, we did stepwise regression adding the other three independent variables to the model one at a time to consider their impact in explaining NI and establishing model significance. They were added from the strongest to the least correlation value with NI.

From the initial simple linear regression which showed an r-value of 0.856 (Table 6), the addition of each variable only resulted to slight improvement in the r-values with the r-value of 0.924 (Table 5) as the final value with all the four variables in the model. In addition, the adjusted r-values also decreased as the variables were added from one to four.

Conclusions

Six economic indicators were used in this study: gross national income, population, per capita GNI, employed labor force, exchange rate and inflation rate. Population was considered as a lead economic indicator while employment was coincidental. The rest (GNI, per capita income, exchange and inflation rates) were lagging indicators.

Among the six, it was GNI which had a significant correlation with the life insurance industry's net income for the period 2007-2015. Although population and per capita also had

significant correlation values with NI, they were not included as independent variables since they were highly correlated with GNI, a multicollinearity condition.

Among the seven insurance development metrics (premium income, number of agents, number of policies – new business, number of policies – in-force, benefit payments, operating expenses and gross investment income), only premium, number of agents and number of new policies – new business, manifested strong correlation values with NI and were included as independent variables to explain NI.

The multiple linear regression with NI as the dependent variable and with four independent variables – GNI, premium income, number of agents and number of policies- new business, revealed that it was the number of agents alone which had a statistically significant relationship in explaining NI.

Recommendations

Companies can build their own regression models using the specified economic indicators but use their own insurance development metrics as they may have different results from the study's outputs given their own companies' performance and experience.

Managing life insurance company operations is a complex activity and it may be oversimplifying to just focus on number of agents in predicting net income performance. However, since life insurance rely on the agency to distribute and sell life insurance products, it is indeed a critical variable to consider.

Continued focus and enhancement of recruitment and selection activities for the agents with specific emphasis in coming up with motivational, developmental, training and recognition activities with performance management and compliance added into the mix will contribute to heightened level of performance among the agents.

The number of agents will also be instrumental in contributing to the number of policies – new business through their sales efforts as well as number of policies – in-force, through their sales efforts as well as servicing of existing policies for them to remain in the books of the company.

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Leadership competence and organizational culture in banking institutions: Towards a synthesized leadership and organizational culture framework

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Abstract

This research adapted the Wagner et.al (2012) leadership competency and Denison (2006) organizational culture frameworks to the member-banks of the Nueva Vizcaya Banker's Association to help them develop a synthesized leadership and organizational framework. After establishing the profile of the bank and its respondents, the study investigated the bank administrators' leadership competencies and the banks' organizational culture, difference on the bank administrators' leadership competencies and banks' organizational culture when the respondents are grouped according to the respondents' and banks' profile, and the significant correlation between the bank administrators' leadership competencies and the perceived organizational culture assessment. Using a combination of both quantitative and qualitative methods, the study found out that the financial intermediaries in Nueva Vizcaya are mostly rural banks, mostly young and have not received an award and employ 20 or less employees. Most of the respondents are mostly female aged 40 years and below, finished a bachelor's degree, permanent and bank employee and have been in the bank for more than 1 year to 6 years. Generally, the bank administrators display a high level of leadership competencies and the bank's organizational culture is a strong factor to the bank managers and employees. Moreover, it was also found out that the perception on the bank administrators' leadership competencies and banks' organizational culture vary in terms of the respondents' and banks' profile. Furthermore, the leadership competencies of bank administrators have significant positive relationship with organizational culture. A synthesized leadership and organizational culture framework was also designed to guide the bank examine their administrators' leadership competencies and its organizational culture.

Key Words: financial intermediaries; management; leadership organizational culture framework

Introduction

Leaders have a substantive effect on the success of individual careers and overall organizational performance. They initiate action, motivate, provide guidance, create confidence, promote teamwork, and build morale. In other words, good leadership builds, encourages, and promotes a strong organization culture. CEOs understand that they cannot run companies on their own; therefore, one critical role of a CEO is to find and develop leaders (Lussier, 2012).

In the case of banks, administrators and managers as stated in the Banking Law of 2000 must perform the following functions and responsibilities to effectively carry out the purposes and objectives of the bank: (1) effecting internal control on the conduct of the bank operations and ensuring compliance with laws, regulations, and directives in force; (2) providing the board of directors of the bank with periodical status reports, ensuring that all of the bank's activities are carried out according to the board of director's policies, and recommending to the board of directors any proposals he deems necessary for improving the business of the bank; and (3) providing the Central Bank with information and data required by the provisions of this law and the regulations and orders issued pursuant. Aside from the functions and responsibilities assigned to them, it is also important to note that they also have to lead their employees.

The absence of leadership is equally dramatic in its effects. Without leadership, organizations move too slowly, stagnate, and lose their way. Many of the literatures about organizations stress on the importance of decision-making, which implies that if decision-making is timely, complete, and correct, then things will go well. Yet a decision by itself changes nothing. After a decision is made, an organization faces the problem of implementation—how to get things done in a timely and effective way (Mills, 2005).

Miller, et al. (2001) identified two primary reasons why organizations use leadership competencies: (1) to help increase the performance of employees via appraisal, training, and other personnel practices; and (2) to articulate corporate values and objectives.

The leadership competency framework is an integral element of the leadership development process whereby it is used to define the content and mechanism of delivery and to help individuals measure and explore their own level of development (Wagner, et al., 2012).

Every organization has its own way of doing things that influences virtually every aspect of working life --from how long coffee breaks are to how products and services are sold. Thus, organizational culture refers to the underlying values, beliefs, and principles that serve as a foundation for an organization's management system, as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles. These principles and practices endure because they have meaning for the members of an organization. They represent strategies for survival that have worked well in the past and that the members believe will work again in the future.

Cultures can grow to be extremely strong, reinforced by common values, behavior patterns and practices, with many close connections between deeply held assumptions and visible concrete behaviors. When a culture is strong, it can have very powerful consequences. It can enable a group to take rapid and coordinated action to respond to a competitor or to satisfy a customer. Unfortunately, during changing times, a strong culture can also lead intelligent people to walk, in concert, off a cliff (Denison & Neale, 1996).

Schein (1992) observes that organizational culture and leadership are intertwined. He illustrates this interconnection by looking at the relationship between leadership and culture in the context of the organizational life cycle. Thus, during the process of organizational formation, the founder of a company creates an organization which reflects their values and

beliefs. In summarizing the consensus of opinion on the links between organizational culture and leadership, Bass and Avolio (1993) mirror the argument of Schein (1992) by suggesting that the relationship between the two concepts represents an ongoing interplay in which the leader shapes the culture and is in turn shaped by the resulting culture.

Since the early to mid-1970s, organizational downsizing has become an omnipresent feature of a multitude of corporations and governmental agencies throughout the industrialized world (Littler, 1998). The prime catalyst for the majority of downsizing activities is the objective of a reduction of costs (Cascio, 1993), an increase of an organization's levels of efficiency, effectiveness, productivity (Gandolfi, 2002), and competitiveness (Cameron, 1994), and thus an organization's overall performance (Thornhill & Saunders, 1998). Therefore, the major *raison d'être* of any downsizing endeavor is to make an organization more competitive compared to its rivals (De Vries & Balazs, 1997). A significant amount of research has been done to ascertain the success rate of mergers and acquisitions in banks to be able to draw conclusion on its profitability and efficiency (Behr and Heid, 2011). It was pointed out that despite the considerable prospective U.S banking mergers in the 1970s, many of them were not successful in achieving their aim due to cost of efficiency. Banks have diverse reasons why they merge which relates to the business motives behind it like managerial incentives (Wood, 2006). The banking industry was partly strengthened through mergers and acquisitions as they use the merged assets to build a strong capital base for the bank and more assets that have appreciated value.

Moreover, the banking industry worldwide is being transformed. The global forces for change include technological innovation; the deregulation of financial services at the national level and opening-up to international competition; and changes in corporate behavior, such as growing disintermediation and increased emphasis on shareholder value. In addition, recent banking crises in Asia and Latin America have accentuated these pressures. The banking industries in Central Europe and Latin America have also been transformed as a result of privatizations of state-owned banks that had dominated their banking systems in the past (Hawkins & Mihaljek, 2000).

The General Banking Law of 2000 also cites the declaration of policy where the State recognizes the vital role of banks in providing an environment conducive to the sustained development of the national economy and the fiduciary nature of banking that requires high standards of integrity and performance. In furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy.

In the province of Nueva Vizcaya, there are 25 member-banks of the Nueva Vizcaya Bankers' Association (NVBA). The association was organized by the heads of banks in Nueva Vizcaya (1) to promote the common welfare of the member-banks; (2) to provide a forum for the discussion of problems and issues affecting member-banks; (3) to adopt uniform banking practices; (4) to promote camaraderie and fellowship among the officers and employees of member-banks through social, cultural, and athletic activities; (5) to provide insurance aid among the officers and employees of member-banks; and (6) to be involved with community service. Currently, among them are four (4) commercial banks, ten (10) rural banks, two (2) thrift banks, seven (7) universal banks, one (1) government bank, and one (1) cooperative bank.

An assessment of the leadership competencies of these banking institutions will help the managers to be aware of their competencies, know their own shortcomings, and focus on developing these competencies in themselves or be able to recognize these qualities in others so they can select people who compensate for their weaknesses. It is very important to determine the organizational culture of the banking institutions to uncover the cultural traits of the organizations.

With the data presented above, this study intended to investigate the leadership competencies and organizational culture in banking institutions in Nueva Vizcaya. The results shall be used to develop a synthesized leadership and organizational culture framework.

Statement of the Problem

Generally, this study aimed to determine the leadership competencies of bank administrators and organizational culture of banking institutions in Nueva Vizcaya as perceived by both bank administrators and employees which will eventually help in the development of a synthesized leadership and organizational culture framework.

Specifically, this study sought answers to the following questions:

1. What is the level of leadership competencies of the bank administrators as assessed by both the bank administrators themselves and their employees along the areas of self-management, leading others, innovation, and social responsibility?
2. What is the assessment of the respondents on the organizational culture of their bank along the areas of involvement, consistency, adaptability, and mission?
3. Is there a significant difference on the perceived leadership competencies of the bank administrators when respondents are grouped according to (a) their profile variables and (b) the institutional profile variables?
4. Is there a significant difference in the assessment of organizational culture when the respondents are grouped according to (a) their profile variables and (b) institutional profile variables?
5. Is there a significant correlation between the leadership competencies of the bank administrators and the perceived organizational culture assessment?
6. What leadership competency and organizational culture framework can be developed to improve the operations of these banking institutions?

Theoretical Framework

Leadership Competencies

The study was governed by the model of Wagner, Bapat & Bennet (2012). Moreover, the five dimensions of leadership competencies capture the primary categories that are considered the most important for leadership success. Each of the dimensions includes several core competencies that are considered valuable skills, abilities, behaviors, attitudes, and knowledge areas in which leaders are expected to excel. Although leaders are not expected to master every competency, they will need to be aware of all of them, know their own shortcomings, and focus on developing these competencies in themselves or be able to recognize these qualities in others so they can select

people who compensate for their weaknesses (AREMS, 2013). Çitaku, Violato, Beran, Donnon, Hecker, and Cawthorpe (2012) also adapted the same survey questionnaire to identify the primary competencies of medical education leadership. Abdullah (2008) also supported the Wagner, et al. model by indicating that the leadership competency model being used by MTBE (M) Sdn Bhd conforms to the competency models in studies conducted or competency models being used in IBM, City of Vancouver and the model by Central Michigan University. The knowledge, skills, attitude and personal attributes were covered through each leadership dimension and the specific competencies. For example, knowledge can be contained under Business Awareness and personal attributes can be classified under Teamwork or Relationship Building. Goleman, Boyatzis and McKee (2002) and Bosch (n.d.) mentioned self-management as one of the leadership competencies while Jokinen (n.d.) and Gordon (2011) used the term self-awareness as a substitute to self-management. Alldredge and Nillan (2011) and the REE Leadership Competency Guide made use of leading people and developing people instead of leading others. REE Leadership Competency Guide also used results driven instead of task management. Alldredge and Nillan (2011) used nurturing innovation while Al-Zoubi (2012) utilized the term innovation and creativity. REE Leadership Competency Guide adapted leading change and another author used leader as innovator. Alldredge and Nillan (2011) mentioned ethics and integrity while in the SHRM Competency Model, the term ethical practice was used. Wilson, Lenssen, and Hind (2016) used the term acts with integrity.

Organizational Culture

The Denison Organizational Culture Survey is a powerful tool that enables leaders, key stakeholders, and employees to understand the impact their culture has on the organization's performance and learn how to redirect their culture to improve organizational effectiveness. The Denison Organizational Culture Survey (DOCS) has increasingly become the cultural and organizational effectiveness assessment tool of choice. It has been used by more than 5,000 companies worldwide since first becoming available over 20 years ago. It is worthy to note that researchers like Xenikou and Simosi (2006), Ehtesham, Muhammad and Muhammad (2011), Ahmad (n.d.) also conducted a study utilizing Denison's Organizational Culture model.

The Denison Organizational Culture Survey (DOC) is designed to assess an organization's strengths and weaknesses as they apply to organizational performance. Building on his earlier research, Denison (2005) developed a model which grouped the measures of an organization's culture into four traits as shown on table 1.

Table 1

*Summary of the Denison's Organizational Culture Model**

Cultural Traits	Definitions
Adaptability	This refers to the organization's ability to translate the demands of the business environment into action. It also denotes the organization's system of norms and beliefs, which support the organization's capacity to receive, interpret and translate signals from its operational and competitive environment into internal behavioral changes that increase its chances for survival, growth, and development. Generally, employees have the sense of creating change, customer focus, and organizational learning.
Mission	This reflects the organization's ability to define a meaningful long-term direction that provides employees with a sense of focus and a common vision of the future. It provides a clear direction and goals that serve to define an appropriate course of action for the organization and its members. Generally, employees have the sense of strategic direction and intent, goals and objectives, and vision of the organization.
Involvement	This is a characteristic of a "highly involved culture", in which employee involvement is strongly encouraged and creates a sense of ownership and responsibility. Employees rely on informal, voluntary, and implied control systems, thereby, resulting in greater organizational commitment and an increasing capacity for autonomy. Employees, generally, have the sense of empowerment, team orientation, and capacity development.
Consistency	Defines the values and systems that are the bases of a strong culture. It provides a central source of integration, coordination, and control. Also, it characterizes organizations that create internal systems of governance based on consensual support. Generally, employees have shared core values, and demonstrate agreement, coordination, and integration.

**Adapted from Denison, 2005*

By implementing the Denison Organizational Culture Survey, organizations are able to:

- Assess the strengths and weaknesses that are impacting their performance;
- Identify areas of focus for improvement;
- Align their culture change and leadership development when leveraging both surveys
- Create action plans.

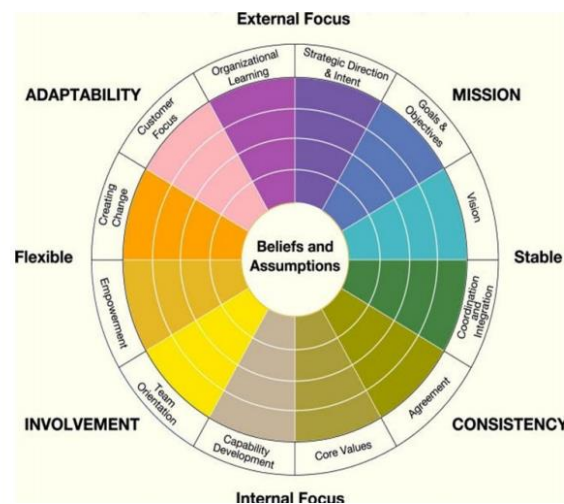


Figure 1. Denison model (Denison, Hoojiberg, Lane, Lief, 2012)

Conceptual Framework

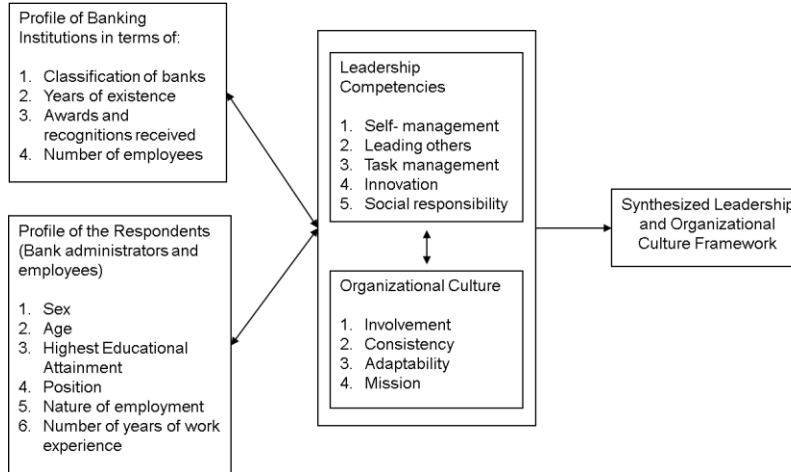


Figure 2: Conceptual Framework

The research paradigm above shows the stages or processes in the research study. It commenced with the input of the study which includes the profile of the banking institutions in terms of bank classification, years of existence, awards and recognitions received, and number of employees. The respondents' profile includes sex, age, highest educational attainment, position in the organization, nature of employment and the number of years of work experience. As for the process, the leadership competency of the bank administrators is determined using Wagner, et al.'s (2012) framework on leadership competencies in terms of self-management, leading others, task management, innovation and social responsibility. Also part of the process is the determining of the organizational culture of banking institutions using Denison's Organizational Culture Model along the areas of involvement, consistency, adaptability and mission. The significant difference of the leadership competencies of the bank administrators when grouped according to (a) their profile variables and (b) the profile variables of banking institutions; the significant difference in the assessment of organizational culture when the bank administrators and employees are grouped according to (a) their profile variables and (b) institutional profile variables; and significant correlation between the leadership competencies and the perceived organizational culture assessment are determined. As presented in the previous studies, organizational culture and leadership are interrelated. This study therefore aimed at finding out the bank administrators' leadership competencies of the respondents and bank administrators and employees' perception on the banks' organizational culture. The results of the relationships established are the bases for the development of a synthesized leadership and organizational culture framework that can be adapted by banking institutions in the Province of Nueva Vizcaya.

Methodology

This study employed the descriptive method of research, particularly comparative and evaluative sub-types. Evaluation rating sheets in the form of questionnaires were administered to the bank administrators and employees to assess the bank administrators' leadership competencies as well as their organizational culture. A questionnaire checklist, unstructured interview and documentary sources were used to gather the needed data.

Research Environment

This study was conducted in Nueva Vizcaya as the banks included in the study are members of the Nueva Vizcaya Bankers' Association (NVBA). NVBA was organized by the heads of banks operating in Nueva Vizcaya to create, promote and foster professionalism, fellowship, and camaraderie among all the member-banks.

Table 1

Member-banks of the Nueva Vizcaya Bankers' Association and their Classification

Commercial Banks	Rizal Commercial Banking Corporation branch
	Philippine Savings Bank branch
Rural Banks	Agribank
	Banco Lagawe branch
	GM Bank branch
	RB Bagabag
	RB Dupax
	RB Solano
	RB Villaverde
	Vizcaya Bank
Thrift Banks	Cordillera Savings Bank, Inc.
	Producers Bank branch
Universal Banks	Banco de Oro branch
	China Banking Corp. branch
	East West Banking Corp. branch
	Metropolitan bank and TCO branch
	Philippine National Bank branch
	United Coconut Planters Bank branch
	Philippine National Bank (Allied) branch
Government Banks	Development Bank of the Philippines branch
Cooperative Banks	Cooperative Bank of Nueva Vizcaya

Respondents of the Study

The respondents of the study were the six bank administrators and 191 employees of the 21 member-banks of the Nueva Vizcaya Bankers' Association (NVBA) who were available during the conduct of the study. They were selected as respondents of the study considering their experiences as bank administrators and employees.

Research Instruments

The primary gathering tool of the study was an adapted questionnaire from Wagner, et al. (2012) and Denison, et al. (2012), which consists of three major parts.

Part I-A covers the profile variables of the banking institutions in terms of their classification, years of existence, number of employees and awards and recognitions received.

Part I-B consists of the respondents' profile in terms of sex, age, highest educational attainment, position in the bank, nature of employment and number of years of work experience.

Part II-A comprises of the perception of the bank administrators and employees of the bank administrators' leadership competencies along the areas of self- management, leading others, task management, innovation, and social responsibility.

Part II-B consists of the leadership competency problems and the proposed solution forwarded by both the bank administrator and employees.

Part III-A consists of the Denison Organizational Culture Survey (DOCS). It assesses the organizational culture of the banking institutions along the areas of involvement, consistency, adaptability, and mission. The table below shows the table of specification for the organizational culture.

Part III-B consists of the organizational culture problems and the proposed solution forwarded by both the bank administrator and employees.

The research instrument went through a reliability test and yielded a Cronbach's alpha coefficient equal to 0.987 which means a very high reliability.

Reliability Statistics	
Cronbach's Alpha	N of Items
.987	178

Data Gathering Procedures

The researcher went to the library and read books and online literatures and journals for the formulation of the questionnaire. The survey questionnaire was subjected for further review before its approval and validation. The list of Nueva Vizcaya Bankers' Association member-banks was taken from an officer of the association. The researcher asked the approval of the managers of the different banking institutions before the distribution of the survey questionnaire was administered. After the approval, the researcher personally administered the distribution of the adapted survey-questionnaire. The survey questionnaire was retrieved after the respondents had answered them. Separate interviews were also conducted to bank administrators and employees to validate the responses. Documents about the Nueva Vizcaya Bankers' Association, brochures, and newsletters were also requested from different banks to supplement the data in the study.

Statistical Treatment of Data

To analyze the data gathered, the following statistical tools were used:

Frequencies and Percent Values were used to determine the profile of the respondents and the respondents of the banking institutions.

Means and Standard Deviation were used to determine the bank administrators' leadership competency level along the areas of self- management, leading others, task management, innovation and social responsibility and the organizational culture of banking institutions along the areas of involvement, consistency, adaptability, and mission.

Independent Samples T-test, ANOVA, Games-Howell Post Hoc test for ANOVA, Hochberg, and Robust test were used to identify the significant difference in the bank administrators' leadership competencies when the respondents are grouped according to (a) their profile variables and (b) institutional profile variables.

Independent Samples T-test, ANOVA, Hochberg, Robust test, and Games-Howell Post Hoc test for ANOVA were used to identify the significant difference in the assessment of organizational culture when the respondents are grouped according to (a) their profile variables and (b) institutional profile variables.

Pearson r correlation test was used to determine the significant correlation between the leadership competencies and the perceived organizational culture assessment.

Results and Discussion

Out of the 21 banks studied, 38.10% were rural banks, 33.30% were universal banks, 9.50% equally belonged to commercial and thrift banks, and 4.80% each were government and cooperative banks. In terms of years of existence, 33.30% have been operating for 10 years and below, then followed by 41 years and above (28.60%), 31 to 40 years (23.80%), and 21 to 30 years (14.30%). In terms of awards and recognitions received, 18 or 85.70% of the banks did not have awards while 3 or 14.30% had received awards. In terms of number of employees, 76.20% of the banks have employed 20 employees and below. The rest have employed 21 employees and above. It is implied that most of the financial intermediaries in Nueva Vizcaya are rural banks. Most of the banks operating in the province are still young considering that the origin of the bank is from other cities/provinces. Most of them have no awards and employ 20 employees and below.

Female respondents (64 %) had the higher population than the male respondents (36 %). Out of 197 respondents, 165 or 83.80% were 40 years old and below, and the rest were more than 40 years old. About 98% of the bank employees had bachelor's degree while a smaller number had postgraduate degrees. Bank employees (97%) outnumbered bank administrators (3%). Permanent employees were greater in number (88.30%) compared to probationary (7.60%) and contractual employees (4.10%). The majority of the respondents served the bank for more than are 1 year to 6 years (41.7%). The rest of the respondents served the banks for either less than one year (18.2%) or more than 6 years. It could be concluded that most of the respondents are females aged 40 years and below, finished a bachelor's degree, permanent, bank employees and have been in the bank for more than 1 year to 6 years.

Overall, leadership competencies were rated as "high" along the areas of task management, innovation and social responsibility while "very high" on the areas of self-management and leading others. Generally, the leadership competencies of bank administrators were rated as "high" which means that they display high leadership competence.

Involvement, consistency, adaptability and mission had "strong" influence to the bank administrators and employees' attitudes and behavior which means that the bank's organizational culture highly affects the underlying values, beliefs and principles which serve as a foundation for an organization's management system.

Significant difference on the leadership competencies when grouped according to:

- a. **Sex.** Male and female respondents manifested the same level of competence (i.e. no significant difference exists) along all the five areas namely self-management, leading others, task management, innovation and social responsibility.
- b. **Age.** All age groups manifested the same level of competence (no significant difference) along all areas namely self-management, leading others, task management, innovation and social responsibility.
- c. **Highest educational attainment.** Both groups (bachelor's degree and postgraduate degree) manifested the same level of competence (no significant difference) along the areas of self-management, leading others, task management, innovation, and social responsibility.
- d. **Position.** Bank administrators and employees manifested the same level of competence (no significant difference) along self-management, leading others, task management, innovation, and social responsibility.
- e. **Nature of employment.** Probationary, contractual, and permanent did not differ significantly in their assessment on the leadership competencies of bank administrators (p-values<0.05).
- f. **Number of years of work experience.** The respondents significantly differed in their self-management, leading others, task management, innovation and social responsibility dimensions (p-values<0.05) in relation to their work and experiences in the bank.
- g. **Classification of banks.** The respondents significantly differed in their self-management, leading others, task management, innovation, and social responsibility dimensions (p-values<0.05).
- h. **Years of existence.** The respondents significantly differed in their self-management, leading others, task management, innovation and social responsibility dimensions (p-values<0.05).
- i. **Number of employees.** Regardless of the number of employees, the respondents manifested the same competency for self-management, leading others, task management, innovation and social responsibility (p-values>0.05).
- j. **Awards and recognitions.** Those with awards had significantly higher level of competencies on the mentioned areas than those banks without awards. However, they manifested the same competency for self-management, leading others, task management, innovation and social responsibility (p-values>0.05). It can be noted that banks with awards performed better in communication, managing human resources, enterprising, integrating perspectives and civic responsibility as compared to banks with no awards.

Generally, bank administrators' leadership competencies are related to respondents' number of years of work experience and bank's classification, years of existence, and awards and recognition.

Significant Difference in the assessment of organizational culture when the respondents are grouped according to their profile variables and institutional profile variables.

- a. **Sex.** Sex was not a determinant of their level of assessment ($p\text{-values} > 0.05$). Overall, male respondents did not significantly differ from female respondents on their assessment of organizational culture ($p\text{-value} = 0.357$).
- b. **Age.** The respondents significantly differed in mission ($p\text{-value} = 0.018$). The respondents did not significantly differ in the other areas of organizational culture when grouped according to age.
- c. **Highest educational attainment.** When grouped according to highest educational attainment, the respondents significantly differed in involvement ($p\text{-value} = 0.041$). Based on the means, bachelor's degree holders had significantly lower assessment in these aspects than post-graduate degree holder. It could be noted that bachelor's degree respondents had the same level of assessment with the post degree respondents in terms of consistency, adaptability, and mission.
- d. **Position.** When grouped according to position, the respondents displayed the same perception along the areas of involvement, adaptability, and mission. However, there was a significant difference in the area of consistency where bank employees gave significantly higher assessment on consistency of the organizational culture of the banks than bank administrators.
- e. **Nature of employment.** Using Brown-Forsythe test, there were no significant differences among the different groups ($p\text{-values} > 0.05$).
- f. **Number of years of work experience.** When grouped according to number of years of experience, the respondents differed significantly in their assessment of organizational culture ($p\text{-values} > 0.05$). The difference in the assessment of organizational culture is attributed to their work and experiences in the bank.
- g. **Classification of banks.** There existed a significant difference among the respondents when grouped according to banks' classification ($p\text{-values} < 0.05$) in all the areas of involvement, consistency, adaptability, and mission.
- h. **Years of existence.** There existed a significant difference among the different banks as assessed by administrators and employees in all the areas of organizational involvement, consistency, adaptability and mission, there exists a significant difference among the respondents when grouped according to the banks' years of existence ($p\text{-values} < 0.05$).
- i. **Number of employees.** Using ANOVA, it was found that in the areas of involvement, consistency, adaptability and mission, and in the overall organizational culture, there were no significant differences among the respondents when grouped according to their banks' number of employees ($p\text{-values} > 0.05$).
- j. **Awards and recognitions.** In terms of its overall organizational culture, banks with awards had significantly higher level of assessment than those banks with no awards at all ($p\text{-value} = 0.004$). Banks with awards had stronger organizational culture than banks with no awards.

Overall, the banks' organizational culture are related to the respondents' age, highest educational attainment, position, number of years of work experience, bank classification, years of existence, number of employees, and awards and recognitions.

Significant Correlation between the leadership competencies and the perceived organizational culture assessment

- a. Test of significance of the different leadership competencies and organization culture under involvement. Work habits, work attitude, stress management, self-insight and learning under self-management dimension had significant positive correlation with empowerment, team orientation, and capability development under involvement ($r>0$, $p\text{-values}<0$). Communicating, interpersonal awareness, motivating others, developing others and influencing under leading others also had significant positive correlation with empowerment, team orientation and capability development under involvement ($r>0$, $p\text{-values}<0$). Under task management, executing task, solving problems, managing information and material resources, managing human resources and enhancing performance also had significant positive correlation with empowerment, team orientation and capability development under involvement ($r>0$, $p\text{-values}<0$). Creativity, enterprising, integrating perspectives, forecasting and managing change under innovation also had significant positive correlation with empowerment, team orientation, and capability development under involvement ($r>0$, $p\text{-values}<0$). Civic responsibility, social knowledge, ethical processes, leading others and acting with integrity under social responsibility also had significant positive correlation with empowerment, team orientation and capability development under involvement ($r>0$, $p\text{-values}<0$). In general, under self-management, leading others, task management, innovation, and social responsibility dimensions, it was found that the respondents' leadership competencies had significant positive correlation with all the aspects of their organizational involvement ($r>0$, $p\text{-values}<0.05$). Moreover, the strongest relationship existed between leadership competencies and capability development ($r=0.649$, $p\text{-value}=0$).
- b. Test of correlation with test of significance of the different leadership competencies and organization culture under consistency. Work habits, work attitude, stress management, self-insight and learning under self-management dimension had significant positive correlation with core values, agreement, and coordination under organizational consistency ($r>0$, $p\text{-values}<0$). Communicating, interpersonal awareness, motivating others, developing others, and influencing under leading others also had significant positive correlation with core values, agreement and coordination under organizational consistency ($r>0$, $p\text{-values}<0$). Task management, executing task, solving problems, managing information and material resources, managing human resources and enhancing performance also had significant positive correlation with core values, agreement and coordination under organizational consistency ($r>0$, $p\text{-values}<0$). Creativity, enterprising, integrating perspectives, forecasting, and managing change under innovation had significant positive correlation with core values, agreement and coordination under organizational consistency ($r>0$, $p\text{-values}<0$). Civic responsibility, social knowledge, ethical processes, leading others and acting with integrity under social responsibility had significant positive correlation with core values, agreement and coordination under organizational consistency ($r>0$, $p\text{-values}<0$). In general, under self-management, leading others, task management, innovation, and social responsibility dimensions, it was found that the respondents' leadership competencies had significant positive correlation with all the aspects of their organizational consistency ($r>0$, $p\text{-values}<0.05$). Moreover, the strongest relationship existed between the overall leadership competencies and core values ($r=0.648$, $p\text{-value}=0$).

- c. Test of significance of the different leadership competencies and organization culture under adaptability. Work habits, work attitude, stress management, self-insight and learning under self-management dimensions had significant positive correlation with creating change, customer focus and organizational learning under organizational adaptability ($r>0$, $p\text{-values}<0$). Communicating, interpersonal awareness, motivating others, developing others and influencing under leading others also had significant positive correlation with creating change, customer focus and organizational learning under organizational adaptability ($r>0$, $p\text{-values}<0$). Under task management, executing task, solving problems, managing information and material resources, managing human resources and enhancing performance had significant positive correlation with creating change, customer focus, and organizational learning under organizational adaptability ($r>0$, $p\text{-values}<0$). Creativity, enterprising, integrating perspectives, forecasting and managing change under innovation had significant positive correlation with creating change, customer focus, and organizational learning under organizational adaptability ($r>0$, $p\text{-values}<0$). Civic responsibility, social knowledge, ethical processes, leading others and acting with integrity under social responsibility had significant positive correlation with creating change, customer focus, and organizational learning under organizational adaptability ($r>0$, $p\text{-values}<0$). In general, under self-management, leading others, task management, innovation, and social responsibility dimensions, it was found that the respondents' leadership competencies had significant positive correlation with all the aspects of their organizational adaptability ($r>0$, $p\text{-values}<0.05$). Moreover, the strongest relationship existed between the overall leadership competencies and creating change ($r=0.505$, $p\text{-value}=0$).

Test of correlation with test of significance of the different leadership competencies and organization culture under mission. Work habits, work attitude, stress management, self-insight and learning under self-management dimension had significant positive correlation with the organization's strategic direction and intent, goals and objectives and vision under the organization's mission ($r>0$, $p\text{-values}<0$). Communicating, interpersonal awareness, motivating others, developing others and influencing under leading others had significant positive correlation with the organization's strategic direction and intent, goals and objectives, and vision under the organization's mission ($r>0$, $p\text{-values}<0$). Under task management, executing task, solving problems, managing information and material resources, managing human resources and enhancing performance had significant positive correlation with the organization's strategic direction and intent, goals and objectives, and vision under the organization's mission ($r>0$, $p\text{-values}<0$). Creativity, enterprising, integrating perspectives, forecasting and managing change under innovation had significant positive correlation with the organization's strategic direction and intent, goals and objectives, and vision under the organization's mission ($r>0$, $p\text{-values}<0$). Civic responsibility, social knowledge, ethical processes, leading others and acting with integrity under social responsibility had significant positive correlation with the organization's strategic direction and intent, goals and objectives, and vision under the organization's mission ($r>0$, $p\text{-values}<0$). In general, under self-management, leading others, task management, innovation, and social responsibility dimensions, it was found that the respondents' leadership competencies had significant positive correlation with all the

aspects of their organizational mission ($r>0$, $p\text{-values}<0.05$). Moreover, the strongest relationship existed between the overall leadership competencies and organizations' strategic direction and intent ($r=0.505$, $p\text{-value}=0$). Generally, bank administrators' leadership competencies are related to organizational culture.

Proposed Leadership Competency and Organizational Culture Framework

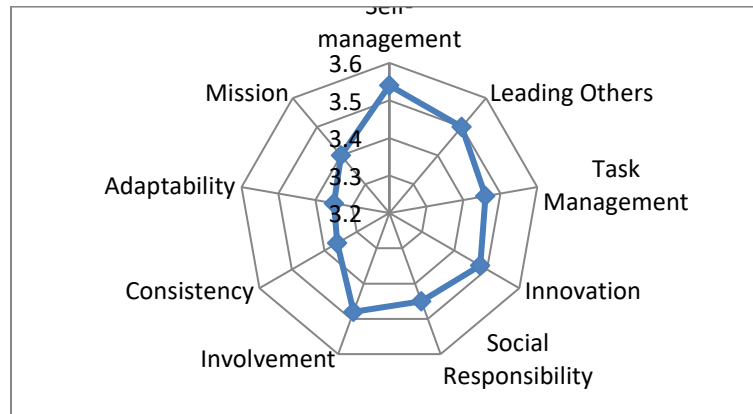


Figure 3. Radar curve for Descriptive Statistics of Leadership Competencies and Organizational Culture

The proposed framework above utilizes a radar or a spider web chart which is an offshoot of the results of the banks' leadership competencies and organizational culture. The framework consists of axis lines that begin from the center. Each axis line represents one dimension of leadership competency and organizational culture. The farther is the distance of the variables from the center, the higher and stronger are the banks' leadership competencies and organizational culture. It means that as one variable moves farther from the center, the bank is also evolving in that particular area. It is therefore suggested that banking institutions assess their current banks' leadership competencies and organizational culture to determine how far they have evolved and developed in terms of organizational leadership and organizational culture. Through this proposed model, it will be easier for bank administrators to identify weak areas that need to be addressed and strong points that should be retained.

The spider web is also associated with a spherical network which requires autonomous operating units, self-managing teams, and empowered participants which are needed in any organization. Moreover, since the leadership competency dimensions are higher than the organizational culture dimensions except organizational involvement dimensions, there is a need to improve in the other dimensions of organizational culture in terms of consistency, adaptability, and mission. Based on the individual scores as a result of this present study, the barriers for a strong organizational culture include: "the leaders and managers practice what they preach", "we often have trouble reaching agreement on key issues", "the interests of the customer often get ignored in our decisions" and "our strategic direction is unclear to me". The low scores in these items were reflected in the low ratings given to three dimensions of organization culture, namely consistency, adaptability and mission.

As mentioned, the spider web has axis lines that start from the center. Each axis is represented by leadership competencies (self-management, leading others, task management, innovation, and social responsibility) and organizational culture (mission, adaptability, consistency, and involvement). In order to gain a competitive advantage, banks should maintain symmetry in both leadership competency and organizational culture. The axes represented by the leadership competency and organizational culture variables should be interconnected to each other in order to maintain their strength.

The bank may be likened to a spider that establishes bridges using a thread and climbs to a point in order to catch into another point. When the spider feels that the thread has caught into something, it cinches up the silk and attaches the thread to the starting point. The strong connection between leadership competency and organizational culture, that is, if the bank administrator feels that something wrong happens in one of the axes (e.g. consistency), he/she can immediately address the issue before a problem arises.

Conclusion

Based on the findings of the study, the following conclusions are drawn:

1. Most of the financial intermediaries in Nueva Vizcaya are rural banks. Most of the banks operating in the province are still young considering that the origin of the bank is from other cities/provinces. Most of them have no awards and employ 20 employees and below.
2. Most of the respondents are females aged 40 years and below, finished a bachelor's degree, permanent, bank employees and have been in the bank for more than 1 year to 6 years.
3. The bank administrators of the Nueva Vizcaya Bankers' Association display high leadership competence.
4. The bank's organizational culture highly affects the underlying values, beliefs and principles which serve as a foundation for an organization's management system.
5. Bank administrators' leadership competencies are related to respondents' number of years of work experience and bank's classification, years of existence, and awards and recognition.
6. Banks' organizational culture are related to the respondents' age, highest educational attainment, position, number of years of work experience, bank classification, years of existence, number of employees, and awards and recognitions.
7. Bank administrators' leadership competencies are related to organizational culture.

8. The axes represented by the leadership competency and organizational culture variables should be interconnected to each other to maintain their strength.

Recommendations

In light of the findings of the study, the following are recommended:

1. *Nueva Vizcaya Bankers Association.* They should continue strengthening the association to promote its purpose through the discussion of problems and issues affecting member-banks and the adoption of uniform banking practices.
2. *Bank administrators.* They should conduct a human resource inventory to determine how many employees are needed and to address the problem on overloading of work and frequent multi-tasking of employees. Regular meetings and daily huddles should be maintained to disseminate information regularly to the staff and to address work-related issues and concerns. Aside from the work-related trainings provided to employees, it is also suggested that the bank should provide activities that will help develop the employee to improve holistically (for instance, personality development seminars). It is also recommended that to avoid the overloading of work, job description should be reviewed and it should be well-defined. It is recommended that communication with other branches be strengthened. Compensation package should be reviewed considering that other banks offer a competitive salary over other banks. The banks in the province should consider the leadership and organizational culture framework for adoption to evaluate their existing leadership and organizational culture which will lead them to improve their human resource relationship.
3. *Bank employees and staff.* They should take advantage of regular meetings and daily huddles to open to their supervisors the problems they encounter in the workplace (for instance, shortage of manpower, overloading of work) including their professional development (for example, trainings and seminars). They should learn how to manage their time and work to avoid stress in the workplace.
4. *Bank customers.* They should be open to the bank so that the management will be able to determine what the expectations of the clients are. They should be open in providing feedback to the company to help them improve in their service.

Future researchers. They may also consider looking into the effect of leadership competencies and organizational culture on the banks' financial stability as an offshoot of the study. A study including the non-member banks of the Nueva Vizcaya Bankers' Association can also be conducted in relation to the bank administrators' leadership competencies and banks' organizational culture. Furthermore, clients' perception on the promotion of bank can also be considered.

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