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THE MARKETING & POSITIVE IMPACTS OF BEHAVIORAL CONTROL SYSTEM ON SOCIETIES & COUNTRIES

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Abstract

Behavioral control systems are one of the most prominent tools used by managers and marketers for different internal and external purposes. One of the most important external purposes they have been used for is influencing consumer behavior. This paper explores the positive effects of implementing such systems on societies. It discusses consumer perception of the systems, their influence on their financial behavior in different contexts, how can they create order and how as well as to what extent should it be implemented and finally how can minimize negative consumer behavior. A judgment based sample of typical consumers was surveyed using questionnaires for collecting primary data on these aspects. Secondary data from Egypt, Singapore and Malaysia was also used as an example of using behavioral control systems. Results show that consumers in general have a positive attitude towards imposing such systems. However, there were worries about misuse, abuse and overuse of theses systems' policies. Consequently, data shows that behavioral control systems can positively enhance and influence consumer behavior as long as it is used to balance both consumer and retailer interests in a moderate, risk free manner.

Keywords: Behavioral Control System, Economics, Society, Financial, Egypt, Singapore, Malaysia

1. Introduction

Behavioral control systems are one of the most effective tools used by authorities both in the public and private sectors to enforce order and discipline. It has been, for a long time, used by governments and firms alike to ensure exemplary both civil behaviors among citizens and ethical organizational behavior among employees of a specific firm. The sustainability of that order and discipline leads ultimately to more and better productivity in thus leading to higher income, and as a result, higher standards of living for citizens. In parallel, it also leads to the growth of the given firm leading to both professional and financial growth of its employees.

Nevertheless, the system is a double edged sword; it can lead to progressive and growth efforts or it can lead to further, even more sophisticated, corruption and manipulation measures that existed before its implementation. That being said, this paper will discuss only the positive effects of implementing the system on the governmental level and will provide such perspective. It will also discuss how the positive effects can be reinforced and institutionalized as well as how the negative effects can be combated and used for developing better systems for implementing behavioral control systems. Although the discussion is based on the governmental level, the general principles discussed are also applicable to firms, both for and not-for-profit ones.

2. Literature Review

The idea of the effects and impact of imposing a behavioral control system(s) is not new, and therefore, nor the research that has been done about it. To begin with, the linguistic definition of a fine, which is the financial aspect of a behavioral control system, is "a sum imposed as punishment for an offense" or "a forfeiture or penalty paid to an injured party in a civil action"[1]. Intuitively enough, the purpose of a fine is to control the behavior of individuals to prevent them from pursuing their individual interests at the expense of the interests of the larger group(s) to which they belong. Consequently, on the operational level, fines aim to punish the perpetrator, prevent any future offenses and compensate the institution(s) which bore the consequences of the offense (Findlaw, 2015).

Setting up a fine system is one part of a comprehensive behavioral control system which intends to control the environment that influences individuals' behavior rather than their personal feelings or thoughts. This system is more widely known as behavioral engineering. According to Markin and Narayana (1976), behavioral engineering was widely tested and proved to be successful in a wide range of controlled environments.

Skinner was one of the pioneers to research how the human behavior is shaped by external influences, one of the most important being the system. His argument on the issue is somewhat extreme; he argues that free will is an illusion and that human behavior is always controlled by external influences. Skinner (1971) supports such control. He believes that the survival of human civilization at large can only be maintained through conditioning individuals to serve the interests of the group(s) to which they belong rather than their own individual interests. That being said, London (1969) implicitly notes that behavioral control is done better through environmental control rather than the traditional means of coercion, persuasion, inspiration, or education. He believes that such methods have always been unreliable.

3. Hypotheses

This first hypothesis this papers puts forth is that most people who participated in the survey will support the implementation of a behavioral control system. Respondents will believe that implementation of a system will lead to better equity in their native societies as well as the society in which they live. They will support the system in hopes of ensuring order and discipline in their societies through incentivizing their fellow citizens and themselves to follow the country's laws and codes. This will, in turn, make them much more safe and motivated to be productive because their work will be better appreciated and compensated for.

This originally stems from another hypothesis that proposes that the respondents believe that they their legitimate rights, such as the right to fair and reasonable compensation is being compromised by the absence of a comprehensive, effective and efficient system. As a result, they and their colleagues will be prompted to behave unethically, and in extreme cases illegally, in order

[1] http://www.merriamwebster.com/dictionary/fines?show=1&t=14229785 63 [Accessed 3 February 2015].

to compensate for the shortcomings the absence of the system creates. On the contrary, the existence of a system will prompt them and their colleagues to avoid the unethical and illegal behaviors because they observe others being penalized for it.

The continued implementation of the system will eventually lead to an aggregate economic and financial long term growth of the separate firms and institutions utilizing behavioral control systems, in addition to the state itself, with its own system embodied in its laws, regulations and penal code.

4. Methodology

For the purposes of this paper, both primary and secondary data was collected. Primary data was collected using a survey that was distributed on a total of a sample of a thousand respondents. The sample was assembled using judgment sampling. Respondents were chosen on the basis that both all races, ages, nationalities, religions and genders are proportionally represented. The survey was distributed in various areas of Kuwait.

Secondary data was collected from three prominent case studies in implementing some sort of a behavioral control system. Data from Singapore showed how the proper implementation of a system can lead to long term financial and economic growth. On the other hand, data from Egypt shows that the improper implementation, and sometimes total absence, of a system can lead to slowed and inefficient economic and financial growth. The case study of Malaysia showed how the implementation of a system lead to temporary economic growth and how abandoning it eventually lead to slowed growth and loss of the gains procured during the prosperity period.

5. Results and Analysis

5.1. Primary Data

The primary data collected confirmed many of the hypothesis generated. Firstly, all of the respondents reported that they were not satisfied with the behavioral control system implemented in their home country. Secondly, as hypothesized, the absence of a proper behavioral control system prompt people into committing behavioral violations themselves, which almost all of the respondents admitted they did. Of those who admitted of committing behavioral violations, an overwhelming majority cited that three main motives behind such acts. The first reason was that that the processes they were pursuing would have taken a longer time had they not committed the behavioral violation (e.g. paying a bribe). The second reason they cited was that the process would not have been accomplished any other way. Finally, their final reason was that the employees they deal with deliberately process the paper work unethically so that they would get a bribe or process it only for people they know.

That being said, almost all of the respondents reported that they would like the current behavioral control system to change, while 2 percent preferred that it stays as it is and 3 percent claimed that it would not matter. Moreover, almost 70 percent of the respondents believed that if a behavioral control system is properly implemented on every member of the society ethics and justice would be restored. On the other hand, 2 percent did not believe that to be the case and almost a third were hesitant as they believed the implementation of the system may or may not lead to the restoration of ethics and justice.

From there, the respondents were asked if they would have behaved similar to the employees they deem to be unethical had they have been in their place; a little bit more than a tenth of stated they would not have done so while the remainder stated that sometimes they would commit a behavioral violation. Out of those who answered negatively, a fifth cited that would not have done so for religious reasons, 2 percent said it was for ethical and moral reasons and the rest stated that it was for both.

On the other hand, those who said they sometimes would do so stated five main reasons. A third of them stated that if they would not have done so, they would be penalized through termination or relocation, to name a few. A little more than a fifth stated that they would have done so because they are not being paid fairly for their performance. A little more than a tenth stated their reason to be that their country are not supporting them enough through public services, such as health care and education. One percent of them said they would have done so because they believe they may need the person and/or people for which they are committing the violation to serve them back in a situation where they might need them. Finally, all of the aforementioned reasons were claimed by 34 percent of them.

When it came to the implementation of the behavioral control system, the respondents were divided on whether it should be purely financial (i.e. - consisting of monetary fines only) or whether it should include other non-monetary punishments. 40 percent of the respondents stated that such a decision depends on the violation. However, the rest believed both kind of punishment should be included in the system regardless of the violation. In the case of financial punishments, almost four fifths of the respondents believed the punishments should be expensive. The remainder believed that it largely depends on the behavioral violation.

Contrary to the manner in which the system is to be implemented, the respondents were not as divided when they were asked about whether the implementation of the system would face any opposition. Almost nine tenths believed it would not face any opposition while 2 percent believed that it would and the rest believed that it may or may not face opposition. Out of those who did not believe the system would face opposition, almost two fifths believed that would be the case because everyone is seeking discipline, justice and ethics, even the ones who are practicing it, 1 percent said it was because people will eventually get used to it and the rest agreed on both reasons. On the other hand, all those who believed that implementing the system would indeed face opposition agreed that this would be because it would only be applied on ordinary citizens and others with power and authority (e.g. - politicians) and because people who actually commit the behavioral violations would not allow the proper implementation of the system.

5.2. Secondary Data

An excellent example of how the implementation of a behavioral control system can lead to economic development and their absence can lead to the disruption of the economic development efforts is the state of Malaysia. In the early 1970's the administration of Malaysia's most prominent leader, Mahathir bin Mohamad began implementing a comprehensive political platform for Malaysia's economic development which made Malaysia to be an major industrial power in the matter of two decades. One of the most important elements of that platform was the implementation of a behavioral control system to fight corruption and ensure disciplined behavior in both the public and private sectors. However, as bin Mohamad's administration left and the policies he put forth were changed; the strict implementation of the system began to fade out slowly. Corruption prevailed slowly once again and economic development began to slow down, if not deteriorate. When bin Mohamed left office in 2003, Malaysia was in the 37th position on the world's Corruption Perception Index (CPI) results back then (Transparency International, 2015). Today, however, it is in the 50th position and is suspected to keep getting even lower positions if it didn't act to cause a fundamental change (Transparency International, 2015).

Another case where the system played a fundamental role is the case of Singapore and Egypt. The comparison of both states is interesting because they both started instituting economic development at around the same time frame- early-mid 1952. Singapore was a positive, and is even still mocked for its too strict, example of the implementation of systems to fight corruption. Egypt, though, failed where Singapore succeeded because its anti-corruption systems were not effective and were sometimes instituted to further sophisticate corruption by serving the interests of the few and powerful over those of the many and powerless. Today, Singapore is 7th of the CPI list

while Egypt sits at the 94th position. The difference is substantially clear (Transparency International, 2015).

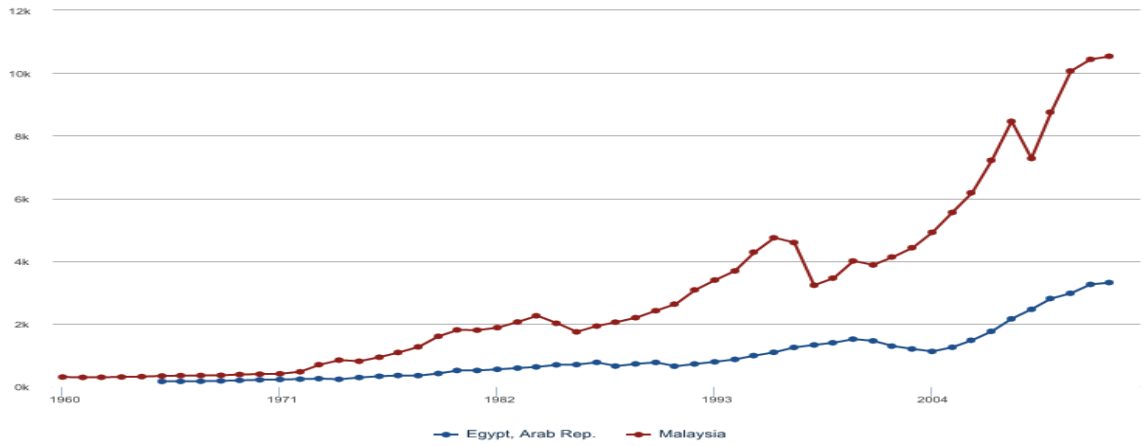

Figure 1. GDP per capita – Egypt and Malaysia
Source: World Bank, 2015a
Note: current US dollar

Data from the World Bank also confirms and reinforces the aforementioned results. In Figure 1, a sharp drop in the country's GDP per capita can be observed in 2009 as the behavioral control system that was one of bin Mohammed's most important policies was changed. Although the GDP resumed its growth again, the growth rates were not as fast as in bin Mohammed's term. For example, the GDP per capita grew from USD 4,198.20 in 2004 to USD 5,553.90 in 2005 by a growth rate of 32% while it grew from USD 10,068.10 in 2011 to USD 10,440 in 2012 by a growth rate of only 3.7% (Figure 1).

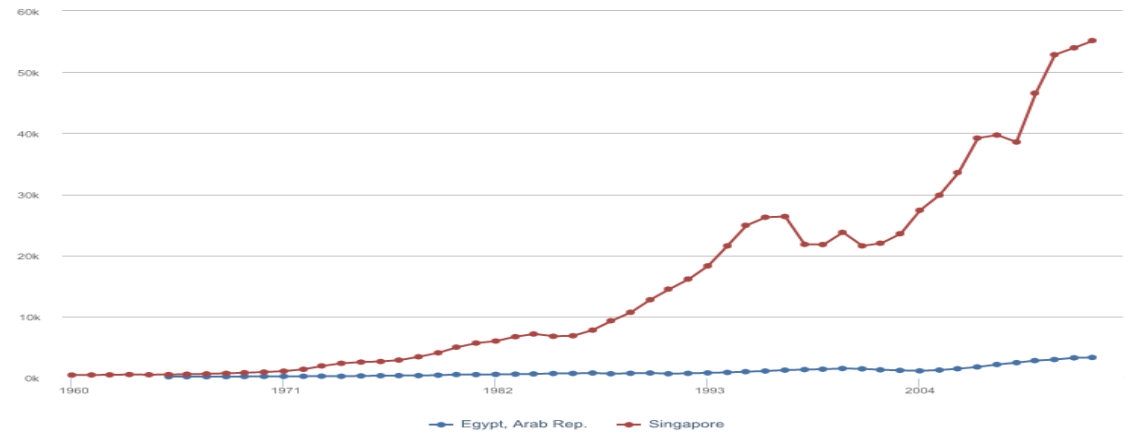

Figure 2. GDP per capita – Egypt and Singapore
Source: World Bank, 2015b
Note: Current US dollar

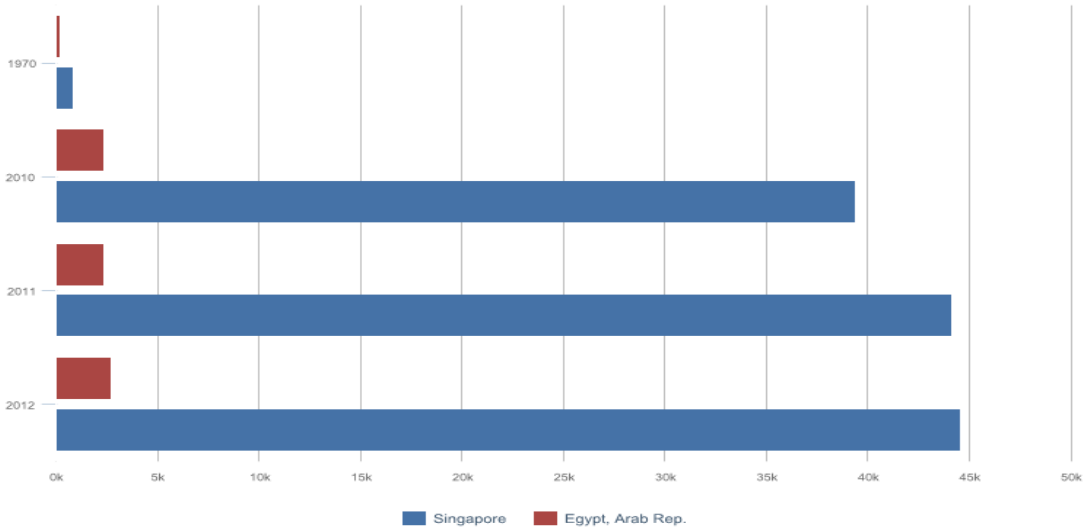

Figure 3. Adjusted net national income per capita- Egypt and Singapore
Source: World Bank, 2015c
Note: Current US dollar

Furthermore, Figure 2 and Figure 3 show the wide discrepancy between Singapore and Egypt. The wide gap between the two countries' GDP per capita is clearly evident in chart 2. It is interesting, though how the chart shows that they were at the same level until Singapore's economic growth began to take off in 1971 leaving Egypt's behind up until 2014 where there was a USD 51,868 gap between the two countries' GDP in 2013 while the gap in 1970 was only USD 714 in 1970 (Figure 2). Another economic indicator that shows how effective was the presence of a behavioral control system in boosting and strengthening the economy of one country while its absence slows down the economy of the other is the adjusted net national income per capita. The adjusted net national income per capita of Singapore grew from USD 876 in 1970 to USD 39,432 in 2010 which. On the other hand, Egypt's adjusted net national income per capita grew from USD 192 in 1970 to only USD 2,375 in 2010 (Figure 3). The increasing gaps between the two countries performance in the charts speaks for themselves and shows, once again, the effectiveness of the system.

6. Summary and Conclusions

The behavioral control system is a critical and crucial component for the existence and continuous growth of any institution. The institutions that the system can ensure its wellbeing through the proper implementation of a behavioral control system can be as small as a household or as large as a state. The system's main benefits can be categorized to three main areas: societal, economic and country-wide benefits.

The implementation of a behavioral control system can make a society much stronger, adhesive and functional. The system mainly insures that no members of the society will exploit the others for their personal benefits. As a result much more trust is developed between the members of the society. This, in turn, leads to better results from team-based activities as well as speedy and efficient transactions between two or more members of that society. Furthermore, implementing the system will also lead the members of a society to feel much more safe and secure simply because those members who wish to jeopardize their safety are being watched for and punished. Additionally, other members who even wish to jeopardize others' safety for their own interests are

naturally incentivized not to do so. Lastly, implementing the system will also ensure better professional relationships. For example, with a behavioral control system intact, professionals can have fast effective and efficient transactions and agreements without having to put so many lengthy securities to ensure the sustainability of the transaction or agreement by both parties.

The economic benefits of implementing a behavioral control system are numerous yet simple. Implementing the system leads to considerable and steady economic growth. This, in turn leads to more discretionary income for the members of that economy. This links back to making the members of the society feel much more safe and secure because less and less people will be incentivized to commit behavioral violations such as stealing to compensate for their own shortage in income. Moreover, the economic growth also leads to increasing both the quantity and quality of public services such as health care and transportation. As a result, members of that economy are more able to produce more and better items contributing to the already growing economy.

The behavioral control system also contributes to better benefits for the country as a whole in ensuring better security, reducing costs for organizations as well as contributing to decreasing political behavior. In addition to the aforementioned impact of security on a country's society, the security that the system ensures also benefits the country as a whole by helping to increase tourism, increase foreign investment and attracting better human capital from around the world, to name a few. Such benefits provide not only economic growth but also other benefits such as societal development. For example, citizens of the country get to know and adapt to more and more foreign culture through the increased tourism, develop their personal and professional skills through what they will learn from the activities brought through the foreign direct investment and the country will attract more and brighter minds through which will also lead to the aforementioned economic and societal implications.

7. Directions for Further Research

Behavioral control systems face several obstacles that can be an interesting aspect for further research on the field. These obstacles are aspects such as unethical practices involved in the implementation of the system itself or as a result of its implementation.

The system itself can be set up to penalize an individual and/or groups on the expense of others. The system can also incentivize people to commit even worse behavioral violations in order to avoid being penalized. Such elements that make different behavioral control systems lead to such results and how to avoid them should be an interesting aspect to investigate.

The system can also be abused by the executives for any reason. An example would be traffic violations systems set up so that the more tickets traffic police officers issues the more commission they receive can incentivize the officers to issue fraudulent tickets in order to receive a better sum. Measures to ensure the system is not abused would be an important aspect to research as well.

Finally, a behavioral control system that is designed to have human executives implement and monitor it is susceptible to breakdown due to unethical practices by those very same executives. For example, an unethical city's police commissioners are much more capable of committing behavioral violations of any magnitude. Therefore, an effective system of checks and balances or even implementing the system through impartial means (e.g.- computer based) are also an interesting aspect that should be looked further into for the development of more effective behavioral control systems.

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