

SUSTAINABLE MANAGEMENT IN COVID-19 TIMES

Edited by Aldo Alvarez-Risco, Marc A. Rosen
and Shyla Del-Aguila-Arcentaes

ADVANCED SERIES IN
MANAGEMENT

VOLUME 30

SUSTAINABLE MANAGEMENT IN COVID-19 TIMES

ADVANCED SERIES IN MANAGEMENT

Series Editors: Miguel R. Olivas-Luján and
Tanya Bondarouk

Previous Volumes

Social Media in Human Resources Management

Eds. Tanya Bondarouk and Miguel R. Olivas-Luján

Social Media in Strategic Management

Eds. Miguel R. Olivas-Luján and Tanya Bondarouk

(Dis)honesty in Management: Manifestations and Consequences

Ed. Tiia Vissak and Maaja Vadi

Commercial Diplomacy and International Business: A Conceptual and Empirical Exploration

Eds. H. Ruël

Electronic HRM in Theory and Practice

Eds. T. Bondarouk, H. Ruël and J. C. Looise

Relational Practices, Participative Organizing

Eds. Chris Steyaert and Bart Van Looy

Autopoiesis in Organization Theory and Practice

Eds. Rodrigo Magalhaes and Ron Sanchez

Organizations as Learning Systems “Living Composition” as an Enabling Infrastructure

Ed. Marjatta Maula

Complex Systems and Evolutionary Perspectives on Organizations: The Application of Complexity Theory to Organizations

Ed. Eve Mitleton-Kelly

Managing Imaginary Organizations: A New Perspective on Business

Eds. Bo Hedberg, Philippe Baumard and A. Yakhlef

Systems Perspectives on Resources, Capabilities and Management Processes

Eds. John Morecroft, Ron Sanchez and Aimé Heene

Tracks and Frames: The Economy of Symbolic Forms in Organizations

Ed. K. Skoldberg

Human Resource Management, Social Innovation and Technology

Eds. Tanya Bondarouk and Miguel R. Olivas-Luján

Dead Firms: Causes and Effects of Cross-Border Corporate Insolvency

Miguel M. Torres, Virginia Cathro and Maria Alejandra Gonzalez Perez

New Ways of Working Practices: Antecedents and Outcomes

Jan de Leede

Age Diversity in the Workplace

Silvia Profili, Alessia Sammarra and Laura Innocenti

International Business Diplomacy: How Can Multinational Corporations Deal With Global Challenges?

Ed. Huub Ruel

Organisational Roadmap Towards Teal Organisations

Tanya Bondarouk, Anna Bos-Nehles, Maarten Renkema, Jeroen Meijerink and Jan de Leede

Indigenous Management Practices in Africa: A Guide for Educators and Practitioners

Eds. Uchenna Uzo and Abel Kinoti Meru

Diversity Within Diversity Management: Country-Based Perspectives

Eds. Andri Georgiadou, Maria Alejandra Gonzalez-Perez and Miguel R Olivas-Lujan

Diversity Within Diversity Management: Types of Diversity in Organizations

Eds. Andri Georgiadou, Maria Alejandra Gonzalez-Perez and Miguel R. Olivas-Lujan

HRM 4.0 For Human-Centered Organizations

Rita Bissola and Barbara Imperatori

Sustainable Hospitality Management: Designing Meaningful Encounters With Talent and Technology

Huub Ruël, Angelique Lombarts and Jeoren A. Oskam

Agri-Food 4.0: Innovations, Challenges and Strategies

Rahul S. Mor, Dinesh Kumar and Anupama Singh

Smart Industry – Better Management

Tanya Bondarouk and Miguel R. Olivas

Management and Information Technology in the Digital Era: Challenges and Perspectives

Chemma Nawal, Mohammed El Amine Abdelli, Anjali Awasthi and Emmanuel Mogaji

This page intentionally left blank

ADVANCED SERIES IN MANAGEMENT VOLUME 30

SUSTAINABLE MANAGEMENT IN COVID-19 TIMES

EDITED BY

ALDO ALVAREZ-RISCO

Universidad de Lima, Peru

MARC A. ROSEN

University of Ontario Institute of Technology, Canada

And

SHYLA DEL-AGUILA-ARCENALES

Universidad San Ignacio de Loyola, Peru



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2023

Editorial matter and selection © 2023 Aldo Alvarez-Risco, Marc A. Rosen and Shyla Del-Aguila-Arcentales.

Individual chapters © 2023 The authors.

Published under exclusive licence by Emerald Publishing Limited.

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-80382-598-4 (Print)

ISBN: 978-1-80382-597-7 (Online)

ISBN: 978-1-80382-599-1 (Epub)

ISSN: 1877-6361 (Series)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

CONTENTS

<i>About the Editors</i>	<i>xi</i>
<i>List of Contributors</i>	<i>xiii</i>
<i>Preface</i>	<i>xv</i>
International Business Theories	1
<i>Romina Gómez-Prado, Aldo Alvarez-Risco, Jorge Sánchez-Palomino, Berdy Brigitte Cuya-Velásquez, Sharon Esquerre-Botton, Luigi Leclercq-Machado, Sarahit Castillo-Benancio, Marián Arias-Meza, Micaela Jaramillo-Arévalo, Myreya De-La-Cruz-Diaz, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Smart Cities' Resilience and Small Business Continuity Strategies in Pandemic Times	57
<i>Maria Vera-Castro, Aldo Alvarez-Risco and Shyla Del-Aguila-Arcentales</i>	
Current Trends in Sustainable Tourism, Hospitality, and Recreation	65
<i>Romina Gómez-Prado, Aldo Alvarez-Risco, Jorge Sánchez-Palomino, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Sustainability and Urban Innovation	81
<i>Marián Arias-Meza, Aldo Alvarez-Risco, Berdy Brigitte Cuya-Velásquez, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Sustainable International Business Models in a Digitally Transforming World	93
<i>Sharon Esquerre-Botton, Aldo Alvarez-Risco, Luigi Leclercq-Machado, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	

Digital Tools to Promote STEM Education in New Normality	107
<i>Micaela Jaramillo-Arévalo, Aldo Alvarez-Risco, Myreya De-La-Cruz-Diaz, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Food Insecurity in Latin America: Proposals Linked to Sustainable Management in COVID-19 Times	123
<i>Luis Juarez-Rojas, Aldo Alvarez-Risco, Nilda Campos-Dávalos, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Energy Policy in Latin America	137
<i>Flavio Morales-Ríos, Aldo Alvarez-Risco, Sarahit Castillo-Benancio, Maria de las Mercedes Anderson-Seminario, Shyla Del-Aguila-Arcentales and Marc A. Rosen</i>	
Teleworking and Job Satisfaction in the Asia Pacific Region: Role of Leadership	155
<i>Romina Gómez-Prado, Aldo Alvarez-Risco, Jorge Sánchez-Palomino, Valentina Ramos-Flórez, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Top Global Tourist Trends: Did COVID-19 Influence Their Patterns?	173
<i>Luigi Leclercq-Machado, Aldo Alvarez-Risco, Sharon Esquerre-Botton, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Economic and Socio-Cultural Impacts of Recreational Activities by COVID-19	187
<i>Sarahit Castillo-Benancio, Aldo Alvarez-Risco, Flavio Morales-Ríos, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Effectiveness of Policies in Recovering the Tourist Industry After COVID-19: A Benchmark Comparison of the Ten Most Visited Countries	211
<i>Luis Juarez-Rojas, Aldo Alvarez-Risco, Nilda Campos-Dávalos, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Entrepreneurship in Hospitality and Tourism in COVID-19 Times	239
<i>Berdy Brigitte Cuya-Velásquez, Aldo Alvarez-Risco, Marián Arias-Meza, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	

Cross-Cultural Impacts on Tourism, Hospitality, and Recreation	255
<i>Myreya De-La-Cruz-Diaz, Aldo Alvarez-Risco, Micaela Jaramillo-Arévalo, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales</i>	
Reflections on the Integration of the SDG in Higher Education Institutions	265
<i>Alfredo Estrada-Merino and Aldo Alvarez-Risco</i>	
<i>Index</i>	273

This page intentionally left blank

ABOUT THE EDITORS

Aldo Alvarez-Risco is an Associate Professor of International Business and Coordinator of the Global Logistics and Supply Chain Management Research Group at Universidad de Lima in Perú. He has completed a PhD at Universidad Autónoma de Nuevo León, Doctor in Pharmacy and Biochemistry, Master in Pharmacology and Pharmacist at the Universidad Nacional Mayor de San Marcos, and Master Pharmaceutical Care at Universidad de Granada. Dr. Alvarez-Risco is the author of various books and articles and has been a speaker at academic events in 22 countries. He has experience as a speaker for radio and TV appearances.

Marc A. Rosen is a Professor at the University of Ontario Institute of Technology (now called Ontario Tech University) in Oshawa, Canada, where he served as founding Dean of the Faculty of Engineering and Applied Science. Dr. Rosen has served as President of the Engineering Institute of Canada and the Canadian Society for Mechanical Engineering. He has held many professional roles, including Editor-in-Chief of various journals and Director of Oshawa Power and Utilities Corporation. With over 70 research grants and contracts and 900 technical publications, Dr. Rosen is an active teacher and researcher in energy technology, sustainable energy, and energy systems' environmental impact. Much of his research has been carried out for industry. Dr. Rosen has worked for Imatra Power Company in Finland, Argonne National Laboratory near Chicago, the Institute for Hydrogen Systems near Toronto, and Ryerson University (now called Toronto Metropolitan University) in Toronto. He has received numerous awards and honors.

Shyla Del-Aguila-Arcntales is a researcher in the sustainability area. She completed a doctoral program, Master in Pharmaceutical Sciences at the Universidad Nacional Mayor de San Marcos and Pharmacist at Universidad Nacional de la Amazonia Peruana. She is linked to the ancestral knowledge of medicinal plants in the jungle regarding traditional uses and industrial processes. Also, she has experience in bio-business, audit, environmental management, and import-export management. She is the author of several articles and chapters of books.

This page intentionally left blank

LIST OF CONTRIBUTORS

<i>Aldo Alvarez-Risco</i>	Universidad de Lima, Peru
<i>Maria de las Mercedes Anderson-Seminario</i>	Universidad de Lima, Peru
<i>Marián Arias-Meza</i>	Universidad de Lima, Peru
<i>Nilda Campos-Dávalos</i>	Universidad de Lima, Peru
<i>Sarahit Castillo-Benancio</i>	Universidad de Lima, Peru
<i>Berdy Brigitte Cuya-Velásquez</i>	Universidad de Lima, Peru
<i>Myreya de-La-Cruz-Diaz</i>	Universidad de Lima, Peru
<i>Shyla Del-Aguila-Arcentales</i>	Universidad San Ignacio de Loyola, Peru
<i>Alfredo Estrada-Merino</i>	Universidad de Lima, Peru
<i>Sharon Esquerre-Botton</i>	Universidad de Lima, Peru
<i>Romina Gómez-Prado</i>	Universidad de Lima, Peru
<i>Micaela Jaramillo-Arévalo</i>	Universidad de Lima, Peru
<i>Luis Juarez-Rojas</i>	Universidad de Lima, Peru
<i>Luigi Leclercq-Machado</i>	Universidad de Lima, Peru
<i>Flavio Morales-Rios</i>	Universidad de Lima, Peru
<i>Valentina Ramos-Flórez</i>	Fundación Universitaria Konrad Lorenz, Colombia
<i>Marc A. Rosen</i>	University of Ontario Institute of Technology, Canada
<i>Jorge Sánchez-Palomino</i>	Universidad de Lima, Peru
<i>María Vera-Castro</i>	Universidad de Lima, Peru

This page intentionally left blank

PREFACE

Global organizations have had to radically change their behaviors and dynamics due to the impacts and effects of the COVID-19 pandemic. *Sustainable Management in COVID-19 Times* addresses these changes. This book also speaks to attaining or maintaining sustainable management during and after the COVID-19 pandemic.

The main theories of international business (Chapter 1) are presented so that researchers, teachers, and students can take them into account and investigate their effects during the COVID-19 pandemic. Another relevant topic covered in the benefits that have been achieved through smart cities is the protection of citizens against COVID-19 (Chapter 2). Note that the development of smart cities is increasingly promoted globally, although there are various administrative, legal, and technological requirements for and challenges to their implementation.

Recreation-related activities are affected by the pandemic, as is the tourism and hospitality sector, and these areas are addressed (Chapter 3). In the postpandemic period, companies need to reactivate sustainable management in a manner that helps them resume their business operations. Also, it is important to recognize the efforts regarding sustainable urbanization and the critical role that cities can have in contributing to achieving the Sustainable Development Goals of the United Nations (Chapter 4). The impact of digital transformation on the sustainability of international business is described (Chapter 5). These education initiatives are relevant to STEM education and the various components that constitute it (Chapter 6).

The entire global recovery from the pandemic involves initiatives focused on numerous areas, and many of these are addressed in this book. The areas covered include food (Chapter 7), energy management (Chapter 8), and changes in labor dynamics and the profound change based on teleworking (Chapter 9). Also covered are changes in tourism (Chapter 10 and 11), the resilience policy to revive the tourism sector (Chapter 12), and entrepreneurship in hospitality (Chapter 13). Finally, cultural content (Chapter 14) and reflections on education based on the SDGs (Chapter 15) are examined.

Sustainable Management in COVID-19 Times undoubtedly develops diverse content that can help business develop during and after the COVID-19 pandemic. This book can also foster future research, giving rise to global and regional business management analyses in a unique scenario such as the COVID-19 pandemic. It is hoped that readers can take advantage of the various approaches presented to generate development plans and business strategies that have the Sustainable Development Goals as a programmatic axis, emphasizing specific sectors and describing the quality standards required at the business level to ensure the quality of the services provided.

Aldo Alvarez-Risco
Marc A. Rosen
Shyla Del-Aguila-Arcenales

This page intentionally left blank

INTERNATIONAL BUSINESS THEORIES

Romina Gómez-Prado, Aldo Alvarez-Risco, Jorge Sánchez-Palomino, Berdy Brigitte Cuya-Velásquez, Sharon Esquerre-Botton, Luigi Leclercq-Machado, Sarahit Castillo-Benancio, Marián Arias-Meza, Micaela Jaramillo-Arévalo, Myreya De-La-Cruz-Diaz, Maria de las Mercedes Anderson-Seminario and Shyla Del-Aguila-Arcentales*

ABSTRACT

In the academic field of business management, several potential theories were established during the last decades to explain companies' decisions, organizational behavior, consumer patterns, and internationalization, among others. As a result, businesses and scholars were able to analyze and decide based on theoretical approaches to explain the current conditions of the market. Secondary research was conducted to collect more than 36 management theories. This chapter aims to develop the most famous theories related to business applied in the international field. The novelty of this chapter relies on the compilation of recognized previous research studies from the academic literature and evidence in international business.

Keywords: Circular economy; international business; stakeholder; consumer behavioral theories; competitiveness; market; sustainability; competitive advantage

INTRODUCTION

The opening of international markets generated by the increase in free trade agreements has resulted in the facilitation of internationalization from developed and developing markets (Kim et al., 2010), unlike in past decades (Baier & Bergstrand, 2007). Also,

*Corresponding Author

theories examining international trade have emerged (Strange, 2020). These provide those companies that are already internationalized or in the internationalization process to evaluate, develop optimal and customized strategies concerning the industry in which they are developing, or even be aware of the caveats before executing a project (Pomfret, 2015).

In turn, globalization has changed the interaction of companies, precisely due to the development of different internationalization processes (Rezende & Versiani, 2010; Rueda Galvis, 2008), which are necessary to understand to carry out the expansion of a company; therefore, stakeholders must be aware of the various theories that seek to explain the internationalization of companies (Cardoso-Castro & Chavarro, 2007; Ramos-Barrera, 2020). The usefulness of theories is also seen in business management and other scientific disciplines (Eriksson-Zetterquist et al., 2021).

Theories seek to provide a broad scientific understanding through systematized structures responsible for making explanations or predictions about phenomena (Hunt & Arnett, 2003). Many theories have been developed, and in an ever-changing world, it is argued that new ones may emerge to expand new areas of international business that have not been investigated (Cuypers et al., 2022). In the same way, there is a need to increase the competitiveness of countries following the breakthroughs of generation. Innovation and new technologies enable companies to achieve a competitive advantage (Porter, 1991). The usefulness of such research stems from the centrality of management theories. They are used as instructional guides to organizational goals; in contrast, misapplication implies a myriad of variabilities that symbolically affect the firm (Pfeffer & Salancik, 2003).

GAME THEORY

Game theory is probably one of the best known economic theories, where it seeks to find reason in any area of life, whether at a personal or work level, among others. This theory aims to study the interrelationships between two or more individuals by applying the variety of tools provided by this model and available to the user, for example, dispute resolution, negotiation rounds, and others (Restrepo, 2009). Human behavior is conceived by formulating strategies channeled at one's discretion, affected by the environment or even the person himself, to achieve his goal (Binmore, 2007; Restrepo, 2009). Human conscience also plays a vital role as it is a rational thought that can be justified. Therefore, there is a reason for its actions. Common sense may act inherently, but it may not always work. Conclusion: there are causes such as lack of knowledge of the subject, misinterpretation of the situation, and extraordinary events that do not allow the achievement of the objective (Restrepo, 2009).

This theory does not seek to deduce human behavior but rather to explain it since the reaction of an individual can be very ambiguous, as well as the reaction of his counterpart. Everyone has the free choice to decide to act, either before, during, or after the other person. There are simultaneous games, where the reaction of both parties occurs synchronously, as well as sequential games, where one reaction is causal to the next (Binmore, 2007).

The interaction between two human beings as a game so that the decision taken by one of them can lead to success or failure; based on this, the optimization of the correct decision-making must be achieved since, in scenarios such as economic policies, multi-nationals, or governmental decisions, a wrong decision can be highly detrimental. It is emphasized that this theory cannot solve problems or predict behavior; however, knowing the critical points of game theory allows the person to formulate a better approach for the given objective (Restrepo, 2009). Along the same lines, game theory can be applied in decisions such as the sales policy of a company, where the manager himself must channel

the best option to be taken based on the resources he has, the positioning he manages, the company's own culture, among others. In this sense, a series of guidelines are formed on what would be the ideal decision. On the other hand, there is also the example of dishonest audits, where the accountant must choose, within his reasoning, whether the best option is to defraud or perform his work (Binmore, 2007; Restrepo, 2009). All are based on a single purpose: to design genuinely effective policies for their objectives. On the other hand, Gutiérrez-Montoya (2012) mentions the basic assumptions of game theory:

- (1) Complete knowledge of the basic assumptions by the users who, rationally, oscillate to the highest possible benefit.
- (2) There is a cost–benefit relationship between what you choose to do and what you give up for it.
- (3) The so-called “game turns” refers to when players choose their ideal option.
- (4) There are “games” of one turn, multiple turns, or all against all.
- (5) Primary objective: to analyze the various situations to find an integral answer accepted by all.

In addition, Bernard (1954) highlights intuition, reasoning, imagination, and empathy as values necessary to perceive a broader solution of policies and game strategies (Restrepo, 2009). Without this, it is improbable to reach a mutual agreement, also called Nash Equilibrium. We understand the Nash Equilibrium as the middle ground among all participants, the best possible alternative that satisfies many needs. Currently, this equilibrium is reached when the parties have full knowledge of the motivations and needs of their counterpart, to the point of matching an ideal alternative or through a cyclical process of trial and error until reaching a favorable outcome for both (Binmore, 2007; Monsalve, 2003). The most popular game theory example is the Prisoner's Dilemma case. In this fictitious case, the Police have two suspects of a crime; however, there is insufficient evidence to sentence them. Therefore, they separate them to offer them special treatment if they cooperate with justice. In this deal, they explain the years they could spend in jail if can cooperate and the years they would spend if the other partner confessed before them, and there is a lower penalty if both decide not to cooperate, as shown in Fig. 1.

In this case, there is a conflict of interest between the parties involved, where they must decide which would be the best option to choose. None of the defendants has had the opportunity to talk to the other to coordinate a strategy. Therefore, they must symbolically decide that does not affect them even though they know that the other may make a selfish decision and decide to save themselves. Nash Equilibrium is presented as the lower right quadrant, being the best option for the suspects, but since they do not know the other person's response, there is no way of knowing if their counterparts do not confess. Game theory is a handy tool, not necessarily easy to apply, but it provides the necessary guidelines to reach the best possible alternative.

		Prisoner A	
		Confess	Not confess
Prisoner B	Confess	(5,5)	(0,10)
	Not confess	(10,0)	(2,2)

Fig. 1. Numerical Representation of the Prisoner's Dilemma. *Source:* Based on Binmore (2007).

CONTINGENCY THEORY

Contingency theory was born out of a critique of the classical business model where companies conformed to a single operational model without considering various extraordinary situations that would put their sustainability at risk and the inability to respond to them. Contingency theory urges companies to take a broader approach, where resources are vital in adapting to different environments (Scott, 1981). It defines the organization as a system of subsystems of variables interconnected to variables such as policies, management techniques, and practices, among others, to achieve organizational goals and objectives. It explains that these must be by external and internal environmental factors. External environmental factors are understood as those variables that do not belong to the organizational system but still affect the company, such as, for example, the legal regulations of the country of origin. On the other hand, internal environmental factors affect the firm's organization, such as internal statutes (Luthans & Stewart, 1977).

Another important fact is to specify specific and general environmental variables. The specific ones are directly and symbolically affected, while the general one indirectly affects the organization (Luthans & Stewart, 1977). Among the most common examples of general environmental variables, we find the political, economic, social, technological, ecological, legal, and other aspects, while in the specific ones, we find stakeholders such as consumers, suppliers, and competitors, among others. The organization's restructuring is due to the need to face the challenges of an increasingly demanding and rigorous market. The contingency approach identifies and develops functional relationships between environmental, management, and performance variables, which are more rigorous and demanding, although generically situational in orientation. In contrast to applying such a model, many companies have opted for a purely situational approach, dedicated to the interim resolution of specific problems, but do not develop a comprehensive framework that universalizes different contingency mechanisms (Luthans & Stewart, 1977).

While the contingency approach is emerging as the most exemplary, several authors maintain that the situational approach is preferred. They point to some skepticism in implementing the contingent model, arguing that the firm's circumstances should determine the ideal structure model at a given time (Luthans & Stewart, 1977). According to the above, general environmental variables are highly relevant in the constitution of a contingency approach and internal and external environmental factors in synchronization with environmental variables, as shown in Fig. 2.

The contingency theory presents a practical benefit by providing a framework of improvement for any company to act against a classical model that is obsolete in competitive markets. While there is no universal model for all companies, each one must explore in search of a model adaptable to the capabilities it possesses (Tarter & Hoy, 1998).

COMPETENCE-BASED THEORY

Competency-based theory is a mechanism that encourages a company's strengths to turn them into competence. A key point in developing this theory is the efforts made in marketing to make the firm more productive than its total operating units (Chandler et al., 2009). It is understood that such marketing skills better position the firm to hone its skills until they create competitive advantages (Hamel & Prahalad, 1989). Due to competitiveness in today's context, a world with vast resources and immersed in globalization, dynamism in companies is vital further to develop competencies (Freiling et al., 2008).

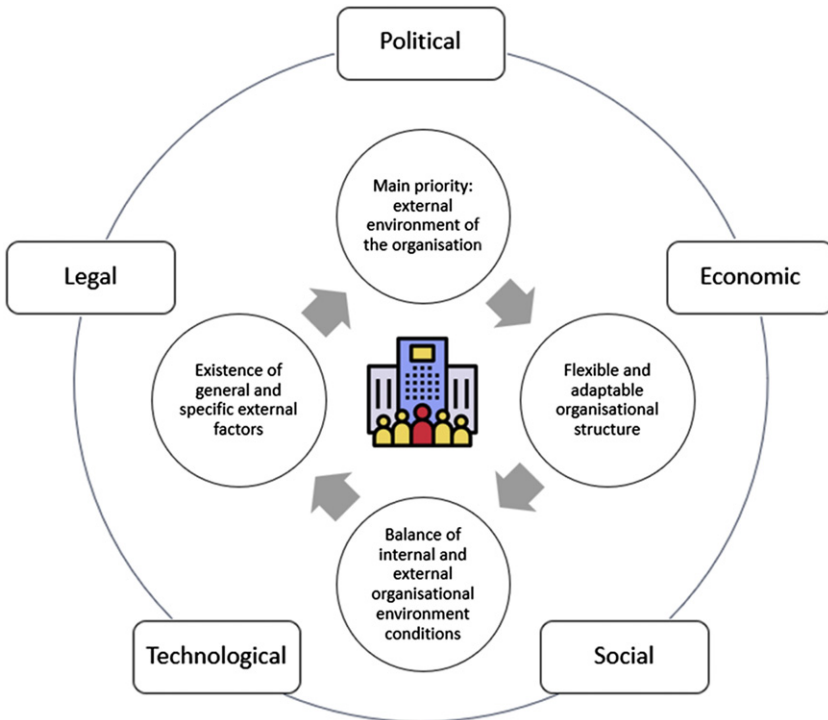


Fig. 2. Contingency Theory. *Source:* Based on Luthans and Stewart (1977).

According to Backhouse et al. (1999), the complex core elements of the competence-based theory include:

- (1) HC1: Individualistic methodology (individual decision-making power)
- (2) HC2: Subjectivism among economic actors between their capabilities and limitations
- (3) HC3: Importance of time
- (4) HC4: Irreducible uncertainty
- (5) HC5: Individual as a “man actor.”
- (6) HC6: Predictable outcome or scarcity of outcome

The competence-based theory looks after the entrepreneurship and capabilities of the company’s employees to exploit the company’s most valuable resource. The way to define the company’s boundaries is through the individual’s competencies or the group itself (Hodgson, 1998). Penrose (1995) explains that, just as staff training increases business competitiveness, the organization acquires greater competence by possessing resources that provide them with new knowledge and incorporating it into their operations. Likewise, the same author stresses that the company must be a facilitator of productive resources beyond being an administrative office.

On the other hand, renowned authors such as Adam Smith have specific appreciations of the theory based on competition. In his book, Smith (2015) mentions that the individual can specialize in increasing his capacity and the company (Hodgson, 1998). Frank Knight,

for his part, introduces the variable of uncertainty in the analysis of organizations (Hodgson, 1998). Also, Hodgson (1998) mentions the elementary characteristics of the modern competency-based approach:

- (1) Trial and error as endogenous learning. Unlike static and equilibrium approaches, this type of learning believes in a developmental process.
- (2) Recognition of radical uncertainty and other problems associated with information and knowledge.
- (3) Recognition of implicit knowledge and the management of the organizational structure.
- (4) Recognition of learning and the implicit nature understand that not all organizational tasks are contractible.

Hodgson (1998) also distinguishes between knowledge and information, the former being more complex to obtain, through processes of inquiry and cognition. This approach to competence places a high value on the journey before obtaining knowledge.

REAL OPTIONS THEORY

We understand a real option as the total freedom of right to take future action, sell a property, or join a company. Logically, any business decision inevitably involves some degree of uncertainty: depreciation of the share, devalued real estate, and unprofitable strategic alliances, among others. The natural option allows you to premeditate the final decision, which must go through data collection and rectify whether the acquisition, sale, alliance, or other large-scale operation is viable (Chi et al., 2019; Trigeorgis, 1996).

Fundamental options theory focuses on the ideal management of uncertainty in a firm's operations, where risk minimization can be chosen and taking advantage of such a situation vis-à-vis competition and serving consumers. Decision-making is adjusted to quantify variables that substantially affect or do not affect the company's decisions which are, however, an impediment to taking advantage of the potential offered by real options theory for handling market complexities (Li, 2007). Although its application in the markets is recent and is somewhat skeptical precisely because of its degree of uncertainty, real options theory has the necessary tools to be a pillar in strategic management, enriching with excellent knowledge in the business agenda, as well as better perspectives of economic indicators and the financial markets (Trigeorgis & Reuer, 2017).

For the initial analysis of the application of real options, Trigeorgis and Reuer (2017) propose a series of steps for the analysis and then the application of the model:

- (1) Problem structuring: Representation of the problem structure, having key points such as suggested decisions, timelines, linkages, main uncertainties, and value drivers. The use of the decision tree is suggested to understand the problem landscape, its characteristics, and the interrelationship between solutions.
- (2) Valuation and modeling: Estimating the cash flow to be allocated by collecting input data. The analysis consists of an option valuation model to know the operation's Net Present Value (NPV).
- (3) Implementation planning: Once the project's feasibility has been calculated; management needs to develop a strategic plan for its implementation, which must specify the parameters, conditions, and procedure, among others.

Likewise, the author above explains the business decision's main complications concerning the Theory of Real Operations. Among these, we can find the portfolio of multiple choices to be made, how uncertainty from multiple sources affects the reaction of competition, or the effects of learning (Trigeorgis & Reuer, 2017). Along the same lines, it is necessary to define the type of uncertainty the firm is exposed. Li (2007) classifies them into two types:

- (1) Exogenous uncertainty is a type of uncertainty that is unrelated to the firm's actions, where they can symbolically damage the firm. The most common example of exogenous uncertainty is the macroeconomic environment of a country.
- (2) Endogenous uncertainty involves the firm's internal agents, such as consumers or competitive conditions, where there must be a quick response from the firm to mitigate such uncertainty.

The Theory of Real Operations can help in structuring better decision-making of the company by managing the uncertainty it possesses. McGrath (1999) and Trigeorgis (1996) highlight ways in which Real Operations can motivate decision-making:

- (1) Given the estimation of the incremental value of the option through uncertainty, many entrepreneurs are convinced to take the risk because of the high projection margin it promises.
- (2) It proposes that the company's investments maintain or improve capital in the event of uncertainty.
- (3) It encourages investments with a flexible decision option so that the decision can be reconsidered in an unfavorable scenario.
- (4) Encourages low-cost and progressive investment, as the risk taken would be better by diversifying capital across different sectors.

In recent years, the momentum and implementation of Real Operations have been increasing, mainly due to the drive of international businesses to take advantage of its benefits. The model continuously looks for potential opportunities despite the uncertainty it reflects because that is the essence of the model: to innovate in handling extraordinary events to create real options (Li, 2007).

STAKEHOLDER THEORY

The stakeholder theory has provided a relevant and valuable perspective in business studies focused on different areas (Chowdhury et al., 2020; Fassin et al., 2017; Tran et al., 2020). This stakeholder approach was initially proposed by Freeman (1984). He mentions that it is necessary to consider the needs, demands, and interests of external groups or, as he called them, the "stakeholders" instead of just looking after the needs of the company's shareholders to achieve good strategic management.

From the above, some essential ideas emerge and are crucial to understanding this theory, starting from Freeman (1984) approach to networks made up of relationships between the different stakeholders of an organization, for which this author defines a part interested as any individual or group of people who are affected by the decisions and achievements of the corporation. Fig. 3 shows the variety of stakeholders that have a relationship with a company, such as employees, suppliers, and customers. Very different

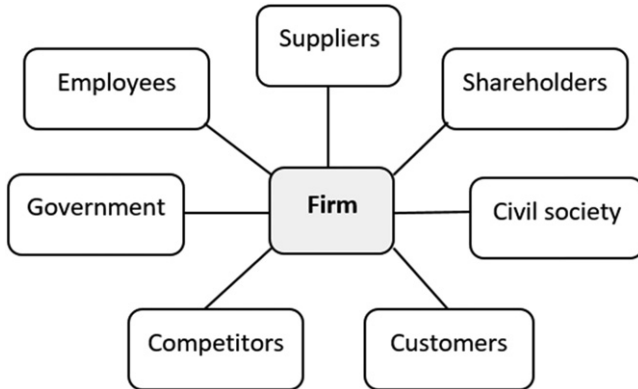


Fig. 3. The Stakeholder Model. Source: Based on Freeman (1984).

groups such as environmentalists, the media, local community organizations, and even consumer advocates were identified (Freeman, 1984). However, these also hold link with the firm.

The second key consideration deals with creating value for each stakeholder by company managers. This task aims to seek the union and alignment of interests of all interested parties, find common interests that can be satisfied in a short time, and more efficient results are obtained. Third, the integration argument applies, which explains that business decisions must include benefits and ethical values. A business is carrying out an activity of value for each interested party. Finally, the theory's central idea is to form a company from the interested parties, collaborating under the same goal: to seek more than generate economic benefits (Hörisch et al., 2020).

Along the same lines, Clement (2005) determines five lessons of great importance originating from the stakeholder model to have better business performance (Clement, 2005) and counteract the destructive behaviors occurring in the business world.

During the last years, after having gone through the review and improvement of several management researchers and the evaluation of experts in the business field, the following lessons are raised:

- (1) Corporations are facing increasing pressures to respond to their stakeholders.
- (2) Corporations have access to a legal basis to respond to various stakeholder groups.
- (3) Managers are leading corporations with different perspectives who are not limited by the principles of their professions.
- (4) Corporations respond to influential stakeholders who make reasonable, fair, and compelling claims.
- (5) Corporations can improve the bottom line by responding to stakeholder concerns (Clement, 2005).

In addition, it is highlighted that, in the international arena, this theory can help address business and social issues that lead to better decision-making in the strategic management of organizations (Clarkson, 1995; Harrison et al., 2015). Therefore, the application of the stakeholder model turns out to be substantial for the development of scientific research