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Contemporary Studies of Risks in Emerging Technology, Part B

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Foreword – I



The role of Artificial Intelligence (AI), Machine Learning (ML), usage of Chat bots and the emergence of Block Chain Technology has had a salutary effect on the technological innovations that have supported the financial sector. A lot of misgivings and apprehensions have been laid to rest and it has been brilliantly brought about in the edited book.

The banking, mutual funds market and insurance sectors, part of the service sector, have always had to bear the brunt of numbers – number of bank accounts, number of policies issued, number of investors and ultimately the number of account/policy holders. Basically, because of the numbers game (and let us remember that we have touched the 8th billion number in population today), the service sector financial organisations had to undertake the task of learning, unlearning, and relearning for their employees and staff members so that the technological advancements are easily used by them. This transition from the physical paper and pen to digitisation and then to take it to the next level has been an arduous task which has very effectively been reflected in some of the chapters of this book.

The innovations and technology combined have brought disruptions to the fore and these disruptions have been aided by the AI, ML and the likes to ensure that the service sector financial organisations touch a new height because of simplification of the physical processes and the ease of doing business from anywhere! Before we generalise the disruptions, let us also understand the fact that this is not an Indian phenomenon alone – it is global in nature as discussed in this book.

What appeals most about the entire efforts by the authors and the editor is the fact that the flow of the chapters has been reflective of the gradual development in this sector. A case in point is the development of the MSMEs and the role of

digitisation and upgradation of technology that this ‘backbone’ of the Indian economy could harness. The coverage of the Sustainable Development Goal 9 (Goal 9 or SDG 9) is about ‘industry, innovation and infrastructure’ and is one of the 17 Sustainable Developmental Goals adopted by the United Nations General Assembly in 2015. SDG 9 aims to build resilient infrastructure, promote sustainable industrialisation and foster innovation, which has been dealt with here.

The specific case studies whether related to the Punjab, Ukraine, Role of Multimedia Innovative Technology in Green Banking or the e-waste management has been very subjectively dealt with.

And that dear readers is the crux of the edited book where new horizons are reached by way of ensuring that the common man’s challenges, difficulties and problems have been provided solutions by way of these innovations.

I wish the readers a very happy reading and hope that the areas/people covered herein would benefit out of these ruminations and bring to fore the success stories to be emulated.

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Foreword – 2



Emerging technologies promise new solutions, increased innovation and new avenues for connecting with our customers and markets. The Internet of Things, cloud computing, virtual and augmented reality, blockchain, artificial intelligence and e-commerce are just a few of the emerging technologies reshaping the world. However, as with any opportunity for growth, they come with risks that businesses should start thinking about right away. As emerging technologies have already permeated our daily lives and are here to stay, it is critical that organisations understand the risks posed by these emerging technologies so that professionals in risk management, corporate security and information security can begin to develop strategies and initiatives to prepare their organisations to embrace and capitalise on these technologies.

The book *Contemporary Studies of Risks in Emerging Technology* is aimed at both scientists and professionals who are interested in emerging technologies and the risks associated with their application. It covers a wide range of topics, including the emerging role artificial intelligence in financial services, chatbots and their applications, how to apply machine learning algorithms to improve user experience, green computing for sustainable future technologies and many others. The book devotes special attention to blockchain technology, an emerging technology widely regarded as one of today's most promising opportunities for banks and other financial institutions. However, despite being one of the most popular emerging technologies in the banking industry, blockchain is not yet widely available, as fully embracing the power of blockchain technologies may take 10–20 years.

I hope readers enjoy this fascinating journey of knowledge and do not get lost in the mazes of emerging technology!

Yours sincerely,
Dr Prof. Ramona Rupeika-Apoga
University of Latvia

Preface

With the rapid development of technologies, it becomes increasingly important for us to remain updated on new and emerging technologies. This series, therefore, aims to deliver content on current and future technologies and how the young generation benefits from them. The global financial crisis has highlighted major weaknesses in financial records, information and data. These weaknesses have led to inadequate access to financial records and information, higher operational risks, flawed bankruptcies and foreclosure proceedings. The lockdown due to the ongoing Covid-19 pandemic has increased the scope for criminals to exploit vulnerabilities and commit financial crimes. The increased online presence and homeworking have significantly expanded the attack surface for cybercriminals. Criminals use vulnerabilities, increasing the risks of cyberattacks, money laundering (ML) and terrorist financing (TF). Research is therefore needed to identify trends, tools and applications that will provide the necessary records, information and data to support more effective financial analysis and risk management.

The unique contribution of this volume is bringing together researchers from distinct domains that seldom interact to identify theoretical, technological and practical issues related to managing financial records, information, data and security.

Emerging technologies have redesigned the financial services industry through innovative means to cater to evolving customer expectations of personalisation and ease. Fintech has progressed as one of the most pioneering and cost-effective disruptive technologies. Initial adaptation of Fintech solutions has permitted several start-ups, financial service providers and other assorted sectors to accomplish an augmented pace of growth. This book also highlights how emerging technologies alter the subtleties of doing business for benefactors, the possibility of emerging technologies, advantages and disadvantages, technology-linked issues/challenges in financial services and the drivers of this revolution.

The book revolves around ethical, legal and political/policy issues in the use and regulation of technology. The interdisciplinary nature of the series editorial team offers the best possible examination of works that address the ethical, legal and social implications of emerging technologies. This text is essential for technologists, IT specialists, programmers, computer scientists, engineers, managers, administrators, academicians, students, policymakers and researchers, covering topics such as computer-supported collaborative learning, machine learning algorithms and blockchain.

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Chapter 1

Competitiveness as an Intangible Source of Knowledge, Organisational Culture, Processes, and Organisational Forms

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Abstract

Purpose: The main goal of this discussion is to explain how competitiveness could be an important source of knowledge and economic power in a society, especially in the period of higher demands on knowledge, innovation and organisational base growth. Our focus of the discussion will be tourism as an important service sector economic activity in countries all over the world.

Methodology: The chapter will be conceptually based on its goal to develop the theories of competitiveness and to discuss how competitiveness influences knowledge, organisational processes and forms with a focus on tourism services.

Findings: Competitiveness in tourism depends on many factors. As an intangible source of knowledge, organisational culture processes and organisational forms generally influences tourism activity. For this reason, not only is comparative advantage important in the competitiveness concept, but also competitive advantage and the way of deploying resources play an important role.

Significance: Resources are not only based on labour, capital and land (neoclassical theory approach), but resource-advantage theory underlines the importance of financial, physical, legal, human, organisational, informational and relational capital. In this process, new processes and organisational forms must be created, as well as innovative approaches to processes and the importance of knowledge capital.

Practical Implications: New ideas about this process could be helpful for researchers and practitioners to recognise the importance of competitiveness for their work and research.

Keywords: Competitiveness; comparative advantage; knowledge; organisational culture; organisational forms; resource advantage theory

JEL classifications: L86; M14; M15; M19

1. Introduction

Authors like Schumpeter (1934, 1939, 1943), Porter (1980, 1985, 1990) and later Hunt (2002) made significant contributions to the understanding of competition by drawing on the philosophical and business resources of the previously published and discussed concepts of competitiveness. For instance, Smith criticised the market economy's obstacles that limit a place's ability to compete (through tariffs, subsidies and unreasonable government interventions) and emphasised the significance of cooperation and competition as the forces that spur innovation and productivity growth in 'The Wealth of Nations'.

In his book *Principles of Political Economy*, David Ricardo outlined the theory of comparative advantage. His primary argument centres on the improvement of production variables at their highest level, such as when using comparative advantages to gain an advantage in the marketplace. The resource-advantage theory of competition, which was a contribution to a new theory of competition in marketing, management, business and economics, is Hunt's contribution to the theory of competitive advantage.

The resource-advantage theory, discussed by Hunt and other academics, is based on the Schumpeterian theory of competitiveness and innovation, which was incorporated into marketing as the heterogeneous demand theory, prioritising the importance of segmenting consumers' demand in order to achieve comparative and competitive advantages. Resource advantage theory, unlike the neoclassical theory of utility maximalisation, developed the idea that despite goals to achieve superior performance, companies have to cope with their own imperfect knowledge of key market factors such as competitors, market segments, suppliers and relevant technologies. Such factors are not only important sources of comparative advantage, but also an intangible source of knowledge, organisational culture, processes and organisational forms.

According to Hunt, 'Resources are defined as the tangible and intangible entities available to the firm that enable it to deliver effectively a market offering that has value for some market segment(s)' (2012, p. 10). Therefore, resources go beyond the three categories of labour, capital and land that are recognised in neoclassical theory. Instead, resources can be divided into seven categories:

- financial (access to financial markets, for instance);
- physical (such as buildings and machinery);
- legal (such as licensing and trademarks);
- human (such as the abilities and knowledge of specific employees);
- organisational (e.g. competencies, controls, policies, and culture);
- informational (e.g. consumer knowledge and competitive intelligence); and
- relational (e.g. relationships with suppliers and customers).

According to [Drucker \(1993\)](#), in the new post-capitalist society that is founded on a knowledge economy, knowledge is a crucial competitive instrument for innovation. According to [Metcalf \(2005, p. 23\)](#) ‘Modern capitalism is a special form of knowledge-based economic system... where innovation, enterprise, and competition are related through systems of complementing market and non-market-instituted frameworks.’ Innovation is incrementally impacted by codified material, such as written or tacit information (skills, general knowledge), and their transfer ([Cooper, 2005](#); [Malthora, 2002](#)). Genuine local insider knowledge might be a game-changer for tourism businesses competing in the market. According to [Williams \(2007\)](#), the transfer of cultural knowledge, such as cultural customs rooted in history and heritage, appears to be the most crucial aspect of tourism.

Knowledge also plays a significant role in competitiveness and the use of current comparative advantages, but novelty is not the prevailing idea.

Further discussion of competitiveness and innovation must address important topics including the value of knowledge and intangible resources, as well as the significance of segmentation in the marketing process.

Porter has covered competitive and comparative advantage theories in-depth at both the macro and local levels. Cost leadership, focus and distinctiveness are three general methods and sources of competitive advantage that Porter developed ([Fig. 1](#)). [Porter \(1985\)](#) explains that the differentiation notion has been used successfully in marketing segmentation and positioning strategy because an undifferentiated approach means there is no competitive advantage.

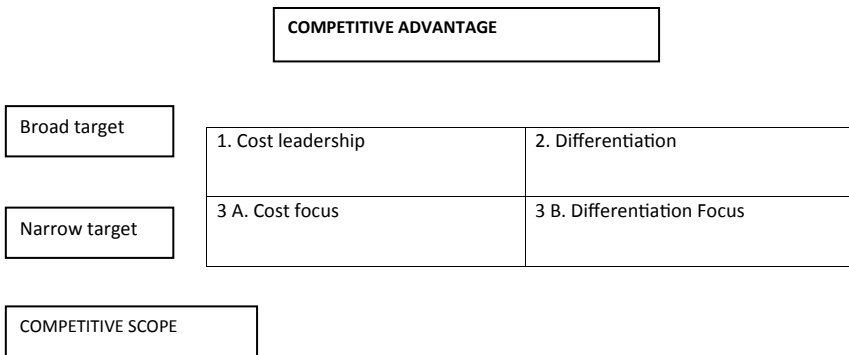


Fig. 1. Three Generic Strategies. *Source:* Amended upon Porter, M., 1985.

Porter (1990), the proponent of the fabled ‘diamond of competitiveness’ or ‘five forces framework’ (p. 7), made another contribution to the competitive and comparative advantage of nations by outlining the forces that function as rivals in the field, substitutes, potential newcomers, suppliers and customers. Here, Porter’s strategy is applicable at the micro level. The enclosed Fig. 2 describes the competition and demonstrates the five competing forces that affect industrial profitability.

According to Crouch and Ritchie (1999), ‘two extra variables, chance events and governments’ are crucial to Porter’s competitiveness notion (p. 141). For instance, unanticipated occurrences like the development of contagious illnesses, economic crises, ecological catastrophes, terrorism threats, unrest and wars, among others, have significantly impacted the competitiveness of nations around the world in a short span of time. These unanticipated occurrences may be the tipping point for a decline in competitiveness or a deterioration in reputation and image, which have an impact on the appeal or competitiveness of places (could be tourist destinations or destinations generally and could influence their products, their political status and their success in several activities). There may be various instances around the globe where nations’ competitiveness was undermined by the politics of their government.

The bulk of these incidents have had an impact on local communities’ daily lives as well as the economy and, in turn, tourism performance. Due to its reliance on first-hand knowledge of crises and natural disasters, tourism is comparatively vulnerable. The responses of various nations to these events depend on a variety of variables, including each nation’s economic standing, governance structures and crisis management capabilities, as well as the responses of the international community, the engagement of the media and its business culture. As a result of

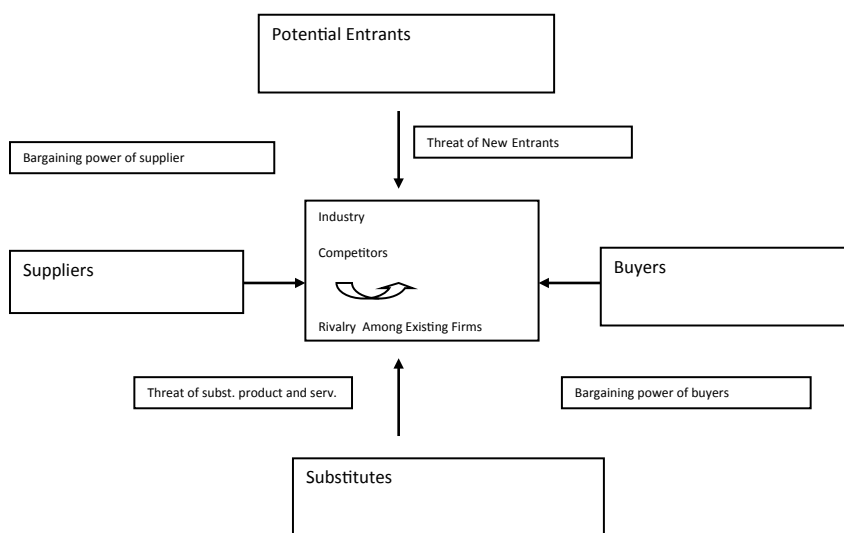


Fig. 2. Competitive Forces Determining Industry Profitability. *Source:* Amended upon Porter, M., 1985.

such crises and disasters, tourist-related activities typically fall, the reputation of governments that prioritise tourism is damaged and these extreme events have a significant impact on the competitiveness of travel destinations.

Since the tourism industry is mostly service-based and there are obstacles to finding factors influencing competitiveness in the sector that produces commodities, scholars and practitioners in the industry try to define competitiveness in terms similar to those used in the service sector. Given the lack of knowledge on service competition, it could be difficult (Porter, 1990, p. 239). A potential source of information is the application of competitiveness concepts utilised in business and international commerce. The unique nature of services, their intangible nature and their reliance on human capital, however, are significant variables impacting competitiveness in both the tourist and the service sectors.

Researchers can study competition from several perspectives by using a multidisciplinary approach to competitiveness in tourism, which incorporates disciplines including economics, political economy, marketing and management.

Competitiveness, which is a key component of a country's prosperity, was defined as 'the ability of a country or corporation to, proportionally, generate more wealth than its competitors in world markets' in The World Competitiveness Report (1994, p. 18). The development of competitiveness knowledge was aided by political economics, particularly international trade, in part because it is based on competitive advantage.

Ricardo created the comparative advantage notion, which is the most significant. The unequal endowment and distribution of valuable and usable resources as well as the immobility of labour are, however, perceived as faults in all of these ideas, particularly in the conceptions of innovation. Comparative advantage is explained by the theory of international trade as the result of variations in opportunity costs, technology and resources as well as the additional sources of information, which can be helpful in the tourism industry.

2. Aim of the Study

Countries that want to win the race for leadership in the global arena must prioritise competitiveness. Because of this, it's critical to talk about the modern world's sources of competitiveness and to concentrate on the most cutting-edge competitiveness strategies. Our objective is to investigate new competitiveness sources in the tourism service sector and to prepare a conceptual framework for further research. This work may help researchers and practitioners in their work by filling in some of the gaps in the literature on competitiveness. There are many literary sources on competitiveness and papers dealing with this topic using various research methods.

3. Literature Review

3.1. Competitiveness in Tourism

Researchers and academics like Heath and Wall (1992), Kozak and Rimmington (1999), Dwyer and Kim (2003), Buhalis (2000), Crouch and Ritchie (1999,

2000b), Hassan (2000), Vanhove (2006), Ruhanen (2007), Bordas (1994), Poon (1993), etc. have all been interested in the topic of competitiveness in tourism destinations, and some of them have identified the most crucial competitiveness indicators in their models of competitiveness.

The complex nature of tourism studies in general and competitiveness issues need the employment of a number of methodologies and concepts. Additionally, destinations must accept the dynamic and strategic development qualities that innovation and particularly competitiveness entail.

Crouch and Ritchie (1999) and Poon (1993) both claim that swift and significant modifications and transformations must be implemented in order to accommodate new tourism. Changes in demand and supply, as well as in the social, economic, political, environmental and technological spheres, all have an impact on tourism. For instance, the use of one of the components of the marketing mix, such as marketing communication in tourism, is now significantly influenced by technical advancement and ICT deployment.

As a result, the macro, mezzo and micro levels of the macro and micro environments all have a role in the competitiveness of the tourism industry. At the macro (governmental) level, tourism competitors are motivated by a desire to contribute to the GDP, be a significant source of employment, a social and cultural phenomenon, and most recently, a vehicle for ongoing multicultural cohesion, which may be an opportunity for bettering intercultural relations and human understanding. Nevertheless, despite the tourism industry's enormously good effects on economic growth, it has also raised serious social and environmental issues.

The idea of competition has been borrowed from a variety of fields, particularly management and marketing. It is because 'components that form destination management are among the most actionable and manageable of those concerned in the drive to create and preserve a destination's competitiveness', according to Crouch and Ritchie (2003, p. 75). The issue with this definition is that because competitiveness has many facets and influences from several dimensions, it cannot be comprehended solely from a commercial or management standpoint.

Crouch and Ritchie (2003, p. 80) referred to the multifaceted macroenvironment approach as the concept of onionskin taxonomy. The layers around a destination form the corpus of the so-called 'onion', which represents the global factors influencing the opportunities and difficulties of that location. Understanding the sources of comparative and competitive advantages as well as other factors that affect it, such as geographic, economic, demographic, climatic, technological, environmental, political and demographic pressures, is crucial to understand competitiveness. All of the aforementioned factors must be considered in order to define tourist competitiveness and to create a complicated image of the entire concept.

By asserting that a competitive destination is capable of luring travellers, offering unique experiences in a way that doesn't affect the environment, and generating income for a destination and its citizens, Crouch and Ritchie (2003) underlined the requirement of a multidimensional approach. This statement demonstrates a comprehensive approach to the competitive destination, which combines effectiveness and efficiency (economics), consumer satisfaction (marketing),

community involvement (community development) and the sustainability concept (protection of natural resources).

According to [Dwyer, Forsyth and Rao \(2000\)](#) and [Matias, Nijkamp and Netto \(2007\)](#), the competitiveness of a tourism destination also depends on qualitative elements, such as the destination's attractiveness, in addition to economic metrics (such as financial and productivity indices). Development of the tourism industry is dependent on the environment, the physical environment, the quality and attractiveness of the superstructure, such as the presence of historical and cultural landmarks, and the atmosphere of a location. Supportive factors (infrastructure and community) are also significant, such as people and the calibre of the workforce in both tourism-related and non-tourist industries.

From a demand-side perspective, which also takes into account the so-called tourism destination features, the allure of tourist sites is judged. It is crucial to note that customer demand fluctuates from time to time, and that a location's appeal does not always remain constant.

3.2. Comparative Advantage in Tourism

In order to properly analyse both concepts, a more comprehensive framework is first required, as indicated by Porter in his lectures on competitiveness, including factors conditions, supply and demand conditions, strategy, competition and rivalry. Labour, land and capital have been identified as factor conditions in political economy and economics. [Porter \(1990\)](#) named these four elements as knowledge, physical and human capital, and capital resources. Infrastructure was also mentioned as a requirement for supply. These elements, such as the inherited, adopted or generated elements, might be seen as a comparative advantage in tourist destinations.

In their conceptual model of destination competitiveness, [Crouch and Ritchie \(2003\)](#) included human, physical and knowledge resources, infrastructure (general and tourism), superstructure (accommodation and restaurant facilities), historical and cultural resources and the size of the economy to explain comparative advantage as a factor. In other words, factors of production such as human and financial capital, infrastructure and superstructure, and primary resources such as mountains, minerals, lakes and the sea are what provide comparative advantage in the tourism industry (macroeconomic factors). Gross Domestic Product (GDP) and Gross National Product (GNP) statistics are used to determine the size of an economy, and tourism is frequently a significant contributor to a nation's GDP. Comparative advantage elements and traits impact countries' specialisation for particular industries through international commerce and specialisation principles and it also concerns specialisation in tourism and its products.

Regarding how the ideas of global trade affect the competitiveness of the tourism industry, one idea stands out as being very significant. The resources and comparative advantages already in place, such as the superstructure (which consists primarily of service-based product types) or the natural resources, are not exported to be utilised in the tourism industry. For this reason, international tourists' consumption of tourism-related goods and services is referred to as a

'invisible export'. The decision of consumers or tourists to use the resources and visit a destination determines the economic impact of sources of comparative advantage. When tourism is a factor that is completely traded internationally, national competitiveness is increased. This is why tourism places must create successful strategies to add value and gain a competitive advantage by effective implementation of existing sources.

3.3. Competitive Advantage in Tourism

The value-added principle must be applied in a competitive strategy, which requires the utilisation of inherited or existing resources, therefore the mere existence of the components of comparative advantage is insufficient for competitiveness (comparative advantage). In order to create additional value, competitive advantage (Fig. 3) refers to the distribution of resources with a comparative advantage and measurement of deployment. The administrative, marketing and economic instruments required for the effectiveness and efficiency of the current resources, strategic planning and visioning are essential to this process.

An effective competitive advantage plan is also influenced by social and sustainability considerations. According to Crouch and Ritchie (2003), profit is not the only objective of destination development, and successful destinations have made judicious use of their natural wealth. Therefore, nations engaged in tourism development need to be sensitive to their natural resources in order to be economically successful and to provide unforgettable experiences. It is feasible to revitalise built-up attractions, services and infrastructure, but some resources, like pristine nature, are non-renewable.

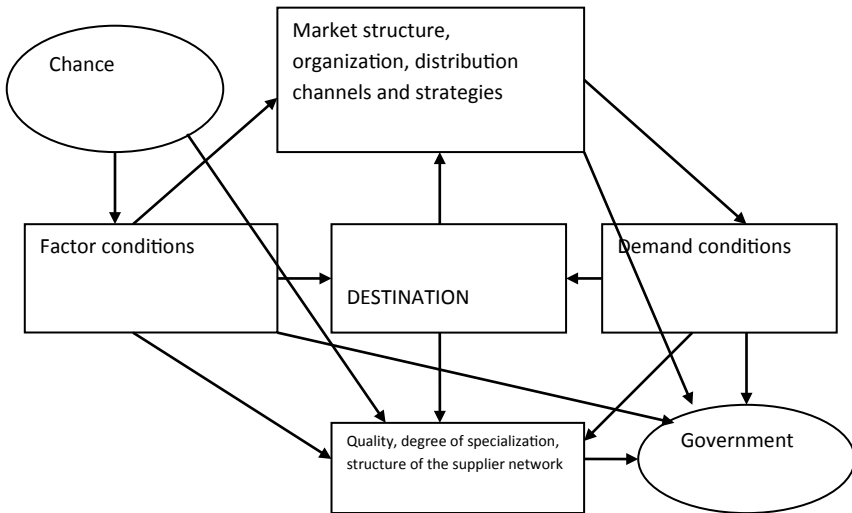


Fig. 3. Competitive Advantages of Tourism Destinations. Source: Amended upon Smeral, E., 1998.