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Онопко М. О.*

QUALITATIVE METHODS OF RESEARCH OF SOVEREIGN WEALTH FUNDS

Стаття присвячена розробці якісного підходу до дослідження діяльності фондів суверенного багатства. Розглянуто альтернативні стратегії дослідження проблем управління фондами національного багатства з врахуванням особливостей середовища діяльності та структури управління фондами.

Ключові слова: фонди суверенного багатства, управління, обґрунтована теорія, якісні методи досліджень.

The article is devoted to the development of the qualitative approach to the study of the activities of sovereign wealth funds. Alternative strategies to investigate governance issues in sovereign wealth funds are analyzed, to depict those applicable in case of certain structure and accountability of the fund.

Key words: sovereign wealth funds, management, grounded theory, qualitative research methods.

Статья посвящена разработке качественного подхода к исследованию деятельности фондов суверенного богатства. Рассмотрены альтернативные стратегии исследования проблем управления фондами национального богатства с учетом особенностей среды деятельности и структуры управления фондами.

Ключевые слова: фонды суверенного богатства, управление, обоснованная теория, качественные методы исследований.

Problem statement. Qualitative methods are used in the studies that are aimed at addressing issues in fields that are quite complicated to measure. As governance issues are explained by different theories that explain possible approach to these issues, qualitative techniques are more applicable in comparison with quantitative approach when we investigate governance in different sovereign wealth funds.

Review of recent publications. The issues of applicable methods of research of the sovereign wealth fund activities are extensively discussed in the literature as every researcher applies a set of techniques to shed light on particular side of their activities and these different approaches are utilized by A. Monk, C. Balding, J. Santiso, J. Stiglitz, A. Rozanov. The qualitative techniques and mixed methods the most broadly used to investigate the issues in this field.

Description of the unresolved issues within broader problem. The investigation of the sovereign wealth fund's operations is currently on the way and existing theories are not capable of explaining this phenomenon, thus there is a need to develop existing knowledge through qualitative research.

* аспірант кафедри міжнародних фінансів Інституту міжнародних відносин Київського національного університету імені Тараса Шевченка.

Науковий керівник: професор Рогач О. І.

Purpose of the paper. This article is an attempt to find possible ways to apply qualitative methods in order to investigate the governance issues in two sovereign wealth funds: the State Oil Fund of Azerbaijan and the Norwegian Government Pension Fund (Global). The most important feature of qualitative approach in this case is an assumption about social construction of the reality [9, p. 456], we take interpretive approach as our main qualitative approach, which empowers us to consider two completely different settings for our research and try to detect issues depending on the conditions. As argued by Alvesson and Sköldbberg, the qualitative methods require personal involvement and proficiency in use of different techniques and the interpretive practices and the outcome is the new angle of perception of the object of inquiry [1, p. 12].

The integrity of qualitative research is defined by purposiveness (methods that are applied have to be applicable to get the data needed for the purposes of the study) and congruence (interconnection between different stages of the research).

Ethnography is based on observations made by the researcher on the research site, but to my mind it is hardly the best research strategy of research for present study and observations are valuable to make sense of the data acquired through another sources. Non-participant observations may bring us to understanding of the symbolic sphere without interference into the actions of the subjects [3, p. 21]. Ethnographic component can be included in present study if it is possible to arrange this with participants, as the two sovereign wealth funds are established in completely different cultural and civilizational context. For instance, there no women in management of the State Oil Fund of the Republic of Azerbaijan, ethnographic approach may show what are the preconditions for described situation is it due to gender inequality or other reasons.

Sovereign wealth funds constitute a part of the public sector. This means that there are special mechanisms of safeguarding the information and controlling the information flows. Therefore, the informants take substantial level of risk when they unveil any information to the researcher. Informants can never be sure what story the researcher will hear, in which way the data gathered through observations will change the story to be told. On the other hand, as stressed by Eberle and Maeder, ethnographic approach gives us access to understanding of informal norms, routines and process of formulation of tacit knowledge [3, p. 60].

Grounded theory is about theoretical discoveries on the basis of the data obtained from social research [6, p. 5]. This way of theory formulation relies on developing a theory on inductive basis and it is opposed to deduction of theory from predetermined assumptions. This can be an approach to data analysis and category formulation that arises from the reality explored by the researcher and thus be synchronized in a way with the behaviour that we examine [6, p.10].

This approach could be applicable in this case, since we are about to use comparative approach to come to conclusion about existence and scope of influence of governance principles prevalent in particular society on the conduct of particular sovereign wealth fund. This approach presents the way to the data generating and analysis. This approach is particularly important for the present study, since theoretical underpinnings are being formed and the theory has to be built on the data acquired from the real-life experience. Thus, elements of the grounded theory will be very helpful for present study and for further investigation of these issues. Grounded theory prospective is also valuable since investigation of sovereign wealth funds can produce quite unexpected results that can change the research questions after we factor in the data from empirical data.

Case study can give us an opportunity to understand all peculiarities of operations of particular sovereign wealth fund. Case study empowers us to go into detailed analysis of context of development of their practices. The case study can include single of multiple cases, where we incorporate comparison in our analysis. There are two different sovereign wealth funds that are

of special interest for this study: Azerbaijan and Norway sovereign wealth funds present example of ethical-oriented fund from advanced economy and another is created in a country with transition economy and authoritarian government.

We can use case study to distinguish between decision making process in these funds and argue that the political regime is influencing the decision making process in these entities. Moreover, we can detect the way in which the shortcomings of this process may be minimized if we utilize the experience of the other fund as a benchmark. Thus, case study method may help us to create new ideas.

As noted by Feagin et. al., the special attention should be given to the views of those responsible for decisions in these organizations and to completeness of the case [4, p. 127].

The case study is empowering us to empirically investigate a phenomenon using multiple sources of evidence to do that and by depicting phenomenon within its context [13, p. 24]. The case study is often criticized for not providing enough evidence to generalize the results, but since sovereign wealth funds are rather heterogeneous group of entities, it is hard to generalize the results anyway [5, p. 304]. Since the use of one case study is usually considered insufficient to provide generalizing conclusion, we use two case studies to increase robustness of results in case some replications can be found in both cases. Case study method encompasses the approach to data collection and analysis as well. Case study is primarily qualitative approach even though some qualitative data might be used to reinforce the understanding of the context and processes in sovereign wealth funds. The design of case study research can include ethnographic studies as an integral part of research strategy, as this approach empower researcher to observe the real conditions and choose theoretical framework accordingly after observations are made. The first research purpose that can be achieved through use of is triangulation in order to converge the data obtained from different sources. The second is complementarity in order to measure different aspects of certain phenomenon, the third is development in use of other methods, the fourth is initiation as an endeavour to find paradox, contradictions, new frameworks, while expansion of study can also be achieved [8, p. 257].

Data collection methods include qualitative interviews that present one of the most widely used methods of data collection in social sciences. Interviews can be chosen to collect the empirical data needed to get an insight about situation and processes within the Fund. It is important to understand what challenges arise for the sovereign wealth fund management and particularly what are the main issues in agency relations connected with the activities of the sovereign wealth funds. In order to get the most reliable data possible one of the best ways is to arrange simulation of discussion of decisions concerning governance issues in activities of the Norwegian Government Pension Fund (Global). This activity should include the situation that requires deep discussion of ethical limitations that are imposed by public opinion that would empower us to detect the real connections and interrelations between those who are responsible for activities of the fund. This may be arranged in case some real-life situation occurs and actual negotiations on how to deal with the situation will be on the way or the representatives of The Fund will give their consent to participate in such staged negotiations that will empower us to make own conclusions concerning this process. The officials of the Norwegian Government Pension Fund (Global) may not be willing to talk about certain peculiarities of activities, so abovementioned approach may help us detect issues and contradictions in the process.

In case of State Oil Fund of Azerbaijan it is not possible to arrange abovementioned experimental negotiations. Thus, the interviews should be constructed in a way that would make interviewees share their views on conduct of the fund in Azerbaijan.

Before the interviewing topics for conversation in form of interview guide will be prepared. Each interview will include follow-up questions to understand what interviewees really have to say about our questions and find out what challenges are there. There are differences in a way that interviews should be carried.

Content analysis is used to explore the context of the issues and perception of these issues of the interested parties. One of the most important issues is the approach to analysis of the data obtained through interviews. This issue should be addressed on the initial stage of data collection. The questionnaire should include the questions that will empower us to detect real expectations of interviewees. The researcher should have expertise to get reliable and relevant data and to be successful interviewer. This means that he has connection with respondents, help them feel comfortable enough to talk freely and express their thoughts and whether interviewer was able to get the information needed for research. The precondition for successful interview is a choice of the people to interview they should have certain information at their disposal (beliefs, attitude, knowledge). The size of the sample is very important as well as the positions of people in a sample and how they related to issues of sovereign wealth funds ethical conduct should cover all possible problem areas such as agency conflicts and relations with companies the fund invested in. Focus groups can be used as an instrument to detect public opinion about the activities conducted by the sovereign wealth fund. The structure of these interviews should be differentiated according to the type of data that should be obtained.

Semi-structured interviews will be used as well as non-standard interviews in order to get in-depth knowledge about subject matter. Face-to-face individual interviews will be used to get information needed to answer the research questions and construct further analysis of data that researcher will get during these interviews.

The data collection phase entails decision about the dataset needed for the purpose of study and choice of the mode of data collection in order to mitigate potential bias of participants. The empirical phase of present study includes collection of data concerning existing practices, routines as well as detection of the process of governance in the Norwegian Government Pension Fund (Global) and the State Oil Fund. The data will be collected depending on access to the respondents either during meeting in person or over the phone.

The interviews that are taken in person have many advantages for our research. Firstly, our aim is to explore the causal connections between different variables: the current policy of the government, national culture and mode of governance of the sovereign wealth fund. The aim is to understand in which manner the decisions are made and what are opinions that participants have concerning this process. The interviews may also give us ability to lead the discussion and see what discoveries can be brought by the further development of the conversation can bring the new angle to future research. The use of mostly open-ended questions will empower us to get reflections from respondents and change the logic of interviewing during the process. The interviews are more usable for our research, since respondents do not have to write anything down as compared to questionnaire. Moreover, personal contact established during the interview can help them feel more secure about further use of the data obtained through this method. As noted by Miller and Glassner, in the process of interviewing it is possible to get self-reflective information from the interviewed and get more holistic view and this is certainly the strength of this instrument of qualitative inquiry as well as a possibility to collect narratives [10, p. 128]. Since we want to get deep understanding of the practices in sovereign wealth funds and follow the logic of the organizational development as well as influence of society on their activities. We do not need any additional hardware or software to perform interviews and we are flexible to adjust to emerging needs of the study. The data will then be transcribed and sent out to the re-

spondents in order to get their approval and to prevent from biased interpretation of the words of respondent. The respondents have to be chosen among those who participate in process of formulation of ethical conduct and are capable of describing the situation in historical perspective and give us the holistic view on our subject of inquiry in the context.

The participants from the Norwegian Government Fund (Global) are projected to be: Representatives of Ministry of Finance of Norway, Members of Norges Bank Executive Board, Members of Norwegian Government Fund (Global) risk management and compliance, Members of the Council on Ethics. This choice of participants of interviews will be made according to the structure of relations inside the sovereign wealth funds and communication between society and the Norwegian Government Pension Fund (Global), it could be possible to contact at least some of people mentioned above.

The participants from the State Oil Fund of the Republic of Azerbaijan are projected to be: Members of the Supervisory Board; Internal Auditors; Accounting Department Employees. This choice is stipulated by the nature of connections between the state and the Fund, as there is a direct influence of executive and legislative power on the fund, moreover the CEO is appointed be the President of Azerbaijan that makes the management of the Fund directly subordinated to the head of the state.

Each of the samples should include the representatives of NGO to describe the civil society perspective on these issues, this is completely achievable in case of Norway but may be problematic in case of Azerbaijan.

We will try to carry out interviews in such a way that we can learn the most about facts and processes within the sovereign wealth funds without ethnographic research and deep understanding of informal controls in the company. We take into account possibility of participant's error, meaning that research settings may influence the results and thus interviews will take place in the most suitable time chosen by interviewee [11, p. 325]. After the interview, the transcripts will be send to interviewees to give them opportunity to make comments and receive back with their remarks. We also had in mind the threat of participant bias, when interviewee is being only partly truthful or tries to conceal some information and create positive impression about certain fund. In our case we needed the interview with members of the departments to get employee's point of view on actions of managers, explore positive and negative sides of ethical aspects of activities of the sovereign wealth funds and also to design follow-up questions for the Supervisory Board members in Azerbaijan and members of Norges bank Executive Board and in such a way that they could reveal some of issues we were unable to detect beforehand. The limitation of our research is lack of reach to the CEO level; it means that results could be different if we explored their interaction with other government investment vehicles and agencies. International context of operations of sovereign wealth funds and connection to the ethical principles of societies where overseas investments are made could also improve our understanding of the problem we look into. The data will be collected during interviews. Primary and secondary data from records held in sovereign wealth funds will be used. Documents will be a source of information used to prepare for the interviews and formulate hypotheses concerning the research questions.

Different types of interviews will be employed. Face-to-face interviews might be more fruitful in case of the State Oil Fund of the Republic of Azerbaijan, since participants will feel more open and discuss some sensitive points without fear to say something wrong, this way we might get less biased opinion.

Another approach may be more fruitful in case of the Norwegian Government Pension Fund (Global) – group interviews followed by individual interviews to clarify unresolved issues con-

cerning ethical conduct. This way we can apply triangulation method by comparing viewpoints of group and individuals.

The information acquired through interviews should then be categorized and coded using open coding the analysis of the evidence appears to be the most complicated process, since even if we manage to get all the data needed. Firstly, we will evaluate the data according to the sources, reliability and define applicable methods to analyse it. We can use statistical methods in order to classify the participants by having one or more criteria to do that and then analyse results acquired from each group separately and compare the outcomes with other groups.

The triangulation of analysis by reviewing different points of view in order to understand what are the main viewpoints we can distinguish.

The subjective interpretation of actors will be a source of narrative that will be analysed to detect causal relationships between events. The primary data enriched with data from secondary sources to come to conclusions.

According to Alvesson and Sköldbberg, there are four philosophic and methodological orientations that indicate reflective areas of the social research: empirically oriented currents, hermeneutics, critical theory and postmodernism [1, p. 43]. We have discussed possibility to apply grounded theory before. Hermeneutics was applied to come to understanding of the essence of categories we use and in present study application of this approach helps us see contrast between objective categories and real-life situation. For instance, one of the most important terms we use is «ethical conduct» as there can be numerous approaches to definition of ethics and the most important for us is the process of defining this term rather than utilization.

Conclusions. The qualitative research has to follow pre-defined logic of theorizing process and grounded theory is an example of the applicable technique in qualitative research. We are not using grounded theory, but in case we come to the conclusion that the analytical process is not efficient, we can take grounded theory as possible methodology that might facilitate analysis of results an detection of connections after empirical material is processed.

My interpretive skills are quite underdeveloped, since major part of my education is of positivist origin and little attention is given to development of this kind of mind-set. Moreover, the researchers in Ukraine are just starting to realize the importance of qualitative methods and limitation of qualitative positivist approach that is predominant in social science. We rarely can measure the reality and we have to develop a set of preconditions in order for our model to work.

Political and ideological aspects in present research were most considerably important in case of the State Oil Fund of the Republic of Azerbaijan, since informants might not perceive some of our views about political context of the operations in the same way. Thus, we have to consider the formulation of questions in such a way, which would not make them deal with dilemma of how to describe this situation.

Strength of the chosen methodology is applicability to certain case interviews as method of data collection gives opportunity to adjust to the participant's needs. Weaknesses of chosen research strategy is the need to utilize somewhat different approaches to explore two object, thus the data collected has to be generalized before we can analyse it. The main weakness is lack of experience in utilization of these techniques by the researcher.

The first task of researcher is to identify the study questions to get into details concerning research questions concerning how the relations are established and why the system is functioning in this way. These questions will help to define and redefine the goal of the study. The choice of case study as a way to investigate the sovereign wealth funds requires understanding of the need to use variety of data gathering methods to get the evidence concerning the case that will bring the understanding of the case and empowers us to answer the research questions.

The researcher has to keep in mind the units of analysis, in present study the sovereign wealth funds will be explored mainly as organizations that are somehow affected by external environment, but mostly their international activities are out of scope of discussion.

The sources of evidence that have been collected in different form (documents, interviews, direct observation) have to be stored by the researcher in order to refer to them in case there is a need to support the line of inquiry.

The role of researcher is particularly important during the process of data gathering and analysis, since approach chosen by the researcher affects the outcomes of these activities. Moreover, the researcher has to be prepared to use the techniques and software chosen to help achieve the goals of the study. Otherwise the goals will not be achieved and the empirical data collected will not help to create a holistic picture of organizational landscape. The researcher has to be aware, that the researched phenomenon can only be partially captured, but it is important to understand that the object of research has to be investigated through holistic approach.

We can say that as data is gathered through interviewing, there is a danger to falsify some pieces of data in case participant make up some non-existing issues or routines. The process of triangulation and double-check might be helpful to mitigate this threat.

In case the participant prefers to remain unrevealed, the researcher should respect this, but still has to be careful about getting the information right and get the permission to use data acquired from all participants and their approval of interpretation of their words.

Gender issues can be defined in the personal features of the researcher as women and men process information in a different way. Thus, the same empirical data might be given another sense if a man would conduct the same research. There is one particularly important issue in case of the State Oil Fund of the Republic of Azerbaijan, since the difference of cultural settings might lead to problems in achieving projected outcomes of the study because of distrust of male participants to the interviewer.

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