

Eurasian Studies in Business and Economics 3/1
Series Editors: Mehmet Huseyin Bilgin · Hakan Danis

Mehmet Huseyin Bilgin
Hakan Danis *Editors*

Entrepreneurship, Business and Economics – Vol. 1

Proceedings of the 15th Eurasia
Business and Economics Society
Conference



 Springer

Eurasian Studies in Business and Economics 3/1

Series Editors

Mehmet Huseyin Bilgin, Istanbul, Turkey

Hakan Danis, San Francisco, CA, USA

Representing

Eurasia Business and Economics Society

More information about this series at <http://www.springer.com/series/13544>

Mehmet Huseyin Bilgin • Hakan Danis
Editors

Entrepreneurship, Business and Economics - Vol. 1

Proceedings of the 15th Eurasia Business
and Economics Society Conference

 Springer

Editors

Mehmet Huseyin Bilgin
Faculty of Economics
Istanbul Medeniyet University
Istanbul
Turkey

Hakan Danis
MUFG Union Bank
San Francisco, CA
USA

ISSN 2364-5067

ISSN 2364-5075 (electronic)

Eurasian Studies in Business and Economics

ISBN 978-3-319-27569-7

ISBN 978-3-319-27570-3 (eBook)

DOI 10.1007/978-3-319-27570-3

Library of Congress Control Number: 2016930293

Springer Cham Heidelberg New York Dordrecht London

© Springer International Publishing Switzerland 2016

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made.

Printed on acid-free paper

Springer International Publishing AG Switzerland is part of Springer Science+Business Media (www.springer.com)

Preface

This is the third issue of the Springer's series *Eurasian Studies in Business and Economics*, which is the official book series of the Eurasia Business and Economics Society (EBES, www.ebesweb.org). This issue includes selected papers presented at the 15th EBES Conference that was held on January 8, 9, and 10, 2015, at the *ISCTE-IUL Instituto Universitário de Lisboa* in Lisbon, Portugal, with the support of the *Istanbul Economic Research Association*. Due to space limitation, the accepted papers are published in two volumes. All accepted full-length papers for the issue went through peer-review process and benefited from the comments made during the conference as well.

In the conference, 369 papers were presented and 628 colleagues from 51 countries attended the conference. In addition to publication opportunities in EBES journals (*Eurasian Business Review* and *Eurasian Economic Review*, which are published by Springer), conference participants were given opportunity to submit their full papers to this issue. We regret that we could accept only a small portion of those papers.

Theoretical and empirical papers in the series cover diverse areas of business, economics, and finance from many different countries, providing a valuable opportunity to researchers, professionals, and students to catch up with the most recent studies in a diverse set of fields across many countries and regions.

EBES conferences have focused on the areas of economics, finance, and business. Therefore, each volume of the *Eurasian Studies in Business and Economics* series covers a wide variety of topics from business and economics and provides empirical results from many different countries and regions that are less investigated in the existing literature. The first volume of the set covers the following fields:

1. Entrepreneurship
2. Small and Medium-Sized Enterprises
3. Human Resources
4. Management

5. Marketing
6. Tourism

The first volume includes many empirical studies on developing European countries such as Poland, Romania, and Lithuania which are not extensively examined in the existing literature. Therefore, these papers should enlighten the researchers interested in these regions.

The second volume of the set focuses more on economics and finance. The broad topics that volume covers:

1. Accounting
2. Corporate Governance
3. Energy Studies
4. Economic Growth and Development
5. Economics
6. Banking & Finance

Although the papers in the second volume provide empirical evidence from Eastern European countries, the readers would find them useful as some of the results could be valid for similar economies.

We believe that the accepted papers in this issue will provide an invaluable opportunity for our readers to catch up with the most recent studies in a diverse set of fields across many countries and regions and empirical support for the existing literature.

On behalf of the Volume Editors and EBES officers, I would like to thank the host institution *ISCTE-IUL Instituto Universitário de Lisboa*, all presenters, participants, board members, and keynote speakers and look forward to seeing you at the upcoming EBES conferences.

Best regards,

Istanbul, Turkey

Ender Demir

Eurasia Business and Economics Society (EBES)

EBES is a scholarly association for scholars involved in the practice and study of economics, finance, and business worldwide. EBES was founded in 2008 with the purpose of not only promoting academic research in the field of business and economics but also encouraging the intellectual development of scholars. In spite of the term “Eurasia”, the scope should be understood in its broadest term as having a global emphasis.

EBES aims to bring worldwide researchers and professionals together through organizing conferences and publishing academic journals and increase economics, finance, and business knowledge through academic discussions. To reach its goal, EBES benefits from its executive and advisory boards which consist of well-known academicians from all around the world. Every year, with the inclusion of new members, our executive and advisory boards became more diverse and influential. I would like to thank them for their support.

EBES conferences and journals are open to all economics, finance, and business scholars and professionals around the world. Any scholar or professional interested in economics, finance, and business around the world is welcome to attend EBES conferences. Since 2012, EBES has been organizing three conferences every year: One in Istanbul (usually in late May or early June) and two in Europe or Asia (usually in January and October). Since our first conference, 3611 academic papers by 6345 colleagues from 91 different countries have been presented. Also, in a very short period of time, **EBES has reached 1394 members from 76 countries.**

Since 2011, EBES has been publishing two academic journals. One of those journals, *Eurasian Business Review—EBR*, is in the fields of industry and business, and the other one, *Eurasian Economic Review—EER*, is in the fields of economics and finance. Both journals are published biannually, and we are committed to having both journals included in SSCI as soon as possible. Both journals have been published by *Springer* since 2014 and are currently indexed in the *EconLit*, *Google Scholar*, *EBSCO*, *ProQuest*, *ABI/INFORM*, *Business Source*, *International Bibliography of the Social Sciences (IBSS)*, *OCLC*, *Research Papers in Economics (RePEc)*, *Summon by ProQuest*, and *TOC Premier*.

Furthermore, since 2014 Springer has been publishing a new conference proceedings series (*Eurasian Studies in Business and Economics*) which includes selected papers from the EBES conferences. The 10th, 11th, 12th, and 13th EBES Conference Proceedings have already been accepted for inclusion in the Thompson Reuters' ***Conference Proceedings Citation Index***, and subsequent conference proceedings are in progress.

On behalf of the EBES officers and Board, I sincerely thank you for your participation and look forward to seeing you at our future conferences.

With my very best wishes,

Australia

Jonathan Batten, Ph.D.

Contents

Part I Entrepreneurship and Small and Medium-Sized Enterprises	
Entrepreneurial Opportunities Perception and Intentions within European Innovation-Driven Economies Under the Shadow of a Financial Crisis	3
Maria A. Perez Alonso, Jose Carlos Sanchez, and Dimitrios Maditinos	
Participation and Sharing Economy: The Spanish Case of #Compartirmola	15
Josep Martínez-Polo, Jesús T. Martínez-Sánchez, and José Manuel Noguera Vivó	
Destimulants of the Convergence Process Illustrated with the Example of the Level of Participation of Polish SMEs in the Seventh Framework Program and Preparedness to Participate in the Horizons 2020 Programs	23
Monika Fabińska	
Is Franchising an Efficient Tool for Entrepreneurship in the Knowledge Economy?	33
N. Oyku Iyigun and Milena Keskin	
Development of Social Entrepreneurship in Lithuanian Enterprises	43
Jolita Greblikaite	
The Development of Creative Industries in Poland Comparison with the European Union	57
Magdalena Ratalewska	
Surveying Entrepreneurship Orientation Through Teamwork Assignments: The Case of Kfupm Students	69
M-Said Oukil	

Involvement of the SMEs in the 7th Framework Programme of the European Union: Case Study for Romania	77
Daniela Biro (Vasile) and Monica Dudian	
Key Success Factors for Small and Medium Size Enterprises in a Context of Global Supply Chains	89
Eglè Stonkutė and Jolita Vveinhardt	
The Technological Entrepreneurship Capacity and Partnering as Elements of an Open Culture of Small and Medium-Sized Enterprises: Case Study of Poland	103
Anna Adamik and Katarzyna Szymańska	
Success Indicators and Factors for Small and Medium-Sized Enterprises in Chelyabinsk Region of Russia	115
Dmitri Pletnev and Ekaterina Nikolaeva	
Taxation and Transaction Costs as Factors of Business Success in Medium-Sized Enterprises in Russia	129
Victor Barhatov, Ekaterina Nikolaeva, and Irina Belova	
Strategic Decision-Making in the Bakery Market: Experience of SMEs in Kazakhstan	139
Bayanslu Markhayeva	
Part II Human Resources	
Managing Employee's Resistance to Change: A Conceptual Model Based on Human Capital Perspective	153
Alexandra Cătălina Nedelcu and Cristian Buşu	
What Did You Expect to Happen? Aligning HR Practices with Knowledge Management Outcomes	165
Pia Hurmelinna-Laukkanen, Jorge F.S. Gomes, and Heidi Olander	
Business and Tourism Students' Considerations on Future Career	183
Iorgulescu Maria-Cristina and Țăpescu Alina Ioana	
In-Service Training System Organization Improvement at Customs Administrations	201
Mara Petersone, Aivars Vilnis Krastins, and Karlis Ketners	
Key Facts about Motivation on Romanian Employers	217
Tampu Diana Larisa	
Strategic Partnerships for the Development of Competitive Labor Force Through Vocational Education and Training	229
Ilze Buligina and Biruta Sloka	

The Role of Social Media in Employer Branding 245
 Ayşe Begum Otken and Elif Yolbulan Okan

Economic and Educational Crisis: Challenges for Students in Portugal and Croatia 261
 Jelena Legčević, Rute Abreu, and Fátima David

Part III Management

Empirical Indicators for Evaluating the Concentration Degree on the Market: Case Study on Romanian Automotive Market 277
 Cristian Buşu, Mihail Buşu, and Alexandra Cătălina Nedelcu

Leading Risk Management Determinants of Small and Medium-Sized Enterprises (SMEs): An Exploratory Study in Poland 289
 Gorzeń-Mitka Iwona

Acknowledging Diversity, Patterns and Cohesion 299
 Vrânceanu Carmen-Andreea and Leca Irina

A Dashboard for Lean Companies: A Proposed Model with the Collaboration of Ten Large Italian Enterprises 317
 Andrea Payaro and Anna Rita Papa

The Degree of Sustainable Development of Public Transport in Major Polish Cities 327
 Marta Kadłubek, Dariusz Krzywda, and Wioletta Skibińska

Corporate Social Responsibility/Sustainability Reporting Among the Fortune Global 250: Greenwashing or Green Supply Chain? 347
 John Kennedy Lewis

Accessing the Chinese Market: Best Practices 363
 Eva Perea

Business Process Modeling for Sales Processes Automation 375
 Alexandra Maria Ioana Florea, Vlad Diaconița, and Iuliana Dorobăț

Analysis of Information Systems in the Aspect of Managing Logistic Processes of Supply Chain 385
 Dagmara Bubel

Risk Management at Lithuanian Farms 399
 Laura Girdziute and Astrida Miceikiene

Part IV Marketing and Tourism

The Online Strategy of Romanian Higher Education Institutions: Present and Future	413
Adela-Laura Popa, Naiana Nicoleta Țarcă, and Teodora-Mihaela Tarcza	
Consumer Ethnocentrism in Polish Service Sector: A Study of Socio-demographic Determinants	427
Agnieszka Hat	
The Influence of the Fit of Export Marketing Strategy and Competitive Strategy on Export Performance from Mediation and Moderation Perspectives	449
Regina Virvilaitė and Beata Šeinauskienė	
The Impact of Country-of-Origin on Brand Positioning for Luxury Goods	467
Stoenescu Roxana-Denisa, Căpățînă Gabriela, and Cristea Adina	
The Dependencies Between Internal and External Communication of the Organization: The Problem of Coherence	485
Anna Rogala	
The Nationality and the Type of Celebrities Endorsing Products Versus Ethnocentric Attitudes of Polish Consumers	501
Ewa Jerzyk and Kamil Wyczynski	
Being Successful in International Markets: The Role of International Marketers' Competencies	515
Ana Maria Soares and Fernando Santos Eduardo	
Information Asymmetry and the Effectiveness of Marketing Communications on Health-Oriented Food Market	525
Renata Nestorowicz	
Determination of Factors Affecting Petrol Station Brand Choice in Lithuania	535
Lina Pilelienė and Arvydas Petras Bakanauskas	
The Medical Tourism and Health Tourism, Future Business for Romania	545
Celia Dana Beșciu	
Hashtag Progress: The Digital Fingerprint of Web 2.0 on Tourism and Hospitality Industry Management—A Case Study for Romania	555
Adina Popescu, Dan Popescu, and Cristina State	

The Impact of Turkish TV Series on Turkey’s Image: Evidence from Eastern Europe 565
Mehmet Huseyin Bilgin, Ender Demir, and Davor Labas

A Study on the Spatial Distribution of India Tourism Resources and Tourism Product Innovation—Based on the Background of Industrial Convergence 579
Yan Li

EBES Executive Board

- **Jonathan Batten**, Monash University, Australia
- **Iftekhar Hasan**, Fordham University, USA
- **Euston Quah**, Nanyang Technological University, Singapore
- **Peter Rangazas**, Indiana University-Purdue University Indianapolis, USA
- **John Rust**, Georgetown University, USA
- **Alexander Tatarkin**, Russian Academy of Sciences, Russia
- **Marco Vivarelli**, Catholic University of Milano, Italy

EBES Advisory Board

- **Hassan Aly**, Department of Economics, Ohio State University, USA
- **Ahmet Faruk Aysan**, Central Bank of the Republic of Turkey, Turkey
- **Michael R. Baye**, Kelley School of Business, Indiana University, USA
- **Idris Bin Jajri**, Faculty of Economics and Administration, University of Malaya, Malaysia
- **Wolfgang Dick**, ESSEC Business School, France
- **Mohamed Hegazy**, School of Management, Economics and Communication, The American University in Cairo, Egypt
- **Heather Hopfl**, Essex Business School, University of Essex, UK
- **Cheng Hsiao**, Department of Economics, University of Southern California, USA
- **Philip Y. Huang**, China Europe International Business School, China
- **Irina Ivashkovskaya**, State University—Higher School of Economics, Russia
- **Soo-Wook Kim**, College of Business Administration, Seoul National University, Korea
- **Christos Kollias**, Department of Economics, University of Thessaly, Greece
- **Ali M. Kutan**, Department of Economics and Finance, Southern Illinois University Edwardsville, USA
- **William D. Lastrapes**, Terry College of Business, University of Georgia, USA

- **Rita Mårtensson**, School of Business, Economics and Law, Göteborg University, Sweden
- **Panu Poutvaara**, Faculty of Economics, University of Munich, Germany
- **M. Ibrahim Turhan**, Borsa Istanbul, Turkey
- **Wing-Keung Wong**, Department of Economics, Hong Kong Baptist University, Hong Kong
- **Naoyuki Yoshino**, Faculty of Economics, Keio University, Japan

Organizing Committee

Jonathan Batten, PhD, Monash University, Australia

Mehmet Huseyin Bilgin, PhD, Istanbul Medeniyet University, Turkey

Hakan Danis, PhD, Union Bank, USA

Pascal Gantenbein, PhD, University of Basel, Switzerland

Ender Demir, PhD, Istanbul Medeniyet University, Turkey

Orhun Guldiken, University of Arkansas, USA

Ugur Can, EBES, Turkey

Busra Yaman, EBES, Turkey

Reviewers

Sagi Akron, PhD, University of Haifa, Israel

Ahmet Faruk Aysan, Central Bank of the Republic of Turkey, Turkey

Mehmet Huseyin Bilgin, PhD, Istanbul Medeniyet University, Turkey

Hakan Danis, PhD, Union Bank, USA

Ender Demir, PhD, Istanbul Medeniyet University, Turkey

Pascal Gantenbein, PhD, University of Basel, Switzerland

Orhun Guldiken, University of Arkansas, USA

Peter Harris, PhD, New York Institute of Technology, USA

Mohamed Hegazy, The American University in Cairo, Egypt

Gokhan Karabulut, PhD, Istanbul University, Turkey

Christos Kollias, University of Thessaly, Greece

Davor Labaš, PhD, University of Zagreb, Croatia

Chi Keung Marco Lau, PhD, University of Northumbria, United Kingdom

Gregory Lee, PhD, University of the Witwatersrand, South Africa

Nidžara Osmanagić-Bedenik, PhD, University of Zagreb, Croatia

Euston Quah, PhD, Nanyang Technological University, Singapore

Peter Rangazas, PhD, Indiana University-Purdue University Indianapolis, USA

Doojin Ryu, PhD, Chung-Ang University, South Korea

Manuela Tvaronavičienė, PhD, Vilnius Gediminas Technical University, Lithuania

Part I
Entrepreneurship and Small and
Medium-Sized Enterprises

Entrepreneurial Opportunities Perception and Intentions within European Innovation-Driven Economies Under the Shadow of a Financial Crisis

Maria A. Perez Alonso, Jose Carlos Sanchez, and Dimitrios Maditinos

Abstract Motives to start businesses differ widely among European regions. The current economic crisis suffered, to varying degrees, in almost all of the European countries raises the question of whether in financial difficulties entrepreneurial intentions increase or not. Paradoxically, two aspects, among others, influence the entrepreneurial attitude: the perception of opportunities (opportunity-driven factor) and the lack of alternatives (necessity-driven factor). In this contribution, firstly an exhaustive analysis of the most relevant theories of entrepreneurship from the psychological perspective is offered. An excursus is made in order to deeply explain the Entrepreneurial Cognition concept which illustrates the different cognitive processes underlying the way we learn to see and act on opportunities and how decision making on entrepreneurship is made. Based on the exposed theories, subsequently, it is examined to what extent the present economic circumstances may affect entrepreneurial thinking among citizens of the European Innovation-driven economies (all of them under the EU28). Due to the capital importance of entrepreneurial activities for the socioeconomic stability and growth in every economical region and with the finality to support the ideas presented above, subsequently, statistical data are analyzed, which corroborates the relatedness of entrepreneurial intention and the perceived regional economic situation.

M.A.P. Alonso (✉)

Department of Industrial Management, University of Applied Science Joanneum, Graz, Austria

e-mail: azucena.perez-alonso@fh-joanneum.at

J.C. Sanchez

Department of Social Psychology, Universidad de Salamanca, Salamanca, Spain

e-mail: jsanchez@usal.es

D. Maditinos

Department of Business Administration, Eastern Macedonia and Thrace Institute of Technology, Kavala, Greece

e-mail: dmadi@teikav.edu.gr

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_1

Keywords Entrepreneurial cognition • Opportunities recognition • Economic crisis • Entrepreneurial behavior

1 Introduction

Apart from decisive socio political and economic cyclical factors which doubtless influence the decision of undertaking an entrepreneurial career, an additional factor accounts highly significant for considering an entrepreneurial action: the psychological aspect. The psychological perspective, many years neglected in the study of entrepreneurship, is gaining importance when trying to explain the processes underlying the entrepreneurial decision.

The management literature is overflowed with techniques and instruments to apply while planning actions toward setting up a new business, but little attention has been paid to the initial and most essential step in the prelaunch phase: the determination to become an entrepreneur.

In this article we, firstly, aim at offering an overview of the different attempts made by experts in the psychology of entrepreneurship in order to understand and highlight the cognitive and behavioral aspects behind the entrepreneurial decision.

Here, it is important to clarify the concept of entrepreneurship which will guide this article. The act of entrepreneurship does not imperatively lead to the foundation of a new company (Frese and Gielnik 2014). An entrepreneurial attitude and behavior is as well a prerequisite to survive, grow and innovate in already existent companies. Experts on entrepreneurship have coined the term intrapreneurship to describe the corporate entrepreneurship, or in other words, the entrepreneurial orientation within organizations. For the purpose of this work, the authors will leave aside this more general concept and approach entrepreneurship from the strict perspective of company founding, but never ignore that entrepreneurial attitude is a core competence every existing organization must keep alive and cultivate in order to flourish.

In the second part of this work, the authors will disclose a deeper analysis of the cognition aspects which may help to understand the intentional and meditated decision to become an entrepreneur. The literature of cognitive psychology offers two interesting, and in our opinion complementary, approaches toward the mental processes subjacent to this decision, one perspective explains it based on the ability to detect and act on opportunities, a second one tries to elucidate the mental processes based on the capability of individuals to create opportunities (Frese 2009). We believe both are valid attempts to explicate the act of acting on business opportunities and therefore no comparison will be drawn between them. The decisive step to be undertaken between goal intentions (the so called deliberated mindset), and the implementation intention, (the implemental mindset which supposes a deliberate plan of action) will be expounded (Gollwitzer 1999; Gollwitzer et al. 1990a, b).

In the third part of the article we will primarily explain the Giessen–Amsterdam model action-characteristics model of entrepreneurship, (Rauch and Frese 2000) which in our opinion gives a comprehensive overview of all the factors involved on setting a startup. Special attention will be given to the interaction between environmental aspects and mental processes inherent in entrepreneurship. In order to broaden the perspective behind the psychological literature, a second model will be used, the GEM conceptual framework on entrepreneurship. This model exposes the social-cultural political context which defines the entrepreneurial ecology in a region and the basic requirements, efficiency enhancers and innovation and entrepreneurship infrastructure and policies which necessarily affect the entrepreneurial activity decision making (Singer et al. 2015).

During the last years some European regions have suffered a deep economic crisis, even a veritable recession, with dire consequences beyond the economic figures. In those articles, subsequently, we will investigate how the adverse financial setting has influenced the perception of opportunities, the intention and the reality of entrepreneurship. To this end, we will link the cognitive models on entrepreneurship exposed in the previous chapter with the negative socio economic ecology of these countries in order to ascertain to what extent the entrepreneurial scenery is affected by the economic crisis.

2 The Psychology of Entrepreneurship

Entrepreneurship is mainly about people (Mortan et al. 2014); people perceiving and calibrating the business environment, detecting and creating opportunities, pondering risks and opportunities, taking decisions and finally acting; and all this under a specific socio cultural context. In words of Baum et al. (2007, p. 1) “Entrepreneurship is fundamentally personal”, it is about a life path decision, and therefore the study of entrepreneurship from the psychological perspective is essential in order to understand why and how people commit to entrepreneurial activities.

In the last 25 years of the past century research on entrepreneurship was centered on economic issues like business models, venture capital and entrepreneurial management, entrepreneurial acquisitions, finances and enabling technologies among others. Nowadays, even recognizing the importance of the above mentioned issues, more personal aspects are gathering attention in the entrepreneurial expertise field.

In the prelaunch phase of entrepreneurship individual factors are most determinant to understand the course of action and the solitary entrepreneur has an enormous influence on the start-up firm (Schein 1983) however, individuals will always be the core issue in the posterior phases of entrepreneurship although by then other factors, mainly business, will play a major role as well. The literature of entrepreneurial psychology has concentrated its efforts primarily on the research of personality traits and offers a vast analysis of concepts like locus of control, need

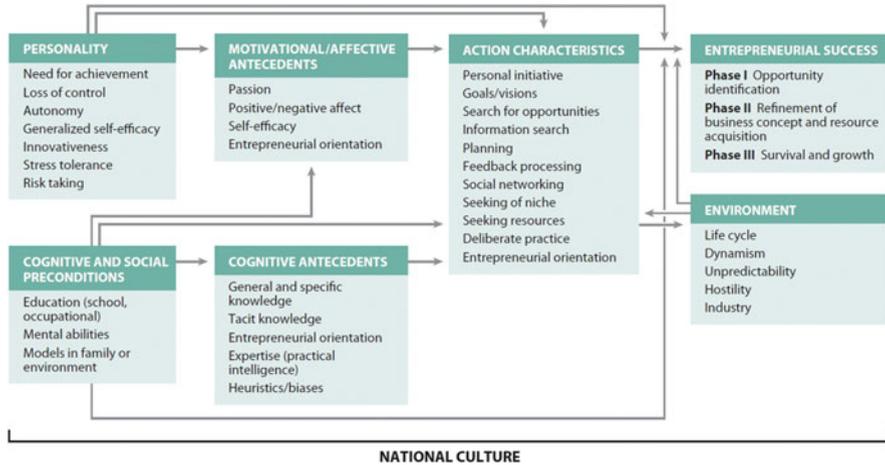


Fig. 1 The action-characteristics model of entrepreneurship. *Source:* Frese (2009, p. 429)

for achievement, stress tolerance, emotional intelligence, self-efficacy, optimism etc. and its effects on entrepreneurship. Brandstätter (2011) offers a very comprehensive overview of meta-analytic findings of psychological constructs and their correlation with two dependent variables: business creation and business performance. Findings evidence a clear but heterogeneous influence of personality traits on business success. These findings go beyond the proposed factors by the five-factor model (FFM) namely Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism.

And highlight other personality characteristics as more denotative to reveal the entrepreneurial personality. Psychology can, and does, make a great contribution to the field of entrepreneurship beyond illustrating relevant personality factors (Frese and Gielnik 2014); entrepreneurial business concepts can be better and more thoroughly understood by considering psychological constructs and this not as an alternative explanation, rather a complementary contribution.

Since the discourse of this paper should remain strictly in the psychological field the authors consider the action-characteristics model of entrepreneurship, see Fig. 1, created by Frese (2009) as the optimal model to link the cognitive antecedent of entrepreneurial orientation with the environment variable. Thus, we will try to explain, as mentioned in the introduction, in a posterior chapter the opportunity identification and the entrepreneurial intention under aggravating environmental circumstances.

With the intention to show the complementarity and compatibility of perspectives offered by the psychology and the business fields a second model will be considered in the analysis of the entrepreneurial orientation process under a hostile environment. With the purpose to adopt a generally accepted model, we will proceed to expose the GEM conceptual framework, Fig. 2, used in GEM surveys up to 2014 and shown in the global entrepreneurship monitor 2013 (Amorós and Bosma 2014). It illustrates the role of psychological constructs in dissecting

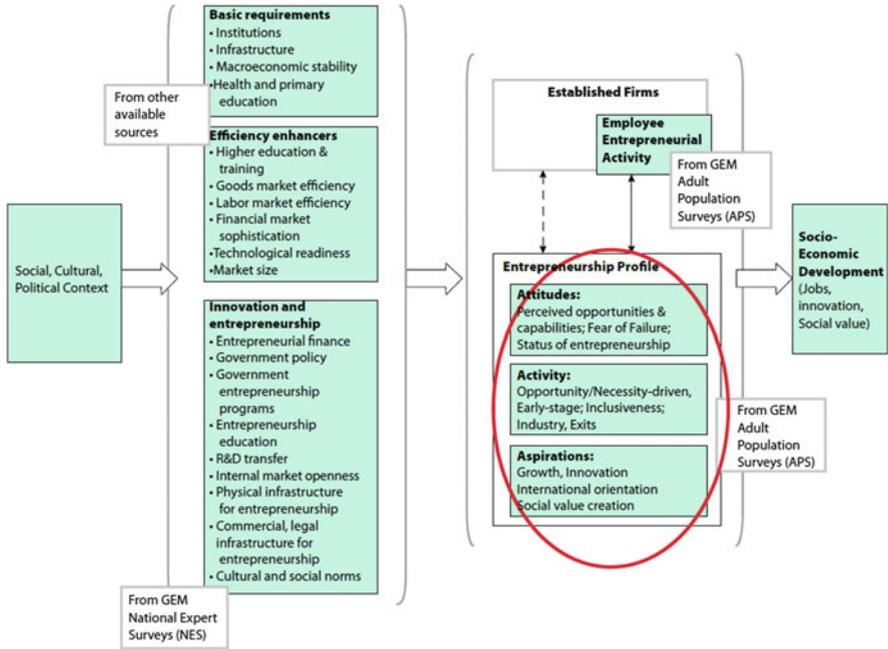


Fig. 2 The GEM conceptual framework (on entrepreneurship). Source: Amorós and Bosma (2014, p. 27)

entrepreneurship. In this framework, obviously, the social, cultural and political context is emphasized under which entrepreneurship arises and vice versa, the impact of entrepreneurship in the given environment. Nevertheless, the main role played by psychological variables in the entrepreneurial dynamics is also evidenced. Among other individual characteristics listed in the entrepreneurship profile, the attitude of perceiving opportunities and the necessity-opportunity driven factors are included; these parameters are considered to be affected by the economic context and therefore they may be useful for our analysis. It is worth noting that some individual attributes are less or no affected by the environment like the aspiration to create value or the status of entrepreneurship, although further research is required in order to verify this affirmation. Interestingly, entrepreneurial attitudes, activities and aspirations are included by the GEM 2013 under what they denominate the “black box” which leads to innovation, economic growth and job creation. The GEM authors (Amorós and Bosma 2014) encourage experts to further research on the interlinked relation between these relevant variables. In the opinion of the authors, this contribution is already being made, actually by specialists on entrepreneurial psychology.

The models shown above are just two of many sound attempts to explain the nature of entrepreneurship and show the necessity to approach the topic from an interdisciplinary viewpoint.

3 The Cognitive Psychology of Entrepreneurship

As Sarasvathy (2003) notes, few other groups of human beings have been scrutinized as a group for psychological differences like the group consisting of entrepreneurs, he remarks, sharp-wittedly, that entrepreneurship has been approached as a branch of abnormal psychology and this is ever more disconcerting taking into account that few significant differences between entrepreneurs and other non-entrepreneur groups have been found. The study of interindividual differences in entrepreneurship took a new direction in the 1990s, the personality trait theories turned out as descriptive and insufficient and the publication of two articles consolidated the new direction taken by the entrepreneurial psychology, indeed, toward a cognitive approach (Busenitz and Arthurs 2007). Busenitz and Barney (1997) focused on the decision making process and its differences between managers and entrepreneurs while Baron (1998) dealt with the cognitive mechanisms involved in entrepreneurial thinking.

Following Stevenson and Jarrillo (1990), the “heart” of entrepreneurship is the seeking of and acting upon opportunities. If we agree with this proposition, then, we will need cognition research to understand the forces and likely the output involved in entrepreneurial information processing and decision making (Baum et al. 2007). Perceiving opportunities presupposes mental processes such as attention, information filtering and processing, intention, decision making etc. and these processes are objects of study in cognitive sciences; additionally, it is important to understand how these opportunities manifest themselves as personally plausible (Shapero and Sokol 1982) and, again, this is a competence within the cognition’s discipline. Cognition research offers us multiple mechanisms, theory-driven and empirically robust, to understand how we learn to see and act on opportunities (Krueger 2003). The classical dilemma if viable opportunities are detected or enacted doesn’t dismiss the relevance of cognitive sciences on entrepreneurship, on the contrary, it shows how much research is still needed. As Krueger (2003) pointed out there is certain eclecticism in the research into entrepreneurial cognition, however, the main pillars under which research has been conducted are as follows:

- Opportunities perception
- Intention to pursuit opportunities
- Attitudes and beliefs which influence intentions
- Structures of knowledge representation
- Entrepreneurial thinking and learning

Since the perception of opportunities is probably the most significant aspect to explore the interplay of environment conditions and the mental cognitive processes, we will present it, in the following subchapter in a certain degree of depth.

3.1 *Opportunities Perception*

Although we will proceed to examine exclusively the phenomenon of seizing opportunities, it is important to bear in mind that the above mentioned cognitive processes don't necessarily occur in a sequential or linear order, they should rather be considered as interlinked processes which, given the synergy of all of them, lead to the entrepreneurial act.

Seizing opportunities has originated its own stream of research and this under the rubric of entrepreneurial alertness. Entrepreneurial alertness, a distinctive set of perceptual and information-processing skills, has been advanced as the cognitive engine driving the opportunity identification process (Gaglio and Katz 2001).

The first, and indispensable, step with regard to considering taking a business opportunity is to notice its existence and its value. All opportunities are not obvious to everyone (Hayek 1945; Krueger 2003). According to Shane and Venkataraman (2007) an asymmetry of beliefs is a precondition for the existence of entrepreneurial opportunities, the question is why some people perceive a particular opportunity while many others no? Literature tries to answer this phenomenon with two categories of influencing factors:

- The possession of the prior information necessary to identify an opportunity
- The cognitive properties necessary to value it

Both categories, information gathering and evaluating, are cognitive processes which need to be analyzed to understand the initial phase of entrepreneurship. Following Krueger (2003), entrepreneurs seem to identify opportunities based on cues given from the environment which they filter and process. Entrepreneurs aren't different from non-entrepreneurs in how they filter and process stimuli given from the environment, they, however, differ in what they perceive and this is the recognition of patterns which conduct to business opportunities. According to Krueger and Day (2010) cognitive sciences stress how crucial an opportunity-friendly cognition structure is for the orientation of seeking opportunities.

Within the strategic management literature, Dutton and Jackson (1987) proposed the categorization theory as a conceptual scheme to illustrate the classification of filtered information into "opportunity" or "treat". Gooding (1989) further improved this conceptual framework including the dimension of "strengths" and "weaknesses". When the stimuli are ambiguous, indistinct, individuals show a propensity to perceive using a more likely, prevalent, frame of reference (Palich and Bagby 1995). This may, to some extent, explain why entrepreneurs make out opportunities whereas non-entrepreneurs notice treats and/or experience weaknesses. A large body of research has been conducted to explore the interrelation of seeing opportunities and attribution, suffice to mention the studies carried out by Krueger and Dickson (1994) on the association of seeing opportunities and other cognitive variables, the authors suggest a strong and positive association between detecting opportunities and self-efficacy perception as well as a strong and negative association with threat perception.

A further significant cognitive contribution to the area of perceiving opportunities is the concept of script. In a study performed by Baron and Ensley (2006) novices were compared with serial entrepreneur's schemes in the perception of opportunities to start a new venture. Serial entrepreneurs are more likely to notice relevant information and to gauge it more properly than novices. The disposability of expert scripts facilitates the correct identification and assessment of valuable information relevant for opportunities identification.

It is still worth to bring up the concept of cognitive styles as a relevant aspect which influences opportunities seeking. According to Sánchez et al. (2011) cognitive style is defined as the way people perceive environmental stimuli, and how they organize and use information from their environment to guide their actions. As defined by Mitchell et al. (2002), "entrepreneurial cognitions are the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth". Based on research conducted with the CSI (Cognitive Style Index) Allinson et al. (2000) found that people showing entrepreneurial behaviors use to score high on the intuition pole of the intuition-analysis dimension. This cognitive style, Barbosa et al. (2007) add, shows a heuristic and intuitive approach toward information characterized by lateral thinking, creativity and unconventional ways to approach information. This may enhance the probability to spot relevant information which for others seem to be concealed.

The concepts briefly exposed above evidence the role of cognitive processes in the very early entrepreneurship stage of seeking opportunities. Other relevant concepts for new venture creation like innovation, creativity, risk taking propensity, uncertainty avoidance etc. can be uncovered as well from the cognition research prospect, and in fact, many efforts are being taken by cognition scholars to contribute to understanding the multifaceted nature of entrepreneurship.

4 Entrepreneurial Attitude and Behavior in Innovation-Driven European Countries in Economic Crisis

As Sánchez indicates (2012) the perception of opportunities varies among individuals but with situations as well. Two aspects, among others, influence the entrepreneurial attitude: the perception of opportunities (opportunity-driven factor) and the lack of alternatives (necessity-driven factor).

The main question which will be dealt with in this chapter is how the impoverished, even desolated, economic situation in some European countries has influenced the entrepreneurship ground of these regions. We will concentrate our reflections just on the Innovation-Driven EU countries suffering a financial crisis in the last years, and those are: Portugal, Spain, Italy and Greece. The following paragraphs are based on the Global Entrepreneurship Monitor 2014. It is important to take into account that Total early-stage Entrepreneurial Activity

(TEA) includes individuals in the process of starting a business and those running new businesses less than 3½ years old. As a percentage of the adult population, these rates tend to be highest for the factor-driven economies, and decline with increasing levels of GDP (innovation-driven economies).

Although there is not a uniform “entrepreneurial response” to an economic crisis we would like to point out that the analyzed countries belong to the same geopolitical area which may facilitate a careful extrapolation of some findings from one country to the another when we are not listing one of them.

For the lack of alternatives one natural response in the labor market is self-employment, this being a common phenomenon in factor- and efficiency driven economies. But, when in innovation-driven countries the perception of opportunities, due to the poor economic performance, decreases, do we, then, find a shift of opportunity driven forces to necessity driven forces so that the level of TEA is maintained?

As to the perception of opportunities, individuals from countries that experience long-term economic problems do not differ much from others in perceiving capabilities to act entrepreneurially, but they express a lower rate of perception of opportunities (perceived capabilities are 45.5 % vs. perceived opportunities 19.9 % in Greece; 48.1 % vs. 22.6 % in Spain; 46.6 % vs. 22.9 % in Portugal). Additionally, low share of improvement driven opportunity motive (less than 33 %) is found in Greece (30.5 %), and in Spain (33.5 %).

European Union economies have a quite balanced level of the early-stage entrepreneurial activity (TEA) rate of 7.8 % and the rate of established business ownership rate of 6.7 %, that means that new business ventures are established, generally speaking, at a steady pace. Such a low percentage of early-stage entrepreneurial activity can jeopardize economic canvas in crisis situation, Greece and Spain, for instance, they have a lower level of TEA compared to their level of established business ownership rates (Greece: 7.9 TEA vs. 12.8 EB; Spain: 5.5 TEA vs. 7.3 EB). These data give us an answer to the above raised question: the decline of new business founding brought about by the economic crisis is not compensated by the necessity driven forces which lead to new entrepreneurial activity. Still, the opportunity drivers in these countries greatly exceed the necessity drivers (% of TEA, Greece: 34 ND vs. 61, 5 OD; Portugal: 27 ND vs. 71 OD).

The presented data invite us to reflect on how the perceiving capabilities to act entrepreneurial and the identification of opportunities are mediated by the political and economic context. Strictly considered: to find /see opportunities as they must exist. In the situation of a crisis in economies driven by service and knowledge intensive products obviously the opportunities “to be seen” diminish with all the consequences which this may have for the economy, and for social stability and welfare as well.

5 Conclusion

We are aware of the heterogenic approach we have taken toward the very complex theme of entrepreneurship. Our goal was to underline the capital importance of understanding the role of psychology, and more concretely of cognitive psychology, while studying entrepreneurship. Entrepreneurship cannot be understood without understanding entrepreneurs; how they think, how they feel and how they act. In this work great emphasis has been laid on the mental processes, little has been mentioned about the behavioral aspects and nothing has been said about the emotional aspects, which surely play an important role.

Moreover, it was our intention, by illustrating some data of innovation-driven countries under economic crisis, to accentuate the importance of contextual factors in the entrepreneurship activity and the multidisciplinary character of the entrepreneurial act.

References

- Allinson, C. W., Chell, E., & Hayes, J. (2000). Intuition and entrepreneurial behavior. *European Journal of Work and Organizational Psychology*, 9(1), 31–43.
- Amorós, J. E., & Bosma, N. (2014). 2014 Global Report. Global Entrepreneurship Monitor. Accessed March 12, 2015, from <http://www.gemconsortium.org/docs/3106/gem-2013-global-report>
- Barbosa, S. D., Gerhardt, M. W., & Kickul, J. K. (2007). The role of cognitive style and risk preference on entrepreneurial self-efficacy and entrepreneurial intentions. *Journal of Leadership and Organizational Studies*, 13(4), 86–103.
- Baron, R. (1998). Cognitive mechanisms in entrepreneurship: Why and when entrepreneurs think differently than other people. *Journal of Business Venturing*, 13(4), 275–294.
- Baron, R., & Ensley, M. (2006). Opportunity recognition as the detection of meaningful. *Management Science*, 52, 1331–1344.
- Baum, J. R., Frese, M., & Baron, R. A. (Eds.). (2007). *The psychology of entrepreneurship*. Mahwah, NJ: Lawrence Erlbaum.
- Brandstätter, H. (2011). Personality aspects of entrepreneurship: a look at five meta-analyses. *Personal and Individual Differences*, 51(3), 222–230.
- Busenitz, L. W., & Arthurs, J. D. (2007). Cognition and capabilities in entrepreneurial ventures. In J. R. Baum, M. Frese, & R. A. Baron (Eds.), *The psychology of entrepreneurship* (pp. 131–150). Mahwah, NJ: Lawrence Erlbaum.
- Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: biases and heuristics in strategic decision-making. *Journal of Business Venturing*, 12(1), 9–30.
- Dutton, J. E., & Jackson, S. E. (1987). Categorizing strategic issues: Links to organizational action. *Academy of Management Review*, 12(1), 76–90.
- Frese, M. (2009). Toward a psychology of entrepreneurship: An action theory perspective. *Foundations and Trends in Entrepreneurship*, 5(6), 435–494.
- Frese, M., & Gielnik, M. M. (2014). The psychology of entrepreneurship. *Annual Review of Organizational Psychology and Organizational Behaviour*, 1, 413–438.
- Gaglio, C., & Katz, J. (2001). The psychological basis of opportunity identification: Entrepreneurial alertness. *Small Business Economics*, 16(2), 95–111.

- Gollwitzer, P. M. (1999). Implementation intentions: Strong effects of simple plans. *American Psychologist*, *54*, 493–503.
- Gollwitzer, P. M., Heckhausen, H., & Ratajczak, H. (1990a). From weighing to willing: Approaching a change decision through pre and post decisional mentation. *Organizational Behavior and Human Decision Making Processes*, *45*, 41–65.
- Gollwitzer, P. M., Heckhausen, H., & Steller, B. (1990b). Deliberative and implemental mind-sets: Cognitive tuning towards congruous thoughts and information. *Journal of Personality and Social Psychology*, *59*(6), 1119–1127.
- Gooding, R. V. (1989). *Decision framing and the structuring of strategic problems*. Paper presented at the Working Conference on Managerial Cognition, Washington, DC (August, 1989).
- Hayek, F. (1945). The use of knowledge in society. *American Economic Review*, *35*, 519–530.
- Krueger, N. F. (2003). The cognitive psychology of entrepreneurship. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of entrepreneurship research* (pp. 105–140). New York: Springer.
- Krueger, N. F., & Day, M. (2010). Looking forward, looking backward: From entrepreneurial cognition to neuroentrepreneurship. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of entrepreneurship research* (pp. 321–357). New York: Springer.
- Krueger, N. F., & Dickson, P. R. (1994). How believing in ourselves increases risk taking: Perceived self-efficacy and opportunity recognition. *Decision Sciences*, *25*(3), 385–400.
- Mitchell, R. K., Busenitz, L., Lant, T., Mc Dougall, P. P., Morse, E. A., & Smith, J. B. (2002). Toward a theory of entrepreneurial cognition: Rethinking the people side of entrepreneurship research. *Entrepreneurship: Theory and Practice*, *27*(2), 93–104.
- Mortan, R. A., Ripoll, P., Carvalho, C., & Bernal, M. C. (2014). Effects of emotional intelligence on entrepreneurial intention and self-efficacy. *Journal of Work and Organizational Psychology*, *30*(03), 97–104.
- Palich, L. E., & Bagby, D. R. (1995). Using cognitive theory to explain entrepreneurial risk-taking: Challenging conventional wisdom. *Journal of Business Venturing*, *10*, 425–438.
- Rauch, A., & Frese, M. (2000). Psychological approaches to entrepreneurial success: A general model and an overview of findings. In C. L. Cooper & I. T. Robertson (Eds.), *International review of industrial and organizational psychology* (Vol. 15, pp. 101–142). New York: Wiley.
- Sánchez, J. C. (2012). Entrepreneurial intentions: The role of the cognitive variables. In T. Burger-Helmchen (Ed.), *Entrepreneurship—Born, made and educated* (pp. 27–50). New York: InTech.
- Sánchez, J. C., Carballo, T., & Gutiérrez, A. (2011). The entrepreneur from a cognitive approach. *Psicothema*, *23*(3), 433–438.
- Sarasvathy, S. D. (2003). Entrepreneurship as a science of the artificial. *Journal of Economic Psychology*, *24*(2), 203–220.
- Schein, E. H. (1983). The role of the founder in creating organizational culture. *Organizational Dynamics*, *12*(1), 13–28.
- Shane, S., & Venkataraman, S. (2007). The promise of entrepreneurship as a field of research. In A. Cuervo, D. Ribeiro, & S. Roig (Eds.), *Entrepreneurship concepts, theory and perspective* (pp. 171–184). Berlin: Springer.
- Shapiro, A., & Sokol, L. (1982). Some social dimensions of entrepreneurship. In C. Kent, D. Sexton, & K. Vesper (Eds.), *The encyclopedia of entrepreneurship* (pp. 77–88). Englewood Cliffs, NJ: Prentice-Hall.
- Singer, S., Amorós, J. E., & Moska Arreola, D. (2015). 2014 Global Report. Global Entrepreneurship Monitor. Accessed March 12, 2015, from <http://www.gemconsortium.org/docs/download/3616>
- Stevenson, H., & Jarrillo, J. H. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, *11*, 17–21.

Participation and Sharing Economy: The Spanish Case of #Compartirmola

Josep Martínez-Polo, Jesús T. Martínez-Sánchez,
and José Manuel Noguera Vivó

Abstract Sharing economy, collaborative consumption or Participation Economy is changing our economy the way we know it. The tipping point at this moment is the fact that the Internet is giving us the chance to build this new economy under scalable and massive models. This paper is focused on a case study about a Spanish online movement called #compartirmola (“sharing is cool”), which is analyzed to identify forty collaborative initiatives from Spanish companies. The mixed quantitative and qualitative method of this research will be useful to describe the actions that were utilized to give it visibility. The film was launched on December 2014, in Madrid. Our focus was to analyze the actions of online dissemination of this film, as well as the synergies between business models (as crowdfunding) and viral strategies within social networks. Finally, we interviewed one of the producers of the film. This study will help us to understand the social experience which is narrowly connected to the new models of Sharing Economy or Participation Economy offered by some companies (Cabify, Tutellus, Uber...), as well as the roles of social networks for disseminating the main messages and goals, such as crowdfunding, online visibility or lobbying.

Keywords Sharing economy • Social media • Entrepreneurship • Buzz marketing

1 Introduction

As Bryan Walsh underlined a few years ago (Clarke 2012), we are witnessing a new generation of citizens, and “they are pioneering a form of collaborative consumption: renting, lending and even sharing goods instead of buying them”. There is no doubt about Internet is changing in so many ways how users gather information (Pérez-Latre et al. 2011). And within these ways, sharing is a key element. This innovative spirit of collaborative consumption can be found in startups like

J. Martínez-Polo (✉) • J.T. Martínez-Sánchez • J.M.N. Vivó
Facultad de Comunicación, UCAM Universidad Católica San Antonio de Murcia, Murcia,
Spain
e-mail: jmmartinez@ucam.edu; jmsanchez@ucam.edu; jmnoguera@ucam.edu

Brooklyn-based SnapGoods, which helps people to rent their goods via the Internet or Airbnb, this last one even people to rent their homes to travelers. Collaborative consumption is just a buzzword or as Botsman and Rogers (2011) said, “it is a new win-win way of life”?. Maybe the technological advances are leading new forms of collaborative consumption, but this change of mind hasn’t just happened to consumers, it’s happening to companies too. In another way, many authors are focusing on the roles of companies in this phenomenon which traditionally had always been studied. As Meelen and Frenken (2015) said: “it is ambiguous where the sharing economy begins and where it ends. Because sharing has a positive and progressive connotation, more and more companies claim that they are part of the sharing economy”. Although research in new media consumption has been focused mainly in user-generated content (Thurman 2008; Singer et al. 2011), this paper underlines the phenomenon of user-distributed content.

Under this perspective, we can find specific spheres where the corporative strategies around the participation of publics were analyzed, such as media companies, journalism and cultural industries (Noguera et al. 2013), but we have to move forward toward recent studies to find specialized works focused on the fact of sharing. And when this fact is designed and promoted from the company—and not from the consumer—the chosen concept has been “economy of participation”, which is defined as a cluster of companies and economic activities where “the product is not finished or even it does not exist without the active participation of the publics” (Noguera et al. 2014). Usually, the kind of consumer who is identified as the target of this new economy is the prosumer, term coined by Toffler (1980) and revisited by Ritzer (2010), but from the point of view of this new economy of participation, the real target is everyone, every single consumer, because this model is not focused on any kind of elitist consumer model, but the public in a broad sense.

Anyway, and following the prosumer profile, we can find the middle point with the notion of “produsage” (Bruns 2008), which is dealing with borderlines of production and circulation of content, and it is the kind of problem that we face when we are talking about economies of participation: What does the product mean and what is out of the product? In other words, it is harder to identify the experience around any kind of product (linking, liking, tweeting, re-tweeting... and SHARING) as something that does not own to the product itself. We can identify this as the social experience of the product. Firstly and from this point of view, what economies of participation are underlining is the growing importance of designing the social experience of any kind of product.

Secondly, one of the goals of this social experience is to get contact and fluid communication with specific audience communities of your company, as this flow of communication can become in a valuable source of feedback and even of economic advantages (Napoli 2010), because a company which is listening to their audiences is creating a dynamics where problems and opportunities are detected earlier.

Under this perspective, what we have noticed in the film and all the social activities related to #compartirmola is that the social experience designed by a cluster of companies are arrowly connected to economies of sharing and, because of that, we could identify them as a kind of Spanish lobby focused on promoting the

culture and economies of sharing. But it is not all about publishing, but even more about filtering and selecting.

In order to describe their strategies, concepts such as “social curation” (Villi 2012) will be relevant because of the need of filtering and selecting the most valuable pieces of content from the huge—in best of cases—amount of User-Generated Content (Krumm et al. 2008) and User-Distributed Content (Napoli 2009). An intensive and selective dissemination of information among strategical actors—even the internal ones—of any organization is a key factor of success in economies of sharing (Styhre 2002). This dissemination cannot be a simple replication of same content, but a transmedia extension of the same narrative universe (Jenkins 2010), in order to take advantage of a kind of new consumption which is characterized by networked audience communities that are connected by different online platforms (Marshall 2004), and they are looking for different content in each one.

2 Material and Methods

The hashtag #compartirmola means “sharing is cool” and it was a movie recorded collaboratively among all participants in 2014. A film where there was not director but connectors, and where there is a personal, fun and social approach to phenomenon of collaborative consumption, initiatives and platforms operating in Spain under the sharing economy umbrella. By other side, Spain is a country with a highly relevant percentage of users using social networks as a source for news consumption on the Web (Nielsen and Schröder 2014) and this could bring to us the opportunity to check if this film would become a viral phenomenon or just one more piece of shared content on the Internet.

As researchers we were interested in analyzing the impact of the communication actions of the project. We understand communication actions as all individual tasks through which starts up a communication strategy (Pérez 2001). And we focused on them and not on the overall communication strategy of this project due to the inability we have had to obtain data that would allow us to unravel all the elements of the communication plan, such as objectives, the target to which it is addressed, the proposed budget, timing, etc.

As we pointed out, the main tool within the actions of #compartirmola has been the collaborative documentary launched on December 2014, in Madrid. There are also a website, a Twitter, a Facebook and a Google+ account, and a course in the online education platform Tutellus. The video appears in YouTube because an user (Pablo F. Iglesias) uploaded it, not the producers.

In short, we aim to analyze the #compartirmola brand visibility on the web. As Marhuenda and Nicolás (2012) indicated the presence “is about brand awareness, understanding awareness by the market existence of the brand”. We have chosen a mixed methodology, because it will address quantitative data that allow us to study the degree of exposure in social media online communication activities developed

by this brand. This methodological framework will be complemented by an in-depth interview, semi-structured and conducted by telephone with Hector Castillo (promoter of the project).

Specifically, within the quantitative section, our focus was on the data from the four main social networks used in Spain: Facebook, Youtube, Twitter and Google+ (IAB 2014). In this way, we covered the fundamental spectra in the current virtual social environments: the web quintessential social networking (Facebook), the appeal of audiovisual format Youtube, simplicity and speed of microblogging Twitter and potential of all integrated services Google+. To analyze Facebook, Twitter and Google+ we used the analysis tools Tweet Binder, Topsy, Keyhole, Klout and the public statistics showed in Facebook, YouTube and G+. We executed a search for hashtags and profiles created for the occasion by the promoters of the project: #compartirmola, #revolucioncolaborativa, CompartirMola La Película (Facebook) and CompartirMola (G+). The temporal scope of the search was limited to the months of November and December 2014 and January and February 2015. That was prior to the premiere of the documentary month and 2 months after that, enough time to study the actions of going viral and brand visibility. While with Youtube we proceeded with a search for all channels that have posted the video of the documentary #Compartirmola and write down the number of accumulated reproductions.

Finally, these results added to the total number of students registered in the Massive Open Online Course launched by Tutellus, one of the promoters of the idea platform. Along with the number of attendees to the projections in cinemas and coworking centers.

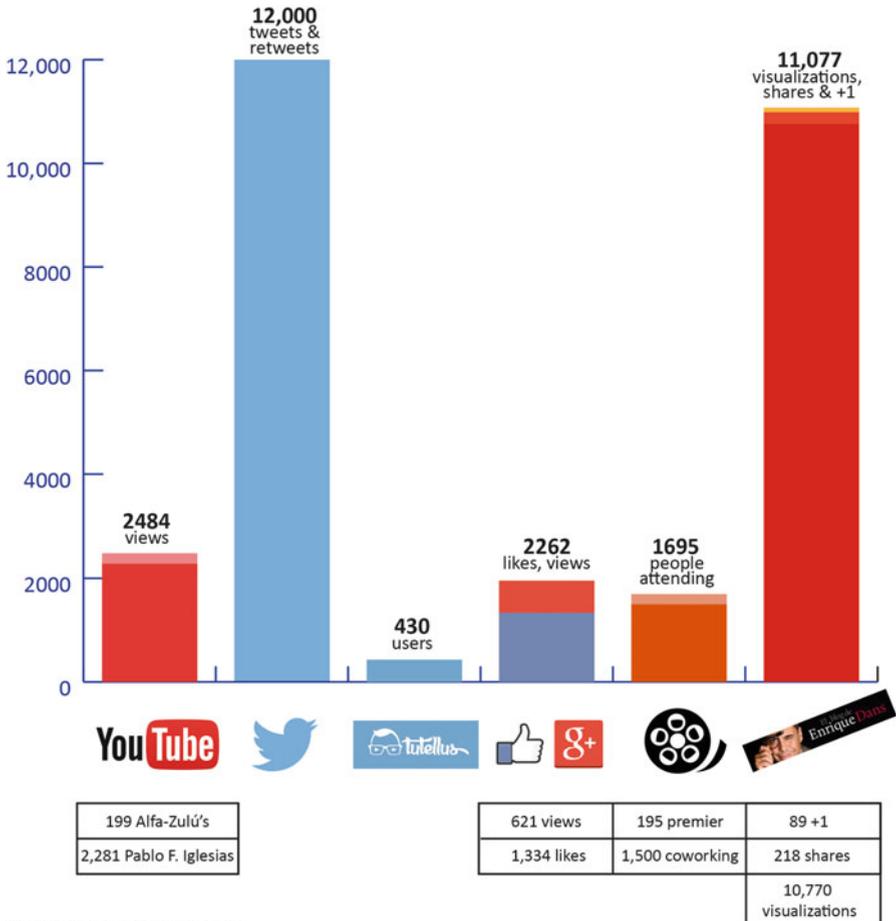
For the qualitative part, we had relied on a semi-structured interview with a series of questions frame, opentype, giving an opportunity to receive more nuanced responses, and letting go intertwining important issues that appear. The questions that we asked first was:

1. Who drives the project? What was the initial idea? Who is leading?
2. Was there a planned communication campaign? Who makes the strategy of the campaign?
3. Regarding the communication campaign. How far can you provide us data (traffic, viewings, impacts, mentions, KPIs, etc.)?

And during the interview we asked also these questions:

1. What difficulties have you found to carry out the project?
2. Have you had to change your initial idea of spreading it?
3. Have you added any tool with which not initially were counting trying to going viral?
4. Which are your expectations after the premiere of the movie?

The interview was conducted by telephone on November 17th, 2014.



Source: Prepared by authors

Fig. 1 Dissemination data

3 Results

As we can see in Fig. 1, the data obtained about dissemination were 12,000 tweets and retweets. 2285 views in one YouTube channel (Pablo F. Iglesias) and 199 in Alfa-Zulú's channel. 430 users in Tutellus (Spanish platform where the user can find a copy of the film and all the videos recorded by the companies). And 2,100,000 impacts according to Tweet Binder, Topsy, Keyhole and Google Analytics. 1334 likes in Facebook and 621 viewed in Google+. A post by Spanish influencer prof. Enrique Dans had 10,769 visualizations, 218 shares in Facebook and 89 '+1' in Google Plus.

Also a 15 min interview in Spanish national television Rtve La2 (2014) could be measurable as a part of the success of the project. In December 2014 the film had a

premiere in a theater with 195 people and a simultaneous show in coworking spaces along the country with 1500 people attending.

4 Conclusion

This study helped us to understand the social experience which is narrowly connected to the new models of Economy of Participation offered by some companies as well as the roles of social networks for dissemination of main messages and the main goals, such as crowdfunding or online visibility. When we started the project we thought the impact of it would be widespread in society, but the data demonstrate even if sharing economy is a fast-growing phenomenon and usually appears in every media of almost every country, this film (#compartirmola) did not have high audience ratings.

#CompartirMola was an idea of Miguel Caballero, Héctor Castillo from Tutellus team transformed into a film by Enrique de Álzaga of Alfa-Zulú. They interviewed five experts: Enrique Dans, Javier Creus, Albert Cañigueral, Juan Galiardo and Ileana Izverniceanu. And there were 40 startups and companies in it: Cabify, Social Car, Uber, Joinup Taxi, Bluemove, Wesmartpark (CARSHARING); Meetmeals and Chicfy (FOOD SHARING); Mytwinplace and Airbnb (HOMESHARING); Home Exchange (eCOHOUSING); Suop, Minube, Uolala, Leetchi, Sherpandipity, Timerepublik, The Back Packer Web, Gudog, Fiindr, Obsso, Bliive, Trip4Real, Regalamos.es, Cronnection, COCO Agenda and Spacebee (EXPERIENCES AND SERVICES); Ticketea and Ticketbis (TICKETING); Ulule, WeSwap and Moniefy (CROWDFUNDING PLATFORMS); Coworking Spain, Freeland Madrid, Mob Makers of Barcelona (COWORKING); Mingles, Etece, Furnit-U and Tutellus (EDUCATION); Domenico (di Siena (SHAREABLE CITIES); Twomuchrs and AXA (COMPANIES AND MARKETS).

In this paper we did not analyze if the companies or startups are really part of the sharing economy, but as Cuevas (2014) says: “While you can still experience the sharing economy with Airbnb, chances are high you may end up just renting a vacation apartment from a professional. And just using your car to provide transportation services is not sharing your car. Many taxi drivers own their cars while also use them as their personal vehicles and, obviously, we don’t call that sharing. While Uber could in the future become an actual sharing economy app, where you’ll use your phone to pick up some riders on your way to work and share the cost, the truth is that today they are probably just using the sharing economy umbrella to protect themselves against regulators and the taxi lobby . . . If you are selling your app under the “sharing economy” label then you better make sure people are actually sharing something and not using your product just to make money”.

This project has enabled participants to meet people with the same interests, create synergies with others, exchange knowledge and thrive in their personal and professional life, and, sure, access to products and services directly from the

producer, saving intermediaries. And it could be a real seed to become an association or a lobby. In fact, last December 10th was presented Sharing España, a group of companies based on P2P and collaborative models.

This group, Sharing España is driven and comprised by 24 companies of various profiles and business models that have joined in order to promote and inform about the benefits of collaborative economy and business models “peer to peer” in the country. Companies are Airbnb, AlterKeys, Avancar, Blablacar, Bluemove, Cabify, ChicFy, Comunitae, Eatwith, Etece, Erasmus, Gigoing, MangoPay, MyFixpert, Only Apartments, RENTALIA, Respiro, Sharing Academy, Sherpandipity, Social Car, Suop, Traity, Trip4Real and WeSmartPark.

According to its promoters collaborative economy is a sector that is growing at a fast pace in Spain, which is becoming one of the European markets where most business initiatives related to the economic sphere are emerging. In fact, about 400 companies in Spain are linked to the collaborative economy currently and it is expected that this number will continue growing, as many startups that now begin their activity on this type of model. Indeed, one of the priorities for this group is to analyze and promote brand studies to know the real impact of this sector in the Spanish economy and society.

Sharing Spain consider absolutely “necessary to be proactive in explaining that the activities covered collaborative economy are an opportunity for economic development and a transition to a more sustainable growth model that allows greater participation of citizens and it is a priority for them to generate a cross-sectoral dialogue with all stakeholders, showing how people can produce and be entrepreneurs and explain that new, more informed consumers may also have an offer based on efficient access and not the acquisition of certain goods which are sometimes underutilized. This will have the support of the Spanish Association of Digital Economy (Adigital)” (CincoDias.com 2015).

There are associations with similar objectives that already exist in other countries in Europe and in the US, such as UkShare.co (UK), ShareNL (Holland), New York CoNYC or San Francisco Bay Share.

Acknowledgments We would like to express our gratitude to the Spanish national project Economía de la Participación (2014), funded by Spanish Ministerio de Industria, Energía y Turismo, EOI (Escuela de Organización Industrial) and Catholic University of Murcia (UCAM), which it was an inspiring tipping point to this study, as well as all people who helped us to reach all the data and opinions contained in some way at this article.

References

- Botsman, R., & Rogers, R. (2011). *What’s mine is yours. The rise of collaborative consumption*. London: Harper Collins.
- Bruns, A. (2008). *Blogs, Wikipedia, second life and beyond. From production to produsage*. New York: Peter Lang.

- CincoDias.com. (2015). Nace en España la primera asociación de empresas de economía colaborativa [First joint venture collaborative economy in Spain]. Accessed February 21, 2015, from http://cincodias.com/cincodias/2014/12/09/tecnologia/1418155615_008049.html
- Clarke, P. (2012). *Education for sustainability: Becoming naturally smart*. New York: Routledge.
- Cuevas, J. (2014). Uber is not sharing economy. Are Uber drivers actually sharing anything? Accessed February 21, 2015, from https://medium.com/@javier_dev/uber-is-not-sharing-economy-2f6f7ce6f076
- IAB Spain—Interactive Advertising Bureau. (2014). V Estudio anual de Redes Sociales [Annual Study of Social Networks]. Accessed February 21, 2015, from <http://www.iabspain.net/wp-content/uploads/downloads/2014/04/V-Estudio-Anual-de-Redes-Sociales-versi%C3%B3n-reducida.pdf>
- Jenkins, H. (2010). Transmedia storytelling and entertainment: An annotated syllabus. *Continuum: Journal of Media and Cultural Studies*, 24(6), 943–958.
- Krumm, J., Davies, N., & Narayanaswami, C. (2008). User-generated content. *IEEE Pervasive Computing*, 7(4), 10–11.
- Marhuenda, C. M., & Nicolás, M. A. (2012). Herramientas para la medición de los social media [Tools for measuring social media]. In M. A. Nicolas & M. Grandio (Eds.), *Estrategias de comunicación en redes sociales. Usuarios, aplicaciones y contenidos*. Barcelona: GEDISA.
- Marshall, D. P. (2004). *New media cultures*. London: Arnold.
- Meelen, T., & Frenken, K. (2015). Stop saying Uber is part of the sharing economy. Accessed February 23, 2015, from <http://www.fastcoexist.com/3040863/stop-saying-uber-is-part-of-the-sharing-economy>
- Napoli, P. (2009). Navigating producer-consumer convergence: Media policy priorities in the era of user-generated and user-distributed content. *Communications and Convergence Review*, 1(1), 32–43.
- Napoli, P. (2010). Revisiting “mass communication” and the “work” of the audience in the new media environment. *Media, Culture and Society*, 32(3), 505–516.
- Nielsen, R. K., & Schrøder, K. C. (2014). The relative importance of social media for accessing, finding, and engaging with news. *Digital Journalism*, 2(4), 472–489.
- Noguera, J., Martínez, J., Nicolás, M. A., Pérez, P., Gómez, A., del Mar Grandío, M., Hernández, F., & del Henar Sánchez, P. (2014). *Economía de la Participación [Sharing economy]*. Madrid: Fundación EOI.
- Noguera, J., Villi, M., Nyiro, N., De Blasio, E., & Bourdaa, M. (2013). The role of the media industry when participation is a product. In N. Carpentier, K. Schroeder, & L. Hallett (Eds.), *Audience transformations. Shifting audience position in late modernity*. New York: Routledge.
- Pérez, R. A. (2001). *Estrategias de comunicación [Communication strategies]*. Barcelona: Ariel.
- Pérez-Latre, F. J., Portilla, I., & Sánchez, C. (2011). Social networks, media and audiences: A literature review. *Communication and Society*, 24(1), 63–74.
- Ritzer, G. (2010). Focusing on the prosumer. In B. Blattel-Mink & K. Hellmann (Eds.), *Prosumer revisited*. Wiesbaden: VS Verlag.
- Rtve (2014). Para Todos La 2 - Debate: El consumocolaborativo. Rtve.es. December 16. Accessed February 23, 2015, from <http://www.rtve.es/alacarta/videos/para-todos-la-2/para-todos-2-debate-consumo-colaborativo/2911300/>
- Singer, J. B., Domingo, D., Hermida, A., Heinonen, A., Paulussen, S., Quandt, T., & Vujnovic, M. (2011). *Participatory journalism: Guarding open gates at online newspapers*. Chichester: Wiley-Blackwell.
- Styhre, A. (2002). The knowledge-intensive company and the economy of sharing: Rethinking utility and knowledge management. *Knowledge and Process Management*, 4, 228–236.
- Thurman, N. (2008). Forums for citizen journalists? Adoption of user generated content initiatives by online news media. *New Media and Society*, 10(1), 139–157.
- Toffler, A. (1980). *The third wave*. New York: Bantam Books.
- Villi, M. (2012). Social curation in audience communities: UDC (user-distributed content) in the networked media ecosystem. *Participations: Journal of Audience and Reception Studies*, 9(2), 614–632.

Destimulants of the Convergence Process Illustrated with the Example of the Level of Participation of Polish SMEs in the Seventh Framework Program and Preparedness to Participate in the Horizons 2020 Programs

Monika Fabińska

Abstract The programming perspective for 2014–2020 is a major opportunity of finally bridging the gap between SMEs located in the EU-13 countries (including Polish SMEs) and SMEs located in regions of the EU-15 countries. The aim of the paper is to provide an initial response (based on the analysis of existing data and own research on a regional level) to the question whether SMEs from the EU-13 countries are prepared in terms of pro-development to absorb support in subsequent years and to draft recommendations how this absorption can possibly be enhanced.

Keywords SMEs • Horizon 2020 • COSME • Seventh Framework Program • Innovative projects • International consortia

1 Introduction

Micro, small and medium-sized enterprises (SMEs) have again encountered an opportunity of a few years of support for their innovative projects at the regional, national and international level. Are they ready for active participation in projects, especially at the level of the European Commission, or are there still disparities in their preparedness that divide Europe into two poles—the Western—experienced—and the Eastern—trying to catch up, still requiring an individualized approach? The paper attempts to answer the question concerning differences in the degree of application readiness of EU SMEs based on the available results from the published reports on the absorption level of assistance at the level of the European Commission as well as to formulate preliminary guidelines regarding the actions that should

M. Fabińska (✉)

Department of Entrepreneurship and Industrial Policy, University of Lodz, Lodz, Poland
e-mail: fabinska@uni.lodz.pl

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,
Eurasian Studies in Business and Economics 3/1,
DOI 10.1007/978-3-319-27570-3_3

be taken to gradually reduce these disparities. The guidelines are drawn up on the basis of a survey on the verification of pro-developmental preparedness of SMEs in selected sectors of the Lodz Voivodeship's smart specializations to the absorption of funds in the new 2014–2020 perspective (Zygiaris 2012; Capello 2013).

Active participation of SMEs in the next financial perspective for 2014–2020 is intended to stimulate the process of convergence. However, as shown by the analysis of secondary sources, e.g.: Innovation Union Scoreboard 2014, the results of report published by the Fraunhofer MOEZ Institute (Participation of the Central and Eastern European EU Member States in the 7th Framework Program: Analysis, Evaluation, Recommendations), as well as the analysis of the results published for the first and second phase of Horizon 2020s SME Instrument, the share of SMEs located in the EU-13 countries in projects implemented at the Commission level is significantly lower than for SMEs operating in the EU-15 countries. Moreover, according to a survey conducted in one of the regions in the EU-13 countries (the Lodz Voivodeship), the degree of pro-developmental preparedness of SMEs to absorb funds in the new financial perspective for 2014–2020 is low. It is therefore necessary to consider how to activate SMEs from the EU-13 countries to take part in projects implemented at the level of the European Commission, and thus enable the participation in achieving the objectives of the Europe 2020 Strategy (European Commission 2010).

2 Disparities in Participation of EU SMEs in Projects at the Commission Level in the Light of Selected Reports on the 7th Framework Program and the Horizons 2020 Programs

The analysis of secondary sources indicates that the level of absorption of EU support for SMEs at the level of the European Commission still divides Europe into countries of the former 15 member states (EU-15) and the countries that joined the European Union after 2004 (EU-13) (Annoni and Dijkstra 2013).

Confirmation of this thesis can be found, among others, in the report of the European Commission (European Commission 2013) concerning the monitoring of competitions within the 7th Framework Program for 2012. At the forefront of the countries that applied for aid from the EU budget under the 7th Framework Program and received it are the countries of the EU-15. Moreover, the highest disparities in the application process measured by the ratio of the value of applications submitted to the value of financing received were recorded in the EU-12 (the report was drawn up before the accession of Croatia). Figure 1 summarizes the indicators of success for the EU-27 countries measuring the average percentage value of applications submitted and the funding received.

Similar results—indicating lower activity in the 7th Framework Program—were also published in the report (Rauch and Sommer-Ulrich 2012) developed by the Fraunhofer MOEZ. The data in the report relate to the EU-27 countries. However,

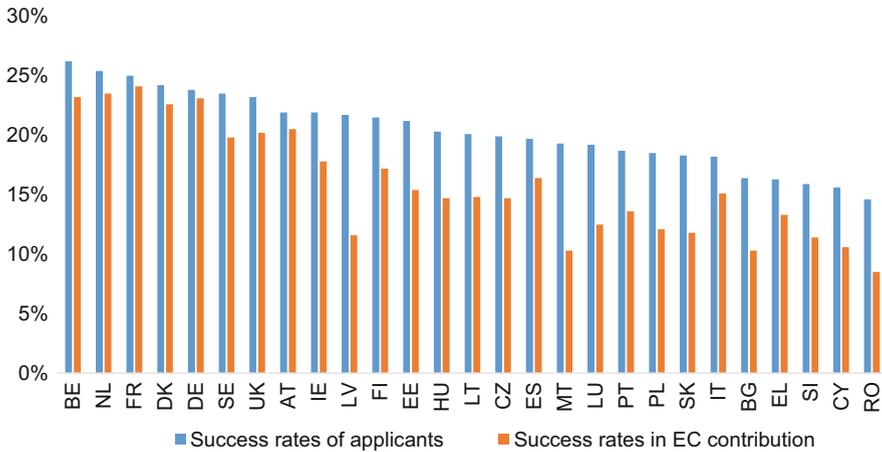


Fig. 1 Average rate of application success of EU-27 countries in the years 2007–2012. *Source:* European Commission (2013, pp. 96–97)

the results of the report indicate that the EU-12 countries are slowly beginning to close the gap in terms of participation in the 7th Framework Program. This is particularly evident in the in-depth analysis of the share of the EU-15 and EU-12 countries in individual programs. For example, the EU-12 countries were more active than the EU-15 countries in the framework of “Capacities”, “Research Infrastructure” Measure. In the case of other programs, such as “Cooperation”, the share of the EU-12 countries is at a lower level than the share of EU-15 countries, though the differences are not significant. Moreover, the in-depth analysis indicates that some EU-12 countries are characterized by a higher than average level of application activity in terms of individual programs. The report also points out weaknesses of the EU-12 countries, such as their institutional base, managerial competences, as well as a low level of cooperation in the framework of national and international networks, which translates into a reduced ability to build international consortia and act as project leaders.

The results of the two reports quoted above are also confirmed by the Regional Innovation Scoreboard Report (Hollanders et al. 2012) pointing to the leaders in the use of EU funds for research and innovation in the last programming period 2007–2013. This report distinguishes five types of regions: (1) leading beneficiaries of the Framework Program; (2) leading beneficiaries of structural funds focused on research and technological development; (3) leading beneficiaries of structural funds specializing in services related to innovation in business and their commercialization; (4) beneficiaries of structural funds in terms of all the RTDI priorities (Research, Technological Development and Innovation) involved in the projects in all of the above-mentioned areas; as well as (5) regions with a low level of use of structural funds. The results indicate that most of the regions classified into categories one to four are located in the EU-15 countries. In contrast, the regions with a low level of use of structural funds are primarily located in France, Poland, Italy and

Spain. As the authors of the report note the result is strongly influenced by the greater number of regions in the countries concerned in the entire sample studied.

The analysis of the current competitions within the Horizons 2020 programs also supports the argument concerning a lower level of participation of the EU-13 countries compared to the EU-15 countries. The verification was carried out on the basis of the results of phase I and II of the competitions under the new instrument for SMEs. SMEs will be able to receive support under all the pillars of the Horizon 2020 program, though the above-presented instrument, in particular, will finance high-risk and early stage ventures so as to stimulate the creation of ground-breaking innovations in companies. Support for SMEs will cover three phases: the feasibility study phase, the R&D study and the commercialization phase. The first two phases will be supported through grants and consulting (the first phase—50,000 €, the second phase—from 0.5 to 2.5 million, including projects in the field of health—5 million Euros), the third phase will be supported through consulting. The end of one phase will allow SMEs to go onto the next phase and to apply for funding. Each of the three phases will be open to all SMEs (European Commission 2015c).

In the first edition of the competition for the program of the SME instrument under Horizon 2020, the European Commission received 2666 applications (18 June 2014). The largest number of applications were submitted by companies (most applications were submitted by single SMEs, only two were made on the basis of SME consortium) from Italy (436), Spain (420), the United Kingdom (232), Germany (188), France (167) and Hungary (166). Poland ranked the 13th among 36 countries with 69 applications. In the second edition of the competition, 1944 applications (24 September 2014) were submitted with the same distribution of countries with the highest number of applications. Again, most applications were submitted by Italian companies (351), and then: Spain (283), the United Kingdom (149), Germany (128), France (93) and Hungary (91). Poland, along with Portugal, rated the 12th in terms of the number of applications—44 (European Commission 2015e).

Since the launch of the program on 1 January 2014, 333 projects involving 361 SMEs, in the amount of 16.7 million Euros, were selected in the first stage of the program of the instrument for SMEs. The most effective in the first stage of the competition were Spanish SMEs, with 72 beneficiaries approved for funding, and then companies from Italy (59 beneficiaries) and the United Kingdom (46 beneficiaries). Only one company from Poland received co-financing, however, it should be noted that there were countries such as Romania, Bulgaria and Slovakia, which submitted a relatively large number of applications, yet did not receive a positive assessment which would make them eligible for this assistance (Fig. 2) (European Commission 2015d).

However, in the first edition of the second phase of the competition for the instrument for SMEs under Horizon 2020, 580 applications were submitted to the European Commission (9 October 2014). The largest number of applications was filed by companies from Italy (70), Spain (69), the United Kingdom (61) and France (60). Polish companies submitted 11 applications. According to data of the

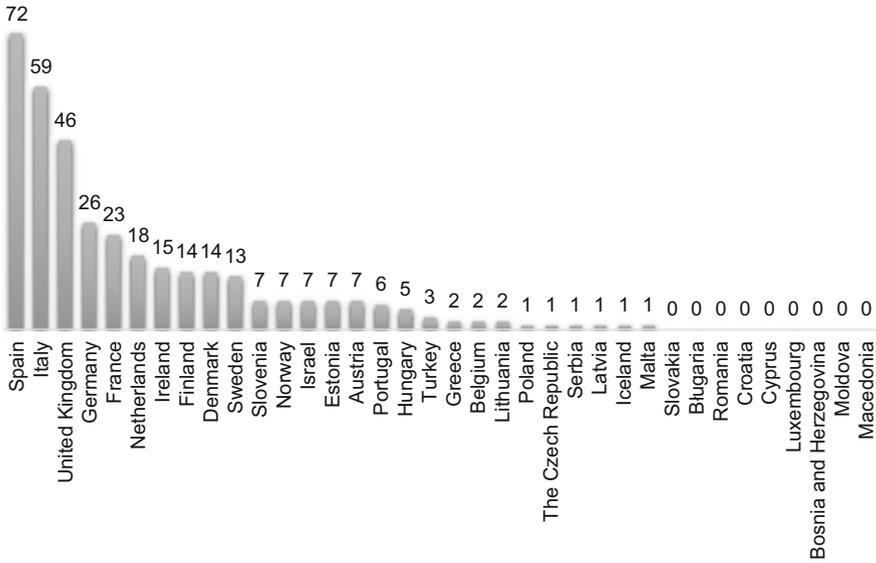


Fig. 2 The number of beneficiaries that received support in the framework of the first phase of the instrument for SMEs, after two competitions announced in June and September. *Source:* <http://ec.europa.eu/easme/en/news/sme-instrument-9-million-feasibility-studies-phase-1>

European Commission, the applications were mostly submitted by single companies. Consortia accounted for about 20 % of the applications (European Commission 2015a). The most effective in terms of the number of applications that received support were companies from Spain (12 applications), the United Kingdom and the Netherlands (10 applications) and France (9 applications). However, in terms of the value of obtained funding, the United Kingdom occupied the first place (the total value of the support granted amounted to 17 million Euros), followed by France (14.9 million), the Netherlands (13.8 million) and Spain (13.4 million) (European Commission 2015b). Poland came next to last with two applications of a total assistance value at the level of 0.6 million Euros (Fig. 3).

629 applications were submitted in the second edition of the second phase competition (17 December 2014). The first place was again occupied by Italy, with the number of applications at the level of 85, and then subsequently: Spain (81), the United Kingdom (68) and France (61). Poland rated the ninth with the number of applications at the level of 21. The results of the second edition of the second phase will be published in April 2015 (European Commission 2015f).

As indicated by the results of the fourth edition of the competitions, phase I and II, there is a significant advantage forming in terms of the number of submitted applications and the number of successful applications, and in the case of the second phase, in terms of the value of funding allocated to the EU-15 countries, especially Spain, Italy, the United Kingdom, Germany, France and the Netherlands. Positive evidence in the case of the EU-13 countries in the context of application

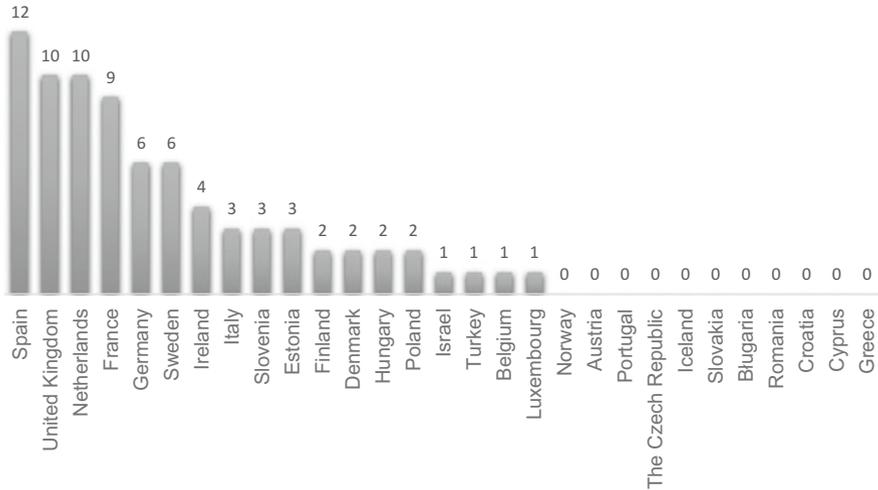


Fig. 3 The number of beneficiaries that received assistance under the second phase of the instrument for SMEs after the first edition of the competition announced in October. *Source:* <https://ec.europa.eu/easme/sites/easme-site/files/phase2-beneficiaries-table.jpg>

activity and effectiveness is related to Slovenia and Estonia, to a lesser extent Hungary and Poland. Thus, the results achieved by individual countries, especially within the EU, are the first major signal that there are still significant disparities in application activity and effectiveness between companies from the EU-15 countries and companies from the EU-13 countries. It is therefore necessary to take steps to find reasons for the low level of involvement of companies particularly from the EU-13 countries in 2020 Horizons and to develop solutions to eliminate this phenomenon.

3 The Degree of Pro-developmental Preparedness of SMEs to the Absorption of Funds in the New 2014–2020 Perspective: Illustrated with the Example of a Selected Region—the Lodz Voivodeship

The initial verification of pro-developmental preparedness of SMEs from selected sectors of the Lodz Voivodeship to the absorption of funds in the new 2014–2020 perspective was developed based on the results of the research project, co-financed by the European Union in the framework of the European Social Fund, entitled: “Modern technologies in vocational training of adults in the Lodz Voivodeship”. One of the research components of the project was the study with the use of the CAWI method that covered 266 representatives of the food business sector and 334 representatives of the high-tech industry (HTI) sector of the Lodz Voivodeship.

The overall characteristics of the surveyed companies shows that companies in the food sector assessed the level of their development as better, two-thirds of the respondents indicated that the company was hiring new employees and expanding its sphere of activity/scope of services. In contrast, a third of the respondents in the HTI sector stated that the company's position had not changed in the past 3 years and 14.37 % indicated that the company was reducing employment and its sphere of activity/scope of services.

The data on preparing employees for the implementation of innovative projects, especially in the HTI sector, provide a cause for concern. Almost half of the surveyed companies from the HTI sector replied that they did not prepare their staff in any way. In the food sector, employees were trained mainly by the company's trainers/employees. Furthermore, the training programs of the surveyed companies were focused primarily on technical training. The fewest trainings were conducted in the area of techniques and methods of managing innovative projects (such as PMI, PRINCE2, IPMA, PCM) and cooperation of the company's employees with R&D units (Table 1).

Table 1 Methods to prepare employees to implement innovative projects according to the on-line surveyed representatives of businesses from the food and HTI sector of the Lodz Voivodeship

	Percentage of responses in the food sector (n = 266)	Percentage of responses in the HTI sector (n = 344)
Trainings outsourced to an external company	21.43 %	17.37 %
Trainings conducted by the company's trainers/employees	48.12 %	39.52 %
No trainings	29.32 %	42.22 %
Scope of training programs:		
Creativity workshops	15.04 %	8.38 %
Technical trainings	69.17 %	60.18 %
Techniques and methods of managing innovative projects (e.g.: PMI, PRINCE2, IPMA, PCM)	9.02 %	6.29 %
Presenting best practices in managing innovative projects	13.53 %	18.26 %
Cooperation of the company's employees with R&D units	2.63 %	4.79 %
Planning principles for implementation of innovative projects	19.92 %	24.85 %
Training on legal aspects of management of innovative projects	16.54 %	8.08 %
Training in opportunities for financing company investments under the Structural Funds and the European Commission programs	11.28 %	5.69 %

Table 2 An institutional partner in the implementation of innovative projects—information provided by the surveyed companies from the food and HTI sector of the Lodz Voivodeship

	Percentage of responses in the food sector (n = 266)	Percentage of responses in the HTI sector (n = 344)
No partner	56.77 %	57.49 %
Network partner	21.80 %	19.16 %
Suppliers	20.30 %	16.77 %
Customers	16.92 %	11.98 %
Chambers of commerce	2.63 %	8.98 %
Cluster	0.75 %	5.99 %
Society/foundation	0.75 %	4.49 %
Research institution	0.38 %	2.99 %
University	0.00 %	2.10 %

Table 3 Availability of appropriate equipment/tools to implement innovative projects in the surveyed companies from the food and HTI sector of the Lodz Voivodeship

	Percentage of responses in the food sector (n = 266)	Percentage of responses in the HTI sector (n = 344)
No equipment	37.59 %	41.62 %
Specialized software	26.32 %	34.73 %
Adequate equipment/machinery	42.86 %	38.32 %
Developed procedures	28.57 %	14.07 %
Others	0.38 %	0.00 %

More than half of the respondents in both the food sector and the HTI sector had no institutional partner in the implementation of innovative projects. Possible partnering referred to network partners, suppliers or customers. Partner relations with universities and research institutions were virtually non-existent or sporadic (Table 2).

Companies in both sectors were also not adequately prepared in terms of appropriate equipment/tools to implement innovative projects. Most importantly, those businesses did not have procedures developed to improve work on innovative projects, as well as specialized software (Table 3).

4 Summary

The analysis of the listed primary and secondary data indicates that unless companies, especially in the regions of the EU-13 countries, step up activities to pro-developmentally make use of the support offered for implementing innovative

projects in the new 2014–2020 perspective, they may lose the opportunity to finally close the gap between them and companies located in regions of the former EU-15 countries.

Moreover, the example of the surveyed companies from the food and high-tech industry sectors from the Lodz Voivodeship demonstrates that they are not prepared both in organizational and infrastructural terms to engage in active participation in the programs implemented at the European Commission level. In addition, these companies see a lack of financial resources as the main cause of their lower activity in the implementation of new technologies. Therefore, it ought to be considered whether additional solutions for companies located in the regions of the EU-13 countries should not be introduced to increase not only their participation in the Horizon 2020 programs but also their awareness of benefits of implementing innovative solutions. In the case of the first area—application activity under the Horizon 2020 programs—the following actions should be taken:

- verifying the currently used and planned tools, as well as promotion channels (including reduction/unification/simplification of databases used), making use of expertise of potential beneficiaries in developing and updating application procedures;

- verifying promotion channels as well as the offer and methods of conducting meetings and trainings by national/regional intermediaries in terms of distribution of information and support in the area of submitting applications under the Horizon 2020 programs; considering implementation of dedicated/specialist (taking into account the specific features of each sector) training and consulting programs in this area.

In the case of the other area, awareness of benefits resulting from implementation of innovative projects and cooperation with the environment in this respect, the following actions should be taken:

- taking actions to encourage companies to participate in innovative projects. e.g.: by promoting good practices from other companies (whether within the sector or from cooperating sectors) indicating benefits of innovative projects, by not only placing a message on the website of the Intermediate/Implementing institutions or on social networking websites, but also by providing the possibility of contact with the company that has implemented this solution;

- verifying databases and the offer of support for matching partners for joint ventures and introducing innovative solutions, both at the level of direct and indirect contacts, which will be tailored to the needs of companies in the given sector (adequate in terms of form and method of organization), e.g.: virtual software sector-tailored information and training sessions or meetings organized within the framework of fairs, exhibitions, conferences, etc.

The conducted verification of the hypotheses indicates the need to undertake dual activities in the area of SMEs' pro-developmental awareness and application activity within the Horizon 2020 programs. Not making an attempt to diversify promotion and information channels as well as training and consulting programs implemented, especially in the EU-13 countries, can still be one of the reasons for the gap existing between the leading beneficiaries of the Horizon 2020 programs

from the EU-15 countries and the weak innovation creators from the EU-13 countries characterized by low absorption under the Horizon 2020 program.

References

- Annoni, P., & Dijkstra, L. (2013). EU Regional Competitiveness Index RCI, European Commission Joint Research Centre Institute for the Protection and Security of the Citizen. Accessed March 05, 2015, from http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/6th_report/rci_2013_report_final.pdf
- Capello, R. (2013). Knowledge, innovation, and regional performance: Toward smart innovation policies introductory remarks to the special issue. *Growth and Change*, 44(2), 185–194.
- European Commission. (2010). Commission's Communication Europe 2020: A strategy for smart sustainable and inclusive growth, Brussels. Accessed March 05, 2015, from <http://ec.europa.eu/eu2020/pdf/COMPLETE%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>
- European Commission. (2013). Sixth FP7 Monitoring Report, Brussels. Accessed March 05, 2015, from http://ec.europa.eu/research/evaluations/pdf/archive/fp7_monitoring_reports/6th_fp7_monitoring_report.pdf
- European Commission. (2015a). Accessed March 05, 2015, from <http://ec.europa.eu/easme/en/news/sme-instrument-580-proposals-received-phase-2>
- European Commission. (2015b). Accessed March 05, 2015, from <https://ec.europa.eu/easme/sites/easme-site/files/phase2-beneficiaries-table.jpg>
- European Commission. (2015c). Accessed March 05, 2015, from <http://ec.europa.eu/easme/en/horizons-2020-sme-instrument>
- European Commission. (2015d). Accessed March 05, 2015, from <http://ec.europa.eu/easme/en/news/sme-instrument-9-million-feasibility-studies-phase-1>
- European Commission. (2015e). Accessed March 05, 2015, from <https://ec.europa.eu/easme/sites/easme-site/files/phase1-beneficiaries-table.jpg>
- European Commission. (2015f). Accessed March 05, 2015, from <https://ec.europa.eu/easme/en/news/horizon-2020-s-sme-instrument-2992-new-proposals-received-december-2014>
- Hollanders, H., Léon, L. R., & Roman, L. (2012). Regional innovation scoreboard. Accessed March 05, 2015, from http://ec.europa.eu/enterprise/policies/innovation/files/ris-2012_en.pdf
- Rauch, M., & Sommer-Ulrich, J. (2012). Participation of the Central and Eastern European EU Member States in the 7th Framework Programme: analysis, evaluation, recommendations. Summary, Fraunhofer MOEZ, Leipzig. Accessed March 05, 2015, from http://www.fp7.cz/files/dokums_raw/moezsummaryfinal1_8121.pdf
- Zygiaris, S. (2012). Lending dynamism to innovative capacity in the periphery of Europe. *The Innovation Journal: The Public Sector Innovation Journal*, 17(2), 1–15.

Is Franchising an Efficient Tool for Entrepreneurship in the Knowledge Economy?

N. Oyku Iyigun and Milena Keskin

Abstract Franchising relationship became a popular business format among many entrepreneurs. As a consequence it developed into an important area of entrepreneurial research. The aim of this study is to investigate the efficiency of franchising as one of the main tools of entrepreneurship in terms of the links between the increasing globalization, spatial distribution of economic activity in light of knowledge economy. The study also aims to contribute to scholarly efforts being undertaken to develop a strong theoretical foundation for understanding entrepreneurship, specifically franchising in the knowledge economy.

Keywords Franchising • Entrepreneurship • Knowledge economy • Knowledge-based economy • Globalization

1 Introduction

Since 2000 globalization is rising in importance in most economic and life sectors such as communication, business, health, military activities, production and distribution, travel, ecology or law regulations. In most of those cases a global approach is being used, which does not necessarily disqualify the importance of national or local governance and independence of the states.

In terms of economy, globalization left many footprints, in particular in the unification of the European Union currency, unification of law standards or relocation of production plants from high-cost countries to Asian or East European low-cost or newly-industrializing states (Prakash and Hart 2000). It is considered to be an ongoing process which mainly depends on technological and communication improvements. When it comes to business and economics, globalization has

N.O. Iyigun (✉)

International Trade Department, Istanbul Commerce University, Istanbul, Turkey
e-mail: oiyigun@ticaret.edu.tr

M. Keskin

Department of Economics and Sociology, University of Lodz, Lodz, Poland
e-mail: milena.keskin@gmail.com

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*, Eurasian Studies in Business and Economics 3/1,
DOI 10.1007/978-3-319-27570-3_4

enhanced the importance of experience and trans-world communication which are important factors in knowledge-based economy. This is to be defined as economy based mostly on intellectual capabilities and experience (Di Mauro et al. 2008).

Recent researches emphasize that companies show a large scale of heterogeneity in their productivity, size and eagerness to investment as well as in export intensity. This increased trade openness is connected with the globalization process and worldwide economic integration. International activity increases the chances for successful business and at the same time improves international competitiveness (Di Mauro et al. 2008). Also coping with spontaneous globalization became a decisive national task for most of the countries. The rapidly changing way of doing business, new managerial strategies and limited ideas for new entrepreneurs became a challenge of this century.

The concept of entrepreneurship has a long history in the academic and business world. Originally an entrepreneur was a person 'willing to buy at a certain price and to sell at an uncertain price'. Another approach describes him or her as 'the one to transfer economic resources from a sector with lower productivity into another one with a better productivity and better outcome' (Dorin and Alexandru 2014). Entrepreneurs deviate from existing product offerings and depart from societal norms and beliefs to create value in society and to bring forth ideas previously unimagined (Webb et al. 2014).

Nowadays, entrepreneurship and small businesses are the basics of economy, responsible for breakthrough innovations that influence the growth of free market economy and its general performance. Entrepreneurs also construct new rules by delivering new products, establishing more efficient and effective processes, innovating in ways that lead to the development of new markets, and shaping new norms and beliefs (Chiasson and Saunders 2005). Research indicates that entrepreneurial activity is a key driver of economic growth but only if entrants are able to survive on the market over (Raffiee and Feng 2014). There are three basic types of entrepreneurs: innovative entrepreneurs, replicative entrepreneurs and necessity entrepreneurs. The first ones are generally inventing and developing a product or process and finally bringing it to the market. Replicative entrepreneurs are those who, despite other earning options, choose on purpose to set a new business or create a new organization. Necessity entrepreneurs are doing their business of necessity of earning money. This means they have no other occupation alternative and can only duplicate an already existing idea (Lundstrom and Halvarsson 2007).

Entrepreneurship is one of the leading economy driving factors, after technological revolution, it is to a great extent based on technologies driven by already developed production information and knowledge. Only a small number of start-up businesses can succeed in the dynamic world of developing technology and highly competitive conditions.

One of the most popular and riskless forms of entrepreneurship over the last 20 years is franchising. Its increasing importance in entrepreneurial wealth creation makes it one of the most successful means of entrepreneurship. Transnational franchising has a growing business share particularly in services and retail sectors. For entrepreneurs who lack in experience, being a part of a franchising chain in

dispersed markets means getting support in knowledge, customer behavior data or easier market access. Deploying global rules and standards on local markets that manage franchising is combined with certain patterns of organizational learning.

Franchising is a kind of business relationship between a franchise company and a network of franchisees who run a business in their own territory. There is no perfect franchisee but it is advised that candidates should already have some work experience, be ambitious, determined and eager to take the responsibility for a business unit. At the same time, they must accept a certain amount of control and follow the rules imposed by the franchise company. It should not be assumed that franchising offers an easy short-cut to success, though. What makes it so attractive among entrepreneurs is that it brings a possibility of owning a tested business and independence, without having a fear of isolation like non-franchising entrepreneurs may experience (Ziółkowska 2010).

2 Literature Review

2.1 *Entrepreneurship*

Entrepreneurship is seen as an alternative to unemployment and poverty (Bogan and Darity 2008). Self-employment accounts for as much as 70 % of employment in developing countries, especially among low income households. The majority of self-employed individuals, however, operate enterprises that are typically small, without paid employees and often poorly run (Gindling and Newhouse 2014). As most individuals' standards of living are determined by their labor, this suggests that policies designed to alleviate the barriers to productive self-employment could raise standards of living significantly (Gine and Mansuri 2014). A significant proportion of individuals in developing economies undertake entrepreneurial activities not voluntarily, but rather because they have been excluded from formal economy opportunities, resulting in a view of entrepreneurship as a more effective alternative for them and their families relative to crime and unemployment (Kingdon and Knight 2004). The need for global collaboration has emerged from the realization that most problems facing contemporary society are increasingly complex, dynamic, and cross-cutting; hence no amount of research effort within one particular country or discipline or theoretical perspective can be sufficient to produce adequate or durable solutions worldwide (Obamba and Mwema 2009). The balance between knowledge and other resources has shifted so far towards the former that knowledge has become the most important factor determining the standard of living more than land, than tools, than labor (World Bank 1999).

Scholars from different fields like sociology, economics, anthropology and psychology have tried to make the definition of entrepreneurship (Raffiee and Feng 2014). Entrepreneurship can be defined as the main factor for economic advancement, a management process which is based on innovation and which

requires remaining competitive on the market (Casson 1995). Recently, entrepreneurship scholars are also paying more attention to the context in which entrepreneurship takes place (Welter et al. 2014; Zahra and Wright 2011).

Literature presents four types of entrepreneurship theories:

- Schumpeter's Theory: Innovation and entrepreneurship,
- Friedrich von Hayek's Theory: Knowledge and entrepreneurship,
- Peter Drucker's Theory: Opportunity and entrepreneurship,
- Ronald Burt's Theory: Network and entrepreneurship.

Joseph Schumpeter changed the view of economics on entrepreneurship and, unlikely Marx or Ricardo, proved that an entrepreneur is an agent of change inside an economy and by his actions; the economic growth can be achieved. Friedrich von Hayek's stated in his approach knowledge that an entrepreneur implies a discovery process by using the knowledge he gained throughout the entrepreneurial movement. A more recent theory of Peter Drucker adds opportunity to entrepreneurship's definition and states that entrepreneur is the one who exploits that opportunity brought by change and not the one who causes the change. Ronald Burton states that entrepreneurial opportunity can be found in person's network and as a result, a network rich in entrepreneurial opportunities surrounds a person motivated to be an entrepreneur (Dorin and Alexandru 2014).

2.2 *Franchising*

In the last 40 years franchising became a main business form. It is gaining an importance and expanding beyond the national borders, becoming the fastest growing business form in the global economy (Castrogiovanni and Justis 1998). Franchising business is crucial to the overall economy, only in the U.S., it is creating yearly over \$1 trillion in sales, which represents 17 % of the United States GDP (Gillis and Combs 2009).

Franchising is defined as a legal business agreement between an owner of the product, process or service (franchisor) and a second party (franchisee), who buys a license to use the above. Franchisee distributes the goods with franchisor's trademark and at the same time runs the business according to the given rules. Additionally a franchisee gets support, which includes trainings, marketing campaigns and mentoring (Lindblom and Tikkanen 2010). What attracts them is becoming a part of a powerful, fully established network, with a recognized trademark, while keeping a degree of independence and receiving some financial assistance (Grünhagen and Mittelstaedt 2002).

In order to run the business successfully, franchisees must be provided, parallel to training and mentoring, with all necessary market information. Franchisors can acquire their knowledge from other market participants such as customers, competitors or suppliers but the main source would be a franchisee, who is directly involved in this system. Collecting the given information and sharing it with other

franchisees in the network should be a crucial point to a franchisor (Lindblom and Tikkanen 2010).

Entrepreneurial franchisees see the franchisor more as an advisor rather than a boss giving orders. At the initial phase of their new business it is common for them to search for support and they are in need of a strong leader. With the time an entrepreneur wins certainty and with the growth of his company, the franchisor's coordination capability decreases (Castrogiovanni and Justis 1998).

There is an on-going discussion, though, if franchising is a kind of entrepreneurship. Some of the scholars are skeptical and tend to say that franchisees are more similar to non-entrepreneur managers (Ketchen et al. 2011a). Others though, claim that on one hand, franchisees by being a part of a franchising network have limited decision options. But on the other hand they put their own capital at risk seeking the best return on investment, recognize the opportunity and come up with new ideas for value creation. As a result, while researching strategies for managing growth, it is crucial to address the multidisciplinary aspects of franchising.

Generally it is being emphasized that building a franchising network should be considered as an entrepreneurial growth strategy. Since entrepreneurship addresses multiple activities that entrepreneurs confront, such as opportunity recognition, team building, strategy, marketing, finance and law, franchising similarly is viewed as an organizational form by strategic management researchers, a legal contract by law and economic researchers and a distribution channel by marketing researchers.

It has been mentioned that if a franchisor is setting a new business with an intention to create a franchising network, then, and only then, he can be considered as a franchisor. They are mostly growth-oriented individuals who bear the risk of failure. Even if we can consider franchising as less risky than other forms of businesses, entrepreneurship's wide definition contains high-risk/high-return projects such as venture-funded ideas and low-risk/low-return projects such as franchising (Ketchen et al. 2011a). For this reason it is more common that franchisors and not franchisees are considered to be entrepreneurs as their risk is significantly higher. They also already found an opportunity and while exploring it, they let the franchisee follow them by giving a fix manual to obey.

2.3 Knowledge Economy

With the development of information society, economic growth is no longer absolutely dependent on the economic resources, but more dependent on information resources. Strategic resources like information and entrepreneurship are accepted to be the most important factors of production in comparison with the traditional factors like land, capital and labor (Deng 2013). With information, technology, innovation and development of a knowledge-based economy as an economic form penetrated into all aspects of economic and social construction. In a knowledge economy, the flow of information is the equivalent of the oil pipe in an

industrial economy. Creating, preserving, and utilizing information flow should be a key organizational activity (Siemens 2005).

A report of the OECD, known as the “Knowledge Economy”, is widely credited for pioneering and establishing the conceptual foundations of the knowledge economy in development discourse. The OECD defined knowledge economies as the economies which are directly based on production, distribution, and use of knowledge and information (OECD 1996). Another significant episode in the transformation from the early notions of ‘rates of economic return’ to the new global paradigm of the ‘knowledge economy’ was the publication of the World Bank, named “World Development Report: Knowledge for Development” in 1999 which is known for its role in deepening the knowledge economy by inserting knowledge production firmly at the core of development (World Bank 1999). The transition to a knowledge based economy typically involves significant investment in four fundamental elements including a supportive policy framework, advanced skills development, a vibrant innovation system and a strengthened information technology infrastructure which constitute as the four pillars of the knowledge economy (Obamba 2013; Chen and Dahlman 2005).

In contrast to the World Bank’s approach regarding knowledge-based economy, Stewart (2001) states that it stands on three pillars including knowledge, knowledge-based assets and the adaptation. In a knowledge-based economy, value creation results from information, intellectual capital consisting of talent, skills, know-how, know-what, human relations and other capabilities and adapting new technologies and strategies, new management techniques and new corporate governance techniques (Matoria et al. 2013). According to Leydesdorff and Strand (2013), a knowledge-based economy needs to enable the ready flow of information in order to promote innovation with its three core functions including economic exchange, novelty production, and regulative control.

The literature of franchising tends to focus on motives that drive people to enter to a franchising network, but little research has been done on topics such as: learning, knowledge creation and knowledge management (Lindblom and Tikkanen 2010). Knowledge has been identified as a value creation source. Researchers noted that some companies adopt different strategies and practices to identify, create and exploit individuals’ knowledge (Paswan et al. 2014).

3 Evaluating Franchising as an Efficient Tool for Entrepreneurship in Knowledge Economy

Franchisees identify the business opportunities through different processes. It is obvious then that entrepreneurship is a natural home for franchising, as franchising represents the key entrepreneurial strategy (Ketchen et al. 2011b).

Different local market environments in which franchisees operate require from them some kind of flexibility and in order to meet market needs they are to use the

innovation opportunities. This provides a source of competitive advantage. Franchising has three core characteristics of an entrepreneurial firm: undertaking innovations, proactive acting and taking risks (Olufunmilola and Watson 2013). Some experienced, high-performing franchisors give their franchisees some freedom in decision making, as generally franchisees through their local adaptation effort, develop new market offerings. Some researchers notice that extremely high competition even in franchising environment increases entrepreneurial activity (Olufunmilola and Watson 2013).

Franchisors, through offering codified operating routines, describe the way to run the business. The better the routines are the more profit will be generated by franchisees and consequently more franchises will be sold. Higher performance comes along with higher royalty revenue (Gillis and Combs 2009). With their entrepreneurial orientation, franchisees search for high return on their investment and as pioneers in their business sector, while introducing new products or services on the market, they are beneficial to others. As a consequence, they establish their position as market leaders and increase their market shares, control distribution channels, command high prices and target the most lucrative market segments (Olufunmilola and Watson 2013). Gillis and Combs (2009) notice that knowledge-sharing routines between the franchisor and franchisee, such as councils or meetings are important to achieve innovation while maintaining standardization.

A franchise entrepreneur is a builder and creator of a unique business format and is responsible for efficient managing of complex system of independent business owners (Kaufmann and Eroglu 1998). Franchising is not only about selling a product to a customer, but mostly about developing and perfecting the 'know-how' within the business system and then selling it to the potential franchisees. Knowledge is characterized by some researchers as a main factor and complex resource vital for innovation and success, and creates capabilities and competitive advantage. In the course of time, in order to increase the efficiency and effectiveness of the value creating process both franchisors and franchisees must acquire, develop and share new knowledge (Paswan et al. 2014). The usage of their knowledge is a key management practice required for a successful and efficient business format franchising (Lindblom and Tikkanen 2010).

Franchising is mostly present in retail sector. Business format franchising is the sector that not only mostly differentiates this organizational form from other methods of distribution, but also is the real location of franchising entrepreneurship. Over the last 25 years retail entrepreneurs have invented many unique and innovative concepts, such as 'video rental outlets' or 'photo finishing outlets', gaining their competitive advantage through the service offering (Kaufmann and Dant 1998). Gonzales-Diaz and Solis-Rodriguez (2012) conclude that franchising offers better tools to control and influence returns on the investment and as a result to reduce return inconstancy. Franchisor's experience, knowledge and past success attract potential investors (franchisees). It suggests that the business concept has been successful in different locations over several years and that the franchisor has learned to manage the new entrepreneur effectively. Minniti et al. (2007) confirms that an entrepreneurial franchising relationship is a method for exploiting a business

opportunity in a competitive and unique manner. Long business experience and apprenticeship are an inherent part of this alliance, often crucial for its success. Many research studies show that franchising is a successful tool of entrepreneurship, positively influencing the economic growth, self-development and unemployment level.

In respect of global economy, franchising is often seen as an almost ‘unstoppable’ engine of growth (Dant et al. 2011). It is also praised for providing business opportunities for women and minorities. Some studies confirm that women are suited for some, mostly female and family related sectors, such as clothing, beauty aids or children’s products (Dant et al. 2011). Another advantage of franchising is that it allows to resist the economic crisis, stimulates the innovativeness and entrepreneurship (Lewandowska 2014). Franchising enjoys an abnormally high success rate and is an example of a stable entrepreneurial activity (Murray 2006).

According to IFA (International Franchise Association), the number of direct jobs in franchise establishments only in United States will increase 2.3 % in 2014 from 8.318 million to 8.510 million. Also the output of franchise establishments in nominal dollars in 2014 will increase 4.7 % from \$801 billion to \$839 billion.

4 Conclusion and Discussion

The evidence for the advent of a knowledge-based economy is seen in the increase and improvement of knowledge-intensive activities throughout all industries of the economy more than in the continuous expansion of a specialized productive sector (Morozova et al. 2013). Knowledge economy is based on a set of values, which is considered as the main sustainable and renewable resource of a country. Nowadays, knowledge has become the key driver of competitiveness and both the developed countries and most of the developing countries have to develop policies to address the factors, which can stimulate the progress towards knowledge economy by enhancing the entrepreneurship environment and its connection with research and innovation activities (Burja and Burja 2013).

Franchising must be considered as an efficient tool for entrepreneurship in modern economies because, as we have shown, within the framework of a knowledge-based economy there are strong and positive complementary links between franchising and entrepreneurship in the explanation of economic growth and also country competitiveness on the global arena.

This study is not without limitations. Here researchers can rely on the existing literature on franchising and entrepreneurship. Our results highlight that successful franchisors and franchisees create value in different ways, depending on their strategy and resources. By value creation and knowledge usage they become efficient entrepreneurs influencing the economic growth. With regard to entrepreneurial theory, we find support in literature stating that franchising is an efficient tool for entrepreneurship in knowledge economy. Given our findings, we emphasize

that future research aims to deepen the knowledge on franchising as an entrepreneurial tool should develop a more comprehensive understanding of this process.

References

- Bogan, V., & Darity, W., Jr. (2008). Culture and entrepreneurship? African American and immigrant self-employment in the United States. *The Journal of Socio-Economics*, 37, 1999–2019.
- Burja, V., & Burja, C. (2013). Knowledge economy and entrepreneurship environment in Romania. *The Annals of the University of Oradea Economic Sciences*, 15(2), 633–641.
- Casson, M. (1995). *Entrepreneurship and business culture studies in the economics of trust*. Cheltenham: Edward Elgar.
- Castrogiovanni, G. J., & Justis, R. T. (1998). Franchising configurations and transitions. *Journal of Consumer Marketing*, 15(2), 170–190.
- Chen, H. C. D., & Dahlman, C. J. (2005). The knowledge economy, KAM methodology and World Bank operations. *World Bank Institute Working Paper*, 37256.
- Chiasson, M., & Saunders, M. (2005). Reconciling diverse approaches to opportunity research using the structuration theory. *Journal of Business Venturing*, 20, 747–767.
- Dant, R. P., Grünhagen, M., & Windsperger, J. (2011). Franchising research frontiers for the twenty-first century. *Journal of Retailing*, 87(3), 258–259.
- Deng, N. (2013). Study on the management innovation of enterprises in knowledge economy era. *Business and Management Research*, 2(4), 142–147.
- Di Mauro, F., Dees, S., & McKibbin, W. J. (2008). *Globalization, regionalism and economic interdependence*. Cambridge: Cambridge University Press.
- Dorin, C., & Alexandru, G. S. (2014). Dynamics of the entrepreneurship concept. Literature review. *Annals of the University of Oradea, Economic Science Series*, 1, 445–451.
- Gillis, W. E., & Combs, J. G. (2009). Franchisor strategy and firm performance: Making the most of strategic resource investments. *Business Horizons*, 52(6), 553–561.
- Gine, X., & Mansuri, G. (2014). Money or ideas? A field experiment on constraints to entrepreneurship in rural Pakistan. *The World Bank Policy Research Working Paper*, 6959
- Gindling, T. H., & Newhouse, D. (2014). Self-employment in the developing world. *World Development*, 56, 313–331.
- Gonzales-Diaz, M., & Solis-Rodriguez, V. (2012). Why do entrepreneurs use franchising as a financial tool? An agency explanation. *Journal of Business Venturing*, 27(3), 325–341.
- Grünhagen, M., & Mittelstaedt, R. A. (2002). Is bigger better? *International Journal of Entrepreneurial Behavior & Research*, 8(3), 188–191.
- Kaufmann, P. J., & Dant, R. P. (1998). Franchising and the domain of entrepreneurship research. *Journal of Business Venturing*, 14(1), 5–16.
- Kaufmann, P. J., & Eroglu, S. (1998). Standardization and adaptation in business format franchising. *Journal of Business Venturing*, 14(1), 69–85.
- Ketchen, D. J., Jr., Short, J. C., & Combs, J. G. (2011a). Is franchising entrepreneurship? Yes, no and maybe so. *Entrepreneurship Theory and Practice*, 35(3), 583–593.
- Ketchen, D. J., Jr., Short, J. C., & Combs, J. G. (2011b). Franchising research: Major milestones, new directions, and its future within entrepreneurship. *Entrepreneurship Theory and Practice*, 35(3), 413–425.
- Kingdon, G. G., & Knight, J. (2004). Unemployment in South Africa: The nature of the beast. *World Development*, 32(3), 391–408.
- Lewandowska, L. (2014). Franchising as a way of creating entrepreneurship and innovation. *Comparative Economic Research*, 17(3), 163–181.

- Leydesdorff, L., & Strand, O. (2013). The Swedish system of innovation: Regional synergies in a knowledge-based economy. *Journal of the American Society for Information Science and Technology*, 64(9), 1890–1902.
- Lindblom, A., & Tikkanen, H. (2010). Knowledge creation and business format franchising. *Management Decision*, 48(2), 179–182.
- Lundstrom, A., & Halvarsson, S. (2007). Entrepreneurship research: Past perspectives and future prospects. *Foundations and Trends in Entrepreneurship*, 2(3), 145–259.
- Mariora, B., Victoria, B., & Dorina, P. (2013). Measures investigating the characteristics of accounting in knowledge-based economy: Study regarding the evolution of the romanian ICT industry in 2007–2011. *The Annals of the University of Oradea Economic Sciences*, 2, 485–497.
- Minniti, M., Zacharakis, A., & Spinelli, S. (2007). *Entrepreneurship: The engine of growth*. Westport, CT: Greenwood.
- Morozova, I., Hryseva, A., Krutikova, Y., & Protsyuk, V. (2013). Problems of development of the modern education system as one the risks of the global economy. *World Applied Sciences Journal*, 23(5), 635–637.
- Murray, I. (2006). *The franchising handbook: The complete guide to choosing a franchise*. London: Kogan Page.
- Obamba, M. O. (2013). Uncommon knowledge: World bank policy and the unmaking of the knowledge economy in Africa. *Higher Education Policy*, 26, 83–108.
- Obamba, M. O., & Mwema, J. K. (2009). Symmetry and asymmetry: New contours, paradigms and politics in African academic partnerships. *Higher Education Policy*, 22(3), 349–371.
- OECD. (1996). *Shaping the 21st century: The contributions of development cooperation*. Paris: OECD.
- Olufunmilola, D., & Watson, A. (2013). Entrepreneurial orientation and the franchise system, organisational antecedents and performance outcomes. *European Journal of Marketing*, 47(5/6), 790–812.
- Paswan, A. K., D'Souza, D., & Rajamma, R. K. (2014). Value co-creation through knowledge exchange in franchising. *Journal of Services Marketing*, 28(2), 116–125.
- Prakash, A., & Hart, J. A. (2000). *Responding to globalization*. London: Routledge.
- Raffiee, J., & Feng, J. (2014). Should I quit my day job?: A hybrid path to entrepreneurship. *Academy of Management Journal*, 57(4), 936–963.
- Siemens, G. (2005). Connectivism: A learning theory for the digital age. *International Journal of Instructional Technology and Distance Learning*, 2(1), 3–10.
- Stewart, T. (2001). *The wealth of knowledge*. New York: Doubleday.
- Webb, J. W., Ireland, D. R., & Ketchen, D. J. (2014). Toward a greater understanding of entrepreneurship and strategy in the informal economy. *Strategic Entrepreneurship Journal*, 8(1), 1–15.
- Welter, F., Brush, C., & Bruin, A. (2014). The gendering of entrepreneurship context. *Institut für Mittelstandsforschung Bonn (Hrsg.) Working Paper*, 01/14.
- World Bank. (1999). *World development report: Knowledge for development*. New York: Oxford University Press.
- Zahra, S. A., & Wright, M. (2011). Entrepreneurship's next act. *Academy of Management Perspectives*, 25(4), 67–83.
- Ziółkowska, M. J. (2010). *Franczyza, nowoczesny model rozwoju biznesu [Franchising, a modern model of business development]*. Warsaw: CeDeWu Sp.z.o.o.

Development of Social Entrepreneurship in Lithuanian Enterprises

Jolita Greblikaite

Abstract Today it is more visible and emphasized that the process of globalization and technological revolution has changed economic, cultural and social life. Especially during the last decades social issues and problems have increased. In that case, social entrepreneurs and their activity are those who can make a difference and create a social value in economy by acting untraditionally. *The object* of the paper is social entrepreneurship. The research question of the research paper is how social entrepreneurship is developing in Lithuanian enterprises in changing and dynamic business environment. The positive effect of social entrepreneurship is not arguable and its importance is growing in economy overall. The EU has a lot of policy documents and instruments for promoting and fostering social entrepreneurship as future engine of economy. The research revealed that there are some problems with integrating social entrepreneurship in practical activity in Lithuania: the lack of good practice examples and initiatives, poor public and government support, lack of cooperation between business and science, etc. The experts are deeply convinced that sociability in business will grow and over time the opinion about such area of business will change in a positive way.

Keywords Social entrepreneurship • Lithuanian enterprises • Development • EU policy • Business environment

1 Introduction

The situation in labor market is rather complicated in the European Union (EU) these days. Various solutions how to decrease rising to enormous heights unemployment rates in Spain, Greece and other countries, how to stabilize markets are proposed by economists and analysts. For example, United Kingdom market suffers from immigrating people and the government took some strict actions to regulate benefits for not working. In Lithuania about 10 % of working age people

J. Greblikaite (✉)
Kaunas University of Technology, Kaunas, Lithuania
e-mail: jolita.greblikaite@ktu.lt

suffers unemployment. Entrepreneurship is kept as the first aid in this situation because entrepreneurs by self-employment could maintain the situation in constant level or not going worse. Especially, the role of entrepreneurship becomes more and more important; the way of acting becomes broader, connects more social groups, and solves more social problems in society. The role of social entrepreneurship is growing. The latest research works in entrepreneurship theme concentrates on social entrepreneurship as well. Studies are analyzing various important aspects of social entrepreneurship connected with concept, importance, features, results of the phenomena: Dees (1998), Dees et al. (2004), researching opportunities of social entrepreneurs; Drayton (2002), emphasizing the strong ethical fiber of entrepreneur; Vasiljeviene (2002, 2006), analyzing enterprise ethics as precondition for social entrepreneurship; Mort et al. (2003), solving definition problems; Austin et al. (2006), distinguishing two types of entrepreneurship (commercial and social); Krisciunas and Greblikaite (2006), researching social dimension of entrepreneurship; Korosec and Berman (2006), analyzing important definition questions, Mair and Marti (2006), analyzing social entrepreneurship as a process of creating value by combining resources; Peredo and McLean (2006), analyzing and joining the role of commercial exchange by social entrepreneur; Weerawardena and Mort (2006), analyzing multidimensional model of social entrepreneurship; Certo and Miller (2008), Smith-Hunter (2008), solving definition problems and peculiarities; Brock and Steiner (2009), researching concepts mostly related to definition of social entrepreneurship; Zahra et al. (2009), defining social entrepreneurship; Hulgard (2010), disclosing difference between USA and Europe regarding major social entrepreneurship discourses; Noruzi et al. (2010), researching sources, goals, and strategies of social entrepreneurs; Greblikaite (2011, 2012), analyzing features of entrepreneurship's expression and social entrepreneurship in Lithuania; Hoogendoorn et al. (2011), discussing the assets and resources of social entrepreneurs are analyzing various important aspects of social entrepreneurship connected with concept, importance, features, results of the phenomena.

The subject of the paper is social entrepreneurship. The research question raised in the research paper is how social entrepreneurship is developing in Lithuanian enterprises in changing and dynamic business environment. The research aim is to analyze the importance and development of social entrepreneurship in Lithuania, researching enterprises and their activity. The research tasks are: to analyze the features and importance of social entrepreneurship; to analyze the situation and policy of social entrepreneurship in EU; to present the empirical research results of social entrepreneurship in Lithuanian enterprises; to propose how social entrepreneurship could be fostered and supported in Lithuania. Research methods are scientific literature analysis, document analysis, and interview of experts.

2 The Importance and Features of Social Entrepreneurship

Social entrepreneurship might be defined sometimes a little bit differently by various authors. Schwab (2006) defined a social entrepreneur as “someone who has created and led an organization whether for profit or not, that is aimed at catalyzing systematic social change through new ideas, products, services, methodologies and changes in attitude, with the bottom line being social value creation” (Schwab 2006 cited in Smith-Hunter 2008, p. 94). Schwab Ch. also established foundation for social entrepreneurs (Schwab 2014). Korosec and Berman (2006) define social entrepreneurs as individuals or private organizations that take the initiative to identify and address important social problem in their communities. According Thompson (2002), social entrepreneurs are also said to have the qualities and behaviors generally associated with business entrepreneurs, but they operate in communities and are more concerned with caring and helping, than with making money.

Zahra et al. (2009) summing various assumptions on social entrepreneurship state that social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner. Social entrepreneur simply be someone who organizes and/or operates a venture or corporation, which features social goals (Peredo and McLean 2006). According Noruzi et al. (2010) social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what and/or how governments, nonprofits, and businesses do to address significant social problems.

Mort et al. (2003) provide a definition of a social entrepreneur composed of four dimensions such that (1) the virtuousness of their mission to create better social value; (2) unity of purpose and action in the fact of complexity; (3) an ability to recognize opportunities to create better social value for their clients; and (4) their propensity for risk-taking, pro-activeness and innovativeness in decision making.

Austin et al. (2006) distinguished between two types of entrepreneurship. Commercial entrepreneurship represents the identification, evaluation and exploitation of opportunities that result in profits. In contrast, social entrepreneurship refers to the identification, evaluation, and exploitation opportunities that result in social value (Austin et al. 2006; Certo and Miller 2008). While commercial entrepreneurs are primarily concerned with private gains, social entrepreneurs are more concerned with creating social value. Being not sure of potential returns, social entrepreneurs may face more difficulties in mobilizing financial resources.

Social entrepreneurs are often driven by their passion to meet the needs of a population or by their personal values, charisma, and leadership skills (Certo and Miller 2008). Noruzi et al. (2010) emphasize eight basic assumptions about sources, goals, and strategies of social entrepreneurs. Firstly, social entrepreneurs do not have to be individuals. They can also be small groups, teams of individuals,

organizations, networks, or even communities. Secondly, social entrepreneurs seek sustainable, large-scale change. Thirdly, social entrepreneurship can involve pattern-breaking ideas how to solve significant social problems. Fourthly, social entrepreneurs exist in and between all sectors. More, social entrepreneurs need not engage in social enterprises or use market-based tools to be successful. The quantity of social entrepreneurship can vary greatly across individuals and entities. The intensity of social entrepreneurship changes under circumstances and time. Here economic, political, social, and organizational circumstances and conditions are important. And, social entrepreneurs sometimes fail as serial entrepreneurs because they are taking serious risk.

The entrepreneurial aspect of social entrepreneurship express as including (1) the recognition and “relentless” pursuit of new opportunities to further the mission of creating social value, (2) continuous engagement in innovation and modification, and (3) bold action undertaken without acceptance of existing resource limitation (Dees 1998; Peredo and McLean 2006). Peredo and McLean (2006) are analyzing and joining the goals and role of commercial exchange by social entrepreneur. Sociality of enterprise could be not only primary object, but it could be successfully incorporated among other goals (see Table 1).

Mair and Marti (2006) see social entrepreneurship as a process of creating value by combining resources in new ways. Secondly, these resource combinations are intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs. Third, researchers viewing to social entrepreneurship as a process emphasize that it involves the offering of services and products but can also refer to the creation of new organizations. Authors argue that profit motive of entrepreneurship can be a partial motive for social entrepreneurship as it might be presumed that the motives for social entrepreneurship can be, for example, personal satisfaction or fulfilment. Some authors discuss that entrepreneurship in business sector also has a social aspect. Drayton (2002) emphasizes the strong ethical fiber of entrepreneur. Many authors have emphasized the non-profit nature of social entrepreneurial activities as a distinctive feature of social entrepreneurship. Mair and Marti (2006) argue this and make suggestions that social entrepreneurship can take place equally well on a for-profit

Table 1 The range of social entrepreneurship

Place of social goals	Role of commercial exchange
Enterprise goals are exclusively social	No commercial exchange
Enterprise goals are exclusively social	Some commercial exchange, any profits directly to social benefit or in support of enterprise
Enterprise goals are chiefly social, but not exclusively	Commercial exchange, profits in part to benefit entrepreneur and/or supporters
Social goals are prominent among the other goals of the enterprise	Commercial exchange: profit-making to entrepreneur and others is strong objective
Social goals are among the goals of the enterprise, but subordinate to others	Commercial exchange: profit-making to entrepreneur and others is prominent or prime objective

Source: Adapted from Peredo and McLean (2006)

Table 2 Difference between USA and Europe regarding major social entrepreneurship discourses

USA	Europe
+Associations	+Associations
+Private enterprises	+Public organizations
+Business community and business management	+Public sector involvement
–Public sector involvement	+Shared responsibility
+Individual responsibility	+Social economy/Solidarity economy
+Innovation	
+Social purpose enterprise	

Source: Hulgard (2010)

basis. The main difference is based on if social entrepreneurship creates social or economic wealth. In social entrepreneurship, social wealth creation has a primary task. Economic value creation ensures the fulfilment of social wealth creation.

One of the most controversial issues are about is social entrepreneurship an independent field of research (Mair and Marti 2006). Weerawardena and Mort (2006) suggest that social entrepreneurship can be conceptualizes as a multidimensional model involving the three dimensions: innovativeness, proactiveness, and risk management. These dimensions are encountering in other three dimensions: environment, social mission, sustainability. In Table 2 the difference between USA and Europe social entrepreneurship can be seen (Hulgard 2010). The mostly cited concepts related to social entrepreneurship definitions are: outcomes based, not limited by resources, sustainable, opportunity recognition, scalable, innovation, social problems/mission based (Brock and Steiner 2009).

When the others see problems, social entrepreneurs see opportunities (Dees 1998). Social entrepreneurship focuses on overall societal needs and problems, on how to maximize social change and improve social conditions. Social entrepreneurs are visionaries who seek to transform society through creating social ventures that can be scaled and replicated in multiple settings through dissemination, affiliation and/or branching (Dees et al. 2004).

Employees feel good about their work in social enterprises and this reflects on their surroundings as well. The management and administration costs are lower and wages are more moderate than in other types of business. This gives a competitive advantage for social business in the market. And the profit made by the business is reinvested into the business, which makes social enterprises viable long-term investment opportunities (EC 2011). Social enterprises are able to take resources that are unavailable to for-profit enterprises. These assets are such as volunteers and assets received by donation (Hoogendoorn et al. 2011).

Social entrepreneurship is defined as the practice of responding to market failures with transformative and financially sustainable innovations aimed at solving social problems. According Noruzi et al. (2010) it has three essential components: response to market failures; transformative innovation; and, financial sustainability.

Above the important aspects were discussed analyzing foreign research works. Research in entrepreneurship is rather new in Lithuania. But there are some works analyzing important questions of social entrepreneurship as well (Greblikaite 2012). There are some scientific works on social responsibility of business. Vasiljeviene (2002) researched enterprise ethics analyzing problematic spheres of ethics implementation in enterprises, enterprise culture, and moral dimension in enterprise ethics, social market conception, social contract conception, and social development of ethics concerning the basics of social entrepreneurship. Later, Vasiljeviene (2006) analyses the ethical practice of enterprises in corporate social responsibility context.

Greblikaite (2011) analyzed the features of entrepreneurship's expression in enterprises. There were features of entrepreneurship's expression in social activity of an enterprise identified. They reflect social dimension of entrepreneurial enterprises and entrepreneurship. The features were researched in small and medium-sized Lithuanian enterprises. The research supposed the conclusion that social activity and its features are important and inseparable from entrepreneurship. Social dimension and responsibility of entrepreneurship were analyzed in Krisciunas and Greblikaite (2006).

Social entrepreneurship is almost not researched and is developing in Lithuania. Theoretical and practical research are important, interesting and needed to be developed in the future, because Lithuanian entrepreneurial enterprises need support from scientists as well as from government constructing common understanding of the phenomena. However, EU policy remains very important for development of social entrepreneurship in the country.

3 Fostering Social Entrepreneurship in EU

The most significant attention to social entrepreneurship in EU was devoted after Lisbon European Summit after year 2000 and adoption of Lisbon Strategy. The attention was paid to social responsibility of business as connecting part to economic and social targets of enterprises. Enterprises with social activity were encouraged to bring their significant share to job creation, improvement of employees' conditions, and development of social innovation.

One of the EU-level target goals in Horizon 2020 is set and declares that 75 % of the population aged 20–64 should be employed (EC, Directorate General for Employment, Social Affairs and Inclusion 2013). The employment situation is rather difficult in EU. Unemployment rate is the highest ever in EU history. Youth unemployment is of special concern. 5.7 million EU citizens aged less than 25 were jobless in January 2013, according for 23.6 % of the active young people in the EU-27. Aging problems are concerning politicians as well. In Europe 46 % of older workers (age 55–64) are employed compared to over 62 % in the US and Japan.

The European Commission gives the term “social enterprise” the following meaning “an operator in the social economy whose main objective is to have social impact rather than make a profit for their owners or stakeholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner, and, in particular, involves employees, consumers and stakeholders affected by its commercial activities” (EC 2011, p. 3).

There are significant differences across countries in terms of the social sector and business sector areas social enterprises are active in. For example, in Romania and Hungary social enterprise activity dominates in the sectors of health, social work, and education. In Sweden and UK social enterprises provide services to community, and other social and related services. The sources of capital also differ in various countries. For example, in Sweden, UK, and Spain sales and/or fees were clearly the most important source of capital. In Romania, for example, the most significant share of liquidity originates from grant finance.

92 % of organizations’ types in the social economy are associations, foundations and other similar accepted forms in EU. 7 % are cooperatives and other similar accepted forms, 1 %—mutual companies and other similar accepted forms. Social economy including both, paid and voluntary work, consists about 65 % of the employment in Europe’s social economy (EC, Directorate General for Employment, Social Affairs and Inclusion 2013). In EU one out of four new enterprises is set up as social, and up to one of three in Finland, France and Belgium.

The European Commission proposes three sets of priority measures: measures to improve the access to funding for social businesses; measures to improve the visibility of social businesses; measures to improve the legal environment of social businesses (EC 2011). For example, the European Enterprise Promotion Awards aim to recognize innovation and reward the success of public bodies and public-private partnerships in promoting enterprise and entrepreneurship at a national, regional and local level. The best practices are awarded in EU level and serves as stimulating and promoting social entrepreneurship as well.

Noruzi et al. (2010) provide five objectives of entrepreneurship education agreed by European Expert Group in 2004: (1) Promoting the development of personal qualities that are relevant to entrepreneurship, such as creativity, spirit of initiative, risk-taking and responsibility; (2) Offering early knowledge of and contact with the world of business, and some understanding of the role of entrepreneurs in the community; (3) Raising students’ awareness of self-employment as a career option; (4) Organizing activities based on learning by doing; (5) Providing specific training on how to start a business.

One of the newest documents concerning fostering entrepreneurship in EU is “Entrepreneurship 2020 Action Plan” (EC 2013). It is clearly stated that “to bring Europe back to growth and higher levels of employment, Europe needs more entrepreneurs” (p. 3). The most difficult things for entrepreneurs in EU are: education is not adopted to acquaintance appropriate skills needed for entrepreneurs; the financial resources are difficult to obtain; difficulties in transferring

business still exist; the fear of failure and sanctions after that; administrative procedures are still heavy burden for entrepreneurs.

First course of social entrepreneurship was offered at Harvard University in the middle of 1990s by Greg Dees. Later Stanford, Columbia, and Berkley proposed the courses of social entrepreneurship. The first documented European course was co-taught by Maximilian Martin from the University of Geneva in Switzerland and Pamela Hartigan from the Schwab foundation in 2003 (Brock and Steiner 2009). Now the courses on entrepreneurship are almost in every university, but the quality and content of them is not sufficient.

“Entrepreneurship 2020 Action Plan” states that “<..being an entrepreneur is an attractive prospect for Europeans, this also includes social entrepreneurs whose potential is often underestimated..>” (EC 2013, p. 5). The immediate actions are based on action pillars. Action pillar 1 is emphasizing entrepreneurial education and training to support growth and business creation. Education should be brought to learning by practical experience learning models and true stories of real entrepreneurs. Action pillar 2 is based on creating an environment where entrepreneurs can flourish and grow. And here appropriate aspects should be taken to account: (1) Access to finance; (2) Support for entrepreneurs in the crucial phases of the business lifecycle and their growth; (3) Unleashing new business opportunities in the digital age; (4) Transfers of businesses; (5) Bankruptcy procedures and second chance for honest entrepreneurs; (6) Regulatory burden reductions.

Very important document was adopted in December 2011 by the European Commission: Action Plan to improve access to finance for SMEs and proposals on venture capital funds and social entrepreneurship funds (European Parliament and Council 2011a, b). The stress was put on the funds needed to commercialize research and development and test innovative business models. Future concerns are related with social economy development and social innovation.

Action Pillar 3 takes into account role models and reaching out to specific groups. It is proposed a change in the perception of entrepreneurs through practical and positive communication about the achievements of entrepreneurs, their value to society and the opportunities of new business creation or acquisition as a career destination. These specific groups are women, migrants, people with disabilities, young, and retired people. Special attention is paid to new and young enterprises representing a key ingredient in creating a job-rich recovery in Europe (EC 2013).

Scientific studies reveal that social entrepreneurial activities become more frequent than commercial entrepreneurial activities. Hulgard (2010) emphasizes that there are two lessons from which it is useful to learn. The first lesson is that linking to social entrepreneurship and social enterprises is some historical European tradition to the issues of democracy and participation. The second lesson is based on social entrepreneurship connecting three different sectors—public, traditional private for-profit and the civil society sectors in EU.

Government policy and its effectiveness is one of the most important elements promoting entrepreneurship in Lithuania. The main factors supporting entrepreneurship remain enterprise and estate registration conditions, permission for building, electricity supply, credit conditions, investment protection, cross-border trade,

tax wages, insolvency problem solutions, fulfilment of agreements. All the factors are regulated by state. State provides public services for business and the quality of those services should be improved for development of social entrepreneurship in Lithuanian enterprises.

4 Development of Social Entrepreneurship in Lithuanian Enterprises

The aim of empirical research is to evaluate the situation of social entrepreneurship in Lithuanian enterprises and to foresee further development (The empirical research (experts' interview) was made in Lithuanian enterprises by Lina Gegeckaitė in 2013 February–April.). The actuality of fulfilled empirical research was based on such assumptions: a lot of enterprises are declaring that they are socially responsible (including banks, consortiums of enterprises, and etc.); often “socially responsible” is just a claim for public opinion, gaining added value, good reputation, more clients. Such enterprises fulfil some socially responsible actions such as charity, some solitary actions, but the solution of social problems becomes forgotten. The questionnaire of experts' interview was based on three main questions:

1. Is it possible (and how) to reconcile the principal of profit gaining with solution of social problems?
2. What tendencies of social entrepreneurship do the experts see in Lithuanian enterprises now?
3. What future tendencies and perspectives are seen in social entrepreneurship in Lithuania?

The object of empirical research was the development possibilities of social entrepreneurship in Lithuanian enterprises. Experts' interview was selected as a research method. The target group of empirical research was six selected experts. Experts' number can be defined starting from 5 (The number of experts is considered confident if the number of experts is not less than 5 (Kardelis 2002)). The experts were general managers and specialists, who had competence and experience to describe the analyzed object and gave grounded opinion on research questions. The experts are selected so that their opinions could cover all the spectrum of knowledge about situation of social entrepreneurship in Lithuania.

As the experts' interview results reveal the understanding of social entrepreneurship is common as from theoretical as to practical viewpoints. The opinion states that social entrepreneurship develops creativity of employees, integrates innovative, risky decisions and social initiatives: finds social problems, generates ideas, solves social problems, and gains social value.

Evaluating the situation of social entrepreneurship in Lithuanian enterprises different opinions were expressed. Some of experts emphasized that a lot of social

initiatives in Lithuania were taken rather late or not in time as it was done in other EU countries. Another expert states that social entrepreneurship is just a vision in Lithuania because society is not mature enough to accept such kind of business. There was such an opinion expressed that some of social initiatives in Lithuania are taken just in order to maintain competitive or do some “show elements” for publicity. Some positive opinions were spoken up as well. One of the experts said that the number of socially involved enterprises is growing in Lithuania, and the reason for such behavior is modern approach of customers. The way of social acting is affordable and honorable. The progress of social entrepreneurship is based on more and more various external environment and different international partners. The main force initiating such activity is EU funding for enterprises. The most important is the sincerity and continuum of actions in enterprises supported by different EU funds.

The opinion of experts about concrete solutions of social problems was asked. The experts declare that for real social actions and decisions enterprises should have experience, knowledge, and financial funds. Single enterprises take just a small part of big problem existing in society. Project activity supported by EU can show good examples for other enterprises how to reach the common wealth. Middle and long-term perspective is needed for enterprises involved in social activities and social entrepreneurship. The social activity fulfilled by enterprises is valued by employees, competitors, clients, and society. In long-term period it becomes affordable (all experts agreed).

Experts discussed the instruments for fostering social entrepreneurship in Lithuanian enterprises. At first, conferences, seminars, educational events, where educational institutions would participate, should be helpful. The research and various studies about enterprises implementing social entrepreneurship would be helpful to others as practice of good examples. The implementation of EU funded projects is a possibility which should be used for promoting social entrepreneurship in Lithuania.

By various theoretical works the principal of gaining profit by social activity is a balance (or can be balanced). The experts agreed with such an opinion. They based it by thoughts that the main role should play top managers and leaders in the enterprises. Their consciousness, maturity and values could ensure appropriate attitude to solving social problems and gaining good financial results. Experts were mentioning the size of enterprise and financial possibilities to help solving common societal problems. The balance between profit and social goals of enterprises remains the one of the most important challenges for enterprises.

According the experts, the further development of social entrepreneurship depends state support, involvement of educational institutions and youth in social activity and Individual consciousness helping to solve problems rising in society. Establishment of science and technological parks, business incubators is one of the conditions for successful development of social entrepreneurship in Lithuania. According experts the number of social enterprises will be growing, but state support in this period is crucial for fostering such kind of activity. The overall tendencies for development of social entrepreneurship remain positive in Lithuania.

For now, sometimes creation of enterprises based on social activity remains in ideas level and lacks initiative and self-awareness to act for society purposes.

5 Conclusions and Suggestions

Social entrepreneurship is kept as a life-preserver for EU. Financial crisis passed, but a lot of economic consequences are left. One of the best solutions to solve those problems remains entrepreneurship. Moreover, more and more attention is paid to social entrepreneurship in overall EU policy as well as in theoretical research works in this field. The positive effect of social entrepreneurship is not arguable and its importance is growing in economy overall. Social economy consists more than a half of overall EU economy. In the EU-27, associations employed 8.6 million people in 2010; they account for over 4 % of GDP and their membership comprises 50 % of EU citizens (International Centre of Research and Information on the Public and Social and Cooperative Economy 2012). The EU has a lot of policy documents, measures and instruments for promoting and fostering social entrepreneurship as future engine of economy. Many instruments and actions are foreseen for fostering entrepreneurship in EU countries, promoting small and medium-sized business. The most important question remains successful implementation of these instruments.

The research revealed that there are some problems with integrating social entrepreneurship in practical activity in Lithuania: the lack of good practice examples and initiatives, poor public and government support, lack of cooperation between business and science, etc. However, such trends do not mean that the current situation cannot change to better one. The experts are deeply convinced that the sociability in business will grow and over time the opinion about such area of business will change in a positive way.

Europe needs a through, far-reaching cultural change (EC 2013). Investments in changing the public perception of entrepreneurs, in entrepreneurship education and in the support of groups that are underrepresented among entrepreneurs are necessary. According results of empirical research the main factors, influencing and supporting development of social entrepreneurship in Lithuania, could be revealed.

Improvement of State Policy The risk is rather high for creating social enterprises, so the support of state is very needed, especially providing financial funds, making easier administrative and tax burden for starting business;

Active Dialogue and Partnership Between Business and Educational and Training Institutions The courses should be integrated not only in theoretical, but in practical level (for example, taking real action of solving some social problems). Mentoring of young entrepreneurs is one of the positive options fostering social entrepreneurship's development. Educational training should be based on spread of entrepreneurial ideas among society members;

Fostering of Research in Social Entrepreneurship Area Sharing of experience and good-practice example analysis is needed for revelation of actual situation in sector. For now, the biggest part of research is based on some statistical data and their analysis;

Involvement of Youth in Social Activity Developing Social Responsibility in Business Young people should be involved in acting social enterprises, practice, discussions, methodical instruments and trainings. Investment in skills of young people affords. In this way attitude to business is formed, creativity and risk become comprehended. Involvement of youth to social activity forms positive business culture and raises possibilities to implement ideas in reality;

Fostering of Citizens Consciousness It could be started from the initiative of enterprises themselves. They can organize training, events, and learning and information instruments for directing attention of citizens. As citizens often do not trust business, so spread of information about good-practice examples of social entrepreneurship could be very useful for reputation improvement and further development.

It is important to understand that complex approach and action are needed for successful development of social entrepreneurship in Lithuania. The value of findings is based on their use in theoretical and practical level. Findings are important for the research and education institutions for further research and development of co-operation between business and science. The results are valuable for enterprises getting acquainted with the situation of social entrepreneurship in Lithuania as well as the main findings should be interesting for governmental and public institutions fostering the development of social entrepreneurship in Lithuania.

References

- Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different or both? *Entrepreneurship Theory and Practice*, 30(1), 1–22.
- Brock, D. D., & Steiner, S. D. (2009). Social entrepreneurship education: Is it achieving the desired aims? Accessed March 2014, from <http://ssrn.com/abstract=1344419>
- Certo, T., & Miller, T. (2008). Social entrepreneurship: Key issues and concepts. *Business Horizons*, 51, 267–271.
- Dees, J. G. (1998). *The meaning of social entrepreneurship* (Draft report for the Kauffman Center for Entrepreneurial Leadership). Stanford, CA: Stanford University.
- Dees, J. G., Anderson, B., & Wei-Skillern, J. (2004). Scaling social impact. *Stanford Social Innovation Review*, 4(1), 24–32.
- Drayton, W. (2002). The citizen sector: Becoming as entrepreneurial and competitive as business. *California Management Review*, 44(3), 120–132.
- EC. (2011). Initiative for social business of October.
- EC. (2013). Plan for Entrepreneurship 2020 action COM (2012) 795 final of 1 September on reigniting the entrepreneurial spirit in Europe.

- EC, Directorate General for Employment, Social Affairs and Inclusion. (2013). *Social economy and social entrepreneurship. Social guide* (Vol. 4). Luxembourg: Publications Office of the European Union.
- European Parliament and Council. (2011a). Proposal for a regulation of 1 on European venture capital funds, COM(2011) 860 final.
- European Parliament and Council. (2011b). Proposal for a regulation on European social entrepreneurship funds, COM (2011) 862 final.
- Greblikaite, J. (2011). *Antrepreneriškumo raiškos raida ir šiuolaikiniai bruožai inovatyviose smulkiose ir vidutinėse įmonėse [Evolution and modern features of entrepreneurship's expression in innovative small and medium-sized enterprises]*. Doctoral dissertation, MRU Leidybos centras, Vilnius.
- Greblikaite, J. (2012). Development of social entrepreneurship: Challenge for Lithuanian researchers. *European Integration Studies: Research and Topicalities*, 6, 210–215.
- Hoogendoorn, B., van der Zwan, P., & Thurik, R. (2011). Social entrepreneurship and performance: The role of perceived barriers and risk. *ERIM Report Series Research in Management* (No. ERS-2011-016-ORG). Rotterdam: Erasmus Research Institute of Management.
- Hulgard, L. (2010). Discourses of social entrepreneurship—variations of the same theme?. *EMES European Research Network*, WP, No.10/01.
- International Centre of Research and Information on the Public, Social and Cooperative Economy. (2012). Summary of the report drawn up for the European Economic and Social Committee concerning the social economy in the European Union. Accessed February 2014, from <http://www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf>
- Kardelis, K. (2002). *Mokslinių tyrimų metodologija ir metodai [Methodology and scientific methods of scientific research]* (2nd ed.). Šiauliai: Liucilijus.
- Korosec, R., & Berman, E. (2006). Municipal support for social entrepreneurship. *Public Administration Review*, 66, 446–460.
- Krisciunas, K., & Greblikaite, J. (2006). Towards responsible entrepreneurship in knowledge-based economy. Legal, political and economical initiatives towards Europe of knowledge. *Proceedings of Kaunas University of Technology* (pp. 123–128). Kaunas: Technologija.
- Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41, 36–44.
- Mort, S. G., Weerawardena, G. J., & Carnegie, K. (2003). Social entrepreneurship: Towards conceptualization. *International Journal for Nonprofit and Voluntary Sector Marketing*, 8(1), 76–88.
- Noruzi, M. R., Westover, J. H., & Rahimi, G. R. (2010). An exploration of social entrepreneurship. *Asian Social Science*, 6(6), 3–10.
- Peredo, A. M., & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41, 56–65.
- Schwab. (2014). Schwab foundation for social entrepreneurship. Accessed January 2014, from <http://www.schwabfound.org>
- Smith-Hunter, A. E. (2008). Toward a multidimensional model of social entrepreneurship: Definitions, clarifications, and theoretical perspectives. *Journal of Business & Economics Research*, 6(6), 93–112.
- Thompson, T. L. (2002). The world of the social entrepreneur. *International Journal of Public Sector Management*, 15(5), 412–431.
- Vasiljeviene, N. (2002). Kaip galima įmonių etika? [How it is possible enterprise ethics?]. Įmonių etika verslo praktikoje [Enterprise ethics in practice]. Vilnius: VU. pp. 210–310.
- Vasiljeviene, N. (2006). *Organizacijų etika: Institucinės etikos vadybos sistemos [Organisational ethics: Institutional systems of ethical management]*. Vilnius: Ciklonas.
- Weerawardena, J., & Mort, S. G. (2006). Investigating social entrepreneurship: A multidimensional model. *Journal of World Business*, 41, 21–35.
- Zahra, S. A., Gedajlovic, E., Neubam, D. O., & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24, 519–532.

The Development of Creative Industries in Poland Comparison with the European Union

Magdalena Ratalewska

Abstract Creative industries belong to a fairly new field of economic life. Although the concept itself was created 20 years ago, only in recent years has the creative industries sector been recognized as the object of interest of state and local authorities in Europe, perceived as an important source of national income creation. The emergence of creative industries is associated with an increase in the importance of culture and related activities concerning the economic development. The aim of the study was to analyze the activities and development opportunities of creative industries in Poland in comparison with the European Union. In 2014, the results obtained, among others, from reports of the Polish Agency for Enterprise Development, regional research, Central Statistical Office and Eurostat were analyzed in secondary research. The results of the analysis of primary sources indicated that, compared to the UK, Germany, France and the Netherlands, Polish entrepreneurs are only at the stage of introducing the opportunities presented by the creative industries sector. Cooperation between companies in creative industries takes many forms—from the relatively simple one (participation in fairs), through research and development projects to cooperating in the creation of joint marketing concepts related to market launch.

Keywords SMEs • Creative industries • Innovative projects • Entrepreneurship

1 Introduction

The concept of the creative industries sector was defined for the first time in the late 1990s. This short period of almost 25 years of research on creative industries has shown how important this economic and social phenomenon is for economic development.

Within the framework of creative industries in Poland, cluster initiatives have slowly emerged, linking artists, media and culture representatives, freelancers and

M. Ratalewska (✉)

Department of Entrepreneurship and Industrial Policy, University of Lodz, Lodz, Poland
e-mail: mratalewska@uni.lodz.pl

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,
Eurasian Studies in Business and Economics 3/1,
DOI 10.1007/978-3-319-27570-3_6

57

entrepreneurs on the basis of joint projects. These projects aim at achieving business objectives as well as at the enhancement of the value of the given entity or organisation. Creative industries act as a partner for small and medium-sized enterprises operating in various sectors, by supporting, among others, the development of new products, services and technologies, as well as through manufacturing and marketing activities.

The paper aims to explain basic issues associated with the concept of the creative industries sector and provide an analysis of its activities and opportunities for development of creative industries in Poland and the European Union. The paper is prepared on the basis of available literature and reports on the subject.

2 The Concept of the Creative Industries Sector in the Modern Economy

The emergence of creative industries is associated with an increase in the importance of culture and related activities in the economic development, the importance of knowledge in all economic aspects of production, distribution and consumption, as well as the importance of the service sector, whose development is facilitated by globalization and digitization, in the economy.

There are many different definitions of creative industries in the literature. One of these definitions was created by the specially appointed Creative Industries Taskforce in the UK in the 1990s. According to this definition, the creative sector comprises activities arising from individual creativity and talent which have the potential of generating wealth and employment through the creation and use of intellectual property rights (Przygodzki and Pożycka 2012). According to this definition, creative industries comprise the following activities: advertising, film and video, architecture, music, art and antiques market, performing arts, computer and video games, publishing market, craft, software, design, radio and TV, fashion design.

They represent two branches of the creative economy, i.e. the traditional cultural industries and the new knowledge-based sectors. Creative industries according to this approach are identified as activities: having their origin in individual creativity, skills and talent; having the potential to create wealth and employment.

In the German model of creative industries, they are understood as creative enterprises which are specifically market-oriented and deal with creation, production, distribution and/or dissemination of creative goods and services through the media. In France, creative industries are recognized as a set of activities that combine features of conceptualization and creation with industrial activity and a broad distribution of goods and services usually subject to copyright (Etmanowicz 2009). In the Dutch approach, there is no division between the creative industries sector, the cultural sector, arts and entertainment, as creativity is the key production factor. Culture is, however, divided into three groups: art (performing arts and photography, visual arts and artistic events, etc.); media and entertainment (film,

the audiovisual sector, literature and journalism, etc.); creative business services (design, fashion, architecture, new media and games, advertising, etc.) (Etmanowicz 2009).

According to the pan-European definition contained in KEA (2006) (Kern European Affairs—an organization in Brussels working for the development of art, culture and sport), the creative sector can be divided into two types of activities: cultural industries and creative industries. Cultural industries include sectors such as: film and video, TV and radio, video games, music, books and the press. Whereas creative industries encompass: design, advertising and architecture. Cultural industries comprise the kinds of cultural activities whose outcome is purely artistic as well as traditional fields of art. In contrast, creative industries use culture as a value added in the manufacture of non-cultural products (KEA 2006).

Creative industries are characterized by the following features (Caves 2000; Zakrzewska-Krzyś 2011):

- *nobody knows*—due to the experimental nature, as well as subjectivity of experience, there is high uncertainty about demand;
- art is an end in itself—artists derive satisfaction from the act of “creation”;
- production requires the simultaneous use of different, specialized skills of many people with different tastes and the contribution of each person must be delivered at a certain minimum level of quality and quantity;
- diversity—both in quality and content, the required combinations of production factors are unique;
- small differences in skills lead to large differences in pay;
- the timing of individual elements of the production process is extremely important;
- products are long lasting, as is the process of deriving benefits from products by their creators.

According to the definition of the United Nations Conference on Trade and Development (UNCTAD), creative industries/sectors are defined as cycles of creation, production and distribution of goods and services using creativity and intellectual capital as the main components (Kowalik 2013).

The definition developed by the UNCTAD also defined the creative product, which is the result of work done by a creative individual (artist) and can be tangible as well as intangible. Features of creative product that clearly distinguish creative products from other consumer goods available on the market are: originality, individuality and creativity. Creative products are divided into simple and complex ones. Simple products include (Marshal’s Office of Mazowieckie Voivodeship 2012): creative product (object)—a tangible product; creative product (service)—an independent creative service (e.g.: a film set design, a painting exhibition); creative product (content)—an intangible product (e.g.: literary, music, art works).

Complex products include (Marshal’s Office of Mazowieckie Voivodeship 2012) creative product (event)—(e.g.: concerts, recitals, book promotions, advertising picnics); creative product (place)—combines tangible and intangible features; this is a place, usually a venue, where creative services are provided.

The UNCTAD classification contains four groups of industries:

- heritage—defined as the source of all forms of art and the basis of creative and cultural industries. It includes two subcategories: traditional expression (e.g.: crafts, festivals) and cultural venues (e.g.: museums, libraries, exhibitions);
- art—this group consists of creative industries deriving directly from art and cultural activities. It is divided into: visual arts (e.g.: painting, sculpture, photography) and performing arts (e.g.: theatre, dance, music);
- the media—that produce on the basis of creative content. They are divided into two subcategories: publishing along with printed media and audiovisual publishing (e.g.: film, television, radio);
- functional projects—are demand-oriented industries focused on providing functional services and goods, the so called *functional creations* such as: design (e.g.: interior design, graphics, fashion, jewelry, toys), the new media (e.g.: software, games) and creative services (e.g.: architectural, advertising, recreational services or research) (Etmanowicz 2009).

The creative sector is also defined as the area of the economy which is based on creativity and originality of activities carried out with the use of intellectual resources (Mackiewicz et al. 2009). According to this approach, culture through its products becomes a vehicle for creativity, affecting current economic processes, and is the capital stimulating the development of the creative sector (Etmanowicz 2009).

According to the Eurostat definition presented in ESSNet-Culture Final Report (Bina et al. 2012), the creative sector includes firstly cultural sector enterprises producing and distributing goods and services which at the time of their development are considered to possess specific attributes, application or purpose which embodies or conveys cultural expression, irrespective of their commercial value. Secondly creative industries and cultural industries are involved in the creation and delivery of products and market services which result from the cultural and creative contribution determining their value; the area of the creative sector consists of the following cultural domains: national heritage, libraries, archives, books and the press, visual arts, performing arts, multimedia and audiovisual arts, architecture, advertising, crafts (Bina et al. 2012).

Creative industries are activities sourced in individual skills and talent indicating a tendency to creating a product as well as jobs. The specificity of this activity is created by artists with their wealth of knowledge used in the manufacture of goods and services with a value added represented by high quality and a unique form, obtaining benefits mainly from intellectual property rights (Kowalik 2013).

Creative industries are one of the segments of the broader cultural sector which consists of: artists; the public sector (e.g.: public establishments providing cultural services); the private sector (creative enterprises and, classified separately, companies in the media, information and communication sectors); the non-profit sector (e.g.: artists' associations, foundations) (Marshal's Office of Mazowieckie Voivodeship 2012).

Definitions of creative industries vary due to: the scale of activities; value added (nature of the product, intellectual contribution) and economic conditions of business activity conducted. The scale of activities (production volume) as some creative sector companies are engaged in production or distribution on a mass scale (films, video games, television and radio broadcasts, publications), while others conduct artistic/handicraft activities and their products are consumed at a specific time and location (e.g.: during artistic events). In the case of “value added”, according to some definitions, for example, antiques trade or cultural tourism do not fall into the category of creative activities as they are not new quality protected by copyright (intellectual property). Economic conditions of business activity conducted. The issue of classification of enterprises due to the economic conditions of their operation is the third disputed issue which is to some extent a function of the criteria and the choices of perspective regarding the first two approaches. Some companies function with the assistance from various sources, others operate on a commercial basis (Mackiewicz et al. 2009).

In Poland, creative industries are the ones that are based on individual creativity, skills and talent and have the potential to create new jobs and a specific income due to intellectual property generated.

3 Clusters of Creative Industries

Individual actors of creative industries, i.e. artists, authors, artisans, designers, people of culture, as well as producers, through their skills and resources at their disposal create a high potential for cooperation and building relationships with each other. This includes business cooperation and the creation of a bohemian climate which attracts with its specificity people from different circles. This type of community has existed since the Middle Ages, when specialists in various fields of art united in common guilds, looking for an opportunity to, on the one hand, establish professional contacts and, on the other, to spend time in their own circle.

Clusters are not the exact equivalent of old guilds as those gathered together representatives of the same profession. Clusters unite interrelated organizations, companies, suppliers, customers, as well as universities, cultural facilities, museums and galleries, but also individual freelancers and artists whose skills can be appreciated by a group of the given cluster’s members. In the framework of the cluster, representatives of various companies, institutions and professions, on the one hand, look for opportunities to carry out joint business projects complementing their skills, and on the other, seek integration and mutual development.

Clusters in creative industries are usually located in major cities throughout Europe. This location preference near major cities results from attractions that such cities provide for the local community, i.e. cultural events, conferences, rallies. It can be also noted that large clusters are generally surrounded by other smaller clusters of the same as well as related industries (Boix et al. 2011). Therefore, the

most creative cities in Europe, Paris, London, Madrid, Berlin and Warsaw, have many cooperating clusters of creative industries.

In the framework of cooperation among the given cluster's members, entrepreneurial acts in the form of cluster initiatives are undertaken. The cluster initiative is a conscious, organised venture aimed at affecting in a more systematic way the developmental potential of the given cluster (Palmen and Baron 2011). This does not mean, however, that all entities belonging to the cluster need to participate in a cluster initiative. Only the entities that share a common goal, whose roles are complementary, participate in such an initiative. Cluster initiatives are most often temporary and after the project has been implemented, individual members return to their original roles in the cluster and are willing to participate in other initiatives, usually with a different set of partners.

4 Factors Determining Entrepreneurship and Innovation in Creative Industries

Innovativeness, that is the ability to create unique products, is a key condition for competitiveness in creative industries, much more important than in traditional sectors of the economy. The source of innovation is talented people, cluster members that, thanks to their entrepreneurial actions, transform creative ideas into innovative products. As experience shows, creating the right conditions for the development of creativity and entrepreneurship, i.e. creating the creative environment, are a prerequisite for innovation.

The strength and importance of clusters are primarily determined by their creators with their creative and intellectual potential. These are people who, on the one hand, need to generate new unique ideas, and on the other, learn how to implement these ideas in practice. The collective of all these artists was for the first time named as the creative class by Florida (Florida 2010). This concept has entered the canon of language of economics and means people involved in the creative process that implement new projects which are easily sellable and widely applicable. These are also people who creatively solve problems by using advanced knowledge.

Creative individuals as an inherent factor determining the existence of the creative sector have significant implications for the development of this sector. Artists are usually individualists, unwilling to work within an organizational structure or to be controlled and even reluctant to act in accordance with a pre-ordained plan. For many of them even a set date for completing a task is treated as "approximate".

Moreover, members of creative industries are often guided by a specifically understood system of values. They not necessarily work for profit. For many of them, the opportunity to express their own personality or views is as important or even more important than benefits achieved due to commercialization of their

works. Consequently, some of them are wary to cooperate with commercial organizations which obviously complicate cooperation in a cluster. Problems often arise when companies which are cluster members try to motivate artists with traditional methods. However, the dominant value in this class of people is appreciation for talent. Therefore, an opportunity to gain recognition in their own community and to present their skills, creativity and talent must be a significant stimulus to motivate and keep artists in a cluster. Commercial organizations participating in a cluster should keep this in mind when planning collaboration with artists. Therefore, a coordinator, who is a kind of entrepreneur developing the cluster, plays a significant role in the survival and development of the cluster.

Creative people prefer staying in places that inspire their creative activity. A characteristic feature of these places is that: there is a great ease of movement within a defined space; there are large reserves of knowledge accumulated, e.g. through scientific institutions; the given area is characterized by accumulation of competence of people who may be useful for the development of a particular sector.

Moreover, creative people approach reluctantly the issue of professional advancement and climbing up the career ladder. Instead, they prefer moving from one position to another in order to gain new experiences and establish new relationships. If they go to another company, it is not necessarily due to the fact that they receive a better salary but often because the company offers them a more interesting job. Artists also appreciate flexible working hours, they prefer basing the settlement with their employer on the results of their work rather than the number of hours spent in front of the desk.

Undoubtedly, it is the existence of creative individuals and creative environment that allows entrepreneurial activity in order to establish or develop a cluster. Implementation of business ventures in creative industries is associated with a higher risk than in traditional sectors. Products created by the creative sector are usually experimental goods which mean that their value can only be assessed after their use (WIPO 2006). This type of products is characterized by considerable unpredictability of market sales. Market research can help only to some extent. It is difficult to ask potential customers for an opinion about a product they have had no opportunity to get acquainted with or experience. It is therefore even more difficult to explore the potential of the market. When launching a new creative product into market, the highest expenditure is incurred at the time of entry as this is associated with incurring the cost of manufacturing the product, reaching distribution channels and preparing product promotion. Large manufacturers can protect themselves against the risk by investing at the same time in the development of more than one product, hoping that the failure of one product will be compensated by the success of another. Small producers are not usually able to carry the financial and organizational burden of such a venture.

Entrepreneurship in creative industries must therefore mean the ability to combine accurate assessment of market needs, creative ideas and skills development, as well as preparation of production and promotion of the product on the market. In addition, it is connected with the need to finance each of these phases and taking on

the risk associated with uncertainty of action and a significant probability of failure in terms of implementation of innovation. Moreover, one needs to take into consideration the threat of companies that in the case of the market success of product implementation can circumvent or violate copyright by launching their own versions of a competitive product into the proven market.

The creative sector entrepreneurs need a wider range of competences than entrepreneurs from traditional sectors. Entrepreneurship in creative industries is understood as the ability to establish cooperation among actors of the industries, which means the need to learn how to influence and manage a group of individuals who often have no teamwork experience. If a group operating in the framework of a cluster initiative (i.e. working on a specific project) is to implement an innovation in the market, it has to reach a certain level of understanding and organization. This will be easier if the entrepreneur decides to establish their own cluster. To be able to achieve it, the entrepreneur needs to go through three stages: developing the environment conducive to creativity of its members, building the brand of the place and coordinating (animating) cooperation among members of the cluster (Sztultka 2012). Creating an environment starts with an idea, an answer to the question what entrepreneurs would like to do, what their strong points are—both in terms of their skills as well as personal features.

The second step is to look for communities, i.e. artists, designers, representatives of companies that would be willing to engage in the venture of organizing a creative cluster. The first and second steps are, however interdependent. Sometimes it may turn out that entrepreneurs may not find enough volunteers for their idea to make up a “critical mass” which provides the foundations for the development of new ideas. Thus, it is sometimes good to start creation of ideas for establishing a cluster with an analysis of the existing contacts and relationships in artistic and business circles. Perhaps it will be easier than to gather a group of such people in one place and then use the group’s potential to develop ideas as to the direction that the future cluster should follow.

When a group of cluster members is gathered at the initial stage, it is worth thinking about formalizing the status of the cluster and building its identity. The formalization cannot be extensive—rules, regulations and contracts discourage artistic circles in particular. However, determination of general principles of the cluster’s operation described in writing should provide all members of the group with a sense of certainty in terms of the formula and their common objectives.

The next step is to build the brand of the cluster. One way is to establish a website and a social media site providing information about the initiative of establishing the cluster (groups, communities, associations) and the names of the founders. This to some extent links the group together and above all starts to create its identity in the wider community. Another way to build a brand is related to the appropriate preparation of the place where the group will meet. If it is a place specifically dedicated for such meetings, the members themselves should take care of decorating it appropriately and creating its climate.

It is difficult to imagine the existence of a cluster without coordinating cooperation among its participants. This is a key role that the entrepreneur wishing to form

cluster initiatives is expected to fulfil. The role of the coordinator is to unite the cluster's participants, i.e. companies, organizations, people, and to persuade them to participate actively in projects. The coordinator, apart from talent to build relationships and to convince others, also needs to have a sense of benefits that each member of the cluster derives from participation in this environment and skillfully manage its resources to deliver to all the participants the benefits they need. In other words, the coordinator is someone who is able to bind people together and direct them to work in order to launch new innovations into market.

5 Creative Industries—In the EU

The impact of creative industries on the economic development of individual countries has been studied in the global economy for almost a decade. According to KEA (KEA 2006), competitive leadership of European economies in the future will depend on the creative and innovative potential generated mainly within the creative sector. Currently, the view that creative industries define the way in which the world economy should be organized in the future is dominant. Creative industries are not only important from the economic point of view but also because they supply the economy with knowledge and dynamism.

Figures also indicate the growing importance of the creative sector. According to Ernst & Young (2014), this sector ranked third, following construction and catering, as the largest employer in the EU. It employed more than 7 million people in 2012, which is more than twice the number in the European automotive industry. 19.1 % of the 7 million are young people below 30 years of age, the age range in which unemployment is the highest in the EU. The creative sector in the EU brings 536 billion in annual revenues.

6 Creative Industries—In Poland

The emergence of creative industries is associated with an increase in the importance of culture and related activities in the economic development. In Poland, the creative sector is still poorly explored and interest in this sector as an important part of the economy has emerged relatively recently compared to the trends occurring worldwide. The survey of The Economic Importance of the Cultural Sector (Structural Research Institute 2010) indicates that the added value generated by creative industries exceeded 27.5 billion PLN, which represents a share of 2.5 % of GDP and employment in the creative sector is estimated at 375,000 i.e. 2.7 % of the employed. These figures show that creative industries have started to play an important role in Poland.

Cultural and creative industries contribute significantly to GDP growth and employment. As a result, the role of culture in supporting and strengthening

creativity and innovation in Poland is facilitated by: promoting creativity in education; fostering the improvement of skills in the cultural sector by supporting the training of the cultural sector representatives in managerial skills and entrepreneurship, as well as by the development of innovative sources of financing; developing creative partnerships between the cultural sector and other sectors.

7 Conclusions

Is there willingness and potential to develop creative industries in Poland? Yes, there is, however, compared to the UK, Germany, France and the Netherlands, Polish entrepreneurs are at the stage of familiarizing with the opportunities offered by the creative sector. Cooperation between companies in the creative sector takes many forms—from the relatively simple one (participation in fairs), through research and development projects to cooperating in the creation of joint marketing concepts related to market launch.

Within the framework of creative industries in Poland, cluster initiatives have slowly emerged, linking artists, media and culture representatives, freelancers and entrepreneurs on the basis of joint projects. These projects aim at achieving business objectives as well as at the enhancement of the value of a given entity or organization. Creative industries act as a partner for small and medium-sized enterprises operating in various sectors, by supporting, among others, the development of new products, services and technologies, as well as manufacturing and marketing activities.

References

- Bina, V., Chantepie, P., Derooin, V., Frank, G., Kommel, K., Kotýnek, J. et al. (2012). ESSnet-Culture: European statistical system network on culture. Final report. Accessed March 05, 2015, from http://ec.europa.eu/culture/library/reports/ess-net-report_en.pdf
- Boix, R., Lazeretti, L., Hervas, L., & De Miguel, B. (2011). Creative clusters in Europe: a microdata approach. Accessed March 05, 2015, from <http://www.uv.es/~raboixdo/references/2011/11006.pdf>
- Caves, R. E. (2000). *Creative industries: Contracts between art and commerce*. Cambridge: Harvard University Press.
- Ernst & Young. (2014). Creating growth. Measuring cultural and creative markets in the EU. Accessed March 05, 2015, from [http://www.ey.com/Publication/vwLUAssets/Measuring_cultural_and_creative_markets_in_the_EU/\\$FILE/Creating-Growth.pdf](http://www.ey.com/Publication/vwLUAssets/Measuring_cultural_and_creative_markets_in_the_EU/$FILE/Creating-Growth.pdf)
- Etmanowicz, A. (2009). Creative industries and cultural industries—Define or not define, support or not support. Accessed March 05, 2015, from <http://www.kreatywnisamozatrudnieni.pl/przewodnik.html?artid=25>
- Florida, R. (2010). *The birth of the creative class* (p. 82). Warszawa: National Center for Culture.
- KEA. (2006). The economy of culture in Europe. Accessed March 05, 2015, from <http://www.keanet.eu/ecoculture/studynew.pdf>

- Kowalik, J. (2013). *The potential of creative industries of the Świętokrzyskie and Łódź region*. Kielce: Higher School of Public Administration in Kielce.
- Mackiewicz, M., Michorowska, B., & Śliwka, A. (2009). *The analysis of the needs and development of creative industries*. Warszawa: ECORYS.
- Marshal's Office of Mazowieckie Voivodeship. (2012). *Final research report. The analysis of the potential creative industries in Mazowsze—5 sectors/industries crucial in terms of building cluster initiatives*. Warszawa: Marshal's Office of Mazowieckie Voivodeship.
- Palmen, L., & Baron, M. (2011). *A guide for cluster animators in Poland* (p. 14). Warszawa: Polish Agency for Enterprise Development.
- Przygodzki, Z., & Pozycka, A. (2012). *The development and diversity of the creative sector in Łódź*. Łódź: Marshal's Office of Łódź.
- Structural Research Institute. (2010). *The economic importance of the cultural sector report (2010)*. Warszawa: Structural Research Institute.
- Sztultka, S. (2012). *Clusters in creative industries—Growth engines of cities and regions*. Warszawa: PAED.
- WIPO. (2006). *Managing creative enterprises, creative industries*. Geneva: WIPO.
- Zakrzewska-Krzyś, H. (2011). *The potential of creative industries in the polish economy*. Warszawa: Twój Biznes Publishing House.

Surveying Entrepreneurship Orientation Through Teamwork Assignments: The Case of Kfupm Students

M-Said Oukil

Abstract With growing interest in self-employment, more and more of young people worldwide become aware and conscious that they can launch their own businesses and become self-employed. Across the Muslim and Arab world, important initiatives and policies make citizens and young people exposed to the world of business or entrepreneurship in different areas or disciplines. In the educational sector, a number of public and private universities and colleges in these countries have recently been engaged in offering entrepreneurship courses, training and offer facilities with the aim of attracting the attention and attendance of particularly people and graduates with innovative business ideas. Despite that entrepreneurship is for exploiting the intelligence and potentialities of male and female individuals, relevant educational courses and programs do emphasize the great importance of teamwork. The weight given to teamwork assignments very much expresses this importance, and business and entrepreneurship syllabuses and course grading systems usually stipulate that very clearly. This paper aims at exploring the orientation of King Fahd University (Kfupm) students towards the kind of business endeavors using end-of-semesters projects carried out during the period between 2004 and 2014 at the undergraduate level. Key findings are that Kfupm students collectively lean more towards services activities than industrial production ones, while by contracts, inventive and high-tech projects are very few. This suggests that the macro-economic prevailing context does matter, as trade has long been the dominant economic activity in Saudi Arabia. An important implication for decision-makers and educators is to find ways of enhancing innovation-based entrepreneurship education and training more effectively.

Keywords Entrepreneurship education • Teamwork projects • Kfupm • Saudi students

M.-S. Oukil (✉)

Department of Management and Marketing, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia

e-mail: Oukil@kfupm.edu.sa

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_7

1 Introduction

Doing own business nowadays is very attractive and even necessary not just because governments cannot offer jobs to all citizens, but because people may possess creative ideas and innovations which they wish to exploit by themselves and benefit the economy and society and even humanity. This is the case of particularly young and talented individuals all over the world, including developed and developing countries, who strive to solve problems or suggest new or improved products, services and better or different ways of delivery. However, as groups and teams could outperform individuals in generating ideas dealing with people's needs and complex problem of the industry and economy, recourse to collective efforts and intelligence or creativity becomes crucial.

In the higher education sector, assigning students collaborative work is becoming very effective and reflects its importance in the learning and educational process, particularly towards the end of the graduation cycle. This is why in implementing advanced learning standards and best practices, universities and college do emphasize teamwork more and more for the benefit of both individual members and the team as a whole. However, although the use of teams is justified for different purposes and in different business and non-business subject areas, in the field of entrepreneurship it remains quite under searched and almost neglected, particularly in developing countries. If, in general, entrepreneurial endeavors are individually-based, using teams in entrepreneurship or closely similar courses, such as feasibility project analysis, could therefore be of very much interest to investigate.

Hence, this paper aims at shedding some lights on the issue of collectively thought business undertaking or entrepreneurship orientation tendency with particular reference to the case of students at King Fahd University of Petroleum and Minerals (KFUPM), in Dhahran, Saudi Arabia. Following a workshop some years ago, the administration of Kfupm decided to concretize its contribute to society by introducing entrepreneurship education, thus giving an opportunity to its students to learn and be attracted by entrepreneurial endeavors. Concerned efforts involved a number of steps or phases as follows. Besides its Innovation Centre, it has created an incubator followed by the Entrepreneurship Institute. Long before these initiatives, the College of Industrial Management (CIM) has been offering the course of feasibility project analysis at the fourth level. Later on, the CIM had also initiated and offered an MBA course entitled "Entrepreneurship and Small Business Management" and an undergraduate course with the same title but different content. These two courses' descriptions clearly indicate the desire of helping students to think doing business entrepreneurially after their exposure to both curricula and extra-curricular activities. In engineering departments, enhancement is provided by the creation of what is called 'FabLab' or fabrication laboratory, where students have the possibility of designing their ideas and then transfer them into prototypes before considering mass fabrication and commercialization or entrance into the market.

With focus on the undergraduate level, the above mentioned course of entrepreneurship and small business management aims at preparing Bachelor students for real business life. As part of their performance evaluation, the concerned instructor assigns team-based works or projects with the purpose of fortifying their learning, enhancing their entrepreneurial spirit, maximizing the use of their collective intelligence and engaging them in solving economic and social problems. Accordingly, this paper discusses the question of entrepreneurship orientation of Kfupm students when they work together preparing their term projects. Among the provided motivations are the weight of the team work of 30 % in the evaluation and chances to recommend their outcomes to either the innovation center or the institute of entrepreneurship for further consideration and possible funding. Ultimately, this research aims at enhancing students' collective work and creativity and benefiting concerned parties and decision-makers with thoughts and recommendations for better management and development of entrepreneurship in Saudi Arabia.

2 Literature Review

It is generally agreed that entrepreneurship development has a positive impact when and where encouraging legal, economic and technological conditions prevail, besides a positive culture and climate of creativity and a dynamically stimulating policy (Rice 2003). In this regard, it is important to mention that the major difference, of boosting entrepreneurial activities between developed and developing countries, has little to do with resources, gender or generations. Rather, it is the efficient, practical and coordinated engagements of all parties, including private and public organizations with leadership, which matter most. Lack of interactions between concerned units and people could therefore lead to much less positive effects. This is why bridges between people working or specialized in science, technology, economics, management and social sciences are also crucial (Oukil 2010). Within universities, the real impact of entrepreneurship education will very much depend on the context regarding the learning objectives, the infrastructure and facilities, the engagement of the administration and the instructors, the students, the staff and the necessary interactions (Alcarassz-Rodriguez et al. 2014).

Going beyond the simple arguments and long discussions about the possibility of truly teaching entrepreneurship (Kao 1995; Henry et al. 2005), a major benefit for potential businessmen/women and entrepreneurs is to learn and experiment how to go on business entrepreneurially and maintain it for as long as possible. If anything, entrepreneurship education and training could add more enlightenments and exposure to the world of transforming ideas into concrete outcomes, whether products, processes, services or else. And this is quite possible through the use of information and knowledge that have been accumulated and tested by scholars, experts, practitioners and organizations for years and decades, and through experiences of both success and failure.

Significantly important, learning allows not only knowledge but also initiating change of attitudes and aptitudes and acquiring very important skills, such as communication and writing of business models or plans required for funding purposes. On the other hand, if non educated and wealthy individuals would look to investing their money in any manner or field without much involvement, educated ones with entrepreneurship knowledge, mind and skills would do that but in productive and innovative manners and fields. Measuring the benefits of entrepreneurship education is not simple, but this does not refute them. Once students or any potential entrepreneur of any age or gender or origin gets knowledge and can define a matter, then put it in practice, it gives him/her more chances for success.

Working in a team is, of course, a challenge. This is because people do differ in their passions, goals, habits, beliefs, levels of intelligence, emotions and many other things. This makes it therefore difficult for them to work together unless they come to share things and make mutual sacrifices, or the team leader is inspiring and a gatherer (Ahmed et al. 2014) and has the courage identified by his character, confidence and credibility (Amos and Klimoski 2014). But, when cultural backgrounds are from different origins, the task may become harder, unless again people engage themselves for a cause, to solve a common problem, or to overcome a problem that concerns others, locally or internationally. While the actual statistics vary by industry, Kamm et al. (1990) indicate that the percentage of ventures founded by teams (versus individuals) ranges as high as 70 %. Typically, entrepreneurial teams are formed in order for individuals to take advantage of complementarities in skill sets, network connections, or goals among the team (Drnovsek et al. 2009).

Gender mix is also impossible or even forbidden in some countries and generations may differ in their approach to work and life and in terms of sociability. What makes the sacrifices, and challenges exiting and fruitful are practical learning, besides the pleasure and proud of achieving something with others from different backgrounds, cultures, etc. Collective creativity is however crucial for performance (O'Donnell and Devin 2012; Gimmon 2008). As technology bridges links and relationships between people, making them sharing things, cooperative learning could be effective (Fisher et al. 2005).

With regard to productivity and innovativeness, individuals could have an advantage over teams (Harvey and Kou 2013), because they face less inconvenience constraints and divergence when they approach a problem or engage in an endeavor. However, collective work also has many advantages (Harvey and Kou 2013), particularly in some situations where cultural factors are positive. Combining collective reflection in one direction could therefore lead teams to perform extraordinary. The impact could even be high particularly when team composition and the prevailing work climate are convenient (Drach-Zahany 2011).

Key skills are certainly important in insuring better chances of success in entrepreneurship. For instance, individuals who ignore or are unable of identifying opportunities and defining factors of success in entrepreneurship, they will have less chances to move to practice of creating, managing and sustaining growth of

their businesses. Being not capable of reading financial statements or understanding costs structure and calculating break-even points will certainly pose real problems in reaching a level of confidence that would push them into effective action. In this context, the major difference between self-learning and school and team-based learning has to do with the amount and quality of knowledge as well as the duration of its accumulation.

3 Methodology

This study is of an exploratory nature and in a given institution and context. Being a Kfupm faculty in the department of management and marketing, the author has systematically collected data relevant to entrepreneurship disposition of his students during a whole decade, i.e., from 2004 to 2014. This department is within the college of industrial management, which has been offering the course of Feasibility Project Analysis (MGT-448) at the fourth level for many years. Recently, the course entitled entrepreneurship and small business management (MGT-412) has replaced the above MGT-448. While the new course's instructor has introduced extracurricular activities more than in the MGT-448, he has raised the weight of teamwork to 30 % in the total performance evaluation. The instructor in some cases resisted the temptation of some students to allow them do end-of-semester project individually. The reason is that already they have individual assignments, and more important is the desire to involve them in collective thinking and engagement.

At the start of the course and formation of teams, the instructor gives students complete freedom to choose the area or industry for their teamwork. He gives advice and orientation and sets a deadline for outlines submission and provides feedback. He also instructs and encourages them to brainstorm and investigate all possibilities to find new topics and therefore avoid previously discussed ones which are presented by other teams in precedent semesters. In the syllabus, which is published on the university website some weeks before the course begins, it is stipulated that the more innovative the proposed project and its content, the better. Innovativeness is thus regarded as the very important criteria for evaluation of teamwork assignments.

The instructor proceeds to form the various teams immediately after the university registrar uploads the final and formal lists of students enrolled for the course. The team size depends on the total number of students in a section. Once formed, team members do not have the right to move from one team to another, but have complete freedom to choose a leader. Team formation takes account of the various majors to which students belong. The importance of the system approach looking at things from different angles or aspects is explained to students. In other words, such an approach of dealing with an issue from different perspectives allows a better understanding and view, and therefore more creative outcomes. Furthermore, the instructor strives to convince that individuals have a lot to gain from team work, and this is even if they may make exceptions and think or believe that they are most

intelligent or can best do the work on their own. Undertaking business activities usually involves others' inputs and communication with either subordinates or clients. Hence the one-man/woman show is nowadays not that useful and efficient.

In the CIM, the following three grouped majors are available: Management & Marketing; Accounting & Management of Information Systems; and Finance & Economics. Students across university departments may join CIM to take elective business courses. Diversity would have been considered had there been females and non-Saudi students. Fortunately, more and more non-Saudi student at both undergraduate and graduate levels enroll to take various business course, but the rate is very low. Complementarities and inter-competition would hopefully lead for positive team work outcomes, due to difference in thinking or motivations.

4 Findings and Interpretations

First, it is important to report that when the instructor asks students attending the already mentioned two courses about their teams, the greatest majority of them express their happiness for the method. They get convinced that, the combination of majors is useful because it allows team to meet students from other majors and adds experience in working with them. Cases of objection to work in a team are therefore extremely rare, and when they exist, the instructor always succeeds in convincing the concerned student (s). Cases of groupthink are also extremely rare indicating that overall all students are attracted by teamwork assignments. As matter of fact, students have opportunities to work alone with individual assignments and to work in teams with group/team assignments. This double opportunity makes students really happy to be exposed to various learning experiences.

Table 1 gives a broad picture about the total and percentage of team-based projects undertaken in both the mentioned courses during the specified period. As is clear from the table, project proposals in services represent the majority (67.7 %), while those in production represent almost half of this (34.3 %).

The total number of projects recorded reached 70. Among them, 24 or 34.3 % are classified in production or industry and 46 or about 66 % in services. Undertaken production and industry projects involve various activities, including for examples, sportswear, soap, steel, heating paper, candles, door locks, cement, tile, plastics, tires, shoes, solar-based heaters. Whereas undertaken projects in services involve the following areas: leisure, fishing, games, tourism, health, real estate, coffee, self-

Table 1 Total and percentage of teamwork projects by types of activity (MGT 448 and 412) [2004–2014]

Type of activity	Number of projects	%
Production	24	34.3
Services	46	65.7
Total	70	100

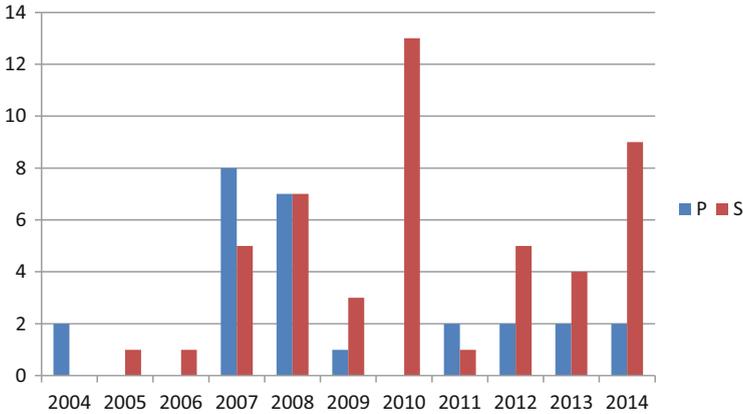


Fig. 1 Yearly teamwork projects by type of activities. *Note:* P means production activities and S means services activities

service washing, sports activities, exports, car rental and delivery. Figure 1 shows the distribution of the considered teamwork projects according to either production/industry (P) or services (S) orientation.

In considering the above figure, it is possible to make the following three main remarks: First, that up to 2009, which is halfway through the study period, industrial production activities dominate, while during the second half, services activities dominate. Second, that during the second half of the period, while production activities seem quite stagnant, services activities increased significantly. Third, that it is not possible to confirm that the tendency towards services is a reflection of the move of Saudi Arabia towards the service or knowledge economy. Preference to undertaking simple and easy activities and tasks could explain this tendency, as culturally Arabs in general are risk-avoidant (El Namaki 2013).

5 Conclusion and Recommendations

Today, entrepreneurship development and education are crucial because they drive and speed-up nations’ progress and creativity in all aspects of life. The more entrepreneurial citizens are the wider the relevant impact on the economy and society. Towards this, there is a need for strategies to enhance entrepreneurial and innovative activities, particularly those with greatest positive impact in all sector and regions.

Students, like other people, when armed with knowledge can contribute positively towards a better future, namely reducing unemployment and crating wealth. Moreover, when they cooperate and work collectively, they could be truly productive and performing. Investigating the case of students at Kfupm in the kingdom of

Saudi Arabia reveals that the environment seems influencing the orientation of students towards a type or kind of activity they wish and engage in.

The analysis of recorded data during 10 years suggests that these students lean much more towards services but which use technology and knowledge. Consequently, the authorities should support these activities, but more important is to enhance productive activities with clear emphasis on creativity, innovation and technology. The desired move towards knowledge-based economy or information-based society cannot be achieved simply and only through traditional services, trade and commerce.

References

- Ahmed, I., Ali, G., & Ramzan, M. (2014). Leader and organization: The impetus for individuals' entrepreneurial orientation and project success. *Journal of Global Entrepreneurship Research*, 2(1), 2–11.
- Alcaraz-Rodriguez, R., Villasana, M., & Alvarez, M. M. (2014). The significance of the environment for entrepreneurial education: A case study of an entrepreneurial university in Mexico. In A. Meerman & T. Klieve (Eds.), *Fostering university industry relationships, entrepreneurial universities and collaborative innovation* (pp. 107–118). Amsterdam: University Industry Innovation Network.
- Amos, B., & Klimoski, R. J. (2014). Courage: making teams work well. *Group & Organization Management*, 39(1), 110–128.
- Drach-Zahany, A. (2011). Translating team creativity to innovation implementation the role of team composition and climate for innovation. *Journal of Management*, 39(3), 684–708.
- Drnovsek, M., Cardon, M. S., & Murnieks, C. Y. (2009). Collective passion in entrepreneurial teams. In A. L. Carsrud & M. Brannback (Eds.), *Understanding the entrepreneurial mind: Opening the black box (international studies in entrepreneurship)* (Vol. 24, pp. 191–215). New York: Springer.
- El Namaki, M.S.S. (2013). Do Arab countries need a minister for entrepreneurship. Accessed November 3, 2014, from <http://academic-conferences.org/icie/icie2013/icie13-home.htm>
- Fisher, M., Thompson, G. S., & Silverberg, D. A. (2005). Effective group dynamics in e-learning: Case study. *Journal of Education Technology Systems*, 33(3), 205–222.
- Gimmon, E. (2008). Entrepreneurial team-starts and teamwork: Taking the investors' perspective. *Team Performance Management*, 14(7/8), 327–339.
- Harvey, S., & Kou, C.-Y. (2013). Collective engagement in creative tasks: The role of evaluation in the creative process in groups. *Administrative Science Quarterly*, 58(3), 346–386.
- Henry, C., Hill, F., & Leitch, C. (2005). Entrepreneurship and education and training: Can entrepreneurship be taught? Part-1. *Education and Training*, 47(2), 98–111.
- Kamm, J. B., Shuman, J. C., Seeger, J. A., & Nurick, A. J. (1990). Entrepreneurial teams in new venture creation: A research agenda. *Entrepreneurship: Theory and Practice*, 14, 7–17.
- Kao, R. W. Y. (1995). Why entrepreneurship could be taught and should be taught, including an introduction to a model to entrepreneurship education. *Journal of Small Business and Entrepreneurship*, 12(4), 97–99.
- O'Donnell, S., & Devin, L. (2012). Collective creativity: E-teams and e-teamwork. In O. Hjorth (Ed.), *Handbook on organizational entrepreneurship* (pp. 280–299). London: Edward Elgard.
- Oukil, M.-S. (2010). Breaking bridges between sciences, engineering and business management. In: International Conference on the Role of Human Sciences in Engineering, ICoHSE2010 Conference, November 12–14, 2010, Pinang, Malaysia.
- Rice, G. (2003). The challenge of creativity and culture: A framework for analysis with application to Arabian Gulf firms. *International Business Review*, 12, 461–477.

Involvement of the SMEs in the 7th Framework Programme of the European Union: Case Study for Romania

Daniela Biro (Vasile) and Monica Dudian

Abstract The objective of this paper offers an image of the SMEs' participation to the 7th Framework Programme for Research and Technological Development of the EU, highlighting Romania's Situation. This report presents statistical data regarding SMEs participation in each category of the specific programs and thematic areas. The report provides information on the EU contribution to SMEs and the number of participating SMEs. For this study, there have been consulted the existing database of the EU, on the Commission website: CORDIS (Community Research and development Information Service); in addition, there have been interpreted the public available data from the European Commission report on SMEs participation in FP7, up to June 2013. In the analysis of the Romanian situation, the public available data have been adjusted to correspond to reality, in terms of nature and classification of the companies, using information from Orbis database. The paper is structured as follows: in the first part is presented the global situation of the SMEs participation to FP7, from all the European Countries. In the second part is analyzed Romania's participation to FP7. The paper ends with conclusions, highlighting the opportunities opened up by the new research funding program of the EU: Horizon 2020.

Keywords SMEs • Funding • Projects • EU • FP7

1 Introduction

The objective of this paper is to provide a general picture of the participation of small and medium size enterprises (SMEs) in The Seventh Framework Program for Research and Technological Development (FP7), highlighting the distinct situation of Romania. According to EU statistics, SMEs account for a large part of Europe's economy and industry. The 23 million SMEs in the EU represent 99 % of all businesses and cover up to 80 % of jobs in certain industries, such as, for example,

D. Biro (Vasile) (✉) • M. Dudian
Bucharest University of Economic Studies, Bucharest, Romania
e-mail: danabiro@yahoo.com; Monica.dudian@gmail.com

the textile sector. There is a very strong connection between the SMEs and the entrepreneurship. According to Barta et al. (2012) “the low level of entrepreneurial development in Romania, is revealed, inter alia, by the low density of SMEs per population, specifically the value of 24 SMEs/1000 inhabitants is far below the average of 42 SMEs/1000 inhabitants in Europe.” SMEs dynamic essentially depends on innovation. According to the concept of creative destruction (Schumpeter 1943), innovation has two sides: on one hand it creates a new business, but on the other hand it destroys the less competitive companies. It can therefore be deduced that innovation modifies the structure of a SME. The possibility that firms would invest too little in research is highlighted by Arrow (1962) who argues this idea by the risky nature of the research and innovation activities and by the uncertainty of the private exploitation of results. Swann (2009) affirmed that the innovation process is path dependent, which justifies the authority’s intervention in favor of catalyzing the convergence between countries.

FP7 was for the period 2007–2013 the European Union’s main instrument for funding research in Europe, with a total budget of 53.2 billion euros. In terms of its structure, the framework program consisted of 4 main blocks of activities forming four specific programs, plus a fifth specific program on nuclear research: Cooperation (SP1)—Collaborative research; Ideas (SP2)—European Research Council; People (SP3)—Human Potential, Marie Curie Actions; Capacities (SP4)—Research capacities and Nuclear Research and Training (SP5). SMEs participation was possible in all four specific programs, according to official documents of the European Commission (<http://cordis.europa.eu/fp7/>). In addition, FP7 envisaged actions to increase SMEs participation in scientific research through *Research for the benefit of SMEs* Theme, part of the Capacities Program, with a budget of 1.3 billion euros for the period 2007 to 2013, and provided measures that facilitated access of the SMEs to the research results. Other advantages for SMEs participating in FP7 included higher rates of funding, a wider range of funding schemes, the acquisition of new knowledge and increased potential for new products and services. It also should be noted that under FP7, SMEs could consolidate their overall position through networking and building relationships with international partners, by accessing research centers of excellence and development of scientific research and innovation. There had been encouraged actions in all fields of science and technology, using a bottom-up approach.

Three groups of indirect actions have been implemented in order to achieve the objectives of *Research for the benefit of SMEs* theme:

- Supporting SMEs outsourcing research activities. Within this action there have been created two different schemes:
 - Research for SMEs—targeting mainly low to medium technology SMEs with little or no research capability, but also high-tech SMEs who need to outsource research to complement their core research
 - Research for SME associations—targeting associations which act on behalf of their SME members to identify and address common technical problems and to promote the effective dissemination and take-up of results

- Developing and coordinating support to SMEs at national level
- Support actions.

To analyze the effect of all these measures on SMEs participation to FP7, there have been consulted existing databases on European Commission website—CORDIS (Community Research and Development Information Service). In addition, there have been interpreted the public available data from the European Commission report on SME participation in FP7 up to June 2013 (European Commission 2013). This report presents statistics on the participation of SMEs in the categories of specific programs and the thematic areas. For each country, each program and each theme, the report provides information on the EU contribution to SMEs and the number of participating SMEs. Processing the data available in the databases mentioned in the report was done using Microsoft Excel.

In the analysis of the Romanian situation, the public available data have been adjusted to match the reality, in terms of nature and classification of the companies, using information from Orbis database. Hereby, there have been removed from the total number of companies those entities who wrongly registered in Cordis (e.g.: they have registered as companies although, in fact, they were research institutes, often public ones). Once the companies have been isolated, each of them was verified in terms of ownership and criteria of embedded-ness in the SMEs category.

Internationally, there are a very limited number of papers addressing the subject of this article. Thereby, Rauch and Sommer-Ulrich (2012) had written a report on the participation of Central and Eastern-European States in FP7. However, the report does not highlight distinctively the SMEs, being drawn rather from the need to issue recommendations to increase the success rate of the countries analyzed. Saublens (2014), in a report financed by EU in a FP7 project, makes a synthesis of the each EU13 countries (defined as that group of countries which adhered to EU after 2004) participation to FP7. His study shows that Romania's success rate was 13.7 %, which places the country on the 25 in EU27 and on the 11 in EU13, on the last places being Slovakia and Bulgaria. The report does not describe the methodology and refers to Cordis database that was also used for this article. Frank and Škarka (2012), starting to from the European Commission E-CORDA database (External Common Research DATA Warehouse—the analogue destined to external stakeholders), analyze the Czech Republic's SMEs participation in FP7. The authors highlight the distribution of participation by regions and the favorable position of the Czech Republic towards the European average for the following programs: *Research for the benefit of SMEs*; Nanosciences, nanotechnologies, materials and new production technologies; Environment (including climate change); Security; Space; Nuclear Research (fission). They also mention the main barriers faced by Czech SMEs in accessing available funding through FP7: financial barriers, human resource issues, the large number of partners in the consortium, the time factor in the implementation of the projects, the difficulty of preparing the proposals, the project complexity and also the competition made by other programs. SME participation is considered by the authors to be satisfactory, given the barriers mentioned.

This paper differs from the work previously mentioned in several aspects, which gives it originality. First, it refers to Romania and includes a detailed analysis of the situation of SMEs in the country. This paper takes a similar approach to that of Frank and Škarka (2012) focused on the Czech Republic, but addresses a narrower issue. A fundamental and important difference is related to the database used, created by the authors by processing available information from Cordis and Orbis databases. This database allowed the clear identification of truly concurrent private companies and SMEs, by removing from the private companies' registry—available in Cordis—the public companies, large companies, NGOs and individuals. The processing performed lead to important differences between this article and Saublens (2014), the cited author basing its study solely on information contained in the Cordis. In addition, the work is the only one in the literature that focuses on Romania and SMEs in the country.

The article is structured as follows: in the first part is presented the overall situation of SME participation in FP7, in all EU countries. In the second part it is analyzed the situation of Romanian SMEs participation. The paper ends with conclusions and highlights the opportunities opened up by the new research funding from the European Union: Horizon 2020.

2 UE's SMEs Participation to FP7

According to the EU report on SME participation in FP7 (European Commission 2013), these companies have participated in all five programs of FP7, but the highest participation was under the Capacities Program—Research for the benefit of SMEs. This validates the European Commission decision to create a new instrument dedicated directly for SMEs. Briefly, the participation of SMEs in the five specific programs is presented in Table 1.

Table 1 above reveals that the largest program of EU FP7 was Cooperation, followed far away from People and Capacities Programs. Moreover, under the Cooperation Program it had been established that at least 15 % of the total funds to be allocated to SMEs. According to the report, this target was easily exceeded, as

Table 1 Number of participant SMEs to FP7

Specific programme	Total number of participants	Number of participant SMEs	SMEs in percent (%)
Cooperation	68,474	13,052	19.06
Ideas	4080	20	0.49
People	15,981	942	5.89
Capacities	15,841	5148	32.49
Euratom	1623	102	6.28
Total	105,999	19,264	18.17

Source: Processing SME Participation in FP7 Report, June 2013

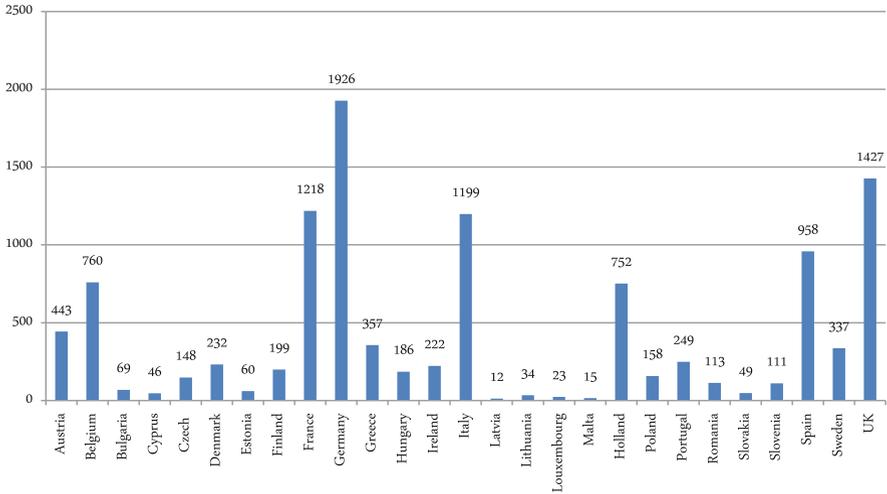


Fig. 1 No. of EU participant SMEs to FP7. *Source:* Cordis (2014)

approximately 17 % of the budget was allocated to the SMEs. The lower participation of SMEs was in the Ideas Program, but this is explained by the nature of this program, which was aimed at funding “frontier research” solely on the basis of scientific excellence. The figures in Table 1 include all the beneficiary countries in FP7, no matter if they are member or not of the EU. For EU27 countries, the situation of the participant SMEs to FP7 presents as shown in Fig. 1 below:

Most participation had, in order, Germany, UK, France and Italy, countries that are on the first four places in the EU in terms of GDP expressed in purchasing power parity. Thus, in 2013, Germany produced more than 21 % of EU GDP, France 15.8 %, UK 14.6 % and Italy approx. 12 %. The data has a margin of error difficult to determine precisely, driven by the fact that some organizations were not recorded correctly in database. The share of SMEs in total participation and in the total amount, by countries is presented in Table 2.

Table 2 highlights interesting differences between the countries adhered to EU after 2004 and the most Eu15 (except for Portugal). Thus, for the new countries that joined EU gradually after 2004, the percentage of the SMEs in total amount raised is greater than the percentage of the SMEs in total no of participants, as reflected by the area marked in grey in Table 2. As EU funding depends on the activity volume of each partner, it results that, in the mentioned countries, the involvement of SMEs in consortium was higher (in relative terms) and higher than the European average. For EU 15 countries, the share of EU funding to SMEs was approx. 16.65 %, while for the rest of EU countries (eg: EU10, Malta and Cyprus) the share was significantly higher, approx. 25.4 %, which means that SMEs have attracted a quarter of the total funds available. Romania is just at the European average, a more detailed analysis will be presented in the next part of the paper.

Table 2 Share of EU SMEs in total no. of participants and total amount

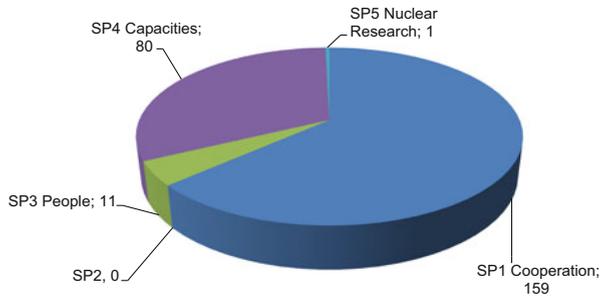
Country	SMEs in % in total no if Participants	%EU Euro to SME
Austria	23.91%	21.90%
Belgium	24.04%	21.90%
Bulgaria	21.90%	32.20%
Cyprus	26.90%	32.70%
Czech	22.49%	23.90%
Denmark	17.25%	17.30%
Estonia	26.55%	27.60%
Finland	14.04%	12.10%
France	19.30%	17.20%
Germany	19.62%	16.10%
Greece	18.74%	15.20%
Hungary	26.80%	30.00%
Ireland	25.17%	21.80%
Italy	19.07%	15.90%
Latvia	9.52%	13.00%
Lithuania	19.10%	22.80%
Luxemburg	18.40%	18.70%
Malta	21.43%	29.50%
Holland	18.53%	15.80%
Poland	14.79%	16.60%
Portugal	22.53%	25.40%
Romania	21.94%	25.40%
Slovakia	21.68%	32.20%
Slovenia	23.27%	25.20%
Spain	19.21%	16.90%
Sweden	14.58%	13.80%
UK	19.19%	15.20%
Total EU	19.58%	17.02%

Source: CORDIS (Community Research and Development Information Service)

3 The Situation of Romanian SMEs Participation in FP7

During 2007–June 2013, Romania had 858 participations to FP7, out of which 251 were participations of organizations that were registered as public companies. Depending on the number of participations, the companies were ranked second after research organizations (254) and ahead of universities (238). Regarding the

Fig. 2 Distribution of the Romanian SMEs participation in specific programs. *Source:* Processing by Cordis (2014)



analysis of the companies’ participation in FP7 in each theme of the 5 programs, most were in the Cooperation Program, similar to the general situation at the European level. Hereby, this program represented 63.35 % of the total Romania’s participations, comparable with the percentage of 67.75 % at the European level. The allocation of the Romanian SMEs participation in specific programs is reflected in Fig. 2:

As shown in Fig. 2, the Romanian companies have only one participation in SP5 and none in SP2, which include the economic sciences. In SP5, the participating company was National Society Nuclearelectrica SA, who is a joint ownership and the state is the majority stakeholder. This company has participated in FP7 with its own funds and did not receive any EU contribution for the project. In the following lines there is an overview of the situation of SMEs participations in all five programs with details on the participation in each domain. The highest participation was in the call for SMEs (66 participations). Also, companies have shown a greater interest in Cooperation Program, especially in ICT (40 participations) and Nanotechnologies, Materials and Production Technologies (31 participations). An image of this analysis is shown below (Fig. 3):

As it was expected, most participations were in the competition dedicated to SMEs, which stands for the necessity for intervention at a European level through tools designed directly for SMEs. Out of the 251 private companies’ participations, we have to mention the fact that 117 institutions have participated in only one project, while 17 private institutions have participated in two projects. The main private companies that have more than six participations are: TRITECC (seven projects, out of which two were submitted to the call designated for funding SMEs and four projects financed through KBBE Knowledge Based Bio-Economy instrument), Tehnosam (seven projects submitted to the SMEs call, as partner), Target Active Trading (six projects funded under PEOPLE call, being the coordinator of four of these projects), Optoelectronica (six projects of which three projects were submitted in the call dedicated for funding SMES). The distribution of the SMEs participations in the counties reveals the concentration on Bucharest-Ilfov region, the area with the highest GDP per capita in Romania, as shown in Fig. 4.

Bucharest-Ilfov region has attracted 32.66 % of the total participations, followed at a big distance by Cluj, Timis, Brasov, Arges, Iasi and Constanta. The figure suggests that there is a direct relationship between the development level of the

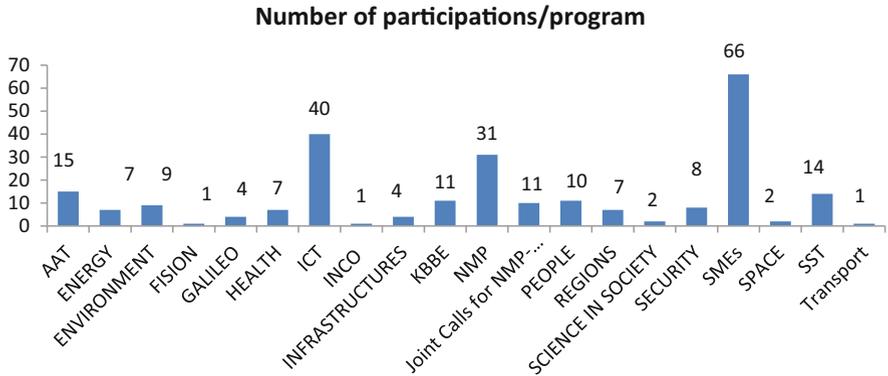


Fig. 3 SMEs participation on FP7 domains. Source: Cordis (2014)



Fig. 4 Distribution map of Romanian companies that have participated to FP7 (number of companies). Source: Processing by Cordis (2014)

county and the company’s involvement in FP7. Moreover, it can be noticed that the counties with the numerous participations are also big university centers, except for Arges county where works Dacia-Renault centered cluster.

According to Orbis database, out of 161 entities registered as private companies, only 109 were SMEs if they comply strictly to the Romanian legal definition of these entities. Out of the total no of SMEs, 65 were Romanian owned and 44 were joint ventures (specifically 10 companies) or foreign capital companies (34), which

Table 3 The amount attracted by the Romanian SMEs in FP7

Romania participation in following Programs	EU funds (Euro)	No. of SMEs	Euro/ Company
Cooperation			
Health	564,313.00	3.00	188,104.33
Knowledge-based bio-economy	978,586.00	12.00	81,548.83
Information and communication technologies	3,752,783.00	19.00	197,514.89
Nanosciences, nanotechnologies, materials and new production technologies	4,576,543.00	28.00	163,447.96
Energy	204,909.00	3.00	68,303.00
Environment (including climate change)	574,921.00	6.00	95,820.17
Transport (including aeronautics)	6,666,298.00	36.00	185,174.94
Socio-economic sciences and the humanities	0.00	0.00	Na
Space	226,132.00	2.00	113,066.00
Security	612,933.00	4.00	153,233.25
Capacities			
Research for the benefit of SMEs	9,945,451.00	64.00	155,397.67
People			
People	193,556.00	1.00	193,556.00
Ideas			
Ideas	0	0	0
EURATOM			
	0	0	0

Source: Processing on the EC Report on the SME participation in FP7, June 2013

means that Romanian SMEs in FP7 accounted 59.6 %. Bucharest had 35 SMEs in FP7 with Romanian owner, which represent 53.8 % of total full Romanian ownership SMEs. It is followed by Cluj, with six companies, the rest being dispersed in Iasi, Constanta, Timis, etc. The situation is different for companies with foreign capital, in the sense that they are dispersed throughout the country, with a concentration of 43.18 % in Bucharest. Main capital provider countries are in order: Italy (10 companies), Germany (7), Great Britain, Greece (with 4 companies each) and France (3 companies). Funding received by Romanian companies in FP7, on each program and domain, is shown in Table 3:

Table 3 shows that Romanian SMEs attracted a total amount of 28,296,425 €, more than 35 % of this for Capacities Program, the dedicated program to SME. This program had as main objective the research infrastructure development, which means that its socio-economic impact is similar investment. The average funding per participating organization was about 160,000 €, with large variations from the domain average, with a minimum of 68,303 € in Energy and a maximum of 197,515 in ICT. Considering that over 25 % of the Romanian participating companies were small, we can say that the amount financed per company was an incentive for their involvement in research and development.

4 Conclusions

According to Cohen (2010) and also to Stock et al. (2002), large companies can expect to benefit from economies of scale in research and development, spreading research and development costs over a larger base. Cohen (2010) states that doing this is more readily possible for incremental and process innovations, which is what larger firms tend to focus on more than the SMEs. According also to Cáceres et al. (2011) large companies can more easily train their employees to develop skills and capabilities that might not give rise to immediate benefits, because they have more resources more easily available from the financial market. Also innovation is considered a competitive advantage and a vital source of productivity growth of companies (Pla-Barber and Alegre 2007).

Dolfsma and van der Velde (2014) conclude that “small firms, however, consistently, positively and significantly contribute to industry innovativeness”. They consider (based on their study’s findings) that a “Schumpeter Mark III” view would suggest that small firms, rather than large or new firms, stimulate industry innovation.

Entrepreneurship development by financing the SME sector and especially innovative SMEs is a priority of the European Union. European SMEs are a key source of growth, employment, entrepreneurial skills, innovation, and economic and social cohesion. Therefore, the European Commission considered it essential to be used by potential research and technological innovation, which will help them survive and thrive in the long term.

SMEs have participated in all research programs defined in FP7 and attracted more than 17 % of the total budget. The highest amounts were attracted by the strongest economies in Europe, showing that instruments are needed at EU level to mitigate gaps between countries in terms of research and development.

Taking into consideration the number of participating SMEs, Romania is ranked in the second half of the EU27 classification, on the 19th place, which suggest a lack of competitiveness in relation to other countries. The research is focused in Bucharest-Ilfov counties, area that achieves 24.5 % of Romania’s GDP and which is characterized by the highest proportion of the high-skilled jobs, over three times than the national average (European Commission 2014). Moreover, the dispersion of the SMEs in the area reveals the importance of the university centers and innovative clusters in attracting European funds for research and development. After Bucharest, the champion counties in Romania are Cluj and Timis, followed by Brasov and Arges. Entrepreneurs in Romania had a limited ability to participate in FP7, only over half of the participating SMEs having Romanian ownership. EU15 entrepreneurs’ experience had a role in Romania’s participation in FP7, given that over 46 % of the funded companies have wholly or majority foreign capital. Therefore, it can be said that the participation of Romanian SMEs in FP7 contributes only partially to the development of Romanian entrepreneurship.

Foreign capital comes mainly from Italy, Germany, Great Britain, Greece and France, the first place owned by Italy being explained by the long tradition in cooperation with this country in the light industry. In conclusion, the analysis highlights five important factors for participation in EU-funded research programs: the development level of the region, measured by the gross domestic product, the status of university research center, the existence of highly qualified human resources, innovative clusters presence in the region and foreign participation in the capital of the company.

Research and Innovation Framework Program “Horizon 2020”, supports the implementation of Europe 2020 and is a continuation of FP7. Horizon 2020 provides a specific tool for SMEs that addresses all types of small and medium innovative companies that can demonstrate they have the ability to grow and internationalize by using different types of innovation, including non-technological innovation or innovation in services. The program *Innovation in SMEs* is intended to be complementary to the European Structural Funds and Investment (ESIF). ESIF supports the development of innovative solutions for better sustenance of SMEs in the regions. This article provides arguments to Romanian authorities for investment in education and for development of the innovation clusters, as a means of stimulating the development of entrepreneurship.

Acknowledgements This work was co-financed from the European Social Fund through Sectoral Operational Program Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/134197 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”. This work has been also done through the Partnerships Program in Priority Areas—PNII, developed with the support of MEN-UEFISCDI, project no. 334/2014, project code PN-II-PT-PCCA-2013-4-0873, project title “A New Model for Corporate Risk Assessment: a Scientific Tool for Knowledge Based Management”.

References

- Arrow, K. J. (1962). Economic welfare and the allocation of resources for invention. In R. R. Nelson (Ed.), *The rate and direction of inventive activity*. Princeton, NJ: Princeton University Press.
- Barta, P., Spirea, N., Modreanu, I., & Piti, M. (2012). Promovarea antreprenoriatului ca factor cheie pentru dezvoltarea economică. Accessed August 21, 2014, from <http://www.postprivatizare.ro/romana/wp-content/uploads/2012/10/Studiu-Antreprenoriat.pdf>
- Cáceres, R., Guzman, J., & Rekowski, M. (2011). Firms as a source of variety in innovation: influence of size and sector. *International Entrepreneurship and Management Journal*, 7, 357–372.
- Cohen, W. M. (2010). Fifty years of empirical studies of innovation activity and performance. In B. H. Hall & N. Rosenberg (Eds.), *Handbook of the economics of innovation* (Vol. 1, pp. 129–198). Amsterdam: Elsevier.
- Dolfsma, W., & van der Velde, G. (2014). Industry innovativeness, firm size, and entrepreneurship: Schumpeter Mark III? *Journal of Evolutionary Economics*, 24(4), 713–736.

- European Commission. (2014). Regional innovation monitor plus, Bucharest-Ilfov. Accessed September 24, 2014, from <http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/monitor/base-profile/bucharest-ilfov>
- European Commission. (2013). SME participation in FP7: Report June 2013. Accessed September 16, 2014, from http://ec.europa.eu/research/sme-techweb/pdf/sme_participaton_in_fp7_june_2013.pdf
- Frank, D., & Škarka, M. (2012). Zhodnocení účasti českých MSP v 7. RPPv období říjen 2007–říjen 2011 [Evaluation of Czech SME participation in the FP7 in the period October 2007–October 2011] published in *Analýzy a trendy výzkumu, technologií a inovací*, 7. Accessed August 10, 2014, from <http://www.tc.cz/cs/storage/5476a664022b0756d324be29ebd1bf7f9474d143?uid=5476a664022b0756d324be29ebd1bf7f9474d143>
- Pla-Barber, J., & Alegre, J. (2007). Analyzing the link between export intensity, innovation and firm size in a science-based industry. *International Business Review*, 16(3), 275–293.
- Rauch, M., & Sommer-Ulrich, J. (2012). Participation of the central and eastern European EU Member States in the 7th Framework Programme: Analysis, evaluation, recommendations. Fraunhofer MOEZ Institute. Accessed August 3, 2014, from http://www.moez.fraunhofer.de/en/publikationen/jcr:content/contentPar/textblockwithpics/linklistPar/download/file.res/MOEZ_summary_final.pdf
- Saublens, C. (2014). Participation of EU13 countries in FP7. *MIRRIS Scoping Paper*. Accessed August 3, 2014, from http://www.mirris.eu/Downloads/MIRRIS_Scoping_Paper_vs_16.5.14_Part_1.pdf; http://www.mirris.eu/Downloads/MIRRIS_Scoping_Paper_vs_16.5.14_Part_2.pdf
- Schumpeter, J. A. (1943). *Capitalism, socialism, and democracy*. UK: Peter Smith.
- Stock, G. N., Greis, N. P., & Fischer, W. A. (2002). Firm size and dynamic technological innovation. *Technovation*, 22(9), 537–549.
- Swann, G. M. P. (2009). *The economics of innovation: An introduction*. Cheltenham: Edward Elgar.

Key Success Factors for Small and Medium Size Enterprises in a Context of Global Supply Chains

Eglė Stonkutė and Jolita Vveinhardt

Abstract Being considered as the main engine of recovery in many financial and economic crises devastated regions, small and medium size enterprises are facing challenges due to developments in global supply chains. They are dominated by an important bargaining power of global supply chains, in cases they are seeking for cooperation within these global chains, they can remain marginal in these supply chains or develop their business activities in areas not covered by global supply chains. In that context small and medium size enterprises' success depends on some specific key factors providing them with competitive advantage. These enterprises, having little of bargaining power, can be pushed towards beginnings of global supply chains, benefit rather little from advantages created by accessing to global supply chains. There is a set of key success factors for small and medium size enterprises and that for success in global supply chains. The comparison between these two sets is made in the document in order to find out the potential possibilities for small and medium size enterprises and to map guidelines for their business development success.

Keywords Key success factors • Global supply chain • Supply chain • Small and medium size enterprises

1 Introduction

The supply chains at the beginning of twenty-first century are complex systems characterized by increasing non-linear interdependence among business partners (Surana et al. 2005; Thakkar et al. 2008; Ritchie and Brindley 2000). The competition is drifting from “enterprise versus enterprise” towards a more complex construct of competition of “supply chain versus supply chain” (Christopher 2005). That competition is being experienced among global supply chains, among local ones and even among the supply chain partners' themselves.

E. Stonkutė (✉) • J. Vveinhardt

Faculty of Economics and Management, Vytautas Magnus University, Kaunas, Lithuania
e-mail: e.stonkute@evf.vdu.lt; j.vveinhardt@evf.vdu.lt

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,
Eurasian Studies in Business and Economics 3/1,
DOI 10.1007/978-3-319-27570-3_9

The global business environment supply chains are competing within is characterized by challenges of volatile markets, highly aware customers, customized products, short product life cycle and short time (Kumar et al. 2013; Schnetzler et al. 2004). These factors are those that result in the increased uncertainty of business environment that can be coped with greater flexibility that reflects the ability of a system to respond rapidly to changes occur inside and outside the system (Garavelli 2003). In addition to these challenges the complexity of the business environment is increasing with the emergence and development of green, lean and global supply chains (Mollenkopf et al. 2010). Green global supply chains, highly demanded by the society and consumers, face the reluctance of suppliers to be joined in as suppliers are resistant because of increased environmental costs and skepticism of performance of environmental products. In turn the success of lean global supply chains, aimed at waste reduction in supply systems, is dependent on the closeness of intra supply chain partnership (Christopher and Lee 2004). Suppliers are being asked to move closer to end consumers in order to reduce ecological footprint (Lee 2010). In order to meet these challenges the partnership within the supply chain goes beyond buyer–supplier relationships and reaches the supplier’s suppliers and customers’ customers.

The sustainable competitive advantage in that business context is determined by the agility, adaptability and alignment of the supply chain (Lee 2004). These characteristics of the supply chain can be implemented through supply chain integration as the extent to which all activities of an organization, its suppliers, customers and even other supply chain members are integrated together (Narasimhan and Jayaram 1998). That can be implemented and successful only if the members of the supply chain cooperate on the basis of collaborative mutual benefits (Beleanu et al. 2009).

Agility and responsiveness being the fundamental for competitive success in today’s deflationary markets (Christopher et al. 2006) global supply chain leaders are considering the integration of local suppliers into their global supply chains (Thomas and Barton 2007). Partnership with local suppliers can benefit the supply chain by increased its flexibility, ability to correct quality and technical problems quickly and effectively, ability to develop long-term sustainable relationships (Hines 1994) and provides companies with the relative decrease in complexity of already rather complex systems of global supply chains (Thomas and Barton 2007).

In the context of current global supply chain development the role of potential local supplier is being assigned to small and medium size enterprises (SMEs). In order to meet the requirement of the global markets and to support the strategies of global supply chains SMEs must face the supply chain integration as a core component of successful supply chain management (Lambert and Cooper 2000). The greater integration of supply chains implies more coordination and cooperation within the supply chain members where the coordination can be absorbed by the leader of supply chain maintaining the greatest bargaining power (Stonkutė 2013). There are two main possibilities for SMEs: remain independent next to global supply chains or to join the collaborative network of global supply chains. These two strategies are based on different key success factors as to be taken into

consideration while making important strategic decision. To identify theoretically defined key success factors for small and medium size enterprises in the context of global supply chains while comparing their key success factors being the part of global supply chain and those being the independent and map guidelines for their business development success is the main aim of the paper. In order to achieve the aim of the paper the analysis key success factors of SME's as suppliers and SME's as independent agents in the market are identified and compared in order to find their compatible and conflicting ones.

2 Success of Supply Chain

Key success factors as the main enablers and inhibitors for the success of global supply are analyzed from the perspectives of global supply chain, supply chain, and partnership. These approaches are used in order to find out the requirements being dictated to potential global supply chain suppliers in order to meet challenges being faced by global supply chains.

Global supply chains are supply chains being developed and implemented at a global scale undertaking offshoring of production, inventories, suppliers and customers, and are facing challenges of different economies, infrastructures, cultures and policies (Christopher 2005; Schmidt and Wilhelm 2000). The complexity of the context of global supply chains is reflected in the complexity of supply chains being implemented in that context. The global supply chains can be implemented using global base supply chain network or/and using local base supply chain network, i.e., integrating local suppliers (Thomas and Barton 2007). If global base supply network generates benefits of economies of scale (Motwani et al. 1998) the integration of local suppliers into global supply chain generates benefits of increased products supply flexibility and improved supplier customer communication in specific product areas. According Thomas and Barton (2007) the integration of local suppliers into global network results in five distinctive advantages for local suppliers: greater understanding of their own manufacturing and servicing activities and in comparison with other suppliers; greater appreciation of technological level needed to compete in global markets; strong relationships with suppliers will create incentives for them to meet global supply chain requirements, i.e., to developed globally valued competencies; long term relationships allows to local suppliers to develop needed competencies in order to satisfy global supply chain requirements; greater profit margins.

The mutual benefit in global supply chain can be achieved through greater supply chain integration. Supply chain integration is considered being an essential element for enhancing supply chain competitiveness. In the literature review prepared by Kamal and Irani (2014) there are factors enabling and inhibiting supply chain integration identified. There are nine most cited factors driving the supply chain integration: improving performance; effective coordination and communication; facilitating information sharing, operational efficiency and performance;

improved financial performance; effective customer service and responsiveness; improved products quality management and delivery; supply chain agility, flexibility and visibility. The factors inhibiting supply chain integration are the lack of unified information technology infrastructure; lack of technical resources, skills and knowledge integration; resistance to change; and lack in cross-trained experienced workforce. These statements are supported by results of case study carried out by McAdam and McCormack (2001) as they found that the integration of global supply chain success is based on communication of information within supply chain members. It is important to discern three levels of supply chain management levels to be applied within a particular supply chain according Fawcett and Magnan (2002). They concluded that the simplest form of supply chain management is a simple application of new information technologies in order to increase the quality of information and communication speed. The linked information systems, integrative inter-organizational processes, aligned goals, consistent measures, shared risks and rewards, and cross-experienced managers are fundamental for the second level of supply chain management. The third level of supply chain management is based on the elements of two previous levels and put emphasis on cultural orientation or philosophy that guides decision making, i.e., development of common supply chain team. The importance of cultural integration is emphasized by Sangari et al. (2015). Handfield and Nichols (2004) put emphasis on a set of key factors in global supply management: trust in buyer–supplier relationships; communication; personalized relationships; positivity in buyer–supplier relationships; adequate and suitable information systems; inter-organizational and cross-functional participation; effectiveness and communication of suppliers performance measurement; sharing of information; sharing of right information with right people within the supply chain; long-term perspective and right people at the right positions. The importance of cross-functional interaction, usage of information and communication technologies and senior management commitment and involvement are emphasized in many studies (Tummala et al. 2006; Ngai et al. 2004; Gunasekaran and Ngai 2004; Lu et al. 2006; Sangari et al. 2015).

According Zelibst et al. (2009) the performance of supply chain management depends on the ability to develop long-term strategic relationships with supply chain partners in order to achieve customer satisfaction. Here collaboration shall be emphasized and implemented instead of control. However, supply chain collaboration is not the guaranty for the performance of the supply chain. In case of coherent supply chain strategy, consisting of information exchange and structural collaboration with suppliers, the important supply chain performance gains can be achieved (Vereecke and Muylle 2006).

The results of survey implemented by Kess et al. (2010) among Hong Kong and Thailand enterprises revealed key success factor for an effective business value chain. These factors are: willingness of suppliers to share the information; effective information and communication infrastructure of suppliers and that of customers; reliability of suppliers; collaborative and willing to share customers; reliability of production/service delivery system; and good operations management.

In 1994 the survey among Australian manufacturers was carried out by Power et al. (2001). Results of the survey revealed that in order to implement an agile supply chain as an imperative in today's business environment it is important to integrate closely suppliers on developing products, improving processes, quality initiatives; to adopt philosophy of continuous improvement; to use participative management style within the supply chain; to use technology to promote productivity, new product development and customer satisfaction (Power et al. 2001).

According research results of Dupuis and Prime (1996) in order to achieve success in retail sector supply chain three key success factors shall be fulfilled: innovativeness; harmonious relationships among supply chain partners; and adaptability in different cultural environments. These results are in principle supported by Fearne and Hughes (1999) research results as they found that there are five key success factors for successful partnership in the supply chain: supplier's strategic orientation, organizational structure and business culture; its ability to exploit market information; ability to measure and control full costs; and ability to innovate. For retailers is important that the suppliers would strive to meet customer requirements; would be willing and capable to innovate; would be trustworthy in order to share information; would be culturally compatible in order to develop long-term relationships; would be cost effective; and would demonstrate capabilities and competencies to innovate.

The success of global supply chains depends on the success of partnership as it was already identified. The partnership in supply chains is analyzed from perspectives of business to business and buyer-supplier relationships, partnership development, and collaboration. Wu et al. (2014) argue that supply chain performance depends on collaboration through information sharing that enables the collaboration itself. They continue that trust is important for the information sharing and collaboration between supply chain partners and it enables development of long-term collaborative strategy. The success of collaboration leads to future collaborations by helping supply chain partners to make investment decisions particular to collaboration and to the level of further integration of their supply chains (Ramanathan and Gunasekaran 2014). A higher level collaboration leads to higher operational performance (Simatupang and Sridharan 2004; Fawcett et al. 2006; Srinivasan et al. 2011; Ramanathan 2014; Skjoett-Larsen et al. 2003). Furthermore, transformational supplier has greater influence over operational performance than the supply chain leader (Defee et al. 2010). However, it is importance for the buyer to engage in different level information sharing and collaboration with limited number of partners, i.e., to focus on strategically important partners (Thron et al. 2006).

The importance of collaboration in supply chain is stressed in many researches. It is envisaged in order to enhance buyer-supplier relationships (Attaran and Attaran 2007), to improve performance of supply chain (Barratt 2004). Barratt (2004) argues that collaboration in a supply chain is based on collaborative culture being development within the supply chain. The elements of that culture are trust, mutuality, information exchange, openness and communication. The collaborative culture leads to cross-functional collaboration, process alignment, joint decision

making, and true supply chain metrics. In order to ensure the sustainability of collaboration partners must be ready to commit resources, to provide intra-organizational support (starting from senior management support), to focus on supply chain, to demonstrate the business case, and do not overvalue the importance of information technologies.

The partnership success in a supply chain is dependent on trust, senior management support, ability to meet performance expectations, clear goals, partner compatibility, and conflict as bargaining power (Brinkerhoff 2002; Whipple and Frankel 2000). Monczka et al. (1998) concluded that partnership success depend together with the trust on coordination, interdependence, information quality and participation, information sharing, joint problem solving, avoiding severe conflict resolution tactics, and the existence of a formal supplier selection process.

Trust among supply chain partners is the main prerequisite for the effectiveness of supply chain and it is depends on confidentiality; honesty and integrity, work standards, politeness and friendliness, shares values, experience and qualifications, reliability, timeliness, customization, and information sharing (Tejpal et al. 2013). The success of implementation of advanced manufacturing technologies in a supply chain is dependent upon team working (collaboration), top management involvement, cooperative relationships with customers and suppliers (Burgess et al. 1997). The success of sub-supplier management in a sustainable supply chain depends on trust between buying enterprise and direct supplier; trust between direct supplier and sub-supplier; buyer's and direct supplier's buyers-powers; committed long-term relationship between direct supplier and sub-supplier; supply-know-how of buyer; willingness of direct supplier to disclosure sub-suppliers; involvement of direct supplier; perceived value for direct and sub-suppliers; low risk of supplier-by-passing; sub-supplier capability to comply with sustainability standards; and geographical and cultural distance between supply chain partners (Grimm et al. 2014).

The partnership with supplier within the supply chain can result, in case of insufficiently capable supplier, in supplier development activity. Success of that activity is dependent on long-term strategic goals and proximity to buyer (Routroy and Pradhan 2013). The success of supply chain partnership in construction industry is dependent on central coordination among partners employing decentralized task management, application of an appropriate information technology, mutual trust among partners (Lonngren et al. 2010).

3 Success of SMEs

Small and medium size enterprises can be the leaders of their own supply chains. The success of small and medium size enterprise is analyzed form two perspectives: supply chain and success of business development. Supply chain management by SMEs has different attributes compared to supply chain management by large enterprises. According Thakkar et al. (2008) SMEs focus on market niche applying

Table 1 SMEs versus large enterprises on selected supply chain attributes

Attributes	Large enterprises	SMEs
Competitive priorities	Market dominance through sustaining large market share	Market niches through sustaining profitable market position
Supply chain view	A strategy to compete through reduction of system wide cost	Owner led myopic and short term view to earn the profit
Inventory management	Aims at reducing system wide inventory cost to improve overall supply chain competitiveness	Use of safety stock unavoidable in absence of coordinated purchasing function and supplier relationships
Key sourcing activities	Supplier scoring and assessment, supplier selection and contract negotiation, design collaboration, procurement, sourcing planning and analysis	Evaluates suppliers mainly on cost and quality criteria. Long term view of collaborative design and responsiveness to fluctuating demands is missing
Time frame and relationships	With and intention to reap the rewards of consistent quality, timely deliver, cost advantage, early design modifications, etc.	Becomes potential acquisition targets of larger enterprises when the supply chain works well
Supply chain flows	Synchronized material, information, money and ownership flows	Finds difficulty in managing material flow in case of disturbed money and information flows
Product offerings	Standardized to achieve economies of scale	Customized to cater the changing needs of buyers
External control structure	Decentralized, structured and highly specialized; multiple core competencies development	Centralized, semi-structures and moderately specialized; specific core competencies development
Internal control structure	Command and control towards their small suppliers and distributors; collaborate with more dominant suppliers and distributors	Either accept command and control by original equipment manufacturers or first tier suppliers or utilize their negotiation strengths; pursue collaboration with other SMEs
Coordination mechanisms	Well developed at inter and intra organizational level	Suffers even from internal coordination problems
Transaction processes	Systematic and computer based	Ad hoc and paper based
Use of information technologies and information	Part of business strategy	Still a buzz word

Source: Selected according Thakkar et al. (2008)

short term perspective, are suffering from weak coordination even within its own supply chain and protect their supply chain with the safety stock and lack of usage of information technologies (Table 1). Making the assumption that the supply chain management by large enterprises is the case of global supply chains the important difference in attributes between supply chain management by large enterprises and SMEs can be identified. These attributes reveal that different competencies and capacities are developed in large enterprises and SMEs.

Presently SMEs supply chain performance measurement is oriented towards internal business and profit maximization, lacks of measures related to market responsiveness, flexibility and delivery schedules, and complete order delivery (Thakkar et al. 2009). SMEs are lacking of financial and technological capabilities and have weak bargaining power in the value chain. SMEs who are working with larger product portfolio and buyers put more emphasis on innovation and learning, i.e., product and process innovation, vendor development and information sharing among supply chain players.

The strategy adopted by SMEs within the supply chain can be that of the innovator and that of follower. The comparative study between SMEs in Pakistan and Canada implemented by Tipu and Fantazy (2014) revealed that SMEs in Canada are applying innovative and consumer oriented strategy in order to enhance their performance while SMEs in Pakistan adopt follower's strategy in order to achieve financial and non-financial performance. These differences can be partly explained by the level of economic development in countries being compared. The link between the supply chain management and operational performance of SMEs in an emerging country (Turkey) context was confirmed by Koh et al. (2007) research. Strategic collaboration and lean practices as well as outsourcing and multi suppliers have direct positive and significant impact on operational performance of SMEs.

In order to support the success of supply relationships SMEs should establish collaborative partnership with their key suppliers focusing on the development of efficient communication systems, trust and strategic partnership with suppliers (Bordonaba-Juste and Cambra-Fierro 2009). The proactive, leader type behavior would be expected to be applied by SMEs in certain cases when knowledge or technology transfer to suppliers is needed. However, SMEs themselves need to focus more attention to information flow and mutual understanding among supply chain members (Singh 2011) and can't achieve good results because of lack of resources.

There are two sets of key success factors for SMEs in the business-to-business relationships: internal and external ones (Chong et al. 2011). The internal success factors are successful customer relationships, information systems and information technology infrastructure and performance, supply chain facilities, information visibility, top management support and commitment, security and trust. Global competition, government encouragement and commitment as well and cultural considerations are external success factors. Successful customer relationships are based on cooperative relationship between the customer and SMEs. In today's market customers having great bargaining power are taking the leading role in the custom relationships (Moreira 2009). Even if the knowledge-sharing relationship with customers is initiated by SMEs in order to increase customer satisfaction without strong interaction-oriented capabilities of customers the success of that knowledge sharing is limited or even negative. Macpherson and Wilson (2003) stated that focus of supply chain organizations on supply chain have significant effects on SMEs. These effects are expressed through increased expectation from customers and increased requirements to be met by suppliers. These elements can

support the further development of SMEs; however, in the case of limited benefits of cooperation the supply chain partnership can remain more about the power and compliance than collaboration and trust.

The study conducted by Quayle (2003) revealed that trust, strategy, waste reduction and team working are the most important for the success of the supply chain of SMEs. New technology and inventory reduction, customer management and time to market were of the medium importance while supplier development, e-commerce, employees' development, benchmarking and investor in people, innovation.

SMEs usually differ from large enterprises by lack of resources, knowledge and money, reliance on a small number of customers and need for multi-skilled employees. The diversity of SMEs is based on the backgrounds, motives and goals of entrepreneurs (Forsman 2008). The competencies and knowledge of entrepreneurs form the basis of SMEs knowledge and competencies. Entrepreneurs usually have technical knowledge but lack managerial competencies and sophisticated managerial practices (Maes et al. 2004). SMEs have limited competencies in marketing, strategy and acquisition of new knowledge and technology. These enterprises are sensitive to external pressure (especially that of consumers) and risks. However, SMEs are more flexible, have organic structure and centralized decision making process, shorter communication lines (because of low formalization of communication) and are closer to customers.

4 Guidelines for Success

The global supply chains are facing current challenges of global market. To be successful in these conditions global supply chain a set of factors shall be taken into account (Table 2). Key factors (in their alphabetical order) for the success for global supply chain are: its agility; collaboration; cross-functionality; culture of partners (its compatibility); customer communication, flexibility; goals of partners; information sharing; innovativeness; long-term perspective; performance of partners; senior management commitment and involvement; skills and knowledge integration; transformational leadership; trust and visibility. Trust, senior management commitment, collaboration, information sharing and long term perspective being the most important among identified key success factors.

SMEs are still characterized by (in alphabetical order): ineffective information sharing; lack of competencies and knowledge; lack of information technologies; lack of leadership in their supply chains; lack of competencies; low bargaining power; low importance of innovations; and short-term perspective.

SMEs being close to customer are in a better position to satisfy customers and ensure effective customer satisfaction. However, that position is not sustained and need to be sustained by stronger bargaining power of SMEs, better information and communication technologies, and greater leadership competencies. In a context of global supply chains SMEs as suppliers would need support from supply chain

Table 2 Key success factors for global supply chains and performance of SMEs

Key success factors for global supply chain	SMEs performance
Agility	Ineffective sharing of information
Collaboration	Lack of competencies and knowledge (in management)
Cross-functionality	Lack of information technologies
Culture of partners	Lack of leadership competencies
Customer communication	Lack of responsiveness
Flexibility	Low bargaining power (compared to customers' bargaining power)
Goals of partners	Low importance of innovations
Information sharing	Short-term perspective
Innovativeness	
Long-term perspective	
Performance of partners	
Senior management commitment and involvement	
Skill and knowledge integration	
Supply chain integration	
Transformational leadership	
Trust	
Visibility	

leaders in order to meet requirements of the global supply chains being dictated by current challenges of these supply chains.

Even if SMEs would decide to continue as independent agents in the market the key success factors for their local supply chains are converging, due to highly informed customers, towards the same common key success factors and SMEs would need mainly the same attributes to be integrated in their supply chains in order to successful in their own local supply chains.

5 Conclusions

The theoretical analysis of key (key) success factors for SMEs in a context of global supply chains revealed that SMEs have two main options to be adopted: being the partner of global supply chain or implementing their activities next to global supply chains. The success of global supply chains being dependent on trust, senior management commitment, collaboration, information sharing and long term perspective SMEs facing the integration into global supply chain will be challenged by these key success factors that are not naturally characteristic to SMEs (except flexibility and closeness to the consumer). The same main key success factors are important for local supply chains. Thus, in order to be successful in current market conditions it is important for SMEs to take into account key success factors while increasing the performance of their local supply chains.

The results of analysis presented in the paper have some major limitations. The theoretical analysis carried out shall be supported by empirical evidences and

detailed analysis of elements in each of key factors. There is need to develop further links among key success factors in order to better understand their impact within the supply chain. The clear definition of roles being implemented by different supply chain members would provide research result with better understanding of the structure and functioning of the supply chain and, it turn, with the impact of key success factors at the level and scope of activities of each global supply chain partner, including SMEs as supplier.

References

- Attaran, M., & Attaran, S. (2007). Collaborative supply chain management. *Business Process Management Journal*, 13(3), 390–404.
- Barratt, M. (2004). Understanding the meaning of collaboration in the supply chain. *Supply Chain Management Journal*, 9(1), 30–42.
- Beleanu, V., Irimie, S., & Ionica, A. (2009). Supply chain management: A new frontier of managerial thought and practice. *Annals of University of Petrosani, Economics*, 9(1), 43–52.
- Bordonaba-Juste, V., & Cambra-Fierro, J. J. (2009). Managing supply chain in the context of SMEs: A collaborative and customized partnership with the suppliers as key for success. *Supply Chain Management: An International Journal*, 14(5), 393–402.
- Brinkerhoff, J. M. (2002). Assessing and improving partnership relationships and outcomes: A proposed framework. *Evaluation and Program Planning*, 25, 215–231.
- Burgess, T. F., Gules, H. K., & Tekin, M. (1997). Supply-chain collaboration and success in technology implementation. *Integrated Manufacturing Systems*, 8(5), 323–332.
- Chong, W. K., Shafaghi, M., & Tan, B. L. (2011). Development of a business-to-business critical success factors (B2B CSFs) framework for Chinese SMEs. *Marketing Intelligence and Planning*, 29(5), 517–533.
- Christopher, M. (2005). *Logistics and supply chain management*. Harlow: Pearson Education Limited.
- Christopher, M., & Lee, H. (2004). Mitigating supply chain risk through improved confidence. *Journal of Physical Distribution and Logistics Management*, 34(5), 388–366.
- Christopher, M., Peck, H., & Towill, D. (2006). A taxonomy for selecting global supply chain strategies. *The International Journal of Logistics Management*, 17(2), 277–287.
- Defee, C. C., Stank, T. T., & Esper, T. (2010). Performance implications of transformational supply chain leadership and followership. *International Journal of Physical Distribution and Logistics Management*, 40(10), 763–791.
- Dupuis, M., & Prime, N. (1996). Business distance and global retailing: a model for analysis of key success/failure factors. *International Journal of Retail and Distribution Management*, 24(11), 30–38.
- Fawcett, S. E., & Magnan, G. M. (2002). The rhetoric and reality of supply chain integration. *International Journal of Physical Distribution and Logistics Management*, 32(5), 339–361.
- Fawcett, S. E., Ogden, J. A., Magnan, G. M., & Cooper, M. B. (2006). Organizational commitment and governance for supply chain success. *International Journal of Physical Distribution and Logistics Management*, 36(1), 22–35.
- Fearne, A., & Hughes, D. (1999). Success factors in the fresh produce supply chain: Insights from the UK. *Supply Chain Management: An International Journal*, 4(3), 120–131.
- Forsman, H. (2008). Business development success in SMEs: A case study approach. *Journal of Small Business and Enterprise Development*, 15(3), 606–622.
- Garavelli, C. (2003). Flexibility configuration for the supply chain management. *International Journal of Production Economics*, 85(2), 141–153.

- Grimm, J. H., Hofstetter, J. S., & Sarkis, J. (2014). Key factors for sub-supplier management: A sustainable food supply chains perspective. *International Journal of Production Economics*, 152, 159–173.
- Gunasekaran, A., & Ngai, E. W. T. (2004). Information systems in supply chain integration and management. *European Journal of Operations Research*, 159, 269–295.
- Handfield, R. B., & Nichols, E. L., Jr. (2004). Key issues in global supply base management. *Industrial Marketing Management*, 33, 29–35.
- Hines, P. (1994). *Creating world class suppliers: Unlocking mutual competitive advantage*. London: Pitman Pub.
- Kamal, M. M., & Irani, Z. (2014). Analysing supply chain integration through a systematic literature review: A normative perspective. *Supply Chain Management: An International Journal*, 19(5/6), 523–557.
- Kess, P., Law, K. M. Y., Kanchana, R., & Phusavat, K. (2010). Critical factors for an effective business value chain. *Industrial Management and Data Systems*, 110(1), 63–77.
- Koh, S. C. L., Demirbag, M., Bayraktar, E., Tatoglu, E., & Zaim, S. (2007). The impact of supply chain management practices on performance of SMEs. *Industrial Management and Data Systems*, 107(1), 103–124.
- Kumar, R., Singh, R. K., & Shankar, R. (2013). Study on coordination issues for flexibility in supply chain of SMEs: A case study. *Global Journal of Flexible Systems Management*, 14(2), 81–92.
- Lambert, D. M., & Cooper, M. C. (2000). Issues in supply chain management. *Industrial Marketing Management*, 29(1), 65–83.
- Lee, H. L. (2004). The triple-A supply chain. *Harvard Business Review*, 82, 102–112.
- Lee, H. L. (2010). Don't tweak your supply chain—Rethink it end to end. *Harvard Business Review*, 88, 62–69.
- Lonngren, H.-M., Rosenkranz, C., & Kolbe, H. (2010). Aggregated construction supply chains: Success factors in implementation of strategic partnerships. *Supply Chain Management: An International Journal*, 15(5), 404–411.
- Lu, X.-H., Huang, L.-H., & Heng, M. S. H. (2006). Key success factors of inter-organizational information system—A case study of Cisco and Xiao Tong in China. *Information Management*, 43, 395–408.
- Macpherson, A., & Wilson, A. (2003). Enhancing SMEs' capability: Opportunities in supply chain relationships? *Journal of Small Business and Enterprise Development*, 10(2), 167–179.
- Maes, J., Sels, I., & Roodhooft, F. (2004). *Learning about small business profitability: The influence of management practices and owner-manager human capital* (Working Paper Series 2004/07). Gent: Vlerick Leuven.
- McAdam, R., & McCormack, D. (2001). Integrating business processes for global alignment and supply chain management. *Business Process Management Journal*, 7(2), 113–130.
- Mollenkopf, D., Stolze, H., Tate, W. L., & Ueltschy, M. (2010). Green, lean, and global supply chains. *International Journal of Physical Distribution and Logistics Management*, 40(1/2), 14–41.
- Monczka, R. M., Peterson, K. J., & Handfield, R. B. (1998). Success factors in strategic supplier alliance: The buying company perspective. *Decision Sciences*, 29(3), 553–577.
- Moreira, A. C. (2009). Knowledge capability flows in buyer-supplier relationships. *Journal of Small Business and Enterprise Development*, 16(1), 93–114.
- Motwani, J., Larson, L., & Ahuja, S. (1998). Managing a global supply chain partnership. *Logistics Information Management*, 11(6), 349–354.
- Narasimhan, R., & Jayaram, J. (1998). Causal linkage in supply chain: An exploratory study of North American manufacturing firms. *Decision Science*, 29(3), 579–605.
- Ngai, E. W. T., Chen, T. C. E., & Ho, S. S. M. (2004). Critical success factors of web-based supply-chain management systems: An exploratory study. *Production Planning and Control: The Management of Operations*, 15(6), 622–630.

- Power, D. J., Sohal, A. S., & Rahman, S. (2001). Critical success factors in agile supply chain management: An empirical study. *International Journal of Physical Distribution and Logistics Management*, 31(4), 247–265.
- Quayle, M. (2003). A study of supply chain management practice in UK industrial SMEs. *Supply Chain Management: An International Journal*, 8(1), 79–86.
- Ramanathan, U., & Gunasekaran, A. (2014). Supply chain collaboration: Impact of success in long-term partnerships. *International Journal of Production Economics*, 147, 252–259.
- Ramanathan, U. (2014). Performance of supply chain collaboration—A simulation study. *Expert Systems with Applications*, 41, 210–220.
- Ritchie, B., & Brindley, C. (2000). Disintermediation, disintegration and risk in the SME global supply chain. *Management Decision*, 38(8), 575–583.
- Routroy, S., & Pradhan, S. K. (2013). Evaluating the critical success factors of suppliers development: A case study. *Benchmarking: An International Journal*, 20(3), 322–341.
- Sangari, M. S., Razmi, J., & Zolfaghari, S. (2015). Developing a practical evaluation framework for identifying critical success factors to achieve supply chain agility. *Measurement*, 2, 205–214.
- Schmidt, G., & Wilhelm, W. E. (2000). Strategic, tactic and operational decisions in multi-national logistics networks: A review and discussion of modelling issues. *International Journal of Production Research*, 38(7), 1501–1523.
- Schnetzler, M., Sennheiser, A., & Weidemann, M. (2004, May 17–19). Supply chain strategies for business success. In *Proceedings of the International IMS Forum 2004 "Global Challenges in Manufacturing"*. Cernobbio, Italy.
- Simatupang, T. M., & Sridharan, R. (2004). Benchmarking supply chain collaboration. *Benchmarking: An International Journal*, 11(5), 484–503.
- Singh, R. K. (2011). Developing the framework for coordination in supply chain of SMEs. *Business Process Management Journal*, 17(4), 619–638.
- Skjoett-Larsen, T., Thermo, C., & Andersen, C. (2003). Supply chain collaboration. *International Journal of Physical Distribution and Logistics Management*, 33(6), 531–546.
- Srinivasan, M., Mukherjee, D., & Gaur, A. (2011). Buyer-supplier partnership quality and supply chain performance: Moderating role of risks, and environmental uncertainty. *European Management Journal*, 29, 26–271.
- Stonkutė, E. (2013). Supply chain challenges and their implications for business strategies: A small and medium sized enterprise perspective in Lithuania. *Management of Organizations: Systematic Research (Organizacijų vadyba: Sisteminių Tyrimai)*, 67, 111–126.
- Surana, K., Kumara, S., Greaves, M., & Raghavan, U. N. (2005). Supply-chain networks: A complex adaptive systems perspective. *International Journal of Production Research*, 43(20), 4235–4265.
- Tejpal, G., Garg, R. K., & Sachdeva, A. (2013). Trust among supply chain partners. *Measuring Business Excellence*, 17(1), 51–71.
- Thakkar, J., Kanda, A., & Deshmukh, S. G. (2008). A conceptual role interaction model for supply chain management in SMEs. *Journal of Small Business and Enterprise Development*, 15(1), 74–95.
- Thakkar, J., Kanda, A., & Deshmukh, S. G. (2009). Supply chain performance measurement framework for small and medium scale enterprises. *Benchmarking: An International Journal*, 16(5), 702–723.
- Thomas, A., & Barton, R. (2007). Integrating local suppliers in a global supply network. *Journal of Manufacturing Technology Management*, 18(5), 490–512.
- Thron, T., Nagy, G., & Wassan, N. (2006). The impact of various levels of collaborative engagement on global and individual supply chain performance. *International Journal of Physical Distribution and Logistics Management*, 36(8), 596–620.
- Tipu, A. A. A., & Fantazy, K. A. (2014). Supply chain strategy, flexibility, and performance. *The International Journal of Logistics Management*, 25(2), 399–416.

- Tummala, V. M. R., Phillips, C. L. M., & Johnson, M. (2006). Assessing supply chain management success factors: A case study. *Supply Chain Management: An International Journal*, 11(2), 179–192.
- Vereecke, A., & Muylle, S. (2006). Performance improvement through supply chain collaboration in Europe. *International Journal of Operations and Production Management*, 26(11), 1176–1198.
- Whipple, J. M., & Frankel, R. (2000). Strategic alliance success factors. *The Journal of Supply Chain Management, Summer*, 21–28.
- Wu, I.-L., Chuang, C.-H., & Hsu, C.-H. (2014). Information sharing and collaborative behaviors in enabling supply chain performance: A social exchange perspective. *International Journal of Production Economics*, 148, 122–132.
- Zelbst, P. J., Green, K. W., Jr., & Sower, V. E. (2009). Impact of supply chain linkages on supply chain performance. *Industrial Management and Data Systems*, 109(5), 665–682.

The Technological Entrepreneurship Capacity and Partnering as Elements of an Open Culture of Small and Medium-Sized Enterprises: Case Study of Poland

Anna Adamik and Katarzyna Szymańska

Abstract The objective of the paper is an attempt at the identification and assessment of factors stimulating and limiting the development of technological entrepreneurship and partnering in the sector of small and medium-sized enterprises in Poland. Meeting this objective required evaluation of factors and methods of technological entrepreneurship development among small and medium-sized companies in Poland (such as an open organizational culture), identification of barriers to the development of an open innovation organizational culture among small and medium-sized enterprises (such as inter-organizational partnering), along with formulation of practical recommendations for the development of technological entrepreneurship, an open organizational culture and partnering in specific enterprises (SMEs), both in terms of cooperation with the R&D, financial and local environment institutions, as well as the development of internal resources and competences to ensure the adaptation of enterprises to the requirements of modern technologies. The study was conducted in 2012–2013 on a sample of 300 small and medium-sized companies located in Poland.

Keywords Technological entrepreneurship • Partnering • Open organizational culture • Small and medium-sized enterprises

1 Introduction

A rapid development of advanced technologies, contributing to implementation of various solutions is nowadays a major source of development not only for large business organizations but also for small and medium-sized enterprises. The development of technological capacity without the foundations in the form of widely understood cooperation and narrowly defined inter-organizational partnering of

A. Adamik (✉) • K. Szymańska

Faculty of Organization and Management, Technical University of Lodz, Lodz, Poland
e-mail: anna.adamik@p.lodz.pl; katarzyna.szymanska@p.lodz.pl

these entities with the environment is impossible. Moreover, under conditions of dynamic changes in the environment, it becomes a prerequisite for these entities/ and even a true obligation, forcing a need to accelerate and deepen the level of openness of their organizational culture to external relations. These changes should therefore result in changes in organizations consisting in introducing the so called “open business architecture” and an open organizational culture. Their goal should be reducing factors affecting negatively the efficiency and effectiveness of modern enterprises and attracting all possible external support. The basis for such activities should be inter-organizational relations of partnering that strengthen the innovative potential of organization managed in a modern way. Numerous synergistic interactions between the sphere of science and the economy, i.e., cooperation of enterprises with universities and different types of research institutes, seem especially important. In recent years these interactions have been crucial for the creation and market dissemination of many innovative products and services. Nowadays innovation is increasingly associated with strategic organizational renewal (Street and Gallupe 2008; Agarwal and Helfat 2009; Taneja et al. 2012) based on the unprecedented transfer of knowledge between different types of partners. It is accompanied by various forms of cooperation between organizations. These activities are usually undertaken in the course of consciously planned and implemented innovative processes. In order to effectively carry out these activities in the first stage the company identifies (on its own or with the help and assistance of external experts) current and potential customers and their explicit and implicit needs (the same applies to the markets of operation). At the later stage, based on the collected data as well as its own potential or the potential at its disposal, available due to the resources and skills of cooperating partners, it develops new products, services and processes. The so called “openness of enterprises to cooperation”, both internal (company-employees) and external (company-environment) is needed to achieve the desired effect in the course of these processes as no company is able to introduce innovations isolating itself in the market. Innovations cannot exist without multi-lateral commitment, creativity, activity and complementary innovations that strengthen them. Innovations are difficult to create solely on the basis of internal sources (Adamik 2011).

The importance of cooperation, partnering and innovation in development processes of enterprises is emphasized in many classical and contemporary concepts of entrepreneurship (Verloop 2006). Their significance in processes of the development of technological entrepreneurship and an open organizational culture is also highlighted (Albors-Garrigos and Barrera 2001). Therefore, the aim of the paper is an attempt to identify and evaluate factors stimulating and limiting partnering, as well as technological entrepreneurship, which in turn seem to determine the openness of organizational culture of small and medium-sized enterprises in Poland.

2 Technological Entrepreneurship, Partnering and an Open Organizational Culture: From the Definitions to the Relationships

As an introduction to further analyses, the terms technological entrepreneurship, partnering and an open organizational culture will be consecutively explained. This sequence results from the assumptions adopted in the paper. To be able to effectively practice and utilize technological entrepreneurship today, it is necessary to develop an organizational culture open to inter-organizational cooperation (an open organizational culture). For this culture to exist, all actions should be based on inter-organizational and intra-organizational partnering relations (see Fig. 1).

Technological Entrepreneurship (TE) is a process of providing greater practical utility of research results by effective cooperation between academic institutions, research and development centers, capital market institutions as well as business environment institutions and companies involved in the manufacture and sale of products or services, especially high-tech ones (Thérin 2007). Technological entrepreneurship is considered a specific type of entrepreneurship. It focuses on efforts to more effectively connect the scientific potential of universities and R&D centers with the market and research and development activities (Wickham 2006). The purpose of this activity is to provide optimal conditions for the so-called commercialization of research results (discoveries, ideas, inventions, etc.) and their use in enterprises through effective cooperation between research centers, capital market institutions as well as business environment institutions and companies involved in the manufacture and sale of technologically advanced products and services (Hisrich and Peters 2002). Technological entrepreneurship is thus a tool to transform research and the potential of scientific institutions into goods and services, which directly or indirectly increases benefits for consumers and results in faster growth of the economy in the future (Bailetti 2012).

As a result, new knowledge is transferred to private enterprises, which raises their productivity and, consequently, leads to the creation of new businesses as well as an increase in investment and employment in the existing ones, especially in the fields of high technology (Link and Siegel 2007). Technological entrepreneurship is particularly important for small and medium-sized enterprises that have already



Fig. 1 Process of technological entrepreneurship creating

reached a certain level of development and need modern technology for further growth. The too small potential, however, prevents these entities from carrying out independent research and development. Fortunately, the awareness that without significant steps towards modernization of technologies and products, their further development and often the very market survival is not possible is increasingly widespread among the owners and managers of such enterprises. One can see their activities related to the exploration of different types of methods and support tools. It seems that partnering can be successfully one of such methods.

It has been assumed therefore that the phenomenon of partnering, in particular different types of relationships and relations that the modern enterprise needs to be involved in to develop its products, technologies or other types of organizational processes, is closely linked to the process of implementation of activities related to technological entrepreneurship in SMEs. Studies show that the more competitive the environment becomes, the more strategically important becomes the company's participation in the network of cooperative relationships. This is so that companies can better balance economic, environmental and social issues in a turbulent business environment and in the long term maintain the efficiency of their operations, constantly striving for flexibility and innovation. In order to achieve it, they need different types of resources and skills, not always at their disposal, but available through external partners.

Partnering (P) is defined nowadays most commonly as mutual relations between organizations formed to achieve common goals. Deeper analyses of the issue show that it is a higher level of business relations conducted not only in the form of "partnership", i.e., in the legal sense, in the form of a cooperation agreement, but also in the form of "partnering" i.e., cooperation in order to produce and sell a product or service without having to enter into a formal agreement, but only through the recommendation of cooperation (Rigsbee 2000). It is also often treated as a "strategic partnership relationship", understood as an exchange relationship in which both parties win by achieving a competitive advantage (a win-win situation) (Grover et al. 1996) or as a strategy for the implementation of inter-organizational relationships of at least two partners that maintain the jointly agreed autonomy and remain independent entities in terms of activities that do not fall into the area of the agreement. Thus perceived partnering is a kind of cooperation, i.e., nowadays one of the most effective mechanisms for market coordination (apart from competition and control).

Technological Entrepreneurship (TE) is determined by the internal potential (competences of staff and operational employees, team work, a climate of trust and cooperation, research and development facilities, technology), as well as by access to external sources of innovation (universities, research and development centers, as well as competitors or customers/suppliers) available through the partnering developed (Baldwin and Gellatly 2003; Elgar 2003; Delbridge and Munday 2005). At the same time, intra-organizational and inter-organizational partnering developed in organizations is a starting point to launch technological entrepreneurship in business practice (see Fig. 2).

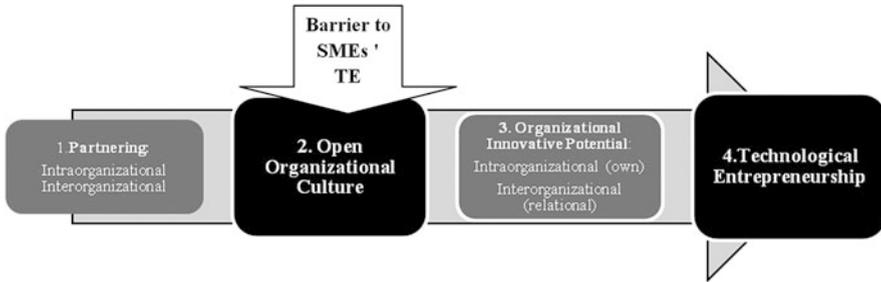


Fig. 2 Technological entrepreneurship determinants

Therefore, on the one hand, the need to extend partnering relations, and on the other, the desire to implement and exploit technological entrepreneurship, indicate a need to change the organizational culture of SMEs towards the so-called *open organizational culture (OOC)* which will integrate participants of enterprises from this sector, i.e., owners, managers and employees, around activities related to the development of broadly defined partnering relations, as well as all activities related to innovation, and consequently—technological entrepreneurship. Technological entrepreneurship and partnering play a special role in development processes of an open organizational culture of the SME sector, both in Poland and the EU (Brown and Ulijn 2004). If an organization seeks an increase in efficiency and is willing to prepare and go through the process of change, one should take a look at the entity from the perspective of the dominant organizational culture, then specify the degree of its openness to intra and inter-organizational cooperation. The next step is to plan adequate actions oriented towards opening the company to cooperative, partnering as well as other ventures based on various forms of cooperation. The actions should be supported by a set of values, norms, behaviors, practices and a way of thinking that would be accepted by the company’s employees. This way they will create the basis for a clear distinction of this particular organization from others and eventually become basic parameters of its open organizational culture. The more partnering relations are the accepted principles, the greater the chance of activating employee, managerial, intra-organizational or inter-organizational creativity, activity and innovation, as well as, over time, the higher the potential for innovation and entrepreneurship and the higher the efficiency of entrepreneurship, both widely and narrowly perceived, for example, in the form of technological entrepreneurship. Partnering therefore determines openness of the organization’s organizational culture, which in turn determines effectiveness of technological entrepreneurship. It is impossible to talk about technological entrepreneurship without the development of the company’s openness to cooperation and partnering relations. Thus partnering is an attitude, a kind of basis for an open organizational culture, whereas technological entrepreneurship is its result/effect/outcome.

In the case of SMEs, an open organizational culture (OOC) based on partnering is a significant determinant of their efficiency and competitiveness as it determines the expansion of their knowledge, flexibility, creativity and capabilities, both in

terms of short-term market survival, as well as long-term development, at the scale of Poland and the EU. It is expected that in the coming years, the ability to create an open organizational culture by SMEs will increasingly affect the rise in the share of this sector in GDP (the effect is particularly important in times of crisis and rising unemployment). These features are indicated by many researchers of cultural norms that support innovative business development (Martins and Terblanche 2003; Arad et al. 1997; Purcarea et al. 2013). For the purpose of the paper, it has been assumed that an open organizational culture is one that is characterized by the so-called open space, which refers to great willingness to change, open innovation, high tolerance of uncertainty and operational flexibility (Szymańska 2014). All these features are essential in having effective intra and inter-organizational partnering, as well as undertaking ventures in the field of technological entrepreneurship. This type of culture is created by various initiatives, based on partnering relations on the part of owners and SMEs' partners (e.g.,: joint research activities, co-specialized partners' resources, joint or shared databases, joint investments in highly specialized research infrastructure, creation of common undertakings, for example, joint ventures) and determined by a number of internal and external conditions (e.g.,: staff-related, knowledge-related, technological, cultural, resource-related, financial, strategic, etc.). It can be expected therefore that its creation is related to many barriers and limitations. Their identification seems to be the key to improving processes of implementation and exploitation of technological entrepreneurship.

3 Research Method

Empirical studies conducted among Polish SMEs were used to fulfill the objective of the paper. SMEs, considered to be highly flexible and often creating unique, innovative product or technological solutions, seemed to be an interesting object of study. The study was conducted in 2012–2013 on a sample of 300 small and medium-sized companies located in Poland. The analyzed community comprised 201 (67 %) small-sized enterprises, with an average annual level of employment at the range of 10–49 people, and 99 (33 %) medium-sized enterprises (50–249 employees). Those included companies operating in different sectors and industries. The handed-out questionnaire was used as a research method. The research tool was an extensive, original questionnaire in the printed version. There were 40 questions to the respondents in the questionnaire. The research results on assessment of development factors in the case of small and medium-sized enterprises, with particular emphasis on determinants and features of technological entrepreneurship as well as intra and inter-organizational partnering, were used in the presented analyses. This provided a basis for an attempt to identify barriers to the formation of an open organizational culture in the surveyed enterprises.

4 Empirical Study Results

In the course of the study, the respondents identified internal and external factors affecting technological entrepreneurship in the SME sector. The respondents could provide more than one factor. Among external factors, the respondents indicated most often as determinants of technological entrepreneurship the following elements:

- determinants of the socio-economic and legal system (67 % of the responses);
- the overall level of economic development of the country, the degree of openness of the economy and investment opportunities (48 % of the responses);
- the situation in the market of industrial and consumer products and services (42 % of the responses);
- principles and practice of the implemented economic policy, particularly the innovation policy (38 % of the responses);
- technological development trends at the global scale and adaptability of modern technologies in the country (36 % of the responses);
- progress in regional (European) integration (31 % of the responses);

The following elements are in the opinion of the respondents the internal factors influencing effectiveness of technological entrepreneurship and willingness to form partnering relations:

- factors associated with the entrepreneur's experience, i.e., experience in business management and working with people, the owner's commitment and achievements, etc. (79 % of the responses);
- personality factors related to the entrepreneur's personality, i.e., creativity, openness to innovation, desire to stand out, openness to informal relations of cooperation (73 % of the responses);
- factors associated with expectations of the environment, e.g.,: customers, suppliers, local communities, adaptation of the company's resources to meet partners' needs (69 % of the responses);
- a high level of quality and ethics of activities conducted (63 % of the responses);
- the company's financial performance (62 % of the responses);
- factors associated with the company's personnel, i.e., well-educated and competent staff, motivation for action, effectiveness of teamwork (57 % of the responses);
- locational factors: geographical proximity and frequency of contact with partners (55 % of the responses);
- organizational culture, climate of trust and cooperation, operational autonomy, contractual ties of cooperation (51 % of the responses).

The above-presented list is not a closed one. Research carried out from different perspectives may still indicate many other factors, the list may therefore be supplemented. The conclusion, particularly important from the perspective of the objectives of the paper, derived from this part of the analysis is the finding that the

Table 1 Barriers restricting the development of open organizational culture in the surveyed SMEs

Item	Barriers to an open organizational culture in the opinion of the entrepreneurs	SME N = 300 (%)	
		Small companies (N = 201)	Medium-sized companies (N = 99)
1.	Lack of innovativeness	76	64
2.	No creativity in action	69	58
3.	Unwillingness to take risks	34	41
4.	Lack of openness to change (P)	38	39
5.	Lack of focus on speed and quality of action	33	37
6.	Low tolerance of uncertainty (P)	36	28
7.	No focus on cooperation (P)	38	32
8.	Low external motivation (weak influence of external partners on the company's innovativeness)	14	25
9.	No multilateral relations (P)	24	33
10.	No efficient communication channels (P)	61	79

Note: P means typical partnering features

Source: The authors' own compilation based on their own research

respondents acknowledge the role of cooperation and organizational culture prevailing in the organization in the implementation of processes related to technological entrepreneurship.

After finding that an organizational culture is an important factor for the level of technological entrepreneurship of the respondents, the next stage of the study sought to identify the barriers to its openness among small and medium-sized enterprises. Therefore, the respondents were asked about the major barriers in that area. The main barriers in this field according to the respondents are presented in Table 1.

Out of the ten most frequently mentioned by the respondents barriers to building an open organizational culture in organizations, as many as five can be linked to problems with generation of inter as well as intra-organizational partnering by the surveyed SMEs. Another five are in a sense their consequences. This observation has allowed to propose a model showing processes that generate the effectiveness of SMEs' technological entrepreneurship (presented in Fig. 3) and paths for actions recommended for SMEs in this type of processes (Table 2).

The model emphasizes the role of conscious identification of the enterprise's willingness to form partnering relations, the cultural environment and monitoring of the quality of inter and intra-organizational partnering implemented. Depending on the diagnosed situation, a given company may in fact be better or worse internally prepared for the real, effective practice of technological entrepreneurship. It has to devote more or less time and resources to optimally configure its potential for innovation in this area.

The more numerous deficiencies in organizational partnering and culture potentials, the more problems with the creation of innovative organizational potential and therefore technological entrepreneurship. The stronger the potentials in these areas,

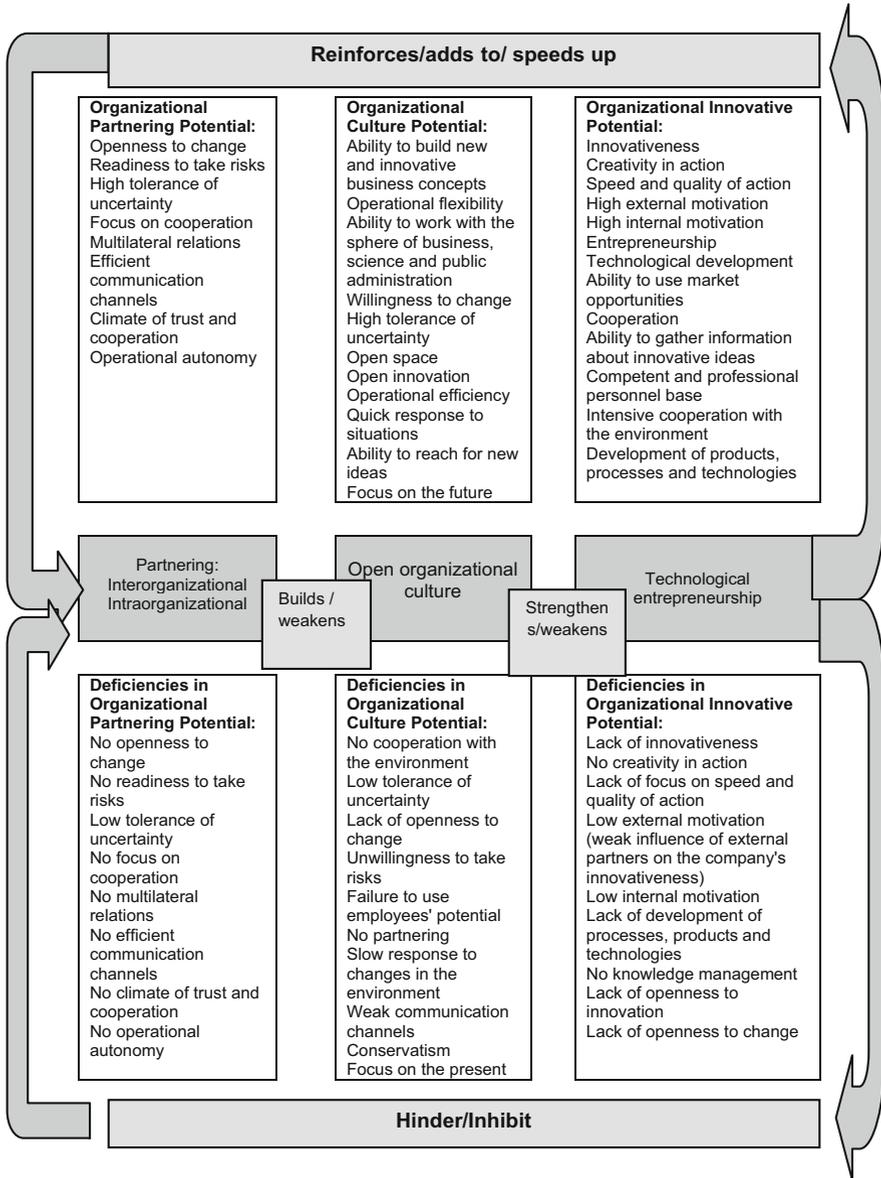


Fig. 3 The model of activities that generate the effectiveness of SMEs' technological entrepreneurship

the greater the efficiency and innovativeness of the organization. In the context of the diagnosed level of strategic partnering of a given company, the path to build OOC or to utilize the benefits of OOC developed in the course of the company's growth is then suggested.

Table 2 Paths to build technological entrepreneurship

Path to build TE	Cultural/Internal environment of the surveyed SMEs	Diagnosis of intra-organizational environment of SMEs	Technological entrepreneurship of the surveyed SMEs	Recommendations for SMEs
1	Weak partnering (WP)	Closed organizational culture (COC)	Problems with the development and exploitation of SMEs' technological entrepreneurship	Building OOC
2	Strong partnering (SP)	Open organizational culture (OOC)	Development and high efficiency of SMEs' technological entrepreneurship	Utilizing benefits of OOC

In the light of empirical analyses conducted, it is clear that the surveyed companies represent closed culture. Thus, in their case, the first path seems to be advisable. The ability to eliminate the deficiencies presented in the model in Fig. 3 in the area of partnering, culture and innovative potentials, should be maximized among SMEs. It is also worth developing fully the already available elements of these potentials. Awareness of these issues (organizational potentials of various types and relationships between them) seems to be very important since their monitoring, optimal development and utilization in SMEs' activities may result in an increase in innovation of many small and medium-sized enterprises, providing opportunities to accelerate the development of the SME sector as a whole. The elimination of the barriers described should trigger the stimulators which will support the development of technological entrepreneurship and partnering in the examined sector.

5 Conclusions

Small and medium-sized enterprises need to constantly identify factors affecting the development of inter and intra-organizational partnering, learn to communicate effectively with the environment, take the risk of cooperation (even with competitors—cooperation), as well as consciously build their organizational culture (especially on the basis of willingness to cooperate with the environment). At the same time, they should manage innovation processes so as not only systematically and optimally utilize but also deepen their technological entrepreneurship through these factors. These activities are likely to be the driving force for specific and yet very valuable feedback relationships between strategically implemented partnering and technological entrepreneurship. Partnering in this system allows to initiate technological entrepreneurship, which in turn strengthens and expands partnering relations in implementing organizations. The catalyst for these activities is an open organizational culture. The development of technological entrepreneurship in

SMEs must therefore be strictly linked to a greater tendency of these companies to partner with the widely understood environment, in particular business environment institutions or research units.

References

- Adamik, A. (2011). A partnership between organizations as the basis of effective shaping of innovative processes in companies. In *Full Paper of 2011 International Conference on Asia Pacific Business Innovation and Technology Management*, A. SF Chiu, Ming—Lang Tsteng (red.) (paper 1083). Asia Pacific Business Innovation and Technology Management Society.
- Agarwal, R., & Helfat, C. (2009). Strategic renewal of organizations. *Organizations Science*, 20(2), 294–312.
- Albors-Garrigos, J., & Barrera, R. R. (2001). Impact of public funding on firms innovation performance. Analysis of internal and external moderating factor. *International Journal of Innovation Management*, 15(6), 1297–1322.
- Arad, S., Hanson, A. A., & Schneider, R. (1997). A framework for the study of relationships between organizational characteristics and organizational innovation. *The Journal of Creative Behavior*, 31(1), 42–58.
- Bailetti, T. (2012). Technology entrepreneurship, overview, definition and distinctive aspects. *Technology Innovation Management Review*, 10(1), 5–12.
- Baldwin, J., & Gellatly, G. (2003). *Innovation strategies and performance in small firms*. Cheltenham, MA: Edward Elgar.
- Brown, T. E., & Ulijn, J. M. (2004). *Innovation, entrepreneurship and culture: The interaction between technology, progress and economic growth*. UK: Edward Elgar.
- Delbridge, R., & Munday, M. (2005). Understanding innovation in small and medium-sized enterprises: A process manifest. *Technovation*, 25(10), 1119–1127.
- Elgar, E. (2003). *Learning in the internationalization process of firms*. UK: JIBS Book Review.
- Grover, V., Cheon, M. J., & Teng, J. T. C. (1996). The effect of service quality and partnership on the outsourcing of information systems functions. *Journal of Management Information System*, 12(4), 89–116.
- Hisrich, R. D., & Peters, M. P. (2002). *Entrepreneurship* (5th ed.). Boston: McGraw-Hill/Irwin.
- Link, A. N., & Siegel, D. S. (2007). *Innovation, entrepreneurship, and technological change*. New York, NY: Oxford University Press.
- Martins, E. C., & Terblanche, F. (2003). Building organizational culture that stimulates creativity and innovation. *European Journal of Innovation Management*, 6(1), 64–74.
- Purcarea, I., Espinosa, M. M. B., & Apetrei, A. (2013). Innovation and knowledge creation: Perspectives on the SMEs sector. *Management Decision*, 51(5), 1096–1107.
- Rigsbee, E. (2000). *PartnerSHIFT. How to profit from partnering trend*. New York, NY: Willey.
- Street, C. T., Gallupe, R. B. (2008). Strategic IT experiments and organizational renewal: Getting there faster by taking smaller steps. In *Proceedings of JAIS Theory Development Workshop* (online). Accessed May 1, 2015, from www.delhibusinessreview.org/V_11n2/v11n2c.pdf
- Szymańska, K. (2014). Otwarta kultura organizacyjna a innowacyjność małych i średnich przedsiębiorstw [Open organizational culture and innovativeness of small and medium-sized enterprises]. In A. Kaleta, K. Moszkowicz, & L. Soloduch-Pelc (Eds.), *Zarządzanie strategiczne w teorii i praktyce* (pp. 501–510). Wrocław: Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu.
- Taneja, S., Pryor, M. G., Gibson, J. W., & Toombs, L. A. (2012). Organizational renewal. A strategic imperative. *Delhi Business Review*, 13(1), 29–40.
- Thérin, F. (2007). Model of technological entrepreneurship. In F. Therin (Ed.), *Handbook of research on techno-entrepreneurship* (pp. 216–238). Cheltenham, MA: Edward Elgar.

- Verloop, J. (2006). The shell way to innovate. *International Journal of Technology Management*, 34(3–4), 243–259.
- Wickham, P. A. (2006). *Strategic entrepreneurship*. UK: Pearson Education.

Success Indicators and Factors for Small and Medium-Sized Enterprises in Chelyabinsk Region of Russia

Dmitri Pletnev and Ekaterina Nikolaeva

Abstract The purpose of this paper is to describe the main results of author's studies of small and medium-sized enterprises success in the Chelyabinsk region of Russia. The paper establishes professional and personal characteristics of employees as a key factor for small and medium-sized enterprises success. Entrepreneurial skills of executives are less significant. The next goes availability of financial resources. Positive relations with state or municipal authorities do not have a serious impact on small or medium-sized business success. Also the paper indicates significant differences in the proportion of successful businesses and the factors of success by fields of activity. Property rental, production of construction materials, and financial services are recognized as most successful fields of activity. The relationship between various indicators of success (return on sales and growth rate of sales) is established. Significant difference between the success of small and medium-sized enterprises in the Chelyabinsk region is identified. The result of the study can be used both by top-managers of small and medium-sized enterprises in Russia and by state authorities for the development of economic policy.

Keywords Small and medium-sized enterprises • Business success • Success factors • Success indicators

1 Introduction

Russian business exists by objective reasons for a short time. Most businesses started in the 1990s, up to this time they simply did not exist in a planned economy. During this time, certain behavioral patterns and business technologies which have a national specificity developed. These patterns and technologies still do not have a detailed and in-depth scientific description. One of the most important for practice scientific problems is the problem of business success in Russia. Large Russian

D. Pletnev (✉) • E. Nikolaeva
Department of Economics of Industries and Markets, Chelyabinsk State University,
Chelyabinsk, Russia
e-mail: pletnev@csu.ru; nikolaeva@csu.ru

corporations have a greater integration with international markets by their nature. It is possible to answer the question of their success using world results of research and measurements in this area. Small and medium-sized businesses are mainly working in domestic markets and concerning to success appears to be *terra incognita*.

This article presents the results of the author's studies of small and medium-sized enterprises success in Russia on an example of one of the largest industrial regions—Chelyabinsk region, as well as its success factors. The problem of business success in recent years is studied by many authors. In particular, the notable work in this direction has Romar (2009) (relation between strategic expectations and company success), Sieger (2011) (problem of long-term success of family companies), Lafontaine and Shaw (2014) (studies of successful serial entrepreneurs), Jensen (2001) (pointed at possible ways of resolving the contradiction in the two competing indicators of company success—to maximize the value and social welfare), Pfann et al. (2006) (determination of the impact of head's beauty capital on the business success), Roe (2006) (indicated the relationship of politics and economics in shaping corporate governance strategies aimed at achieving the company success, including the populist motives in corporate law), Baumol et al. (2007) (substantiated the concept of entrepreneurial capitalism in which one of the cornerstones of the of the economy success as a whole and of individual firms is a free, self-sufficient enterprise moving the economy forward), Todeva (1998) (has used the concept of business success as the characteristics of its survivability in an aggressive external environment during the research of transformation processes of business networks in Central and Eastern Europe), Bronsteen et al. (2013) (considered a new dimension of business success—analysis of well-being as an alternative to the cost-benefit analysis).

2 Data and Methodology

One of the main methodological challenges for us is to determine the criteria and indicators of small and medium-sized business success. There are no conventional methods to measure the success. Our method is based on the understanding of business success as a simultaneous ability to generate revenue and to grow quantitatively. The quantitative indicators of achievement of appropriate criteria for enterprises are determined. They are selected based on the features of the Russian system of accounting and informal rules of financial statements creating. As an indicator reflecting the revenue generating capacity return on sales was selected, it is calculated in terms of net income. As an indicator which characterizes the growth, the growth rate of sales is used. The article also used the concept of relative business success and pure business success. In the first case we are talking about companies that have either one of two success indicator above average for the respective field of activity, and the second is when both success indicators are above average.

The study used data from the financial statements of small and medium-sized enterprises of the Chelyabinsk region, provided by the First Independent Rating Agency (FIRA.RU). These are the official data received from Rosstat. They reflect the activity of 325 medium-sized and 3385 small businesses that provided data on their activities (in Russia criteria of business relation to small and medium-sized are simple: annual revenues of up to 400 million rubles mean a small enterprise, from 400 million to 1 billion rubles is average). After a preliminary analysis the sample excluded 75 medium-sized and 298 small businesses. The reasons for exclusion were assignment of observations to outliers and data missing. The final sample for analysis included 250 medium-sized and 3087 small businesses. Also, the authors conducted a survey among managers of small and medium-sized enterprises (300 respondents). Among other things, the question was asked about the key and significant success factors for small and medium-sized enterprises in the Chelyabinsk region. The results of this survey will also be reflected in the article.

3 Medium-Sized Enterprises Success

The considered medium-sized organizations represent a number of fields of activities. They are selected considering the actual distribution of the enterprises in sample. The most part stands for “Wholesale of industrial goods” (21.6 %), “Retail” (19.6 %), “Industrial production and engineering” (12.4 %), “Wholesale of consumer goods” (12.4 %) and “Construction” (9.2 %). Other fields of activity are represented much weaker, from 2 to 4 % of the total stand for “Production of construction materials”, “Production of consumer goods”, “Production, processing and sale of mineral resources”, “Property rental”, “Food industry” and “Financial services”. All other industries are presented as “other”, includes businesses of such sectors as “Sale, installation, adjustment of equipment” (3), “Medical services” (3), “Light industry” (3), “Software” (3), “Housing and utilities” (2), “Planning and design” (2), “Transport” (2), “Agriculture” (1), “Communication” (1) (Fig. 1).

The largest group of companies works in “Wholesale of industrial goods”. The average return on sales in this field of activity is—1.3 %, which is much lower than the average for all areas (3.0 %). Growth rate of sales in this area is a little larger than the average—38.1 versus 35.8 %. However, the following result is noteworthy: only 7.8 % of the companies in this field of activity have the values of both success rates above average. This points at few “pure” successful businesses in this field of activity. But many enterprises in this field of activity (35.3 %) reach relatively success. This means that many businesses either grow or generate higher profits.

Retail has a higher return on sales—3.2 % and higher growth—40.7 %. Both indicators of success in this field of activity are ahead of the average values over the entire area. “Pure” success enterprises comprise 16.3 %, relatively success businesses reach 42.9 %. Thus, 59.2 % businesses can be considered as successful. In this field of activity high growth is much more accompanied by high profitability. The third largest field of activity (Manufacturing and engineering) is characterized

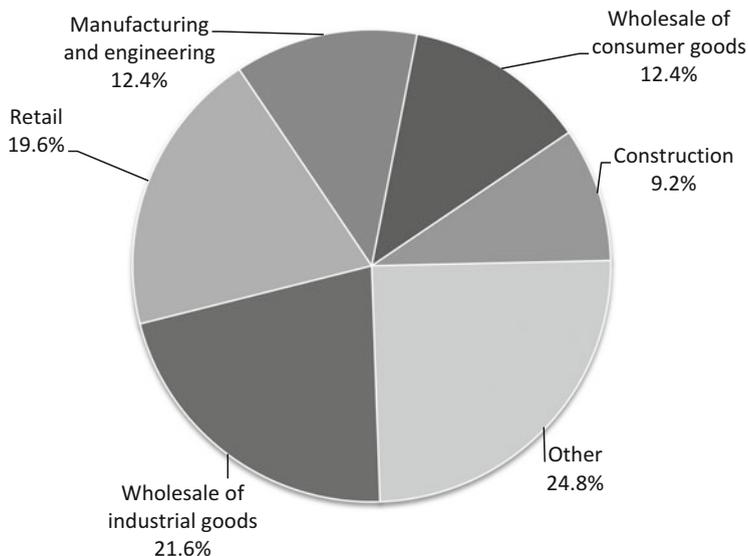


Fig. 1 Distribution of medium-sized enterprises by fields of activity in 2012

by the return on sales of 3.2 % and growth rate of sales of 17.3 %. The second indicator is significantly (more than 2 times) behind the average for all areas. 25.8 % of businesses can be called “pure” successful, and 41.9 % are relatively successful. Wholesale of consumer goods is characterized by low average return on sales—1.3 % and growth rate of sales (17.5 %). 18.5 % of the enterprises are “pure” successful, yet 29.6 % are relatively successful. Characteristics of these and other important fields of activity are presented in Table 1 and Fig. 2.

No visible connection between the calculated success indicators has been identified. In three spheres of activity (Financial services, Production of construction materials and Property rental) the trends of both indicators are positive. They are above average, i.e., these fields of activity are successful as a whole. In three fields of activity low profitability is accompanied with high growth (Construction, Production of consumer goods and Food industry). Other fields of activity are characterized by low growth and profitability (Wholesale of industrial goods, Retail, Manufacturing and engineering, Wholesale of consumer goods, as well as Production, processing and sale of mineral resources). The most successful field of activity in terms of return on sales can be “Property rental”, while the most successful in terms of the growth rate of sales can be “Construction” industry.

More deeply features of various fields of activity success can be seen in the diagram shown in Fig. 3. There in coordinate axes X (average return on sales) and Y (average growth rate of sales) fields of activities are placed; the size of “bubble” point to average size of enterprises in the relevant field.

Visual analysis shows that it is possible to identify five clusters: the first will be entered by the highly successful sphere of “Property rental”, the second is for the

Table 1 General characteristics of successful medium-sized enterprises in the Chelyabinsk region in 2012 by field of activity

Field of activity	Number of businesses	Average over field of activity (thousand RUR)			Return on sales in 2012 (%)	Growth rate of sales in 2012 (%)	Share of successful businesses	
		Sales (2012)	Net income (2012)	Sales (2011)			Pure success	Relative success
Wholesale of industrial goods	54	629,128	9211	521,997	1.3	38.1	7.8	35.3
Retail	49	587,543	19,084	467,120	3.2	40.7	16.3	42.9
Manufacturing and engineering	31	627,508	20,093	548,070	3.2	17.3	25.8	41.9
Wholesale of consumer goods	31	640,297	9227	580,939	1.3	17.5	16.1	38.7
Construction	23	655,101	11,849	613,519	1.7	77.7	8.7	60.9
Consumer goods production	10	606,407	35,680	514,502	6.4	29.1	20.0	30.0
Construction materials production	8	735,416	37,505	641,583	4.9	20.0	12.5	50.0
Production, processing and sale of mineral resources	7	693,285	19,735	720,102	2.8	15.2	28.6	28.6
Property rental	6	554,390	76,832	397,325	14.0	55.8	16.7	50.0
Food industry	6	666,822	21,983	465,731	3.1	71.8	0.0	33.3
Financial services	5	664,591	50,140	479,945	7.2	43.7	20.0	20.0
Other	20	627,525	27,830	533,671	4.3	23.7	15.0	50.0
Total	250	628,368	19,236	534,757	3.0	35.8	10.4	44.8

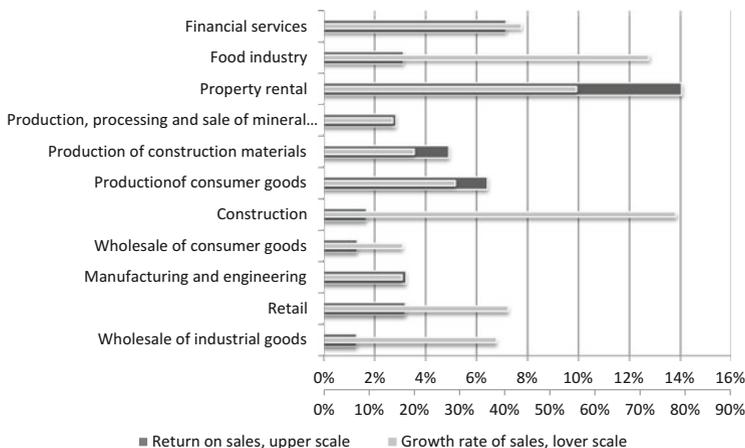


Fig. 2 Variation of success of medium-sized enterprises in the Chelyabinsk region by field of activity, 2012

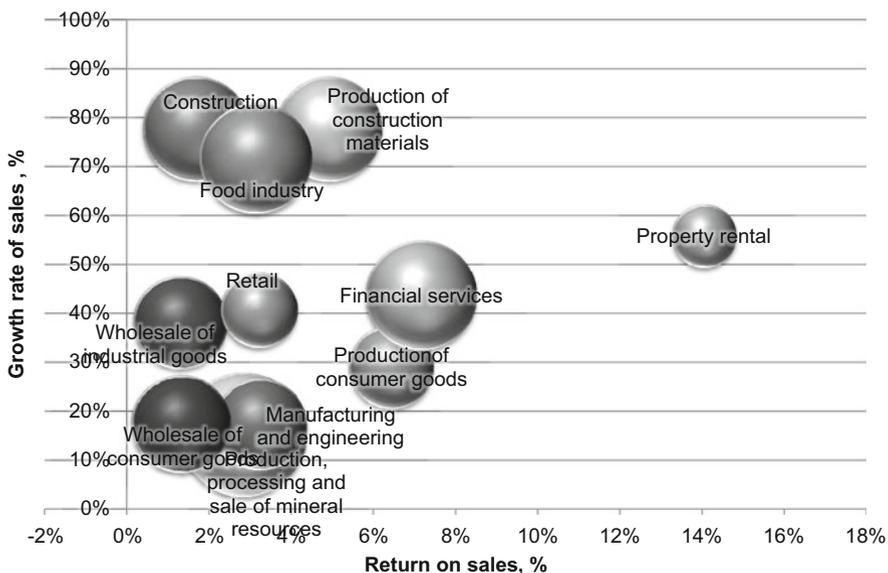


Fig. 3 Distribution of business success indicators of medium-sized enterprises in the Chelyabinsk region in 2012 (bubble size corresponds to the average size of enterprises in the field of activity)

“Financial services” and “Production of consumer goods”. The third cluster comprises of rapidly growing “Construction”, “Food industry” and “Production of construction materials”. The fourth cluster with an average growth and low profitability is formed by “Wholesale of industrial goods” and “Retail”. The fifth cluster includes the least successful industry and is formed of “Wholesale of consumer

goods”, “Manufacturing and engineering” and “Production, processing and sale of minerals”. It should be noted that, as a rule, successful field of activity is not a numerous. Entrance to this field of activity is likely protected by certain barriers. Conversely, “numerous” fields of activity (except, perhaps, “Production of consumer goods”) are much less successful.

4 Small Enterprises Success

In the same manner the analysis of successful small business is carried out. Its results are presented below. The distribution of enterprises by fields of activity in small businesses appeared different from the medium-sized business. Moreover, some fields that are important for medium-sized enterprises have become so scarce that were in the group of “other” in small business (Table 2).

The first place for total revenues is given for “Wholesale of industrial goods” (29.7 %). In second place comes “Construction” with 15.3 %, the third and fifth places were taken by “Wholesale of consumer goods” and “Retail” (11.4 and 5.4 %, respectively). In fourth place are “Sale, installation and adjustment of equipment” (6.7 %), and the sixth is for “Services” (5.1 %), which includes security, legal services, cleaning, advertising and other services (Fig. 4).

The most successful in terms of growth rate of sales became the “Wholesale of consumer goods” (28.8 %) and “Transport” (24.6 %), and in terms of return on sales far ahead of other is “Property rental” (11.3 %), followed by the “Retail” (5.1 %) and “Retail trade of industrial goods” (4.9 %). The share of “pure” successful businesses is led by productive fields of activity: “Construction”, “Sale, installation and adjustment of equipment”, as well as “Metallurgy”. For them the share is over 25 %. This suggests a higher homogeneity in business success in these fields of activity. Compare this conclusion with Fig. 5, we note that this is a fields of activity with of low profitability, i.e., we are talking about equality among the “unsuccessful”. Those fields that are related to “Wholesale of consumer goods”, “Retail” and “Property rental” include at least 10 % “pure” successful businesses, simultaneously the profitability there is above average. The proportion of relatively successful businesses has a more uniform distribution by industry: the leader (“Metallurgy”) has 58.8 %, while the “outsider” (“retail trade of manufactured goods”) has 36.4 %. Phenomena of relative and pure success of specific spheres can be explained on the basis of more in-depth analysis of specific enterprises.

In general we can identify four clusters of areas of activity in terms of success (Fig. 6). The first—a highly successful indicator of profitability—is formed by a “Property rental” and “Sale, installation, adjustment of equipment”, the second—with high performance in terms of growth rate—enterprises in “Transport” and “Wholesale trade of consumer goods”, the third—with an average sales return and growth rate—consists of “Services”, “Retail trade of industrial goods” and “Retail”. The fourth cluster includes the most unsuccessful fields of activity: “Metallurgy”, “Construction” and “Wholesale trade of industrial goods”.

Table 2 General characteristics of small businesses success in the Chelyabinsk region in 2012 by field of activity

Field of activity	Number of businesses	Average over field of activity (thousand RUR)			Return on sales in 2012 (%)	Growth rate of sales in 2012 (%)	Share of successful businesses	
		Sales (2012)	Net income (2012)	Sales (2011)			Pure success	Relative success
Wholesale of industrial goods	919	88,748	1736	84,141	1.0	15.2	14.4	46.1
Construction	458	91,721	937	86,038	0.0	15.6	29.0	55.2
Wholesale of consumer goods	325	96,673	1334	86,379	1.3	28.8	7.4	45.8
Sale, installation, adjustment of equipment	173	106,490	3685	101,636	0.7	10.1	28.3	46.2
Retail	189	78,997	4048	73,045	5.1	12.4	8.5	47.6
Services	172	81,092	4892	75,635	4.1	10.0	14.0	40.1
Property rental	155	75,856	8974	72,151	11.3	11.3	9.7	41.3
Retail trade of industrial goods	107	93,161	3006	97,319	4.9	7.1	15.9	36.4
Metallurgy	97	96,441	-1196	96,481	-1.0	10.7	27.8	58.8
Transport	128	65,189	904	57,124	0.9	24.6	10.2	47.7
Other	364	91,295	692	87,816	-4.5	2.2	40.7	43.7
Total	3087	89,065	2159	84,041	1.2	14.2	14.8	46.6

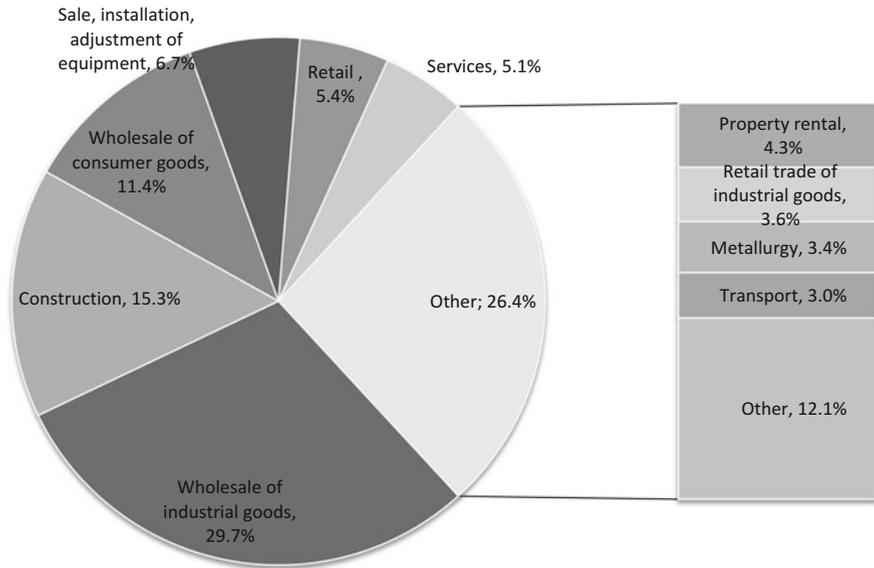


Fig. 4 Distribution of small business in the fields of activity in 2012

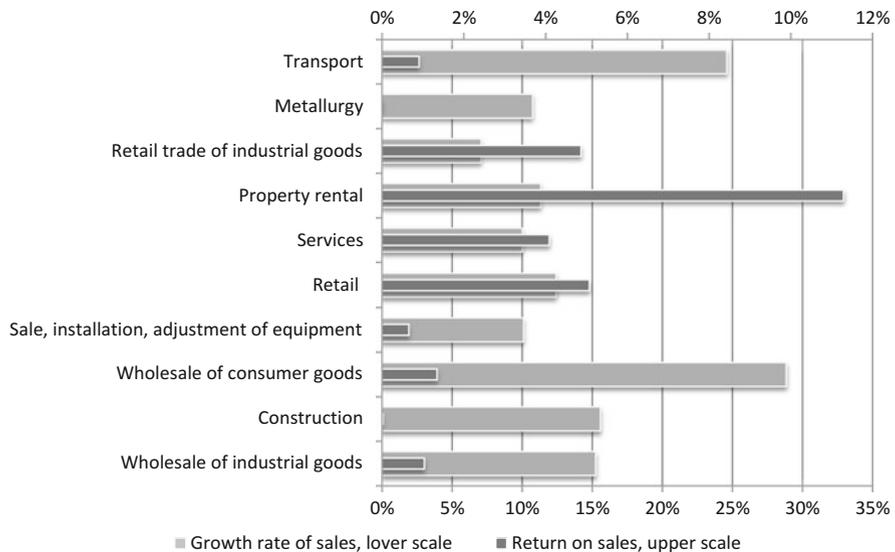


Fig. 5 Variation of success of small businesses in the Chelyabinsk region by fields of activity, 2012

In general, Chelyabinsk region small and medium-sized business is characterized by a low level of success, especially if we talk about the simultaneous implementation of two conditions—the ability to bring income to the owner and

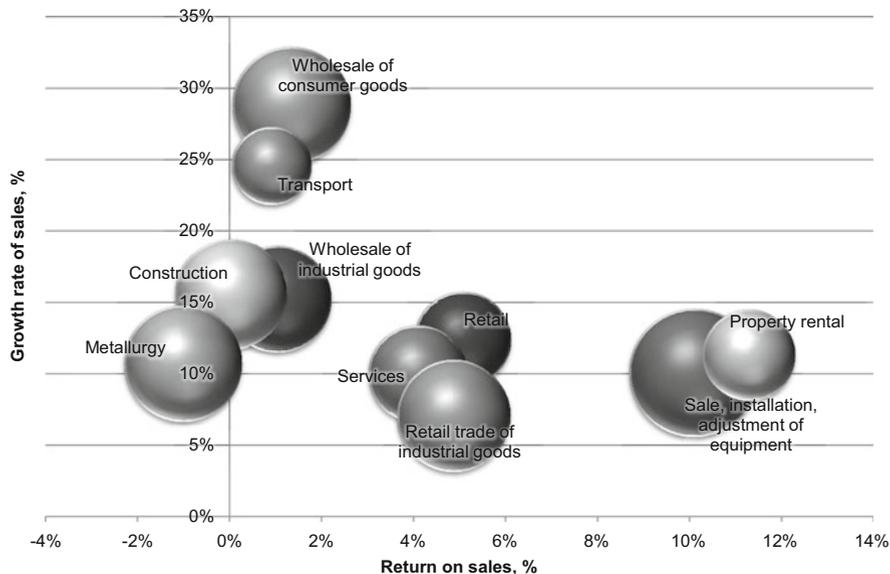


Fig. 6 Distribution of business success indicators of small businesses in the Chelyabinsk region in 2012 (bubble size corresponds to the average size of enterprises in the field of activity)

the ability to grow steadily. However, the presence among the successful fields of activity, related anyhow to the production, such as “Sale, installation, adjustment of equipment” (small business) and “Construction”, “Food industry”, “Manufacturing” (medium-sized business), allows us to look to the future with optimism and talk about the possibility of studying the positive experience of successful business in the Russian context.

5 Small and Medium-Sized Business Success Factors

Also the heads of small and medium-sized enterprises in the Chelyabinsk region were interviewed about the factors of business success. In answering the question: “What factors do you think are crucial for your business success?”, where one could choose more than one answer, the following results were obtained. It is significant that 78 % chose the factor of “Employees’ professional skills”. This option was the most popular answer. The second most important answer was, “Good, trusting relationships with customers” (46 %), in the third place were “Entrepreneurial skills of top-management” (44 %), from the fourth to seventh, respectively, were “Availability of financial resources” (32 %), “Good personal attributes of employees” (30 %), “Good, conflict-free friendly team” (28 %), “Good, trusting relationships with suppliers” (28 %), “Good relations with the local authorities” (18 %). Other answer variants showed no more than 4 % each.

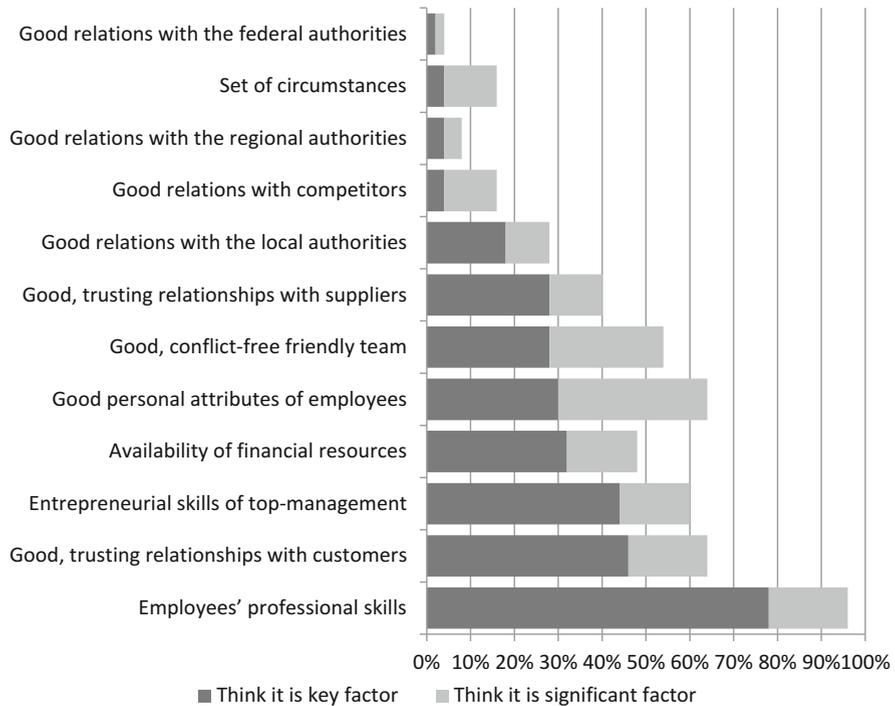


Fig. 7 Key and significant success factors of small and medium-sized enterprises in the South Urals

This question has been supplemented by the following—What factors do you consider as important for your business success? Together, these questions help to get a full understanding of what factors are important to all managers of small and medium-sized enterprises. Summing shares of answers for both questions by all possible options, we got a similar picture—in the first place with 96 % (for almost everyone!) is “Employees’ professional skills”, then from second to seventh all the same factors are presented in roughly the same order as with the allocation of key factors. Also, more than 10 % scored “Good relationship with competitors” (18 %) and “set of circumstances (fortune)” (also 18 %) (see Fig. 7).

It is also interesting to note that the heads in average as the key factors marked 3, and as important they marked 2, although one would assume another disposition: key means chief, so it is 1 or at most 2, and important factors could have been selected more. Apparently our heads have used different logic.

6 Conclusion and Prospect Research

As a result of the study a number of conclusions can be made. For medium-sized business of the Chelyabinsk region in 2012 the most successful spheres was “Property rental”, “Financial services”, “Production of construction materials”. High growth is observed in “Construction”, “Food industry”, “Production of consumer goods”. In small business of the Chelyabinsk region the most successful fields of activity are “Property rental”, and “Sale, installation, adjustment of equipment”. Highly growing, but low income small business fields of activity are “Wholesale of consumer goods” and “Transport”.

Among the success factors managers of small and medium-sized enterprises often call employees’ professional skills, good customer relations and entrepreneurial skills of management. Also important are factors of “Availability of financial resources”, “Good personal attributes of employees”, “Good, conflict-free friendly team” and “good relations with suppliers”.

For future studies should be of special interest the combination of first and second part of the results (i.e., how certain factors determine the success of a particular business). Also a deep analysis of the companies that have been found to be successful is needed, as well as the identification of those institutional practices that can be subsequently transferred to other businesses and activities. Studies of small and medium-sized enterprises success should be supported by an analysis of how did the enterprises considered successful (or more successful) last year “feel” themselves. This is a kind of retrospective prediction. Using such method can determine whether the conclusion about success of an enterprise can be stable over time. Another important area is the analysis of the dynamics of businesses success on long time intervals (for Russia it is at least 8–10 years).

Acknowledgement The study was performed at the expense of a grant of the Russian Science Foundation (project № 14-18-02508).

References

- Baumol, W. J., Litan, R. E., & Schramm, C. J. (2007). *Good capitalism, bad capitalism, and the economics of growth and prosperity*. London: Yale University Press.
- Bronsteen, J., Buccafusco, C. J., & Masur, J. S. (2013). Well-being analysis vs. cost-benefit analysis. *Duke Law Journal*, 62(8), 1603–1689.
- Jensen, M. C. (2001). Value maximization, stakeholder theory, and the corporate objective function. *Journal of Applied Corporate Finance*, 14(3), 8–21.
- Lafontaine, F., & Shaw, K. (2014). *Serial entrepreneurship: Learning by doing?* (NBER Working Paper No. 20312).
- Pfann, G. A., Biddle, J. E., Hamermesh, D. S., & Bosman, C. M. (2006). Business success and businesses beauty capital. *Economics Letters*, 93(3), 201–207.
- Roe, M. J. (2006). *Political determinants of corporate governance political context, corporate impact*. New York, NY: Oxford University Press.

- Romar, E. J. (2009). Strategic intent, Confucian harmony and firm success. *Acta Polytechnica Hungarica*, 6(3), 57–67.
- Sieger, P. (2011). *Long-term success of family firms: Investigating specific aspects of firm-level entrepreneurship and individual-level antecedents*. PhD, The University of St. Gallen.
- Todeva, E. (1998). East European business networks: A review of dependencies and strategies and their influence on company success. In *Research Papers in International Business* (pp. 12–98).

Taxation and Transaction Costs as Factors of Business Success in Medium-Sized Enterprises in Russia

Victor Barhatov, Ekaterina Nikolaeva, and Irina Belova

Abstract The purpose of the report is to present the results of study institutional factors influencing the success of medium-sized businesses in Russia. The main institutional factors that affect the success are: availability of financial resources to enterprises, tax burden on business, administrative barriers, and barriers to entering the commercial niches. In the study we used data from macroeconomic statistics provided by the Central Bank of Russia and financial statements provided by the First independent rating agency. The influence of institutional factors on the success of the medium-sized enterprises in Chelyabinsk region was evaluated in three key sectors: wholesale trade, construction, manufacture of basic metals and metal products. In the study the data statistical methods were used, including the analysis of variance and correlation analysis. We obtained the following results. Firstly, there is a nonlinear interrelation between the level of transaction costs and the success indicators of enterprises. Secondly, we revealed a close correlation between the volume of lending, and indicators of success. Third, it was found that the tax burden has a significant impact on operating profitability of enterprise. The results allow determining the optimal level of transaction costs and tax burden, keeping the success rates at the highest level.

Keywords Business success • The success rate • Success factors • Efficiency • Tax burden • Level of transaction costs

1 Introduction

The successful development of medium-sized businesses is one of the necessary conditions for social welfare and economic stability of any civilized society. Operation features of such enterprises depend on many factors. Under these circumstances, in our opinion, there is no single approach to the study of success factors of

V. Barhatov • E. Nikolaeva (✉) • I. Belova
Department of Economics of Industries and Markets, Chelyabinsk State University,
Chelyabinsk, Russia
e-mail: ieo-science@csu.ru; nikolaeva@csu.ru; belova@csu.ru

medium-sized businesses. The influence of factors such as transaction costs and tax burden on the success of the medium-sized businesses remains poorly studied. In this paper we attempt to identify and explore the factors and indicators of success of medium-sized businesses, as well as to assess their impact on the success of medium-sized enterprises of Chelyabinsk region.

The success is a multidimensional and partly subjective concept. It implies depending on the context efficiency, and stability, and performance, and ability of the economic entity to achieve its goals. Among foreign authors studying successful business from an economic point of view we can distinguish Romar (2009), Sieger (2011), Baumol et al. (2007), Lafontaine and Shaw (2014), Jensen (2001), Pfann et al. (2006), Roe (2006) and others. In this perspective, they emphasized attention to the bond of expectations and business success, long-term problems of the success of firms in line with the family business, success study in terms of free enterprise, etc. Thus, Sulakshin (2013) explores the notion of success from the perspective of existential business capacity. Deep comparative analysis of approaches to the definition of business success is presented in Barhatov and Pletnev (2014). To analyze the success of the company and the influence of various factors the indicators of success were identified in the study. As the indicators of success of enterprises we assume efficiency, sustainability and growth of enterprises. The efficiency of the company will be presented by operating profit margin (ROS). This factor most fully characterizes the enterprise's ability to control their costs and acts as an indicator of the selected pricing policy. Stability and growth rate of the company will be presented by a growth rate of sales revenue.

As the main factors influencing the medium-sized business success we propose to consider administrative barriers and tax burden on the medium-sized businesses. Further we will assess the impact of each of success rate factors of the enterprises from three regional industry.

2 Administrative Barriers and Barriers to Entering the Commercial Niches

Administrative barriers and barriers to entering the market have significant financial consequences to medium-sized businesses. Indirect evidence of the influence of this factor is the emergence of the enterprise costs (transaction costs) related to overcoming these barriers. The high level of transaction costs indicates a significant limiting power of impact of institutional environmental factors. To analyze the impact of administrative barriers, as well as barriers to entering the commercial niches, the indicators of financial statements of companies from the above industries were analyzed. Based on the initial information the level of companies' transaction costs in 2013 was calculated. The transaction costs level indicator is an aggregate normalized indicator which includes such direct and indirect parameters of transactions as the value of sales and administrative expenses, the share of inventories in current assets and current assets turnover duration of the enterprises.

The formula for the transaction costs level calculation is as follows:

$$TC_L = \frac{1}{(1 + \exp(-N_1 - N_2 - N_3))} \quad (1)$$

where N—transaction costs indicator:

N1—normalized value of the inventories share in the revenue;

N2—normalized duration value of current assets turnover;

N3—normalized value of the share of commercial, administrative expenses in revenue.

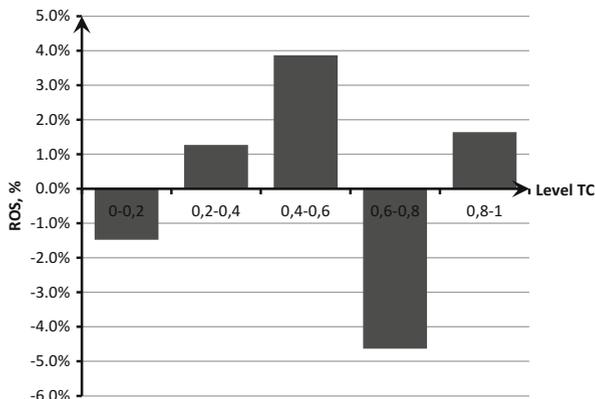
Thus, according to the proposed method, the results of evaluating the level of transaction costs will be in the range from 0 to 1 (maximum value). Assessment methodology gives an opportunity to determine the relative magnitude of transaction costs, to compare companies and industries by indicator, to monitor the index dynamics. More information about methodology of evaluating the level of transaction costs can be learned from the work of Pletnev et al. (2014). Our calculation of the transaction costs level and the analysis of its correlation with the indicators of company success led to a number of conclusions.

Firstly, the indicator level is different in the studied branches (metallurgical production and production of fabricated metal products, wholesale, construction). The highest average values for the period regarded the level of transaction costs takes in wholesale (1 in 2013). In metallurgical production and production of fabricated metal products the indicator takes the lowest value among the studied industries. In the construction the level of transaction costs is estimated as average and takes a value close to 0.7 with a slight decrease in 2013. An interesting fact is that in the study period the average value of operating profitability in all three sectors amounted to about 3 %, except for metallurgical industry, where in 2013 there was a falling index from 3 to 0.7 %.

Secondly, the analysis of the influence of institutional factors, which are a consequence of the transaction costs, on the success rates revealed that the closest relationship is observed in the level of transaction costs and operating profit margin (ROS) indicators. For more in-depth research we carried out the analysis of variance, the purpose of which was to determine the degree of influence of environmental factors on the performance indicator of the company. The obtained conclusions are heterogeneous by industry, and their analysis in the dynamics revealed trends in this influence.

For example, in metallurgical production and production of fabricated metal products the independent variable (the level of transaction costs) explains variations of the dependent variable (operating margin) from 13 % in 2012 to 17 % in 2013, which, in our opinion, is a very high value and indicates a significant impact of environmental factors on institutional efficiency and enterprise success. Grouping by transaction costs in metallurgical production and production of fabricated metal products in 2013 is shown in Fig. 1.

Fig. 1 Analytical grouping of companies operating profit margin in terms of transaction costs in metallurgical production in 2013



On the chart presented there is another trend traced—operating profit margin reaches its maximum in the interval from 0.4 to 0.6 (the average value of the level of transaction costs is in this interval). This leads to the conclusion that at the level of transaction costs below the average enterprise profitability tends to increase with increasing transaction costs, and when the level of transaction costs is at midpoint, profitability begins to decrease with an increase in transaction costs. In other words, the growth of transaction costs above the level of 0.4–0.6 for these enterprises will be accompanied by reduction in operating profit margin. This confirms the conclusions reached by the author of the method previously (Nikolaeva 2009; Pletnev et al. 2014), that the presence of transaction costs and their growth to a certain level (individual for different industries and sizes of the companies) is a prerequisite for increasing business activity, efficiency and success of the enterprise.

The results of analysis of variance in the wholesale trade show a slight influence of the level of transaction costs on the businesses operating profit margin. The variation of the level of transaction costs explains a little more than 4 % of the variation in operating profit margin.

Analytical grouping of companies operating profit margin in terms of transaction costs in the wholesale trade in 2013 is shown in Fig. 2.

Graphical analysis of factors variation in 2013 allows to confirm the conclusion obtained in the metallurgical production and production of fabricated metal products industry—profitability reaches its maximum value in the range of 0.4–0.6, and then with increasing level of transaction costs begin to decline. However, the strength of influence of institutional factors on the business success in the wholesale trade is much lower than in metallurgical production industry. The results of analysis of variance of transaction costs and operating profit margin in the construction are shown in Fig. 3.

The results of analysis in the construction industry in 2013 show a significantly lower conditionality of profitability indicator by transaction costs level (5 % variation determines the sign). From the analysis we can conclude that increase in transaction costs in most cases is justified to the level of 0.4–0.6, whereas margins

Fig. 2 Analytical grouping of companies operating profit margin in terms of transaction costs in wholesale trade in 2013

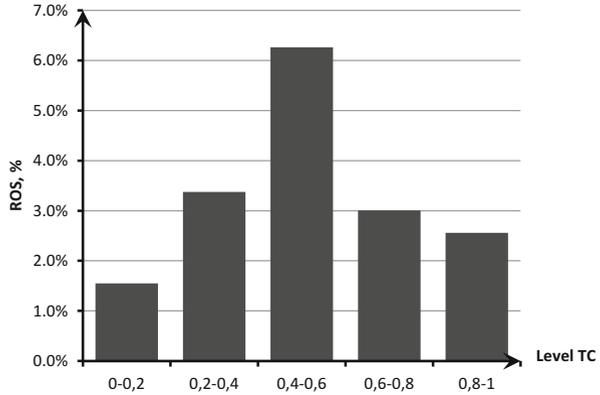
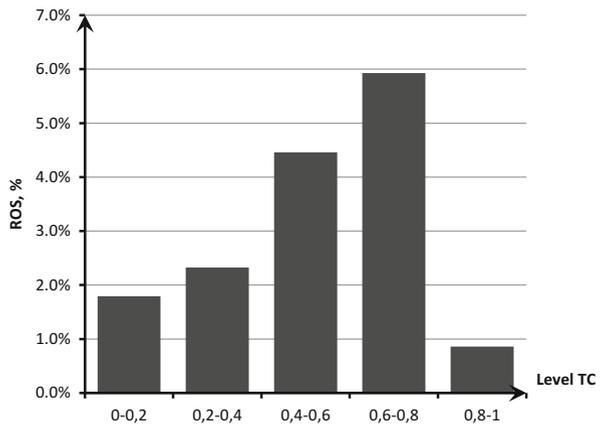


Fig. 3 Analytical grouping of companies operating profit margin in terms of transaction costs in construction in 2013



reach the maximum value. Increase of transaction costs in excess of this range will result in a drop in the company’s profitability.

3 Medium-Sized Businesses Tax Burden

One of the factors which are fundamental to business success is public policy in the field of taxation and incentives. As one of the existing basic tools of tax regulation of medium-sized businesses one can identify provision of tax incentives for the use of a common system of taxation on certain types of taxes. In particular, the benefits are provided for the value added tax and corporate income tax. Another tool is the use of special tax regimes by medium-sized businesses tax regulation: the simplified taxation system, the patent system of taxation, the tax system as a single tax on imputed income for certain activities, the single agricultural tax and the taxation system in the performance of production sharing agreements.

In turn, the use of special tax regimes helps to reduce the tax burden, but at the same time has a negative impact expressed in reducing the number of potential counterparties who are in a common system of taxation. At the same time, the use of tax incentives provided for the subjects of small and medium-sized businesses shows that they are not enough, the tax burden on such companies is very high.

In the analysis of any company, whether it is large, medium or small, assessment tax burden plays a vital role (Fillipovich 2002; Chernyishova 2001). Earlier, the effect of the tax burden as an external institutional factor on economic growth has been reflected in a corporate work by Bents et al. (2014). The calculation of the tax burden determines the impact of paid taxes on the financial condition of the subject, and also helps to understand what part tax payments to the budget make of the economic resources (Belova 2011). There are several methods for calculating the tax burden. Without going into the details and features of the application of each technique, in practice the calculation of the tax burden is carried out as the ratio of the total value of all taxes to sales of products, works and services. This method of calculating the tax burden can be used by small and medium-sized businesses that use any system of taxation, and operate in different sectors of the national economy.

Then the influence of the tax burden on success rates of medium-sized enterprises was assessed. In particular, the Correlation analysis of the tax burden as one of the institutional factors that impact on the profitability of the enterprise operating profit margin (ROS) in the context of the three sectors in 2013 was made. The analysis found that in all three sectors of the regional economy there is a strong positive correlation between the tax burden and the profitability of operations. Graphically, the correlation between the studied parameters in the wholesale trade is presented in Fig. 4.

The R^2 between the tax burden and operating profit margin in the wholesale trade was 0.7527 (2013), indicating that there is a close direct interrelation between the studied variables. For comparative evaluation of the correlation strength of the independent factors (tax burden) with the resulting index (operating profit margin) we calculate the particular elasticity coefficients. In the wholesale trade in 2013 the coefficient of elasticity was 0.66. The resulting value of this ratio indicates that the change in the average value of the tax burden by 1 % will lead to an increase in operating profit margin to 0.66 %. Graphically, the correlation between the studied parameters in construction is shown in Fig. 5.

The R^2 between the tax burden and operating profit margin in the construction was 0.8678 (2013), which characterizes the existence of a close direct correlation between the studied variables. For comparative evaluation of the correlation strength of the independent factors (tax burden) with the resulting indicator (operating profit margin) we calculate the particular elasticity coefficients. In the construction in +2013 the coefficient of elasticity was 1.003. The resulting value of this ratio indicates that the change in the average value of the tax burden by 1 % will lead to an increase in operating profit margin to 1.003 %. Graphically, the correlation between the studied parameters in metallurgical production and fabricated metal products is shown in Fig. 6.

Fig. 4 The correlation of the tax burden and the operating profit margin in the wholesale trade in 2013

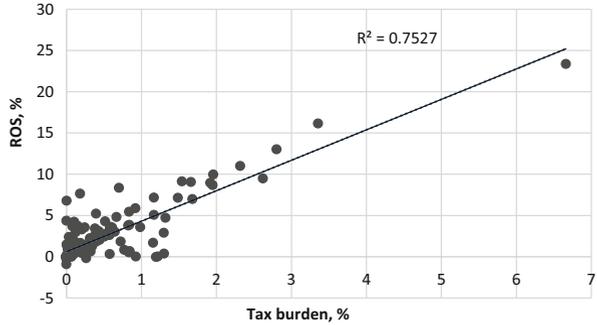


Fig. 5 The correlation of the tax burden and the operating profit margin in construction in 2013

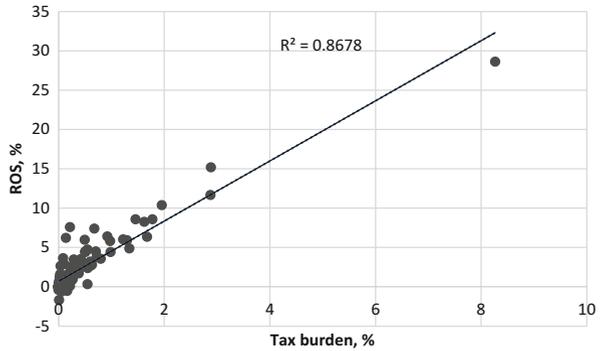
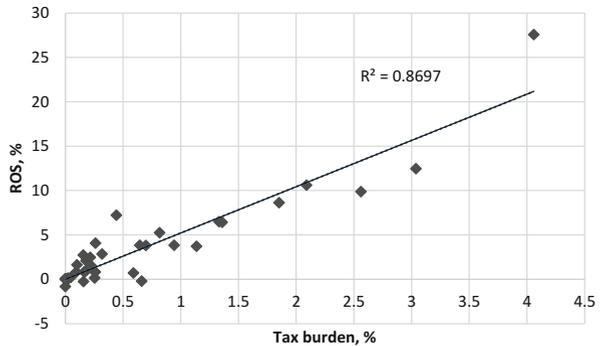


Fig. 6 The correlation of the tax burden and the operating profit margin in the metallurgical production and production of fabricated metal products in 2013



The R^2 between the tax burden and operating profit margin in the metallurgical production and production of fabricated metal products was 0.8697 (2013), which confirms the existence of a close direct correlation between the studied variables. For comparative evaluation of the correlation strength of the independent factors (tax burden) with the resulting index (operating profit margin) we calculate the particular elasticity coefficients. In metallurgy and production of fabricated metal products in 2013 the coefficient of elasticity was 0.86. The resulting value of this

ratio indicates that the change in the average value of the tax burden by 1 % will lead to an increase in operating profit margin to 0.86 %.

Based on the analysis presented above, we can conclude that one of the indicators of the medium-sized enterprises success, in particular the efficiency of the tax burden, has a significant impact. Moreover, the greatest impact is observed in metallurgy and production of fabricated metal products.

4 Conclusion

The results of this study allow us to draw the following conclusions. As the main factors that best reflect the institutional environment we have highlighted the existence of administrative barriers (indirect evidence of their influence is expressed in transaction costs) and the tax burden. Their impact on the medium-sized enterprises success was assessed. As indicators of the success we have identified efficiency, stability and growth, which, in turn, are characterized by growth in operating profit margin (efficiency) and growth in sales revenue (stability and growth). Analyzing the calculations derived from the analysis of influence of selected factors on the success of our businesses, we can draw the following conclusions.

The influence of administrative barriers and barriers at the entrance to the commercial niche on enterprises success was assessed using such indicators as the integral level of transaction costs and operating margin. The results of analysis of variance revealed two important facts: firstly, the impact of transaction costs on the operating margin is high in metallurgical production and production of fabricated metal products and construction; secondly, the optimal (recommended) level of transaction costs (0.4–0.6), corresponding to the maximum profitability has been identified.

The tax burden has a significant impact on the operating margin in all three study areas, with the greatest effect observed in metallurgical production and production of fabricated metal products [$R^2 = 0.8697$ (2013)]. At the same time, tax burden has no effect on the growth rate of sales revenue. This trend is observed in all three sectors. Thus, this study is a demonstration of the authors' technique of analysis of the impact of environmental factors on enterprises success. Further studies involve the development of such a system of conclusions and recommendations for all sectors of Russian economy, which will allow public authorities and private enterprises (including medium-sized businesses) to use them in the decision making process.

Acknowledgement The study was performed at the expense of a grant of the Russian Science Foundation (project № 14-18-02508).

References

- Barhatov, V., & Pletnev, D. (2014). Sravnitelnyiy analiz podhodov k opredeleniyu ponyatiya “uspeshnost biznesa” v sovremennoy nauke. [Comparative analysis of approaches to definition of the concept “success of business” of modern science]. *Vestnik of Chalyabinsk*, 18(46), 8–18.
- Baumol, W. J., Litan, R. E., & Schramm, C. J. (2007). *Good capitalism, bad capitalism, and the economics of growth and prosperity*. London: Yale University Press.
- Belova, I. (2011). Otsenka effektivnosti nalogovoy politiki v rossiyskikh korporatsiyah [Assessment of efficiency of a tax policy in the Russian corporations]. *Vestnik of Chalyabinsk State University*, 16(32), 108–113.
- Bents, D., Belova, I., & Silova, E. (2014). Institutsionalnyie faktoryi rosta rossiyskikh korporatsiy [Institutional factors in the growth of Russian corporations]. *Vestnik of Chalyabinsk State University*, 18(46), 123–135.
- Chernyishova, N. (2001). Otsenka effektivnosti regionalnoy nalogovoy sistemyi malogo biznesa [Evaluation of regional tax system for small business]. *Nalogovoe Planirovanie*, 3, 34–37.
- Phillipovich, A. (2002). Regionalnaya politika v oblasti nalogooblozheniya: svyaz nalogovoy nagruzki s ekonomicheskim rostom [Regional policy in the field of taxation: The relationship of the tax burden to economic growth]. *Vestnik Moskovskogo universiteta, seriya 6 Ekonomika [Herald of Moscow University. Series “Economics”]*, 2, 12–22.
- Jensen, M. C. (2001). Value maximization, stakeholder theory, and the corporate objective function. *Journal of Applied Corporate Finance*, 14(3), 8–21.
- Lafontaine, F., & Shaw, K. (2014). *Serial entrepreneurship: Learning by doing?* (NBER Working Paper No. 20312).
- Nikolaeva, E. V. (2009). Vliyaniye transaktsionnykh izderzhkek na effektivnost’ sovremennoy korporatsii [Impact of transaction costs on the efficiency of the modern corporation]. *Vestnik of Chalyabinsk State University*, 2(18), 133–138.
- Pfann, G. A., Biddle, J. E., Hamermesh, D. S., & Bosman, C. M. (2006). Business success and businesses beauty capital. *Economics Letters*, 93, 201–207.
- Pletnev, D., Nikolaeva E., & Bitkulova Z. (2014). Analysis of value added distribution and level of transaction costs in the Russian corporations. In *CBU International Conference Proceedings 2014*. Prague: Central Bohemia University, 83–89.
- Roe, M. J. (2006). *Political determinants of corporate governance political context, corporate impact: Clarendon Lectures in Management Studies*. New York: Oxford University Press.
- Romar, E. J. (2009). Strategic intent, Confucian harmony and firm success. *Acta Polytechnica Hungarica*, 6(3), 57–67.
- Sieger, P. (2011). *Long-term success of family firms: Investigating specific aspects of firm-level entrepreneurship and individual-level antecedents*. PhD, The University of St. Gallen.
- Sulakshin, S. (2013). *Teoriya i fenomenologiya uspeshnosti slozhnoy sotsialnoy sistemyi [Theory and phenomenology of the success of complex social systems]*. Moscow: Scientific Expert.

Strategic Decision-Making in the Bakery Market: Experience of SMEs in Kazakhstan

Bayanslu Markhayeva

Abstract Porter's generic strategies the theoretical basis for designing of practical recommendations on strategic decision-making since their publication. Bread-baking plants are no exception. Consumption of bread and bakery products in Kazakhstan is traditionally high. SMEs occupy a significant share of this market. The purpose of this research paper was analysis of the business environment in Kazakhstan's bakery market and justification of SME's competitive strategies. Research shows that this market tends to be a monopolistic competition market, especially in larger cities of Kazakhstan. Further SWOT analysis allowed us to estimate the surrounding of business and recommend differentiation as the basic model of competitive strategy for SMEs in the bakery market. The main finding is as follows. First of all bread-baking plants should maintain the mass production of tinned bread made from wheat flour of first and second grade. At the same time it is recommended to produce and increase new types of dietary bread and bread enriched with various micronutrients, and bakery products for curative, prophylactic and functional purposes. Factorial analysis of the Return on Assets and Break-Even Analysis of multiproduct manufacturing were the additional quantitative methods during this applied research.

Keywords Competitive strategies • Bakery market • Bread-baking plant • Business environment

1 Introduction

For the last 5 years Kazakhstan takes the seventh place in the world on grain export. Its share at the world market of wheat makes about 5 %. Therefore not incidentally consumption of bread traditionally is at high level in Kazakhstan. Moreover, on the state symbol—the emblem—the golden wings of mythical horses also resemble

B. Markhayeva (✉)

Department of Bachelor Programs, Almaty Management University, Almaty, Kazakhstan
e-mail: markhaeva@mail.ru

golden sheaves of grain that are a sign of labor of the people of Kazakhstan and material welfare of the country.

The most significant factors affecting grain prices in the world are weather conditions (which affect crop yields), currency exchange rate fluctuations, speculations at the markets of agricultural goods, and political decisions (Kantike and Eglite 2013). Energy prices continue to increase in the world, consequently, contributing to the growth in food prices, including bread.

Supply of all layers of population with the most available product and, finally, food security of the country depends on how effectively the bakery industry operates and develops. Aggravation of competition with numerous mini-bakeries induces bread-baking plants' CEOs to take quick measures for filling in competitive positions at the market and this is not possible without strategic decision-making.

The price-making ability of food small and medium-sized enterprises is important for their market survival (Banterle et al. 2014, 2009). The analysis results revealed a certain ability of SMEs to set prices. Market analysis and marketing strategy planning capabilities are positively related to the price-making ability of a firm, while firm size is not. It is strategic planning that allows to ensure the most effective management of an enterprise, having transferred it from the sphere of uncertain and probabilistic operation to the sphere of predictable and scientifically grounded operation. Guillen and Garcia-Canal (2012) took a close look at three firms where among of them was Mexico's Bimbo, the number one bread baker in the world. In today's world, all companies need to be able to function in unpredictable business environments. Emerging multinationals already know how to do that, it's what they're used to.

Research-oriented collaborations need to be strengthened in their scope and content to develop the innovative capabilities and capacities of small and medium enterprises within future value-added food productions (Khan et al. 2014). The findings of Li and Dimitratos (2014) suggest that firms that implement collaborative and differentiation strategies are more likely to use multiple rather than single market servicing modes. Maranto-Vargas and Gomez-Tagle Rangel (2007) also found statistical evidence to suggest that business performance is positively related to the development of internal capabilities such as a strategy of continuous improvement, innovation and change. Even though financial resources are important for a firm to leverage performance, it was found that development of internal capabilities are more important than limited financial resources for increasing competitive advantages.

Thomadsen (2007) examined optimal product positioning strategies of asymmetric firms in the context of retail outlet locations in the fast food industry. The relationships between profits and product differentiation reveal that both McDonald's and Burger King are better off avoiding close competition if the market area is large enough. However, in small market areas, McDonald's would prefer to be located together with Burger King rather than have the two outlets be only a slight distance apart. In contrast, Burger King's profits always increase with greater differentiation.

Food safety and quality characteristics are a cornerstone of customers' information demand. Sporleder and Goldsmith (2001) showed that alternative signaling

mechanisms abound. But differentiation through branding and reputation mitigate the signaling problem relatively well compared with the other alternatives.

The assortment differentiation is determined by the factors such as income growth, promotion of healthy lifestyles, reorientation of consumer demand for other foods, as well as other changes in consumer tastes and preferences. Kraus (2015) studied the most important characteristics of functional food affecting purchasing decisions. As the best base products, consideration was given, first of all, to bread. In the motivation system there were distinguished functional consequences that included improvement of health, needs of the organism, and healthy eating and psychological consequences such as conscious choice and health promotion.

Hellyer et al. (2012) examined the influence of health and nutritional information on food choice and, in particular, estimated consumer willingness to pay for bread that contains functional ingredients. They found that consumers react positively to the provision of nutritional and health benefit information but that this effect occurs regardless of whether we supply specific or non-specific health benefit information. Binkley and Golub (2011) found that households with college-educated heads and higher incomes made significantly healthier choices in four major food categories, one of which was bread.

On the other hand, the high level of product substitution in most consumer markets often makes it difficult to match supply with demand, especially in sectors with mature, saturated markets with intense competition and a high degree of product differentiation (Barrena and Sanchez 2009). The difficulty of using technical characteristics such as quality and/or price to differentiate products suggests that marketers could profit from gaining more insight into the way in which consumers' purchase decisions are influenced by their perceived emotions. This considerably complicates the task of creating a differentiated marketing strategy, in the sense that suppliers need to give much greater consideration to consumers' self-awareness.

Our research shows that differentiation can be recommended as the basic model of competitive strategy for SMEs in the bakery market. The strategy provides competitive advantages due to the uniqueness of the assortment and quality of bakery products, as well as non-price methods of competition. As part of this applied research, the plan of products promotion meant for small sized bread-baking plant in Almaty city has been designed as well. Factorial analysis of the return on assets and break-even analysis of multiproduct manufacturing were the additional quantitative methods during this study.

2 Statistics of Consumption of Bread and Bakery Products in Kazakhstan

Translation of the word “bread” into Kazakh language is “nan”. Kazakhstan’s wheat is characterized by high content of protein, and flour from soft wheat possesses excellent baking qualities appreciated in many countries of the world (Afghanistan, Iran, Turkey, EU countries, the CIS).

Bakery products can be divided into several main groups: bread from wheat flour, bread from rye flour, bread from mix of rye and wheat flour, bun goods, etc. The word “bread” is used to denominate products weighing more than 500 g. Baked products which weight is less are called bun goods. Bread is classified also by a way of baking: we distinguish between hearth bread and tin bread. Only wheat flour is used for making bun goods. French bread, rolls, puffs and pies are classified as bun goods. Dietary bakery products are intended for medical and preventive purposes.

Statistical data show that during the period from 2008 to 2012 average consumption of bread made from wheat flour per capita in kind remains relatively stable. The same trend is observed also with regard to consumption indicator for “bakeries and cereal products” group of goods (Fig. 1).

On the basis of this dynamics it is possible to make a conclusion that demand for bakery products is rather stable in spite of the fact that in 2012 the price index on food commodities, compared to year 2000, made up 284.3 %, and the average price for 1 kg of bread made from wheat flour, compared to year 2008, increased by 22.8 % (Table 1, Fig. 2). The increase in prices is caused by increase in costs of electric power and services. Stability of bakery products consumption can be explained, first of all, by the fact that bread is a traditional food product in Kazakhstan.

Bread is considered the main strategically and socially significant product, therefore, the prices of this product are regulated by Agency of the Republic of Kazakhstan for Competition Protection. It is seen from dynamics of changes in price for premium wheat flour (Fig. 2). For the 5 years the price rose by only 3.7 %. The regional authorities pursue policy of restricting prices for mass grades of bread (the first and second grades) by allocation to enterprises of lower prices flour from the state reserves.

At the same time, statistical data testify also to another tendency in change of consumer expenses of the population. Monetary income of the population has a steady tendency to growth which, in its turn, causes reduction of a share of expenses related to bread and bakeries in the total amount of money spent by consumers for purchasing of foodstuffs from 21.8 % in 2008 to 14.9 % in 2012 (Table 1, Fig. 3).

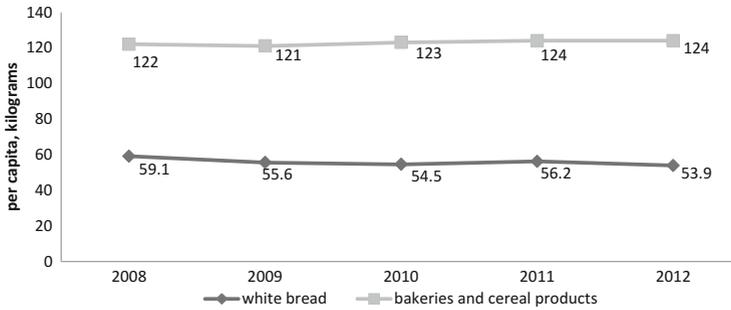


Fig. 1 Annual average consumption of white bread, bakeries and cereal products in Kazakhstan. *Source:* Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan (<http://www.stat.gov.kz>)

Table 1 Dynamics of the main indicators of bread and bakeries market in Kazakhstan

Indicators	2008	2009	2010	2011	2012
Index of average nominal monetary income per capita, 2001 = 100	450.8	468.5	530.0	627.8	707.3
Index of average consumer expenses related to foodstuffs per capita, 2001 = 100	286.5	311.9	383.9	511.4	545.0
Index of average white bread consumption per capita, 2001 = 100	87.7	82.5	80.8	83.4	80.0
Index of physical output of fresh bread, 2001 = 100	117.9	118.7	132.5	131.7	129.8
Consumer price index for food commodities, end of the period, December 2000 = 100	218.2	224.7	247.3	269.9	284.3
Index of number of active SMEs in manufacturing industry, 2008 = 100	100.0	87.8	101.3	118.1	128.0
Index of output of all the subjects of SMEs, 2008 = 100	100.0	85.8	147.3	153.3	166.6
Share of medium-sized enterprises in the total output of SMEs of the respective year, %	79.6	76.8	81.1	82.2	83.3

Source: Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan (<http://www.stat.gov.kz>)

3 Characteristics of Market of Bakery Products in Kazakhstan

Strategy of the baking enterprise activity is determined by peculiarities of bakery products market in Kazakhstan. Firstly, this market is represented, mainly, by domestic producers and practically doesn't include import. Secondly, the market is completely formed or shaped and regulated. Threat of replacement in this segment is minimal since this branch is strategic and is supported by the government. Thirdly, the level of a barrier when entering the branch is estimated as below average value because of insignificant volume of capital investments, availability of raw materials and lack of need to be licensed. Fourthly, the important feature of the

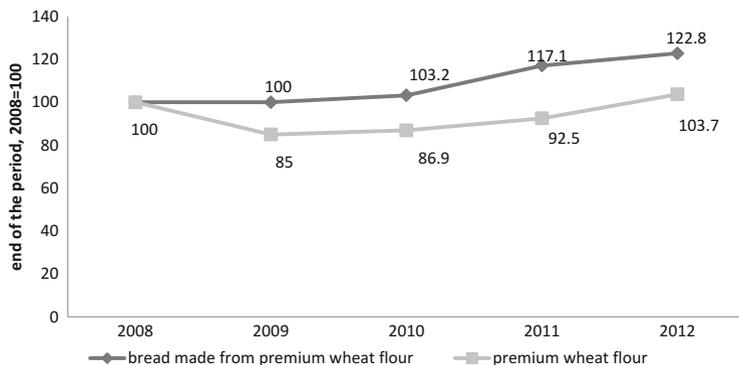


Fig. 2 Index of average prices for premium wheat flour and bread made from it. *Source:* Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan (<http://www.stat.gov.kz>)

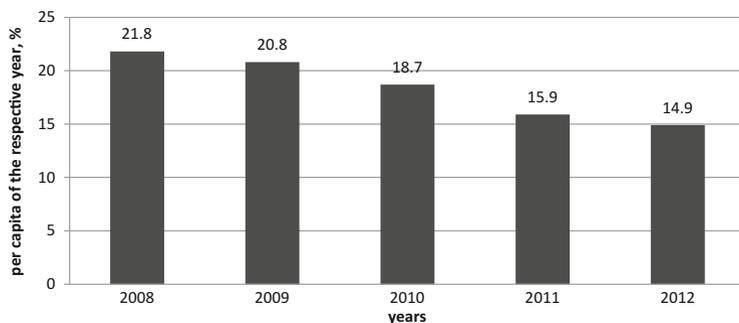


Fig. 3 Share of expenses related to bread and bakeries in consumer expenses on foodstuffs. *Source:* Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan (<http://www.stat.gov.kz>)

market is concentration of manufacturing capacities in large bread-baking plants and, at the same time, existence of a large number of SMEs of various forms of ownership which are often called mini-bakeries, with different quality of bread and applied recipes.

It predetermines the high level of competition. Therefore the bakery market, especially in the large cities, is treated like a monopolistic competition market. This fact is also confirmed by the analysis of statistical information. The number of active SMEs related to the activity ‘Manufacturing’ increased by 28 % for the 5 years (Table 1). In 2012, the share of medium-sized enterprises made 83.3 % in the total output of SMEs. SMEs include small and medium enterprises, as well as individual entrepreneurs without a legal entity. As it is known from Economics (McConnell et al. 2009), under the conditions of monopolistic competition market activities of enterprises are characterized by broad diversification and differentiated produce typical of bakery industry as well.

4 Analysis of the Marketing Activity of the Bread-Baking Plant in Kazakhstan

Strategy of the bread-baking plant was developed, based on the example of the enterprise under the imaginary name of Alma-Nan Ltd which works at the market of Almaty. Almaty is the first city in Kazakhstan in terms of population size (1.5 million people). According to the legislation of Kazakhstan, Alma-Nan Ltd is considered to be a medium-size enterprise since it has more than 200 employees. The bakery was founded 10 years ago and has five production shops meant for production of bread, rolls, croissants, pulled bread and packing. Full capacity of the enterprise equals to 40 t of bakery products per day, with assortment exceeding 100 items. The structure of production with a breakdown by main groups of the assortment is given in Table 2.

From the point of view of strategic decision-making in the enterprise and assessment of quality of management, of great interest is the indicator of capital profitability (Return On Assets, ROA) expressed through production profitability (Return On Sales, Net Profit Margin or ROS) and capital turnover (Assets Turnover ratio or AT).

$$ROA = AT \times ROS \quad (1)$$

Results of the factorial analysis of the first tier indicators influence on change of capital profitability level with the help of absolute differences method are given in Table 3. For preservation of proportions, data are submitted in national currency.

ROA for the period decreased by 6.1842 % mainly due to slowdown of capital turnover coefficient. The theory of financial analysis shows (Helfert 2001) that at identical profitability of capital two enterprises can have different competitive advantages due to different impact of factors. At one enterprise ROA can be reached at the expense of higher level of product profitability at low level of capital turnover, at the second one it can be reached at the expense of higher coefficient of turnover at low level of production profitability sold. It is obvious that the first enterprise can achieve faster and considerable success at the expense of the measures aimed at acceleration of capital turnover (increase in sales volume, reduction of unused assets, etc.) rather than looking for the reasons that caused low level of production profitability and reserves needed for its increase. Therefore, Alma-Nan Ltd has stronger competitive positions belonging to the first type of enterprises.

The advantage of ROA is that it can be used to predict the amount of profit. For this purpose the following model can be used:

$$P = A \times ROA \quad (2)$$

Here A is the average annual value of assets and P is profit.

Table 2 Assortment of products of Alma-Nan Ltd in 2012 and 2013

№	Name of a product	Specific weight in total production (%)		Change for the period, % (column 4–column 3)
		2012	2013	
1	2	3	4	5
1	Bakery goods from wheat flour	50.09	49	–1.09
2	Bakery goods from rye flour	15.63	16	+0.37
3	French bread	23.33	22.38	–0.95
4	Baranky or soushky	6.19	6.3	+0.11
5	Other types of bread	2.42	2.58	+0.16
6	Other types of production (crackers or pulled bread, cookies, confectionery, etc.)	2.34	3.74	+1.4
	Total	100.00	100.00	–

Table 3 The factorial analysis for Alma-Nan Ltd

Indicators	2012	2013	Change for the period (column 3–column 2)
1	2	3	
1. Net profit	444,124	450,114	+5.990
2. Revenue	2813.450	2,855,040	+41,590
3. Average annual value of assets	979,892	1,150,062	+170,170
4. ROA, % (item 1/item 3)	45.3238	39.1381	–6.1857
5. AT, turnovers, (item 2/item 3)	2.8711	2.4825	–0.3886
6. ROS, % (item 1/item 2)	15.7857	15.7656	–0.0201

The change of ROA due to:
 $AT0.3886 \times 15.7857 = -6.1343$
 $ROS2.4825 \times (-0.0201) = \frac{-0.0499}{-6.1842}$

For example, in 2013 the change in the amount of profit in Alma-Nan Ltd was due to:

- increasing the amount of capital:

$$\Delta P = \Delta A \times ROA_0 \quad (3)$$

$$\Delta P = (+170,170) \times 0.453238 = 77,127.51046$$

- reducing of ROA:

$$\Delta P = A_1 \times \Delta ROA \quad (4)$$

$$\Delta P = 1,150,062 \times (-0.061857) = \frac{-71,139.57070}{5,987.93976}$$

Receipt of rather high profit on investments made in the enterprise depends, mainly, on ingenuity, skills and motivation of the management.

5 Typical Shortcomings of SMEs in the Bakery Market of Kazakhstan

Based on the analysis of marketing activity of Alma-Nan Ltd, one of typical shortcomings of the work of small and medium-size baking enterprises is that assortment policy has no strategic basis. The main objective of its development is that on show-windows there has to be complete list of the planned goods.

Moreover, marketing department of the enterprise does not study life cycles of many sold goods, that is the price of good is constant since the beginning of its realization up to sale of the last unit of production. Analysis of competitive environment is carried out only within the framework of collection of information about the prices of competitors for similar goods.

There are practically no channels of feedback from buyers, therefore, the enterprise has no opportunity to foreknow preferences of buyers and, respectively, is not able to quickly adjust range and prices for its production. There is almost complete lack of PR—actions the main objective of which consists in creation and maintenance of enterprise's image. General public does not have enough information about the enterprise as a whole, its traditions, objectives and values. The enterprise does not seek to create an image of a successful and socially oriented company taking care of its clients.

Purchasing policy is more focused on work with permanent suppliers of products, than on search of new partners with possibly more favorable conditions of cooperation.

TV advertising is used extremely seldom. It is known that it is the most expensive type of advertising, but, given its coverage and impact on a potential consumer, it is considered to be the most effective one. Therefore, it is necessary to keep to a more detailed and balanced approach to this aspect of marketing activity.

6 SWOT Analysis

Further SWOT analysis allows to evaluate business environment and to substantiate differentiation as a basic competitive model of strategy for the baking enterprise (Table 4).

Table 4 SWOT analysis matrix

	Opportunities	Threats
	<p>Appearance of new suppliers Reduction of prices of raw materials Decrease in taxes and duties Improvement of manufacturing technique Unsuccessful behavior of competitors Bankruptcy of the competitor Inflow of new investments Growing requirements of consumers</p>	<p>Change of consumer preferences Bad harvest of grain crops Failures in deliveries of raw materials Change of certification rules Decline of the level of living Growth of inflation rates Toughening of legislation Change of price level Competition strengthening Short term of product realization</p>
Strengths	Strengths and opportunities	Strengths and threats
<p>Wide range of products Low cost value Quality control Service standardization Qualified personnel Sufficient popularity Advanced facilities surpassing those of competitors Presence of a strong partner Financial opportunities Increase in production Focus on service</p>	<p>Sufficient popularity promotes strengthening of positions Bankruptcy of the competitor and financial opportunities allow to absorb the bankrupt, having increased capacities Improvement of manufacturing technique, availability of modern equipment and sufficient financial resources will ensure lag of competitors Inflow of new investments, presence of a strong partner allow to conduct research</p>	<p>The policy of the state, inflation and growth of taxes, change of consumers' tastes will impact on the strategy implementation Availability of financial resources against change of consumers' preferences will require working with negative profit for long time in order to launch a new product Popularity will add advantages in competition It is difficult to regulate wide range of products when preferences of consumers change on constant basis</p>
Weaknesses	Weaknesses and opportunities	Weaknesses and threats
<p>Personnel is not involved in adoption of administrative decisions Complexity of control over delivery of production Complexity of control over prices in remote regions The following weak assortment positions: sugarless rolls, baguettes, rolls for hot dogs</p>	<p>Complexity of control over delivery of production and growing requirements of consumers can lead to loss of some consumers due to stale products Non-participation of personnel in decision-making and insufficient control over execution of orders against decrease in unemployment can lead to sabotage</p>	<p>Unfavorable policy of the state can lead to a difficult financial situation Weak assortment positions such as sugarless rolls, baguettes, rolls for hot dogs will not contribute to retention of buyers against change of their tastes Increase of inflation rates and exchange rates fluctuation can result in problems with implementation of the strategy</p>

Apparently, the company has sufficient potential for the use of opportunities and overcoming of threats. The major problems are complexity of sales management in remote regions, need for strengthening of control over delivery, as well as weaknesses of the company with regard to some assortment positions.

Based on SWOT analysis, the plan of promotion of the enterprise's produce for the next year has been developed, including such instruments of marketing as advertising, promotion, sales stimulation, personal sales. Promotion has to create a certain level of awareness about Alma-Nan Ltd products among consumers and stimulate sales of these products.

7 Conclusion

The main conclusion is that strategic decision-making in the bakery market demands close attention to studying of behavior of buyers, their tastes, desires and preferences, which means that continuous differentiation of assortment is required. Growth of incomes of population, reorientation of consumer demand to other foodstuffs replacing bread, and also promotion of healthy lifestyle can be classified as factors influencing change of a consumer's behavior.

Strategy has to be focused on continued mass output of tin bread made from wheat flour (the first and second grades) against constant launch and increase of new items of bakery goods of a medical, preventive and functional character. Strategy of differentiation will ensure competitive advantages due to uniqueness of assortment and quality of bakery products, as well as non-price methods of competition, such as packing, storage time, assortment, reputation of a company, etc.

Under the condition of government restraint of the prices, contribution to profit in other items of assortment will be higher than ones for mass grades of tin bread made from wheat flour. Hence, the decision about displacement of the assortment in favor of the release of more expensive types of bakery goods could lead to the situation that the planned break-even point could be reduced, and as a result the financial stability of the company may be increased in the future.

References

- Banterle, A., Cavaliere, A., Carraresi, L., & Stranieri, S. (2014). Food SMEs face increasing competition in the EU market: Marketing management capability is a tool for becoming a price maker. *Agribusiness*, 30(2), 113–131.
- Banterle, A., Cavaliere, A., Stranieri, S., & Carraresi, L. (2009). *European traditional food producers and marketing capabilities: An application of the marketing management process* (pdf). Accessed June 10, 2015, from <http://ageconsearch.umn.edu/bitstream/53565/2/>
- Barrena, R., & Sanchez, M. (2009). Using emotional benefits as a differentiation strategy in saturated markets. *Psychology and Marketing*, 26(11), 1002–1030.

- Binkley, J., & Golub, A. (2011). Consumer demand for nutrition versus taste in four major food categories. *Agricultural Economics*, 42(1), 65–74.
- Guillen, M. F., & Garcia-Canal, E. (2012). Execution as strategy. *Harvard Business Review*, 90(10), 103–107.
- Helfert, E. (2001). *Financial analysis: Tools and techniques. A guide for managers*. Versailles: McGraw-Hill.
- Hellyer, N. E., Fraser, I., & Haddock-Fraser, J. (2012). Food choice, health information and functional ingredients: An experimental auction employing bread. *Food Policy*, 37(3), 232–245.
- Kantike, I., & Eglite, A. (2013). Factors affecting wheat bread prices. *Economic Science for Rural Development Production and Cooperation in Agriculture/Finance and Taxes. Book Series: Economic Science for Rural Development*, 30, 153–158.
- Khan, R. S., Grigor, J. V., Win, A. G., & Boland, M. (2014). Differentiating aspects of product innovation processes in the food industry: An exploratory study on New Zealand. *British Food Journal*, 116(8), 1346–1368.
- Kraus, A. (2015). Development of functional food with the participation of the consumer: Motivators for consumption of functional products. *International Journal of Consumer Studies*, 39(1), 2–11 (online). Accessed February 27, 2015, from <http://lib-iab.kz>
- Li, N., & Dimitratos, P. (2014). How do business-level strategies affect multiple market servicing modes in the foreign country? *International Marketing Review*, 31(5), 526–546.
- Maranto-Vargas, D., & Gomez-Tagle Rangel, R. (2007). Development of internal resources and capabilities as sources of differentiation of SME under increased global competition: A field study in Mexico. *Technological Forecasting and Social Change*, 74(1), 90–99.
- McConnell, C. R., Brue, S. L., & Flynn, S. M. (2009). *Economics: Principles, problems, and policies* (18th ed.). Versailles: McGraw-Hill.
- Sporleder, T. L., & Goldsmith, P. D. (2001). Alternative firm strategies for signaling quality in the food system. *Canadian Journal of Agricultural Economics*, 49(4), 591–604.
- Thomadsen, R. (2007). Product positioning and competition: The role of location in the fast food industry. *Marketing Science*, 26(6), 792–804.

Part II
Human Resources

Managing Employee's Resistance to Change: A Conceptual Model Based on Human Capital Perspective

Alexandra Cătălina Nedelcu and Cristian Buşu

Abstract Intellectual capital seems a matter of focus for the global economic environment, by being the most important part of company's value. Change's consequences forced the organizations to adapt. The latest financial crisis has faced change's urgency and reality. Resistance to change should be understood as a normal reaction, because change determines employees to feel insecure. This insecurity directly affects the most important component of company's IC: Human Capital. The aim of this paper is to investigate the problem of employees' resistance to change and to explore different ways of acting. The research objectives are: to find out leaders and employees' perception about change; to determine, through a literature review, the impact of change on the organizations' members and to build a conceptual model for an effective management of employees' resistance to change. The benefits of our study consist in offering an organizational leadership and change management frameworks, in identifying the relevant characteristics and behaviors for a leader under change's circumstances, in showing change's challenges influencing different attitudes of employees up to the change resistance one. Our research result is the elaboration of a conceptual model that is thought to be further tested and validated through a series of empirical researches.

Keywords Change management • Human capital • Intellectual capital • Leadership • Resistance to change

1 Introduction

It is a fact that environmental changing is affecting organizational performance. Since it was prove that intellectual capital (IC) can be related to organizational performance, in changing conditions the focus should be on its components. Human capital (HC) is one of IC's building blocks and also one of the most important and

A.C. Nedelcu (✉) • C. Buşu
Management Department, The Bucharest University of Economic Studies, Bucharest,
Romania
e-mail: catalina.nedelcu@fabiz.ase.ro; cristian.busu@man.ase.ro

vulnerable part of an organization. Therefore, the challenge is to build a HC management system, in order to ensure the organizational performance in changing conditions.

Researches treating change's subject focus on either adapting development perspective or on simply philosophical approaches. Working with managers forces us to ask some fundamental questions about the changing managerial behaviors and effectiveness. The evolution of management styles reveals an increase in their complexity due to the current globalization and to the very changeable economic environment. Faced with rapid and continuous changes, employees feel insecure and become dominated by negative emotions such as: fear, anger and anxiety which cause unexpected consequences. Therefore, we consider very important to understand the reasons of employees' reactions towards change in order to build appropriate management ways for reducing subordinates' resistance.

During our paper we reviewed the research studies of change resistance and the theories of employees' individual responses. Our findings argue that there are many discussions in the literature about change resistance based on employees' values, principles, expectations and emotions. Our paper highlights the idea that successful organizational adaptation concerns managers' high interest in generating employees' support and commitment for proposed changes. By the means of our research study's objectives, we intended to find out leaders and employees' perception about change and about its urgency, to determine, through a literature review, the impact of change on employees' emotions and reactions and to observe leadership' alternatives to positively interfering in employees' resistance. Therefore, the conceptual model that we are proposing during this paper intends to guide managers in building a HC strategy for approaching employees' resistance when implementing change. This paper offers a leadership and change framework, identifies the relevant actions for leaders in order to conquer employees' resistance and it shows managerial challenges for transforming employees' negative emotions and feelings into positive reactions determining them to become active parts within change's process.

2 Literature Review

2.1 *Human Capital and Organizational Leadership*

Human capital represents one of the main parts of intellectual capital and it refers to employee, their education, training level, work-related knowledge and entrepreneurial spirit (Guthrie et al. 2004). Human capital then is the knowledge, skills and experience of individuals and also their willingness to share these attributes with the organization to create value (Baron 2011). In many studies, human capital is considered a critical factor for organizational performance (Felicio et al. 2014). As a further matter, according to human capital theories—as well as economic

theory—sustainable economic growth and competitiveness are based on creating innovations. Thus, they finally depend on human capital (Gamerschlag 2013).

Economic organizations, the public and the private ones, are very complex especially nowadays, with a variety of processes and independent activities which are deeply interrelated. Managing the organizations means actions for ambitious objectives, involving different characters of employees, using high technologies and very innovative ones, highly specialized professionals and working in a very exposed and dynamic environment. Correspondingly, the role of leadership becomes crucial under organizational changing circumstances. The current market configurations invoke adequate powers such as the competitive advantage, so managers should adapt their organizational behaviors. Leadership is a crucial factor when adopting a professional management approach. According to Mainardes et al. (2011), the successful implementation of a new management format requires strong leadership, open to dialogue, commitment towards the principles and ideas that they seek to implement and able to convince other organizational members regarding the worth of a project. Despite these difficulties, managers need to carry out change's challenges to the benefit of the organization as a whole.

Leadership has become a matter of great focus for the economic environment and for researchers, especially nowadays. Therefore, one of this paper's objectives consists in investigating the leadership problem. The literature review gave us the opportunity to confront an entire series of leadership perceptions. Leadership is seen as a process of influencing all the activities that a certain department of human resources makes towards achievement an objective (Jackson and Parry 2008). From another point of view, leadership is a process made up of three factors: leaders, followers and the relationship between these two factors (Lundgren 2010). Changes create insecurity sensations for employees. Accordingly, in crisis times, leadership should be a motivational factor, a process coordinator.

Leaders must promote change by creating the above mentioned vision. Change is possible and the need for change is increasing for the organizations willing to succeed in the future (Heathfield 2012a). Theories of transformational leadership and organizational change highlight the idea that change is associated to some persuasive managerial characteristics (Bass and Avolio 1994). Moreover, our findings demonstrate the idea that managers should share constantly information about the organizational change even if there are negative aspects (Baker 1987). We could not ignore the fact that, confronted with organizational change, employees arrive to feel dissatisfaction, disenchantment and even frustration (Collinson 1994).

2.2 Employees' Resistance to Change

Leaders often encounter resistance to their efforts to adapt organizational change. Meanwhile changes force employees to experience a reaction process (Kyle 1993). Therefore, the factors and causes influencing employees' resistance need to be studied deeply. Our findings present four stages of employees' reactions towards

Table 1 Ways to manage resistance to change

Own the changes	Managers are responsible for implementing the change within the organization
Get over it	The manager needs to do everything in his power to make the selected direction succeed
No biased and fractional support allowed	Once the team direction is chosen, the manager becomes responsible for making it work
Recognize that resistance to change is minimized if you have created a trusting, employee-oriented, supportive work environment prior to change	Managers should motivate the employees for getting onboard for the change
Communicate the change	How managers communicate the change to their subordinates has the single most important impact on how much resistance to change will occur
Empower employees to contribute	Managers should give the employees control over any aspect of the change that they can manage

Source: Adapted from Heathfield (2012b)

change: disbelief and denial; anger, rage and resentment; emotional attitudes; acceptance (Kavanagh 2006). According to Lawrence (1969), employees' resistance may take a number of forms: persistent reduction in output, increase in the number of quits and requests for transfer, chronic quarrels, sullen hostility or strikes. In his opinion, a solution would be that of supporting the employees to participate in making change. However, resistance to change should be understood as a normal reaction, because change determines people to feel insecure. Managers are supposed to reduce normal resistance by appropriate actions. Some of those actions are presented in Table 1.

According to Heathfield (2012b), people have different needs and ways of reacting to change. "They need time to deal with and adjust to change". Resistance to change is inevitable and managers should be prepared to respond effectively to it (Fine 1986). Fine's findings argue that human beings tend to resist change, even when change represents growth and development. People's resistance is due, primarily, to fear; fear of unknown being something natural, rational. Therefore, we consider that managers should understand the nature of their subordinates' resistance. A series of authors consider resistance as a natural response to change because the latter supposes surpassing the step between known to unknown (Zaltman and Duncan 1977; Myers and Robbins 1991; Steinburg 1992). Craine (2007) perceives employees' resistance as denial, shock, frustration and anger which will hamper any organizational change. Conner (1998) believes that there are different stages which employees pass whenever they feel trapped in a change process: stability, immobilization, denial, anger, bargaining, depression, testing and even acceptance. Other authors see resistance as "a primary obstacle for effective organizational change processes and programs" (Avey et al. 2008, p. 48). However,

our findings force us to think that resistance could even increase the quality of management decisions in implementing change (Knowles and Linn 2004).

3 Research Frameworks and Methodology

In changing times, leadership should be a motivational factor for the subordinates and even a process coordinator. Therefore, our paper intended to analyze the organizational leadership and to explore its ways of acting. The contextual frameworks concerning organizational leadership and organizational change come together as a whole, intending to build a leaders' conceptual model for managing employees' resistance to change. Hence, there is need for building some hypothesis in order to demonstrate the role of different leaders' attitudes and actions towards change in managing employees' resistance to change.

The three hypotheses to be considered during our research are the following ones:

H1: It is possible for managers to change the level of employees' resistance to change by interfering in their emotions.

H2: The change effort is dependent of managers' ability to change the individual behaviors of their subordinates treated individually.

H3: Transformational leaders are able to act at employees' emotional level for conquering their resistance to change.

As a research method we used the inductive analysis based on causal explanation. We started by demonstrating managers' crucial role in change's implementation, then by analyzing the process of managing change resistance and we continued our research by studying the actions of transformational leaders that focus on employees' emotional level in order to conquer their resistance to change. We consider appropriate to establish a conceptual model intending to guide the managers in future actions for building effective strategies in order to approach employees' resistance when implementing change within their companies.

3.1 Managers' Crucial Role in Change's Implementation Versus Employees' Resistance

As demonstrated by many researchers, resistance to change needs to be understood more from the employee's perspective than simply from the management's one. An employee-centered perspective gave us the possibility to study employees as humans supporting the organization's success. During change's process, employees pass through a series of different emotions. Therefore, managers have a crucial role in change's implementation. Resistance to change is to be foreseen, respected,

shared and worked with. Resistance is not something to fight against; it is something to be worked with (Goldstein 1988). In times of change, it is important that the leaders of the organization create an atmosphere of psychological safety for all individuals to engage in the new behaviors and test the waters of the new culture (Kavanagh 2006).

Change resistance may occur when employees distrust those leading change (Block 1989). Other causes of this resistance are the fear and anxiety about real or imagined consequences (Morris and Raben 1995). Employees fear some individual losses such as: job security, money, pride and satisfaction, friends and important contacts, freedom, responsibility, authority, good working conditions, status. In Chuang's (2000) opinion, the employees' negative attitudes towards the organization as a whole, towards their job and managers determine a deep resistance to change. Moreover, employees feel uncertainty about their job performance. They think that they may have not enough skills to perform new tasks under the organizational conditions. Employees' participation to change process encourages them to believe that they are able to have control over something affecting them (Lucas 1974). Meanwhile, participation could reduce resistance to change (Shaw 1986).

As we have just mentioned above, traditionally, resistance to change was described as related to emotions such as fear and anxiety (Sinetar 1981). However, anxiety is due not only to external dangers, but it may also be experienced internally when habitual thoughts, feelings or behaviors conflict with new thoughts, feelings and intentions to act (De Board 1983). The research of Feldman (1972) points the following types of employees' resistance: task avoidance or postponement, hostility, resignation and underproduction. Other findings present different indicators of employees' resistance to change: absenteeism, impatience, frustration and sabotage (Plate and Stone 1974; Veaner 1974). Change also leads to feelings of anger, denial, loss and frustration (Spiker and Lesser 1995) or anger, sadness, anxiety and low self-esteem (Sullivan and Guntzelman 1991). Organizational Development (2009, p. 11) presents a matrix of four stages concerning employees' resistance to change: adaption, shock, acceptance and defensive retreat and it argues that "Managers have a key role to play in helping people move through those stage. . . The most effective way of successfully making change happen is to take people with you by creating commitment to and ownership of the change". Understanding the reasons for employees' resistance could help managers prevent company's collapse. All the arguments mentioned above confirm the first hypothesis of the present study.

3.2 Managing Effectively Employees' Resistance to Change

After our literature review, we preferred an individual perspective in order to treat employees' resistance, as it was just studied also by Bovey and Hede (2001). They investigated the relationships between irrational ideas, emotion and resistance to change. They argued that irrational ideas are positively correlated with behavioral

intentions to resist change and they considered that organizational change is driven by personal change. Otherwise, we could sustain that organizational change supposes the change of individual employees. Ineffective management strategies can cause resistance to change and also accelerate the resistance process. Therefore managers are supposed to implement corrective management actions. Among the corrective actions we include the preoccupation to provide employees clear information about change and to show a high interest in solving the subordinates' fears about change (Lucas 1974). Communication regarding individual employees is vital. Communication creates the conditions for employees' commitment (Postmes et al. 2001). Postmes et al. (2000) sustained that employees were strongly committed if they obtained adequate information to perform their task. The research problem now centers on the words "employees' participation". Real participation is based on respect and respect is required when staff faces the reality which needs operating people (Lawrence 1969). Participation also encourages employees to believe that they have a sort of control over a changeable system affecting them (Lucas 1974). Mintzberg and Waters (1985) highlighted the influence of employees' participation on a set of actions related to change's process. Participation is also seen as a positive attitude with positive effects during change process. Therefore, we argue that employees' involvement will reduce organizational resistance to change. Meanwhile, participation leads to better strategic decisions (Kim and Mauborgne 1998). Our findings helped us to understand that there are employees accepting change for different reasons: personal gains, more income, more authority, more status or prestige, more responsibility, better working conditions, increased job satisfaction, better personal contacts.

According to Ford et al. (2002), resistance is not to be found in the individual but in the constructed reality in which individuals operate. Managing resistance to change is a methodology that is designed to help people in organizations face it and to lead effectively transitions experienced within organizational change (Maltz 2008). All the arguments presented during this section demonstrate the second hypothesis of our research.

3.3 Transformational Leadership: A Solution to Employees' Resistance

Transformational leadership is a concept initially introduced by leadership expert and presidential biographer Burns (1978). In his opinion, transformational leaders are able to inspire and motivate their subordinates to change expectations, perceptions and actions. However, according to Bass (1985), transformational leadership is treated based on the impact that it determines on employees or in terms of the leaders' effect on followers. Employees arrive to feel trust, admiration, loyalty and respect toward the leader and they are motivated to do more than they originally expected to do (Yukl 1998). In Yukl's opinion, transformational leaders transform

and motivate their subordinates by supporting them to understand the importance of change. There is a synergic relation between managers and followers within change's process. Avolio and Bass (2002) argue that employees' attitudes towards organizational change are deeply related to transformational leadership behavior. Therefore we could sustain that, by inspiring the followers and by creating a vision, managers are able to motivate their subordinates to change. In order to motivate employees, managers should communicate them their values, vision and personal actions (Fry 2003). Transformational leadership behavior with components such as: inspirational motivation, intellectual stimulation, individualized consideration and idealized influence (Bass 1985) might help employees to exceed their fear concerning change. In this respect, transactional leaders are supposed to be real models for their followers inspiring them to challenge their own values and principles (Hater and Bass 1988). We consider that transformational leaders treat individually their subordinates in order to implement change. All the arguments prove that transformational leaders act at employees' emotional level for conquering their resistance to change.

4 The Conceptual Model and Research Discussion

We consider very appropriate to build conceptual models for managing employees' resistance to change in order to help superiors in change's implementation process. By researching such a topic, we found out that many corporate change programs failed because of employees' resistance (Maurer 1997). The conceptual model that we are proposing intends to guide managers in building a strategy for approaching employees' resistance when implementing change.

In our model, as presented in Figs. 1 and 2, employees' emotions are key factors on which effective managers could have a great impact during change's implementation. Managers are supposed to play a vital role in transforming emotions like fear, anger and anxiety about real or imaged consequences into positive emotions helping them in conquering employees' resistance. In the center of our conceptual model lies the change that causes different attitudes from managers and employees. In the same time, leaders and subordinates have their own impact on change. On the other hand, between managers in general and transformational leaders in our case and their subordinates, there are a series of bilateral relationships so that they stimulate and reinforce each other, leading to a synergy effect with direct influences on change. In order to conquer employees' resistance to change, leaders have the possibility to play on their followers' emotions, by inspiring them with a progressive vision determining trust, admiration, loyalty, respect and commitment from their part. In such circumstances, employees are motivated to change. Seen as a whole, our conceptual model for managing employees' resistance to change is based on three hypotheses demonstrated during this paper.

Changes cause insecurity sensations and negative emotions for employees. Therefore, transformational leadership should become a motivational and

Fig. 1 The conceptual model for managing employees' resistance to change

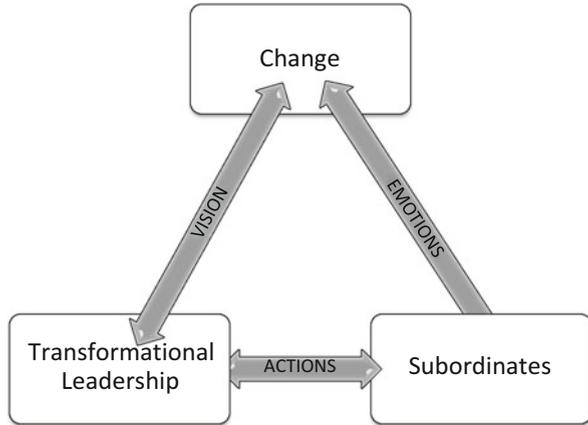
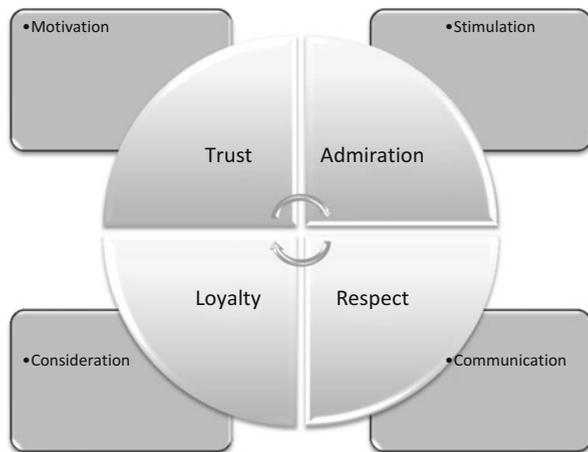


Fig. 2 Managers' actions and employees' feelings MATRIX



stimulating factor creating a vision and an atmosphere of psychological safety for their subordinates. The latter will arrive to exceed their initial negative expectations concerning change. Employees will become active participants to change's process conquering their resistance. Our findings confirm previous researches that identified a series of managerial actions and behaviors to convincing employees to reduce their resistance. Furthermore, leaders are likely to develop change techniques and their actions in order to manage employees' resistance to change.

5 Conclusions

The current changes and uncertainties in the global economic environment force the organizations all around the world to adapt to those circumstances. Changes determine negative feelings and therefore we consider that managers from all levels become a crucial vector for implementing change within the organizations. The purpose of this paper is to point out the urgency of reducing employees' resistance to change. Our findings show that acceptance or resistance to change often depends on some behavioral issues and managers will be able to lead a change's process only after an initial well understanding of employees' reasons for different reactions towards change. Managers should know that employees' resistance will always be a complex phenomenon. Therefore, it is important for them to deeply know their subordinates reasons in order to manage effectively change's implementation process. We began our research from this idea and by the means of three hypotheses we demonstrated the vital role of managers in conquering employees' resistance to change. We consider that managers could influence employees' attitudes towards change by interfering in their emotions. Moreover, managers should search for alternative methods to determine employees to adapt change. By focusing on change as teaching employees new ways of taking risks, managers would arrive to value change rather than determine fear, anxiety or anger among them. Meanwhile, employees are supposed to be given the possibility to be an active part within change's process. The change effort is dependent of managers' ability to influence the individual behaviors of their subordinates treated individually. From this perspective, employees feel consideration from their superiors and they are stimulated to participate to change's process. As a solution for the urgency of adapting change, we consider transformational leadership that is seen as a key and motivational factor for reducing employees' resistance.

During their researches, authors treated the problem of resistance as conviction, opinion and psychological reaction, and even as personality trait. Each interpretation is based on different assumptions and theoretical explanations. However, our research study intends to help explain empirical findings related to resistance and change management strategies. This work gave us the opportunity to conclude that nowadays, change should inspire managers to think and to act differently, to challenge long-standing assumptions, to build new strategies for companies' future success. As companies are currently facing structural and organizational changes, new approaches in human capital management and in understanding the complex issue concerning employees' resistance are required to help companies know and implement change. In future research it would be interesting to develop resistance to change framework as a dynamic model. It would be also used to compare resistance's interpretations in various contexts of change's process.

Acknowledgment This work was co-financed from the European Social Fund through Sectorial Operational Program Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/142115 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

References

- Avey, J., Wernsing, T. S., & Luthans, F. (2008). Can positive employees help positive organizational change? Impact of psychological capital and emotions on relevant attitudes on behaviors. *The Journal of Applied Behavioral Science*, 44(1), 48–70.
- Avolio, B. J., & Bass, B. M. (2002). *Manual for the Multifactor Leadership Questionnaire*. Redwood City, CA: Mindgarden.
- Baker, S. L. (1987). *Managing resistance to change*. Accessed July 18, 2014, from <https://www.ideals.illinois.edu/bitstream/handle/2142/1665/Baker5361.pdf?sequence=2>
- Baron, A. (2011). Measuring human capital. *Strategic HR Review*, 10(2), 30–35.
- Bass, B. M. (1985). *Leadership and performance beyond expectations*. New York: Free Press.
- Bass, B. M., & Avolio, B. J. (1994). *Improving organizational effectiveness through transformational leadership*. Thousand Oaks, CA: Sage.
- Block, P. (1989). Flawless consulting. In R. Mc Lennan (Ed.), *Managing organizational change*. Englewood Cliffs, NJ: Prentice Hall.
- Bovey, W. H., & Hede, A. (2001). Resistance to organizational change: The role of cognitive and affective processes. *Leadership and Organization Development Journal*, 22(8), 372–382.
- Burns, J. M. (1978). *Leadership*. New York: Harper and Row.
- Chuang, Y. S. (2000). *Individual resistance from employees to organizational change*. Accessed August 14, 2014, from <http://www.jgdm.org/page/19%20Dr.%20Chuang,Yuh-Shy.pdf>
- Collinson, D. (1994). Strategies of resistance: Power, knowledge and subjectivity in the workplace. In J. M. Jermier, D. Knight, & W. R. Nord (Eds.), *Resistance and power in organizations* (pp. 25–68). London: Routledge.
- Conner, D. R. (1998). *Managing at the speed of change: How resilient managers succeed and prosper where others fail*. Chichester: Wiley.
- Craine, K. (2007). Managing the cycle of change. *Information Management Journal*, 41(5), 44–49.
- De Board, R. (1983). *Counseling skills*. Aldershot: Gower Publishing.
- Feldman, N. G. (1972). Pride in heritage-or resentment?: A sociologist analyzes library staff reaction. *Wilson Library Bulletin*, 46, 436–440.
- Felicio, J. A., Couto, E., & Caiado, J. (2014). Human capital, social capital and organizational performance. *Management Decision*, 52(2), 350–364.
- Fine, S. F. (1986). Technological innovation, diffusion and resistance: A historical perspective. *Journal of Library Administration*, 7(Spring), 83–108.
- Ford, J. D., Ford, L. W., & McNamara, R. T. (2002). Resistance and the background conversations of change. *Journal of Organizational Change Management*, 15(2), 105–121.
- Fry, L. W. (2003). Towards a theory of spiritual leadership. *Leadership Quarterly*, 14, 693–727.
- Gamerschlag, R. (2013). Value relevance of human capital information. *Journal of Intellectual Capital*, 14(2), 325–345.
- Goldstein, J. (1988). A far-from-equilibrium systems approach to resistance to change. *Organizational Dynamics*, 17(2), 16–26.
- Guthrie, J., Petty, R., Yongvanich, K., & Ricceri, F. (2004). Using content analysis as a research method to inquire into intellectual capital reporting. *Journal of Intellectual Capital*, 5(2), 282–293.
- Hater, J. J., & Bass, B. M. (1988). Superiors' evaluations and subordinates' perceptions of transformational and transactional leadership. *Journal of Applied Psychology*, 73, 695–702.
- Heathfield, S. M. (2012a). *Change, change, change: Change management lessons from the field*. Accessed August 26, 2014, from http://humanresources.about.com/od/changemanagement/a/change_lessons.htm
- Heathfield, S. M. (2012b). *Executive support and leadership in change management*. Accessed August 26, 2014, from http://humanresources.about.com/od/changemanagement/a/change_leaders.htm
- Jackson, B., & Parry, K. (2008). *A very short, fairly interesting and reasonably cheap book about studying leadership*. London: Sage Publications.

- Kavanagh, M. H. (2006). The impact of leadership on change management strategy on organizational culture and individual acceptance of change during a merger. *British Journal of Management*, 17(1), 81–103.
- Kim, W. C., & Mauborgne, R. (1998). Procedural justice, strategic decision making and the knowledge economy. *Strategic Management Journal*, 19(4), 323–338.
- Knowles, E. S., & Linn, J. A. (2004). The importance of resistance to persuasion. In E. S. Knowles & J. A. Linn (Eds.), *Resistance and persuasion* (pp. 3–11). Mahwah, NJ: Lawrence Erlbaum Associates.
- Kyle, N. (1993). Staying with the flow of change. *Journal for Quality and Participation*, 16(4), 34–42.
- Lawrence, P. R. (1969, January). How to deal with resistance to change. *Harvard Business Review*, On-line Edition, The Magazine. Accessed July 2, 2014, from <http://hbr.org/1969/01/how-to-deal-with-resistance-to-change/ar/1>
- Lucas, H. C., Jr. (1974). *Toward creative system design*. New York: Columbia University Press.
- Lundgren, M. (2010). *Lecture leadership and rhetoric: An introduction to classical rhetoric*. Kalmar: Linnaeus University.
- Mainardes, E. W., Alves, H., & Raposo, M. (2011). The process of change in university management: From the “Ivory Tower” to entrepreneurialism. *Transylvanian Review of Administrative Sciences*, 33, 124–149.
- Maltz, M. (2008). *Managing resistance to change*. TRIAD Consulting Group LLC. Accessed September 2, 2014, from <http://www.triadllc.com/pdf/ManagingResistance.pdf>
- Maurer, R. (1997). Transforming resistance. *HR Focus*, 74(10), 9–10.
- Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, 6(3), 257–272.
- Morris, K. F., & Raben, C. S. (1995). The fundamentals of change management. In D. A. Nadler, R. B. Shaw, A. E. Walton, & Associates (Eds.), *Discontinuous change* (pp. 47–67). San Francisco: Jossey-Bass.
- Myers, K., & Robbins, M. (1991). 10 rules for change. *Executive Excellence*, 8(5), 9–10.
- Organizational Development. (2009). *Understanding and managing reactions to change* (pdf). London: Gateshead Council (pdf). Accessed 13 September 13, 2014, from <https://www.gateshead.gov.uk/DocumentLibrary/council/pois/managingreactionstochange.pdf>
- Plate, K. H., & Stone, E. W. (1974). Factors affecting librarians job satisfaction: A report of two studies. *Library Quarterly*, 44(April), 97–110.
- Postmes, T., Tanis, M., & De Wit, B. (2000). *A meta-analysis of communication and organizational commitment: the coldest message elicits the warmest feelings*. Unpublished manuscript, University of Amsterdam, Amsterdam.
- Postmes, T., Tanis, M., & De Wit, B. (2001). Communication and commitment in organizations: A social identity approach. *Group Processes and Intergroup Relations*, 4(3), 207–226.
- Shaw, D. (1986). Staff opinions in library automation planning. *Special Libraries*, 77(Summer), 140–151.
- Sinetar, M. (1981). Mergers, morale and productivity. *Personnel Journal*, 60(11), 863–868.
- Spiker, B. K., & Lesser, E. (1995). We have met the enemy. *Journal of Business Strategy*, 16(2), 17–21.
- Steinburg, C. (1992). Taking charge of change. *Training and Development*, 46(3), 26–32.
- Sullivan, M. F., & Guntzelman, J. (1991). The grieving process in cultural change. *The Health Care Supervisor*, 10(2), 28–33.
- Veaner, A. B. (1974). Institutional political and fiscal factors in the development of library automation. *Journal of Library Automation*, 7(March), 5–26.
- Yukl, G. (1998). *Leadership in organizations* (4th ed.). New Jersey: Prentice Hall.
- Zaltman, G., & Duncan, R. (1977). *Strategies for planned change*. New York, NY: Wiley.

What Did You Expect to Happen? Aligning HR Practices with Knowledge Management Outcomes

Pia Hurmelinna-Laukkanen, Jorge F.S. Gomes, and Heidi Olander

Abstract HRM practices can be designed to influence not only employees' creativity, but also an organization's innovation capabilities and the management of related activities in general. Accordingly, a knowledge management question that ought to be constantly asked is the balance that organizations need to find between the two opposing goals of innovation activities: sharing knowledge between the players involved in innovation on one hand, and preventing vital knowledge from leaking and leaving the same activities on the other hand. This study addresses the questions of how different HRM practices relate to the incidences of both knowledge sharing, and knowledge leaking and leaving. Our findings indicate that different HRM practices lead to different outcomes, which thereby indicates that traditional and process approaches both carry out quite different functions.

Keywords HRM process approach • HRM content approach • Knowledge protection • Knowledge sharing • Innovation

1 Introduction

In recent literature, the process approach of Human Resource Management (Sanders et al. 2014) has highlighted the process by which organizational messages are communicated to employees and supervisors, as opposed to the more traditional content approach, which is typically used in high-commitment HR practices. Both

P. Hurmelinna-Laukkanen (✉)
Oulu Business School, University of Oulu, Oulu, Finland
e-mail: pia.hurmelinna-laukkanen@oulu.fi

J.F.S. Gomes
ISEG—Lisbon School of Economics and Management, ULisboa, Lisbon, Portugal
e-mail: jorgegomes@iseg.ulisboa.pt

H. Olander
School of Business and Management, Lappeenranta University of Technology, Lappeenranta, Finland
e-mail: heidi.olander@lut.fi

approaches are central to Strategic HRM (SHRM), which explores how HRM is connected with organizational strategies, and what are the outcomes of implementing these strategies (Huselid 1995). However, it is not always clear whether it is a case of different approaches leading to different outcomes, or whether similar results are achieved through different means. For example, the control and commitment approaches to HRM suggest that human resources can be guided in different manners (Arthur 1994), and hence the purpose of each different HR approach may well play a role. Such a purpose could be to accomplish certain tasks and outcomes, whereby creativity and intrinsic motivation may be needed, amongst other factors, whilst for some other tasks, the use of routines and structures may be more relevant.

With regards to innovation activities, whilst innovativeness, as such, can hardly be forced upon employees (it rather originates from voluntary knowledge sharing and other similar factors), some aspects related to the commercialization and securing the appropriation of innovation may require specific structures and a stricter approach (Brattström et al. 2012). Although open forms of innovation have increased and have revealed their benefits, firms need to prepare against the imitation and misappropriation of their innovative assets, in order to secure possibilities for further development (Alexy et al. 2012). Recently, Kultti et al. (2015) predicted that the maximum incentives to exchange information in R&D companies are especially strong in vertically related industries.

In fact, one particular problem that is referred to in the SHRM literature has been the connection between HRM and innovation strategies (Guest 2011). This topic has stimulated research since Miles and Snow (1978) first elaborated their theories about the connections between innovation strategies and the HRM function. However, despite intense investigation over the following decades, there is still much that is yet to be understood. This is currently known as the ‘black box’ of HRM research (Ferris et al. 1998; Gomes and Sanders 2012), based on the fact that only relatively unknown mechanisms explain how organizational strategies impact performance through the HRM system. The literature has addressed this problem, and has provided some preliminary answers. However, some aspects have gone quite unheeded, or the emphases inferred have produced somewhat biased and/or incomplete views on the matter. Prior research has suggested that the HRM system is related to both the financial and innovation performance of the firm, and that innovation appropriation possibilities—that is, appropriability based on knowledge protection—plays a role in this (Hurmelinna-Laukkanen and Gomes 2012). This line of research is quite rare however. Even if the need for both knowledge sharing and protection was acknowledged, how to achieve these seemingly contradicting goals is another issue, which is yet to be resolved (Kale et al. 2000; Yang et al. 2014). This study aims to address these questions.

In this study, the relationships between HRM practices and processes and their outcomes for knowledge transfer and flows are investigated. This research analyses the problem of how HRM practices and processes that are potentially contradictory, interact with knowledge sharing and knowledge protection activities. The research question is: “*how do different HRM practices relate to knowledge sharing on one*

hand, and knowledge leaking and leaving tendencies as challenges to knowledge protection, on the other hand?"

In the following sections, firstly knowledge sharing and protection is discussed, as is how HRM practices and processes contribute to these activities. Hypotheses are developed and tested among 150 technology industry firms. Discussion of the findings, theoretical contributions and managerial implications conclude the study.

2 Innovation Within Firms: Varying Knowledge Transfer Outcomes

Although the keys to successful innovation have yet to be determined, it can be noted that creativity and knowledge exchange can be built upon as sources for new ideas (Laursen and Salter 2014; Bassett-Jones 2005). Moreover, Saha and Banerjee (2015) showed that firm performance is higher in strategic alliances in which information sharing is also higher in the overall network social capital. But Knowledge sharing does not come automatically however, and it may well be that different (more or less innate) incentives need to be present. For this, the HRM system is important (i.e., the practices, procedures, and activities that are employed to manage people, together with the skills pool). The HRM system is also relevant in terms of guiding and supporting those employees who generate ideas and evaluate them, and who act as boundary spanners, gatekeepers and receptors of knowledge, and, furthermore, it plays a role in promoting organizational learning (Hurmelinna-Laukkanen and Puumalainen 2007). Through these activities, HRM system can improve value creation efficiency (Kwon et al. 2010). The HRM system stretches beyond the boundaries of the firm, as many events occur, not only within firms, but also across different organizational and disciplinary boundaries.

However the HRM system cannot solely focus on knowledge sharing aspects. The increasingly frequent open and collaborative forms of innovation (West et al. 2014) are not without risk, and knowledge may well flow outside organizational borders in an uncontrollable and unwanted way (Ritala et al. 2015). In fact, a firm's bargaining power and superior performance is jeopardized if a competitive rival manages to appropriate the firm's proprietary knowledge (Heiman and Nickerson 2004; Kogut and Zander 1992). Mills and Smith (2011, p. 161) note that "the knowledge protection process should not be abandoned or marginalized", compared to knowledge sharing (see also Gold et al. 2001). Referring to inter-organizational learning in the case of collaborations, Yang et al. (2014) note that attempts by firms to enhance knowledge exchange may also assist opportunistic partners capture the proprietary knowledge of the firm (Kale et al. 2000; Mohr and Sengupta 2002; Li et al. 2008). However, undesirable knowledge flows may take place more widely than in the case of organizations which are linked together through collaboration, and therefore protective actions cannot be limited just to relational mechanisms, or to governing the conduct of partners. Reliance on mutual

trust, for example, is insufficient to control the different kinds of risks that are related to knowledge (see e.g., Li et al. (2010) and Jiang et al. (2013), on the insufficiency of trust as relational mechanism), as knowledge may both leak from a firm and leave it on many different occasions.

Whilst knowledge sharing is a desired facet of collaboration, the leaking of knowledge is quite undesired—be it accidental, or intentional. The leaking of knowledge occurs when employees share knowledge that they are not supposed to share (Ritala et al. 2015). Jiang et al. (2013) mention situations where this occurs, such as: unrestrained collaborative environments, too easy an access, or the granting of exhaustive and detailed information about products or processes. Olander and Hurmelinna-Laukkanen (2014) list some of the reasons for these employee-related leaks as being due to: unawareness, insufficient caution (over-enthusiasm), mistakes (knowing what the information is confidential, but neglecting its protection by accident), frustration with the employer or one's own work (see also Herath and Rao 2009), or misjudgment regarding confidentiality of knowledge. Bulgurcu et al. (2010) note that employees may even break the rules intentionally, with the laudable excuse of having to do so to fulfill work requirements efficiently (see also Hannah and Robertson 2014). This view is similar to that by which R&D employees who develop strong allegiances with their partners, may intentionally reveal company critical knowledge (Husted and Michailova 2010; Husted et al. 2013). However, employees may also behave in this way when they seek personal benefit (e.g., gaining expert status) (Husted and Michailova 2010). Examples of when an employee is the one sharing knowledge, include: at professional fairs and exhibitions; during code committees (Ritala et al. 2015) and conferences; in the firm's own R&D lab; during totally informal occasions during the employee's free time, or; even due to the careless use of a smartphone or laptop in a public place (Olander and Hurmelinna-Laukkanen 2014).

In addition to employee-related risks of knowledge leaking, employees may also leave the company and take with them tacit knowledge that cannot be documented. The main reasons for employees leaving are changing jobs, starting up their own company or retiring, however knowledge leaving could also occur on account of reasons that are beyond the employee's control, such as layoffs. As not all leaving can be avoided, the implementation of practices and processes which limit access to critical knowledge, and thus limit the spread of knowledge outside the firm's boundaries may well reduce the risks in the first place. However, if despite these measures, unwanted knowledge transfer still occurs, it is important to restrict the harmful effects of imitation, and thus help the firm preserve its competitive advantages. In this case, one again, the existence of a HRM system can be quite decisive. For example, by restricting access, not all knowledge might be available to all employees (not to mention outside players) (Hannah 2005). The careful use of knowledge may be a result of employees being responsible for taking care of who has access to firm-specific knowledge (Bulgurcu et al. 2010), or of the firm trying to retain the knowledge held by employees by introducing practices that diminish outbound mobility. These aspects are considered more in the following section.

3 Human Resource Practices: Multiple Dimensions, Multiple Approaches

Traditional approaches to the association between the HRM system and strategy have focused on the effect of isolated HR practices, or groups of practices on employees' behavior and individual performance (Huselid 1995; Huselid and Becker 1996). Authors who subscribe to this view—called the HRM-content perspective—have also tried to link specific HR practices or particular features of such practices with the company's strategy. For example, Arthur (1994, p. 672) asserts that “control and commitment represent two distinct approaches to shaping employee behaviors and attitudes at work.” While the control-oriented HR systems generally involve “enforcing employee compliance with specified rules and procedures, and basing employee rewards on some measurable output criteria”, commitment-based systems “shape desired employee behaviors and attitudes by forging psychological links between organizational and employee goals. In other words, the focus is on developing committed employees who can be trusted to use their discretion to carry out job tasks” (Arthur 1994, p. 672).

In a longitudinal study conducted in manufacturing companies in the UK, Shipton et al. (2006) found that some HR practices, such as team working and appraisal, are predictors of innovation, thus reinforcing the view that commitment-HR practices foster innovative activity. In the knowledge management field, Cabrera et al. (2006) collected 372 responses from a large multinational company, and found that HR practices promoting openness to experience and self-efficacy are good predictors of participation in knowledge exchange, but less predicting power was found with regard to HR practices that stimulate commitment and job autonomy. Despite these encouraging findings, other authors have presented contradictory results in their research. For example, referring to the Chinese culture, Su and Wright (2012) say that, whereas empowerment is highly appreciated and efficient in some cultures, in others, such as that of the Chinese, it may lead to problems.

These, and other texts, show that, despite the vast research conducted that has been carried out on the HRM-content approach, there is still much to be understood about how distinct HR practices relate to distinct innovation and knowledge-management activities, as was recognized by Boselie et al. (2005), in their general discussion of the linkages between HRM practices and strategy.

3.1 Recruitment and Personal Development Practices

Behavioral criteria used in recruitment, selection, training and personal development practices can be used to reinforce and stimulate specific behaviors, and at the same time to prevent and reduce other behaviors (Delaney and Huselid 1996). For example, companies that wish to promote diversity—an important source of creativity and innovation (Bassett-Jones 2005)—may design recruitment and selection

activities that focus on attracting and selecting new employees who bring as many different skills as possible. Along the same line, training and development can be designed to promote a highly-skilled and autonomous workforce, with an outcome-oriented vision, rather than personnel who are dependent on a hierarchical and supervisory-dependent structure, with a process-driven vision (Bamberger and Meshoulam 2000; Delery and Doty 1996).

The above discussion suggests that knowledge sharing and knowledge protection can be stimulated by HR resourcing (recruitment and selection) and development (training and personal development) activities. Candidates and new employees can be selected, and later educated in a culture which with promotes simultaneously sharing and protecting sensitive company innovation-related knowledge. If this can be implemented as a general HRM policy for all new intakes in all types of organizations, then thus is even more important in the case of companies from highly innovative industries. In these sectors, as previously said, sharing knowledge amongst employees should be part of the global climate and culture of the firm, as also should be a special concern towards protecting inside knowledge, in order to prevent competitive knowledge from leaking and leaving the company. It should be noted that a certain level of “voluntary dysfunctional turnover” (Delery and Doty 1996; Dalton and Todor 1982) is always expected, no matter the efficacy of HRM staffing and development practices. Such risks can, however, be mitigated if HRM practices are purposefully designed and implemented to target vital knowledge.

Based on the above discussion, it can be expected that personnel development and recruitment would first and foremost facilitate knowledge sharing, and that it also contributes to knowledge protection—especially knowledge leaving. For simplicity, we formulate two hypotheses for this argument:

Hypothesis 1a: Personnel development and recruitment is positively related to knowledge sharing

Hypothesis 1b: Personnel development and recruitment is positively related to knowledge protection (i.e., is negatively related to knowledge leaving and leaking)

3.2 Compensation and Performance Appraisal

Compensation and performance appraisal is another area of HR practice whereby firms can affect knowledge sharing. It is a widely established notion that behaviors that can be measured, evaluated and rewarded, tend to guide employees' conduct, and produce incentives and dis-incentives for specific actions (Bamberger and Meshoulam 2000). In relation to innovation activities, rewarding employees for producing consistent quality, for example, will surely lead to less disruption, but on the other hand, it may dis-incentivize the emergence of any radical innovation. This suggests that compensation and appraisal-related aspects are not completely

straightforward. In particular, performance appraisal needs to be fair, visible, and communicated correctly to employees, amongst other factors (Sanders et al. 2014), in order to produce the desired outcomes. The related challenge is therefore, that knowledge sharing can be in some instances fairly difficult to measure reliably—how can one determine whether an employee has performed well in contributing to a joint development activity? On the other hand, structures exist for situations where, for example, employees are compensated for sharing their inventions and for contributing to patent applications. It is thus likely that compensation and performance appraisal can promote this type of activity, when it is applied specifically to knowledge sharing functions in particular.

Knowledge protection, on the other hand, is more typically approached from a different angle, and sanctions for misbehavior may dominate practices, whilst over-rewarding for compliance (Straub and Nance 1990; Herath and Rao 2009). There are cases where employees have been awarded for complying with information security rules, but in general these are rare, and their efficiency is put into question (Pahnila et al. 2007). For instance, Bulgurcu et al. (2010) note that while rewards have not been found to be effective in convincing individuals that security policies are mandatory, specifying policies, evaluating behaviors, and computer self-efficacy have been effective.

In line with what has been stated above, as we acknowledge the limitations of monetary compensation to guide employee conduct, for example, we do not expect to find a strong relationship between compensation and knowledge sharing and protection. However, if such a relationship exists, then we anticipate it to be positive—rewards, after all, should compensate desirable, rather than undesirable behavior. The following hypotheses are formulated:

Hypothesis 2a: Compensation and appraisal is positively related to knowledge sharing

Hypothesis 2b: Compensation and appraisal is not related to knowledge protection (i.e., it is negatively related to knowledge leaving and leaking)

3.3 Commitment and Involvement Practices

With regards to knowledge sharing, commitment is likely to promote sharing and to reduce knowledge-related risk. Commitment and effective attachment to the organization is seen to include a desire to remain in the organization and to contribute effort on its behalf (Fiorito et al 2007; Mowday et al. 1979). Employees who are affectively committed to their company, will likely feel that they want to contribute to the company's success, and a way to facilitate this in an innovative company, is to take part in effective knowledge sharing when needed, in ways suggested by the organization. Commitment is seen to enhance willingness to share knowledge (Camelo-Ordaz et al. 2011). For committed employees, this could be a somewhat altruistic behavior, but even if the commitment is calculative (Mowday et al. 1979),

employees could think that it is in their self-interest to carry out knowledge sharing in such a way that is beneficial to their organization (Olander et al. 2012).

In addition to knowledge sharing, knowledge leaving should also be affected by commitment practices—commitment reduces the inclination of employees to change jobs (Mir et al. 2002, on the effect of commitment on reducing turnover) and it should increase the tendency for them to look after their employer's interests. This could mean that, for example, even if an employee needs to leave the company, they would still be willing to help with the induction of their substitute, or to pass on information on their departure. These behaviors would allow for lesser harm for the company, in contrast to knowledge being completely and suddenly lost with employees who leave. In terms of knowledge leaking, in principle, commitment should reduce knowledge leaking also, mainly because committed employees are more likely to want to preserve the trade secrets of their employer.

Of course, there is always a risk that knowledge leaking happens for reasons other than employees being uncommitted. For example, even a highly committed employee may unintentionally disclose information in certain cases, especially if they are highly involved in innovative activities—on account of a misjudgment about the confidentiality of that specific knowledge, or by thinking that sharing that knowledge would benefit the firm, or because they were unaware of the knowledge protection rules or did not understand their role (Bulgurcu et al. 2010; Hannah and Robertson 2014).

Nevertheless, commitment and involving practices should increase knowledge sharing, and also prevent knowledge leaking and leaving, and thus positively affect knowledge protection.

Hypothesis 3a: Commitment and involving practices are positively related to knowledge sharing

Hypothesis 3b: Commitment and involving practices are positively related to knowledge protection (i.e., are negatively related to knowledge leaving and leaking)

3.4 HR Knowledge Practices

In this study, specific HR knowledge practices refer to mechanisms that are designed to create barriers against harmful imitation, and which build on the fact that employees are important gatekeepers of firm-specific knowledge. The very origin of HR knowledge practices results in them being designed for protecting innovations. As such, they are not likely to promote knowledge sharing, apart from the aspect whereby employees are knowledgeable about IPR issues and know what to share and with whom, and thus they will not be obstructing the flow of knowledge by withholding information “just in case”, neither will they become unmotivated to share knowledge (Gagné 2009). On the contrary, knowledge sharing is likely to diminish when HR messages and information security rules

explicitly state that knowledge needs to be protected. Furthermore, if personnel turnover is purposely kept to a minimum, with protection in mind, then it may be that knowledge sharing is reduced, as there is less new knowledge entering the firm as well—in general, knowledge sharing is a relatively mutual activity, based on the expectation that the party providing knowledge achieves something in return (at least in the form of the final output for which the knowledge was requested). These outcomes are hardly surprising, and they definitely need to be acknowledged when HR knowledge practices are put in to use.

According to Liebeskind (1996), the mere awareness by an employee of the company’s policy to enforce legal prosecution or dismissal as a punishment for the failure to keep confidential knowledge, may be sufficient to act as deterrence against unintentional knowledge sharing and knowledge expropriation. The presence of such a company policy enhances knowledge protection. In particular, knowledge leakages should be notably reduced when employees are loyal to the employer, and also when they are aware of what they may disclose, and when. If employees are committed and want to remain working for the same employer, then they will want the company to succeed. Therefore, they are less willing to leave the company, even if such a possibility were to arise, and they could be more inclined to do their part to protect their employer’s trade secrets and core knowledge from being copied. Knowledge leaving may, for sure, still be difficult to control (as happens for so many reasons), but a positive relationship would be expected in this case.

In summing up—HR knowledge practices are most likely contribute to knowledge protection. They may also reduce knowledge sharing, but are unlikely to do so, on account of the abovementioned reasons:

Hypothesis 4a: HR knowledge practices are not related to knowledge sharing

Hypothesis 4b: HR knowledge practices are positively related to knowledge protection (i.e., they are negatively related to knowledge leaving and leaking)

Figure 1 depicts the research framework with all the hypotheses.

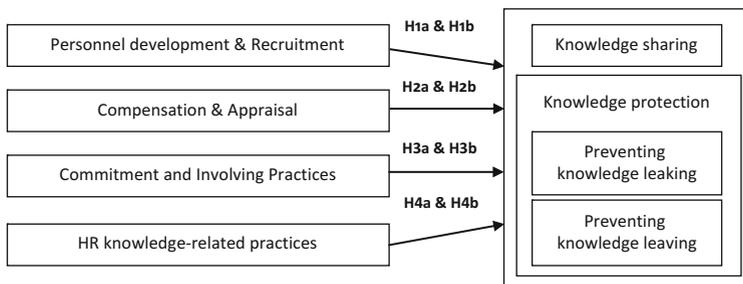


Fig. 1 Research framework and hypotheses

4 Empirical Study

4.1 *Sample Collection*

Data was collected using a survey conducted in Finland during 2012. The initial sample included all members of the Federation of Finnish Technology Industries, a national industry association. This association represents the most important industrial sectors in Finland, and its members account for 80 % of total Finnish R&D investments, and 55 % of total Finnish exports (Federation of Finnish Technology Industries 2014). The initial sample included 1273 firms from machinery and metal, electronics, information technology, and planning and consulting industries. The sample selection had a threshold of at least ten employees per firm. Prior to conducting the survey, a pre-test was carried out with industry practitioners who represented various areas of senior-level expertise. The rationale behind the pre-testing was to ensure that the potential respondent group would understand all the survey questions. During pre-testing, several items were re-phrased in order to achieve greater clarity and comprehension. Following key informant logic (Kumar et al. 1993), the questionnaires were sent to professionals with a sufficient level of seniority to be able to respond to the questions, i.e., to the Chief Executive Officer (CEO) of each firm. The survey included a cover letter, which discussed the informant's role as the key respondent of their respective organizations, and stressed that the responses should represent the whole organization, making use of the informant's best available knowledge and judgment. Responses from 150 firms were received (a 12 % return rate).

4.2 *Measures*

4.2.1 *Dependent Variables*

With regards to knowledge sharing and protection, this study used original measures, as these concepts have not been properly addressed in previous literature. All items were generated based on theoretical discussions on knowledge sharing, and knowledge leaving and leaking (e.g., Choi et al. 2010; Liebeskind 1996, 1997; Agrawal et al. 2006). We expected the respondents to be able to make a distinction between knowledge sharing as being a desired activity, and unintentional and intentional knowledge leaking and leaving as being harmful for a firm. Factor loadings suggest that this distinction was successfully made.

Knowledge sharing was captured with six items (adopted from Choi et al. 2010) and knowledge protection was divided in two dimensions—knowledge leaving and knowledge leaking. Each factor was measured with four items. The Cronbach alphas were: 0.49 (knowledge leaving), 0.86 (knowledge leaking) and 0.87 (knowledge sharing). The scale for measuring knowledge leaving revealed an alpha of 0.64

with three items, however the final results did not change significantly, and hence it was decided to maintain the original scale with four items. All items are listed in the Appendix.

4.2.2 Independent Variables

Items measuring HRM practices and processes were taken from previous studies, such as those of Bae and Lawler (2000), and Delery and Doty (1996). The variables were: (a) personnel development and recruitment (PD&R), with 16 items ($\alpha = 0.91$); (b) compensation and appraisal (C&A), with 9 items ($\alpha = 0.82$), and; (c) commitment and involving practices (C&I), with 12 items ($\alpha = 0.92$). The fourth HR-related variable, which was called HR knowledge-related practices (HRK), was measured with 5 items that were adopted from Hurmelinna-Laukkanen and Puumalainen (2007) ($\alpha = 0.75$) and these were all focused on HRM practices that are specifically related to intellectual property and imitation risk.

4.3 Analysis and Results

Table 1 shows the descriptive statistics and correlations for the main variables.

As shown in Table 1, the following hypotheses are confirmed based on correlation analysis: H1a, H2a, H2b, H3a, and H4a. H4b receives partial support, as knowledge leaking is diminished in relation to HRK practices. Hypotheses H1b and H3b were not confirmed. Knowledge sharing is therefore a central tenet for the design of HR practices (especially those for personal development and recruitment), but at the same time, these very same practices do not take into account the need to protect knowledge. Yet, on the other hand, when HR-related measures are directly considered from an information protection point of view, then knowledge leaking can be affected.

These results were complemented by a set of multiple regressions. Four multiple regression analyses were run (one for each dependent variable), after checking for regression assumptions and outliers (co-linearity diagnoses, normality check, outliers identification and elimination, and homoscedasticity). Several regression models were tested until all the assumptions were met. Table 2 shows the final regression results obtained for all the hypotheses.

The regression analyses suggest that personnel development and recruitment can explain knowledge sharing when all studied HRM practices are accounted for, whereas others do not have such a great power. Knowledge leaving and leaking are not affected by HRM practices. The HRM function is traditionally a system which is designed to manage people's perceptions and their interpretations and behaviors, within a more-or-less established philosophical basis, in which knowledge should circulate amongst employees. Conversely, it is not designed to promote secrecy,

Table 1 Descriptive statistics and correlations

	N	Mean	SD	H1 PD&R	H2 C&A	H3 C&I	H4 HRK	Leave	Leak
	145	4.30	0.98						
	145	4.39	0.90	0.63**					
	139	5.25	1.02	0.70**	0.64**				
	129	5.28	1.15	0.15	0.12	0.10			
<i>H1-4b</i>	143	2.06	0.87	-0.21	-0.10	-0.03	-0.02		
	142	2.11	1.16	0.05	0.04	-0.02	-0.20*	0.24**	
<i>H1-4a</i>	127	4.08	1.39	0.50**	0.36**	0.049**	0.16	-0.06	-0.14

Note: Those highlighted show the hypothesized relationships with support

* p < 0.01; ** p < 0.001

Table 2 Regression analyses

Dep. variable	Indep. variables	B (t-value, p)	R ² _a	Z (p)	Hs
Knowledge sharing	PD&R	3.17 (t = 2.54*)	0.24	9.39**	H1a
	C&A	-0.15 (t = -0.12 ns)			H2a
	C&I	0.17 (t = 0.54 ns)			H3a
	HRK	0.11 (t = 0.74 ns)			H4a
Knowledge leaking	PD&R	0.96 (t = 0.75 ns)	0.001	1.25 ns	H1b
	C&A	-0.37 (t = -0.29 ns)			H2b
	C&I	-0.41 (t = -0.32 ns)			H3b
	HRK	0.09 (t = -0.99 ns)			H4b
Knowledge leaving	PD&R	0.56 (t = 0.42 ns)	0.01	0.58 ns	H1b
	C&A	-0.15 (t = -1.18 ns)			H2b
	C&I	-0.27 (t = -0.20 ns)			H3b
	HRK	0.44 (t = 0.47 ns)			H4b

ns non-significant

* p < 0.01; ** p < 0.001

neither to strategically manage inside and competitive-related knowledge. Without doubt, these generic HR orientations are reflected in these results.

5 Discussion and Conclusions

The aim of this study was to explore how different HRM practices relate to knowledge sharing on one hand, and to knowledge leaking and leaving tendencies as challenges to knowledge protection, on the other hand.

Our results show, quite expectedly, that, in general, HR mechanisms tend to be related to knowledge sharing, rather than to knowledge protection (Camelo-Ordaz et al. 2011; Olander et al. 2012). Personnel development and the recruitment of new employees seems to contribute to this activity to a notable degree—as new employees contribute with their specific skills and those that are harnessed through knowledge sharing. An efficient orientation and introduction of new employees also means that knowledge about the firm’s practices is provided, and also about specific products and processes, and once again, knowledge sharing is inherently present. Training and other such practices also increase the knowledge base of personnel, and allow for a higher degree of knowledge sharing to be reached and, amongst other factors, a common jargon which results in an efficient transfer of knowledge may well result from these activities. On closer observation, compensation and appraisal were not related to knowledge sharing, which is in line with other studies, which suggests that, without intrinsic motivation, it is hard to force employees to share their knowledge (e.g., Cabrera et al. 2006). Finally, those HR practices that were targeted for knowledge protection, had no effect on knowledge sharing. This is not surprising, considering the essentially contradicting connotations that are

related to knowledge protection and sharing. The absence of a negative relationship could be interpreted as a positive sign, an example being that training on IPR issues, even when carried out for protection purposes, should also provide guidelines for knowledge sharing, rather than eradicate it completely.

Knowledge protection seems to be associated with more traditionally-oriented practices (although not necessarily with control-based ones), and it seems to be mostly outside the reach of HRM practices and processes in the general sense, as, according to our findings (see the correlation matrix), only knowledge leaking can be mitigated by HRM practices, and even then, these practices should be specifically geared for knowledge protection. Nonetheless, should personnel be unaware of the importance of knowledge protection or the practices used to achieve this, then knowledge leakages are more likely to occur. Mechanisms such as compensation and appraisal, or commitment and involving practices, do not seem to be sufficient to diminish knowledge leaving, although such aspects could be expected in theory. Nevertheless, the absence of a positive relationship between compensation and appraisal, and knowledge protection and sharing, may not come as a complete surprise, as Bulgurcu et al. (2010) state that although rewards (to encourage desired behavior) and punishments (to discourage undesirable behavior) provide external motivation, an employee's intrinsic desires provide the internal motivation to follow (or not to follow) rules and regulations (see also Tyler and Blader 2005). Furthermore, even if employee job satisfaction surveys demonstrate a tendency of a desire for better compensation and more appraisal and acknowledgement, these mechanisms do not, however, seem to make a difference if the employee has already decided to leave (O'Donoghue and Croasdell 2009). On another note, as suggested in the above discussion, knowledge leaving is a complicated issue, as it occurs for a variety of reasons, and it is always bound to happen, to some extent (Olander et al. 2013). Leaving is not invariably related to choosing to change jobs, but can also be related to retirement, illness, or a change in the family situation, all of which are situations where the employer has little, or no influence.

These findings contribute to existing knowledge, by incorporating ideas from intellectual property and knowledge management streams of literature into discussions on HRM (Mills and Smith 2011; Ahmad et al. 2014; Liebeskind 1997; Zhang and Kochhar 2014). In particular, it has been challenging to find a balance between knowledge sharing and protection in innovative activities (Kale et al. 2000; Yang et al. 2014). According to our findings, these seemingly contradicting aims can be achieved with similar HR tools, but then it should be borne in mind that both the reasons behind, and the aims of, the particular practices need to be clearly communicated. Furthermore, employees need to be provided with tools for confronting such collision situations.

For managers, this means that HR practices and processes that facilitate both knowledge sharing and protection need to be employed from the very start of the contractual relationship with each and every employee. Intrinsic motivation needs to be nurtured and maintained for knowledge sharing, and clear systems need to be provided for knowledge protection. Although our empirical data did not cover this aspect directly, it would be notably useful to implement a firm policy for situations

where information security rules collide with instructions and rules for accomplishing daily tasks, as it is very risky to make assumptions about employees' capabilities to deal with such situations (see Bulgurcu et al. 2010).

Our study has its limitations, yet it can be seen to be a starting point for further research. Firstly, our study was only carried out in one country, and secondly, the sample of data collected is relatively small. Therefore, more research is needed to gain more widely generalised results. Content-wise, the study did not analyse in depth the sources of knowledge leaving and leaking, but as both of these issues can also be considered as multidimensional constructs (with leaking being unintentional and intentional, and leaving being a result of a number of things; see, e.g., Bulgurcu et al. 2010; Agrawal et al. 2006; Almeida and Kogut 1999), the different dimensions could be scrutinised in greater detail. Likewise, the effects of HR processes and practices on the interplay of knowledge protection and sharing could be addressed. Even though it may have limitations and findings, this study provides a starting point for such research.

References

- Agrawal, A., Cockburn, I., & McHale, J. (2006). Gone but not forgotten: Labor flows, knowledge spillovers and enduring social capital. *Journal of Economic Geography*, 6(5), 571–591.
- Ahmad, A., Bosua, R., & Scheepers, R. (2014). Protecting organizational competitive advantage: A knowledge leakage perspective. *Computers and Security*, 42, 27–39.
- Alexy, O., George, G., & Salter, A. (2012). 'Cui Bono'? The selective revealing of knowledge and its implications for innovative activity. *Academy of Management Review*, 38, 270–291.
- Almeida, P., & Kogut, B. (1999). Localization of knowledge and the mobility of engineers in regional networks. *Management Science*, 45(7), 905–917.
- Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37(3), 670–687.
- Bae, J., & Lawler, J. J. (2000). Organizational and HRM strategies in Korea: Impact on firm performance in an emerging economy. *Academy of Management Journal*, 43(3), 502–517.
- Bamberger, P. A., & Meshoulam, I. (2000). *Human resource strategy: Formulation, implementation and impact*. Thousand Oaks: Sage.
- Bassett-Jones, N. (2005). The paradox of diversity management, creativity and innovation. *Creativity and Innovation Management*, 14(2), 169–175.
- Boselie, P., Dietz, G., & Boon, C. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, 15, 67–94.
- Brattström, A., Löfsten, H., & Richtner, A. (2012). Creativity, trust and systematic processes in product development. *Research Policy*, 41, 743–755.
- Bulgurcu, B., Cavusoglu, H., & Benbasat, I. (2010). Information security policy compliance: An empirical study of rationality-based beliefs and information security awareness. *MIS Quarterly*, 34(3), 523–548.
- Cabrera, A., Collins, W. C., & Salgado, J. F. (2006). Determinants of individual engagement in knowledge sharing. *The International Journal of Human Resource Management*, 17(2), 245–264.
- Camelo-Ordaz, C., Garcia-Cruz, J., Sousa-Ginel, E., & Valle-Cabrera, R. (2011). The influence of human resource management on knowledge sharing and innovation in Spain: The mediating role of affective commitment. *The International Journal of Human Resource Management*, 22(7), 1442–1463.

- Choi, S. Y., Lee, H., & Yoo, Y. (2010). The impact of information technology and transactive memory systems on knowledge sharing, application, and team performance: A field study. *MIS Quarterly*, 34(4), 855–870.
- Dalton, D. R., & Todor, W. D. (1982). Turnover: A lucrative hard dollar phenomenon. *Academy of Management Review*, 7, 212–218.
- Delaney, J. T., & Huselid, M. A. (1996). The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4), 949–969.
- Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39(4), 802–835.
- Federation of Finnish Technology Industries. (2014). Available from <http://www2.teknologiateollisuus.fi/en/>
- Ferris, G. R., Arthur, M. M., Berkson, H. M., Kaplan, D. M., Harrel-Cook, G., & Frink, D. D. (1998). Toward a social context theory of the human resource management-organization effectiveness relationship. *Human Resource Management Review*, 8, 235–264.
- Fiorito, J., Bozeman, D., Young, A., & Meurs, J. (2007). Organizational commitment, human resource practices, and organizational characteristics. *Journal of Managerial Issues*, 19(2), 186–207.
- Gagné, M. (2009). A model of knowledge-sharing motivation. *Human Resource Management*, 48(4), 571–589.
- Gold, A. H., Malhotra, A., & Segars, A. H. (2001). Knowledge management: An organizational capabilities perspective. *Journal of Management Information Systems*, 18(1), 185–214.
- Gomes, J. F. S., & Sanders, K. (2012, August 3–7). Formal and informal HRM: Implications for the HRM process perspective. In *Caucus at the Academy of Management, Annual Meeting*. Boston, MA.
- Guest, D. (2011). Human resource management and performance: Still searching for some answers. *Human Resource Management Journal*, 21, 3–13.
- Hannah, D. R. (2005). Should I keep a secret? The effects of trade secret protection procedures on employees' obligations to protect trade secrets. *Organization Science*, 16(1), 71–84.
- Hannah, D. R., & Robertson, K. (2014). Why and how do employees break and bend confidential information protection rules? *Journal of Management Studies*, 52(3), 381–413.
- Heiman, B. A., & Nickerson, J. A. (2004). Empirical evidence regarding the tension between knowledge sharing and knowledge expropriation in collaborations. *Managerial and Decision Economics*, 25(6/7), 401–420.
- Herath, T., & Rao, H. R. (2009). Encouraging information security behaviors in organizations: Role of penalties, pressures and perceived effectiveness. *Decision Support Systems*, 47(2), 154–165.
- Hurmelinna-Laukkanen, P., & Gomes, J. F. S. (2012). HRM system strength—HRM harnessed for innovation, appropriability and firm performance. *Economics and Business Letters*, 1(4), 43–53.
- Hurmelinna-Laukkanen, P., & Puumalainen, K. (2007). The nature and dynamics of appropriability: Strategies for appropriating returns on innovation. *R&D Management*, 37, 95–112.
- Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity and corporate financial performance. *Academy of Management Journal*, 38, 635–670.
- Huselid, M. A., & Becker, B. E. (1996). Methodological issues in cross-sectional and panel estimates of the human resource-firm performance link. *Industrial Relations*, 35, 400–423.
- Husted, K., & Michailova, S. (2010). Dual allegiance and knowledge sharing in inter-firm R&D collaborations. *Organizational Dynamics*, 39(1), 37–47.
- Husted, K., Michailova, S., & Olander, H. (2013). Dual allegiance, knowledge sharing, and knowledge protection: An empirical examination. *International Journal of Innovation Management*, 17(6), 1–33.

- Jiang, X., Li, M., Gao, S., Bao, Y., & Jiang, F. (2013). Managing knowledge leakage in strategic alliances: The effects of trust and formal contracts. *Industrial Marketing Management*, 42, 983–991.
- Kale, P., Singh, H., & Perlmutter, H. (2000). Learning and protection of proprietary assets in strategic alliances: Building relational capital. *Strategic Management Journal*, 21(3), 217–237.
- Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3), 383–397.
- Kultti, K., Takalo, T., & Tanayama, T. (2015). R&D spillovers and information exchange: A case study. *Eurasian Economic Review*, 5(1), 63–76.
- Kumar, N., Stern, L., & Anderson, J. (1993). Conducting interorganizational research using key informants. *Academy of Management Journal*, 36, 1633–1651.
- Kwon, V. A. P. K., Bae, J., & Lawler, J. J. (2010). High commitment HR practices and top performers. *Management International Review*, 50(1), 57–80.
- Laursen, K., & Salter, A. J. (2014). The paradox of openness: Appropriability, external search and collaboration. *Research Policy*, 43(5), 867–878.
- Li, D., Eden, L., Hitt, M. A., & Ireland, R. D. (2008). Friends, acquaintances, or strangers? Partner selection in R&D alliances. *Academy of Management Journal*, 51, 315–334.
- Li, J. J., Poppo, L., & Zhou, Z. K. (2010). Relational mechanism, formal contracts, and local knowledge acquisition by international subsidiaries. *Strategic Management Journal*, 31, 349–370.
- Liebesskind, J. P. (1996). Knowledge, strategy, and the theory of the firm. *Strategic Management Journal*, 17, 93–107.
- Liebesskind, J. P. (1997). Keeping organizational secrets: Protective institutional mechanisms and their costs. *Industrial and Corporate Change*, 6(3), 623–663.
- Miles, R., & Snow, C. (1978). *Organizational strategy, structure and process*. London: McGraw Hill.
- Mills, A. M., & Smith, T. A. (2011). Knowledge management and organizational performance: A decomposed view. *Journal of Knowledge Management*, 15(1), 156–171.
- Mir, A., Mir, R., & Mosca, J. B. (2002). The new age employee: An exploration of changing employee-organization relations. *Public Personnel Management*, 31, 187–200.
- Mohr, J. J., & Sengupta, S. (2002). Managing the paradox of inter-firm learning: The role of governance mechanisms. *Journal of Business and Industrial Marketing*, 17(4), 282–301.
- Mowday, R. T., Steers, R. M., & Porter, L. W. (1979). The measurement of organizational commitment. *Journal of Vocational Behavior*, 14, 223–247.
- O'Donoghue, N., & Croasdel, D. T. (2009). Protecting knowledge assets in multinational enterprises: A comparative case approach. *VINE*, 39(4), 298–318.
- Olander, H., & Hurmelinna-Laukkanen, P. (2014, December 7–10). Maintaining creativity—Whats and whys of HRM-risk perceptions and management. In *ISPIM Asia-Pacific Innovation Forum*. Singapore.
- Olander, H., Kosonen, M., Heilmann, P., & Hurmelinna-Laukkanen, P. (2012). Human resources—Invaluable inventors or weakest links? In *23rd ISPIM Conference*. Barcelona, Spain.
- Olander, H., Vanhala, M., Hurmelinna-Laukkanen, P., & Blomqvist, K. (2013, June 16–19). Relationships of protecting prerequisites of innovation, HRM, and organizational trust. In *ISPIM Conference*. Helsinki.
- Pahnila, S., Siponen, M., & Mahmood, A. (2007). Employees' behavior towards IS security policy compliance. In *Proceedings of the 40th Hawaii International Conference on System Sciences* (pp. 156–166). Los Alamitos, CA: IEEE Computer Society Press.
- Ritala, P., Olander, H., Michailova, K., & Husted, K. (2015). Knowledge sharing, knowledge leaking and relative innovation performance: An empirical study. *Technovation*, 35, 22–31.
- Saha, M., & Banerjee, S. (2015). Social capital and information sharing: Impact on firm performance. In M. H. Bilgin, H. Danis, E. Demir, & C. K. M. Lau (Eds.), *Innovation, finance and the*

- economy: Proceedings of the 13th Eurasia Business and Economics Society Conference* (pp. 193–211). Cham: Springer.
- Sanders, K., Shipton, H., & Gomes, J. F. S. (2014). Guest editors' introduction: Is the HRM process important? Past, current, and future challenges. *Human Resource Management, 53*(4), 489–503.
- Shipton, H., West, M. A., Dawson, J., Birdi, K., & Patterson, M. (2006). HRM as a predictor of innovation. *Human Resource Management Journal, 16*(1), 3–27.
- Straub, D. W., & Nance, W. D. (1990). Discovering and disciplining computer abuse in organizations: A field study. *MIS Quarterly, 14*(1), 45–60.
- Su, Z. X., & Wright, P. M. (2012). The effective human resource management system in transitional China: A hybrid of commitment and control practices. *The International Journal of Human Resource Management, 23*(10), 2065–2086.
- Tyler, T. R., & Blader, S. L. (2005). Can businesses effectively regulate employee conduct? The antecedents of rule following in work settings. *Academy of Management Journal, 48*(6), 1143–1158.
- West, J., Salter, A., Vanhaverbeke, W., & Chesbrough, H. (2014). Open innovation: The next decade. *Research Policy, 43*(5), 805–811.
- Yang, S. M., Fang, S. C., Fang, S. R., & Chou, C. H. (2014). Knowledge exchange and knowledge protection in interorganizational learning: The ambidexterity perspective. *Industrial Marketing Management, 43*(2), 346–358.
- Zhang, Y., & Kochhar, A. K. (2014). A value optimising structure in virtual enterprises for manufacturing systems. In M. K. Nandakumar, S. Jharkharia, & A. S. Nair (Eds.), *Organizational flexibility and competitiveness* (pp. 53–71). Cham: Springer.

Business and Tourism Students' Considerations on Future Career

Iorgulescu Maria-Cristina and Țăpescu Alina Ioana

Abstract Studies in the field of tourism employment are continuously developing, as this domain is one of the most important industries in the world, 1 in 11 jobs being in this sector. Considering the poor reputation of the tourism industry, as an employer, it is important to study business and tourism students' perception of the industry. The paper presents an exploratory research, conducted using a questionnaire-based study on senior undergraduate students at the Faculty of Business and Tourism (Bucharest University of Economic Studies). One of the main objectives of the survey was to identify students' perception on the nature of an ideal job, compared to how they perceive a career in tourism. The study also reveals students' perception on the abilities and competencies needed for a successful career in tourism, highlighting the extent to which they consider their undergraduate studies help them to develop the considered competencies. The findings of this study reveal students' perception on the relevance of their academic education for a career in tourism, as well as important differences between an ideal career and what a career in tourism has to offer. Considering the limitations of the study, the theoretical and practical implications of the results are discussed.

Keywords Tourism • Career • Student • Education • Competencies

1 Introduction

It is well known that the tourism industry is largely labour intensive, which is why it has become one of the top-job creating and one of the fastest growing sectors in the global economy (ILO 2014b). In most countries, tourism activities are now accounting for a growing share of economic activities, and the trend appears likely to be continued in the future as well (UNWTO and ILO 2014). Figures provided by the World Tourism Organisation (UNWTO) show that despite the challenging

I. Maria-Cristina (✉) • Ț.A. Ioana
Department of Tourism and Geography, Bucharest University of Economic Studies, Bucharest,
Romania
e-mail: cristina.iorgulescu@com.ase.ro; alina.tapescu@yahoo.com

global economic environment, international tourism results in 2013 were well above expectations, showing a 5 % increase in international tourist arrivals, which reached a record of 1.087 million arrivals (UNWTO 2014b).

Infrastructure development, export revenues and the creation of jobs and enterprises are the main indicators that prove tourism to be one of the key drivers of socio-economic progress, both in advanced and emerging economies (UNWTO 2014b). The World Tourism Organisation highlights the importance of the continued expansion of the tourism industry by key figures that prove its contribution to the global economy. Thus, tourism accounts for 9 % of GDP (direct, indirect and induced impact) and 6 % of the world's exports; it provides 1 in 11 jobs and has generated US\$1.4 trillion in exports and US\$1.159 billion in international tourism receipts worldwide in 2013 (UNWTO 2014b).

Statistics are just as good when it comes to evaluating tourism's growth and importance in the European Union, showing that in 2010, more than 1 in 7 enterprises in Europe's non-financial business economy belonged to the tourism industries. Moreover, the estimated number of people employed by these 3.4 million enterprises is 15.2 million persons (Eurostat 2013). Also, 11 % of the persons employed in the whole non-financial business economy and 29 % of the persons employed in the non-financial services sector in the European Union work in enterprises from industries with tourism related activities (Eurostat 2013).

Being a fragmented industry with a majority of small and medium enterprises as employers, the tourism sector has developed a reputation of poor working conditions, with work being characterized by low wages, low level of skill requirements, seasonality and shift and night work (ILO 2014b). These factors constitute motives for people working in tourism to frequently look for better jobs elsewhere and, eventually, leave to take up more decent work, which leads to one of the major problems human resources management in tourism is facing: personnel fluctuation. The ones that do stay may also include well trained professionals, but mainly they are large numbers of workers with difficulties to find other jobs, women who can only work part-time due to their family responsibilities or low qualified workers in general, which is why the tourism sector suffers from shortage of skilled or minimally qualified personnel (UNWTO 2014a).

Focusing on Romania's recent figures in tourism employment, Eurostat's databases show that the accommodation and food service activities account for only 2.1 % of the total number of employed persons (194,000 people out of a total 9,247,000 work in these activities), compared to an average percent for the European Union which is 4.5 %, meaning that 9,741,000 people out of a total 217,292,000 work in accommodation and food service activities (Eurostat 2014b). The difference is preserved also when it comes to measuring the account of the services sector in total employment: in the European Union services account for 72.5 % of total employment, while in Romania they only account for 41.3 % of total employment, which shows that industry and agriculture are still strong employers (Eurostat 2014a).

An interesting comparison can also be drawn between Romania and the European Union's tourism employees by level of education attained. Thus, in Romania 7.7 % of the persons employed in accommodation and food service

activities have attained pre-primary, primary and lower secondary education, while the average for the E.U. is 31.2 % for the same level of education. The majority of Romanian accommodation and food service activities employees, 81.5 % of them, has attained upper secondary and post secondary non-tertiary education, while in E.U. more than half of them, 54 %, have attained the same level of education. Only 10.8 % of accommodation and food service activities employed persons in Romania have attained first and second stage of tertiary education, while for the same level of education the percent for the E.U. is 14.8 % (Eurostat 2014c).

Having made an overview of the current state of the tourism labour market in Romania, the European Union and also worldwide, the study will now focus on its main purpose, which is to see if students who have attended Business Administration in Tourism academic programs do end up developing a career in tourism, and how or if the quality of these academic programs affect their decision.

In order to properly address the proposed aim of this study, the first part of the paper presents a review of other relevant studies discussed in literature. Furthermore, the research methodology is presented. The results of the study, interpreted by statistical analysis, allow for a comparison drawn between its findings and the findings of other reviewed studies, also listing a number of implications of the results for the Romanian tourism education actors.

2 Theoretical Framework

2.1 *Particularities of Work in the Tourism Industry*

For someone who has not had any contact with the insights of the tourism industry, it may appear that working in tourism has many advantages and is not so much different than working in any other activity. To support this theory, Nickson (2007) lists a number of aspects based on which tourism as an employer offers numerous advantages.

Firstly, it offers many job opportunities for those who are at the beginning of their career, especially youths, within a vast array of domains. Secondly, those employees who are in need of time flexibility in order to continue their studies or attend their domestic responsibilities can choose from the numerous seasonal or part-time jobs in tourism. Thirdly, this industry tends to generate workplaces in areas with high rates of unemployment, such as rural communities. Last, but not least, tourism is one of the leading sectors in creating job opportunities in small and medium enterprises, which are the main driving force of the market economy.

On the other hand, working in tourism, in general, and in the accommodation activities in particular, has a set of characteristics that may be considered unappealing by the majority of people, as described onwards.

Firstly, work in tourism tends to have a low level of technical requirements, as many of the jobs available in hotels or food service activities do not call for high

degrees of specialized knowledge. This causes tourism to have a bad image as an employer, especially in those countries where salaries for such positions are very low (Richardson 2009).

Secondly, work in tourism is characterized by high levels of mobility, not only when it comes to seasonal jobs, but also in terms of high fluctuation of personnel on permanent positions (Mullins 2001; Eurofound 2004; van Rheede et al. 2009). During very demanding periods of the year, there is a tendency to employ additional occasional staff, which results in taking on unqualified or insufficiently qualified workers. In the end, this practice may affect the quality of the services provided to tourists (Vellas and Becherel 1995).

Thirdly, inconvenient work hours and schedules makes staff recruitment difficult for tourism enterprises, as people are reluctant to taking a job where they have to work during the weekends, during the nights or on holidays, and then forced to spend their own holiday off-season (Richardson 2009).

Yet another characteristic is the length of the workday: although the big hotel chains have adapted their working schedule to previously-existing patterns from other industries, there may be smaller hotels or restaurants where a shift-based system does not even exist. In this later case, the employees have to cover the entire working schedule of a day, which negatively impacts their family life and other aspects (Vellas and Becherel 1995).

For example, a study conducted at worldwide level by ILO (2014a) shows that hotels' and restaurants' employees work, in average, 51 h weekly, with 20 % more than the average working week registered at the entire economy level (42.8 h weekly). Moreover, the same study concluded that hotels' and restaurants' employees are paid with 23.75 % less than the average salary level registered for the entire economy. As a result, the nature of work in the tourism industry tends to affect the balance between employees' professional and personal life, conducting to a high level of stress and the tendency of leaving the tourism industry (Boella and Goss-Turner 2005; van Rheede et al. 2009; Eurofound 2004).

Moreover, another important particularity of work in tourism is the high degree of both mental and physical fatigue. Psychological stress is another factor that needs to be taken into consideration. Patience, good humor and control over any and all situations is what staff working directly with clients must display at all times. Even when clients are complaining, sometimes even unfairly, or criticizing the received services, the employees must maintain courtesy, calm and keep smiling (Vellas and Becherel 1995).

These being said, it has to be mentioned that all the above described characteristics do not apply to all tourism sectors, as this industry is heterogeneous.

2.2 Considerations and Perspectives on Tourism Education

Poor employment conditions, low job satisfaction and absence of motivating factors are the main reasons why many tourism and hospitality management graduates do

not pursue a career in the industry or even fail to enter the industry on graduation. The study of Richardson and Thomas (2012) shows that 44.5 % of students are considering careers in other industries and 41.9 % of them will only pursue a career in the field if they can secure a high-paying job. Overall, the results of this study reveal that the factors that respondents find important when choosing a career are not offered by the tourism industry.

The results of the study mentioned above are also supported by Richardson (2009), who agrees that, in general, students are not confident that a career in tourism will offer them the factors that they find important when choosing a career. In order not to lose these highly skilled and trained employees, there are two issues that Richardson (2009) considers should be addressed by the industry: firstly, tourism educators should give all potential students an extensive overview of careers available and working conditions offered in order to minimize the gap between expectations and perceptions, and secondly, organizations in the tourism industry should strive to improve many of the working conditions that contribute to the negative image tourism as an employer now has among students. Wan et al. (2014) also agree that, in order to help enhance job satisfaction and lower turnover rate in the tourism industry, students need to have more reasonable expectations of their future jobs and the industry, in general.

In order to meet both students' and employers' expectations and needs, tourism education providers should bridge the gap and work more closely together with the industry, thus promoting the professionalization of tourism as an activity and ensuring the relevance of the education for a tourism career to employers in the sector. The result would be a market-based curriculum, developed by having in mind the industry's needs rather than government policy or the judgments of tourism educators (Wang et al. 2009).

Enterprises, students, educational and governmental institutions are the four stakeholders involved in the design, development and implementation of education and training programs and from the four, students have been proved to prefer tourism vocational education instead of graduate courses (Zagonari 2009), because of perceived job security, the relatively high probability of acquiring a position and also because they perceive it as a glamorous industry with opportunities for adventure.

The level of interest in the study of tourism has always depended on the way this field of activity is perceived by prospective students and on its level of development as an industry, as Tigu et al. (2010) state in their research. Their study is based on a survey among tourism focused master students, which was meant to point out their attitude towards a possible career in tourism; its results show that factors like diverse cultural environment, rapid promotion possibilities, dynamic and varied character of work, pleasant work environment are seen as "pro" reasons to build a career in tourism, while the "con" factors include relatively low wages, inconvenient working schedule, high mental and physical overload, lack of promotion possibilities in small sized enterprises or insufficiently prepared personnel (Tigu et al. 2010).

In a similar study conducted on students from two tourism master programs, Țăpescu (2013) found comparable results regarding motivational factors towards a future career in tourism: thus, the majority of surveyed students consider highly motivational factors such as diverse cultural environment, dynamic and varied character of work, willingness to satisfy customer needs, career development prospects and business travel prospects, while other factors, such as low wages, requested work experience or lack of promotion possibilities in small sized enterprises and very few management positions available are seen as highly non motivational.

In yet another research based on a survey among tourism master students, and on interviews with hotel managers, the results show that the perception of both students and hoteliers is that attitude is the most important attribute a candidate must have in order to obtain a job in the hospitality industry, followed by theoretical and practical training, and appearance (Lupu et al. 2014). Comprising the answers of both students and managers, the same study concludes that the four most important subjects to be taught in tourism education programs are, in descending ranking, Interpersonal communication, English language, Hotels and restaurants technique and Entrepreneurship and leadership.

Brîndușoiu et al. (2013) also surveyed tourism master students and revealed that the top ten personality traits students consider themselves to own (ambition, seriousness, sociability, perseverance, flexibility, team work, attention, punctuality, being organized, creativity) are the same as the ones considered to be needed for a successful tourism career, only that in a different ranking (perseverance, seriousness, ambition, team work, attention, flexibility, being organized, creativity, sociability, punctuality).

Considering the definition of the term career used by Walmsley (2012) in his research—“positions, roles, activities and experiences that feed into or result from the person’s employment”, it can be said that tourism graduates’ careers also include experiences that have started with their choosing to study tourism, and do not start just as they leave university. In other words, the choice for tourism is made with different degrees of forethought and planning, and it occurs at different stages in individuals’ career development.

The results of Walmsley’s (2012) show three major pathways into tourism higher education, as follows: pre-university work experience in the tourism industry leading to choice of tourism; choice of tourism during pre-university education; choice of tourism as a higher education course.

The importance of maintaining and promoting the social status of different industries in order to attract students to enter these fields of activity is paramount. Wan et al. (2014) conclude from their research that there is no significant relationship between the perceived nature of work and career prospects, if these latter ones are seen as promising by the society. In other words, social status has significant effects on students’ perceptions of the career prospects, which becomes a key determinant to their eventual industry commitment.

Koroglu and Gezen (2014) conducted a research on Turkish tourism students, in order to determine their work values, defined as “beliefs and personal standards that

guide individuals to function in a society, thus having both cognitive and affective dimensions". The results of their study show that Turkish students choose tourism willingly, and most of them are satisfied with this choice as an occupation, but, as supported by other studies mentioned before, those reluctant to engage in tourism activities have in mind reasons as low compensation, job security issues and entry-level jobs being boring and tiring. Koroglu and Gezen's (2014) work value analysis revealed that Turkish students' most important factors to consider are success, safety, work environment and relations with colleagues, which can be used to argue that socio-psychological dimensions of work values are seen as more important than their economic dimensions.

One important aspect that influences tourism students' career perspectives is their internship experience. In other words, a student might be willing or unwilling to work in tourism after finishing their studies based on their positive or negative experience during their internship. A positive experience will result in enhancing students' motivation to work in the tourism industry, while a negative experience will adversely affect their decision to further develop a career in this field (Hsu 2013).

Internships and the way they are designed to fit educational programs need to be taken into consideration when investigating students' perspectives on their future careers, as they help them to create a clearer image of what the industry practically has to offer. As Ruhanen et al. (2013) state, internships can contextualize and add value to students' theoretical knowledge by trying and applying concepts in practice. Although they are often used in universities as a transition strategy between the education institutions and the labor market, this seems not to be the case in Romania, as the present study will prove.

Generally recognized as a bridge between theoretical learning and industry practice, internship programs and their incorporation into curriculum have been suggested as effective solutions to the problem of fresh tourism graduates' unwillingness to join the industry or their inclination not to stay in it for long (Fong et al. 2014). As a conclusion to their research on how do tourism students select their internship employers, the authors identify four segments of tourism students (based on their perceived importance of different criteria of selecting internship employers): learning enthusiasts, social support seekers, brand seekers and school followers, and recommend that a better student-employer fit should be achieved in order to benefit students' satisfaction with their internship experience and thus their intention to work in the industry after graduation.

Investigating what influence do the internship programs have on students' career development in the tourism industry, Chen and Shen (2012) find that such an influence exists and is mostly dependent on students' level of satisfaction with the internship program planning and the industry involvement. Key determinants of students' willingness were found to be faculty support, consultation and performance evaluation (from the point of view of internship program planning), and compensation and a fair working environment (from the point of view of industry involvement).

After this brief literature review, the next sections provide information regarding the research methods that were used for this study, and discuss the results obtained from analyzing students' answers on the conducted survey. As it will be shown, the results are, in general, consistent with other existing findings in the literature.

3 Research Methodology

The research presented in this paper aimed at identifying students' perception on an ideal career and a career in tourism, the main objective being to identify the characteristics of an ideal job and career, the perceived characteristics of a career in tourism, as well as the competencies needed for a career in tourism and the degree to which the bachelor program is helping them in obtaining those competencies.

The study was focused on senior students (third year) at the Faculty of Business and Tourism (Bucharest University of Economic Studies). It was decided to develop a quantitative research, through a survey administrated using a questionnaire. The research instrument was a structured questionnaire, with 10 closed (structured) questions (with a total of 62 items to be answered), 5 open (unstructured) questions and 2 identification questions. The study was a classic survey, developed between the 5th of November and the 13th of November 2014. With the help of the professors at the Department of Tourism and Geography who held seminars at the third year students at the Faculty of Business and Tourism (F.B. &T.), the questionnaire was distributed to students by the authors at the beginning or the end of the seminars of "Business Ethics" and "Hotels and restaurants technology".

Out of the 320 students enrolled in the senior year, 237 completed the questionnaire, resulting a 74.06 % response rate. The questionnaire was anonymous and all the students present at the seminar activity accepted to take part at the study. Although the authors had expected a higher response rate, the sample can be considered representative to the entire population of students at the Faculty of Business and Tourism, the results being of real use, offering a good starting point for a more comprehensive quantitative research, developed in other universities with business and tourism bachelor programs.

4 Results and Discussion

The research instrument was specifically designed in order to identify the importance of several characteristics of an ideal workplace/career, the perception of the degree to which those characteristics describe a career in tourism, the competencies and abilities needed for a career in tourism, as well as the degree to which the bachelor program develops the considered competencies.

First of all, the questionnaire began with an introductory item, aimed at identifying whether or not the respondents had first opted for the Faculty of Business and Tourism, when applying at the Bucharest University of Economic Studies (the admission regulations allow the applicants to register for all the bachelor programs the university has to offer, the admission being made considering their admission average grade and the order of preference for the faculties part of the university).

As shown in Table 1, out of the 237 students questioned (73.73 % female and 27.43 % male), 65.82 % have directly applied for the Faculty of Business and Tourism. The respondents were asked, through an open question, to explain the reasons why they have applied for this specific bachelor program. The motivations are as follows in Table 2, which shows that the majority of students (19.07 %) applied for this Faculty because they considered that its bachelor program offers a general training on business administration. Another 16.53 % of them chose this program because they wanted to prepare for a future career in tourism, while 12.71 % assumed that graduating from this Faculty will allow them to work in different economic sectors. Other mentioned reasons were: continuing with

Table 1 The respondents' profile—students at the Faculty of Business and Tourism

	Gender	F.B.&T.—the first option in the application form		Professional experience			
		Yes (%)	No (%)	Internship (%)	Part-time job (%)	Full-time job (%)	No professional experience (%)
M.	27.43 %	61.54	38.46	10.77	26.15	30.77	32.31
F.	73.73 %	67.44	32.56	19.77	36.05	22.09	39.53
Total	237 students	65.82	34.18	17.3	33.33	24.47	37.55

Table 2 Students' reasons for applying at the Faculty of Business and Tourism

Percentage	Number of students	Motivation
19.07	45	This bachelor program offers a general training on business administration
16.53	39	Prepare for developing a career in tourism
12.71	30	Graduating from this faculty will allow students to work in various economic sectors
6.78	16	Continuing economic education, after graduating from an economic high-school
6.78	16	Faculty was recommended by friends or relatives
4.66	11	Prepare for a career in commerce
1.69	4	Develop the required skills for starting their own firm
0.42	1	The Romanian National Bank Governor has graduated this bachelor program

economic education (6.78 %), faculty was recommended by friends or relatives (6.78 %), desire to prepare for a career in commerce (4.66 %), developing the required skills for starting their own firm (1.69 %) or the fact that the Romanian National Bank Governor has graduated this bachelor program himself (0.42 %).

Before questioning the perceptions of an ideal career and a career in tourism, the study intended to identify the student's professional experience. As illustrated in Table 1, most of the students (37.55 %) have no professional experience, while 33.33 % have already had a part-time job, 24.47 % have had a full-time job and 17.3 % have been part of an internship program.

When considering the distribution of respondents on gender, it can be observed that female students tend more not to look for a job during the faculty (39.53 % have no professional experience, as compared to 32.31 % of male students in the same situation) or are more interested in internship programs (19.77 % of female respondents have been part of an internship program, as compared to only 10.77 % of male students questioned) and part-time jobs (36.05 % of female students have or have had a part-time job, as compared to only 26.15 % of the male students part of the survey). Moreover, it can be easily observed that male students tend more to accept a full-time job (30.77 % of the male students questioned, as compared to 22.09 % of the female students part of the study).

The study also aimed (through an open question) at identifying the reason why students consider they have not found yet an ideal job—from their point of view. While 28.27 % of the questioned students did not answer the question, the others mentioned: their lack of professional experience—48.95 % (116 students), the fact that they have not graduated yet from college—2.53 % (6 students), the classes' schedule and the lack of offers for part-time jobs—4.64 % (11 students), while the other 15.61 % mentioned other motives such as: not knowing several foreign languages, the great competition on the labour market, the low salaries offered by employers.

As mentioned before, the main objective of the study was to identify students' perception of the characteristics of an ideal job and career, as well as the perceived characteristics of a career in tourism. In order to obtain students' vision of an ideal career, the respondents were asked to order, on a semantic differential scale from 1 ("not important at all") to 7 ("extremely important"), 14 characteristics of workplace/career. Considering that one of the research's objective was identifying the extent to which a career in tourism offers the conditions students desire, the respondents were further asked to grade the same job/career characteristics using a semantic differential scale from 1 ("not at all") to 7 ("in a great extent"). The comparative results (obtained by computing the average of all grades offered at sample level, for each characteristic taken into account) of the two questions are presented in Fig. 1.

As it can easily be observed, when thinking of an ideal career or workplace, students would highly appreciate to have promotion possibilities, to work with people who cooperate effectively, to have free time for personal life and to have the opportunity of receiving high salary increases, as they advance in their career, all

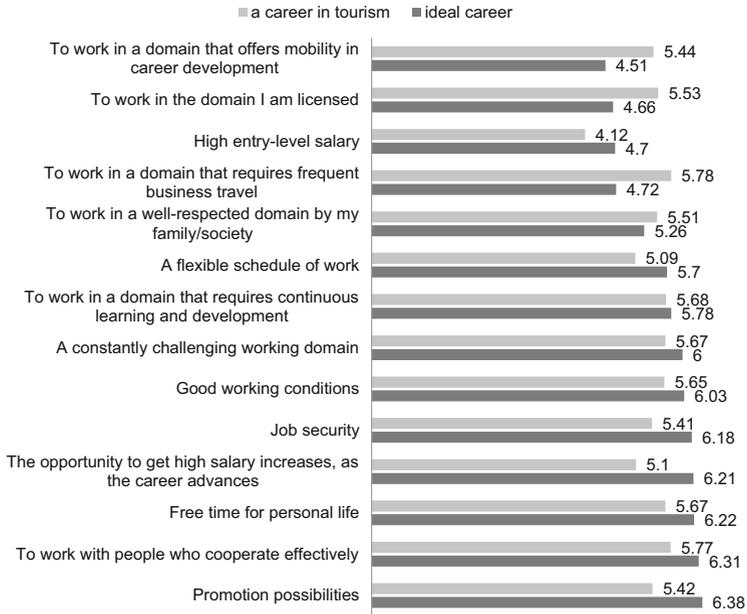


Fig. 1 Compared characteristics of an ideal career and a career in tourism

these characteristics being scored higher than 6.2. However, it has to be mentioned that none of the characteristics included in the questionnaire was considered not important, as all the items obtained average grades higher than 4. Taking this into account, when thinking of an ideal career, the respondents appreciate the least the possibility of mobility as they develop their career (the opportunity to transfer in a different city or country), the possibility of working in the domain they will have a bachelor degree in and the opportunity of getting a high entry-level salary.

In order to identify the correlation between the characteristics of an ideal job and the perceived characteristics of a career in tourism, the Spearman correlation coefficient was computed. As presented in Table 3, the Spearman correlation coefficient, with a value of 0.12967, indicates that there is an extremely positive low correlation between the perceived characteristics of a career in tourism and the conditions the respondents expect from an ideal job/career.

This is not surprising, as the questioned students believe that a career in tourism mostly offers them frequent business travel opportunities, efficient working colleagues and requires constantly learning and developing, while it does not offer high entry-level salaries, a flexible schedule of work and, probably most important, the opportunity to get high salary increases, as they advance in their career (the promotion possibilities themselves being questioned). As show in Fig. 1, the perceived characteristics of a career in tourism scored lower average grades for 9 out of the 14 features of an ideal career.

Table 3 Correlation between an ideal career's characteristics and a career in tourism

Characteristics	Ideal career (Rank x)	Career in tourism (Rank y)
Promotion possibilities	1	10
To work with people who cooperate effectively	2	2
Free time for personal life	3	4
The opportunity to get high salary increases, as the career advances	4	12
Job security	5	11
Good working conditions	6	6
A constantly challenging working domain	7	5
To work in a domain that requires continuous learning and development	8	3
A flexible schedule of work	9	13
To work in a well-respected domain by my family/society	10	8
To work in a domain that requires frequent business travel	11	1
High entry-level salary	12	14
To work in the domain I am licensed	13	7
To work in a domain that offers mobility in career development	14	9
Spearman correlation coefficient	0.12967	

Surprisingly, although it was shown that a career in tourism is not perceived as an ideal career, 60.17 % (142 persons) of the questioned students mentioned that they would like to develop a career in this specific domain. Out of these, 54.93 % (78 persons) actually mentioned the tourism sector they would like to work in, the distribution of preferences being presented in Fig. 2 (the question allowed a multiple choice response).

Most of the respondents (76 persons) mentioned they would like to work in a hotel, while almost as many (70 persons) stated they would like to develop a career in a travel agency. Almost a quarter (35 persons) of those who affirmed that they would like to work in tourism, mentioned they consider developing a career in the meetings, incentives, conferences and events (M.I.C.E.) sector, while only 13.38 % (19 persons) opted for the transportation industry, as a career opportunity. The least preferred sector seemed to be food and beverage, only 10.56 % (15 persons) of the students questioned who consider to start a career in tourism wanting to work in this domain. It can be considered cause of concern that, out the ones who stated they want a career in tourism, 45.07 % still don't know in what sector they would like to specialize.

Moreover, the students were invited, through an open question, to express their short and long term professional objectives (Table 4). While the short term goals tend to be mostly about finishing their studies, completing their education and learning as much as they can, either in school or by following internships or finding

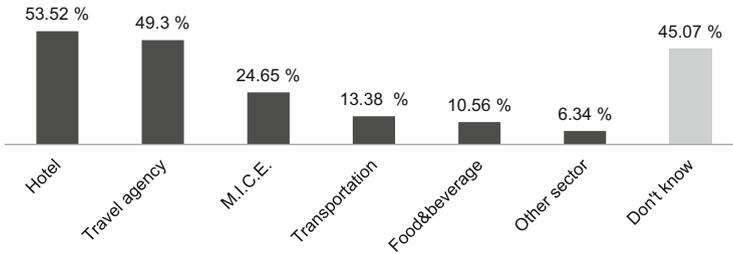


Fig. 2 Tourism sectors students want to work into

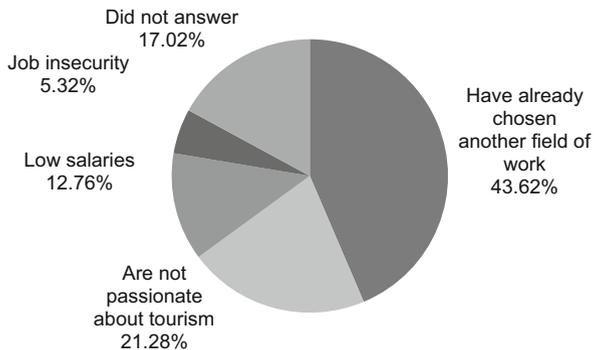
Table 4 Students' short and long term professional objectives

Percentage	Number of students	Objective
<i>Short term professional objective</i>		
19.83	47	Did not declare any objective
18.14	43	To obtain their bachelor diploma in order to apply for a master's program
11.39	27	To find a job
11.39	27	To gain experience in the work field
7.59	18	To learn more in order to specialize in a specific domain
5.06	12	To become financially independent (to get a proper salary)
3.8	9	To follow an internship or to get a part-time job
2.53	6	To advance at their current workplace
20.27	48	Other objectives, such as: learning a new foreign language, attending several workshops and conferences, deciding what is the right work field for them
<i>Long term professional objective</i>		
30.38	72	To develop their own business
18.99	45	To have a job they like, that is appreciated by society
14.35	34	Did not declare any long term professional objective
10.97	26	To advance in their career, up to a top-management position
6.75	16	To have a highly paid job
5.06	12	Simply want to develop a successful career
4.64	11	To continuously develop and learn new things
3.8	9	To work in an appreciated, multinational company
5.06	11	Other similar career objectives, such as having a successful job in consumer protection, sales, business consultancy and banking

a first job, students' long term goals are mostly about developing a successful career in a certain domain, that implies development opportunities, high salaries, being appreciated, or simply developing their own businesses.

Furthermore, the study intended to identify specific reasons why students don't want to develop a career in tourism, using an open (unstructured) question. Out of the 94 persons (39.83 % of the questioned students) who stated they do not want to

Fig. 3 Students' reasons for not developing a career in tourism



pursue a career in tourism, 82.98 % (78 persons) actually motivated their choice, the results being presented in Fig. 3.

Surprisingly, most of the ones who do not want to develop a career in tourism (43.62 %) mentioned they simply have already chosen a different work domain that suits them best. More than a fifth (21.28 %) of those who do not consider tourism as a career alternative, stated that they are not passionate about this domain, while 12.76 % mentioned they do not want to work in this specific field because of the low salaries and 5.32 % do not want to pursue a career in tourism because they consider that jobs in this sector are not secure.

As one of the main objectives of the study was identifying students' perception on a career in tourism, the survey also aimed at highlighting the respondents' opinion on the skills and competencies required in developing a career in this specific sector. Considering 14 skills and competencies, the respondents were asked to grade them, using a semantic differential scale from 1 ("not at all required") to 7 ("required in a great extent").

In order to identify students' perception on the extent to which the bachelor studies they are taking actually help them develop the required skills and competencies for working in the tourism industry, the respondents were asked to grade the items took into account at the latter question, using a similar semantic differential scale with seven levels (from 1—"in extremely little extent" to 7—"in a great extent"). The comparative results are presented in Fig. 4.

As shown in the figure above, the students question consider that all the 14 skills and competencies included in the questionnaire are important or extremely important for those who want to develop a successful career in the tourism industry, all the items obtaining average scores (at the entire sample level) higher than 5.5. The respondents consider as critical having customer service, communication and relationship skills, but other qualities, such as good organizer, negotiation skills, the ability to work good in a team or the attention to details are also considered very important. According to the respondents, the least important skills for those who want to work in the tourism industry are leadership, computer skills and the ability to work under pressure.

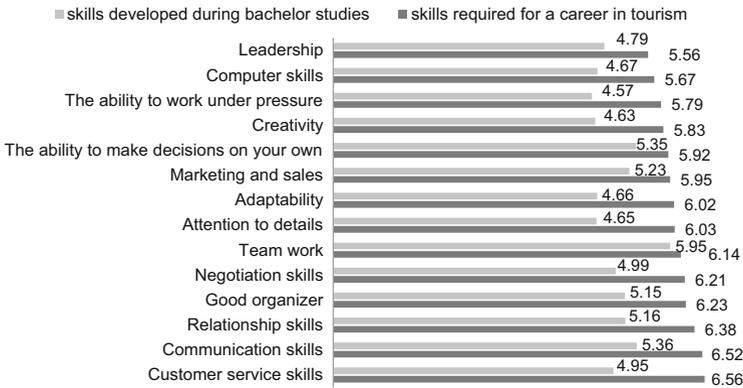


Fig. 4 Skills required for a career in tourism

Table 5 Correlation between the skills required for a career in tourism and the bachelor program

Skills and competencies	Required (Rank x)	Developed during bachelor studies (Rank y)
Customer service skills	1	8
Communication skills	2	2
Relationship skills	3	5
Good organizer	4	6
Negotiation skills	5	7
Team work	6	1
Attention to details	7	12
Adaptability	8	11
Marketing and sales	9	4
The ability to make decisions on your own	10	3
Creativity	11	13
The ability to work under pressure	12	14
Computer skills	13	10
Leadership	14	9
Spearman correlation coefficient		0.48131

In order to identify the correlation between the bachelor program and necessary skills for a career in tourism, the Spearman correlation coefficient was computed (Table 5). As presented in Table 3, the Spearman correlation coefficient, with a value of 0.48131, indicates that there is a positive and medium correlation between the needed skills for a career in tourism and the extent to which those skills are developed during bachelor studies.

Considering the average scores obtained at the entire sample level (shown in Fig. 4), the respondents consider that the bachelor studies only somehow contribute

to the development of skills and competencies needed in the tourism industry. The students questioned consider that the bachelor program contributes mainly to developing teamwork abilities, communication skills and the ability to make decisions on your own, but influences the least the ability to work under pressure, creativity and attention to details.

As the authors had expected a not very strong correlation between the skills needed for a career in tourism and the faculty's curriculum, the questionnaire also included an open (unstructured) question intended to allow students to make suggestions on how the study program can be improved in order to better prepare its graduates for a career in tourism.

While 22.78 % of the students questioned did not make any suggestions, 48.52 % (115 persons) affirmed that the mandatory internship programs should be included in all years of study (in each semester or at the end of each year of study), the respondents showing their desire of better knowing different tourism companies or tourism professionals, with the help of the university. Furthermore, 5.49 % (13 students) of the ones questioned suggested the increase of real business case studies to be debated during courses or seminars, while 3.38 % (8 students) believe the curriculum includes too many disciplines that have allocated few hours of study.

These being said, it can only be further mentioned that 77.97 % of the students questioned consider that those who consider developing a career in tourism need to be highly educated (to have a bachelor or a master's degree in business administration).

5 Conclusion

The paper aimed at identifying senior students' at a business and tourism undergraduate program perceptions regarding the characteristics of an ideal job/career, compared to the perceived characteristics of a career in tourism. The exploratory study (conducted through a questionnaire based survey), showed that there is an extremely low correlation between the perceived characteristics of a career in tourism and the conditions students expect from an ideal job/career. However, 60.17 % of the questioned students intend to develop a career in the tourism industry, the others motivating their refusal of working in this specific domain by the lack of passion for this activity sector, the low remuneration level and the insecurity of tourism jobs.

The paper also highlighted that students consider that high education is needed in order to develop a career in tourism, the study showing a positive and medium correlation between the needed skills for a career in tourism and the extent to which those skills are developed during bachelor studies. In order to improve the curriculum for a better training of the faculty's graduates for a career in tourism, the questioned students mostly suggested more internship programs and a better connection with the business environment.

The findings of the research confirm the conclusions of other studies presented in literature, suggesting that universities, as well as the actors of the tourism industry still need to develop a better relationship, which will ultimately lead to attracting well-trained young professionals in the industry. The study can be further developed in a more comprehensive research, involving the business environment.

Acknowledgement This work was co-financed from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/134197 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

References

- Boella, M. J., & Goss-Turner, S. (2005). *Human resource management in the hospitality industry: An introductory guide* (8th ed.). Oxford: Elsevier Butterworth-Heinemann.
- Brîndușoiu, C., State, O., Țigu, G., & Țuclea, C. (2013). How well prepared are students for a career in tourism—The SOS awareness model: Self, opportunity, strategy. *Sociologie Românească*, 11(4), 109–125.
- Chen, T. L., & Shen, C. C. (2012). Today's intern, tomorrow's practitioner?—The influence of internship programmes on students' career development in the hospitality industry. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 11(1), 29–40.
- Eurofound. (2004). *EU hotel and restaurant sector: Work and employment conditions, Ireland* (pdf). Accessed April 27, 2014, from <http://www.eurofound.europa.eu/pubdocs/2003/98/en/1/ef0398en.pdf>
- Eurostat. (2013). *Tourism industries—Economic analysis* (online). Accessed November 26, 2014, from http://ec.europa.eu/eurostat/statistics-explained/index.php/Tourism_industries_-_economic_analysis
- Eurostat. (2014a). *Employment growth and activity branches—Annual averages* (online). Accessed November 26, 2014, from http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Eurostat. (2014b). *Employed persons in tourism by full time/part time activity* (online). Accessed November 26, 2014, from http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Eurostat. (2014c). *Employed persons in tourism by level of education attained* (online). Accessed November 26, 2014, from http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Fong, L. H. N., Lee, H. A., Luk, C., & Law, R. (2014). How do hotel and tourism students select internship employers? A segmentation approach. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 15, 68–79.
- Hsu, L. (2013). Work motivation, job burnout, and employment aspiration in hospitality and tourism students—An exploration using the self-determination theory. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 13, 180–189.
- ILO. (2014a). *Employment in the tourism sector (hotels and restaurants as a proxy)* (online). Accessed November 27, 2014, from http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_235636.pdf
- ILO. (2014b). *Hotels, catering and tourism sector* (online). Accessed November 26, 2014, from <http://www.ilo.org/global/industries-and-sectors/hotels-catering-tourism/lang--en/index.htm>
- Koroglu, O., & Gezen, T. (2014). An investigation to determine the work values of tourism students. *Procedia—Social and Behavioral Sciences*, 131, 253–257.

- Lupu, N., Tănase, M. O., & Nica, A. M. (2014). Perception about business education in the tourism domain and the hospitality industry. *Amfiteatru Economic*, 14(37), 800–810.
- Mullins, L. J. (2001). *Hospitality management and organizational behavior*. Harlow: Longman.
- Nickson, D. (2007). *Human resources management for the hospitality and tourism industries*. Waltham, MA: Butterworth-Heinemann.
- Richardson, S. (2009). Undergraduates' perceptions of tourism and hospitality as a career choice. *International Journal of Hospitality Management*, 28, 382–388.
- Richardson, S., & Thomas, N. J. (2012). Utilizing generation Y: United States hospitality and tourism students' perceptions of careers in the industry. *Journal of Hospitality and Tourism Management*, 19, 102–114.
- Ruhanen, L., Robinson, R., & Breakey, N. (2013). A tourism immersion internship: Student expectations, experiences and satisfaction. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 13, 60–69.
- Țăpescu, A. I. M. (2013). The role of higher education in developing human resources in the field of tourism. *Cactus Tourism Journal*, 4(1), 52–64.
- Țigu, G., Andreeva, M., & Nica, A. M. (2010). Education and training needs in the field of visitors receiving structures and tourism services in the Lower Danube region. *Amfiteatru Economic*, 12(4), 735–760.
- UNWTO. (2014a). *Employment and decent work in tourism* (online). Accessed November 26, 2014, from <http://statistics.unwto.org/en/project/employment-and-decent-work-tourism-ilo-unwto-joint-project>
- UNWTO. (2014b). *Tourism highlights* (pdf). Accessed November 26, 2014, from <http://mkt.unwto.org/publication/unwto-tourism-highlights-2014-edition>
- UNWTO and ILO. (2014). *Measuring employment in the tourism industries. Guide with best practices* (pdf). Accessed November 26, 2014, from http://dtxtxq4w60xqpw.cloudfront.net/sites/all/files/141015_measuring_employment_4c_stsa_wm.pdf
- van Rheede, A., Tromp, D., & Blomme, R. J. (2009). Perceptions of job and hospitality industry characteristics on career decisions. *Advances in Hospitality and Leisure*, 5, 51–68.
- Vellas, F., & Becherel, L. (1995). *International tourism*. London: Macmillan Business.
- Walmsley, A. (2012). Pathways into tourism higher education. *Journal of Hospitality, Leisure, Sport and Tourism Education*, 11(2), 131–139.
- Wan, Y. K. P., Wong, I. A., & Kong, W. H. (2014). Student career prospect and industry commitment: The roles of industry attitude, perceived social status, and salary expectations. *Tourism Management*, 40, 1–14.
- Wang, J., Ayres, H., & Huyton, J. (2009). Job ready graduates: A tourism industry perspective. *Journal of Hospitality and Tourism Management*, 16(1), 62–72.
- Zagonari, F. (2009). Balancing tourism education and training. *International Journal of Hospitality Management*, 28(1), 2–9.

In-Service Training System Organization Improvement at Customs Administrations

Mara Petersone, Aivars Vilnis Krastins, and Karlis Ketners

Abstract Professional customs operations are ensured by training system development. The paper analyses the types of invited personnel taking into account customs professional competence framework. As a result of the research, teaching-related staff typology is created, basic models of strengths and shortcomings of each type of training personnel are described and an optimal solution for selecting the faculty members for each competence teaching is offered. The created model takes into consideration such factors as general and specific knowledge, skills and experience in customs matters as well as teaching experience. It is necessary also to critically examine each type of lecturers' qualifications in order to achieve the objectives of the study programme. The proposed approach allows creating integrated staff training programmes and accredited university study programmes, simultaneously providing opportunities for the involvement of the staff in the training and education process and academic staff contribution to customs internal training. As an empirical basis for the research, experience and statistics from the Customs Department of Riga Technical University and the State Revenue Service of Latvia are used. Also suggestions for recognition of customs education and training curricula by integrating professional customs training and national education systems through creation of customs lecturers' model are worked out.

Keywords Customs administration • Internal training system • Competence-based framework

1 Introduction

The public administration system requires well-educated and highly-motivated employees. Particular attention is devoted to strengthening governance systems and institutions through human resource development and public administration training, thus improving the performance of the public sector, facilitating

M. Petersone (✉) • A.V. Krastins • K. Ketners
Department of Customs and Taxes, Riga Technical University, Riga, Latvia
e-mail: mara.petersone@rtu.lv; aivars.krastins@rtu.lv; karlis.ketners@rtu.lv

interaction between the public and private sectors. The performance of customs administration and border protection services is a specific case of public administration since customs and border protection administrations are important not only at a national level but also internationally. The attitude and performance of civil servants in such services are of crucial importance in the satisfaction of customer relationships, where in this context customers are the government, citizens and business community. Therefore, controlling public servants' professional improvement, performance and their vocational capacities are the key factors to provide high quality services (Rana et al. 2012). Supporting this idea, Witesman and Wise (1996) believe that public managers may be motivated to provide employee access to training in governance skills by several factors, including the need to fulfil the current functions of government, to expand employee responsibilities, or to reform administrative processes and/or programmes. Either way, it comes to the quality of the public sector that directly determines whether the construction of service-oriented government could be achieved. Zheng and Li (2008) point out that such undertakings require that the ability training of the civil servants be strengthened, the training be human oriented, legalised and market-driven. What is more, timeliness of the content of training should be emphasised as well (Zheng and Li 2008). Bertucci (2006) in his article emphasised that a number of innovative policies and practices, many of them borrowed from the private sector, are being introduced in public sector personnel management with—the intent being to deal with escalating costs and to better manage performance and increase efficiency. In fact, it is people, coordinated by institutions, who deliver public services. How effectively government institutions align the behaviour of staff with the public interest is determined primarily by the capacity, motivation and integrity of human resources and the quality of leadership (Bertucci 2006).

Upon reaching a certain level of complexity and size, any organisation forms special structural units that provide support processes. Specialisation and the establishment of relevant structural units also determine the need for planning and control in relation to the management of staff and the management of the system as such. These systems, of course, effectively function within the human resource management strategy in the field of tax and customs authorities (World Customs Organization 2009).

In the context of human resource management (HRM), attention is devoted to people who are interested in this process and implement it—middle and senior managers; in turn, in the context of personnel management greater emphasis is placed on human resource management professionals and their functions. Alink and van Kommer (2011) classify the persons involved in the study process as follows: participants, trainees; instructors, teachers; trainee managers; course development managers; training managers; HR managers; finance managers and strategic managers. From the perspective of business process management (Petersone 2013), both parties involved are equally interested in the development of organisation's human resources; however, each represents its own part of the process, managers represent the management processes, personnel management specialists support the process, but both have a common goal—to provide a basic process, i.e., focus on staff/listeners. The recent scientific literature and practices of major companies

have proven that personnel specialists play three additional roles: strategic partner, employee representative and change leader. However, it should be understood that personnel specialists as the participants of the support processes work in favour of the basic process together with managers at all levels (representatives of the management process). Thus, managers have to be strongly aware of their role and responsibilities in the context of human resource management, and they are to achieve overall goals and to protect business operations. To reach the goals, it is necessary to establish personnel management structural units, which assign a strategic role to human resource management in terms of the long-term success of an organisation. Each party involved in HRM has its own mission—a line manager is responsible for the management of human resources at an organisation, a personnel department has to develop HRM strategies, methodology and enforce activities.

Belbin (2009) was one of the first who characterised different types of managers. The main idea can be expressed as follows: a person is valuable in a team if a team requires personalities that do not have doubles and complement each other. Based on the studies concerning the essential characteristics of a manager, Belbin singled out nine characteristics of a manager: entrepreneur, researcher, planner, observer, builder, chairman, guardian, team member, and specialist. For example, the Tax and Customs Administration of the Netherlands has developed its own management and development system on the basis of Belbin theory as well as complemented it with some new principles. The Tax and Customs Administration of the Netherlands has highlighted five key characteristics of a manager: organiser, quality manager, producer, band director, and human resource manager. Human resource manager's role is mainly based on the ability to manage subordinate employees; he is responsible for the quantitative and qualitative composition of personnel as well as recruitment, hiring, and briefing. Hence, it is emphasised again that HR specialists cannot perform their duties without the managers of the basic processes (Alink and van Kommer 2011).

2 Teaching Staff Selection System Based on EC TAXUD Customs Officers' Professional Competence System

Human capital is the most important element in both private and public sectors, and its return is dependent on the qualitative composition, namely, human resource knowledge, skills and competencies. In the private sector, there is a choice either to select personnel already possessing the necessary qualities for work or to invest resources in personnel training. However, in the public sector there are separate institutions, which so far have been forced to train their employees themselves due to specifics of their work. Customs can be mentioned as one of such institutions. It was generally accepted that the relationships between the customs administration and customs staff were based on the following principles: to be loyal to the service,

to acquire and apply knowledge and skills only within one's institution, to receive a certain status in the society, remuneration and career opportunities until one's resignation from the service. However, in the twenty-first century such relationships have changed, since due to different reorganisation and modernisation processes, IT implementation measures, etc. customs services are forced to dismiss employees who are customs officers by profession and recruit representatives of other occupations, as well as recruit employees only for implementation of single projects; therefore, the responsibility for one's education and training, to a much greater extent, has to be undertaken by employees themselves, which actually so far has not been characteristic of customs officers (Krastins and Ketners 2014). Rodic et al. (2012) have concluded in their research that a well-trained and educated workforce is critical to the success of an organisation, but providing timely, meaningful and standardised training poses significant challenges for today's public agencies, especially first responder organisations operating on a 24-h-per-day, 7-day-per-week, and 365-day-per-year schedule, such as customs.

When organising any kind and form of HR education and training, teaching staff is the most important factor; thus, the operation quality of any education institution depends mainly on the effective work of the teaching staff. The structure of teaching staff of customs services was mainly determined by the factor that staff education and training were carried out only by education institutions subordinate to the department. To find out and select teaching personnel, customs services use a one-sided approach, namely, people with an outstanding experience as well as people at the end of active service are chosen as instructors at the education institutions subordinate to the customs services. Such people have extensive knowledge of the basic values of customs and professional competences, excellent skills of customs operations, including expert competence, experience in management, but pedagogical knowledge and experience are very poorly developed (Spica 2013). Training managers at any organisation should make every effort to recruit the most skilled lecturers. As a rule, at the customs services exactly the employees of the customs training centre are responsible for the selection of potential lecturers and attraction of staff from the organisation itself, since training of customs officials is the monopoly of the service itself. The selection of potential lecturers for teaching purposes takes place during the teaching process carried out by potential lecturers, as well as recommendations of immediate superiors are used. At large customs services, potential lecturers can be requested to take an additional test in order to evaluate whether they are appropriate for the teaching process, which includes not only the specific and general knowledge examination, but also testing of such personality features as honesty, ability to work in a team, to respect others, etc.

Often qualified teaching staff can come from universities and colleges, undergo training courses on customs matters and then start working at the customs training centre. In many customs administrations of the World Customs Organisation (WCO), there is a consensus that such a system is highly recommended in cases when the acquisition of the subject taught takes years (e.g., law, chemistry, psychology, management, etc.). However, even the WCO has not reached consensus on how to better hire professional lecturers to train customs officials on customs

issues. Many customs specialists even believe that deep expertise in pedagogy, psychology and sociology is vitally important if a lecturer understands his role in human behaviour management. Of course, in the world there is also a radically opposite philosophy, which states that the professional development of customs officers cannot be provided by any other education institution except for the body itself, becoming the organisation at which the study process is implemented. Technological and cultural revolution has severely affected the students' self-confidence and self-esteem. Rapid dissemination of ideas and knowledge (development of information technologies) means that a listener becomes ever more knowledgeable and, therefore, more critical with regard to what and how s/he is taught. This reality imposes a greater burden on a lecturer, which makes him not only follow all the innovations, but also cope with a demanding listener (World Customs Organization 1997). For the last 10 years, it has become more important for a lecturer to have a good knowledge of information technologies not only as a learning content (e.g., customs information systems), but also as teaching methods [e.g., e-learning (Peterson 2012)] and all the possibilities they offer. This idea is confirmed by Veeran and Ferreira (2010) that the driving forces of globalisation have affected public human resource management to a large extent, for example, the impact of technology demands different skills and competencies from public officials at all levels. Time spent at the training centre, on the one hand, can be very enriching for the lecturers themselves because it can offer new perspectives and new ideas for their main job; on the other hand, it can be one of the reasons for the lowering of the qualification of the lecturers.

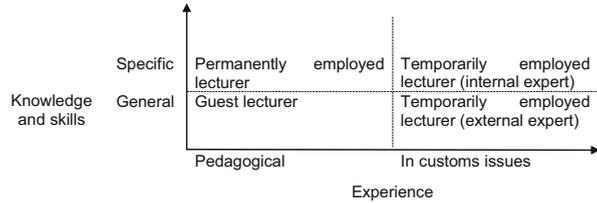
Within the existing education system, the State Revenue Service faces challenges related to both the recruitment of lecturers for teaching purposes at training programmes organised by the State Revenue Service and the legitimisation of pedagogical work outside education institutions of the department. These challenges are as follows:

- to attract highly qualified specialists who are involved in the basic process and who at the same time are suitable for teaching purposes;
- to train them for pedagogical work;
- to employ them at the desired time and place;
- to motivate for teaching work;
- to assess the legality of teaching activities outside the SRS organised training (Interests of conflict prevention of Public Officials 2002).

Lecturer working efficiency depends on a number of characteristic features, such as specific and general knowledge and skills on the subject, degree of credibility in the eyes of the learners, personal motivation, the availability for the audience, in turn, characteristic features can be divided into a range of characteristic features of personal and professional qualities that are taken into account when selecting lecturers (Peterson and Krastins 2002).

Developing training systems of customs officers which meet the contemporary requirements, it is also necessary to modernise the system component—lecturer identification, selection, training and evaluation. Modernising customs training

Fig. 1 Basic model typology of staff involved in pedagogical work developed. *Source:* by the author



systems at the European Union customs services, it is of major importance to take into account the EC TAXUD customs officers’ professional competence system (Reisner 2013), harmoniously ensuring the appropriate selection process of teaching staff, which is also based on the principles of the EC TAXUD customs officers’ professional competence system. To identify the strengths and weaknesses of staff involved in the training process of customs services in relation to the EC TAXUD competence model and to offer an optimum solution for each competence group acquisition, a basic model typology of staff involved in pedagogical work has been developed (Fig. 1).

Permanently employed lecturer (Fig. 1)—an expert who carries out in-service training on a full-time or part-time basis, and does not perform any other duties; however, s/he is considered to be a customs officer. Strengths—permanently employed lecturers, who have become experts in their own fields at the same time have also gained pedagogical experience, are freely available to the audience, which, in turn, guarantees the flexibility in the operation of the training centre. It is considered that the costs of such a lecturer are lower than that of a guest lecturer or temporarily employed lecturer (external expert). However, this issue depends on the specifics of the subject to be acquired and its volume, namely workload. Weaknesses—a permanently employed lecturer is at risk of losing everyday practice in a few years. Conducting classes can turn into a tedious routine. One person cannot be an expert in all customs related issues; therefore, this aspect determines the lecturer’s load. This basic model would suit in the most rational way directly for dealing with professional specialisation and retraining issues, because the extensive specific knowledge and skills obtained with an emphasis on pedagogical experience would allow the audience to more easily cover specific customs themes. EC TAXUD competencies—customs basic values—should be the issues to be taught by “a permanently employed person—an expert”.

Temporarily employed lecturer (internal expert) (Fig. 1)—an organisation’s employee (internal expert) can be employed as a lecturer, in parallel to his/her main job, to provide training on very specific issues, such as customs value, classification of goods, customs procedures; thus, s/he has deep and specific knowledge of the respective issue. During the lectures, s/he talks about the issues with which s/he deals on a daily basis; s/he is motivated to train the audience on the respective subject as it will facilitate his/her main job in the future. Weaknesses—experts can know their subject perfectly, but at the same time they may lack pedagogical experience. This dual role of a lecturer—expert may mean that a temporary employed lecturer has a hectic schedule; therefore, s/he is not able to

maximally focus on the training of the students or on his/her main job. Often there is a risk that a lecturer—expert can erroneously be considered to be unqualified in the field of his/her main job. In this case, motivation factors play a significant role and, namely, one of their forms of expression—material incentives. For example, at the State Revenue Service, teaching work of an internal expert is not rewarded directly or material incentives take the form of bonuses at the end of the year. As a rule, pedagogical responsibilities do not relieve and even do not reduce the amount of main job; therefore, it would seem necessary to consider internal expert's motivation to conduct pedagogical work. It should be admitted that for these people teaching duties are stipulated in the job descriptions, but the teaching load can be inadequate to the main job; as a result, motivation for teaching disappears. If an employee has already undergone professional training, but in the course of work there is a need to develop specific knowledge and skills, an appropriate lecturer's basic model would be a temporarily employed lecturer (internal expert), because exactly this person would be able to transfer his/her knowledge as "a professional to a professional". EC TAXUD expertise, including expert competences, would be an issue to be taught by a temporarily employed lecturer (internal expert).

Temporarily employed lecturer (external expert) (Fig. 1)—staff member of some other organisation can be employed as a lecturer to provide internal training. Strengths—an organisation employs highly qualified experts hired to explain the themes that could not be dealt with by the organisation's experts because they are not familiar with the respective themes. These could be, for example, psychologists who train staff to work with clients or lawyers who explain the Criminal Procedure Law. External experts can offer new, original viewpoints, working methods, etc. Weaknesses—often an external expert lacks accurate information on a particular organisation's environment and terminology in a particular field; therefore, s/he is at risk of providing false information to the audience. Moreover, there is a danger that such a person can have insufficient pedagogical experience, but possess general knowledge and skills. It is considered that such external experts are well-paid. Traditionally, these external experts work for a company that also enters into a contract with an organisation; as a result, this type of organisation's costs for the training process will increase on the account of administrative expenses. Often organisations cannot temporarily suspend working relationships with potential external experts, as there can be legal obstacles for public institutions to enter into contracts with individuals for a teaching job either on a competitive or non-competitive basis. The second obstacle is the fact that it is not possible to sign an employment contract with a potential external expert required by the service as often the expert's main employer is not interested in additional employment opportunities for its staff. EC TAXUD management and professional competences would be most appropriate ones, which could be acquired by employees of customs services with the help of a temporarily employed lecturer (external expert).

Guest lecturer (Fig. 1)—it is the member of academic staff from other education institutions, such as colleges, universities, international institutions, etc. Unlike an external expert, who is involved in the training of employees for a certain period of time, guest lectures are a one-off measure. Strengths—guest lecturers present new

and perspective ideas on disputable issues, as well as new information. Guest lecturers have pedagogical experience gained at their principal workplace. Weaknesses—It is considered that guest lecturers, similar to external experts, can be expensive, although frequently such guest lecturers coming from international organisations do not ask for remuneration, because they already work in the framework of a funded programme, or such guest lecturers are employed for the needs of the institution so rarely that expenditures for their reward in comparison with the total funding for the studies could be considered insignificant. There is a risk that they provide false information and that they are not always competent regarding the professional environment and specific terminology or even the guest country as such. Education providers, whether they act as study centres, customs colleges or customs academies, should ensure and create an enabling environment for constant, continuous improvement and development of professional skills of the lecturers. It can be done implementing such activities as seminars, conferences, meetings, work or work tasks that will enlarge work experience of the lecturers and prepare them to take responsibility, providing a possibility to represent the work of the study centre or by cooperating in different projects, as well as ensuring feedback, updating the lecturers on their professional performance and, if necessary, providing constructive criticism. Implementation of job rotation system is a particularly favourable possibility to advance qualification of the lecturers (study process—basic process) that will provide an opportunity to easily substitute lecturers. Such system will guarantee that the study process will not be influenced by unfavourable and unforeseen factors, such as personnel incapacity for work, their inaccessibility to the listeners. Such system promotes exchange of ideas and knowledge between the lecturers. According to the typology of basic models of personnel involved in the pedagogical work, professional qualification advancement would be necessary only for permanently employed lecturers, because temporarily employed lecturers (internal experts) improve their professional qualification at their principle work with the same study methods, such as conferences, projects, meetings.

3 Integration of Teaching Staff into Holistic Customs Officer Study Process: Case Study of Latvian

The dominating view held by the State Revenue Service being a unified customs and tax administration (Petersone and Ketners 2013), as well as by the majority of customs administrations is that lecturers to ensure the study process have to be recruited from their own organisation, not excluding the possibility to hire lecturers from other organisations and educational institutions. Already in 1999 the “Procedure on Recruiting the SRS Officers (Employees) in the Capacity of the Lecturers” was adopted at the SRS. On the basis of the annual analysis of the study needs, information about new and existing study topics that require the involvement of

new lecturers was collected. It was envisaged that candidates for the lecturer positions can be chosen in accordance with the recommendations from the head of the structural unit, or employees can express their desire to get involved in the pedagogical work. After the interview, the selected candidates would participate in a 3 days preparatory courses. Only those candidates that have successfully completed their studies would be allowed to teach the chosen topics. To the extent possible, foreign lecturers can be involved, including the process of elaboration of a specific study programme. In case the candidates do not complete the course successfully, they could cover the study programme by self-instruction and their candidature would be revised in 6–9 months. The elaborated study programme projects would be submitted for review and approval, and then the administration of the State Revenue Service would approve the final list of candidates.

After approval of the study programme, the candidates should elaborate study plans and a portfolio of methodological materials (Procedure on Recruiting the SRS Officers (Employees) in the Capacity of the Lecturers). Unfortunately, it must be admitted that the “Procedure on Recruiting the SRS Officers (Employees) in the Capacity of the Lecturers” was not implemented from the very beginning, although it was elaborated on the basis of the best practices of that time, namely, considering the pattern of Her Majesty’s Revenue and Customs (the UK). Many formal regulatory actions concerning human resource management, including the selection of lecturers, do not work in the State Revenue Service, firstly because there exists a short institutional memory that disappears with the employee turnover, secondly, it is of importance only in case there is an established unified human resource management system in the organisation rather than its separate elements.

An advantage of a unified human resource management system is that selecting the lecturers the evaluation of participation of a potential lecturer in a definite basic process should be considered as the main argument. It means that it is possible to identify according to the job description whether a potential lecturer is well informed about the content of the study programme and is able to transfer his/her specific and general knowledge and skills to others. In any case, the lecturers should be educated and knowledgeable about adult learner teaching methodology.

The State Revenue Service is trying to improve professionalism of its employees and to ensure that personnel development goes hand in hand with the organisational development. In order to reach these aims, professional training of the SRS employees is organised in two different ways, both in the form of professional advancement programmes—internal education of SRS employees, and cooperation agreements (see Fig. 2) that have been signed with state and private educational institutions, public organisations and state and public organisations in other countries, and also special study programmes (see Fig. 3) (Petersone and Krastins 2014).

The State Revenue Service is a unique organisation because despite the specifics of its activities it considers that outsourcing of employee training is more rational (see Fig. 4).

Comparing Figs. 4 and 5, it can be seen that even though the number of activities and the length of training significantly varies and that is affected by both different

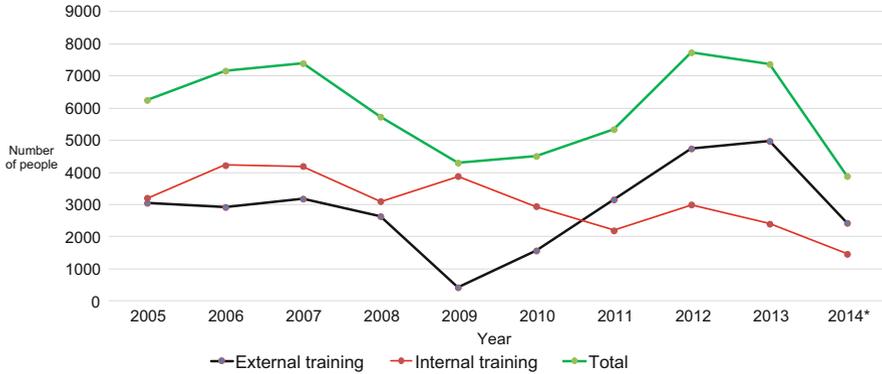


Fig. 2 The numbers of trained SRS employees. *Source:* State Revenue Service—Statistical data on training at SRS 2005–2013. *Asterisk* information till 1 October 2014

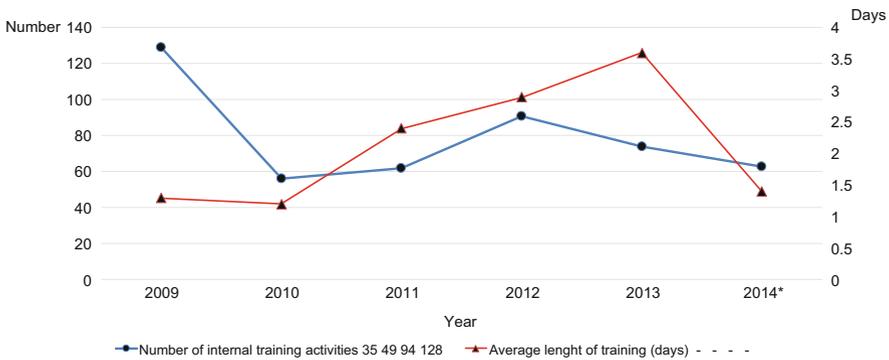


Fig. 3 Number of graduates of RTU study programme “Customs and Tax Administration”. *Source:* Riga Technical University (2014)

economical and organisational factors, the number of external activities still has exceeded the number of internal activities at all times.

Since 1994, upon signing an agreement between the State Revenue Service and Riga Technical University (RTU), collaboration in the field of education of customs officers has been maintained. By expanding the collaboration in research and academic information exchange, the interaction between science, field and study work has been promoted and thus a state university that is not departmental subordination to the SRS can still be considered to have the status of a customs study centre.

At the higher educational institutions of Latvia, the terms concerning the election of the academic staff—professors, associate professors, assistant professors, lecturers, assistants, senior researchers and researchers, as well as visiting professors, visiting assistant professors and visiting lecturers and their conformity to the requirements are regulated by Section 27 of the Law on Institutions of Higher

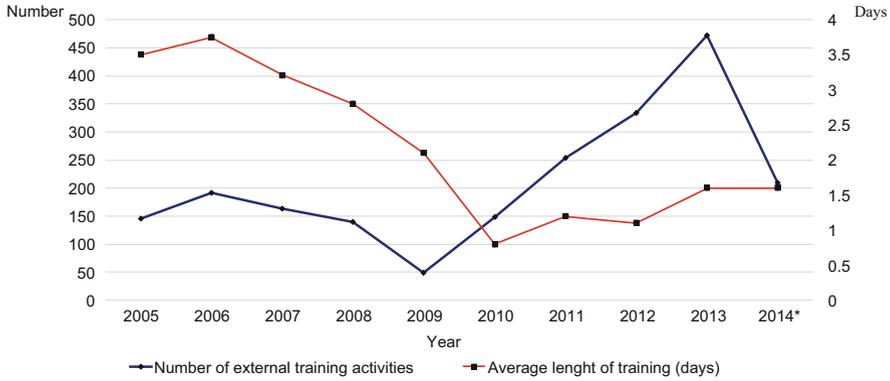


Fig. 4 The number of external training activities. *Source:* State Revenue Service—Statistical data on training at SRS 2005–2013. *Asterisk* information till 1 October 2014

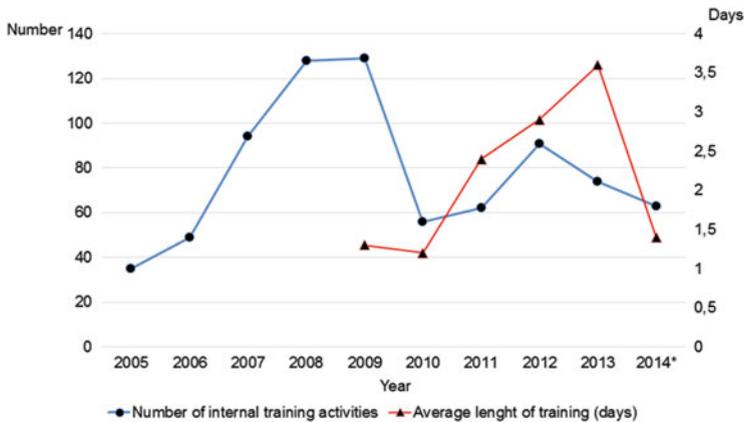


Fig. 5 The number of internal training activities. *Source:* State Revenue Service—Statistical data on training at SRS 2005–2013. *Asterisk* information till 1 October 2014

Education. At the same time, each higher educational institution has inner regulations that specify qualification requirements for each candidate in detail, for example, Resolution of RTU Senate On the Election Procedure for the Position of an Assistant Professor, Lecturer and Assistant. In Rector’s Order of 29 November 2013 No 1.1./298 On Determination of RTU Ratios (Riga Technical University 2013), the section on Scientific Activities, Subsections Cooperation with the Industry (volume of the commissioned research, development of new products, registered patents, optimisation of technologies, membership in field association and cooperation with the industry) and Pedagogical Activities (cooperation with companies operating in the industry, provision of field work to students, organisation of guest lectures, involvement of practitioners) actually states more about the correspondence of members of academic staff to the requirements regarding their

qualification rather than the section Improvement of Professional Skills and Professional Advancement because here these requirements are listed without providing sufficient details how they are assessed.

By acknowledging the aim of professional study programmes—to ensure professional studies that are based on scientific theoretical foundation of the industry, correspond to Customs Expert and Head of Structural Unit of Customs Office, as well as WCO Customs Officer (International Network of Customs Universities 2008) profession standards and are practically applicable, it is necessary to critically assess the conformity of the qualification of each type of lecturers, according to the typology of basic models of staff involved in the pedagogical work, to the aim of the study programme and the possibility to participate in internal training of the State Revenue Service, as well as development of SRS human resources. In this context, on the one hand, it is important to gather information about the importance of involvement of the State Revenue Service employees in the study process at professional study programmes at institutions of higher education and the possibilities to do that, and, on the other hand, to gather information about the higher educational institution teaching staff contribution to internal training at the SRS, by taking into account such criteria as general and special knowledge, skills and experience in customs matters and pedagogical experience.

At higher educational institutions of Latvia there are strict rules regulating the education of teaching staff, they require that they hold the highest scientific degree. The Law on Institutions of Higher Education states that “In pursuance of the necessity for acquiring practical skills and knowledge, a person who has higher education without an academic degree may hold the position of an assistant professor, lecturer and assistant in profile subjects of professional study programmes if he or she has a sufficient length of practical service appropriate to the subject to be taught. In order to elect a person who does not have an academic degree to the position of an assistant professor, this person shall be required to have practical service of a length of at least 7 years. The requirements to be put forward to such applicants to a position of an assistant professor shall be approved by the senate or council of the institution of higher education. Lecturers and assistants who do not hold a scientific or an academic degree shall be required to have practical service experience appropriate to the subject to be taught, the length of which is 5 years.” The rights, responsibilities and payment of assistant professors elected at professional study programmes correspond to those of an assistant professor and comply with RTU Constitution, as well as resolutions and regulations of the Senate and structural units. In fact, such divergence allows extensively involving customs officers in the study process. The authors consider that on the one hand such divergence from the law motivates higher educational institutions to hire customs officers with higher education from the “basic process” industry for teaching professional specialisation subjects, although on the other hand, the condition that positions of an assistant professor, lecturer and assistant without scientific degree are compared to the positions with scientific degree do not motivate them to obtain higher academic education. Therefore, the authors are confident that the changes should be made to the election procedure for the positions of an assistant professor,

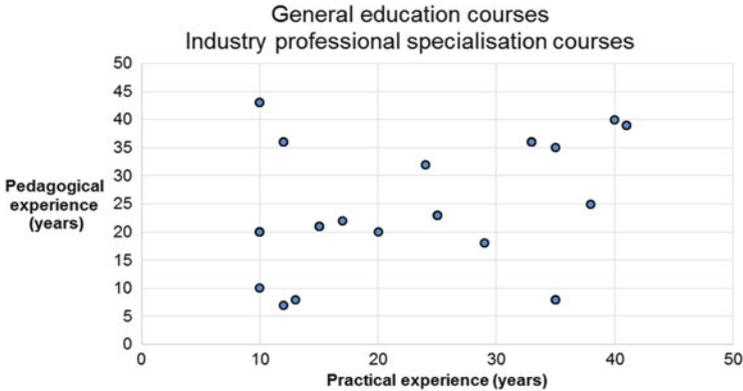


Fig. 6 Pedagogical and practical length of service of the academic staff of Bachelor Study Programme “Customs and Tax Administration” at compulsory study courses. *Source:* by the author

lecturer and assistant, by envisaging re-electing in the position of an assistant professor elected at a professional study programme only in cases when the person has worked in the specific field taking the position that corresponds to the envisaged study work for the last 3 years before the election. Otherwise, re-election is envisaged to be made only according to the general procedure for the election of academic staff with scientific degree. The pedagogical and practical length of service of the academic staff of RTU Bachelor Study Programme “Customs and Tax Administration” is compared in Figs. 6 and 7 in two groups of subjects: compulsory study courses—courses of general education, courses on theoretical fundamentals of the study field and information technologies and industry professional specialisation courses, and compulsory electives (industry professional specialisation course “Customs Management”).

It can be seen in Fig. 6 that the length of service and practical experience of the academic staff at compulsory study courses is comparatively larger than at the compulsory elective subjects illustrated in Fig. 7. It can be explained by the fact that taking into account the specifics of the study courses, academic staff teaching compulsory study courses include customs officers, whose length of service at the Latvian Customs cannot be longer than 24 years, because the entire history of Latvian Custom is 24 years.

Being aware of significance of decisions made on the basis of scientific foundation in our daily life, both WCO and EK TAXUD, and the SRS motivate their employees to obtain scientific degree along with performing their job responsibilities, and that also envisages pedagogical work. However, the people who according to Latvian Qualification Framework/the European Qualification Framework have obtained the highest eighth level, i.e., Doctoral Degree, and their principal work place is the SRS, are a rare exception and till now positive tendency for change has not been observed. The lack of the system that would motivate the SRS employees to obtain highest scientific degree can be mentioned as the main

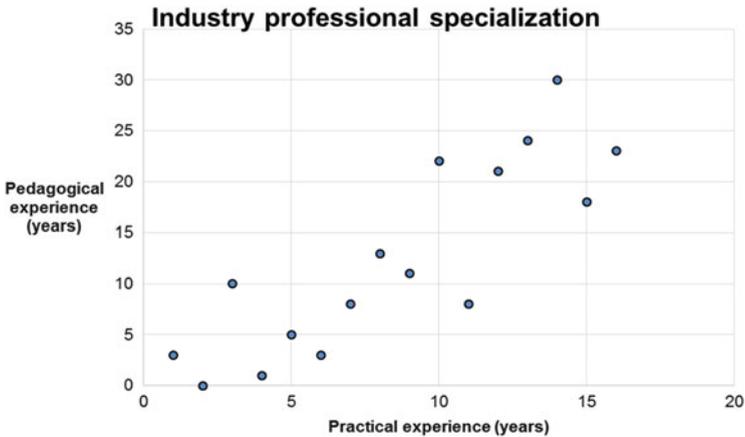


Fig. 7 Pedagogical and practical length of service of the academic staff of Bachelor Study Programme “Customs and Tax Administration” at compulsory elective subjects. *Source:* by the author

reason. In this respect, the authors consider that motivation should not be one-sided, for example, taking the form of additional payment for scientific degree. As soon as the employee obtains a scientific degree, regardless of his/her current position in relation to the talent management system, he/she should be included in the talent management system “Key Employees” (Petersone et al. 2014) and all opportunities should be open also to this employee. For such employees it is vitally important to apply their theoretical knowledge and practical experience in the pedagogical work, thus service regulations should be passed regarding how the employees with the scientific degree can combine their direct job responsibilities with additional work at higher educational institutions, study centres and study centres of other departments. In addition, such employees should be involved not only in scientific research conducted by EK and WCO, but also in the process of elaboration of SRS internal regulation.

4 Conclusion

From the point of view of business management process, both parties involved are equally interested in human resource development in the organisation, although each represents their own part of the process, namely, managers represent management processes, whereas human resource management specialists—support processes, but both have a common goal—to ensure basic process, i.e., employees/listeners. Traditionally, the customs authorities organise in-service training by highly professional persons with considerable working experience. Such trainers have excellent knowledge and skills of professional competencies, but weak

teaching experience. By developing customs officer training systems that meet modern needs, a part of this system should be modernised as well—exploration, selection, training and assessment of lecturers both at the study centres of customs office and higher educational institutions. Organisation of in-service training at customs offices will remain in the area of responsibility of these offices, because they depend on such factors as institutional subordination, political influence, the number of employees at the office, the scope of cooperation with higher educational institutions and international organisations, etc. Although the question how to efficiently involve teaching staff in the pedagogical work both during in-service organised training and at higher educational institutions, conforms to the unified basic model typology—a lecturer employed on a regular basis, lecturer employed on a temporary basis (internal expert), lecturer employed on a temporary basis (external expert), guest lecturer.

All around the world, there are specific but very strict demands concerning the election procedure of academic staff at higher educational institutions, and one of the primary demands is the highest scientific degree in the respective scientific field. However, in order to successfully implement professional study programmes, it is necessary to involve customs officers with work experience. A certain divergence from the strict demands concerning the education of academic staff at higher educational institutions will promote the use of standard practical knowledge and skills of teaching staff according to the principles included in the qualification framework, i.e., oriented towards the learning outcome clearly defined as knowledge and skills, instead of the input in the form of study courses and number of contact hours.

References

- Alink, M., & Van Kommer, V. (2011). *Handbook tax on tax administration* (p. 670). Amsterdam: IBDF.
- Belbin, R. M. (2009). *Team roles in the workplace* (1st ed.). Riga: Business Information Service.
- Bertucci, G. (2006). Unlocking the human potential for public sector performance. *Public Personnel Management*, 35(3), 175–179.
- Interests of conflict prevention of Public Officials. (2002). (online). Accessed September 12, 2014, from <http://likumi.lv/doc.php?id=61913>
- International Network of Customs Universities. (2008). *Professional standards* (online). Accessed March 15, 2013, from http://incu.org/docs/WCO_PICARD_Professional_Standards.pdf
- Krastins, A. V., & Ketners, K. (2014). *Sustainable development of tax and customs administration within the European Union* (1st ed.). Riga: RTU Press.
- Petersone, M. (2012, May 24–25). Use of uniform e-learning in training customs officers. In *Contemporary Problems of Regional Economy Management* (pp. 222–228). Saint Petersburg: SPbGIEU.
- Petersone, M. (2013, May 30). Features of process management in customs. In *Creating a Future: Communication, Education, Business: XIV International Scientific Conference* (pp. 209–220). Riga: Turiba University.
- Petersone, M., Ketners, K. (2013, April 25–26). Institutional division of customs administrations. In *Production and Cooperation in Agriculture. Finance and Taxes: Proceedings of*

- International Scientific Conference “Economic Science for Rural Development”* (pp. 207–213). Jelgava: Latvian University of Agriculture.
- Petersone, M., Ketners, K., & Krastins, A. V. (2014, May 15–16). Talent management in public administration institutions: The case of Latvian customs. In *The 8th International Scientific Conference “Business and Management 2014”* (pp. 145–153). Vilnius: Vilnius Gediminas Technical University.
- Petersone, M., & Krastins, A. V. (2002, May 17). Recruitment, selection and training of instructors for the State Revenue Service of the Republic of Latvia. In *Economic and Educational Development Problems of the Contemporary Period* (pp. 169–175). Riga: Riga Technical University.
- Petersone, M., & Krastins, A. V. (2014, May 29). Enhancing development through customs administration: Latvian case study. In *XV International Scientific Conference “10 Years in the European Union—Achievements, Problems and Expectations”* (pp. 10–20). Riga: Turība University.
- Rana, T. A., Balta, S., Zincir, I., & Basarici, S. (2012, June 14–15). Improving employee performance using web-based application for public services. In *Proceedings of the 12th European Conference on E-government* (pp. 968–972). Barcelona: Governance and Management.
- Reisner, B. (2013). EU Commission DG TAXUD/R3 EU Competency Framework for the customs profession. *PICARD Conference* (online). Accessed November 17, 2013, from <http://www.wcoomd.org/en/events/event-history/2013/wco-picard-conference-2013/~media/09569F05EF4240D6A5CCE0327CEF03CC.ashx>
- Riga Technical University. (2013). *RTU coefficient determination. Rector of the 29 November 2013 order No.1.1/298th*. Unpublished materials, Riga Technical University.
- Riga Technical University. (2014). *Statistical data on studies at RTU 1997-2014*. Unpublished materials, Faculty of Engineering Economics and Management.
- Rodic, B., Vukovic, G., Završnik, B., & Miglic, G. (2012). Issues in introducing training needs analysis in Slovenia’s public administration. *Transylvanian Review of Administrative Sciences*, 37, 155–171.
- Spica, I. (2013). *Business competency*. Riga: Business Competence Centre.
- Veeran, P., & Ferreira, I. W. (2010, Oct 22–24). The impact of globalization on human resources management policies and procedures in the South African Public Service. In *Proceedings of 2010 International Conference on Public Administration (6TH)* (pp. 144–157). Canberra: Govt ANU, Crawford Sch. Econom.
- Witesman, E. M., & Wise, C. R. (1996). Reformer’s spirit: How public administrators fuel training in the skills of good governance. *Public Administration Review*, 72(5), 710–720.
- World Customs Organization. (1997). *Good practice guide on training systems development*. Unpublished materials, World Customs Organization.
- World Customs Organization. (2009). *A Columbus programme phase 2, implementation tool The WCO capacity building development compendium* (p. 154). Brussels: World Customs Organization.
- Zheng, S. F., & Li, Y. C. (2008, September 24–26). On the ability training of civil servants in service-oriented government construction. In *4th International Conference on Public Administration* (pp. 611–616). Univ. Minnesota. Minneapolis: Humphrey Inst. Public Affairs.

Key Facts about Motivation on Romanian Employers

Tampu Diana Larisa

Abstract The fast rate of revolution on the concept of “rewards” and its meaning in an organizational context and general development of human society has encroached on motivational practices and knowledge. As the stage to obtain more and more money is similar for both managers and workers, a greater attention must be addressed to identify, register, and develop the strategies that can lead to performance in Romanian organizations, with the ultimate objective of assessing what is the main reason of motivation in 2014. In this undertaking, the perception of employers can become a defining factor as they represent the main agents of the economy that can add value to an organization. The research is constructed from a survey of Romanian employers that focuses on aspects such as extrinsic versus intrinsic motivation, job’s attitude, job satisfaction, rewards and incentives. The data collected will form the basis for a model of employee motivation with specific on the Romanian economy.

Keywords Labor • Motivation model • Behavioral economic • Human resources • Performance

1 Introduction

Was not found yet and probably will not ever find a model of motivation that can be applied to all individuals, all situations, all cultures. The risk of failure is inevitable if we try to apply one of the existing models without taking into account the concrete reality and only the fact that it was successfully applied sometime and somewhere.

In their actions to motivate subordinates, managers must not forget that people are different, have different experiences, different aspirations and different motivations. Of course entrepreneurs cannot conceive incentive programs for each of their employees. But they must understand that every employee has his personality,

T.D. Larisa (✉)
The Romanian Academy, Bucharest, Romania
e-mail: diana.tampu@yahoo.com

that people who work with them and for them, all have unique talents and perspective that they can put in the service of achieving business objectives. But it is necessary to motivate them. The fourth principle of the economy tells us that individuals respond to incentives—because people decide comparing the costs and benefits of their decisions, their behavior can change when they change benefits or costs. So perceptions of individuals and not the reality is what determine motivation.

The present case-study is constructed from a survey of Romanian employers that focuses on aspects such as extrinsic versus intrinsic motivation, job's attitude, job satisfaction, rewards and incentives. The data collected will form the basis for a model of employee motivation with specific on the Romanian economy. Questionnaires were the methods of data collection and Excel was used to analyze data collected from the field.

2 Problem Statements

Employee motivation survey began during the period of scientific management, the main role in this research being awarded to the Taylor (1911). When Maslow (1943) proposed in *A Theory of Human Motivation* the scale needs and until today motivation theories and models have tried to capture as clear as possible the actuality and needs of corporations and individuals. One of the problems faced by the current research on motivation in academic terms is that despite the proliferation of certain theories and models that test specific hypotheses relations, no model can capture until now the dynamic behavior of the motivated agent. Models such The Expectancy Model of Porter and Lawler (1963), Job Characteristics Model of Hackman and Oldham (1976) are still limited.

This research objective is to examine if employees are motivated or not in Romanian companies, and which are the perfect ways of motivating employees to put up their best, in order to establish a correlation between motivation and performance. The research limits have been appointed by some attitude of respondents, lack of time to respond to questions. All of these did not discourage the researcher, as he was able to use his rich experience in convincing the respondents to fill in the questionnaires.

3 Literature Review: Theories of Motivation

Motivation theories were developed based on the principle of homeostasis—when an imbalance occurs, whatever it is, the human being operate all his mechanisms to restore it. The basis of motivation theories is the concept of social learning. The individual has no interest in any unconscious instincts born, but the fact that must learn from others schemes of behaviours will influence his future motivations. Thus, it will be motivated to perform a certain action if he will be teaching what

expected results will be advantageous. 1943 was a year of reference in motivation theories as Maslow (1943) proposed in *A Theory of Human Motivation* a scale of needs that will go down in history as the Maslow's pyramid. The motivation of individuals depends on their position on this scale. Founder of the school of humanities, Maslow rejects the Freudian concept (Theories X) that people are lazy, hate working and avoid responsibility, considering that people are born with qualities although with time, they gradually lose them.

Developed in the 1940s, Maslow's hierarchy of needs theories is widespread and recognized as probably the best known theory of motivation—which is based on the following assumptions (Schermerhorn et al. 1988): man is an animal whose needs are never met. In other words, people constantly feel certain needs; people try a set of highly expressed needs, which can be grouped into certain categories; the needs respond to priorities: the most important is at the basis of the hierarchical pyramid, the less important are on the top. All of them form a pyramid; the degree of dissatisfaction—unmet needs motivates human actions: the best way to determine the individual to seek sympathy is depriving him of it; if one need is satisfied, another appears in its place unsatisfied. It is the so-called principle of scarcity that says one satisfied need is not a motivator of the human behavior; usually the person feels at the same time many different needs that are in a complex interaction; the needs that are closer to the bottom of the pyramid must be satisfied first; the next level needs can be met through more possibilities than those located on the lower level; every need is even more important as is continuously satisfied; the sequence of needs must not be understood and interpreted strictly as such; the emergence of a need after completing the previous one is not realized suddenly, but gradually; order needs may vary over time for an individual or individuals from different societies; early and repeated satisfaction of needs lead to a reduction of that need throughout someone life. The continued satisfaction of a need lead to its underestimation (who has not experienced starvation underestimate the importance of hunger).

The needs proposed by Maslow (1943) evolve according to each intensity, the degree of their satisfaction. In conclusion, Maslow's model is based on three assumptions: each behavior is determined by finding solutions to satisfy its basic needs and all individuals begin by seeking to satisfy their basic needs. They do not go to the following need in order of precedence if they hadn't satisfied the strict need on the level immediately below. The last assumption is that: the first level needs have priority over all other needs.

The most valuable and practical involvement Maslow's theory is the idea to meet first the basic needs and organizational factors and then the factors associated with development needs. Although intuitive management applications derived from Maslow's theory helps to understand organizational dysfunctions. It is, therefore, understandable why the complex procedures for management and human resource development remain without result when employees do not meet their basic needs.

The next step in the theories of motivation lies to McGregor (1960) who claims that each individual would like to have a better job, and work is a phenomenon as natural as playing. McGregor was the man of gentle methods instead of

authoritarian ones, even though he was aware of the firmness need that managers must show. He made the Theory X assumptions according to which: clearly the employees dislike work, tend to evade from it if it is possible, considering it distasteful; they show little ambition at work, are reluctant to work; to achieve the stated objectives, managers need to coerce their subordinates, to give directives, strict rules, to control and subjugate them to action; employees avoid responsibilities and seek to be under authoritarian rule; most of the employees give a predominant place to job security, safety of tomorrow; money is their main motivation factor.

According to McGregor (1960), the realistic Theory X, conservative and pessimistic generates a vicious circle and arise the question of reinforced control upon individuals—corresponding the needs from the bottom of Maslow pyramid, hygiene factors of Herzberg's and Taylor postulates. McGregor (1960) argued that the issue of contemporary organizations lies in the fact that they are not able to reveal the creative possibilities of employees. To use the potential advantages of these assets, the management must give employees space, field of development and use of talents, issue as few instructions as it is possible, to create conditions for integration of the organization's objectives with those of its membered.

The 1960s are noted by the appearance of works of authors such as Likert (1967), Argyris (1965), Vroom (1964), which marked in their own way reference points on motivation theory. Herzberg (1959) builds the two factors motivation theory claiming that man has two types of needs: the need to avoid animal pain and human need to develop psychologically. The individual is unhappy if the hygiene factor is not present, but the presence of this factor will not only relieve pain temporarily, as analgesic affects that dissipate quickly, if not get a deeper satisfaction. He concluded that the factors that bring satisfaction from work performed can be separated and grouped, as they differ substantially from the dissatisfaction factors of work—hence the name of the theory of two factors.

Two factors theory of motivation supports the same extent that the satisfaction and dissatisfaction are not two opposite points on the same threshold but are separate and distinct. The opposite of in satisfaction is not satisfaction at work, but the absence of dissatisfaction. He noted that financial incentives are not the only sources of motivation at work, that work is not a major exchange between worker and entrepreneur and has focused on factors such as the nature of work, opportunities for personal success, assigned responsibilities and appreciation of esteem received.

Motivation at work in Maier and Pop (2011) conception can be stimulated significantly increasing content of individual task, increasing responsibilities and challenges, increasing its autonomy, making the activities which he must perform as interesting as possible. Porter (1962) and Lawler (1995) conducted a complete theory of motivation that includes elements of expectations theory and equity theory. According to them the expectation depends on the manner in which the individual shall be informed and interprets the information available, the causes of success or failures of the past. In the sense of Porter and Lawler (1963), the needs give rise to human behavior and effort to accomplish a task is influenced by the

perceived value of awards that will result from the task and the perceived probability of obtaining these awards. The Porter–Lawler model follows: to identify the origin of valence and people’s expectations, to link the efforts to performance, satisfaction in work, to identify factors other than the effort that affect performance, to emphasize the importance of equitable rewards.

Vroom (1964) was the first that exhibited in a clear way the cognitive model of work motivation and applied it in analyzing the choice of profession and effort setting for the job. Thus, according to Vroom’s model, the existence of an active need is not the only prerequisite in motivating the individual to achieve a goal—there are four hypotheses at the model.

The first hypothesis present that the individual behavior is determined by a combination of forces within it and the environment. Neither the individual nor the environment alone does determine behaviours, individuals enter into an organization with certain expectations, expectations regarding their jobs, expectations that are based on their needs on their motivations and on what they lived. All these factors influence how individuals interact with organizations; the second hypothesis shows that individuals make decisions about their own behaviour in an organization, even if there are many other constraints; the third hypothesis offers information about different individuals that have needs, objectives and different goals. They have their own expectations of their work and acts based on these needs and ideas when taking the decision on the organization in which they engage as employees; the last hypothesis argues why individuals choose one of the several possible decisions. They perceive that a given behaviour will lead to the desired result, so they tend to do things that they perceive as being able to bring desired rewards and avoid doing things that they perceive as likely to lead to undesirable results.

4 Research Methodology

The perception regarding motivation among employees in Romania has been assessed through a survey conducted on a sample of 200 individuals ranging between 18 and over 55 years of age. The information was retrieved through the use of a short yet comprehensive questionnaire and the data collection was carried out in the city of Bucharest. The process of data collection achieved a number of 200 valid and complete questionnaires, over a period of 2 months, ranging from November to December 2014. The paper conveys qualitative and quantitative analysis results with the ultimate goal of observing whether employees from Romania are appreciated by their employers and what determine them to be performing at job. Key informant interviews and questionnaires were the methods of data collection for the study.

5 Results and Discussion

The results from Romania regarding the motivation of employees are varying throughout the sample. The respondents were initially classified depending on their gender, age, place of work. From the entire sample of 200 respondents, 41.2 % were males and 58.79 % were females. As we can see there is no such a big disparity between female staff and male staff. The age distribution of the respondents ranged from 18 years to above 56 years. From the data collected most of the respondents fell within the ages of 24–35. This constituted 72 % of the staff interviewed. This is a positive aspect because the 72 % constituted the youthful age and this means each institution has a future, since every organization survival depends on the future generation. Figure 1 shows the age distribution of respondents.

From the figure above very few respondents were in the range of 56+ years and above and between 18 and 23 years old. Age more often than not, comes with experience, and this is an explanation why we don't have so many young respondents. The people above 56 years, as propagated by Maslow in his of Hierarchy Needs, are preoccupied with higher order needs such as esteem, and self-actualization, having had their lower order needs taken care off (Maslow 1943).

In order to safeguard the credibility of the research findings, we found all categories of workers. The results can be observed in Fig. 2. Nevertheless, there is an insignificant correlation between the place of work of the respondents and their perception of motivation.

The correlation coefficient generated by the sample on the relation between the gender of respondents and their source of motivation stands roughly around 0.25. This means there is a weak positive correlation between the various forms of variables that motivate an individual in Romania. These analyses clearly show that individual worker's expectancy of returns for a job performed vary and which has become a problem of management as to which is the satisfactory way of motivating workers for a good job done. Female are more inclined to extrinsic

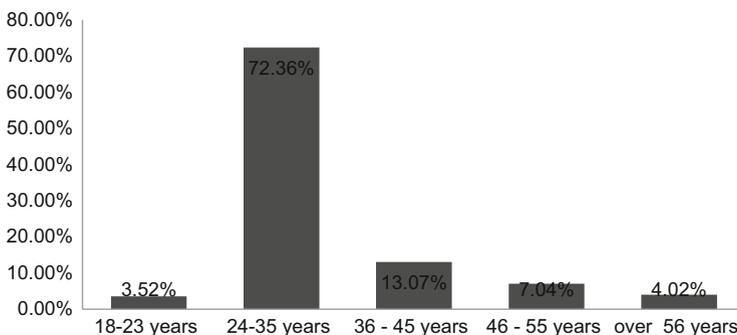
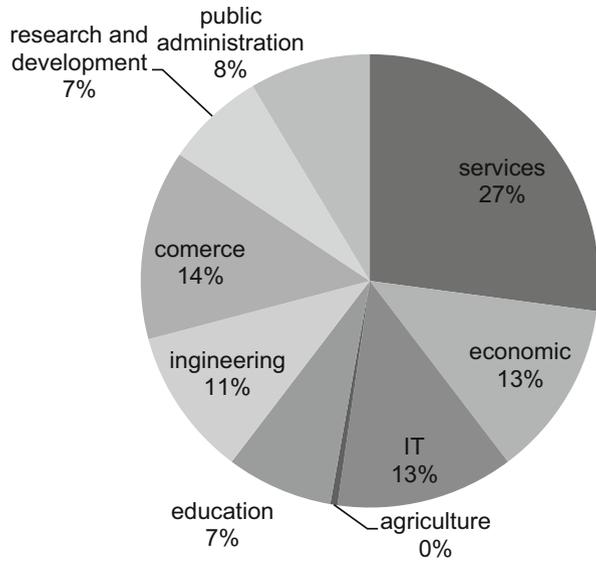


Fig. 1 Age distribution of respondents

Fig. 2 Field of work of the respondents



motivation than male are as can be easily observed in Fig. 3. An explanation may occur because women are considered more materialistic than men (Kasser 2003).

Of the entire sample of respondents is observed that over 50 % are more motivated than unmotivated. The results can be observed in Fig. 4. Motivation level of employees is mainly extrinsic. Only in the case of highly motivated employees the extrinsic motivation level is the same as intrinsic motivation. Biggest difference is recorded among employees situated in the extreme part of the chart: somehow motivated or somewhat unmotivated. Even among employees who consider themselves unmotivated, extrinsic motivation level is higher than the level of intrinsic motivation.

As we can easily observed in Fig. 5 there is no correlation between the working place and type of motivation. Are working places that are more motivated by the extrinsic factors and working places that are more motivated by intrinsic factors. We can't say for sure if there is a relationship between jobs that require creativity and innovation and intrinsic motivation, because the level of intrinsic motivation is bigger only in the case of Economic and Financial sector, Engineering and IT. The sectors that are more motivated by extrinsic factors are agriculture, research and development, services, and public domain. An answer may exist due to the fact that the wages in these last sectors are lower than the first ones.

In every organizational establishment, there are certain incentives that give an individual the edge to work in. These factors let workers stay in a particular organization or elsewhere for better conditions. The results of the findings point to the fact that, the factors that motivate respondents at work are keys to their performance. In order to see what incentives Romanian employees consider as

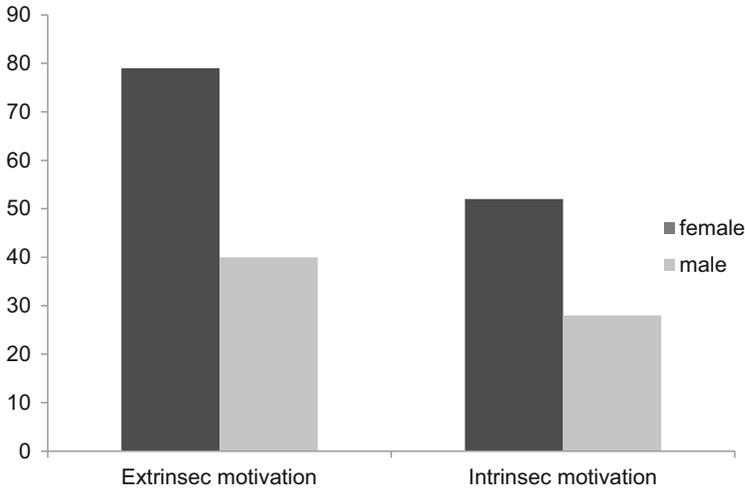


Fig. 3 Forms of motivation on gender identity

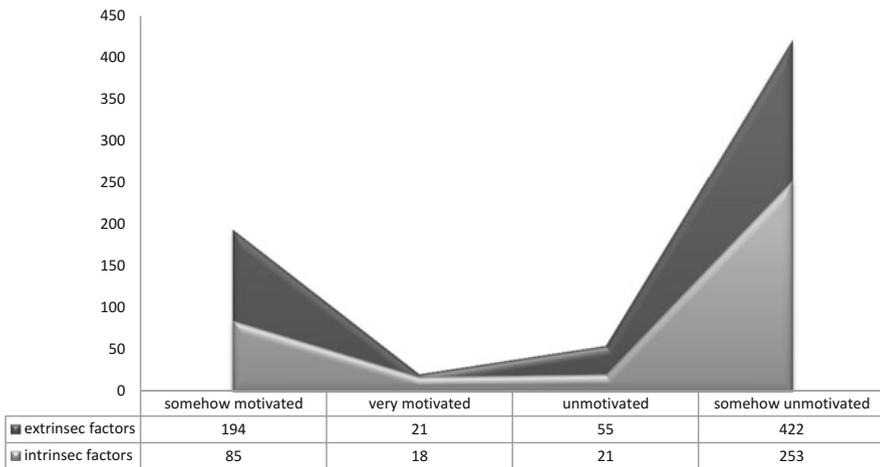


Fig. 4 Extrinsic versus intrinsic on motivation gender identity

being stimulants we have done a top of the first ten incentives (Fig. 6). In the first two positions, we find extrinsic factors: the wage level and promotion opportunity.

These ones are followed by two intrinsic incentives: work climate and flexible working hours. Whether in the form of wages, piecework (getting paid for units produced at a certain quality level) or any other incentive pay, bonuses, stock options, company-paid insurance, or any of the other things that may be given to people for performance, money is important. These incentives have influenced their performance at work and kept them in motion. In general, incentives are basic determinants, whether private or public in attracting workers to stay in an

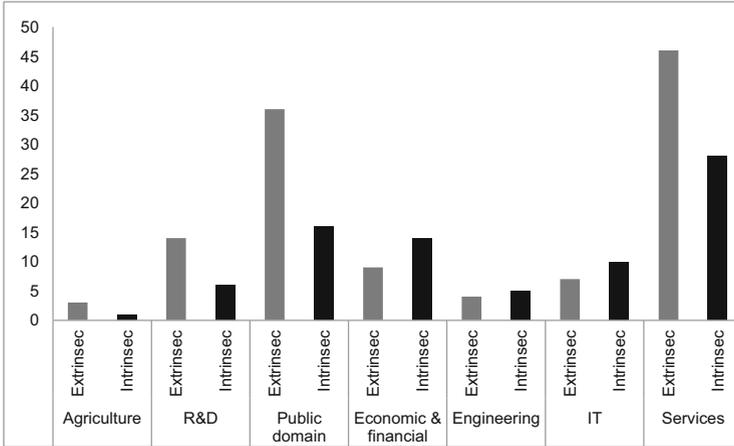


Fig. 5 Correlation between working place and type of motivation

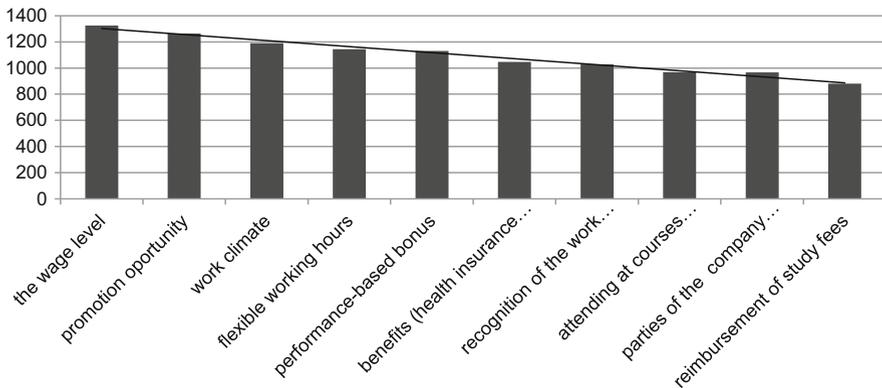


Fig. 6 Top incentives Romanian employees enjoy in an institution

organization or quit certain jobs offered to them. For a big range of respondents’ money are more important than recognition of the work in front of colleagues or flexible working hours. This fact explain us why consider employers money so important: the wage level in Romania is lower than in most of EU Development Member Only Bulgaria, Montenegro, Ukraine quantify average annual wages lower than Romania. Also, the statistics gathered indicated that 81.3 % of the workers said they will work hard if they are assured of promotion (Fig. 7).

The most used financial reward is when the employee spends at work between 40 and 60 h/week. This means an average of 10–12 h/day. We can see that is a positive correlation between the hours spent at work and the level of motivation. There are employees that spend at work more than 80 h/week—and have a medium wage/year below 3300 euros and are somehow motivated. And are employees that

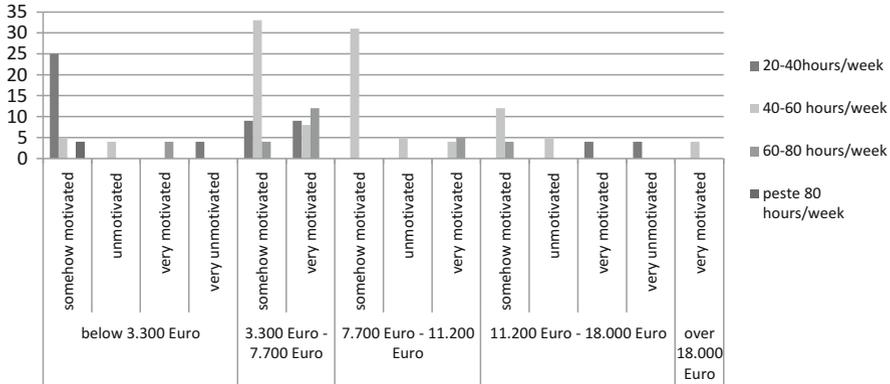


Fig. 7 Correlation between wage, level of motivation and income. *Source:* Original material, constructed based on survey data, Nov–Dec 2014

spend at work between 20 and 40 h/week, are very motivated and have wages between 11,200 and 18,000 euros. Most of the respondents have wages between 3300 and 7700 euros and declare themselves somehow motivated or very motivated.

In order to see if there is any correlation between motivation and work performance we have searched if there was some degree of association between these two variables. In order to do this, we have calculated the Pearson correlation coefficient. Its value of only 0.172 (which is statistically significant at 10 % level of confidence) showed weak positive correlations. The explanation is that that, motivation has significant positive influence on performance, and if the degree of motivation would improve, then the performance would increase significantly. When workers are motivated their work efforts or output will increase.

6 Conclusions

Because of the level of development in the east part of Europe the intrinsic factors overshadow the extrinsic ones. The results of this research provide important contributions not only to the field of human resources and motivation field but also to the economic level of Romanian employers, which are quite different, from their neighbors from the UE. The poor motivation has had a domino effect on work performance and the output of workers. These results should be correlated with both existing theory and the issues identified in the companies. Managers must take into account the situation of employees, the needs that they show (placing them on a certain level of Maslow’s pyramid), but also the specific work performed by them (involving cognitive and creative activities or not). Following these findings, managers of multinationals doesn’t have to take the strategic plans of HR from the parent company. In order to identify the predominant form of motivation

recommended for their company they have to have a closer approach of what their employees wants and don't want in order to figure what fits perfect for them.

Acknowledgment This work was supported by the project “Excellence academic routes in doctoral and postdoctoral research—READ” co-funded from the European Social Fund through the Development of Human Resources Operational Programme 2007–2013, contract no. POSDRU/159/1.5/S/137926.

References

- Argyris, C. (1965). *Organization and innovation*. Homewood: Irwin. OCLC 228981.
- Hackman, J. R., & Oldham, G. R. (1976). Motivation through the design of work: Test of a theory. *Organizational Behavior and Human Performance*, 16, 250–279.
- Herzberg, F. (1959). *The motivation to work*. New York: Wiley.
- Kasser, T. (2003). *The high price of materialism*. Cambridge, MA: A Bradford Book.
- Lawler, E. E. (1995). The New Pay: A strategic approach. *Compensation, Benefits Review*, 27(4), 14–22.
- Likert, R. (1967). *The human organization: Its management and value*. New York: McGraw-Hill.
- Maier, V., & Pop, Z. C. (2011). Entrepreneurship versus entrepreneurship. *Review of the International Comparative Management*, 12(5), 971–976.
- Maslow, A. H. (1943). *A theory of human motivation*. New York: Harper & Row.
- McGregor, D. (1960). *Human side of organization*. New York: McGraw-Hill.
- Porter, J. L. (1962). Job attitudes in management: 1 perceived deficiencies in need fulfillment as a function of job level. *Journal of Applied Psychology*, 46(6), 375–384.
- Porter, L. W., & Lawler, E. E. (1963). Perceptions regarding management compensation. *Industrial Relations*, 3, 41–49.
- Schermerhorn, J., Hunt, J., & Osborn, R. (1988). *Managing organizational behavior*. New York: Wiley.
- Taylor, F. (1911). *The principles of scientific management*. New York: Cosimo Classics.
- Vroom, V. H. (1964). *Work and motivation* (1st ed.). San Francisco: Jossey-Bass.

Strategic Partnerships for the Development of Competitive Labor Force Through Vocational Education and Training

Ilze Buligina and Biruta Sloka

Abstract Establishing closer links between education, training and the world of work is a high level EU policy priority and increasing in the focus of academic research. Constant skills' upgrading of the workforce to promote employability requires innovative approaches at national, regional and local level and demands new forms of strategic partnerships. This sets new tasks also for public administrations involved in vocational education and training (VET) provision. In Latvia VET reform is ongoing, with gradual changes in VET governance through increased involvement of social partners. It is important to evaluate the existing institutional mechanisms for co-operation among the social partners and, if necessary, improve them or develop new ones. A research was carried out in Latvia in 2014 among the top and medium level public administrators regarding the approaches to the development of competitive labor force by the VET system. A parallel analogous research was carried out among the employers. The aim of the research was to learn the opinions of the respective target groups, make a comparison between their opinions regarding research relevant issues and to identify the key challenges for public administrations in VET for improved decision making in the training of competitive labor force.

Keywords Training • Competitiveness • Workforce • Stakeholders • Partnerships

1 Introduction

Vocational education and training (VET) is a high level EU priority, especially in the context of high level youth unemployment rates and the increasing skills' gaps, especially in the medium level workforce. There are also clear implications to question the traditional distinctions between higher education (HE) and VET in this context (CEDEFOP 2011). Training of competitive workforce is been viewed as an integral part of strategies for overall economic competitiveness. EU policy

I. Buligina (✉) • B. Sloka

Faculty of Economics and Management, University of Latvia, Riga, Latvia
e-mail: Ilze.Buligina@gmail.com; Biruta.Sloka@lu.lv

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,
Eurasian Studies in Business and Economics 3/1,
DOI 10.1007/978-3-319-27570-3_19

229

wise—in the strategy “Europe 2020. Strategy for smart, sustainable and inclusive growth” (European Commission 2010) the issue of qualified and competitive labor force has been raised as a high priority question for all the EU countries and their public administrations in the context of knowledge and innovation based economy. Therefore the issue on the tasks of public administrations for improved labor force competitiveness is also at the center of academic research. However, not all public administrations are immediately ready for addressing the new challenges. The public administrations themselves need to reflect on their activities and become more innovative in their activities. There is an urgent need for research on the role, opinions and activities of public administrations and their co-operation partners in the development of competitive labor force by VET, as the topic is still under-researched in many countries, Latvia including. The results of such research can greatly contribute to better decision making by public administrations and improved functioning of the VET systems for the development of competitive labor force. As nowadays it is not sufficient to make decisions on the introduction of new measures by the educationalists alone, the decision on the labor force development and the legal framework have to be thought out, proposed, discussed, coordinated and tested among a broad spectrum of stakeholders. Therefore the present paper is based on the empirical research carried out by the authors from 2012 to 2015 at national, regional and local level with regard to several target groups—high and medium level public administrators from several relevant ministries and governmental agencies, local governments’ administrators, members of employers’ organizations, experts, employers from large, medium, small and micro enterprises. Results of the empirical research that is relevant to the present paper will be presented and discussed further on in the present paper.

2 Theoretical Framework and Research Approach

Human resource development for increased economic competitiveness is increasingly in the center of attention of academic research worldwide. Numerous academic research studies have been carried out in the world on the development of human capital by governments—as an investment for future returns. The theory of human capital, although challenged many times, has preserved its role in the theoretical thought on human resource development. More recently the focus of academic research is increasingly on systemic VET reforms and innovative approaches in VET implementation. The various aspects of human resources’ development have been analyzed in world congresses and conferences, for example, in the annual World Conference on Educational Sciences. Specialized research journals have been dedicated to this issue, for example the *International Journal of Public Sector Management*, *Management Development Review*, *Human Resource Management Review* and other. In recent years research focuses on the role of VET in the overall labor force competitiveness, since it is being acknowledged that higher education (HE) alone cannot solve the many existing and emerging challenges (Gurthrie and Dawe 2004). Also the shift in the EU education and training

policies with much greater emphasis on employment and employability issues indicate the new tasks for public administrations in the training of labor force by their VET systems. The classical ideas for the development of human capital are being continuously enriched with new research, and academic studies increasingly show the growing role of VET level specialists in the innovation process, especially regarding technology diffusion (Toner 2010). It is being stressed that a competitive VET level specialist today should be with innovation and technology competence (Toner 2010). Rogers (2003) uses the words 'innovation' and 'technology' as synonymous.

The latest academic research shows—the public administrations are increasingly becoming aware of the need for innovative solutions in human resource development, including new approaches in VET administration and governance. The most recent research by Workman et al. (2011), Schomberg (2012), Sharif (2012), Metsamuuronen et al. (2013), Gurthrie and Dawe (2004), Hynninen et al. (2013), McGrath (2012) put a particular emphasis on innovation in VET administration and governance, as well as the need and role of technological innovation in VET and human resource development. This is determined by the need to ensure closer links between the education and training processes and the actual work environment—already from early years of education and training—for better future labor force compliance with the actual labor market needs, as pointed out by Draycott and Rae (2011), Ellström and Ellström (2014), Thomas and Qiu (2012), Workman et al. (2011), Nikandrou et al. (2009), Paisey and Paysey (2010), Haines et al. (2012) and many other scholars. The both processes—promotion of work-based training and the implementation of innovation and technological competence, as well as entrepreneurial attitudes are often being addressed as a complex set of measures in the modern labor force developed by VET systems.

Thus, also in the training of the medium level labor force, innovation and technological competence is becoming an inherent characteristic of the competitiveness of the labor force—in relation to the ability to adapt to various new situations, the ability to independently solve new or non-typical situations, to offer and implement new solutions, as well as be competent in the implementation (diffusion) of technological innovation. Due to this reason, in the present paper the notion of competitiveness implies not only general correspondence to the labor market demands but also aspects of innovation and technological competence—as a new task and challenge for VET public administrations in developing new systemic approaches in VET implementation.

Based on theoretical framework of the issues under research, empirical research was prepared and carried out in the period from 2012 to 2015 at national, regional and local level. The research was based on textual analysis of research problem relevant policy documents and academic discourse. For the implementation of the empirical study, a questionnaire was developed with evaluations in scale 1–10, where 1—do not agree, 10—fully agree. The results of the survey were complemented by the analysis of interviews of high level administrators in education and training at national level. The empirical study concerned several target groups: (1) a survey in 2014 and 2015 among top and medium level administrators

at the Ministry of Education and Science, the Ministry of Welfare, the Ministry of Economics, the Ministry of Finance, the Ministry of Environmental Protection and Regional Development, among the agencies of these ministries—the State Education Development Agency, the National Education Centre, the State Education Quality Service, the State Employment Service, the Latvian Investment Development Agency, as well as among top level administrators of the VET institutions that are under the supervision of the Ministry of Education and Science, relevant VET institutions under local governments' supervision and colleges implementing VET programs alongside with college level programs; (2) a joint survey in 2014 and 2015 with the Latvian Employers' Confederation among large, medium, small and micro size enterprises—members of the Latvian Employers' Confederation, among representatives of employers' and employees' organizations, sector associations and Sector expert councils (SECs), as well as among enterprises that are co-operation partners (in providing practical training and qualification praxis for learners) for VET institutions under the supervision of the Ministry of Education and Science, relevant VET institutions under local governments' supervision and the colleges implementing VET programs alongside with college level programs; the aim was to address 'organized employers' who are either aware of the strategic employment issues or related to the training process through their links to VET institutions; (3) in-depth interviews in 2014 with top-level administrators of the Ministry of Education and Science—having competence for strategic VET development and implementation; (4) a survey in 2013 among medium level administrators of local governments'—the heads of the Education boards—regarding new developments in VET in Latvia; (5) an initial survey in 2012 among top and medium level public administrators and experts in education and research and several more minor surveys at various levels. The key result of the empirical study will be presented in the next chapter of the paper.

3 The Results of the Empirical Study

The preliminary conclusions from this part of the research leads to further analysis regarding the identification of the key stakeholders and their relevance in the training of competitive labor force—as a basis for the identification of relevant governance modes and mechanisms. We identified the employers' organizations and sector associations as increasingly relevant actors. In the empirical study we attempted to estimate the degree and need for their involvement from the point of view of public administrators and employers. Regarding the involvement of sector associations and employers' organizations in the training of a competitive labor force (see Fig. 1) the entrepreneurs are only moderately satisfied with the results, represented by the average evaluation between 6 and 7 scores. Regarding the involvement of sector associations, the evaluations are also comparatively low, given the existing institutional mechanisms already put in place by public administrations and the continuous dialogue between the key actors—as indicated by our

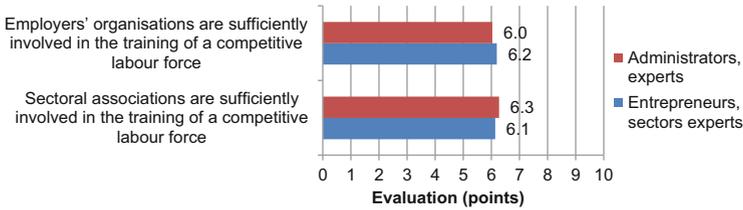


Fig. 1 Arithmetic mean of evaluations of administrators, experts and entrepreneurs, sectors experts on statements “Sectorial associations are sufficiently involved in the training of a competitive labor force” and “Employers’ organizations are sufficiently involved in the training of a competitive labor force”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

desk research. This suggests that the information loop (feed-back) should be improved by public administrations.

The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “Sectorial associations are sufficiently involved in the training of a competitive labor force” did not differ statistically significant with high probability (Mann-Whitney test: $z = -0.373$, $p = 0.709$).

The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “Employers’ organizations are sufficiently involved in the training of a competitive labor force” did not differ statistically significant (Mann-Whitney test: $z = -0.991$, $p = 0.322$).

Regarding the involvement of enterprises, local governments and planning regions—the public administrators are more supportive to the involvement of enterprises and local governments than the entrepreneurs are. Both groups of respondents are to a lower degree interested in the involvement of planning regions which indicates to the still unused potential of these bodies. The involvement of the local governments is more appreciated by the public administrators, with relatively little support from the entrepreneur’s side (see Fig. 2). This is again a surprising result, since our desk research indicates to an increasingly spreading model and good practice where the VET institutions are closely co-operating with the local government, e.g., in the implementation of work-based learning. This may indicate to an insufficient circulation of information by public administrations and limited promotion of examples of good practice. On the other hand—it may indicate to insufficient activity on either side—the employers and the local governments, possibly not seeing potential for mutual beneficially relationship. This situation should be amended—through creating and strengthening joint governance approaches in human resource training locally and regionally.

The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The local governments should more get involved in VET” differed statistically significant with high probability—0.998 (Mann-Whitney test: $z = -3.062$, $p = 0.002$). The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The planning regions should more get involved in VET” did not differ statistically significant (Mann-Whitney test: $z = -1.783$, $p = 0.075$). The evaluations of administrators, experts and entrepreneurs, sectors

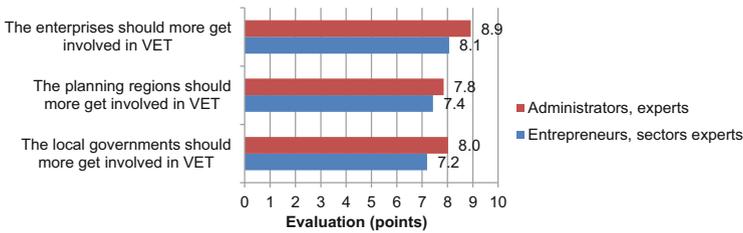


Fig. 2 Arithmetic mean of evaluations of administrators, experts and entrepreneurs, sectors experts on statements “The local governments should more get involved in VET”, “The planning regions should more get involved in VET”, “The enterprises should more get involved in VET”. Note: Evaluation scale 1–10, where 1—do not agree, 10—fully agree

experts on statement “The enterprises should more get involved in VET” differed statistically significant with high probability—0.999 (Mann-Whitney test: $z = -3.724, p = 0.000$). In Fig. 3 the distribution of the evaluation on the involvement of local governments is presented.

Here the distribution of the evaluation on the involvement of planning regions is presented—the differences of evaluations are not big (see Fig. 4).

The distribution of the evaluation on the involvement of entrepreneurs is presented in Fig. 5.

Public administrators are markedly supportive to the further and stronger involvement of professional organizations and associations in VET governance which indicates to the openness of the VET system and its preparedness to strengthen links with the world of work and employment for improved labor market competitiveness through the workforce training. It is also important that the entrepreneurs recognize the role of the involvement of the local governments, the planning regions and the enterprises themselves much more in the training of a competitive labor force, which implies that the enterprises are prepared to think strategically in the context of local and regional development, and not solely in the interests of the enterprise, as indicated before and included in Fig. 2.

As regards new approaches to VET, in our research this refers also to the introduction of work-based learning (WBL). The success of the WBL pilot project implemented in a small number of VET institutions in 2013/2014 academic year in Latvia was greatly due to the active involvement and support from the local governments, as our minor surveys on WBL approaches have shown. These findings lead to the next stage in our empirical research—regarding the need for new forms of governance. As represented below (see Fig. 6)—both the evaluations—by administrators and entrepreneurs—in general are very high with the mode for the highest possible evaluation. The evaluations do not differ much, but entrepreneurs have a higher variety of evaluations covering the whole range of the evaluation scale.

The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “New innovative approaches to VET should be promoted at state level for the training of a competitive labor force” are very high, but they differed

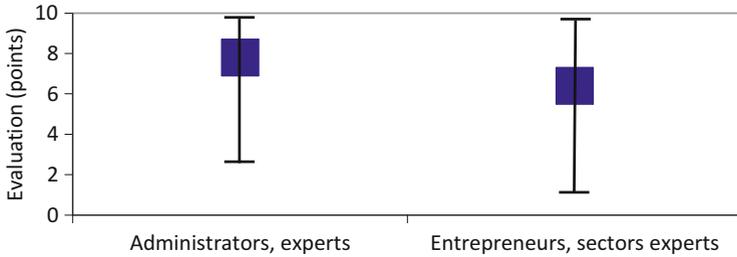


Fig. 3 Distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The local governments should more get involved in VET”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

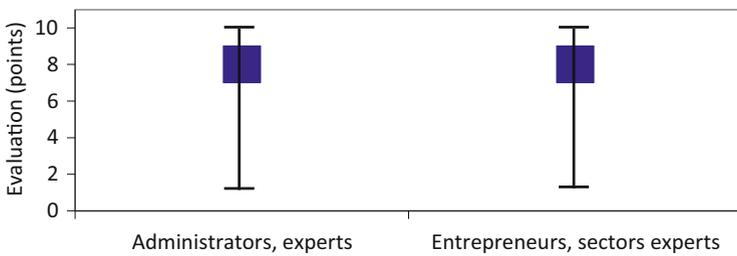


Fig. 4 Distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The planning regions should more get involved in VET”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

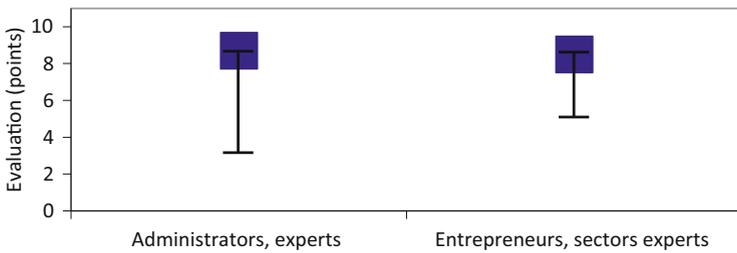


Fig. 5 Distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The enterprises should more get involved in VET”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

statistically significant with high probability—0.999 (Mann-Whitney test: $z = -3.710$, $p = 0.000$). The evaluations of administrators, experts and entrepreneurs, sectors experts on statement “New forms of VET governance where the decisions are taken by a broader spectrum of stakeholder should be introduced at state level” differed statistically significant with high probability—0.999 (Mann-Whitney test: $z = -4.178$, $p = 0.000$). More in-depth analysis is represented in the break-down into the statistical indicators which are included in Table 1.

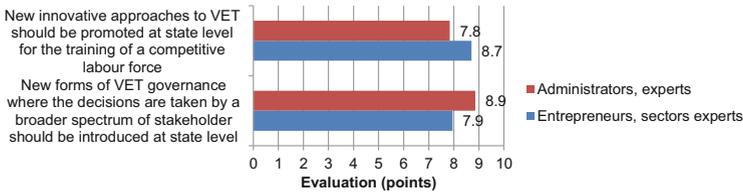


Fig. 6 Arithmetic mean of evaluations of administrators, experts and entrepreneurs, sectors experts on statements “New innovative approaches to VET should be promoted at state level for the training of a competitive labor force” and “New forms of VET governance where the decisions are taken by a broader spectrum of stakeholder should be introduced at state level”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

Table 1 Statistical indicators of administrators, experts and entrepreneurs, sectors expert’s evaluations on statements related to VET

Statistical indicators	New innovative approaches to VET should be promoted at state level for the training of a competitive labor force		New forms of VET governance where the decisions are taken by a broader spectrum of stakeholder should be introduced at state level	
	Administrators	Entrepreneurs	Administrators	Entrepreneurs
N	121	246	120	245
Mean	7.84	8.71	8.85	7.95
Standard error of mean	0.207	0.108	0.146	0.138
Median	8	9	9	8
Mode	10	10	10	10
Standard deviation	2.154	1.573	1.532	2.031
Range	9	9	7	9
Minimum	1	1	3	1
Maximum	10	10	10	10

Note: Evaluation scale 1–10, where 1—do not agree, 10—fully agree

The statistical analysis indicates that the differences are statistically significant with very high probability (0.999). The variability or differences of evaluations on statement “New innovative approaches to VET should be promoted at state level for the training of a competitive labor force” is much bigger for entrepreneurs in comparison with administrators. Further on the distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “New innovative approaches to VET should be promoted at state level for the training of a competitive labor force” is represented (Fig. 7).

All these findings and results indicated to the perceived need for new forms of VET governance regarding the involvement of various stakeholders at national, regional and local level. At the same time the co-operation among key education and training providers and education and research administrators have to be at a particular focus of attention—as being directly responsible for an effective functioning of the overall system. Therefore we found it relevant in our research to study in greater detail the role of their co-operation—as seen from their own perspective.

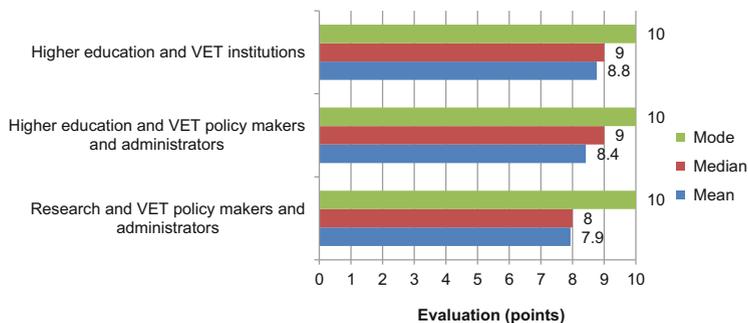


Fig. 7 Average assessments of public administrators and experts evaluations on statements “In the development of competitive labor force there should be more co-operation between VET, HE and research policy makers and administrators”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

If to compare the results of the 2012 and 2014–2015 survey, it should be noted that comparatively much higher scores on the need for co-operation were given in the latest survey which again indicates to an important dynamics in the evolvement of opinions of different stakeholders.

Breaking down evaluations of respondents to statistical indicators allows for a more in-depth analysis regarding the importance of co-operation among various stakeholders in the education, training and research sectors. It should be noted that the mean indicators are relatively high for all evaluations. The most common evaluation for the analyzed statements were 10 (characterized by mode). Half of the respondents gave evaluations <8 and half of respondents gave more than 8 (characterized by median) for research and VET policy makers and administrators. For other groups the median was even higher and reached 9. The evaluations were quite homogenous—characterized by indicators of variability. It is important to mention that in 1–10 point scale for higher education and VET policy makers and administrators and for higher education and vocational education and training institutions evaluations were given not <4 (see Table 2).

The correlation analysis indicates that there is statistically significant correlation for the statements (with significance level 0.000). Still the challenge remains—would a stronger horizontal cooperation among various education, training providers and researchers would facilitate improved labor force training at all levels. The figure below indicates to high evaluation by public administrators (Fig. 8).

As the demands for competencies of the medium level specialists in the labor market change, also the public administrations need to adapt to this situation—by developing new institutional mechanisms and co-operation schemes that are capable of addressing these new demands in developing medium level competent and competitive specialists. The research has provided answers to this question also from another perspective—could and should the labor force prepared by VET system be strengthened through better links between higher education and VET

Table 2 Statistical indicators of public administrators and experts evaluations on statements “In the development of competitive labor force there should be more co-operation”

Statistical indicators	Higher education and VET policy makers and administrators	Research and VET policy makers and administrators	Higher education and VET institutions
N	116	115	115
Mean	8.42	7.93	8.76
Std. error of mean	0.151	0.204	0.129
Median	9	8	9
Mode	10	10	10
Standard deviation	1.549	2.103	1.328
Range	6	9	6
Minimum	4	1	4
Maximum	10	10	10

Note: Evaluation scale 1–10, where 1—do not agree, 10—fully agree

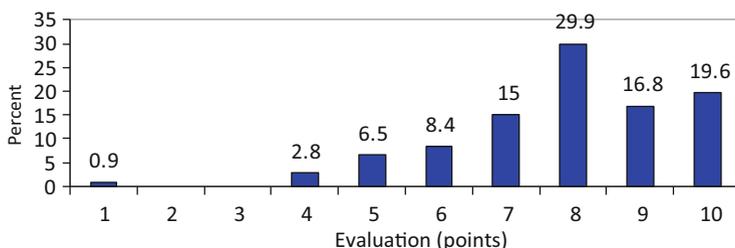


Fig. 8 Public administrators and experts evaluations on statement “Horizontal co-operation between institutional mechanisms (various councils expert groups etc.) in higher education institutions, research institutions and VET institutions would contribute to a better development of competitive workforce”. Note: Evaluation scale 1–10, where 1—do not agree, 10—fully agree

and if this can serve as a means to support innovation and technology competence in VET labor force.

Regarding the cooperation among various ministries and the results of this cooperation have been evaluated both, by the public administrators themselves and by entrepreneurs. It is quite surprising that the evaluations by these two target groups are comparatively uniform, given the fact that the entrepreneurs traditionally have a rather negative attitude towards the operation of public administrations. The similarity by the answers could be caused by several reasons. Potentially it indicates that the public administrators tend to be fairly objective when evaluation their work regarding the quality of inter-ministerial co-operation and the achieved results. It might indicate to new tendencies in the public administration—to be able to critically reflect on own activity and acknowledge the drawbacks or bottlenecks. This allows to assume that a constructive dialogue between the involved stakeholders is possible and that the existing situation might be improved. However, it

Table 3 Statistical indicators of administrators, experts and entrepreneurs, sectors expert's evaluations on statements "Ministries sufficiently coordinate their activities for jointly addressing education and employment issues" and "The joint activities of ministries in addressing education and employment issues produce good results"

Statistical indicators	Ministries sufficiently coordinate their activities for jointly addressing education and employment issues		The joint activities of ministries in addressing education and employment issues produce good results	
	Administrators	Entrepreneurs	Administrators	Entrepreneurs
N	116	238	116	235
Mean	5.11	4.59	5.04	4.74
Standard error of mean	0.184	0.144	0.169	0.141
Median	5	5	5	5
Mode	5	5	5	5
Standard deviation	1.986	2.134	1.826	2.081
Range	8	9	8	8
Minimum	1	1	1	1
Maximum	9	10	9	9

Note: Evaluation scale 1–10, where 1—do not agree, 10—fully agree

should be noted that the respondents from public administration had more alike evaluations if compared to respondents from entrepreneurs group—that is characterized by indicator of variability—standard deviation (see Table 3).

Evaluations for the below stated question were similar for administrators and entrepreneurs. The arithmetic means of evaluation by entrepreneurs were lower than by administrators. Variability of evaluations by entrepreneurs was higher (characterized by standard deviations).

The distribution of the results regarding the coordination of activities shows that the public administrators and entrepreneurs are of different opinions regarding the effectiveness of ministerial co-operation and the produced results (see Fig. 9).

Slightly less market differences in the opinion among public administrators and employers apply to the statement regarding the results of the ministerial activities in the labor market training (Fig. 10).

The entrepreneurs' evaluations show the indication that ministries have to pay more attention to education and employment issues. The highest score for co-operation results is 9, which constitutes only 2.9 % of all the evaluation, however the lowest score has been given by 10 % of the respondents. The results of the evaluated statement have the indication that ministries have a lot to do in addressing education and employment issues. It is important to note that the opinion of public administrators on these issues is also comparatively low, but still higher by at least one score or slightly more.

At the same time entrepreneurs are highly satisfied with the results of the training of the workforce by the enterprises themselves which suggests that new forms of co-operation between VET institutions and enterprises are highly welcome in

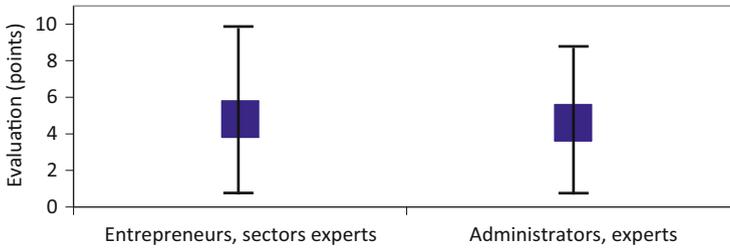


Fig. 9 Distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “Ministries sufficiently coordinate their activities for jointly addressing education and employment issues”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

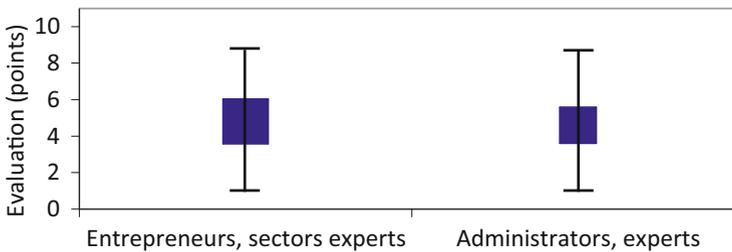


Fig. 10 Distribution of evaluations of administrators, experts and entrepreneurs, sectors experts on statement “The joint activities of ministries in addressing education and employment issues produce good results”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

Latvia and have to be under attention of public administrators to develop best possible decisions.

At the same time, public administrations are also highly supportive to a strong co-operation among VET institutions and enterprises and give high scores to the statement “The most effective is the training implemented jointly by a VET institution and an enterprise”.

The conclusion is supported also by the entrepreneurs answers to the statements “New forms of VET governance where the decisions are taken by a broader spectrum of stakeholder should be introduced at state level” and “New innovative approaches to VET should be promoted at state level for the training of a competitive labor force”. It indicates that the entrepreneurs are not only supporting new initiatives by public administrations but are prepared to become more actively involved in the governance of the VET institutions to improve the training of competitive VET specialists. In this context it is not surprisingly that there has been a high level of support for the development of a legal act regulating the obtaining of all levels of professional qualifications—which is not the case under the present regulation in force in Latvia. This could be interpreted as a growing need among public administrators to simplify and make more user-friendly the legal framework and procedures regulating education and training processes at all levels. Although the development of such a law is hardly feasible in the near future,

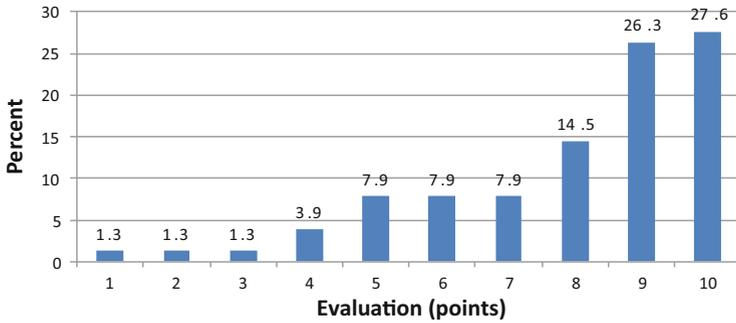


Fig. 11 Public administrators and experts evaluations on statement “The law on professional education should regulate the acquisition of professional qualifications of all levels”. *Note:* Evaluation scale 1–10, where 1—do not agree, 10—fully agree

the perceived need by the stakeholders has to be communicated to the decision-makers in the form of recommendations (Fig. 11). Moreover, this has further implications regarding the development of professional standards, the permeability of various education and training programs in VET and higher education, regarding the potential work of joint expert councils and the certification issues in various professions. All this indicates to the need for revising the existing procedures and governance mechanisms, and suggests the need for new governance approaches in the public administrations themselves to be able to respond to the new objective developments in VET.

The results of the empirical research has allowed to draw conclusions on the role of strategic partnerships for improved labor force training and to identify the tasks of public administrations to improve their overall operation and decision making processes related to preparation of competitive labor force.

4 Conclusions

Based on the research results conclusions were drawn and recommendations worked out. The key findings refer to the need for public administrations in VET to improve the co-operation mechanisms and schemes not only with employers but also among the key stakeholders in the public sector itself—at national, regional and local level. Only through improved and more flexible governance mechanisms and the increased role of the local governments the skills’ gaps and labor market challenges can be adequately addressed at all levels.

The present EU policy regarding the development of the VET system puts great emphasis on closer links between the higher education and research and the VET system, as well as more co-operation between general education and VET. As one of the key issues to be addressed by public administrations is the constantly changing *skills* of the future workforce; thus, the existing institutional mechanisms

in the education system should become more flexible to respond to the fast changing labor market demands.

The experts from public administration in Latvia on the average are not considering the quality of the skills of the workforce produced by VET system as sufficiently high. It refers to both, the VET system and the college system. The quality of the specialists trained by the education system at all levels in Latvia only partly corresponds to the employers' expectations. At the same time the evaluation of the quality of the specialists trained by the VET system has relatively improved if compared to the 2012 evaluation against the quality of specialists trained by the HE system. This could testify to the gradual increase of the quality of the specialists trained by the VET system.

The status of training by enterprises still has a higher status if compared to the training by VET institutions, but the differences are not as great as of the 2012 evaluation. The positive tendencies towards VET training might be the result of the increasing co-operation between VET providers and enterprises, especially in relation to the new approaches in work based learning—WBL.

A new tendency can be observed—in recognizing the need for innovation competence in specialists prepared by the VET system. This is equally recognized by both—the public administrators and by entrepreneurs. A shift in thinking paradigms is taking place if compared to 2012 also regarding a need for more horizontal co-operation among various committees and expert councils in VET in HE—testifying to the gradual blurring of the borderlines between the various types and levels of education in relation to the emerging new type of labor market skills, including innovation competence for all levels of workforce.

This is a uniform opinion among public administrators and employers on the employers' organizations and sector association's insufficient involvement in the VET provision. Since a comprehensive set of institutional mechanisms are in place for an active involvement of these organizations and associations in the VET provision, an in-depth study of the problem is needed to identify the roots of the relatively negative opinion by the key stakeholders in VET.

There is a uniform support to a stronger involvement of the local governments, the planning regions and the enterprises in the VET provision which indicates to a changing paradigm in the perception of VET governance. This has also been stated explicitly by all the involved national level stakeholders acknowledging that new approaches to VET implementation and VET governance is needed at state level. There is a high level of support to the introduction of new forms of VET governance also in public administrators at the regional and local level which indicates to the uniformity of perception of strategic VET goals at national scale and shows a potential for success in addressing the new VET challenges.

These is a comparatively low evaluation among public administrators and the entrepreneurs regarding the co-ordination of activities by different branch ministries regarding VET implementation and regarding the achieved joint results by these ministries. The uniformity of the opinion of both the stakeholders testify to an inherent challenge or communication problems which require a further in-depth study and analysis.

These is a relatively high support to the introduction of new approaches in VET in Latvia—e.g., work-based learning. At the same time the actual awareness level on the existing activities by public administrations is lower than expected which indicates to the need for a more intense awareness raising and information campaigns among the relevant stakeholders. On the positive side—the employers are relatively highly aware of the potential benefits of WBL and have a clear vision about the challenges that need to be addressed by the public administrations to increase the WBL attractiveness in the eyes of the employers. There are indications that there is a huge potential for the introduction of WBL in Latvia at systemic level, provided the awareness raising activities and strengthened and the motivation system for entrepreneurs put in place—especially addressing the needs of small enterprises.

The traditional approaches in Latvian public administration in the implementation of VET are gradually changing giving place to more flexible and innovative approaches—as a result of increasing discussions with the social partners, critically overtaking the best practice from other countries and learning from own experience.

The existing traditional approaches, on the one hand, may secure stability and continuity, but on the other hand, may act as potential hindering factors, given the overall novelty of the global economic situation. Therefore, further academic research is needed on how to create and secure flexible and enduring future models. Further study is also needed on the possible effects the existing and emerging institutional mechanisms may leave on the training of the modern workforce, and vice versa. Discussing and developing new institutional mechanisms by key stakeholders may prove to be an effective approach in the training of competitive labor force by VET. A new type of discourse is needed how to address skills' shortage or innovation skills gap, as well as on the issue how to determine the needed qualifications.

References

- CEDEFOP. (2011). *Vocational education and training at higher qualification levels*. Luxembourg: Publications Office of the European Union. Research Paper No. 15.
- Draycott, M., & Rae, D. (2011). Enterprise education in schools and the role of competency frameworks. *International Journal of Entrepreneurial Behavior and Research*, 17(2), 127–145.
- Ellström, E., & Ellström, P. E. (2014). Learning outcomes of a work-based training programme. *European Journal of Training and Development*, 28(1), 180–197.
- European Commission. (2010). *Communication from the Commission—Europe 2020: A strategy for smart, sustainable and inclusive growth* (pdf). Accessed March 1, 2015, from http://aei.pitt.edu/42633/1/com2010_2020en01_straetry.pdf
- Gurthrie, H., & Dawe, S. (2004). Overview. In S. Dawe (Ed.), *Vocational education and training and innovation: Research readings* (pp. 10–19). Australia: National Centre for Vocational Education Research (NCVER).
- Haines, V. Y., III, Rousseau, V., Brotheridge, C. M., & Saint-Onge, E. (2012). A qualitative investigation of employee business awareness. *Personnel Review*, 41(1), 73–87.

- Hynninen, S. M., Ojala, J., & Pehkonen, J. (2013). Technological change and wage premiums: Historical evidence from linked employer–Employee data. *Labour Economics*, 24, 1–11.
- McGrath, S. (2012). Building new approaches to thinking about vocational education and training and development: Policy, theory and evidence. *International Journal of Educational Development*, 32, 619–622.
- Metsamuuronen, J., Kuosa, T., & Laukkanen, R. (2013). Sustainable leadership and future-oriented decision making in the educational governance—A Finnish case. *International Journal of Educational Management*, 27(4), 402–424.
- Nikandrou, I., Brinia, V., & Bereri, E. (2009). Trainee perceptions of training transfer: An empirical analysis. *Journal of European Industrial Training*, 33(4), 255–270.
- Paisey, C., & Paysey, N. J. (2010). Developing skills via work placements in accounting: Student and employer views. *Accounting Forum*, 34, 89–108.
- Rogers, E. M. (2003). *Diffusion of innovation* (5th ed.). New York: Free Press.
- Schomberg, V. R. (2012). Prospects for technology assessment in a framework of responsible research and innovation. In M. Dusseldorp & R. Beecroft (Eds.), *Technikfolgen abschätzen lehren: Bildungspotenziale transdisziplinärer methoden [Technical based teaching: Transdisciplinary methods of educational potential]* (pp. 39–61). Wiesbaden: VS Verlag.
- Sharif, M. N. (2012). Technological innovation governance for winning the future. *Technological Forecasting and Social Change*, 79(3), 595–604.
- Thomas, H., & Qiu, T. (2012). Work-related continuing education and training: Participation and effectiveness. *Journal of Workplace Learning*, 24(3), 157–176.
- Toner, P. (2010). Innovation in vocational education. *The Economic and Labour Relations Review*, 21(2), 75–98.
- Workman, B., Armsby, P., Durrant, A., & Frame, P. (2011). CETL for work-based learning: Enhancing innovation and creativity in teaching and learning. *Higher Education, Skills and Work-Based Learning*, 1(3), 132–144.

The Role of Social Media in Employer Branding

Ayşe Begum Otken and Elif Yolbulan Okan

Abstract This paper aims first to analyze the employer branding in terms of human resource management and marketing and discuss whether social media contributes to developing an employer brand. A pilot survey study is conducted to University to identify the sector and company they want to work for and to indicate the most successful CEO. They were also asked to name the characteristics of an ideal CEO. The second part of the study is a content analysis regarding the social media usage frequency/content of the employer brands indicated by the respondents. The findings of the study show that respondents participated to the study want to work in technology, entertainment and automotive sectors. Gen Y respondents also want to work in Turkcell, Apple, Google, Microsoft, Vodafone, Mercedes and BMW. They find Ferit Şahenk, Ümit Boyner, Ali Koç and Muhtar Kent as the most successful CEOs. They think that creativity and openness to innovation are the most important characteristics of a CEO. Although the nature and content of doing business has changed due to technological advancements, social media is just one component of employer branding. It is created by well-developed human resource functions and well planned marketing activities.

Keywords Employer branding • Generation Y • Social media

1 Introduction

The importance of employer branding has been recognized in both management and marketing literature due to the rising need of building an image in the minds of the potential labor market that the company is a ‘great place to work’. Employer branding literature is driven from corporate branding literature to some extent. However, it has been pointed out that corporate branding is bringing new challenges including a need to merge employer branding with company’s brand promise (Maxwell and Knox 2009). According to Moroko and Uncles (2008), consumer,

A.B. Otken (✉) • E.Y. Okan

Business Administration Department, Yeditepe University, Istanbul, Turkey

e-mail: begum.otken@yeditepe.edu.tr; eokan@yeditepe.edu.tr

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_20

corporate and employer branding have common characteristics as investing in being noticeable, relevant, resonant and unique. Employer branding is a concept that has emerged from applying marketing principles to the human resources discipline (Cable and Turban 2001), so it is linked with human resource practices as well.

The term “employer branding” was first used Ambler and Barrow (1996). They discussed the need to apply brand management techniques to human resource management and defined the employer brand as “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company”. Research on employer branding is still scarce. These scarce research results show that different recruitment practices can be used to market the brand externally and increase applicant quantity, quality and organizational performance (Collins and Stevens 2002). Majority of the research advocated that employer branding is an effective strategy for achieving a valuable corporate brand (Ambler and Barrow 1996). According to Berthon et al. (2005), there is a need to explain what makes an organization attractive to current and prospective employees. This represents an important area because an employer brand can produce the desired results if it is perceived attractive by employees.

Social media is becoming popular and at the same time beneficial for creating awareness and networking in terms of employer branding. Managers of the companies who want to keep up with the rapidly changing times and technology has started to feel the need to be familiar with social media. Generation Y who is characterized as internet and social media veterans is willing to connect and follow Generation X managers.

Turkish population is relatively young which with 15–64 years old accounting for 68 % of the whole population. It means that this young generation is the workforce of now and future. The number of Generation Y population members between 15 and 34 years old is 25.5 million in Turkey (Tufur 2011). The number accounts for the 25 % of the total Turkish population. This shows that there is an important number of Generation Y’s in Turkish population who is very familiar with internet and social media. This might be a critical tool for companies and CEOs in creating and maintaining their brands.

Thus, the first purpose of the current study is to draw a theoretical framework for the relatively new concept; employer branding from the perspectives of human resource management and marketing. Secondly, this study aims to explore the importance of social media in creating an employer branding by conducting a content analysis on the social media accounts of CEO’s. The results will highlight the need and importance of social media usage in employer branding.

2 Employer Branding

Michington and Estis (2009) define employer branding is the ‘image of the organization’ as perceived by the employees as well as other stakeholders. Employer branding is about capturing the essence of a company in a way that engages

employees and other stakeholders. It involves promoting both inside and outside the company and makes a company different and desirable as an employer. The objective of employer branding is to convince the employees that their organization is a good place to work, to retain them and to ensure their understanding of the organization's goals and commitment is in synchronization with the organization's vision and mission (Sehgal and Malati 2013).

Employer branding is based on the assumption that human capital brings value to the company, and if the company invests in skillful human capital, company performance can be enhanced (Backhaus and Tikoo 2004). Moreover, it can be said that when a company has a strong employer brand, it can potentially reduce the cost of employee acquisition, increase employee retention and offer lower salaries for comparable staff to companies with weaker employer brands (Ritson 2002). Since human capital is of critical importance for companies bringing strategic advantage (Berthon et al. 2005), organizations have to differentiate themselves from their competitors and to create an attractive image for prospective applicants and current employees (Lievens and Highhouse 2003).

Creating employer brand in the minds of existing and potential employees or stakeholders is not an easy process. It is not important how sophisticated architectural design the company building has, how company website is designed, or the offices are decorated. It is much more a complex process having many sides such as human resource practices, communication, marketing, and branding. According to Berthon et al. (2005) employer branding is the notion of employer attractiveness. In academic literature besides business and human resources this concept has been discussed in the area of vocational behavior, applied psychology, communication and marketing. This paper focuses on employer branding from two important perspectives: human resource management and marketing.

2.1 Employer Branding from Human Resource Management Perspective

An employer branding is the sum of all the characteristics and the distinguishable features that prospective candidates and current employees perceive about an organization's employment experience. It is the image of the organization as a great place to work in the minds of current employees and stakeholders in the external market. It is not related to organizations' logo, adverts or websites. Rather than that it is based on the relationship between stakeholders and the organization. It is also related to how the company personality is communicated to existing and potential employees.

Employer branding concept is generally associated with marketing activities and companies commonly focus their branding efforts toward developing product and corporate brands (Ariffin 2008). However, employer branding is related with human resource practices of the organization as well. The reason is due to the

fact that today, the ability to attract, recruit and retain talented people has become a strategic issue of company success in this dynamic and competitive world. With this in mind, companies started using branding principles in human resources management area to attract better employees (Alniacik and Alniacik 2012).

Human resource function is often the first interaction a prospective employee has with the organization. Melin (2005) reinforces this by suggesting that employer branding can be described at two levels. The first level is the actual job offer designed by the organization. This is also the projected version of employer brand that the organization sends to the labor market. The second level is what is perceived by existing and prospective employees based on the employer brand identity sent to labor market by the organization. These two levels are the core business of human resource management in terms of employee branding. In other words, human resource management should deal with retaining current employees which are the internal perspective of employer branding and also attracting and recruiting new employees, which is the external perspective of employer branding (Moroko and Uncles 2008).

Human resource department in an organization has to manage different functions to create employer brand. Brand oriented behavior incorporate all elements of the organization including organizational structures, leadership, personnel management and communication. In other words, employer branding includes tangibles in an organization such as salary, rewards and benefits and also intangibles such as organization's culture, values, management style, and opportunities for learning and development which are the functions of human resource practices.

Above tangible and intangible characteristics of a company can be learned and internalized by the current employees of the same organization. When it comes to the prospective employees and the society, companies use different marketing and communication strategies. Managing social media accounts of companies and CEOs is one of the important marketing strategies. The following part will discuss employer branding from the marketing perspective and underline the importance of social media in employer branding.

2.2 Employer Branding from Marketing Perspective

In marketing discipline brands are considered as promises from organizations to customers. Consistent and distinctive brand experience has been a major concern of brand management and marketing management since the early 1900s (Mosley 2007). Brand management does not just focus on customers; it is increasingly adopting a more balanced approach of satisfying stakeholders. Employer branding concept is driven from this holistic approach of brand management. Ambler and Barrow (1996) define the employer brand as the package of functional, economic and psychological benefits provided by employment, and identified with the employing company.

Employer branding is defined as a process that the employers establish and create the brand of their companies, and achieve employer selecting by marketing (Sutherland et al. 2002). In order to create the image of the organization as a “great place to work” in the minds of current employees and key stakeholders, firms not only invest in logo, stationary, adverts or websites but also and more importantly think about how they communicate their company personality to existing and potential hires. Thus, employer branding cannot be seen as a project of marketing department or human resources department alone, it is a co-work of all departments in the company.

According to Ewing et al. (2002) organizations can benefit employer branding for differentiating themselves and to market the unique employment proposition they can offer. Moreover, “best employer” status has been a desired position that more and more organizations are striving for. Investing in brand equity of a company like a product gives the employer the advantage to gain and retain the ones that really “fit in” into the organization.

In marketing literature the effects of a brand are often referred to as its equity. Brand equity relates to the effect of brand knowledge on consumer response to the marketing of the product (Keller 2003). Davies (2007) states that awareness and image are two factors that contributes to brand knowledge. With respect to employer branding, brand equity contributes to the effect of brand knowledge on potential and current employees of the firm.

Although employer branding has two perspectives which aims to communicate to both prospective and existing employees that the organization is the best place to be in, most of the related literature focus on external communication for recruiting better employees rather than communicating to existing staff. Communication is a critical tool in developing positive employer brand image communication and especially, exposing employer brand image to large audiences via social networking sites enhances organizations adaptability and credibility. Social media help companies to present a company profile for prospective employees, link to career websites, maintain communication with candidates, create a pool of professional network, manage/monitor their employer brands, refer a friend for vacancy and create a community to attract young graduates.

2.3 Social Media

The rapidly evolving technologies diversify the process of doing business in general, specifically in marketing and brand management area. In today’s world, communication is mostly carried out in the virtual world. The advancements in social media have caused a significant change in the strategies and tools companies use for communicating with customers. According to Scott and Jacka (2011), social media is the set of Web-based broadcast technologies that enable the democratization of content giving people the ability to emerge from consumers of content to publishers.

Table 1 Popular social media platforms

Facebook	Online networking service to find similar activity with the friends or meet new people that have in common shares. All posts are being shared in the News Feeds Section and aims that create a multiplying effect
Twitter	Micro-blogging or mini blogging service with limited text-based messages of 140 characters or less. Users subscribe to the other accounts as Followers and tweets appear in Followers' news feeds
LinkedIn	One of the biggest online professional networks in the world. Set up a professional profile, also for the business or organization to add "Connections" or "Contacts" for networking. It is also useful for job search and recruitment
Google+	-Social network platform owned by Google, it has similar features with Facebook. Connections are called "Circles" and users can access the "Stream" on their platform pages easily to interact with others
Pinterest	Virtual online bulletin that allows users to store and find any images or videos that needed. All content shared on Pinterest is driven entirely by visuals. It may be considered as personalized media area
YouTube	Video-sharing website where users can upload, view, share videos up to 15 min in length. It also provides a forum to connect, inform, and inspire and reach other users in the social platform
Instagram	Free photo sharing and editing application. It provides taking pictures or videos with the mobile phone then chooses one of the filter to transform into professional-looking snapshots in fast and efficient way

Source: Okan et al. (2014)

Social Media Marketing applies various social media platforms (Table 1) to perform marketing communication and includes activities sharing of content (text, videos and images) for marketing purposes. If the social media strategy is implemented correctly, marketing with social media can bring remarkable success to the business. Social media can take many different forms, including Internet forums, message boards, weblogs, wikis, podcasts, pictures and video.

Companies conduct more effective marketing strategies by reaching better and more information about their current and prospective customers, competitors and also customizing their strategies according to specific target segment needs. From employer branding perspective, today's leaders must embrace social media for several reasons. First of all, it is less costly, secondly enables rapid and interactive communication with young people and finally gives an opportunity to learn from instant information and unvarnished feedback (Dutta 2010).

Social network site usage takes a significant progress globally and in Turkey through rising percentage of people connecting to Internet via PCs and especially mobile devices. Turkey is ranked as the second in terms of the number of Facebook users with almost 33 million monthly active users (Facebook Statistics by Country 2013). Turkey's LinkedIn ranking is 17th with nearly 3.2 million users which correspond to almost 4.21 % of the population (LinkedIn Statistics 2014).

These statistics show that Turkish population is very familiar with the internet and social media. Especially, the important number of Generation Y-ers in the

population makes it necessary to consider their attitudes and opinions in discussing the concept of employer branding.

3 Methodology

This study is a descriptive one in terms of research design and research is composed of two parts. First part includes the pilot study where respondents are asked to indicate the sector and the company they want to work for, the characteristics of an ideal CEO and the name of the most successful CEO. Sample in the first part of the study is composed of 102 undergraduate students studying in the business administration department of a foundation university located in İstanbul, Turkey. An online survey is prepared and then the link is sent to the students who are in their third or fourth year at the department. These students are chosen as a sample because it is thought that because these students are close to graduation; their answers would be more sincere.

The items concerning the characteristics of an ideal leader were determined by an extensive literature review in the personality and leadership field. As a result of the literature review, 52 characteristics were found. These characteristics are then asked to five professors in the area of management and organizational behavior whether they are associated with a successful leader. As a result of their answers, 21 characteristics are included in the study. The second part of the study includes a content analysis of the social media accounts of companies and the personal accounts of CEOs based on the answers of the respondents participated to the pilot study. Facebook, Twitter, Instagram and LinkedIn accounts are analyzed whether they have social media accounts, if they have how often they use these accounts and what kind of messages they broadcast.

3.1 Pilot Study

Results of the pilot study show that 46 % of the students prefer to work in technology sector, 30 % in entertainment and 19 % in automotive sector. The least preferred sector is insurance (5 %). The results are parallel to the characteristics of Turkish Gen Y members being involved in technology and communication. In technology sector Turkcell, Apple, Google, Microsoft and Vodafone are named as the most preferred companies. Regarding entertainment sector, Doors, Walt Disney and Fenerbahçe are most named companies. BMW, Mercedes and Koç group are most popular answers in automotive sector.

Regarding successful CEOs students mentioned popular names from media. Ferit Şahenk, Ali Koç, Ümit Boyner (TÜSİAD's expresident), Ali Sabancı, Muhtar Kent are the most popular names mentioned in the survey by the students. Participants were also asked to mark the characteristics of a successful leader out of

21 items. Openness to innovation is cited as the most popular (40 %) characteristics of a leader by students. Creativity is cited as the second most important by 37 % of the students and interestingly students rated very low for task orientated leaders (4 %).

3.2 Content Analysis

Based on findings of the pilot study content analysis is used to understand the usage patterns of social media in terms of both company and personal accounts of CEOs. Facebook, Twitter, LinkedIn and Instagram accounts are analyzed regarding the social media usage frequency/content of these employer brands.

3.2.1 Social Media Usage of Turkish Companies and CEO's

According to the Great Place to Work (2013), Turkey's best employers are Ak Insurance Corporation (Element, Life and Pension Insurance), HILTI (Construction Materials Trading), the CPP Inc. (Insurance Services), JTI Inc. (Tobacco products Marketing), EMC2 Turkey (Information Technology) and Neck Group Inc. (Retail), Microsoft Turkey (IT Services), Mercedes-Benz Financial Turkish Inc. (Financial Services) Bursagaz Inc. (Power Distribution), Axa Insurance Corporation (Element, Life and Pension Insurance), Atos Turkey (IT Services) and Pepsico Turkey (Food Production).

It is important to mention that the results of the Great Place to Work Study and the results of this study do not overlap. None of the answers given by the respondents of this study are included in the Great Place to Work Study except Mercedes. When the most active social media users in Turkey are analyzed, it is found that Microsoft, Mercedes, BMW, Vodafone and Turkcell are all included in the list. These companies overlap with the name of the companies indicated by the respondents of this study. In Table 2, a group of companies who have career accounts in social media is listed.

According to Brand Frog (2014), the most active CEOs in social media are summarized in Table 3. It is found that among the answers given by the respondents of this study, only Ümit Boyner (CEO of Boyner Holding and TÜSİAD ex-president) is actively using Twitter and LinkedIn.

In addition to Turkish companies and CEOs' social media usage, it is thought that it would be fruitful to show the context in global companies and CEOs. The next section focuses on the global context.

Table 2 Turkish companies social media usage

Company	Social platform			
	Facebook	Twitter	LinkedIn company page	Instagram company profile
Finansbank Kariyer	60,163 likes	–	18,026 follower	136 follower
Microsoft Kampus Türkiye	40,448 likes	357 follower 370 tweet	1,981,327 follower	15,000 follower
Ernst & Young Türkiye Kariyer	37,262 likes	2071 follower 1152 tweet	915,348 follower	–
Yapı Kredi İnsan Kaynakları	35,669 likes	–	20,489 follower	594 follower
PepsiCo Türkiye Kariyer	43,316 likes	1419 follower 675 tweet	772,295 follower	51,000 follower
LC Waikiki Kariyer	191,601 likes	4210 follower 593 tweet	56,708 follower	34,000 follower
Nestle Kariyer	34,616 likes	–	979,134 follower	–
Ford Türkiye Kariyer	64,093 likes	–	474,574 follower	2844 follower
Jetgenc	100,006 likes	13,700 follower 1795 tweet	–	184 follower
Turkcell	3,187,700 like	533,000 follower	Turkcell	3,187,700 like
Vodafone	2,290,547 like	508,000 follower	Vodafone	2,290,547 like
Mercedes	1,463,561 like	73,800 follower	Mercedes	1,463,561 like
BMW	1,010,644 like	47,500 follower	BMW	1,010,644 like

3.2.2 Social Media Usage of Global Companies and CEO’s

When the social media accounts of the global companies are analyzed, it is found that the global companies which use social media the most are active in all the areas of social media. They use Facebook, Twitter, Instagram and LinkedIn. Only E&Y Careers does not use Instagram. The results are tabulated in Table 4.

Among the world’s most famous 500 CEO’s account, only 160 of them use social media platform. Of these 160 CEO’s, 74 % prefer to use LinkedIn. According to the CEOs of Fortune 500 list; Marc Zuckerberg, founder of Facebook is the only CEO using Facebook, Twitter, Google+, LinkedIn and Instagram platforms. Table 5 summarizes the social media usage patterns of global CEOs.

Table 3 Turkish CEOs social media usage

CEO	Social platform			
	Facebook (yes or no)	Twitter	LinkedIn (yes or no)	Instagram
Murat Ulker/Yildiz Holding	Yes	71,700 follower 1098 tweet	Yes	No
Alphan Manas/Keiretsu	Yes	29,800 follower 6394 tweet	Yes	163 follower
Alemşah Öztürk/41&29	Yes	149,000 follower 38,100 tweet	Yes	4622 follower
Sina Afra/Markafoni	Yes	108,000 follower 19,200 tweet	Yes	28,000 follower
Ümit Boyner/Boyner Holding	No	281,000 follower 1481 follower	Yes	No
Serdar Urçar/HP	No	2538 follower 2341 tweet	Yes	219 follower
Nevzat Aydın/Yemeksepeti	Yes	16,100 follower 7649 tweet	Yes	1555 follower
Ümit Kiler/Kiler Holding	No	6833 follower 2941 tweet	Yes	63 follower
Fırat İşbecer/Monitise	Yes	11,100 follower 24,000 tweet	Yes	1459 follower
Süreyya Ciliv/Turkcell	No	2007 follower 2 tweet	No	No
Gökhan Ögüt/Vodafone	No	No	Yes	No
Rainer Christian Genes/Mercedes	No	No	No	No
Tevfik Erdem/Kosifler Oto	No	No	No	No

Out of 500 CEOs worldwide only 42 have Twitter accounts and they tweet very seldom. Recently more CEOs sign up for Twitter (46 % increase in 2013) but the rate of active usage is increased by only 1 %. According to Brand Frog (2014), there are 3.7 million followers, including possible fake accounts, following CEO's. Warren Buffet is the most popular account in Twitter. Hikmet Ersek's (CEO of Western Union) Twitter account showed the highest increase in the number of followers (CEO.com 2014).

Table 4 Global companies social media usage

Company	Social platform			
	Facebook	Twitter	LinkedIn company page	Instagram company profile
HP careers	99,254 likes	6031 follower 7121 tweet	1,826,018 follower	23,000 follower
Unilever careers	858,249 likes	742 follower 258 tweet	1,285,536 follower	825 follower
Loreal careers	199,326 likes	9322 follower 1129 tweet	518,447 follower	243,000 follower
Microsoft careers	421,956 likes	51,600 follower 11,000 tweet	1,991,774 follower	18,000 follower
E&Y careers	140,269 likes	28,700 follower 1764 tweet	920,823 follower	–
Boeing careers	176,600 likes	8088 follower 3461 tweet	379,476 follower	115,000 follower
Cisco careers	121,215 likes	345 follower 440 tweet	847,907 follower	9696 follower
Careers at Oracle	344,321 likes	5759 follower 7442 tweet	1,264,523 follower	5194 follower
Verizon careers	243,773 likes	13,900 follower 6448 tweet	270,134 follower	13,000 follower

CEOs have almost the same usage pattern in Facebook and Twitter. In 2013 the proportion of the CEO accounts to the rest accounts increased by 1.3 %. Regarding fan pages of CEOs in Facebook, Mark Zuckerberg (30 million+) is the most acclaimed CEO followed by HP’s CEO Meg Whitman (212,000+) (Brand Frog 2013). In the Fortune 500 list 25.4 % of CEOs have LinkedIn accounts. Interestingly, 34 % of CEOs are not included in more than 500 influencer’s network connection. Popular CEOs in LinkedIn are; HP’s CEO Meg Whitman, CEO of JP Morgan’s Jamie Dimon, General Electric CEO Jeffrey Immelt, CEO of Marriott International Arne Sorenson and CEO of LinkedIn. CEOs in the Fortune 500 list use Instagram more than Google+. Nevertheless, only 2.6 % of the Instagram accounts are not confidential. Many of these CEOs use Instagram for only personal sharing. The most active CEO in Instagram is Live Nation’s CEO Michael Rapino.

Table 5 Global CEOs social media usage

CEO	Social platform			
	Facebook (yes/no)	Twitter	LinkedIn (yes/no)	Instagram
Jeff Weiner/LinkedIn	Yes	181,000 follower 2259 tweets	Yes	No
Eric Schmidt/Google	Yes	931,000 follower 272 tweets	Yes	No
Bill Gates/Microsoft	Yes	18,600,000 follower 1451 tweets	Yes	No
Tim Cook/Apple	Yes	812,000 follower 108 tweets	Yes	No
Elon Musk/SpaceX	Yes	1,280,000 follower 1062 tweets	Yes	No
Richard Branson/Virgin	Yes	4,710,000 follower 6769 tweets	Yes	197,000 follower
Jack Dorsey/Twitter	No	2,730,000 follower 15,600 tweet	Yes	194,000 follower
Steve Case/Case Foundation	No	690,000 follower 28,500 tweet	Yes	No
Marissa Mayer/Yahoo	Yes	832,000 follower 1216 tweet	Yes	No

4 Conclusion

Employer branding enables firms to differentiate their image in business area and help them attract better workforce with minimum effort. Traditionally brands used one way communication aiming to send mass messages to target groups waiting for appropriate favorable responses. However, in this century, individuals prefer to set their brand images according to interactive dialogues instead of one way monologues. Especially, Gen Y members value their own experiences and take action or create brand images in accordance to their own experiences with brands. This generation poses a challenge to HRM managers and companies that will need to develop new strategies to attract recruit and manage them effectively (Schlitzkus et al. 2010). Since technology is ingrained into these new generations' lives, they also expect its use in every moment of truth with their employers. As a result of this new way of doing business, companies employer branding benefits the advantages

of social media. Thus, this study aims to analyze the role of social media in developing employer brand image.

The results of the study revealed important insights for companies and CEOs. Respondents' first choice concerning the sector they want to work in is technology, secondly entertainment and thirdly automotive sector. The results also revealed that the companies respondents want to work for are Turkcell, Vodafone, Walt Disney, Doors, BMW and Mercedes. These two findings align with each other. When these mentioned companies are analyzed in terms of their social media accounts, it is found that they are very active in social media in terms of frequency and usage patterns. This finding shows that social media might be a strong tool in creating a positive image in the minds of prospective employees and society. On the contrary it can be questioned whether these companies presence in the social media made them popular as a great place to work for.

Another finding of the study was related to the name of the most successful CEO. Participants indicated popular CEO names in the pilot study, but during the content analysis it is found that most of these names do not use social media except Ümit Boyner who is the CEO of Boyner Holding, Turkey. This result might be interpreted as that young generation is aware about business world not through social media, but mass media.

The answers concerning the question asking the characteristics of a leader in business world concentrated on the creativeness and innovativeness. Parallel to this finding, the most popular CEOs using social media are found to be among entrepreneurs. Thus, innovativeness can be stated as the single most important attribute for any employer brand. In addition to this, Pike and Kerr (2012) state that knowledge sharing and innovation are among the most important factors that help to lever employer brands. In other words, CEOs usually use social media platforms in the digital world in order to have a more innovative impression. CEOs that are active in social media platforms can shape the company's image, strengthen their relationship with employees and public, and personalize their company images. According to Schlitzkus et al. (2010) nearly three quarters of Gen Y-ers visit company websites and one quarter use social networking sites to learn more about prospective employers.

Creativity is one of the most crucial factor for future success of companies. Combining things in an unusual way helps CEOs to manage their companies to handle highly volatile and complex business environment. Although the rise of social media usage has brought significant changes to the way of doing business in Turkey, most companies in Turkey seem focused on digital as a one-way promotional or sales channel. According to Hurriyet Daily News (2010), 65 % of Turkish companies use Internet for contacting customers, and 76 % used the web for trade.

However, sociotechnological networks in which employees, partners and customers participate will be a mandatory skill for a connected enterprise (Morello and Burton 2006). In the report, it is mentioned that future successful companies will have a symbiotic relationship with the future individualized workers, as opposed to an authoritarian relationship. One of the key success factors is stated as the way

companies capitalizes on the combined power of individualized workers and social dynamics.

The most significant limitation of the current study is the small number of respondents participated to the study. This lacked the opportunity to generalize the results to Gen Y-ers. The pilot study included open ended question which limited the opportunity to structure the answers and conclude in quantitative results. Future studies might concentrate on more quantitative field studies in the area of employer branding. Besides, the frequency of the social media usage, the contents of the messages also needs further examination in order to highlight the use of social media in terms of both employer branding and corporate branding. Employer branding is not only for prospective employees, it needs to be investigated from internal marketing approach, whether it enhances employee loyalty and job satisfaction. This study concentrated on the company and employer accounts; however the message traffic about the companies and CEOs among social media users is another area to explore.

In today's competitive and uncertain business environment, every company seeks to have the best talents to employ. In other words, intellectual and human capital has been the foundation of competitive advantage in the last decade. Thus, companies need to understand the perceptions and characteristics of new generation and communicate interactively with them.

Although social media enables firms to engage consumers and other stakeholders in a timely and direct manner, there are some vital risks that need to be considered. The first risk is related to the blurriness of boundaries between personal and professional spaces. Other risks are about managing intellectual capital and managing the progress (Dutta 2010).

Since the important attributes for each sector and company is different, the messages in social media should be coherent, consistent and unified in terms of these important attributes. As with all marketing communications, the style and content of messages should be tailored to the specific needs and characteristics of the audience. Social media is changing the business world it is used to be and changing the perceptions of tomorrow's leaders. The organizations who would like to attract new generations' attention and develop sustainable competitive advantage via employer branding cannot ignore the reality of social media. Frequency of social media usage, the content, tone and language of the messages are also important in establishing a captivating employer brand. It's known that social media is global, open, transparent, non-hierarchical, interactive, and real time which can change both the consumer behavior and workplace expectations. Today's leaders must embrace social media in order to communicate younger generations in a transparent, interactive and direct way.

References

- Alniacik, E., & Alniacik, U. (2012). Identifying dimensions of attractiveness in employer branding: Effects of age, gender, and current employment status. *Procedia-Social and Behavioral Sciences*, 58, 1336–1343.
- Ambler, T., & Barrow, S. (1996). The employer brand. *Journal of Brand Management*, 4(3), 185–206.
- Ariffin, H. F. (2008, June 30–July 3). A study of relationship between employer branding, employer attraction and employee productivity in the Malaysian hotel industry. In *International Colloquium on Asian Business (ICAB)*. Bangkok, Thailand.
- Backhaus, K., & Tikoo, S. (2004). Conceptualizing and researching employer branding. *Career Development International*, 9(5), 501–517.
- Berthon, P., Ewing, M., & Hah, L. L. (2005). Captivating company: Dimensions of attractiveness in employer branding. *International Journal of Advertising*, 24(2), 151–172.
- Brand Frog. (2013). *Global social CEO report* (pdf). Accessed October 4, 2014, from http://www.brandfog.com/CEOSocialMediaSurvey/BRANDfog_2013_CEO_Survey.pdf
- Brand Frog. (2014). *Global social CEO report* (pdf). Accessed October 4, 2014, from http://www.brandfog.com/CEOSocialMediaSurvey/BRANDfog_2014_CEO_Survey.pdf
- Cable, D. M., & Turban, D. B. (2001). Establishing the dimensions, sources and values of job seekers' employer knowledge during recruitment. In G. E. Ferris (Ed.), *Research in personnel and human resource management*. New York: Elsevier.
- CEO.com. (2014). *2014 social CEO report* (online). Accessed November 20, 2014, from <http://www.ceo.com/social-ceo-report-2014/>
- Collins, C. J., & Stevens, C. K. (2002). The relationship between early recruitment-related activities and the application decisions of new labor-market entrants: A brand equity approach to recruitment. *Journal of Applied Psychology*, 87(6), 1121–1201.
- Davies, G. (2007). Employer branding and its influence on managers. *European Journal of Marketing*, 42, 667–681.
- Dutta, S. (2010). What's your personal social media strategy? *Harvard Business Review*, 88(11), 127–130.
- Ewing, M. J., Pitt, L. F., de Bussy, N. M., & Berthon, P. (2002). Employment branding in the knowledge economy. *International Journal of Advertising*, 21(1), 3–22.
- Facebook Statistics by Country. (2013). *Social marketing report* (online). Accessed October 8, 2014, from <http://www.socialbakers.com/facebook-statistics/turkey> [ED1]
- Great Place to Work. (2013). *Turkey's best employers 2013* (online). Accessed October 10, 2014, from <http://www.greatplacetowork.net/best-companies/europe/turkey/best-workplaces-in-turkey/1699-2013>
- Hurriyet Daily News. (2010). *Turkish companies use social networking websites for new customers* (online). Accessed December 2, 2014, from <http://www.hurriyetaidailynews.com/default.aspx?pageid=438&n=turkish-companies-march-social-networks-for-new-customers-2010-07-19>
- Keller, K. L. (2003). Brand synthesis: The multidimensionality of brand knowledge. *Journal of Consumer Research*, 29(4), 595–600.
- Lievens, F., & Highhouse, S. (2003). The relation of instrumental and symbolic attributes to a company's attractiveness as an employer. *Personnel Psychology*, 56(1), 75–102.
- LinkedIn Statistics. (2014). *Social marketing report* (online). Accessed October 4, 2014, from <http://www.socialbakers.com/countries/linkedin-country-detail/turkey> [ED2]
- Maxwell, R., & Knox, S. (2009). Motivating employees to "live the brand": A comparative case study of employer brand attractiveness within the firm. *Journal of Marketing Management*, 25 (9–10), 893–907.
- Melin, E. (2005). *Employer branding likenesses and differences between external and internal employer brand images*. Master's thesis, Luleå University of Technology, MSc Programmes in Engineering, Department of Business Administration and Social Sciences Division of

- Industrial Marketing and E-Commerce. Accessed November 12, 2014, from <http://epubl.ltu.se/1402-1617/2005/196/index-en.html>
- Michington, B., & Estis, R. (2009). *6 steps to an employer brand strategy* (online). Accessed June 12, 2014, from <http://www.ere.net/2009/05/18/6-steps-to-an-employer-brand-strategy/>
- Morello, B., & Burton, B. (2006). *Future worker, 2015. Extreme individualization* (pdf). Accessed December 2, 2014, from http://recette.eurobase3.adp.com/assets/vfs/Family19/FM/Future_Worker_2015_Extreme_Individualization_GG_Mar_06.pdf
- Moroko, L., & Uncles, M. D. (2008). Characteristics of successful employer brands. *Journal of Brand Management*, 16(3), 160–175.
- Mosley, R. W. (2007). Customer experience, organizational culture and the employer brand. *Journal of Brand Management*, 15(2), 123–134.
- Okan, E. Y., Topcu, A., & Akyuz, S. (2014). The role of social media in political marketing: 2014 local elections of Turkey. *European Journal of Business and Management*, 6(22), 131–140.
- Pike, S. D., & Kerr, G. (2012, October 8). Employer brand attributes: A comparison of the perspectives of prospective employees and expert opinion. In *IABE-2012 Venice-Summer Conference*. Venice, Italy.
- Ritson, M. (2002). Marketing and HE collaborate to harness employer brand power. *Marketing*, 24(8), 24–35.
- Schlitzkus, L. L., Schenarts, K. D., & Schenarts, P. J. (2010). Is your residency program ready for Generation Y? *Journal of Surgical Education*, 67(2), 108–111.
- Scott, P. R., & Jacka, J. M. (2011). *Auditing social media: A governance and risk guide*. Hoboken, NJ: Wiley.
- Sehgal, K., & Malati, N. (2013). Employer branding: A potent organizational tool for enhancing competitive advantage. *The IUP Journal of Brand Management*, 10(1), 51–66.
- Sutherland, M. M., Torricelli, D. G., & Karg, R. F. (2002). Employer-of-choice branding for knowledge workers. *African Journal of Business Management*, 33(4), 13–20.
- Tufur M. (2011). *Turkey Generation Y Mediacat special supplement* (online). Accessed November 12, 2014, from http://www.conento.com.tr/uploads/Turkeys_generation_Y.pdf

Economic and Educational Crisis: Challenges for Students in Portugal and Croatia

Jelena Legčević, Rute Abreu, and Fátima David

Abstract The objective of the research is to conduct a comparative analysis of the student perceptions of the Croatian and Portuguese HEI and assessment their perceptions about the quality of their HEI. The methodology of the research will be based on the theoretical analysis which collects and review accessible information about higher education degree study programmes in Croatia and Portugal. Furthermore, the empirical analysis of the research, it will be validated with the reliable KVALIMETAR measuring survey instrument used among Croatian students (January–March 2014; n = 732) and Portuguese students (September–October 2014; n = 366). The results show that Croatian and Portuguese HEI have to accept several challenges made by students to improve the quality of the teaching and learning process. Also, several remarks appear from both surveys with views and thoughts made by the students in order understand their motivation. Indeed, the profile of the new curricula will get more knowledge and competences to face the exposition of students to economic crisis. The aforementioned facts should be taken into account in the process of planning the future educational programs in order to improve the quality of education in Croatia and in Portugal to meet the new demands of the modern business environment.

Keywords Economic crisis • Educational challenges • Students • Portugal • Croatia

J. Legčević

Department of Economic Sciences, Faculty of Law University of J.J. Strossmayer in Osijek, Osijek, Croatia

e-mail: legcevic@pravos.hr

R. Abreu (✉) • F. David

Research Unit for Inland Development, Guarda Polytechnic Institute, Guarda, Portugal

e-mail: ra@ipg.pt; sdavid@ipg.pt

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_21

1 Introduction

The overall strategy and policy of the HEI is based on decentralization of large urban centers to smaller urban centers with student profile. In place of large urban centers, where the population, industry, commerce and services are concentrated, and where there is a hostile environment for a student psycho-sociological development, students will enjoy a quiet life, balanced with a high-quality environment in small towns of the country (as Osijek on Croatia and Guarda on Portugal). In this context, it is guaranteed the dynamics of local economies, the reduction of government expenditure, savings and household investment and, consequently, the sustained development of the country (Abreu et al. 2003).

In fact, the sustainable development of the Osijek and Guarda regions are induced by the University of Osijek (Croatia) and Polytechnic Institute of Guarda (Portugal) benefits, namely: to contribute to the quantitative and qualitative improvement of education (non-massified); to create new opportunities for access to higher education; to contain the exodus of the population young, candidate to the higher education, even reversing the flow of migration; to fix highly qualified scientific and technical body (supported on the expertise), needed for sustainable economic, social and cultural development of the region; to support services and industries already implemented and the creation of new ones, through the collaboration of teachers and technical staff as the use of laboratorial and documental structures; and to feasible implemented the social equipment as a result of new demographic dynamics (Abreu and David 2014; Legčević 2014b).

Indeed, new assignments and challenges for the modern HEI raises from expectations by the local economy and society representatives (Kirp 2003; Maringe and Gibbs 2009; Alves 2011). The society is not homogeneous, but differentiated entirety and one can say that it consists of three segments: the political elite, i.e., elites; of economic elites; and of social classes that make non-elite: the people, the demos, or whichever term one uses for it (Škare and Lacmanović 2013). However, economic crisis that starts with collapse of Lehman Brothers and whose effects spreader for all over the world, induces complex changes on the economy, whereby causes strong reductions of the State Budget for Education and then HEI must redefine its role and adapt their curricula to be able to compete on an equal footing in the international market.

Nowadays, this knowledge society is a topic discussed more than ever, but it unfortunately does not mean that the knowledge gained value in the society and from the international market. About whether the knowledge has economic value, i.e., if the society recognizes it as a value, there is no definite answer. The answer depends on how the three segments of society value knowledge, and valuation is performed at the level of attitudes and actual behavior. According to some authors, one may argue that this self-proclaimed knowledge society has actually given itself to the lack of education, no matter how much knowledge may have been accumulated and stored (Liessman 2008).

For all these reasons, the satisfaction among student population differs in perceptions of quality of their HEI (Entwistle 1991; van Rossum and Schenk 1984; Hounsell 1997; Douglas et al. 2006; Campbell et al. 2008). In this line, the objective of the research is to conduct a comparative analysis of the student perceptions of the Croatian and Portuguese HEI and assessment their perceptions about the quality of their HEI.

Therefore, it is of utmost importance that the HEI reassess their role in the regional development in order to become more ready to meet the needs of the regional economy and the society as a whole. Consequently, the wider approach to higher education through connecting with the economy presents an extraordinary opportunity for the institutions of higher education to empower the local community's development through the profusion of various individual experiences. On the other hand, it is possible that a region can also receive long-term economic benefits from having a HEI in its location through the knowledge effect, referring to the knowledge production and technology transfer function of HEI (Wang 2010; Legčević 2014a).

Another source of knowledge effect is the education function of the institutions, namely, the production of human capital. Because HEIs are producers of educated workers, an area located around the HEI is likely to have a higher concentration of skilled workers. The higher earnings of faculty graduates would add to the regional income, and the better-trained workers may have a higher potential to start-up or attract new firms. An increase in the supply of highly educated labor may also lead to increased productivity, increased capacity to perform research and development activities, and increased absorption capacity (Smith and Drabenstott 1992).

In order to effectively engage HEIs, public authorities need to understand the principles underlying why HEIs can be important agents in regional development. There is also a range of mechanisms available to support engagement, many of which are already being deployed. However it is the strategic coordination of these within a wider policy context that will produce the maximum impact (EC 2011). Academic research has become endogenous and integrated into the economic cycle of innovation and growth. The HEI has been considered as a key contributor to wealth generation and economic development. Within the current knowledge based economy, the HEI acts as both "a human capital provider" and innovation (Dooley and Kirk 2007).

Methodologically, this research presents two research approaches. The theoretical framework is based on literature review about degree higher study programmes in Croatia and Portugal in the context of the higher education system in both countries. The empirical framework is based on statistical analysis, supported on survey carry out on the period from January 1 to March 30, 2014, on the University of Osijek (Croatia), and on the period from September 1 to October 31, 2014, on the Polytechnic Institute of Guarda (Portugal), providing important insights into the student perceptions of the Croatia and Portuguese HEI. Through the connection of both frameworks and research findings, HEI are able to improve their contribution to society in result of challenges faced by students following a CSR strategy.

The structure of the research is organized as follows. Section 2 presents the methodology in which, on the one hand, the theoretical analysis collect and review accessible information about higher degree study programmes in Croatia and Portugal and, on the other hand, the empirical framework reflects the student perceptions of the Croatian and Portuguese HEI. Section 3 gives an overview of the results research, in order to improve the quality of the teaching and learning process. Section 4 discusses the legal regulation of the HEI in Croatia and in Portugal. Finally, the Sect. 5 presents the conclusion and makes some recommendations that contribute to the debate of the role of students in overcome economic and educational crisis in Portugal and Croatia.

2 Conceptual Frameworks

Croatia and Portugal as the other European countries want to construct a European higher education area (EHEA) that establish comparability, compatibility and coherence between the higher education systems through the harmonization of academic degrees and the guarantee of quality in all the European higher education institutions (David and Abreu 2007). In this sense, the higher education answers, on one side, want to promote the scientific and technological progress, and, on the other side, to develop the individual interests and qualified personnel's social needs. All these result in greater mobility, reinforcing the ability to compete, and quality improvement (Dittrich et al. 2004).

Thus, the implementation and development of the higher education are centered in a society of intensive knowledge that the demands in relation to the landing of qualifications and competences grew considerably, and in that the formation of higher level carries out a strategic function. Effectively, the strategic function of higher education demands a constant adaptation of the conceptual field, especially in the social, economic and technological perspectives that will bring sustainable development (David and Abreu 2007).

In Croatia, the higher education system has a long educational tradition preserved primarily through the work of its public universities, such as, J.J. Strossmayer University of Osijek. Croatia has a binary higher education system, meaning that prospective students can choose between two types of higher education studies: University studies consisting of academic programmes that are conducted solely at universities and Professional studies consisting of professional programmes conducted at polytechnics or colleges of applied sciences (exceptionally, professional programmes can also be implemented at universities).

In Portugal, the higher education system consists of a binary system which includes university and polytechnic education that can be public or private. The university and polytechnic subsystems are mainly differentiated by their formative role in research: the polytechnics are vocationally or professionally oriented and do not carry out fundamental research as the universities do; and the universities conducted applied research (Caseiro et al. 1996). The professional nature of the

polytechnic education was reflected in paragraph 2 of article 5 of Decree-Law n° 427-B/77 (MEIC 1977), when defines that “courses contain a strong practical or pedagogical specialization, allow an immediate entry of their graduates in the activity for which they were formed”. In fact, the polytechnic education cannot ignore its modernization effort, innovation and science creation, as well as, the professional dimension of their graduates, always demonstrated the focus on the professional training.

So, the professional nature on degrees is based on paragraph 1 of article 7 of Law n° 62/2007 (AR 2007) when it states that “the polytechnic institutes and other polytechnic education institutions are high-level institutions that aim to create, transmit and disseminate the culture and the knowledge of professional nature, through the articulation of the study, teaching, oriented research and experimental development”. Specifically, the polytechnics institutions have as main objectives the regional development and a close interaction with its operational environment that provided a flexible reaction to changes in its environment (Kettunen and Kantola 2006). The polytechnic teaching presents some potentialities, as: the innovative and dynamic capacity relatively to the traditional structures; the flexibility and adaptation capacity to the social-economic context (Abreu et al. 2003); the near connection with the productive and social entities of the area where it is located; the strategy of diversification of the professed study programmes; and the rehearsal of pedagogic methods that motivate the creativity, the initiative, the risk and the collaboration inter-specialties (David and Abreu 2007).

In the field of legal regulation of Portuguese education system, it is worth noting the important contribution of the Law n° 5/73 (PR 1973), which summarizes a basic principle of educational policy, to establish in subparagraph (a) of the Base II that “the State will seek to ensure all citizens access to several levels of education and culture of the world, without other distinction than that result from the ability and merits”. Thus, according to Decree-Law n° 402/73 (MEN 1973), Portugal promotes the democratization of education that was been consolidated in the expansion and diversification of higher education “to match the need to ensure social and economic development of the country, requiring an ever higher number of scientists, technicians and administrators with higher education, endowed with innovative critical capacity”.

In relation to degrees, according to Decree-Law n° 42/2005, of February 22 (MCIES 2005), that introduce principles and instruments for the creation of the EHEA, through the implementation of the Bologna process, the degree programmes offers three official graduation levels: graduate (Licenciatura, in Portuguese), master (Mestrado, in Portuguese) and doctor (Doutoramento, in Portuguese). The duration of these levels change according with the degree and field of study. On average, the graduate degree has 3 years (or 180 credits), but in fields of study such as engineering, law and architecture could be 5 years and in medicine till 6 years; the master degree has 2 years; and doctor degree has 3 years (see AR 2007).

Thus, the implementation of the Bologna process originated the adoption of key measures to promote equal opportunities in accessing higher education, to improve student support systems, to attract new publics in the context of lifelong learning

and to guarantee the qualifications of citizens in Europe framework (Abreu and David 2011). On the one hand, the Bologna process obliges the European countries, including Croatia and Portugal, to developing instrumental objectives, such as (MCIES 2005):

- Adoption of a system of easily readable and comparable degrees;
- Adoption of a system essentially based on two main cycles, undergraduate and graduate;
- Establishment of a system of credits such as in the European Credit Transfer System (ECTS), as a proper mean for promoting student mobility;
- Promotion of mobility by overcoming obstacles to the exercise of free movements of students, teachers, researchers and administrative staff;
- Promotion of the European Dimension in higher education;
- Promotion of European cooperation in quality assurance with a view to developing comparable criteria and methodologies.

On the other hand, the diversification of the higher education system increased the qualification of the Croatian's and Portuguese's in particular, and of the European citizens in general, and its knowledge base in an international context. Caseiro et al. (1996) refer that a lack of qualifications in some sectors has already been observed and all elements indicate a growing need of engineers, scientists and technicians in the future, and the fear is that educational systems and vocational training systems are not prepared to meet the required number and the range of final year degree students. Therefore, the HEI should cooperate in depth and consolidate, in Europe, the idea of networks as a mechanism to optimize the resources and scientific and technological European knowledge (Marçal-Grilo 2003).

In addition, the recent development of the Bologna process has imposed a set of measures, including the establishment of the European Credit Transfer System, which replaces, for example in Portugal, the credit system establish in the Decree-Law n° 173/80 (MEC 1980). The new paradigm focuses on the student, giving him greater freedom in their training path and requiring him more responsibility. In this sense, it is allowed the accreditation in the school context, when the student approves national courses of a given degree level with the same convergence of subjects, as well as is allowed the accreditation between degrees of different countries in result of the students movement.

3 Methodology

Following the aim of the research empirical analysis, the first phase involve sampling two sub-set of the target population (students) using a reliable and valid measuring instrument named KVALIMETAR. The second phase, in order to examine the similarities and differences among student's perceptions, constructed a questionnaire based on the KVALIMETAR measuring instrument (Legčević et al. 2012). This instrument consists of 31 questions grouped into five dimensions:

Table 1 Questions of the dimension 'teaching staff'

Questions
Professors and teaching assistants give an impression of love and enthusiasm for their course
Professors and teaching assistants are highly motivated for doing their job and conscientiously fulfil their obligations
When teaching, professors and teaching assistants seem to have proper knowledge of the matter and demonstrate it in a clear and comprehensible manner
Using teaching tools and modern technology, professors and teaching assistants raise the level of teaching quality
Professors and teaching assistants hold classes, seminars and practices regularly and in time
Professors and teaching assistants encourage students to actively participate in classes and to take responsibility for studying
Professors and teaching assistants assess students' performance appropriately, objectively and fairly
Professors and teaching assistants are available and friendly to students
Professors and teaching assistants possess proper communication skills and create pleasant working atmosphere
Professors and teaching assistants are available and willing to receive students during office hours
Professors and teaching assistants can also be reached after classes

teaching staff; administrative staff; image; environment and equipment; and study programs and curricula. The questionnaire has been applied and immediately collected after classes and they remained anonymous.

Table 1 shows the eleven (11) questions of the dimension 'teaching staff' that deals with motivation, competence, and communication of the scientific staff, usage of teaching aids and modern technology, regular lectures, valid and objective knowledge grading, courtesy during office hours. As Coffield et al. (2004, p. 39) say "*this is too simplistic*", and go on to comment that "*attention needs to be given not only to individual differences in learners, but to the whole teaching-learning environment*".

Table 2 presents the seven (7) questions of the dimension 'administrative staff' that includes availability, decent attitude towards the students, duly handling of the students' requests and inquiries, reporting on new changes in the schedule, and precise handling of students' documents.

Table 3 displays the three (3) questions of the dimension 'image' that includes the reputation of the faculty, qualified teaching staff, finishing the education with the ability to transfer knowledge and skills.

Table 4 shows the six (6) questions of the dimension 'environment and equipment' that includes the environment and the equipment necessary for learning and teaching, which are: libraries, laboratories, workshops, Information Technology (IT) classrooms, lighting and classroom cleanliness, adequacy and accessibility of the literature. As Campbell et al. (2008, p. 282) defend "*infrastructures and resources, such as teaching facilities (rooms and technologies including, at some*

Table 2 Questions of the dimension 'administrative staff'

Questions
Administrative staff is available and ready to provide students with assistance
Administrative staff treats students with respect and dignity
Administrative staff deals with students' enquiries in a prompt and professional manner
Administrative staff helps students with respect to providing information on the study, curriculum and majors
Students' applications and enquiries are timely and accurately dealt with
Student office keeps records of students properly and precisely
Students are timely informed on current changes of course schedule, time of examination and delayed/cancelled lectures

Table 3 Questions of the dimension 'image'

Questions
Faculty is characterized by its professional image
Faculty includes adequately qualified teaching staff
After the studying, students are capable of transferring acquired knowledge and skills

institutions, e-learning support), were seen as excellent, and staff noted the availability of support for both teaching and learning”.

Table 5 presents the tree (4) questions of the dimension 'study programs and curricula' that includes clear objectives and guidelines, various programs of studying intended for student education.

In this sense, the research was conducted from January 1 to March 30, 2014, on the University of Osijek (Croatia), and on the period from September 1 to October 31, 2014, on the Polytechnic Institute of Guarda (Portugal). In Croatia the authors inquired up 732 students and in Portugal 366 students. A self-administered, structured questionnaire was pre-tested to a sample of twenty five (25) students. Adjustments were made based on the pre-test to get a more effective instrument.

After that the questionnaire was finally administered through previously mentioned web link. Since high predictive validity was a major concern, a five-point Likert scale was used. The Likert scale ranged from strongly disagree to strongly agree for students rating of all defined statements of the questionnaire.

The responses of both groups of students (Portugal and Croatia) will analyze and the relevant answers will be identifying to draw the tendency and detail the characteristics of the students that answer to the questionnaire.

Table 4 Questions of the dimension ‘environment and equipment’

Questions
Faculty possesses appropriate equipment necessary for organization of classes, seminars and practices
Faculty manages with adequate rooms for teaching and studying (libraries, workshops, laboratories, IT classrooms. . .)
Illumination and cleanliness of classrooms are also adequate (halls, classrooms, laboratories. . .)
Faculty owns teaching tools as well as adequate and available literature
Student access to faculty classrooms/rooms is at a proper level
Student access to IT classrooms is at a proper level

Table 5 Questions of the dimension ‘study programs and curricula’

Questions
Curriculum and teaching plans contain clear goals and guidelines comprehensible to both professors and students
Curriculum standard matches the acquired level of qualifications
Faculty as an entity offers various curriculums (majors) intended for advancement of students
Goals and guidelines of curriculums are harmonized with course contents

4 Results

The results of this research are supported, for one side, on the Lin et al. (2005) paper, that detail the concept of perceived value with a level of abstraction equal to its interrelating constructs, knowing that the unidimensional approach is most appropriate. For the other side, the student even after the service purchase cannot evaluate the service, because the student does not have the technical capacity to assess the quality of the education received (Alves 2011).

Table 6 shows, with data referring from January 1 to March 30, 2014, for the students of University of Osijek (Croatia), and from September 1 to October 31, 2014, for the students of Polytechnic Institute of Guarda (Portugal), the distribution by gender. The results show that, in Croatia, men represent 30.1 % of the total (220 students) and women represent 69.9 % of the total (512 students). In relation with Portugal sample, men are 38.0 % of the total (139 students) and women are 62.0 % of the total (227 students).

In Table 7 is possible to observe, with data referring from January 1 to March 30, 2014, for the students of University of Osijek (Croatia), and from September 1 to October 31, 2014, for the students of Polytechnic Institute of Guarda (Portugal), the distribution of students by age. The Croatian students have mainly <24 years (320 students, i.e., 43.7 % of the total), as Portuguese students (267 students, i.e., 73.0 % of the total), followed in both of countries by students who are between 25 and 30 years, respectively 305 students (41.7 % of the total) in Croatia and 58 students (16.0 % of the total).

Table 6 Distribution of students by gender, 2014

Gender	Croatia	Portugal	Total
Men	220	139	359
Women	512	227	739
Total	732	366	1098

Table 7 Distribution of students by age, 2014

Age	Croatia	Portugal	Total
Less than 24 years	320	267	587
25–30 years	305	58	363
31–40 years	77	32	109
More than 40 years	22	9	31
No answer	8	0	8
Total	732	366	1098

The distribution of students by academic year is presented in Table 8. It is possible to conclude that in Croatia and in Portugal the first academic year concentrates most of the students, respectively 180 students (24.6 % of the total) and 200 students (55.0 % of the total), following by the third academic year in Croatia (162 students, i.e., 22.1 % of the total) and second academic year in Portugal (81 students, i.e., 22.0 % of the total).

Table 9 shows evidence of the distribution of students by class attendance, being possible to verify changes between both countries. In Croatia, most students attend more than 75 % of the classes (490 students, i.e., 66.9 % of the total), contrasting with the Portuguese students, which attend between 50 and 75 % of the classes (177 students, i.e., 48 % of the total).

Furthermore, the higher education system in Croatia and Portugal are provided through a diversified arrangement of degree levels (see Table 10), existing a diversify system in that subsist post-secondary non-higher level, graduate, master and doctor degree. The majority of the Croatian students integrate the graduate degree (266 students, i.e., 36.3 % of the total), like the Portuguese students (209 students, i.e., 57.0 % of the total). The other students are distributed by post-secondary non-higher level (20.0 % of the total in Croatia and 35.0 % of the total in Portugal), master degree (24.3 % of the total in Croatia and 33.0 % of the total in Portugal), and doctor degree (only 78 students, i.e., 10.7 % of the total, in Croatia). This last result is explained by the fact that in Portugal the doctor degree was offered exclusively by the university system (David and Abreu 2007) and the survey was done at a polytechnic HEI.

The distribution of students by status of study is expressed in Table 11. This table shows that the great majority of Croatian students study <6 h per week (453 students, i.e., 61.9 % of the total) and no student studying more than 48 h. Consequently, it was no surprising that Portuguese students also study <6 h per week (151 students, i.e., 41.0 % of the total), as well as no student studying more than 48 h. This reality confirms that the requirements of highly proclaimed Bologna system are being fully performed and demands more responsible behavior of

Table 8 Distribution of students by academic year, 2014

Academic year	Croatia	Portugal	Total
First year	180	200	380
Second year	142	81	223
Third year	162	75	237
Fourth year	109	4	113
Fifth year	135	6	141
No answer	4	0	4
Total	732	366	1098

Table 9 Distribution of students by class attendance, 2014

Class attendance	Croatia	Portugal	Total
Less than 25 %	34	6	40
25–50 %	47	12	59
50–75 %	155	177	332
More than 75 %	490	171	661
No answer	6	0	6
Total	732	366	1098

Table 10 Distribution of students by degree level, 2014

Degree level	Croatia	Portugal	Total
Post-secondary non-higher level	205	35	240
Graduate	266	209	475
Master	178	122	300
Doctor	78	Not applied	78
No answer	5	0	0
Total	732	366	1098

students as well as aimed to be more demanding for teachers despite the capability of create flexible classes. Without no doubt that one of the challenges of learning and teaching process is the context of the wider global economy.

After compare the Croatia and Portugal samples, the results demonstrate that the demographic structure of respondents was mostly similar. Nevertheless in order to compare the samples more detailed and reply the research goals with the intention to conclude on the effect of the HEI on economic development, i.e., to answer the question how to make education stronger impeller, promoter and stimulator, the authors have examine the data structure separate by students of both samples with the goal of determining similarities and differences in perceptions in both countries. But, the HEI must take full advantage of what Campbell et al. (2008, p. 292) defends “to create and maintain small class sizes as a means of maximizing learning opportunities, which are enhanced through personal interactions and relationship building. Smaller classes also facilitate the development of strong teacher–student relationships and a strong sense of inclusion in the learning community.” Globally, the results show that Croatian and Portuguese HEI have to

Table 11 Distribution of students by status of study, 2014

Status of study	Croatia	Portugal	Total
Less than 6 h	453	151	604
6–24 h	162	166	328
24–48 h	112	38	150
More than 48 h	0	0	0
No answer	5	11	16
Total	732	366	1098

accept several challenges made by students to progress on the quality of the teaching and learning process.

5 Conclusion

The first challenge is the continuous improvement process that it will be helpful to build stronger, more cooperative and further prepare HEI, society and global community to face educational and economic crises and, particularly, financial failures with hard consequences to the society.

The second challenge puts the students as central play-role on the new European higher education area, because they get special training through a combination of secondary education, general or professional, with higher education to responding to expectations of a modern society and to the new technological challenges.

The third challenge is the administrative staff that must change the “complaining” attitude to the customer satisfaction as a result of new competences and knowledge in languages, TICE and demands of students and professors.

The fourth challenge is related with image of the HEI, for example, instead of using ‘client’, this was considering the domain of private businesses versus ‘customer’ as a public entity that it had no place in the jargon of a higher education establishment.

Several other challenges appear from both surveys with views and thoughts made by the students in order understand their motivation. Indeed, the profile of the new curricula will get more knowledge and competences to face the exposition of students to economic crisis. The aforementioned facts should be taken into account in the process of planning the future educational programs in order to improve the quality of education in Croatia and in Portugal to meet the new demands of the modern business environment.

The limitation of the research is that each HEI do not completely understand the constant changes laws, regulations and framework and then it classified them as potential problems. Then, risks, attitudes, behaviors, values of the student, teacher and administrative staff aim to solve these problems and then it appears the codes of ethics as a general accepted formula.

As final discussion, the emerging alternatives to research start to growth as a global corporate citizenship and education programmes. For further research, the

authors know that it has been and it will be a long way, but waiting is not the solution. . .

References

- Abreu, R., & David, F. (2011). Corporate finance assessment results: Questions and solutions. In International Association for Technology, Education and Development (Ed.), *Proceedings of ICER2011 Conference* (pp. 4198–4207). Madrid: IATED.
- Abreu, R., & David, F. (2014). Post-secondary non-higher education on the scientific area of accounting. In J. S. Silva & I. Beato (Eds.), *The higher short term: The CET and the future* (pp. 57–67). Leiria: Polytechnic Institute of Leiria (IPL).
- Abreu, R. M., David, M. F., Silveira, M. C., & Marques, P. (2003). Contributo para a Avaliação, Revisão e Consolidação da Legislação do Ensino Superior [Contribution to the valuation, revision and consolidation of Legislation on Higher Education]. In A. Amaral (Ed.), *Avaliação, Revisão e Consolidação da Legislação do Ensino Superior* (pp. 46–50). Matosinhos: Cipes.
- Alves, H. (2011). The measurement of perceived value in higher education: A unidimensional approach. *The Service Industries Journal*, 31(12), 1943–1960.
- AR (Assembleia da República). (2007, March 14). *Decreto-Lei n° 62/2007, aprova o regime jurídico das instituições de ensino superior [Approves the legal framework of higher education institutions]* (pp. 1599–1602). Diário da República, I Série—A.
- Campbell, A., Künemeyer, R., & Prinsep, M. (2008). Staff perceptions of higher education science and engineering learning communities. *Research in Science and Technological Education*, 26(3), 279–294.
- Caseiro, T. A., Conceição, P., Durão, D. F. G., & Heitor, M. V. (1996). The development of higher engineering education in Portugal and the monitoring of admissions: A case study. *European Journal of Engineering Education*, 21(4), 435–445.
- Coffield, F., Moseley, D., Hall, E., & Ecclestone, K. (2004). *Should we be using learning styles? What research has to say to practice*. Trowbridge: Cromwell Press.
- David, F., & Abreu, R. (2007). The Bologna process: Implementation and developments in Portugal. *Social Responsibility Journal*, 3(2), 59–67.
- Dittrich, K., Frederiks, M., & Luwel, M. (2004). The implementation of ‘Bologna’ in Flandes and the Netherlands. *European Journal of Education*, 39(3), 299–316.
- Dooley, L., & Kirk, D. (2007). University-industry collaboration: Grafting the entrepreneurial paradigm onto academic structures. *European Journal of Innovation Management*, 10(3), 316–332.
- Douglas, J., Douglas, A., & Barnes, B. (2006). Measuring student satisfaction at a UK university. *Quality Assurance in Education*, 14(3), 251–267.
- EC (European Commission). (2011). *Connecting universities to regional growth: A practical guide*. Brussels: European Commission.
- Entwistle, N. J. (1991). Approaches to learning and perceptions of the learning environment. Introduction to the special issue. *Higher Education*, 22, 201–204.
- Hounsell, D. (1997). Understanding teaching and teaching for understanding. In F. Marton, D. Hounsell, & N. Entwistle (Eds.), *The experience of learning. Implications for teaching and studying in higher education* (pp. 238–258). Edinburgh: Scottish Academic Press.
- Kettunen, J., & Kantola, M. (2006). The implementation of the Bologna process. *Tertiary Education and Management*, 12(3), 257–267.
- Kirp, D. (2003). *Shakespeare, Einstein and the bottom line: The marketing of higher education*. Cambridge, MA: Harvard University Press.
- Legčević, J. (2014a, September 1–9). Institutions of higher education as a development wheel of the regional economy. In SGEM Organizers (Ed.), *SGEM2014 Conference on Psychology and*

- Psychiatry, Sociology and Healthcare, Education and Educational Research, SGEM2014 Conference Proceedings* (pp. 741–748). Sofia, Bulgaria.
- Legčević, J. (2014b). Linking higher education and economy as a role for regional development. In University J.J. Strossmayera in Osijek, Faculty of Economy Osijek, Anka Mašek-Tonković (ur.), *3th International Scientific Symposium Economy of Eastern Croatia—Vision and Growth* (pp. 185–194). Osijek, Croatia.
- Legčević, J., Mujić, N., & Mikrut, M. (2012, March 15–16). Kvalimetar as a measuring instrument for improving quality at the University of Osijek. In Croatian Association of Quality Managers (Ed.), *International Scientific Symposium Quality and Social Responsibility*. Solin: Croatian Association of Quality Managers.
- Liessman, K. (2008). *Theorie der Unbildung: Die Irrtümer der Wissensgesellschaft [Theory of ignorance: The mistakes of the knowledge society]*. Wien: Paul Zsolnay Verlag.
- Lin, C., Cher, P., & Shih, H. (2005). Past progress and future directions in conceptualizing customer perceived value. *International Journal of Service Industry Management*, *16*(3/4), 318–336.
- Marçal-Grilo, E. (2003). European Higher Education Society. *Tertiary Education and Management*, *9*(3), 3–11.
- Maringe, F., & Gibbs, P. (2009). *Marketing higher education: Theory and practice*. UK: McGraw-Hill Education.
- MCIES (Ministério da Ciência, Inovação e Ensino Superior). (2005). *Processo de Bolonha [Bologna process]*. Lisboa: MCIES.
- MEC (Ministério da Educação e Ciência). (1980, May 29). *Decreto-Lei n° 173/80, institucionaliza o regime de créditos nas Universidades [Institutionalizes the credit system in universities]* (pp. 1255–1257). Diário da República, I Série.
- MEN (Ministério da Educação Nacional). (1973, August 11). *Decreto-Lei n° 402/73, cria novas universidades, institutos politécnicos e escolas normais superiores e define o regime das respectivas comissões instaladoras e estabelece um conjunto de medidas destinadas a propiciar a formação e o recrutamento dos meios humanos necessários para o início das suas atividades [Creates new universities, polytechnics and higher schools and set the rules of the respective starting commissions and establishes a set of measures to encourage the training and recruitment of human resources required for the start of their activity]* (pp. 1401–1406). Diário da República, I Série.
- Ministério da Educação e Investigação Científica (MEIC). (1977, October 14). *Decreto-Lei n° 427-B/77, cria o ensino superior de curta duração [Creates the short cycle in higher education]* (pp. 2492(5)–2492(6)). Diário da República, I Série.
- Presidência da República (PR). (1973, July 25). *Lei n° 5/73, aprova as bases a que deve obedecer a reforma do sistema educativo [Approves the bases to be satisfied by the reform of the education system]* (pp. 1315–1321). Diário da República, I Série.
- Škare, M., & Lacmanović, S. (2013). Role of universities in regional development. In *Conference Proceedings of the Scientific Conference—Economic Education in the Republic of Croatia—Yesterday, Today, Tomorrow* (pp. 331–343). Zagreb: Economic Faculty University.
- Smith, T. R., & Drabenstott, M. (1992). The role of universities in regional economic development. In W. E. Becker & D. R. Lewis (Eds.), *The economics of American higher education* (pp. 199–221). Netherlands: Springer.
- van Rossum, E. J., & Schenk, S. M. (1984). The relationship between learning conception, study strategy and learning outcome. *British Journal of Educational Psychology*, *54*(1), 73–83.
- Wang, H. (2010). Institutions of higher education and the regional economy: A long-term spatial analysis. *Economics Research International*, *2010*(376148), 1–19.

Part III

Management

Empirical Indicators for Evaluating the Concentration Degree on the Market: Case Study on Romanian Automotive Market

Cristian Buşu, Mihail Buşu, and Alexandra Cătălina Nedelcu

Abstract Nowadays, the competition authorities focus on market development, with the observance of its characteristics and players' behavior. One important step towards analyzing the relevant market is to compute the concentration degree of the market. This article presents the most important competition indicators used on computing the market concentration, the limitations of the Concentration Indexes and some empirical methods on how the indexes could be approximated with small irrelevant errors. When all the market shares on a specific sector are known, it is easy to compute the Concentration Indexes and draw conclusions about the degree of concentration on that market. Competition authorities may face a problem when not knowing the market share for each participant, and they need to make an approximation regarding the concentration degree of that specific market. The Case Study presented in this article shows the evolution of the market shares of the most important players in automotive field and it gives an example of how to compute the concentration degree on a specific market. Along the most common concentration indicator, the Herfindahl–Hirschman Index (HHI), there are also introduced other important indicators such as: the Concentration Ratio and the Comprehensive Concentration Index (CCI) and their application on the Auto Market.

Keywords Competition • Market dimensioning • Market concentration indicators

1 Introduction

An important task of any Competition Authority from any country is to find methods and useful economic indicators which could be used for measuring the level of competition on specific markets and economic sectors. A realistic evaluation of the competition on the economy of the state simplifies the application of the

C. Buşu (✉) • M. Buşu • A.C. Nedelcu
Management Department, The Bucharest University of Economic Studies, Bucharest,
Romania
e-mail: cristian.busu@man.ase.ro; mihail.busu@man.ase.ro; catalina.nedelcu@fabiz.ase.ro

Competition Law as well as the cooperation with similar authorities from other states.

The development of such indicators used for well-functioning of the economic markets starts with identifying the data sets which are available for public or of the data which are easily to be collected, given that the time and human resources are limited.

Regarding the computation method, the indicators which measure the concentration degree of a market, could be either relative indicators or absolute indicators. In this paper, we will denote “ i ” as the company index and “ x_i ” the market share of the company. In general, a company share is either expressed as a percent (%) or as an absolute value (decimal).

When there is no specification of how the market shares are expressed, we will assume that they are given as percentages. From an economic point of view, the perfect competition is characterized by these two possibilities: there are no entry barriers, which means that the entrance and exit on the market is free, or on the market there is a large amount of companies, each with a very small market shares, close to zero. Unless these conditions are met, the market is one with imperfect competition. For example, if we assume that on a market there are a few companies, with comparable market shares, then the market is an oligopoly, while if on the market there is only one company, that market is a monopoly.

The procedure of any worldwide competition authority is to firstly define the relevant market and then to measure the market power of the companies on that market. For the second step of this procedure, the economic analysis is focused on the market shares. This is based on the fact that a monopolist—a company with 100 % market share—has a very strong market share, while a company with a small market share does not have market share so it does not have the capacity of influencing the market.

The market shares are usually computed on the annual turnover of the companies. When the analyzed market is characterized by homogenous products, then it is better to compute the market shares using the volumes sold and not the total value of the sales.

2 Literature Review

The level of concentration on a specific market is giving utile information which could be used for the scrutiny of the market. There are several economic indicators used for computation of the market shares. In general, they are calculated around the value of the services/products commercialized.

Market indicators for calculating the concentration degree are very useful when mergers are analyzed by the competition authorities. Busu (2014) made an application of approximating HHI on Mobile Market using mean inequalities. Other interesting example was presented by Cohen and Levin (1989), when he explained that sometimes it is not necessary to know all the market shares on a specific market

in order to check whether a market is concentrated or not. Similar methods were introduced by Fornell and Bookstein (1982), Dagum (1990) and Hart (1971), with examples from industries with small number of companies controlling a significant part of the market. Kwoka (1985), and then Hausman and Sidak (2007) explained how some market indicators could be estimated, even though we do not know exactly the total number of the active companies on a specific market.

Concentration degree is also useful for competition authorities for their work on detecting cartels. Busu and Cimpan (2015) studied the anticompetitive behavior of companies on some highly concentrated markets, and Andrei and Busu (2014) made a few comparisons of low concentrated and highly concentrated markets from the competition point of view. Cool et al. (1989) argued that the consistent indications of oligopolistic coordination found in various parts of the model, it is inferred that the measured effect of market share reflects the exercise of market power.

2.1 *The Concentration Ratio: CR*

It is the sum of market shares of the biggest n market players. In general, it involves a limited number of companies in order to highlight the oligopolistic character of the market (a small number of companies control a significant part of the market). The value of this indicator varies from 0 (perfect competition) to 100 (oligopoly if $n > 1$ and monopoly if $n = 1$).

The Concentration Ratio is calculated as:

$$CR_k = \sum_{i=1}^K x_i \quad (1)$$

Where x_i represents the market share of the company “ i ” from the sector in question.

2.2 *The Comprehensive Concentration Index*

This index is obtained by adding a certain index covering the other companies on the market to the market share of the most powerful company. It can be defined as the double of HHI minus the square market shares of the companies, excepting the fact that the market share of the largest company receives a higher weight. The index is calculated based on the formula:

$$CCI = x_1 + \sum_{i=2}^N x_i^2(2 - x_i) \quad (2)$$

Where s_1 is the market share of the most powerful company and x_i expresses the market share of each of the other companies on the market. The CCI fluctuates between 0 and 1. A value closer to 0 indicates a very fragmented market, and the value 1 expresses a monopoly.

2.3 The Herfindahl–Hirschman Index

Herfindahl–Hirschman Index is the most important economic indicator, which shows how concentrated the market is. It is computed as the sum of the squares of the market shares of all companies from a specific sector. The formula used is:

$$HHI = \sum_{i=1}^n x_i^2 \quad (3)$$

Where “ x_i ” represents the market share of the company “ i ”, while n is the total number of the companies which are active in that sector.

In order to see what the limits of HHI are, we need to see what could be the upper and the lower limit of the formula above. When there is a monopoly, there is only one company on the market with 100 % share, while when there is a perfect competition, there are large companies each with very small share. Therefore, the limits of the index are between zero squared and 100 squared, i.e., 0 and 10,000.

Table 1 gives the concentration degree levels used by The European Commission, respectively by DOJ-FTC, as they result from the “Romanian Competition Council’s Annual Report: Romanian Competition Environment—Developments in Essential Sectors”.

Although HHI is the most common indicator used when the concentration degree of a market is calculated, the result is not always the best indicator for that specific market. For example, when we analyze a market with companies who have small market shares, it is indicated the use of the Concentration Ratio Index instead, and that is because in this case, HHI might underestimate the concentration degree of that market.

Table 1 The HHI Index levels

Concentration degree	Value of HHI	
	European Commission	DOJ + FTC
Low	<1000	<1500
Medium	1000–2000	1500–2500
High	>2000	>2500

In this context, for the auto market, it is better to use the Concentration Ratio Index or other indicators related to this sector of economic activity.

2.3.1 An Estimation of the Herfindahl–Hirschman Index

The principal problem when computing HHI is given by the fact that sometimes is not possible to find all the market shares of the active companies, especially when there is a large number of companies activating on a specific sector. For example, what if there are 100 companies activating on an economic sector, and we only know the shares of the top 30 or 50 companies. What shall we do in this case? How could we classify that market from the concentration point of view?

Now, we will recall that we do really need to find an exact value of the HHI, but we want to characterize the market using the limits from Table 1. In this case, we will see that it is enough to know the market shares of the top companies in order to be able to evaluate the concentration on that market.

Further, we will try to describe a methodology through which we will approximate HHI when we cannot compute it accurately.

We will consider a sector with “n” active companies. We also know the market shares of the top “k” companies from that sector. Denote $x_i, i = \overline{1, n}$ the market shares of those n companies. Since the market shares are given decreasingly, we have that:

$$x_1 \geq x_2 \geq \dots \geq x_k \geq x_{k+1} \dots \geq x_n \tag{4}$$

Where the values x_1, x_2, \dots, x_k are given, but $x_{k+1}, x_{k+2}, \dots, x_n$ values are not.

Now we recall the formula for calculating HHI:

$$HHI = x_1^2 + \dots + x_k^2 + x_{k+1}^2 + \dots + x_n^2 \tag{5}$$

2.3.2 Computing an Upper Limit for HHI

Proposition 1 Given a_1, a_2, \dots, a_n n positive integers, such that $a_n \leq a_{n-1} \leq \dots \leq a_1$. Then we have:

$$(a_1^2 + a_2^2 + \dots + a_n^2) \leq a_1 \cdot (a_1 + a_2 + \dots + a_n) \tag{6}$$

Proof We calculate the right side of the inequality and get:

$$a_1^2 + a_2^2 + \dots + a_n^2 \leq a_1 \cdot a_1 + a_1 \cdot a_2 + \dots + a_1 \cdot a_n \tag{7}$$

Now if we move all the terms to the right side and then we factor the similar terms, we get:

$$0 \leq (a_1 - a_1)a_1 + (a_1 - a_2)a_2 + \dots + (a_1 - a_n)a_n \tag{8}$$

By looking at the above inequality, we could conclude that it is always true, since all its terms are positive, because $a_n \leq a_{n-1} \leq \dots \leq a_1$.

Using this inequality, we are able to find an upper limit of the HHI, by applying it to the unknown market share terms: $x_{k+1}, x_{k+2}, \dots, x_n$.

Hence,

$$HHI = x_1^2 + \dots + x_k^2 + x_{k+1}^2 + \dots + x_n^2 \tag{9}$$

$$HHI \leq x_1^2 + \dots + x_k^2 + x_k \cdot (x_{k+1} + x_{k+2} + \dots + x_n) \tag{10}$$

Since all terms x_1, x_2, \dots, x_k are known, and since $x_{k+1} + x_{k+2} + \dots + x_n = 100 - (x_1 + x_2 + \dots + x_k)$, we could get an upper limit of the HHI, called M:

$$M = x_1^2 + \dots + x_k^2 + [100 - (x_1 + x_2 + \dots + x_k)] \cdot x_k \tag{11}$$

3 Calculating a Lower Limit for HHI

For this part, we will use Cauchy–Bunyakovsky–Schwartz Inequality:

Proposition 2 Let a_1, a_2, \dots, a_n and b_1, b_2, \dots, b_n two sequences of positive numbers. Then the following inequality will take place:

$$(a_1b_1 + a_2b_2 + \dots + a_nb_n) \leq (a_1^2 + a_2^2 + \dots + a_n^2)(b_1^2 + b_2^2 + \dots + b_n^2) \tag{12}$$

Proof To prove this form of the inequality, consider the following quadratic polynomial in z:

$$(a_1z + b_1)^2 + \dots + (a_nz + b_n)^2 = \left(\sum_{i=1}^n a_i^2 \right) \cdot z^2 + 2 \cdot \left(\sum_{i=1}^n (a_i \cdot b_i) \right) \cdot z + \left(\sum_{i=1}^n b_i^2 \right) \tag{13}$$

Since it is nonnegative it has at most one real root in z , whence its discriminant is less than or equal to zero, that is:

$$\left(\sum_{i=1}^n a_i \cdot b_i \right)^2 - \sum_{i=1}^n a_i^2 \cdot \sum_{i=1}^n b_i^2 \leq 0 \tag{14}$$

which yields the Cauchy–Schwarz inequality.

Corollary 1 In the above inequality, if we take $b_1 = b_2 = \dots b_n = 1$, we get:

$$(a_1 + a_2 + \dots + a_n)^2 \leq (a_1^2 + a_2^2 + \dots + a_n^2)(1 + 1 + \dots + 1) \tag{15}$$

Which is, after doing the computations:

$$\frac{(a_1 + a_2 + \dots + a_n)^2}{n} \leq (a_1^2 + a_2^2 + \dots + a_n^2) \tag{16}$$

After that, we will calculate an upper limit of HHI, by applying the proposition above for the unknown market shares, respectively for $x_{k+1}, x_{k+2}, \dots, x_n$.

Thus, by applying this above relation, we will obtain:

$$\begin{aligned} HHI &= x_1^2 + \dots + x_k^2 + x_{k+1}^2 + \dots + x_n^2 \\ &\geq x_1^2 + \dots + x_k^2 + \frac{(x_{k+1} + \dots + x_n)^2}{n - k} \end{aligned} \tag{17}$$

Because of the fact that $n, k, x_1, x_2, \dots, x_k$ are known, N could be treated as an inferior limit for HHI, where

$$N = x_1^2 + \dots + x_k^2 + \frac{(x_{k+1} + \dots + x_n)^2}{n - k} \tag{18}$$

Therefore we could sustain that we have just found two limits for $HHI : N \leq HHI \leq M$.

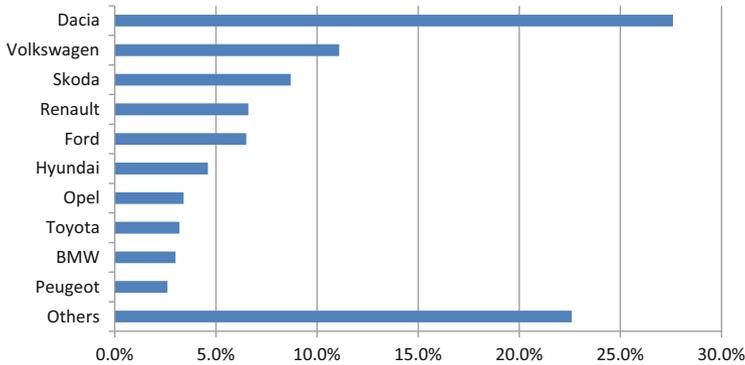


Fig. 1 The approximate share by auto companies in 2013. *Source:* Automotive Manufacturers and Importers Association, www.apia.ro/en

4 Case Study: The Automotive Sector in Romania

4.1 A General Presentation of the Sector

According to the Association of Automotive Manufacturers and Importers (APIA), on the Romanian Automotive Sector, there are about 50 brands of newly sold cars in 2013. Figure 1 shows the sales of the automobile of the top ten companies in this sector:

This figure shows that the leader on the market is the domestic company, Dacia, with a market share of 27.6 %, which has a market share of more than twice of the second player on the market, Volkswagen, which has a market share of 11.1 %, according to APIA.

4.2 Relevant Market in Auto Sector

The type of the automobile sales is wide, from economic to luxury cars. The sales in 2013, by model types could be observed in Fig. 2.

The above graph shows the fact that the top two models sold in 2013 were made of Dacia, which have a combined market share of 20.9 % of total models sold. The other models sold in the previous year by the top 10 players have market shares very close to each other, from Skoda Octavia, with a 4.6 % market share to Skoda Fabia with 1.9 % market share.

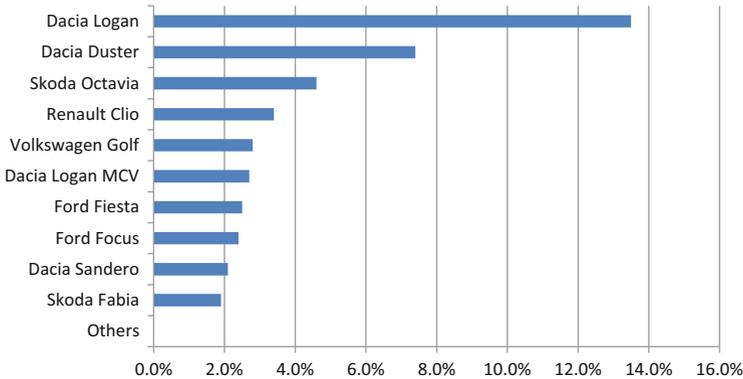


Fig. 2 The approximate share by auto model sales in the total of unit sales in 2013. Source: Automotive Manufacturers and Importers Association, www.apia.ro/en

4.3 Concentration Degree in Automotive Market

According to APIA, in Romania there are about 50 brands of new car sales. As seen from Fig. 1, the market shares of the top ten companies from the sector, add up to 77.4 %. The rest of 40 companies together share just 22.6 % of the market (100–77.4 %).

Now, using the two propositions we proved before, we will try to find an upper and a lower limit of HHI's to estimate the value of the HHI, and implicitly the concentration degree of the market. In order to do this, the first step is to write the market shares of the companies in a descending order.

The following table, Table 2, gives us the data regarding the market shares of the top ten companies in the automotive sector

$$\begin{aligned}
 HHI &= x_1^2 + x_2^2 + \dots + x_{10}^2 + x_{11}^2 + \dots + x_{50}^2 = (27.6)^2 \\
 &+ (11.1)^2 + (8.7)^2 + (6.6)^2 + (6.5)^2 + (4.6)^2 \\
 &+ (3.4)^2 + (3.2)^2 + (3)^2 + (2.6)^2 + x_{11}^2 + \dots + x_{50}^2 \\
 &= 1105.19 + x_{11}^2 + \dots + x_{50}^2
 \end{aligned}
 \tag{19}$$

Next, we will calculate the two limits, N and M, according to formulas (3) and (4) as presented above:

$$\begin{aligned}
 M &= x_1^2 + \dots + x_k^2 + [100 - (x_1 + x_2 + \dots + x_n)] \cdot x_k \\
 &= 1105.19 + (100 - 77.4) \cdot 2.6 \\
 &= 1105.19 + 58.76 \\
 &= 1163.95
 \end{aligned}
 \tag{20}$$

Table 2 The market shares of the first ten companies from the automotive sector

Company	1	2	3	4	5	6	7	8	9	10
Market share (%)	27.6	11.1	8.7	6.6	6.5	4.6	3.4	3.2	3	2.6

Source: Automotive Manufacturers and Importers Association, www.apia.ro/en and own computations

$$N = x_1^2 + \dots + x_k^2 + \frac{(x_{k+1} + \dots + x_n)^2}{n - k} \quad (21)$$

$$\begin{aligned} N &= 1105.19 + \frac{(100 - 77.4)^2}{50 - 10} \\ &= 1105.19 + \frac{(22.6)^2}{40} \\ &= 1117.96 \end{aligned}$$

Thus, although we are not able to calculate the exact value of HHI, we know that it is between 939.46 and 977.36. Formally, we could appreciate that:

$$1117.96 \leq HHI \leq 1163.95 \quad (22)$$

4.4 Other Concentration Indexes Calculated on Romanian Auto Market

The Concentration Ratio (CR_k) of the top ten players on the market is calculated as:

$$CR_{10} = \sum_{i=1}^{10} x_i \quad (23)$$

$$CR_4 = 27.6 + 11.1 + 8.7 + 6.6 = 54$$

$$CR_8 = 27.6 + 11.1 + 8.7 + 6.6 + 6.5 + 4.6 + 3.4 + 3.2 = 71.7$$

These two values are also indicating a medium concentrated market.

Also, the Concentration Comprehensive Index (CCI) defined before, calculated for this market is:

$$CCI = x_1 + \sum_{i=2}^N x_i^2 (2 - x_i) \quad (24)$$

$$CCI = 27.6 + 19.71$$

$$CCI = 47.31$$

Since the value of computed CCI is halfway between 0 and 100, we get the same conclusion that the analyzed market is moderately concentrated.

5 Conclusions

Using the limits we defined on Table 1, since HHI we got for the Automotive Market lies in the interval [1000,2000], according to the inequality (22), we may conclude that the concentration degree of the analyzed market is medium. Also, CR_8 , the Concentration Ratio of the top eight companies is 71.7 %, which also reveals a medium concentrated market. And since the concentration degree is much correlated with the competition degree on any market, we may also conclude that the level of competition on the Automotive Market Sector is also medium.

On the other hand, a medium or high concentration degree should not be seen as a problem on a market. And that is firstly because, when a company grows in size it could benefit from having lower average costs. This is likely to occur in the sectors where the fixed costs are very high and great chances for specialization.

Because of the complexity of the sold products, in the Automotive Market many relevant markets could be identified. In the most cases, products are, in general, substitutable, so the companies in this sector have rarely market power.

The barriers to entry are high enough so there are no significant changes of the market shares of the big companies over the time.

Acknowledgement This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/134197 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

References

- Andrei, F., & Busu, M. (2014). Detecting cartels through analytical methods. *Romanian Competition Journal*, 1–2, 24–29.
- Busu, M. (2014). How concentrated is the Romanian mobile market? *SEA-Practical Application of Science*, 4, 473–482.
- Busu, M., & Cimpan, B. (2015). Anticompetitive behaviour of undertakings—Case studies. *Procedia-Social and Behavioral Sciences*, 182, 507–512.
- Cohen, W. M., & Levin, R. C. (1989). Empirical studies of innovation and market structure. In R. Schmalensee & R. D. Willig (Eds.), *Handbook of industrial organization* (pp. 1059–1107). Amsterdam: Elsevier.
- Cool, K., Dierickx, I., & Jemison, D. (1989). Business strategy, market structure and risk-return relationships: A structural approach. *Strategic Management Journal*, 10(6), 507–522.
- Dagum, C. (1990). On the relationship between income inequality measures and social welfare functions. *Journal of Econometrics*, 43(1), 91–102.
- Fornell, C., & Bookstein, F. L. (1982). Two structural equation models: LISREL and PLS applied to consumer exit-voice theory. *Journal of Marketing Research*, 19(4), 440–452.

- Hart, P. E. (1971). Entropy and other measures of concentration. *Journal of the Royal Statistical Society Series A (General)*, 134(1), 73–85.
- Hausman, J. A., & Sidak, J. G. (2007). Evaluating market power using competitive benchmark prices rather than the Hirschman-Herfindahl index. *Antitrust Law Journal*, 74(2), 387–407.
- Kwoka, J. E., Jr. (1985). Herfindahl index in theory and practice. *The Antitrust Bull*, 30, 915–947.

Leading Risk Management Determinants of Small and Medium-Sized Enterprises (SMEs): An Exploratory Study in Poland

Gorzeń-Mitka Iwona

Abstract Risk is inherent in all business functions and in every kind of activity. Small and medium-sized enterprises (SMEs) are a particularly vulnerable to continuously daily internal and external undesirable events that adversely affect for business performance. Among the disturbances, some are likely to create risks to the enterprises in terms of loss of production, manufacturing capability, human resource, market share and economic losses. To deal with these risk determinants effectively, SMEs need a systematic method of approach to risk management. The focus of research was to identify risk management determinants of SMEs. This paper presents a set of risk management determinants in an SME in Poland.

Keywords Enterprise risk management • Risk • Risk management determinants • SMEs • Poland

1 Introduction

The issue of risk management in organizations, from years is extensively discussed on the international level. Among the many authors and organizations who in their works presented various risk management issues can be mentioned, for example: Beasley et al. (2005), Chapman (2007), Economist Intelligence Unit (2010) or FERMA (2010). But in Poland, research in this area, is an insufficiently discussed and recognized area, particularly in economic practice. For example, more detail about this situation is discussed by Gorzeń-Mitka (2007, 2013). Undertake research in this area is important because, how indicated world practice risk management has now become an integral part of business activities undertaken by the company, builds value to the organization, shaping the effectiveness of undertaken actions (Hopkin 2010; Lam 2003).

The literature indicates two main risk management approaches: traditional “silos” risk management that treats individual risks separately and enterprise risk

Gorzeń-Mitka Iwona (✉)

Faculty of Management, Czestochowa University of Technology, Czestochowa, Poland
e-mail: iwona.mitka@zim.pcz.pl

management (ERM) (Hoyt and Liebenberg 2010). Among the many approaches to risk, enterprise risk management is leading concept. According Liebenberg and Hoyt (2003) and Seamer et al. (2012), research an enterprise-wide integrated approach to corporate risk management delivers additional benefits to the firm by preventing aggregation of risk across different sources.

Kraus and Lehner (2012) presented other arguments for benefit of enterprise risk management approach. First of arguments notes—ERM managing many risks at a same time systematically and consistently. It's creates efficiencies of coordination between the various risk management departments. Further stresses that the ERM enables to identify interdependencies between risks across different sources, increasing focus operational, reputational and strategic risk (not mainly market and credit risk). In the end indicates that ERM optimize the trade-off between risk and return and strengthens a company's ability to carry out its strategic plan.

Enterprise Risk Management (ERM) is a process that takes a holistic view of risk management and attempts to reduce the probability of large negative earnings and cash flows by coordinating and controlling offsetting risks across the enterprise. The ultimate goal of ERM is to move beyond meeting compliance standards towards achieving real economic value. ERM is considered a critical management practice for companies to mitigate risks effectively. Enterprise risk management (ERM) is now considered to be a leading approach to risk management and is being widely promoted in Poland too (Słobosz and Ziomko 2009). In general, the adoption of ERM approach allows the organisation to clarify its risk appetite and embed it into the business strategy. Also, ERM helps to refine the identification of risk-bearing events and determining the risk-response strategies in case of risk occurrence. The idea of ERM is to implement the risk management process across the organisation and ensure that it is carried out by people at every level of organisation. Its main objective is to create a complete picture of all internal and external threats and to develop strategies that determine the response to so called key risks. The process should be anchored in the main strategy of the organization as well as in the strategies of its individual units. The effectiveness of risk management process in an integrated approach depends on its clear definition and communication to all levels of an organisation (Gorzeń-Mitka and Wiczorek-Kosmala 2013; Mesjasz-Lech 2012).

In the prior empirical literature, ERM adoption is usually related with the existence of a Chief Risk Officer (CRO); this factor is often considered to measure of ERM adoption (see, e.g., Liebenberg and Hoyt 2003; Hoyt and Liebenberg 2010; Pagach and Warr 2011; Eckles et al. 2014).

In the case of SMEs, difficult to talk about specifically designated person responsible for such processes. The specificity of this scale companies, shows that most of the functions in management of micro- and small firms, focused on entrepreneur person. Entrepreneur is manager and owner at the same time (Sipa 2011). It should be noted that the literature clearly indicates that risk management is still in the early stages of development. In particular, this applies to SMEs sector.

The article is structured as follows. The next section provides the theoretical background about risk management determinants and explains the development of the hypothesis. The data and methodology are discussed in the third section of the

article including a detailed description of the measures used in the empirical analysis. Section 4 presents the empirical findings, and the final section concludes.

2 Risk Management Determinants: Review of Selected Academic Study

This section is focus on determinants that affect individual components of a risk management process. In the following section discusses the conclusions of selected academic research on the determinants of the ERM, the key for the view of article topic.

One of first study about ERM strategies and its determinants is conducted by Seamer et al. (2012) and providing an insight into the ERM practices of Australia's largest listed companies. This study provides empirical evidence of a positive effect of corporate governance mechanisms on the rigor of ERM strategy adopted. Especially these determinants are: existence and independence of an audit committee and existence of a financial expert on that committee. Additionally study confirms evidence that corporate governance is an important determinant of the decision to adopt ERM but is also influential in determining the rigor of the ERM strategy adopted and firms with strong corporate governance have more rigorous ERM.

One of unique research, where conducted a comprehensive survey to get a direct measure of ERM program adoption is study of Altuntas and Berry-Stölzle (2011). This research analyzes factors that influence a company's decision to start an ERM program. The result of the study was to identify the few relationships. First relationship is positively related with affiliated companies are capital allocation methods, performance measurement mechanisms, the aggregation of risk and the implementation of a risk management culture. Second—positively related with size and sustainable performance are incentive contracts and positively related with the total amount of taxes paid relative to firm assets is implementation of a risk management culture.

Study indicates also negatively relationship—its related with past performance are performance measurement mechanisms, incentive contracts, the implementation of a risk management culture and audit. Additionally negatively related with lagged changes in performance are performance measurement mechanisms, the aggregation of risk, ERM adoption and the implementation of a risk management culture. In the end, study indicates that managers are more likely to adopt external ERM components than internal.

Another empirical study by Yazid and Razali (2012) identifies seven variables that are closely related to ERM. They include the following: Chief Risk Officer (CRO), leverage, profitability, international diversification, institutional ownership, size, turnover. When identifying determinants of the efficiency of ERM implementation, it is worth mentioning the demographic environment. The size and

structure of the population by sex and age of the country, the birth rate, population density and the structure of households, are all factors with a broad influence affecting the activities of all economic entities present on the relevant market in a similar way (Skibiński 2012).

Due to the importance of SMEs for the national economy, it is vital to continuously develop the knowledge in the field of the functioning of small and medium-sized enterprises as well as building and modifying a set of micro- and macro-economic tools to be used to effectively carry out management processes, strengthening and stabilizing the sector analyzed (Okreglicka 2015).

Other important factor determining success of ERM process is risk management culture. According Moeller (2007) the goal of building a risk management culture is to influence employees and other stakeholders to almost automatically consider risks in their decisions. Interesting conclusions about the determinants of risk management process provides study by Gatzert and Martin (2013). The results of their comparative assessment of the seven studies regarding the determinants of an ERM system are partly ambiguous. Regarding the determinants of ERM their findings show that while some determinants (assets' opacity, growth opportunities) are not significantly related to the development of an ERM system or are ambiguous regarding the direction (financial leverage), the company size and the level of institutional ownership are, in particular, identified in most studies as significant factors that positively affect the implementation of an ERM system.

It should be noted that most studies regarding the identification of the factors influencing the decision to ERM implementation involves large companies. Few of them relate to the SMEs sector. For example Verbano and Venturini (2013) point out that a main motivation to implementation of risk management in SMEs is to protect innovative projects, which are fundamental to gain competitive advantage and succeed in the market, but necessarily involve risky decisions and activities. The early identification and management of risks is required by innovative SMEs to control the project-related risks. Risk management could enhance the ability to successfully manage all stages of the innovative projects. This study aims to, at least partially, fill a gap on the risk management determinants in SMEs.

3 Method

Identification of ways to cope with risks and risk management practices (which allowed the identification of the key factors determining the process) was performed during the study which aimed to identify and analyze business processes in small, medium and large enterprises in Poland. A purposive sample was used for the study.

The study was conducted in the January and February of 2014 on a sample of 298 companies categorized, according to the number of employees, as small, medium and large enterprises. The survey questionnaire was addressed to both manufacturing and service enterprises. The sample was not fully representative,

thus the study should be regarded as a pilot project, to further explore the subject, and facilitate future research on representative samples.

Small businesses employing between 10 and 49 workers dominated the sample, accounting for 73 % of all surveyed companies. The second-largest group consisted of medium-sized enterprises, employing between 50 and 249 people, which accounted for 27 % of all respondents. The largest group of companies, at 64.3 %, have been operating in the market for more than 10 years, 12.3 % of the businesses have been active for 5–10 years, with the rest of the respondents operating for 1–5 years.

The following research hypotheses were proposed, with the main aim of the project in mind:

- H1—the level of knowledge of risk management among the entrepreneurs in the SME sector is low and does not depend on the size of the company or its financial condition;
- H2—the size of the company affects the effectiveness of the diagnosis of the various stages of the risk management process by the company;
- H3—the financial condition of the company affects the effectiveness of the diagnosis of the various stages of the risk management process by the company.

Statistical analysis of the survey results has allowed for a full or partial verification of the hypotheses.

In this study is two control variables adopted. First control variable is size of the firm—this control variables can be used as an indirect measure of risk management and financing costs. As indicated Stulz (1996) the largest firms have greater negotiation power and thus lower average financing costs, which reduces the need to hedge risks. This variable can also measure e.g., the accessibility of different methods of diversifying risks, qualified personnel, software, consulting fees. Second control variable is liquidity ratio—this variable measures the liquidity reserve for emergencies.

4 Results

This paper examines SMEs behavior by testing two hypotheses related to SMEs risk management. These hypotheses examine whether firm characteristics (size, liquidity) that differ due to risk management determinants. In testing these hypotheses we find several firm factors that are significantly related to obtaining a risk management in SMEs. This evidence is important for future research examining the firm's decision to implement of risk management.

The analysis of the perception of the determinants of risk management in SMEs began with the assessment of the level of knowledge of the respondents with respect to the factors relevant for the implementation of the process (Table 1). The high proportion of “no opinion” responses with regard to most issues studied is particularly remarkable.

Table 1 Relevance of risk management variables (%)

	Definitely yes	Yes	No opinion	No	Definitely no
Interaction between strategy of company and risk management	3.0	47.2	35.1	13.7	1.0
Strong organizational culture	10.4	62.2	18.4	8.4	0.7
Defined and transparent rules, procedures and internal control	13.4	57.9	19.4	8.7	0.7
Coherence of risk management with objectives of company	7.0	51.8	31.4	9.0	0.7
Understanding and managing risk	7.0	49.2	32.8	11.0	0.0
Risk description in the company profile context	3.7	52.8	26.8	15.1	1.7
Designation level of risk tolerance	4.0	47.5	31.8	15.7	1.0
Designation of risk respond	3.0	47.2	32.8	16.3	0.7
Designation risk assessment criteria	5.4	52.2	31.8	10.0	0.7
Risk identification	6.7	63.9	20.1	9.0	0.3
Risk register	3.3	37.8	37.1	20.1	1.7
Risk analysis	8.0	56.5	21.7	13.0	0.7
Risk hierarchy	3.7	45.8	30.4	19.4	0.7
Review of risk management impact to the company's operations	5.7	44.1	32.4	15.7	2.0

This result confirms previous conclusions of the author (presented in earlier publications) regarding a low awareness of the process of risk management and the factors determining the efficiency of its implementation among the entrepreneurs from the SME sector. Among the specified areas, the most recognized are: risk identification [this confirms the trends shown in detail in Gorzeń-Mitka (2013)], organizational culture, and the need for defining the rules and for transparency of procedures and internal control mechanisms. The least recognized aspects include risk registers, which seems puzzling in the context of the replies concerning risk analysis. Entrepreneurs declare conducting risk analyses, which, after all, require a register of risks. This disparity is another confirmation of the low level of actual (not declared) knowledge of risk management among the respondents. This is clearly demonstrated in Fig. 1.

The greatest awareness of the determinants of the risk management process (i.e., the lowest percentage answering “no opinion”) was demonstrated in relation to the organisational culture and to having defined roles, rules and procedures. It can therefore be concluded that the hypothesis H1 was confirmed, i.e., that despite the declared knowledge of risk management, the SMEs are characterized by a low level of knowledge about the process and its determinants.

In the further part of the study, the relationship between the selected determinants of the process and two variables, i.e., the size and the financial condition of the business, was analysed (Table 2, Fig. 2). This allowed for the identification of the following relationships presented below. Firstly, the size of the company is

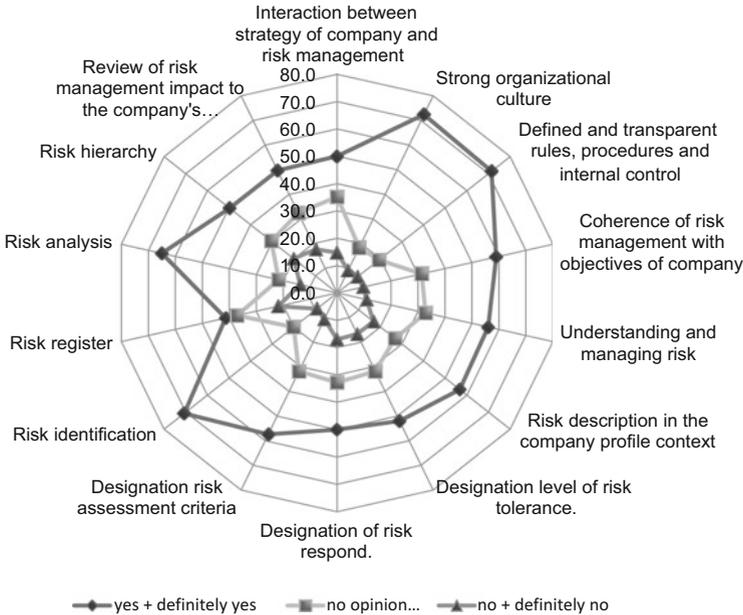


Fig. 1 Awareness of the determinants of the risk management process

Table 2 Correlation between control and risk management variables

	Size of the firm		Liquidity ratio	
	Tau	P	Tau	P
Interaction between strategy of company and risk management	0.079	0.066	0.028	0.300
Strong organizational culture	-0.025	0.319	0.002	0.485
Defined and transparent rules, procedures and internal control	0.098*	0.029	0.013	0.401
Coherence of risk management with objectives of company	0.047	0.186	-0.003	0.479
Understanding and managing risk	0.124**	0.009	0.029	0.293
Risk description in the company profile context	0.032	0.271	0.137**	0.005
Designation level of risk tolerance	0.055	0.148	0.043	0.210
Designation of risk respond	-0.004	0.473	0.011	0.417
Designation risk assessment criteria	0.088*	0.045	0.054	0.155
Risk identification	0.026	0.306	0.048	0.183
Risk register	0.156**	0.001	0.126**	0.009
Risk analysis	0.154**	0.001	0.153**	0.002
Risk hierarchy	0.097*	0.030	0.042	0.211
Review of risk management impact to the company's operations	0.014	0.393	-0.042	0.213

*Correlation is significant at the level of 0.05 (single sided)

**Correlation is significant at the level of 0.01 (single sided)

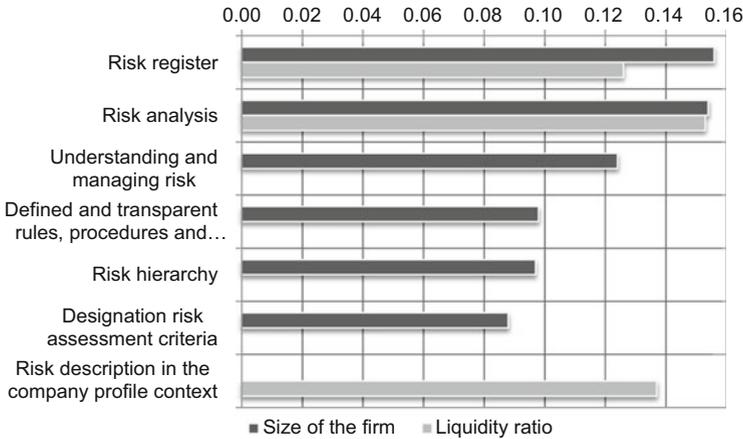


Fig. 2 Determinants of risk management—statistically significant

positively correlated with the understanding of the need for risk management, the designation of roles, procedures, and the internal control systems of the company, as well as an effective approach to risk assessment and performing or creating a register, analysis and hierarchy of risks (partial confirmation of H2). Secondly, the financial condition of the company is positively correlated with a description of the risk in the company-specific context and an effective approach to risk register and risk analysis (partial confirmation of H2). Thirdly, the larger the company and the better its financial condition, the better it is at performing risk analysis and maintaining risk registers. This partially confirms the assumptions of H2 and H3.

5 Conclusion

Risk management becomes a necessity and requires a systematic consideration in decision-making processes of the businesses. SME is the category of companies particularly exposed to the impact of risk factors. The diagnosis of their awareness of the factors determining the efficiency of activities in the field of risk management seems to be a legitimate. In this study an attempt was made to determine key factors and elements of the risk management process in view of the two key variables indicated as relevant in earlier academic research: the size of the business and its financial condition.

It has been shown that the larger the company, the higher the level of recognition and understanding of the need for risk management, for determining the roles, procedures and internal controls of the company, and for the efficient approach to assessment, register, analysis and hierarchy of risk. It has been also demonstrated that the better the assessment of the financial condition of the business, the better

the business' awareness and understanding of such areas as risk assessment in the company-specific context and the more efficient their approach to risk register and risk analysis.

In addition, it was confirmed that both these variables determine the effectiveness of the company's activities at the level of risk registers and risk analysis.

References

- Altuntas, M., & Berry-Stölzle, T. R. (2011). *Dynamic determinants of enterprise risk management adoption in the property-liability insurance industry: Evidence from Germany* (pdf). Accessed February 15, 2015, from <http://www.wu.ac.at/egrie2011/programme/papers/v.b1.altuntas.pdf>
- Beasley, M. S., Clune, R., & Hermanson, D. R. (2005). Enterprise risk management: An empirical analysis of factors associated with the extent of implementation. *Journal of Accounting and Public Policy*, 24, 521–531.
- Chapman, R. J. (2007). *Simple tools and techniques for enterprise risk management*. New York, NY: Wiley.
- Eckles, D. L., Hoyt, R. E., & Miller, S. (2014). The impact of enterprise risk management on the marginal cost of reducing risk: Evidence from the insurance industry. *Journal of Banking and Finance*, 43, 247–261.
- Economist Intelligence Unit. (2010). *Fall guys: Risk management in the front line. Independent industry and management research* (online). Accessed February 15, 2015, from <http://www.businessresearch.eiu.com/fall-guys.html>
- FERMA. (2010). *European risk management benchmarking survey* (pdf). Accessed February 15, 2015, from <http://www.ferma.eu/wp-content/uploads/2011/10/ferma-risk-management-benchmarking-survey-2010.pdf>
- Gatzert, N., & Martin, M. (2013). *Determinants and value of enterprise risk management: Empirical evidence from the literature* (Working Paper No. 11). Department for Insurance Economics and Risk Management, Friedrich-Alexander-University (FAU) of Erlangen-Nürnberg.
- Goźeń-Mitka, I. (2007). *Ryzyko w eksporcie. Metody i sposoby ograniczania [Risk in export. Methods and means of limitation]*. Warszawa: KeyText.
- Goźeń-Mitka, I. (2013). Risk identification tools—Polish MSMEs companies practices. *Problems of Management in the 21st Century*, 7, 6–11.
- Goźeń-Mitka, I., & Wieczorek-Kosmala, M. (2013). Risk appetite-critical element of enterprise risk management process. *Studia Ekonomiczne Uniwersytetu Ekonomicznego w Katowicach, Zeszyty Naukowe Wydziałowe*, 127, 109–122.
- Hopkin, P. (2010). *Fundamentals of risk management*. London: Kogan Page.
- Hoyt, R., & Liebenberg, A. (2010). The value of enterprise risk management. *Journal of Risk and Insurance*, 78, 795–822.
- Kraus, V., & Lehner, O. M. (2012). The nexus of enterprise risk management and value creation: A systematic literature review. *ACRN Journal of Finance and Risk Perspectives*, 1(1), 91–163.
- Lam, J. (2003). *Enterprise risk management*. New York, NY: Wiley.
- Liebenberg, A. P., & Hoyt, R. E. (2003). The determinants of enterprise risk management: Evidence from the appointment of chief risk officers. *Risk Management and Insurance Review*, 6(1), 37–52.
- Mesjasz-Lech, A. (2012). *Efektywność ekonomiczna i sprawność ekologiczna logistyki zwrótej [Economic efficiency and ecological efficiency of reverse logistics]*. Częstochowa: Wydawnictwo Politechniki Częstochowskiej.
- Moeller, R. R. (2007). *COSO enterprise risk management—Understanding the new integrated ERM framework*. New Jersey: Wiley.

- Okreglicka, M. (2015). Management of financial liquidity in the business sector in Poland, economic development and management of regions. *Peer-Reviewed Conference Proceedings, Hradec Economic Days*, 5, 63–69.
- Pagach, D., & Warr, R. (2011). The characteristics of firms that hire chief risk officers. *Insurance Review*, 6(1), 37–52.
- Seamer, M., Choi, B. B., & Doowon, L. (2012). *Determinants of the rigour of enterprise risk management strategies: Evidence from Australia* (pdf). Accessed February 15, 2015, from www.wbiconpro.com/309-Doowon.pdf
- Sipa, M. (2011). Specyfika działalności innowacyjnej przedsiębiorstw z sektora MSP [Specificity of innovative activity of enterprises from the SME sector]. In M. Motnyk & J. Ryśnik (Eds.), *Współczesne problemy zarządzania organizacją* (pp. 297–319). Bielsko-Biała: Wyższa Szkoła Ekonomiczno-Humanistyczna.
- Skibiński, A. (2012). Rozwój ludności województwa śląskiego w okresie transformacji systemowej [Development of the population of the Silesian province in the transition period]. *Studia Ekonomiczne*, 103, 144–155.
- Słobosz, J., & Ziomko, R. (2009). *Zarządzanie ryzykiem i ubezpieczeniami w firmach w Polsce* [Risk management and insurance in companies in Poland]. Warszawa: AON (pdf). Accessed February 15, 2015, from http://www.pid.org.pl/uploads/AON%20Polska_Zarzadzanie%20ryzykiem%20i%20ubezpieczeniami.pdf
- Stulz, R. (1996). Rethinking risk management. *Journal of Applied Corporate Finance*, 9(3), 8–24.
- Verbano, C., & Venturini, K. (2013). Managing risks in SMEs: A literature review and research agenda. *Journal of Technology, Management and Innovation*, 8(3), 186–197.
- Yazid, A. S., & Razali, A. R. (2012). Determinants of enterprise risk management (ERM): A proposed framework for Malaysian public listed companies. *International Business Research*, 5(1), 80–86.

Acknowledging Diversity, Patterns and Cohesion

Vrănceanu Carmen-Andreea and Leca Irina

Abstract Globalization fed by the access to information has led to a more dynamic and diverse workplace in which individuals with same nationality are alike but still they are so different one from each other in the way of thinking, feeling and acting, depending on their experiences accumulated during life. Nowadays in order for companies to obtain high performance the human resource must be considered as a competitive advantage. Therefore it is imperative for managers to acknowledge the cultural diversity of the people they manage in order to provide an inclusive environment with high social cohesion and nonexistent unprofessional behaviors. This paper aims firstly to identify the workers' cultural diversity and the existing behavioral patterns at team level from a multinational company from Romania and secondly it aims to determine the way in which team cohesion is influenced by cultural diversity and behavioral patterns in this company.

Keywords Cultural diversity • Behavioral patterns • Cohesion • Work teams

1 Introduction

Each individual has his own personality and is different from another in various ways. Some communicate harder, others communicate easier; some find it difficult to adapt to changes others find it easier; some like to help others; others not; some are always late to work, others never or very rarely; some get angry quickly, others very hard. Why are so important these issues? Simply, because most of these types of behavior are found in the work environment, sometimes within the same teams. Hence, it is born the need of perception of behavioral and attitudinal differences between the members of a work team that must obtain performance.

The foundation of personality and ways of acting, feeling and thinking is culture. Each individual has its own cultural background which influences the interaction

V. Carmen-Andreea (✉) • L. Irina
Department of Business Administration, Bucharest University of Economic Studies,
Bucharest, Romania
e-mail: carmenavranceanu@yahoo.com; kristine_leca@yahoo.com

with others. Thus we can speak of diversity within the work team, which in turn is influencing team cohesion. The cultural differences cannot be set by code of conduct in an organization. People will comply indeed with both organizational rules and cultural norms, but will give priority to the latter. It is therefore necessary in a work team for each individual to perceive the differences between him and the others in terms of cultural background and cultural community and to accept and act taking them into consideration in order to communicate and collaborate effectively.

The present research brings to attention that cultural differences also exist among people of same nationality, ethnicity and religion and they are impacting group cohesion and the ways of behaving in a company.

2 Diversity and Cultural Diversity

In many debates on multiculturalism, identity politics, anti-discrimination policies and educational contexts, diversity is still a term used ambiguously (Brewster et al. 2002; Vertovec and Wessendorf 2004). The definition provided for noun “diversity” in “A Diversity Glossary” (Achugbue 2003, p. 6) is: “psychological, physical, and social differences that occur among any and all individuals, such as race, ethnicity, nationality, religion, economic class, age, gender, sexual orientation, mental and physical ability, and learning styles. A diverse group, community or organization, is one in which a variety of social and cultural characteristics exist”.

Therefore, “the concept of difference, which suggests the possibility of neatly distinguishing between its respective traits or markers, is being gradually substituted by the notion of diversity, which in contrast emphasizes the multiplicity, overlapping and crossing between sources of human variation” (Dietz 2007, p. 8). This means that we must understand that each individual is unique, and thus recognize our individual differences which can be along the dimensions of race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, or other ideologies.

UNESCO in its “Universal Declaration on Cultural Diversity” approved in Paris in 2001 defines cultural diversity “the common heritage of humanity”, according to which “culture takes diverse forms across time and space. This kind of diversity is embodied in the uniqueness and plurality of the identities of the groups and societies making up humankind” (UNESCO 2002). The Declaration also states that each individual must acknowledge not only otherness in all its forms but also the plurality of his or her own identity, within societies that are themselves plural. Therefore the term of culture is more complex than differences between countries or between people from different countries. Actually in few words it can refer to the beliefs, customs, arts, etc. of a particular society, group, place, or time. For example it can refer to a particular social group that has its own beliefs, ways of life, art or we can say that in a place or an organization or in business we encounter specific ways of thinking, behaving or working.

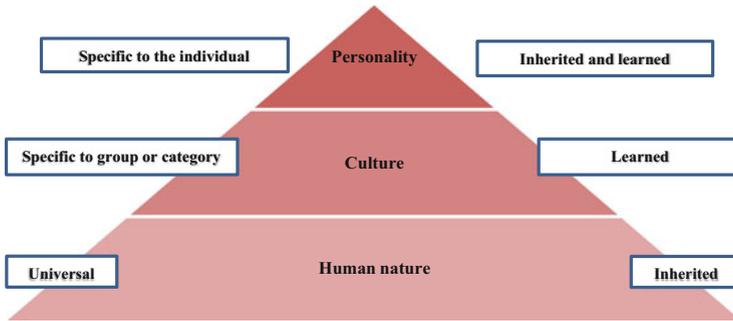


Fig. 1 Three levels of uniqueness in human mental programming. *Source:* Hofstede (1996, p. 22)

Cultural diversity can also be defined as “the representation, in one social system, of people with distinctly different group affiliations of cultural significance” (Cox 1993, p. 25). If we look in Fig. 1 we will see that culture is learned not inherited and is specific to group or category (Hofstede 1996).

It must be stated that there are different levels of culture due to the fact that each one of us belongs to various groups and category of people at the same time. These levels are national, regional and/ or ethnic and/or religious and/or linguistic affiliation, gender, generation, social class according to Hofstede (1996). These levels are very important for the present research because it allows identifying differences between individuals even tough at first sight none could be determined.

Hofstede (2010) defines culture as the collective programming of the mind. He considers that the ways of thinking, feeling and acting (mental programs) are well ingrained in the mind of an individual and are taught from childhood. If Hofstede is right than we can also consider that individuals from same country are of different cultures? Maybe yes, maybe not. It will be further studied and regardless of the answer the truth is that the cultural background of each one of us is different. We all grew up in different families with different conceptions and moral values, with different number of members which have influenced us more or less in a way or another. Also we did not studied in the same school, high school or university and we are not all specialized in the same fields. We do not have the same hobbies, we do not like the same things, and we do not pass in life through the same experiences. All this factors can be defined as our cultural background therefore if we cannot speak about cultural diversity we can at least speak about cultural background diversity because each person has its way of thinking, feeling and acting due to the fact that it has its own cultural background.

The present study looks at all cultural levels but empowers more the last three ones by trying to identify differences between people of the same nationality, ethnicity, religion and linguistic affiliation at the levels of gender, age, socio-economic status, physical abilities, generation, social class and other aspects. Therefore they are considered of different cultures because they have different cultural backgrounds.

3 Behavioral Patterns

Two major groups of international scientists tried to demonstrate that DNA or genes are the cause of different ways of human acting. The outcome was the opposite. The studies have demonstrated in fact that the individual genes are not shaping the behavior patterns, therefore the diversity of humans is forged by environment (McKie 2001). Looking at the genes they could not find enough of them to explain the differences in behavior between people but instead they realized that the explanation for the human variation lies in the manner in which human genes are regulated in response to environmental stimulation.

More over these researches can be considered as an argument of Hofstede's "mind software" definition of culture, accordingly to which the ways of acting, feeling and thinking are developed in time starting from childhood and continuing with entourage, school, social groups, work environment and community life (Hofstede 1996). Therefore diverse culture in a company can arise from various sources, not only from different religion, ethnic origin or language but also from different social or economic groups, families, fields of study. Cultural factors are a differentiating source of working group members, and the diversity of members directly affects communication and collaboration (Preda 2006). Thus is imperative to understand attitudes and perceptions of diversity. Each individual should be aware of the impact he has on others and should develop its skills in interacting with people of different cultural background.

Uniformity and diversity of group members is the main element of nature or composition of a group (Militaru 2005). Although apparently members of a group are similar, there are differences between them. For example, members of the same department are similar in terms of specialization and technical expertise, but differ in terms of experience, age and cultural environment of origin. Linking this variety with the behavioral patterns, it is important for individuals to know and acknowledge at least that each one of us acts differently and if they are capable to also know the reasons of why a work colleague is acting or reacting in a specific way. We can state that variation of human behavior affects not only the perception of people with whom we interact but also the interpersonal relationships between us and colleagues and the outcome of our work team.

As a behavioral pattern, between members of different cultures are more likely to appear conflicts (Schoenecker et al. 1997; Jehn et al. 1999; Pelled et al. 1999). Also members of diverse groups are less attached to each other and show less commitment to their belonging organization (Harrison et al. 1998; Tsui et al. 1992). Also in this type of groups, members communicate less with one another (Hoffman 1985; Watson et al. 1993) and as a result it is more likely to encounter low cohesion than in homogeneous groups where normally we should find a higher level of cohesion.

Lofland (1989) mention the concept of 'civility towards diversity'. This concept in a public space, such as workplace, refers to the fact that "people's different backgrounds are acknowledged and sometimes talked about" (Wessendorf 2013).

Referring to the behavioral patterns in a diverse workplace we can bring to attention the fact that Wessendorf (2013) has shown that civility towards diversity can be used as a strategy to both engage with difference and avoid conflict by ignoring difference.

4 Cohesion

In each organization we encounter work teams and that is why team success and performance has been the subject of many studies. Of interest for this paper are both the compositional studies and the structural ones because we are looking not only at the personal attributes of team members but also the patterns of interactions (and sentiments) among them. Cohesion of work team is very important because studies have shown that under a proper leadership a high cohesive team can over perform a lower cohesive one.

Cohesion phenomenon is essential to understand how groups work, giving account of the nature of socioemotional relationships and linkages which cemented the group stability (Neculau 2007). There are several ways to charge the cohesion of a group. Some analysts perceive it as the complex forces that give rise to perceptions through members of a group identity (Fincham and Rhodes 2005). de Vischer and Neculau (2001) define cohesion as “the powerful will of members to stay in the group or as the resultant of all forces acting on members, so that they remain in the group.

Heterogeneous groups will be formed harder. Therefore, the degree of cohesion will be lower compared to homogeneous groups because the group will require a longer time to become cohesive. But if the group is focused on the achievement, then diversity is surpassed by the desire of union and cohesion of members (Swann and Polzer 2004). Group size may backfire on cohesion because as the group grows, members’ actions are more difficult to manage and the communication between them is hampered. Typically, large groups tend to divide into smaller groups, thus reducing cohesion (Rouchy 2000). Cohesion is an indicator of the unit group (Verhoeven 2008).

For work teams are more important the effects of the cohesion and not the phenomenon itself, because the high level of consensus reached in high cohesive teams facilitates the communication and collaboration between members (Laverriere and Plailly 1977). Cohesion is important because it influences the behavior of team members. A high cohesion can produce behavioral conformity, obedience to internal rules and may result in a higher yield of the group (Fall and Wejnert 2005). It is easier to reach a decision in a high cohesive group as opposed to diverse groups, in which it takes more time to reach decisions (Hambrick et al. 1996).

Between the benefits of cohesion we can include: promotes adherence, fosters cooperation, encourages better performance and improves communication (Mulunga and Yazdanifard 2014). In the same research it is mentioned that “it is

vital for organizations to hire employees with similar educational backgrounds and skills level as group members as they are more likely to feel comfortable among themselves” (Mulunga and Yazdanifard 2014, p. 18). This statement underlines the fact that differences between members can generate barriers to communication and interaction at team level and thus can affect cohesion.

Linking cohesion to the behavioral patterns we can state that in a group with a high degree of cohesion we meet greater interaction between members, mutual help, social satisfaction, lower absenteeism, higher productivity. Therefore we meet group performance due to the fact that high cohesive groups increase self-esteem of members and voluntary participations in several actions and work environment is favorable (Neculau 2007).

5 Research Methodology

The total research was conducted in a multinational company from Romania and thus a questionnaire survey was applied on 86 employees, men and women, from 11 different teams part of the Financial Account Management Department. From the respondents four did not answer the survey. One refused and the others were out of office for the whole month.

Also it has to be mentioned that for the survey to be relevant we did not take into consideration the answers of five respondents in order to have equal number of member in the teams studied. This respondents were the newest members in their teams, less than 6 months, and thus by excluding their answers the research was not affected due to the fact that they did not have time to build relations with the others and to get to know them better so that they have an influence on the other members or on cohesion.

The questionnaire contains 37 questions and the first part of it helped in identifying the name of the respondent, the team belonging, for how long he has been working in the team, gender, age, nationality, ethnicity, place of birth and religion. The second part of the questionnaire contains questions that helped in determining the difference in level of education, specialization, international experiences in studying and working, family origin (if they have siblings), hobbies, if they practice sports and also it helped determining their perception on being different (if they consider themselves different from their team colleagues and in what terms). The third part of the questionnaire contains 16 questions with 5 point Likert-type responses (from “Strongly Agree” = 2 to “Strongly Disagree” = -2) and it helped in identifying the perception of the members on their team unity and the behavioral patterns from each team such as helping each other, tolerating conflicts or being late for work or making overtime. The last part of the questionnaire consists in two questions which helped in identifying the level of cohesion from each team.

The last two questions are based on Moreno’s sociometry method for determining group cohesion (Abric 2002). Sociometria consists in observing the socio-

affective relations which unite members of a group, as theory and method on preferential affective aspect of group life. Sociogram allows us to learn from each subject with whom from the group they would like to join in a given situation and with whom they do not want to associate. The criteria are chosen by reference to the group life (Roman 2000). Therefore the questions are: “With whom from your team would you like to work on a team project? (Please mention as many persons as you like with their full name)” and “With whom from your team would you rather not work at all in a team project? (Please mention as many persons as you like with their full name)”. Based on the answers the cohesion indices were calculated based on the formula:

$$\frac{\text{Number of mutual choices} * 2}{N * (N - 1)} \quad (1)$$

where N represents the number of members from the team, which in our case is 7. After determining the diversity in terms mention previous and after calculating the indices of cohesion, Person correlations were built in order to identify the relations between diversity—behavioral patterns, diversity—cohesion and behavioral patterns—cohesion.

6 Results

Comparing the answers of teams we identify some differences. In six of the teams the majority members have been working in the team for more than 1 year and less than 3 years. In three teams the members have been part of the teams for less than 1 year and in two teams the average answers on the period worked in the team is more than 3 years and less than 5 years. This answers must be taken into consideration due to the fact that it is possible to have higher cohesion in the teams where the member are working for more than 3 years because they had time to know each other better and to build relationships.

Other difference noticed between teams is gender. In some teams all members are females and in other the proportion varies from having one male in a team to having five males in a team. It is interesting that no team has only one woman and the rest males, but there is a team with only one male.

The average age in seven teams is situated between 26 and 33 years old, in three teams between 18 and 25 years old and only in one team we encounter a notable age variation, with members that have ages between 18 and 25 years old, 26 and 33 years old and also between 34 and 41 years old. This is the only team in which we have an employee with this age. In the rest of the teams all members have ages between 18 and 33 years old with the average, as we mentioned previously, 26–33 years old.

In terms of nationality and ethnicity in nine of the teams we did not find any difference. All of the members have Romanian nationality and Romanian ethnicity.

In one team all of the members have Romanian nationality and ethnicity, but one of the members has also German nationality. In one team five members have Romanian nationality and ethnicity, one member has Peruvian nationality and Hispanic ethnicity and one member has Hungarian nationality and ethnicity.

Regarding religion, in five teams all of the members are Orthodox. In three teams we encounter six orthodox members and one atheist. In one team one member is Catholic and the rest Orthodox. In one team two members are of Catholic religion and the rest of Orthodox one, and in the last team three members are of Orthodox religion, two members of Hindu religion and one of Catholic religion. Therefore there are some differences between teams regarding religion aspect.

It has to be mentioned that in nine teams all members are from Romania, but they are born in different cities from different regions of the country. For example, in three teams all members are from seven different cities from Romania. Only in one team the members are from three different cities. In two teams we encounter members from other countries than Romania. In one team two members are from Peru and Hungary and in the other one three members are from India, but also from different cities, two from New Delhi and one from Mumbai.

Moving on to the highest level of education completed, all respondents but one have at least bachelor's degree. The one which is an exception has not graduated yet University. The percentage in teams of members with bachelor's degree and master's degree varies from one to another, from all members having Bachelor's degree to all members having master's degree, but it must be stated that the majority of respondents have master's degree. Regarding the fields of specialization, they are different from one team to another, but as it was expected the majority has a specialization with fundamentals in economics, but there can be found also specializations as Social science or Mechanical Engineering.

In all of the teams we have members which have studied in different cities than the one they were born. In some teams all of them have studied in other cities and in some fewer, for example in one team only two of the members have studied in other city than the one they were born. In eight teams we have at least one member which has worked in another country than the one he was born and thus have international experience and have been exposed to other cultures. Also in eight teams we encounter at least one member which has worked outside his country and thus has interacted with other cultures.

Regarding family and siblings, in 9 of the 11 teams at least 2 members have a sibling. In the other two none of the members have siblings. This aspect is also of importance because a sibling may influence you in a way or another. If it is a younger one may determine you to be more carrying and protective or more willing to help because you are used to help your little brother or sister when he or she needs help. On the other hand if the siblings are older, maybe the individual is used to be helped by them or being watched over and always receive help from them.

Another aspect of importance is hobbies. It is interesting to say that these are very different from one team to another, from watching movies, reading and painting to sports and arts and crafts, handmade objects. Also we identified three teams in which some members do not have any hobby. This aspect is of importance

because sometimes sharing the same hobby with a person can help in building a relationship or in facilitating the communication with him or her. We are most interesting in finding out if the respondents have as a hobby sports or if they practiced or practiced sports, because sport helps in building your character and usually helps making new friends. Also if a person has practiced sports performance then it is used to being competitive, to not giving up, to work harder to obtain what he wants, to communicate with different persons, to listen to advices and also this kind of person should know how to lose, because competitions teach you that. In all teams, except one, at least two members have as hobby a sport. We also paid attention at the sport mentioned, if it is a team sport or an individual one, because if you practice or have practiced a team sport you are more oriented to team work and thus can contribute to team cohesion. In all teams at least one member has practiced or practices a team sport. Also it has to be mentioned that in six teams there is at least one person that does not practice and had never practiced sport.

Summarizing what we previously mention we can state that in all teams we can identify members with different cultural backgrounds. Even if we do not notice differences at the level of nationality, ethnicity or religion we identify differences at the level of place of birth, age, specialization, international experiences, family structure and hobbies. Despite the fact that differences between members exists, not all of them consider themselves different from their team colleagues. If we look in Fig. 2 we will noticed that in one team all of the members said that they not consider themselves different from the other team members (team 8). On the other hand in the teams where we encounter diverse nationality, ethnicity and religion (team 10 and 11), members perceive they are different and the aspects mentioned are: “origin, culture, beliefs, religion, ways of thinking, language”.

In the other teams where we do not identify diversity at the level of nationality, ethnicity or religion, some members stated that they are different and the terms mentioned are: “age, work experience, time spent in the team, interests, personality, goals, specialization and ways of thinking” and some mentioned that they are “just different”. Among the reasons for which they consider themselves different we can identify some cultural background factors like age, work experience, specialization. Personality and ways of thinking are factors which are results of cultural

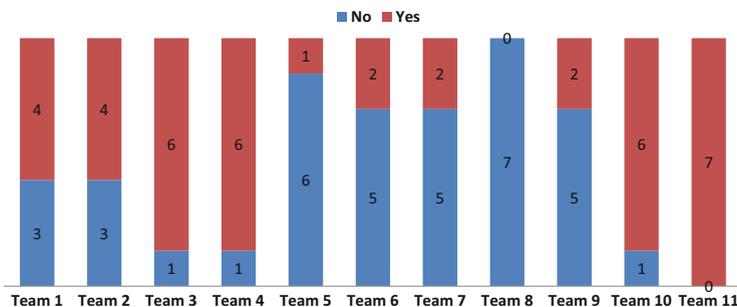


Fig. 2 Perception of being different

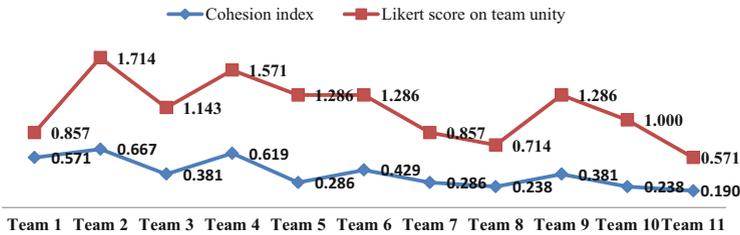


Fig. 3 Perception of team unity and real cohesion

background. If we look back in the theoretical part of the present article at Fig. 1 at the three levels of uniqueness in human mental programming we will notice that culture is the basis of personality as it also is the basis of the ways of thinking.

Moving forward to the perception of team unity, looking in Fig. 3, we notice that six of the teams have the average of responses between 1 and 2 on the Likert scale, which means between agree and strongly agree. We can state that six of the teams defiantly think that their team is united. In some of the teams the reality corresponds to the perception, because the teams also have a high index of cohesion (team 2 and team 4 for example).

The lower score on the Likert scale was recorded in team 11, which also have the lower index of cohesion (0.190). This team is the one in which we identify diversity at most of the cultural levels: nationality, religion, ethnicity, international study experience and work experience, age, gender, hobbies and so on. The low degree of cohesion could be explained by the diversity of the members, but this will be determined later with the help of correlations. Regarding cohesion, only team 2 and team 4 have a degree of cohesion above medium. Team 1 and team 6 have a medium cohesion and the rest of the teams have a low degree of cohesion.

When it comes to behavioral patterns like giving and receiving help the answers of the respondents varies from one team to another (Fig. 4). In all of the teams, except one, the members consider that they find it easy to collaborate with their colleagues. In the exception team (team 11) the average of answers regarding this aspect is closer to “neither agree nor disagree”. Also the answers regarding always giving help and always receiving help differ from one team to another but in 10 out of 11 teams the averages of the responses are between “agree” and “strongly agree”. Only one team has the average of responses between “neither disagree nor agree” and “agree”. To be noticed that it is the same team in which members consider that they do not find it easy to collaborate with their colleagues.

Moving forward to another behavioral pattern like being late for work or tolerating being late for work we can also identify differences between the teams’ answers (Fig. 5). For example in some teams the members are neither disagreeing nor agreeing with the fact that their colleagues are usually late for work, which means that in those teams there is a tendency of the members to not arrive at work on time. In other teams the members are disagreeing with the statement accordingly to which their colleagues are late for work, which means that in this teams there is

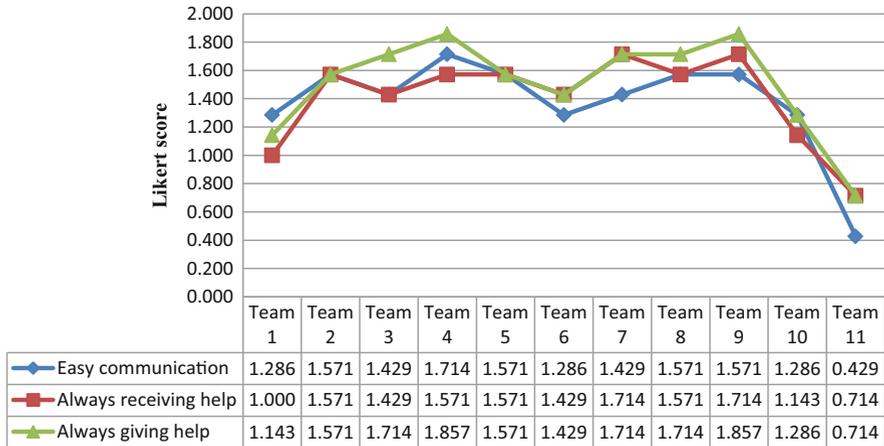


Fig. 4 Collaboration and help among members

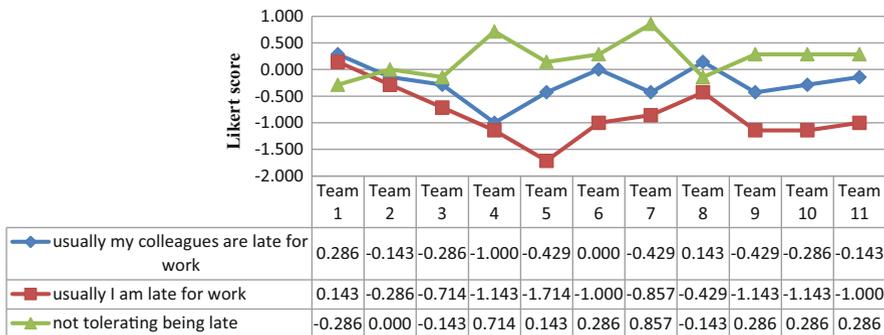
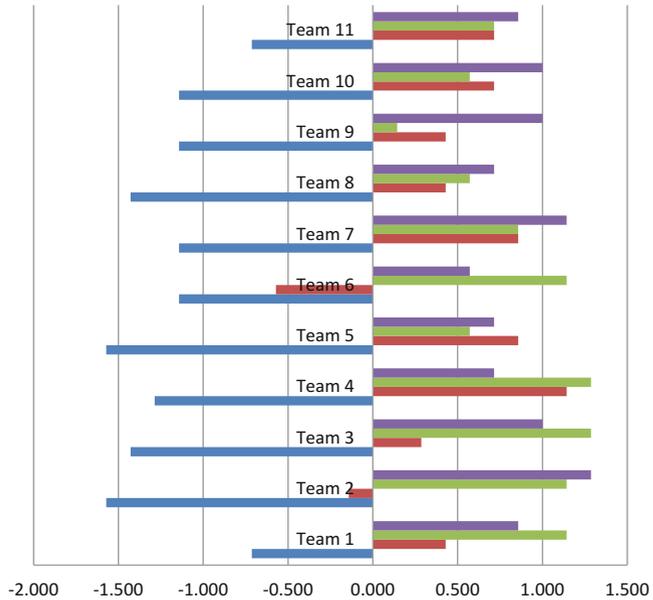


Fig. 5 Being late

no tendency for being late at work. Also in some teams the average of answers for the question “Usually I am late for work” is “neither disagree nor agree” while in others the average of answer is “Disagree”. Only in team 5 the average of answers is closer to “strongly disagree”. When it comes to not tolerating being late at work in only two teams the average of answers is close to “Agree”, while in the others the average of responses is close to “Neither disagree nor agree”.

Other behavioral patterns are related to conflicts within teams. Looking in Fig. 6 we identify differences in the average of answers between teams but can state that in none of the teams conflicts are being tolerated. In ten of the teams people agree with the affirmation that they usually try to solve conflicts and only in one team members nor disagree nor agree with the statement. Regarding the avoidance of being involved in conflicts, in only 1 team (team 6) the average of the answers is close to disagree. This means that in team 6 members are not afraid of being part of a conflict and thus they do not avoid conflicts. In five of the teams the average of



	Team 1	Team 2	Team 3	Team 4	Team 5	Team 6	Team 7	Team 8	Team 9	Team 10	Team 11
not tolerating conflicts	0.857	1.286	1.000	0.714	0.714	0.571	1.143	0.714	1.000	1.000	0.857
trying to solve conflicts	1.143	1.143	1.286	1.286	0.571	1.143	0.857	0.571	0.143	0.571	0.714
avoid involvement in conflicts	0.429	-0.143	0.286	1.143	0.857	-0.571	0.857	0.429	0.429	0.714	0.714
conflicts appear often	-0.714	-1.571	-1.429	-1.286	-1.571	-1.143	-1.143	-1.429	-1.143	-1.143	-0.714

Fig. 6 Conflicts—implication and tolerance

answers is close to “neither disagree nor agree” which can be translated as the fact that sometimes they involve in conflicts. In the rest of the teams members agree with the statement “I avoid being involved in any way in the conflicts from my team”. Also from Fig. 6 we can state that all of the teams disagree with the statement the in their team conflicts appear often.

The last behavioral pattern analyzed in this research is overtime or working after the program has ended. Looking in Fig. 7 we can state that all teams understand the employees which make overtime. Also we noticed the fact the in three teams the average of responses to the statement “I avoid as much as possible making overtime” is closer to “neither disagree nor agree”. In the rest of the teams members avoid as much as possible making overtime. In one team members are agreeing that each one of the team makes overtime and in one team respondents state that not each one of them makes overtime and in the rest of the team members are neither disagreeing nor agreeing with the fact that each one of the team makes overtime, which means that they did not know exactly who is making overtime and who is not. In six of the teams members recognize that they make overtime each month

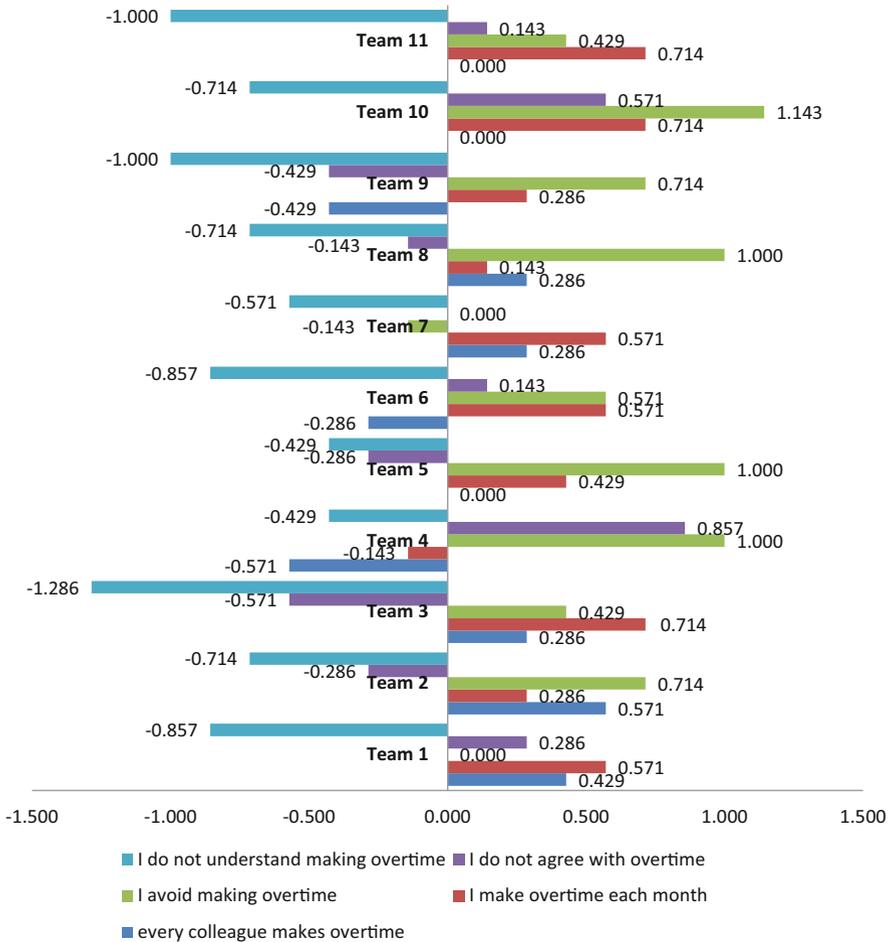


Fig. 7 Making, agreeing and understanding overtime

while in the rest of the teams members are not agreeing nor disagreeing with the statement that they make overtime each month. This could mean that sometimes they also make overtime but not every month. Or they can consider that if they stay 30 min or an hour after program it is not considered overtime if they did not finished the tasks by the end of the program.

Further in our research, to determine the relations between diversity, behavioral patterns and cohesion, Pearson correlations were used. The data used for Pearson correlations are the ones from Table 1 (the data used for behavioral patterns like being late, team unity, making overtime, easy collaboration are the ones obtained with the Likert type scale). The first correlation made was between the number of birth cities within a team and the number of members which perceive that they are

Table 1 Correlation indexes

Team	No of birth cities	No of hobbies	No of members with international experience	Difference perception	Making overtime	Conflicts appear often	Team unity	Being late	Cohesion index	Easy collaboration
1	6.000	5.000	0.000	4.000	0.429	-0.714	0.857	0.286	0.571	1.286
2	4.000	4.000	1.000	4.000	0.571	-1.571	1.714	-0.143	0.667	1.571
3	7.000	7.000	4.000	6.000	0.286	-1.429	1.143	-0.286	0.381	1.429
4	3.000	6.000	2.000	6.000	-0.571	-1.286	1.571	-1.000	0.619	1.714
5	5.000	6.000	3.000	1.000	0.000	-1.571	1.286	-0.429	0.286	1.571
6	7.000	6.000	1.000	2.000	-0.286	-1.143	1.286	0.000	0.429	1.286
7	5.000	4.000	3.000	2.000	0.286	-1.143	0.857	-0.429	0.286	1.429
8	6.000	5.000	3.000	0.000	0.286	-1.429	0.714	0.143	0.238	1.571
9	7.000	5.000	0.000	2.000	-0.429	-1.143	1.286	-0.429	0.381	1.571
10	5.000	4.000	3.000	6.000	0.000	-1.143	1.000	-0.286	0.238	1.286
11	6.000	6.000	5.000	7.000	0.000	-0.714	0.571	-0.143	0.190	0.429

different from the others. The correlation index has the value of -0.221 , which shows a weak negative relationship between the two variables, but if we built the graphic we will see that the relation is not a linear one, therefore Pearson correlation is not the indicated method to study this relation.

We have also investigated the relation between numbers of different birth countries and the perception of members that they are different. The correlation index has the value 0.526 which shows that is a medium positive relation; also the graphic shows a linear relation so the Pearson correlation can be used. The relation would have been stronger if in the research there were more than two teams with members from different countries. In determining the relation between number of hobbies and perception of difference Pearson correlation is not indicated due to the fact that the graphic does not show a linear relation. Using the graphic, we also determined Pearson correlation cannot be used to explain the relation between the number of members that have international study or work experience and the members' perception of differences. Therefore the Pearson correlation can explain only the influence of the country of birth on the members' perception about differences. Further research is needed and other methods to determine the ways in which the cultural background influences an individual's perception of being different from others.

Linking the number of members with international experience from a team with the behavioral pattern of making overtime we identified a low positive relation, with a correlation index of 0.119 . This means that international experience does not have a major influence on the fact that employees are making overtime. Maybe the company's culture and management are encouraging making overtime. Between the number of city of birth and perception of team unity we identified a medium negative relation, with a correlation index of -0.433 . It seems that conflicts are more likely to appear in teams that have members from different cities; the correlation index has a value of 0.289 , which shows a positive relation between numbers of birth cities and how often conflicts appear in the team. A stronger positive relationship than the previous one was determined between the number of members which consider themselves different from the other team members and the possibility of conflict apparition, with a correlation index of 0.369 . This confirms the fact that in more diverse cultural teams it is more likely for conflicts to appear.

Moreover, negative relations were determined between number of birth city and finding it easy for members to collaborate, number of hobbies and easiness in collaboration and also international experience and collaboration, with negative correlation indexes as follows: -0.314 , -0.160 , -0.482 . Surprisingly, the strongest negative relation among the three mentioned is the one between international experience and collaboration and should be the way around. On the other hand, as we were expecting, between the perception of differences and the easiness of collaboration we encounter a medium negative relation with a correlation index of -0.477 . Regarding the behavioral pattern of being late, a medium positive relationship was found, with a correlation index of 0.557 , between the number of birth cities and being late.

Moving on to the influence of cultural background diversity on team cohesion, we identified a negative medium relation (correlation index value of -0.404) between the number of birth cities and the level of cohesion. The number of hobbies cannot explain the variation of cohesion due to the fact that there is an almost inexistent relation among the two variables. But making a correlation between the number of members which have practiced or practice team sports and cohesion, we identified a weak positive relation with a cohesion index of 0.219 . This means that to some extent practicing team sports can help improving an individual team work abilities and therefore a team with more members that have practiced or practice team sports can be more cohesive than one in which fewer of such members exist. Another surprisingly strong negative relation was identified between the number of members with international experience and team cohesion (correlation index of -0.670) while the negative relation between perceiving differences and cohesion was not surprisingly at all (correlation index of -0.259).

Also it must be stated that a strong positive relation between two behavioral patterns, making overtime and being late at work, was identified with correlation index of 0.618 . This means that members find it normal to be late or do not find a problem in being late as long as they make overtime.

7 Conclusions

The differences are more visible among people who come from different countries and have different nationality or significantly different cultures or religions or among people who speak different languages. The problem arises when we try to identify the differences between individuals who have the same nationality, ethnic group affiliation and speak the same language. If they are not as visible as the first ones mentioned it does not mean they do not exist and that they do not have an influence on people's behavior typologies.

As demonstrated in the research these differences have an impact on team members' perceptions, ways of behaving and team cohesion. Examples of such influences can be the negative relations between number of birth city or number of hobbies and easiness in collaboration and also international experience and collaboration. Other negative relation which can be mentioned is the one between number of birth city and team unity. The research has showed again, as others have shown before, that in a diverse team there is more likely to appear conflicts than in a homogeneous one. Also the research has showed that relations between behavioral patterns can be determined, like the one between making overtime and being late.

The present study has also shown that each individual feels, thinks and acts according to the cultural background build during his life through the experiences lived. Each of us is different from birth through the family he or she was born and placed in a social environment which has its own cultural and moral values. It is true that these values are influenced by national culture but they are also influenced by regional culture, time, community, especially in the early globalization where

everything is changing much faster than in previous centuries. The individual has access to information easier; media has a much greater influence on the formation of opinion of an individual or on the way of being of an individual.

In conclusion, even though at first sight differences among individuals do not exist this doesn't mean that differences among cultural backgrounds are inexistent. These differences should be further investigated, especially in the context of globalization, as they are influencing the individuals' behavior and the cohesion of work teams. It would be also interesting to build a multifactorial regression through which we can determine the group cohesion taking into account as a factor of influence the cultural background.

Acknowledgement This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/142115 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

References

- Abric, J. C. (2002). *Psychology of communication: Theories and methods*. Iași: Polirom.
- Achugbue, E. (2003). *Diversity glossary*. Washington, DC: NMCI Publications.
- Brewster, S., Buckley, M., Cox, P., & Griep, L. (2002). *Diversity education: A literature review*. Calgary: Plan Net.
- Cox, T., Jr. (1993). *Cultural diversity in organizations—Theory, research and practice*. San Francisco: Berrett-Koehler.
- de Vischer, P., & Neculau, A. (2001). *Group dynamics: Basic texts*. Iași: Polirom.
- Dietz, G. (2007). Keyword: Cultural diversity. A guide through the debate. *Zeitschrift für Erziehungswissenschaft*, 10(1), 7–30.
- Fall, A. K., & Wejnert, T. J. (2005). Co-Leader stages of development: An application of Tuckman and Jensen (1977). *The Journal for Specialists in Group Work*, 30(4), 309–327.
- Fincham, R., & Rhodes, P. (2005). *Principles of organisational behaviour* (5th ed.). New York: Oxford University Press.
- Hambrick, D. C., Cho, T. S., & Chen, M. J. (1996). The influence of top management teams' heterogeneity on firm's competitive moves. *Administrative Science Quarterly*, 41(4), 659–684.
- Harrison, D. A., Price, K. H., & Bell, M. P. (1998). Beyond relational demography: Time and the effects of surface- and deep-level diversity on work group cohesion. *Academy of Management Journal*, 41(4), 96–107.
- Hoffman, E. (1985). The effect of race-ratio composition on the frequency of organizational communication. *Social Psychology Quarterly*, 48(1), 17–26.
- Hofstede, G. (1996). *The management of multicultural structures: Software of thinking*. Bucharest: Economic Publishing House.
- Hofstede, G. (2010). *Cultures and organizations: Software for the mind: Intercultural cooperation and its importance for survival*. New York: McGraw-Hill.
- Jehn, K. A., Northcraft, G. B., & Neale, M. A. (1999). Why some differences make a difference: A field study of diversity, conflict, and performance in workgroups. *Administrative Science Quarterly*, 44(4), 741–763.
- Laverriere, J., & Plailly, G. (1977). *75 sheets for organizing group work*. Paris: Les Editions d'Organisation.

- Lofland, L. H. (1989). Social life in the public realm—A review. *Journal of Contemporary Ethnography*, 17(4), 453–482.
- McKie, R. (2001). *Revealed: The secret of human behavior*. [online] Accessed February 11, 2015, from <http://www.theguardian.com/science/2001/feb/11/genetics.humanbehaviour>
- Militaru, G. (2005). *Organizational behavior*. Bucharest: Economic Publishing House.
- Mulunga, S. N., & Yazdanifard, R. (2014). Review of social inclusion, social cohesion and social capital in modern organization. *Global Journal of Management and Business Research: (A) Administration and Management*, 14(3), 14–20.
- Neculau, A. (2007). *Group and team dynamics*. Iași: Polirom.
- Pelled, L. H., Eisenhardt, K. M., & Xin, K. R. (1999). Exploring the black box: An analysis of work group diversity, conflict and performance. *Administrative Science Quarterly*, 44(1), 1–28.
- Preda, M. (2006). *Organizational behavior: Theory, exercises and case studies*. Iași: Polirom.
- Roman, T. (2000). *Introduction to economic sociology*. Bucharest: Lucman.
- Rouchy, J. C. (2000). *Group—analytic space: Observation and theory*. Iași: Polirom.
- Schoenecker, T. S., Martell, K. D., & Michlitsch, J. F. (1997). Diversity, performance, and satisfaction in student group projects: An empirical study. *Research in Higher Education*, 38(4), 479–495.
- Swann, W. B., Jr., & Polzer, T. J. (2004). Finding value in diversity: Verification of personal and social self-views in diverse groups. *Academy of Management Review*, 29(1), 9–27.
- Tsui, A. S., Egan, T. D., & O'Reilly, C. A., III. (1992). Being different: Relational demography and organizational attachment. *Administrative Science Quarterly*, 37(4), 549–579.
- UNESCO. (2002). *Universal declaration on cultural diversity, United Nations Educational*. [online] Accessed February 11, 2015, from <http://unesdoc.unesco.org/images/0012/001271/127162e.pdf>
- Verhoeven, P. (2008). Who's in and who's out?: Studying the effects of communication management on social cohesion. *Journal of Communication Management*, 12(2), 124–135.
- Vertovec, S., & Wessendorf, S. (2004). *Migration and cultural, religious and linguistic diversity in Europe. An overview of issues and trends*. Oxford: University of Oxford, Centre on Migration, Policy and Society.
- Watson, W. E., Kumar, K., & Michaelsen, L. K. (1993). Cultural diversity's impact on interaction process and performance: Comparing homogeneous and diverse task groups. *Academy of Management Journal*, 36(3), 590–602.
- Wessendorf, S. (2013). *Being open, but sometimes closed. Living together in a super-diverse London neighborhood*. MMG Working paper, pp. 13–11.

A Dashboard for Lean Companies: A Proposed Model with the Collaboration of Ten Large Italian Enterprises

Andrea Payaro and Anna Rita Papa

Abstract This paper aims to define a set of key performance indicators (KPI) useful for the implementation of Lean methodologies in large enterprises. Our study considers ten multinational companies that operate in Italy. Companies reveal they need a system that provides at-a-glance views of indicators relevant to monitor the Lean implementation process, in particular to support and to monitor. This paper proposes a model elaborated with the collaboration of manufacturing enterprises. The main target of this paper is the determination of KPIs suitable in different industries. The research has been conducted by the organization of meetings where all companies were represented by own managers. During the meetings, a list of indicators has been presented and a first selection has been operated by managers. After this first selection, the group has checked the validity, reliability, relevance and practicality of every parameter. This paper is a first-stage analysis in the search to find which indicators are the most useful by manufacturing companies. Later another follow-up study will check the importance to use a benchmarking system to compare the results in different industries.

Keywords Lean management • KPI • Performance • Large enterprises

1 Introduction

The new economic scenario has created intense competition and the increment of the cost of raw materials. This situation has alerted many manufacturing companies to pursue programs to minimize resources and to reduce manufacturing costs. To reach this target, manufacturing companies have to transform their manufacturing process in a better and more efficient and flexible management method such as lean

A. Payaro (✉)
CEO & Partner P&P Consulting & Service, Legnaro, Italy
e-mail: andrea@pepconsulting.it

A.R. Papa (✉)
Partner P&P Consulting & Service, Legnaro, Italy
e-mail: annarita@pepconsulting.it

management (Liker 2004; Katayama and Bennett 1996; Agus and Hajinoor 2012). Lean manufacturing is a new management paradigm, it proposes alternative ways to manage variability and complexity; it transforms the rigid Western models in other more flexibles. The lean practices focus on two main issues namely the elimination of waste and the respect for people; they have received a lot of attention from manufacturing companies worldwide and academicians since 1980s (Womack et al. 1990; Monden 1981). The core of lean production philosophy lies on the premise that it has brought changes in management practices by enhancing the production effectiveness and efficiency as well as improving business performance (Ferdousi and Ahmed 2009).

2 Lean Production: Literature Review

Many companies use lean production as a central asset to their manufacturing strategies. The term “lean” is very recent. Womack and Jones (1996) introduced it only in the nineties after a visit to the Japanese automotive manufacturers. The authors published the results of their research in the famous book entitled “The Machine That Changed the World”. The professors of Massachusetts Institute of Technology (MIT) compare the manufacturing processes among the main automotive industries (Womack et al. 1990). The success of the investigated Japanese manufacturing processes depends on the target: use less resource input to produce a higher output, with high quality and a high level of customer satisfaction (Katayama and Bennett 1996). Since then, many authors analyzed the feasibility of lean in different areas and in different contexts. The result of these studies bring to a unique conclusion: companies can apply the lean model in different economic sectors and business contexts, from production to design (Choudri 2002).

Literature presents lean as “zero-waste”. In fact, Shahram (2008) and Womack et al. (1990) present lean as a system without waste. Waste is equipment, materials, parts, process and working time that is not essential to production. When a company adopts the lean principles, it is very important that all members from all areas collaborate (Worley and Doolen 2006). To reach this target, company has to create a culture that will sustain long-term commitment from top management through the entire workforce. This is the main challenge for every enterprise. The basic elements of lean management are very simple: give to the customer a product or service with the highest quality at the lowest cost. A company can reach this result by the elimination or reduction of everything that does not add value.

Lean is a management strategy that focuses on constant, process oriented improvement (Imai 1997). Imai defines this strategy as a commonsense low-cost approach to management. Authors illustrate this strategy as the union of two sets: tools and philosophy. Pettersen (2009) illustrates that the only two characteristics that all authors discuss are “setup time reduction” and “continuous improvement”, indicating that these are central to the concept. In the same paper, the author presents the most common tools used like Kanban, 5S and setup time reduction (SMED). But lean is not only a set of tools, it represents a “direction” and not only a

state to be reached after a certain amount of time (Karlsson and Ahlstrom 1996). Very interesting what Bhasin and Burcher (2006) affirm in their paper: lean is a philosophy. The success of lean depend of the belief of people: the more people believe to lean, the more improvements are feasible and the implementation process is facilitated. This philosophy is not a privilege for large enterprises, Liker (2004) says that any organization can implement lean management principles to achieve the same objectives: high quality and high profitability.

Today manufacturing companies are in front of new challenges. Every challenge need deep changes and lean manufacturing is one of these changes. Many researchers claim that lean production can result in better performance (Cua et al. 2001; Lewis 2000), but few empirical studies have been conducted to investigate the impact of lean production on business performance in different industries. It is also interesting to investigate whether exists a set of indicators valid in different industries. This is the first step to implement a real benchmark system about lean management.

3 Requirements and Prerequisites of Metrics

Every company needs of Key Performance Indicators (KPIs) because they are necessary in the business and they provide a solid knowledge. Hannula (2002) says that useful measures in industry are always compromises between validity, reliability, relevance and practicality. In other words, the validity is the ability to measure what is very important for the business; the reliability is the capacity to use the results of measurement; the relevance is the usefulness for the users (managers or operators) and the practicality is the capacity to measure with low costs. Overall, with a measure system a business knows if an activity over a given time period is effective and/or efficient (Neely et al. 1997). Carton (2006) says that the essence of performance creates value within certain assets including human, physical and capital resources.

The measure of correct parameters is crucial because, differently, it creates tensions inside the organizations: people are not sure if they are adopting the right method. In his work, Senge (1990) affirms a strong relationship between organization and indicators in effect he underlines that a system responds to its measures. Incorrect measures can drive the organization to improper behavior, partial optimization, not clear judgement, and manipulation. The management of measures play an important role, a strategic role necessary to identify a “road map”. This is the reason why it’s very important to define a standard to measure the performances in an appropriate way. Levinson and Rerick (2002) affirm that measurement must be independent from different interpretations and must be measurable with numbers. Moreover, people or department must control the measured performances and it’s fundamental that the performance measurement must help the organization to reach its targets.

A company needs a limited set of measures. According to Lohman et al. (2004) this set is named “dashboard”. It is a reduced set of indicators, which enables a quick and synthetic evaluation of an organization performance. Dashboards often provide clear views of performance indicators relevant to a particular objective or business process. The dashboard must be simple and easy to use, it provides fast feedback to operators and managers, and it is directly related to the manufacturing strategy (Maskell 1991). In the day-to-day control, company uses non-financial measures, while financial measures are used for long-term control (Lind 2001). Lind concludes that it is important that frequency of information match the manufacturing time cycle: if the manufacturing throughput time is short, information must be available continuously; if a company has large throughput times, then information can be reported weekly or even longer.

Our paper aims to identify a set of indicators easy to use and easy to maintain. We conducted this research with the help of ten large Italian multinational companies. The main target of our work is to identify a small set of non-financial indicators relevant to the business process and the continuous improvement.

4 Research Objectives and Methodology

The main target of this paper is the determination of KPIs that are the most useable and most suitable in different industries to support and monitor lean implementations. The sample is composed by ten companies characterized by:

- They are large enterprises; lean manufacturing has been implemented successfully in many large organizations (Achanga et al. 2006).
- They are manufacturing firms; Many manufacturing companies identify in lean management the solution to many issues (Liker 2004).
- The lean implementation has started over 5 years ago; specifically, lean is implemented in stages over time, by selecting tools that are appropriate to the organization at that point in time. It may be wiser to first implement simpler methods with the view of engagement and acceptance of staff as opposed to attempting to immediately introduce the more complex lean tools (Hines et al. 2008). Usually, after 5 years the firm is in the maturity phase of lean application.
- They belong to international groups; the results obtained in recent surveys demonstrated that the degree of implementation of the lean practices is higher in multinational companies than in the national firms (Lucato et al. 2014).
- They belong respectively to different industries.

The research methodology adopted entails the use of published literature and cooperation with manufacturing large enterprises (>250 staff members) that has already been implementing lean methodologies for about 5 years. The research methodology consists of literature review and selection of over 30 KPIs, organization of meetings (8) where all the enterprises were present, interviews and

discussions with team leaders and managers about indicators, selection of a first list of KPIs, evaluation of existing data and procedures to check the validity, reliability, relevance and practicality, selection of final KPIs (ten indicators), and testing of the usability of KPIs.

We maintain the minimum number of selected indicators because the purpose is to make the model simple to use. Some of these indicators have already been proposed in Karlsson and Ahlstrom's (1995) model. Others were found in the literature on lean production. Each indicator has been defined in order to be more quantitative than qualitative, simple to understand and use, and based on user control magnitudes (Neely et al. 1997).

To test the degree of application of the indicators, a mail survey was carried out among large manufacturing companies of the North Italian region during the fourth quarter of 2013. Our sample included 22 companies with more than 250 employees. In this research we chosen large enterprises because literature indicate that they are the most intensive adopters of lean techniques (Womack and Jones 1996; Sriparavastu and Gupta 1997; Sohal and Egglestone 1994). As a consequence there should be a greater diffusion of lean management related concepts and techniques within these industries than in the others.

We explain the aim of the study to each company's operation managers by phone. Twelve companies abandon the survey due to confidentiality reasons. We mailed a questionnaire to the remaining ten companies. After a follow-up by phone and a second mailing, a total of ten companies have participated to the project (see Table 1). With a periodicity of 1 per month, we have organized some meetings. In every meeting, lean managers, operations manager and manufacturing manager belonging to all enterprises have participated.

Table 1 Ten large enterprises participant to the project

Manufacture and sale of construction and mining equipment, utilities, forest machines and industrial machinery.
Manufacture of brazing alloys and brazing fluxes
Development, manufacture, marketing and servicing of a vast range of light, medium and heavy commercial vehicles. It also manufactures passenger transport vehicles and special vehicles.
Design and manufacture of industrial humidification and ambient air control systems.
Production of air conditioning plants for large spaces.
Production of fillings and parts made of flexible and integral polyurethane, and PVC, chairs. Automotive spare parts.
Fastening systems.
Complete plants for bricks and roofing tiles with particular focus on preparation, storage and extrusion equipments.
Manufacture of equipment for commercial refrigeration: turnkey solutions which include counters for the assisted and self service sale of fresh and frozen foods, cold rooms, refrigeration systems.
Manufacture of laser and sheet metal working technology.

5 The Dashboard

At the end of the phase number 6 of our project, companies have chosen ten parameters that can be clustered in five different areas:

- **Quality:** It refers to the capacity to respond correctly to requirements (Crosby 1979).
- **Efficiency:** It represent the best use of resources so as to maximize the production of goods and services and minimize the costs and the consumption of resources (Sullivan et al. 2003).
- **Delivery:** It measures how well the service is being operated in order to achieve the strategic objectives (Chakravarthy 1986).
- **Safety:** Safety is the freedom of unacceptable risk, were risk is a combination of the probability of occurrence of harm and the severity of the harm. Harm is physical injury or damage to the health of people either directly or indirectly as a result of damage to property or the environment. Valuing the safety and health of workers is the first and most basic sign of respect for people. All employees should be able to work in safety and health in the broadest definition possible (Liker 2004).
- **People:** it represents the degree of involvement of employees. Teamwork and respect are two pillars of Toyota Way. The more a company invests in training, the more there are results of lean projects. Some studies demonstrated this positive relationship between training and lean production (Hancock and Zayko 1998; Hampson 1999).

Finally, companies have identified ten parameters (see Table 2) that are summarized in the following list:

Table 2 The selected indicators

Area	Performance indicators
Quality	Number of complaints per unit of time or per units sold.
	Number of finished goods without reprocessing divided by total number of finished goods.
Efficiency	Value stream Index
	Percentage of increasing/decreasing of Inventory.
Delivery	Difference between promise date and delivery date.
	Difference between delivery date and the date requested by customer.
Safety	Near miss, number of observations per year of an unsafe condition with no consequences.
	Lost time (in hours) due to accidents or injuries/total workable hours per year.
People	Percentage of employees working in teams.
	Total of Hours dedicated to lean project/total workable hours.

- Number of complaints per unit of time or per units sold. This parameter indicates the quality of goods. The more are the complaints, the less is the quality perceived by customers.
- Number of finished goods without reprocessing divided by total number of finished goods. This metric underline the ability to check the quality of manufacturing.
- Value Stream Index represents the ratio between Value Added Time ant the Total Lead time (V/A). The V/A is the cumulative time of all the value added activities in a process. Value added time is an activity for which the customer is actually paying for.
- Lead Time (L/T): The amount of time that is required to meet a customer request or demand. The lean applications increase this ratio.
- Percentage of increasing/decreasing of Inventory Turnover related to previous year. Inventory turnover is a measure of the number of times inventory is sold or used in a time period such as a year. The lean applications increase this indicator because they tend to reduce the average inventory.
- Difference between promise date and delivery date. This indicator measures the ability to maintain under control the manufacturing and the shipping.
- Difference between delivery date and the date requested by customer. This indicator measures how the company is able to adapt itself to the market requests.
- Near miss, number of observations per year of an unsafe condition with no consequences. The lean philosophy underlines concepts of respect for all employees. A company needs to record all the risks to reduce the worker exposure to illness and injury (Phimister et al. 2003).
- Lost time (in hours) due to accidents or injuries/total workable hours per year. The previous parameter measures the effort to reduce the risk of accidents. This parameter measures the consequences of regulations to implement a safe workplace.
- Percentage of employees working in teams. The more the company is lean, the more are the persons involved in lean projects. A pillar of Toyota Way is the ability to work in team. Toyota is convinced that the company goals can be reached in the best way through participation of all employees.
- Total of Hours dedicated to lean project/total workable hours. The more the company is lean, the more are the hours dedicated to the implementation of lean projects. All Toyota employees have to contribute to a creative workplace. Continuous improvement is possible if the team creates new solutions and resolves problems in creative manner.

At moment, all companies are gathering data to record the performances. Every indicator is summarized in a number and is showed to employee. The set of indicators composes a dashboard and periodically all data are refreshed. The indicators compose a visual dashboard useful to provide highly interactive user interface. Everyone in the company views data on the fly. According to Sommer et al. (2011), the modern companies use indicators ease to use, rapid to applicate and intuitive. A dashboard is capable of monitoring progress towards the goals. It is

also an efficient communication and information sharing tool to motivate additional improvements.

6 Conclusions

This paper contributes to the lean manufacturing theory because it proposes a theoretical way to measure the degree of implementation of the lean initiatives in the manufacturing companies. In addition, the survey's results generate additional research material that could be used by other researchers to further explore the subject in the area.

The selected KPIs respect the criteria of validity, reliability, relevance and practicality as mentioned by Hannula (2002). Moreover, each indicator is measurable by numbers and allows to transmit information about the state of the development of lean strategy. The indicators cover five company's areas, common to different industries. A good set of KPIs and a reduced number of indicators permit to be more flexible, that is the company can correct quickly its strategy and reduce time and costs. Managers that belong to this research define the dashboard a useful tool to check lean processes. They are using the proposed model for some months. In each company, managers have created a visual billboard visible from all the organization's members. Every indicator has got three numbers: the data target (future state), the present situation and the start of the reliefs. In this way, every day people are able to identify the actual situation compared to the past and to the future. This is at the base of visual management, a model that fosters a culture of transparency and accountability. Visual management enables the lean initiative to continue providing strong and successful process to reduce waste and achieve operational efficiencies.

Next year, project's members will meet and they will compare the numbers gathered. This second step of our research is fundamental to implement a real benchmarking. Another issue to study will be the determination of the weight of different indicators. We are aware of the different importance of different indicators. Some measures are more important than other. For this reason, the last step of our study will be the determination of a model that will give a unique representative number (rating).

References

- Achanga, P., Shehab, E., Roy, R., & Nelder, G. (2006). Critical success factors for lean implementation within SMEs. *Journal of Manufacturing Technology Management*, 17(4), 460–471.
- Agus, A., & Hajinoor, M. S. (2012). Lean production supply chain management as driver towards enhancing product quality and business performance: Case study of manufacturing companies in Malaysia. *International Journal of Quality and Reliability Management*, 29(1), 92–121.

- Bhasin, S., & Burcher, P. (2006). Lean viewed as a philosophy. *Journal of Manufacturing Technology Management*, 17(1), 56–72.
- Carton, R. B. (2006). *Measuring organizational performance: Metrics for entrepreneurship and strategic management research*. Cheltenham: Edward Elgar.
- Chakravarthy, B. S. (1986). Measuring strategic performance. *Strategic Management*, 27, 485–510.
- Choudri, A. (2002). *Lean manufacturing, the manufacturing handbook of best practices: An innovation, productivity, and quality focus*. Boca Raton, FL: CRC Press.
- Crosby, P. (1979). *Quality is free*. New York: McGraw-Hill.
- Cua, K. O., McKone, K. E., & Schroeder, R. G. (2001). Relationships between implementation of TQM, JIT, and TPM and manufacturing performance. *Journal of Operations Management*, 19(1), 675–694.
- Ferdousi, F., & Ahmed, A. (2009). An investigation of manufacturing performance improvement through lean production: A study on Bangladeshi garment firms. *International Journal of Business and Management*, 4(9), 106–116.
- Hampson, I. (1999). Lean production and the Toyota production system or the case of the forgotten production concepts. *Economic and Industrial Democracy*, 20(3), 369–391.
- Hancock, W., & Zayko, M. J. (1998). Lean production: Implementation problems. *IIE Solutions*, 30(6), 38–42.
- Hannula, M. (2002). Total productivity measurement based on partial productivity ratios. *International Journal of Production Economics*, 78, 57–67.
- Hines, P., Found, P., Griffiths, G., & Harrison, R. (2008). *Staying lean-thriving, not just surviving*. Cardiff: Lean Enterprise Research Centre.
- Karlsson, C. H., & Ahlstrom, P. (1995). Change processes towards lean production: The role of the remunerative system. *International Journal of Operations & Production Management*, 15(11), 80–99.
- Karlsson, C. H., & Ahlstrom, P. (1996). Assessing changes towards lean production. *International Journal of Operations & Production Management*, 16(2), 2–11.
- Katayama, H., & Bennett, D. (1996). Lean production in a changing competitive world: A Japanese perspective. *International Journal of Operations & Production Management*, 16(2), 8–23.
- Imai, M. (1997). *Gemba Kaizen: A commonsense low-cost approach to management*. New York: McGraw-Hill.
- Levinson, W. A., & Rerick, R. A. (2002). *Lean enterprise: A synergistic approach to minimizing waste*. Milwaukee: ASQ Quality Press.
- Lewis, M. A. (2000). Lean production and sustainable competitive advantage. *International Journal of Operations and Productions Management*, 20(8), 959–978.
- Liker, J. K. (2004). *The Toyota way—14 management principles form the world's greatest manufacturer*. New York: McGraw-Hill.
- Lind, J. (2001). Control in world class manufacturing—a longitudinal case study. *Management Accounting Research*, 12, 41–74.
- Lohman, C., Fortuin, L., & Wouters, M. (2004). Designing a performance measurement system: A case study. *European Journal of Operational Research*, 156, 267–286.
- Lucato, W. C., Araujo-Calarge, F., Loureiro, M., & Calado, R. D. (2014). Performance evaluation of lean manufacturing implementation in Brazil. *International Journal of Productivity and Performance Management*, 63(5), 529–549.
- Maskell, B. H. (1991). *Performance measurement for world class manufacturing*. Cambridge: Productivity Press.
- Monden, Y. (1981). Smoothed production lets Toyota adapt to demand changes and reduce inventory. *Industrial Engineering*, 13(8), 42–51.
- Neely, A. D., Richards, A. H., Mills, J. F., Platts, K. W., & Bourne, M. C. S. (1997). Designing performance measures: A structured approach. *International Journal of Production and Operations Management*, 17(11), 1131–1152.

- Pettersen, J. (2009). Defining lean production: Some conceptual and practical issues. *The TQM Journal*, 21(2), 127–142.
- Phimister, J. R., Oktem, U., Kleindorfer, P. R., & Kunreuther, H. (2003). Near-miss incident management in the chemical process industry. *Risk Analysis*, 23(3), 445–459.
- Senge, P. (1990). *The fifth discipline*. New York: Currency/Doubleday.
- Shahram, T. (2008). Lean manufacturing performance in China: Assessment of 65 manufacturing plants. *Journal of Manufacturing Technology Management*, 19(2), 217–234.
- Sohal, A., & Egglestone, A. (1994). Lean production: Experience among Australian organizations. *International Journal of Operations & Production Management*, 14(11), 35–51.
- Sommer, D. B., Sallam, R., & Richardson, J. (2011). *Emerging technology analysis: Visualization-based data discovery tools*. Gartner Technical Report.
- Sriparavastu, L., & Gupta, T. (1997). An empirical study of just-in-time and total quality management principles implementation in manufacturing firms in the USA. *International Journal of Operations & Production Management*, 17(12), 1215–1232.
- Sullivan, A., Steven, M., & Sheffrin, S. M. (2003). *Economics: Principles in action*. New Jersey: Pearson Prentice Hall.
- Womack, J., & Jones, D. (1996). *Lean thinking: Banish waste and create wealth in your corporation*. New York: Simon & Schuster.
- Womack, J., Jones, I., & Roos, D. (1990). *The machine that changed the world: The story of lean production*. New York: Harper.
- Worley, J. M., & Doolen, T. L. (2006). The role of communication and management support in a lean manufacturing implementation. *Management Decision*, 44(2), 228–245.

The Degree of Sustainable Development of Public Transport in Major Polish Cities

Marta Kadłubek, Dariusz Krzywda, and Wioletta Skibińska

Abstract The paper was written in an attempt to compare the degree of sustainability of public transport development in selected Polish cities. Sustainable development of public transport is a goal of almost every city in Poland provided for in the strategy documents. Local authorities take efforts to make public transport more attractive and competitive as well as to improve urban facilities for cyclists and pedestrians. At the same time the motorization rate in Poland is known to be growing very fast, traffic congestion is becoming more common and many Polish cities are undergoing rapid development with increasing urban sprawl. This raises some doubts concerning the effectiveness of local authorities. A comparative analysis of the degree of sustainability of public transport development in Polish cities can provide guidelines for further action plans in this area. Various authors try to compile a list of indicators measuring the degree of transport sustainability. In Poland, such measurement is relatively complex primarily due to a varied approach. Also the existing statistical database in our country hinders the process. In view of the above, the analysis will be based on selected indicators that were available, useful and intelligible.

Keywords Public transport • Sustainable city transport • Indicators of sustainable development of transport • Degree of sustainable development of public transport

1 Introduction

Sustainable transport is one of the basic thematic areas assessed by indicators in the European Union. Sustainable transport is such transport which “does not pose a threat to human health or ecosystem and meets the needs of the movement of people and goods in accordance with the principles of the use of renewable resources below their regeneration capacity and the use of non-renewable resources below their regeneration capacity and the use of non-renewable resources below the

M. Kadłubek (✉) • D. Krzywda • W. Skibińska
Faculty of Management, Czestochowa University of Technology, Czestochowa, Poland
e-mail: martakadlubek@wp.pl; kaeil@interia.pl; wskibinska@lco.pl

possibilities of development of their renewable substitutes” (Przybyłowski 2012, p. 244). Sustainability is to take place in the following areas: spatial, economic, social, technical and environmental (Przybyłowski 2012; Eliasson and Proost 2015). It is assessed that in this field, within the last few years, there have taken place some changes directed towards sustainable development, however, they progress too slowly: still, separating the energy consumption from the economic growth has failed, the essential changes in the kinds of transport and the mobility have not occurred and there should be further reduction in the negative impact of transport (Xenias and Whitmarsh 2013; European Commission 2013). Nowadays, Polish cities are going through the period of suburbanization and the difficulties related to the problem of congestion. The city authorities set the goal to combat these phenomena. They create strategic documents in which they establish goals connected with sustainable development of transport and take efforts to achieve these goals. However, the assessment of these actions, their monitoring and the measurement of the degree of sustainability cause some difficulties and it is very important from the point of view of the implementation of this concept.

2 Indicators of Sustainable Development of Transport in the EU

The measurement of the degree of sustainability of transport by indicators create some problems since both the subject literature and numerous documents issued by the EU and international organizations do not provide a single and unequivocal list of indicators, which results from different approaches to the subject (Przybyłowski 2013, pp. 79–87; Haghshenas and Vaziri 2012, pp. 115–121). The European Union developed the module of indicators of sustainable development of transport. These indicators are presented in the pyramid system, i.e. they are divided into three levels. Energy consumption in transport in relation to GDP was considered as the leading factor. On the second level, two areas were identified: transport and mobility and social and environmental impact of transport.

On the third level, in the field of transport and mobility, there is discussed the division of transport tasks in transport of goods and the division of transport tasks in transport of passengers. In the field of the impact of transport there have been identified emissions of harmful substances (greenhouse gases, dust and CO₂) and road accident victims. The module developed by Eurostat is based on the indicators which can be obtained from official statistics, which is their definite advantage. The European Union regularly publishes the reports on monitoring the progress in the implementation of sustainable development. However, many studies indicate that the quantitative data coming from statistics are, on the one hand, easy to gain and analyze but, on the other, they do not fully reflect the essence of the phenomenon. Thus, there is discussed the construction of the module, i.e. the set of indicators which would include two types of indicators: hard (objective) indicators, which are built on the basis of statistical data and soft (subjective) indicators, which are

Table 1 The suggestions of indicators for sustainable transport

Sustainable transport indicators		
Economic	Social	Environmental
User satisfaction	User rating	Climate change emissions
Commute time	Safety	Other air pollution
Employment accessibility	Fitness	Noise pollution
Land use mix	Community livability	Water pollution
Electronic communication	Cultural preservation	Land use impacts
Vehicle travel	Non-drivers	Habitat protection
Transport diversity	Affordability	Habitat fragmentation
Mode share	Disabilities	Resource efficiency
Congestion delay	NMT transport	
Affordability	Children's travel	
Cost efficiency	Inclusive planning	
Facility costs		
Cost efficiency		
Freight efficiency		
Delivery services		
Commercial transport		
Crash costs		
Planning quality		
Mobility management		
Pricing reform		
Land use planning		

Source: Based on Borys (2008)

gained on the way of surveying the community (Bartniczak 2013, p. 12). In this context, Litman (2011) discusses the quantitative indicators such as vehicle and person trips, vehicles and person miles of travel, traffic crashes and fatalities, expenditures, revenues and costs as well as property values and the qualitative indicators, among which he lists user preferences, convenience and comfort, community livability and aesthetic factors. There are made the attempts to create the modules of indicators out of which the most important ones include the complex study by Litman (2011). Being inspired by Litman (2011), Borys (2008) also suggests a wide range of indicators while underlining that they only constitute the proposition. Borys (2008) gives the suggestions for exemplary indicators, which are presented in Table 1.

Litman (2011) and Borys (2008) pay attention to only partial usability of the conventional indicators of transport in the measurement of transport sustainability.

3 Indicative Measurement of Sustainable Transport in Polish Cities

The issue of the measurement of sustainable transport development in Poland or any other country is connected with the problem of measurement on the regional level and, in case of cities, on the local level. The measurement of the degree of sustainability of transport in Poland is considerably limited by the availability of data. The analysis of the transport market in the regional approach is possible only partially since the significant amount of data reflecting its condition is of the national dimension, which is difficult to divide into individual voivodeships. Moreover, a lot of data of the Polish Central Statistical Office are inconsistent, doubtful and incomplete. In case of the city transport, it gives only insufficient information (Przybyłowski 2013, pp. 79–87).

Therefore, the measurement of transport sustainability in Polish cities faces two basic difficulties. Firstly, there is no generally recognized set of indicators, secondly, the sufficient data are not collected. The authorities of Polish cities formulate the plans for the development of sustainable transport in which they precisely specify the assumptions and goals. However, it is not possible to perform the objective measurement of transport sustainability in the individual city. The comparative assessment is even more difficult. The present paper is an attempt to measure the degree of transport sustainability in the selected Polish cities: Warsaw, Cracow, Gdansk, Wroclaw and Poznan. Along with Lodz, they constitute six largest cities of Poland in terms of population. In Table 2 there is presented the exact population of these cities.

In the early nineties the State completely withdrew from the supervision of transport in cities. It was not accompanied by an increase in the revenue of local authorities. Local authorities were forced to increase ticket prices and to reduce funds for the exchange of fleet and the maintenance of the infrastructure. An increase in the number of motor vehicles and urban road congestion brought about the decrease in attractiveness of public transport and worsening regularity. The present situation in Polish cities is diverse with respect to the level of motorization, traffic conditions, the condition of technical infrastructure, the principles of the organization of carriage by public transport, the degree of preparation and implementation of policies and programs of transport development.

Table 2 The population in the analyzed cities

City (voivodeship)	Population
Warsaw (Masovian)	1,724,404
Cracow (Lesser Poland)	758,992
Wroclaw (Lower Silesian)	632,067
Poznan (Greater Poland)	548,028
Gdansk (Pomeranian)	461,531
Katowice (Silesian)	304,362

Source: GUS (2013)

The difficulty consisted in searching for the data itself, which frequently cannot be obtained from the statistics run by Central Statistical Office. They are not collected by the cities, either. On the level of the national statistics, there are presented the data for individual voivodeships, in some cases only for agglomerations, not for the cities, though. The individual cities in Poland frequently conduct their own research and acquire data in different areas of transport, they gather them in relation to different periods of time. The below analysis inherently cannot fully reflect the whole of the phenomenon. It aims at the sample use of the suggested set of indicators in practice and the assessment of the availability of data. Inevitably, it was not possible to find out all the indicators shown in the table above for all the selected cities.

4 The Selected Economic Factors

4.1 *Cycling and the Indicator of the Number of Kilometers of Cycle Paths*

This indicator is the indirect one which will not necessarily reflect the achievement of the final goal, consisting in an increase in NMT transport since it may turn out that cycle paths and lanes for pedestrians will be created in places where they will be the cheapest to build but not in places which would provide the greatest benefits (Borys 2008). However, it is possible to observe the tendency to an increase in cycling in Polish cities. While examining cycling in the cities of Poland, it is necessary to state that Polish cities do not dispose of, with a few exceptions, the reliable data on the scope of the phenomenon of cycling in their area. There is only conducted some sampling research. This hinders specifying the starting point and planning and monitoring progress. However, it is possible to notice the following trends: an increase in the pace of construction of cycling infrastructure is noticeable, which may be considered a rather positive trend and which can be understood as an increase in the awareness related to the need for satisfying the needs for cycling or even progressing volition to develop cycling as a supplementing factor of the city transport system. On the other hand, it is possible to observe some disturbing exceptions among the cities (Poznan, Cracow, Wroclaw), which already exploited the potential of peaceful construction of cycle paths. The basic parameters to describe the cycling policy of the city are so called “the number of cycle paths”, brought up in the complete isolation from other important parameters such as: quality, type, location or their mutual consistency. It is significant that bringing the issue of the cycling policy to the issue of the occurrence of further kilometers of paths ignores other factors which are important for the development of cycling, related to the conditions of cycling in accordance with the general rules, i.e. actual speed limit for cars, creating residential zones and “tempo30” zones, and also the issues of removing other barriers e.g. by creating so called contra-flow lanes (Lubaczewska 2011). The data concerning the policy of management of cycle paths in the analyzed cities are presented in Table 3.

Table 3 The policy of management of cycle paths in the selected cities of Poland

City	Length of cycle paths (total length of cycling infrastructure)	Number of dedicated cycle lanes amount of pedestrian-bicycle routes [km]	Number of cycle paths in km ²	City area covered by "tempo 30" zones	Expenditure for cycling infrastructure	Share of cycling in travelling
Warsaw	361	47.8	0.53	(<15 %)	About 18 million/year (according to the plans for 2009–2012)	<3 % (according to estimates, with no measurement, about 100,000 trips per day)
Gdansk	185	19.0	No data	No data	No data	No data
Cracow	145	Ok. 78	0.30	15–20 %	0.5 million (2010) (4 million planned for 2011)	About 3.5 % (estimation)
Poznan	129	No data	0.36	(<20 %)	2 million/year (on average in 2007–2011, but only 1 million in 2011)	<2.5 % (according to the research of 2000)
Katowice	56	No data	No data	No data	No data	No data

Source: Lubaczewska (2011)

While analyzing the data in Table 3, it is possible to draw the following conclusions concerning the policy of management and development of cycling in the analyzed cities:

- Warsaw: The density of the network amounts to 0.53 km of cycle paths per km², which exceeds the analogical indicators of other Polish cities, including Gdansk and Cracow. There predominates the infrastructure of poor quality, located outside the priority locations, the funds for cycling infrastructure are high, though they only amount to 0.84 % of the funds for transport investments; the main difficulty for the development of cycling is the long distance between destinations and the starting points of the trip (which, only to some extent, is connected with the city size),
- Cracow: The city is characterized by surprisingly low dynamics of the development of cycling infrastructure, the route system is inconsistent (barriers isolating considerable parts of the city) and it is varied in quality; heavy bicycle traffic is caused by low competition from public and vehicle transport and high-density housing in the city center,
- Poznan: Expenditure for infrastructure amounts to less than 0.5 % of the total expenditure for roads and shows a downward trend; the cycling system is inconsistent (but it is relatively close to achieve this state), there predominate the solutions of poor quality, the bicycle loses the competition with other means of transport,
- Katowice: One of the biggest cities in Poland does not possess either the consistent network of cycle lanes, the cycling policy or even the organization which fights on behalf of cyclists.

4.2 *The Division of Transport Tasks*

EPOMM (European Platform on Mobility Management) considers modal split to be the best indicator for the mobility policy in a city. However, these data are often hard to find (EPOMM 2011). It is particularly important indicator from the point of view of planning the city transport being, apart from the trip generation and distribution and the network loading, one of the most frequently considered indicator while producing traffic models, which are to “dry” test some transport solutions. This indicator is considered absolutely essential from the point of view of sustainable transport since the competitiveness of public transport is considered to be extremely important.

Strategic documents of all the discussed cities assume the impact on the division of transport tasks between public and individual transport to achieve the desirable, appropriately high share of public transport in urban transport. In Poland, it is assumed that the share of public transport in satisfying transport needs should not be

Table 4 The percentage of trips in the analyzed cities taken by public transport in the selected years

City	Percentage of trips taken by public transport						
	1995	1998	2003	2005	2009	2010	2013
Warsaw	66 % ^a	56 % ^a	No data	54 % ^a	No data	No data	No data
Gdansk	No data	No data	No data	No data	38 % ^b	No data	No data
Cracow	No data	No data	No data	No data	No data	46 % ^a	No data
Poznan	No data	37 % ^c	No data	No data	No data	No data	43 % ^a
Katowice	No data	33 % ^c	No data	No data	No data	No data	No data

Source: ^aEPOMM (2011), ^bBudziszewski and Mendel (2010), ^cUrban Studio City (2008)

less than 50 % (Economic Chamber of Urban Transport 2011). The data concerning the percentage of trips taken by public transport are really difficult to obtain and they are dispersed in different sources and it is not always possible to gain them for a specific point in time. In Table 4 there are presented the data which were successfully acquired in the available sources. As it has been noticed Table 4 shows only few values for various cities and different years. And thus it can be clearly seen that the percentage of trips in the analyzed cities taken by public transport is not a value which has been systematically measured and analyzed.

The percentage of trips taken in Polish cities by public transport is relatively low. The drivers, who do not use public transport, were asked for the reasons of such a choice. The most frequently they indicated poor comfort of travelling (39 %), crowds (36 %), and lack of possibility to reach the selected destination by the city transport (20 %). The bigger the city the more frequently the drivers indicated the problem of traffic jams (the biggest cities—65 %, medium-sized cities 46–51 %, smaller towns—29 %) (Ministry of Environment 2010). As shown in Table 4, according to the authors of the website collecting data, concerning the division of transport tasks in European cities, it was really difficult to obtain information on the division of transport tasks in the analyzed cities. Not all of them are included on the website (only 5 out of all Polish cities, whereas e.g. in the statistics there are included 48 French cities and 27 Italian ones) (EPOMM 2014). This indicator, though, as it is underlined everywhere, one of the most essential in the measurement of sustainable transport, in case of Polish cities, is extremely difficult to find and, at the same time, this parameter is difficult to assess.

4.3 Motorization Rate

Motorization rate is the hard indicator being the easily accessible statistical data. It specifies the number of vehicles per 1000 inhabitants. Table 5 presents the indicator for the analyzed cities.

Motorization rate is also relatively easy to interpret. It is a destimulant, which means that the high value of the indicator is unfavorable for the city as car

Table 5 Motorization rate in the selected cities of Poland in years 2011, 2012 and 2013

City	Year		
	2011	2012	2013
Gdansk	496.5	508.6	523.5
Katowice	516.3	539.7	571
Cracow	485.6	503.21	521.2
Poznan	538.2	554.31	578.1
Warsaw	564.8	580	598

Source: GUS (2014)

ownership leads to travelling just by private car and discourages from using public means of transport. It brings about the occurrence of the phenomenon of congestion and, at the same time, the intensification of all unfavorable phenomena related to road congestion. In the above summary in 2013 the first position, with respect to motorization, was occupied by Warsaw and the last one—by Cracow. However, it is necessary to underline that the phenomenon of congestion is conditioned not only by the number of vehicles but also by other factors. This can be confirmed by another indicator, which clearly shows that the cities of the highest motorization rate are not always the most congested.

4.4 Congestion Delays

This indicator is not the object of the measurement of the Central Statistical Office, however it is sometimes the subject of the research of consulting companies or the companies producing car navigation systems and, most of all, such studies are conducted individually by the cities in the framework of Comprehensive Market Research. The congestion index, is calculated as the raise of travel time due to traffic jams, on average, during the whole week 24 h a day. The congestion index is one of the indicators of mobility and the average congestion level. These are the basic measurements to describe the condition of the city transport system (Szołtysek 2011). Table 6 presents the ranking of the analyzed cities with respect to the time lost and the costs incurred by drivers in traffic jams.

The changes which took place in the ranking in 2013–2011 are rather revolutionary, most of all, for Warsaw, which fell from the first position, occupied in years 2012–2011, to the third place in the ranking in 2013. Therefore, Warsaw fell down from the podium but its position was dynamically taken by Cracow. Poznan has occupied the second place since 2012, it took the third position only in 2011. The best result, i.e. the lowest position in the “traffic jam” ranking was achieved by Gdansk ahead of Katowice. As far as the good position of Katowice is not a surprise, the success of Gdansk is even greater than the one of Warsaw. It is noticeable that in case of the cities which have realized and still do the road investments, they actually bring about very quick results for drivers.

Table 6 Delays per person due to road congestion in the selected Polish cities in 2011–2013

City	Time (minute)			Ranking 2013	Cost (% of monthly salary)			City
	2013	2012	2011		2011	2012	2013	
Cracow	00:22:03	00:21:06	00:18:29	1	80 %	69 %	80 %	Cracow
Poznan	00:21:06	00:21:43	00:23:26	2	78 %	85 %	76 %	Poznan
Warsaw	00:20:43	00:23:17	00:25:40	3	81 %	89 %	70 %	Warsaw
Gdansk	00:14:03	00:15:14	00:13:34	4	53 %	72 %	49 %	Gdansk
Katowice	00:14:03	00:15:14	00:20:51	5	51 %	46 %	47 %	Katowice

Source: Deloitte (2014)

4.5 Length of Public Roads

The interpretation of this indicator poses some problems and it is not always clear whether it is a stimulant or destimulant. The length of the local public roads with hard surface is an important indicator of the traffic across the country since the more public paved roads the more it contributes to the continuity of traffic. On the other hand, the presence of roads brings about an increase in the environmental burden. In some Polish cities, as shown in Table 7, the indicator of the length of public roads is decreasing. This is because we deal with the phenomenon of suburbanization; the emerging new housing estates administratively expand the city area where there are not always built appropriate paved roads. On the other hand, the better condition of roads brings about the decline in traffic safety as it causes an increase in speed.

The data presented in Table 7 show that the highest rate of the length of local roads in 2013 was recorded in Warsaw, and the lowest one in Gdansk. It is clearly noticeable that in the analyzed cities there are different trends; whereas in Gdansk and Katowice the length of public roads per 100 km² is falling, in Warsaw, Cracow and Poznan—it is rising.

4.6 The Share of Expenditure of Municipalities on Public Roads in the Total Expenditure

This indicator is the economic indicator which is relatively easy to acquire but slightly difficult to interpret. It seems that the share of expenditure of municipalities on public roads in the total expenditure needs to be assessed while taking into consideration the condition of roads and transport in the city and the city needs in this field. The structure of this expenditure in time can also reflect e.g. the realization of greater investments. At this point it is important what priorities there are in the city. In the view of the fact that the infrastructure in many Polish cities requires modernization and redevelopment, this indicator can be recognized as the stimulant. The share of expenditure of municipalities on public roads in the total expenditure in the analyzed cities is presented in Table 8.

Table 7 Length of local public roads with hard surface per 100 km²

City	Unit of measure	Years				
		2009	2010	2011	2012	2013
Gdansk	km	201.2	199.2	167.9	190.3	190.3
Katowice	km	291.3	288.5	288.5	288.5	288.5
Poznan	km	300.8	305.7	308.4	311.1	317.6
Warsaw	km	353.0	364.9	362.9	370.1	370.6
Cracow	km	279.9	299.2	300.0	299.7	292.8

Source: The author's own research based on GUS (2014)

Table 8 The share of expenditure of municipalities on public roads in the general expenditure

City	Unit of measure	Years				
		2009	2010	2011	2012	2013
Gdansk	%	8.1	11	18.3	27.3	22.7
Katowice	%	8.2	7.8	8	12	8.8
Poznan	%	13	14.2	13.8	9.7	10.3
Warsaw	%	10.4	13.9	10	7.1	5.7
Cracow	%	9.7	7.3	7.9	7.7	4.9

Source: The author's own research based on GUS (2014)

The data in Table 8 indicate that the largest percentage of expenditure of municipalities on public roads in the structure of the total expenditure was recorded in Gdansk and the smallest—in Cracow.

5 The Selected Social Indicators

5.1 The Ticket Price

The ticket price in public transport is the data reflecting the availability of public transport and it is a destimulant. The price strategy is one of the tools to increase competitiveness of public transport. This indicator is easy to acquire and to interpret: the lower the price the more competitive public transport is. The ticket price in public transport in 2013 in the analyzed cities is shown in Table 9.

The data presented in Table 9 indicate that ticket prices in the analyzed Polish cities are different in each tariff group and the highest ticket prices were recorded in Warsaw. Gdansk is the cheapest city in this field.

Table 9 The ticket price in public transport in 2013 in the analyzed cities

	Single ticket	24 h ticket	30-day personal ticket for all lines	30-day bearer ticket for all lines	(4-month) semester ticket
City	1 PLN = 0.24 EURO				
Cracow	3.8 PLN/1.9 PLN	15 PLN/7.5 PLN	94 PLN/47 PLN	152 PLN/–	184 PLN
Gdansk	3 PLN/1.5 PLN	12 PLN/6 PLN	88 PLN/44 PLN	95 PLN/–	167 PLN
Warsaw	4.4 PLN/2.2 PLN	15 PLN/7.5 PLN	100 PLN/50 PLN	230 PLN 115 PLN	125 PLN/ 250 PLN
Poznan	up to 30 min: 3.6 PLN/1.8 PLN	12.80 PLN/6.40 PLN	107 PLN/53.5 PLN	157 PLN/–	155 PLN
Katowice	3.2 PLN/1.6 PLN	18 PLN/9 PLN	126 PLN/63 PLN	174 PLN/87 PLN	161 PLN/ 322 PLN

Source: The author's own research based on the data from the city websites an urban transport companies

5.2 Hours and Charges of Parking Areas

Parking charges in the city are the indicator easy to acquire. Parking charges constitute an effective tool to influence the communication behavior of the dwellers. On the one hand, they reflect the availability, which means that they should be relatively low, on the other, they constitute a demotivating factor to travel by a private car. The rates of parking charges in the analyzed cities are presented in Table 10.

The data included in Table 10 indicate that the parking charges per 1 h in the analyzed cities are the same and they amount to 3 PLN—apart from Katowice, where the rate amounts to 2 PLN. There are the differences in the charges for each subsequent hour—the highest charges concern the third hour, for which the highest rate is in Gdansk and Poznan, and the lowest—in Katowice.

5.3 Road Accidents

Poland is still in the lead of the countries of the EU where the greatest number of people are killed in road accidents. At the same time, road safety in Poland has been steadily increasing for the last few years. The situation is similar in the whole Europe—the number of people who were killed on the road fell by almost 10 % last year. In accordance with the assumptions of the European Commission, by the end of this decade the number of disasters on the road will have been lessened by half

Table 10 The parking charges in the selected Polish cities

City	Hour	1-h	2-h	3-h	4-h	Subsequent hour
Cracow	10–20	3.00 PLN	3.50 PLN	4.10 PLN	3.00 PLN	3.00 PLN
Gdansk	9–17	3.00 PLN	3.60 PLN	4.30 PLN	3.00 PLN	3.00 PLN
Warsaw	8–18	3.00 PLN	3.60 PLN	4.20 PLN	3.00 PLN	3.00 PLN
Poznan	8–18	3.00 PLN	3.60 PLN	4.30 PLN	3.00 PLN	3.00 PLN
Katowice	9–16:30	2.00 PLN	2.40 PLN	2.80 PLN	2.00 PLN	2.00 PLN

Source: The author's own research based on the data from the city websites and portals

Table 11 Road accidents per 10,000 inhabitants in 2013

City	2013
Poznan	6.39
Warszawa	7.01
Katowice	9.86
Gdansk	12.05
Cracow	14.04

Source: Waloszczyk (2013)

(European Commission 2014). While comparing the data on road accidents in Polish cities, it is possible to notice that, in spite of the fact that in the international statistics Poland's position is really unfavorable, the statistics concerning road safety in individual cities significantly differ from each other. In the report, which is based on the data of the Voivodeship Police Headquarters, it is possible to find the data on different aspects of road accidents out of which, for the purposes of the present paper, it is possible to select the indicator of road accidents per 10,000 inhabitants in 2013. The indicators concerning road accidents are relatively clear and easy to interpret. The data are presented in Table 11.

The most dangerous city among the analyzed Polish cities is Cracow (Table 11), whereas the safest one—Poznan. The mentioned report and the available statistics conducted very systematically also allow to set the trends.

5.4 Satisfaction with the City Transport

Satisfaction with the city transport is the indicator belonging to the group of so called soft indicators, which is obtained by surveying the dwellers. In Poland, there is not conducted a single measurement of the level of satisfaction with public transport. Many cities carry out such research on their own, in many cases, such studies are conducted by the companies providing the service of carriage of passengers. Such analyses are also performed by the companies dealing with conducting the commissioned research. The results of the research carried out by one of such companies are presented in Table 12.

Table 12 Satisfaction with public transport in 2011 (on a scale of 1–5)

Specification	Cleanliness of vehicles	Technical state of vehicles	Punctuality	Culture of drivers	Location of stops	Easiness of interchange	Connections to different locations	Ticket prices	Availability of seats	Assessment
Gdansk	3.18	3.48	3.03	3.61	3.94	3.46	3.50	2.95	2.76	3.32
Katowice	2.78	2.84	3.14	3.55	3.71	3.05	3.22	2.87	2.64	3.09
Cracow	3.38	3.58	3.29	3.75	3.84	3.63	3.49	3.24	2.66	3.43
Poznan	3.24	3.50	3.26	3.63	3.83	3.58	3.59	2.83	2.83	3.37
Warsaw	3.07	3.19	3.26	3.44	3.75	3.69	3.50	3.13	2.54	3.29

Source: Deloitte (2012)

It is necessary to underline that the indicator of satisfaction with public transport is subjective. The assessment of the inhabitants combines the “objective” reality of transport solutions with the subjective perception on the basis of own experiences. Therefore, the assessment of specialists can differ from the feelings of the dwellers—there might be other aspects of transport operating which may count to them. It is e.g. in case of the indicator of the ticket price. It creates some difficulties since it appears to be both a soft and hard indicator. The assessment of this property as a “soft” indicator, analyzed by means of questionnaires in the comparative analysis can differ from the results of the research of this indicator as a “hard” indicator. The ticket price in different cities, expressed in the amount of money, can be compared, though, it is necessary to take into consideration the fact that it does not fully reflect the information on whether the ticket is “expensive” or “cheap”, which should be established while specifying its share in the average income of the dwellers. On the basis of this indicator, it is noticeable how difficult it is to assess some phenomena from the point of view of different criteria and how different the assessment can be.

6 The Selected Ecological Indicators

Pollutant emissions, resulting from fuel combustion in the engines of motor vehicles, moving in the area of big cities constitutes the most important indicator specifying the level of transport sustainability in the ecological field. However, this indicator is not easily available. The indicators of air pollution are easily accessible in databases on the national level. In these data it is possible to find information concerning the level of the pollution in individual agglomerations. Such data are also provided by the cities which frequently monitor the state of the air. However, it is really difficult to specify what percentage of the pollution comes from the source which the transport is. This indicator is developed by estimation: it is estimated that the share of transport in the total emission will increase from the level of 13 % in 2009 to 16 % in 2020 (Brzeziński and Bukowski 2011, pp. 17–56). Such high impact of transport on the increase in emissions results from the growing trend of the number of cars per one inhabitant in Poland, also observed in other new Member States (a significant part of the increase results from an easy access to the market of cheap second-hand cars in Western Europe, and particularly in Germany). Therefore, the age structure of the fleet of passenger cars in Poland negatively affects their emissions (Brzeziński and Bukowski 2011, pp. 17–56). The concentration of harmful substances in the selected Polish cities is shown in Table 13.

The data presented in Table 13 indicate that the most polluted city from among the ones selected for the present research is Cracow. It is also the most polluted city in Poland. The least polluted city is Gdansk.

Table 13 The concentration of harmful substances in the selected Polish agglomerations in 2012

	Concentration of PM ₁₀ (value of the norm of the average annual concentration in µg/m ³)	Concentration of PM _{2.5} (value of the norm of the average annual concentration in µg/m ³)	Concentration of sulphur dioxide (value of the norm of the average annual concentration in µg/m ³)	Concentration of nitrogen dioxide (value of the norm of the average annual concentration in µg/m ³)	Concentration of carbon dioxide (value of the norm of the average annual concentration in µg/m ³)
Gdansk (Trojmiasto agglomeration)	20.6	16.2	5.1	17.0	357.4
Katowice (Upper Sile- sian agglomeration)	48.4	35.8	16.2	31.5	644.9
Cracow (Cra- cow agglomeration)	56.9	41.7	10.5	44.3	818.0
Poznan (Poz- nan agglomeration)	32.9	24.4	3.2	22.9	322.9
Warsaw (War- saw agglomeration)	37.5	25.8	7.5	28.6	591.1

Source: GUS (2013)

7 Conclusions

The conclusions regarding sustainable transport should facilitate an answer to the question about which of the cities is, within this particular scope, “the most” or “the least” sustainable, and thus, it is supposed to provide a rating of the cities. The conducted analysis of the available indicators of sustainable transport aimed at the sample measurement of the scope of the phenomenon by the methodology developed in the subject literature. It allows to come to the following conclusions:

- specifying the level of sustainable development in Polish cities faces the problems related to the availability of the data since there are not carried out single and standardized measurements on the national level, the cities frequently perform individual measurements over the years, which increasingly helps to specify the directions of trends of the specific phenomenon for individual cities,
- on the basis of the available data it is difficult to specify the level of sustainability of Polish cities and even more, to compare them. However, on the basis of the presented data, it is possible to make an attempt to create the following rankings of the cities for three areas of sustainable development. The summary of such comparison is presented in Tables 14, 15 and 16.

Table 14 The ranking of five selected cities in the economic sustainable development in the field of transport

No	Congestion	Parking charges (for the third hour of parking)	Motorization rate	Percentage of trips taken by public transport	Percentage of trips taken by bike	Percentage of expenditure of municipalities on transport
Economic area						
1.	Gdansk	Katowice	Cracow	No comparable data	Warsaw	Gdansk
2.	Katowice	Cracow	Gdansk		Gdansk	Poznan
3.	Warsaw	Warsaw	Katowice		Cracow	Katowice
4.	Poznan	Gdansk, Poznan	Poznan		Poznan	Warsaw
5.	Cracow		Warsaw		Katowice	Cracow

Table 15 The ranking of five selected cities in the social area of sustainable development in the field of transport

No	Ticket prices	Parking charges (for the third hour of parking)	Satisfaction with public transport	Road accidents per 10,000 inhabitants
Social area				
1.	Gdansk	Katowice	Katowice	Poznan
2.	Poznan, Cracow	Cracow	Warsaw	Warsaw
3.	Katowice	Warsaw	Gdansk	Katowice
4.	Warsaw	Gdansk, Poznan	Poznan	Gdansk
5.			Cracow	Cracow

Table 16 The ranking of five selected cities in the ecological area of sustainable development in the field of transport

No	Ecological area
1.	Gdansk
2.	Poznan
3.	Warsaw
4.	Katowice
5.	Cracow

It also seems that the final ranking which would provide the answer to the question which of the selected cities is the most sustainable in the field of transport, is, on the basis of the current available data, impossible to create, though the comparison definitely performs some essential functions in monitoring the progress in the implementation of the concept. It also seems that individual indicators should be assigned different weights since, e.g. such indicators as the division of transport tasks in the city and the level of emissions are very important. There are also the indicators which are relatively difficult to interpret like e.g. the length of public roads or the share of expenditure on roads in the structure of expenditure of municipalities. While analyzing the above data, it is possible to notice that Gdansk is about to take the first place among the analyzed cities in relation to the degree of transport sustainability. In turn, Cracow, which frequently does not do well while recording the worst results, appears in the last position.

References

- Bartniczak, B. (2013). Zrównoważony transport na poziomie regionalnym jako przedmiot pomiaru wskaźnikowego [Sustainable transport at the regional level as the object of indicative measurement]. In M. Michałowska (Ed.), *Współczesne uwarunkowania rozwoju transportu w regionie* [Present conditions for regional transport development] (pp. 11–20) Katowice: Uniwersytet Ekonomiczny w Katowicach.
- Borys, T. (2008). *Analiza istniejących danych statystycznych pod kątem ich użyteczności dla określenia poziomu zrównoważonego rozwoju transportu wraz z propozycją ich poszerzenia* [The analysis of the existing statistical data in terms of their utility to determine the level of sustainable transport development with a proposal of their extension]. Resource document, Ministry of Infrastructure and Development in Poland. Accessed November 20, 2014, from, https://www.mir.gov.pl/Transport/Zrownowazony_transport/Dokumenty_i_opracowania/Documents/Analiza_danych_statystycznych_zrownowazony_transport_2008.pdf
- Brzeziński, K., & Bukowski, M. (2011). *Niskoemisyjne dylematy. Jak ograniczyć emisję gazów cieplarnianych i co to oznacza dla polskiej gospodarki* [Low-emission dilemmas. How to reduce greenhouse gas emissions and what this means for the Polish economy] (pp. 17–56). Warszawa: IBS.
- Budziszewski, T., & Mendel, T. (2010). Wyniki kompleksowych badań ruchu Gdańsk 2009 oraz przykład ich wykorzystania do szacowania funkcji oporu przestrzeni [The results of the comprehensive study of traffic—Gdańsk 2009 and the example of their use to estimate distance-decay function]. *Zeszyty Naukowo-Techniczne Stowarzyszenia Inżynierów i Techników Komunikacji w Krakowie. Seria: Materiały Konferencyjne*, 93 (152), 25–38.

- Deloitte. (2012). *Raport o korkach w 7 największych miastach Polski*. (2011) Warszawa, Łódź, Wrocław, Kraków, Katowice, Poznań, Gdańsk [The report of traffic jams in 7 major Polish cities. (2011) Warszawa, Łódź, Wrocław, Kraków, Katowice, Poznań, Gdańsk]. [online] Deloitte. Accessed November 28, 2014, from http://korkometr.targeto.pl/Raport_Korki_2011.pdf
- Deloitte. (2014). *Raport o korkach w 7 największych miastach Polski*. (2013) Warszawa, Łódź, Wrocław, Kraków, Katowice, Poznań, Gdańsk [The report of traffic jams in 7 major Polish cities. (2013) Warszawa, Łódź, Wrocław, Kraków, Katowice, Poznań, Gdańsk]. [online] Deloitte. Accessed November 26, 2014, from http://korkometr.targeto.pl/Raport_Korki_2013.pdf
- Economic Chamber of Urban Transport. (2011). *Plan Zrównoważonego Rozwoju Transportu Publicznego* [Sustainable development plan for public transport]. Warszawa: ECUT.
- Eliasson, J., & Proost, S. (2015). Is sustainable transport policy sustainable? *Transport policy*, 37, 92–100.
- European Commission. (2013). *Eurostat statistical books sustainable development in the European Union—2013 monitoring report of the EU sustainable development strategy*. Accessed November 28, 2014, from <http://ec.europa.eu/eurostat/documents/3217494/5760249/KS-02-13-237-EN.PDF>
- European Commission. (2014). *Drogowe statystyki* [Road statistics]. [online] European Commission. Accessed November 24, 2014, from http://ec.europa.eu/polska/news/140331_wypadki_drogowe_pl.htm
- European Platform on Mobility Management. (2011). *TEMS—The EPOMM modal split toll*. [online] European Platform on Mobility Management. Accessed November 26, 2014, from <http://www.epomm.eu/tems/index.phtml>
- European Platform on Mobility Management. (2014). *TEMS—The EPOMM modal split toll. List of all cities*. [online] European Platform on Mobility Management. Accessed November 27, 2014, from <http://www.epomm.eu/tems/cities.phtml>
- GUS. (2013). *Miasta o największej liczbie ludności* [Cities with the largest populations]. [online] GUS. [online] Accessed November 24, 2014, from <http://stat.gov.pl/statystyka-regionalna/rankingi-statystyczne/miasta-o-najwiekszej-liczbie-ludnosci-3018/-state>
- GUS. (2014). *Drogi publiczne w miastach* [Public roads in the cities]. [online] GUS. Accessed December 28, 2014, from <http://stat.gov.pl/statystyka-regionalna/rankingi-statystyczne/drogi-publiczne-w-miastach-3926/-state>
- Haghshenas, H., & Vaziri, M. (2012). Urban sustainable transportation indicators for global comparison. *Ecological Indicators*, 15(1), 115–121.
- Litman, T. (2011). *Well measured: Developing Indicators for comprehensive and sustainable transport planning*. Victoria Transport Policy Institute. Accessed November 28, 2014, from http://www.vtpi.org/sus_tran_ind.pdf
- Lubaczewska, S. (2011). *Polityka rozwoju ruchu rowerowego w polskich miastach* [The policy for development of cycling in Polish cities. Social responsibility report]. Wrocławska Inicjatywa Rowerowa. Accessed November 25, 2014, from http://miastadlarowerow.pl/imgkoprojekty/files/raport_synteza_cez.pdf
- Ministry of Environment. (2010). *RAPORT Monitorowanie postaw społecznych w zakresie zrównoważonego transportu. Pierwszy etap badań* [The REPORT on monitoring social attitudes in the field of sustainable transport. The first stage of studies]. Warszawa: Ministry of Environment.
- Przybyłowski, A. (2012). Rozwój transportu w polskich regionach w kontekście koncepcji zrównoważonego rozwoju transportu UE [Transport development in Polish regions in the context of the concept of the EU sustainable transport development]. *Logistyka*, 2012(2), 241–251.
- Przybyłowski, A. (2013). Mierniki zrównoważonego rozwoju transportu [Meters of sustainable transport development]. *Zeszyty Naukowe Politechniki Śląskiej. Seria: Transport Z.*, 80, 79–87.

- Szołtysek, J. (2011). *Kreowanie mobilności mieszkańców miast* [Creating the mobility of city dwellers]. Chorzów: Wolters Kluwer.
- Urban Studio City. (2008). *Studium uwarunkowań i kierunków zagospodarowania przestrzennego miasta Poznania* [The study on the conditions and directions of urban planning of the city of Poznań]. Poznań: Urban Studio City.
- Waloszczyk, T. (2013). *Wypadki drogowe w polskich miastach—raport mfind* [Road accidents in Polish cities—mfind report]. [online] Akademia mfind. Accessed November 25, 2014, from <http://www.mfind.pl/akademia/raporty-i-analizy/wypadki-drogowe-raport/>
- Xenias, D., & Whitmarsh, L. (2013). Dimensions and determinants of expert and public attitudes to sustainable transport policies and technologies. *Transportation Research Part A: Policy and Practice*, 48, 75–85.

Corporate Social Responsibility/ Sustainability Reporting Among the Fortune Global 250: Greenwashing or Green Supply Chain?

John Kennedy Lewis

Abstract The sustainability reporting efforts of MNCs who are members of the Fortune Global 250 (FG250) was investigated. The focus was on sustainability reporting by MNCs of supply chain impacts. The reporting of FG250 MNCs was examined to determine if greenwashing was occurring or whether MNCs had committed to operating a green supply chain. A mixed methodology was used consisting of quantitative analysis of 25 MNC CSR/sustainability reports which were randomly selected from the FG250 listing. Qualitative analysis using content analysis was also conducted on the reports. Both methodologies concentrated on the sustainability reporting of the selected MNCs in regard to their supply chain. Findings were mixed as there were great variations among the MNCs in their level of sustainability reporting about their supply chains. Some MNCs did not report on the activities of their supply chain at all (20 %), the majority of the MNCs reported on their supply chain impacts at the value and goal level (48 %), while the rest reported at the management approach level (32 %). A majority of the sampled MNCs could be accused of greenwashing due to the lack of detailed quantitative information provided by the MNCs on the environmental impacts of their supply chain.

Keywords Corporate social responsibility • Sustainability • Greenwashing • Green supply chain • Sustainability reporting • Environmental impacts

1 Introduction

Corporate social responsibility (CSR) has become an increasingly important aspect of doing business in the twenty-first century for most multinational corporations (MNCs). CSR in its broadest sense can be defined as “a view of the corporation and

J.K. Lewis (✉)

Department of Business and Economics, Salve Regina University, Newport, RI, USA
e-mail: lewisj@salve.edu

its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions" (Chandler and Werther, 2014, p. 6). CSR activities have also been described as "the actions a company initiates to further some social good beyond its own interests, going beyond compliance and exceeding legal obligations" (Jones and Jonas 2011, p. 65). These actions could include charitable endeavors, fair labor practices, mitigating harmful environmental impacts, fair trade, and sustainability practices such as reclaiming packaging material and minimizing water usage and waste products (Jones and Jonas 2011).

There have been numerous theories advanced for why MNCs practice CSR but the most dominant paradigm is stakeholder theory (Freundlieb and Teuteberg 2013). Stakeholder theory proposes that all organizations have various groups or individuals that affect or are affected by the activities of the firm (Sweeney and Coughlan 2008). The primary reason for CSR/Sustainability reporting is to provide stakeholders with the information they need to make decisions (Tschopp et al. 2011). Nemetz (2013) in his environmental performance model lists four main stakeholder groups: the government, internal and external stakeholders, and financial stakeholders. Government policies, laws and regulations affect CSR/sustainability reporting. Internal stakeholders include board members, executives, employees, and various departments such as human resources, legal and accounting. External stakeholders include unions, non-governmental organizations, professional organizations, customers, and the general public. Financial stakeholders include banks, investors, and insurers (Nemetz 2013). An MNC has both obligations and responsibilities toward these stakeholders which it needs to discharge.

Valentine and Savage (2010) describe five forces that define the strategic environmental management practices of MNCs: macro forces, secondary stakeholders, industry specific forces, firm specific forces, and strategic forces. Macro forces are the political, economic, social, and technological conditions present in a country. Secondary stakeholders include creditors, government regulators, interest groups, the general public, educators, and unions. Industry specific forces include type of industry, risk factors, media exposure, customer pressure, supplier incentives, and industry practices. Firm specific forces include ownership, firm size, financial health, age of assets, and environmental reputation. Strategic forces include green positioning strategies, financial strategies, brand protection strategies, quality strategies, and cost-control strategies (Valentine and Savage 2010). Sweeney and Coughlan (2008) found that most CSR/Sustainability reporting focused on the responsibility of the MNC to inform its various stakeholders.

MNCs report on their CSR efforts for various reasons. Possible explanations for CSR include reputation management, brand protection, competitive pressure, meeting community expectations, responding to media coverage of negative incidents, managing stakeholder groups, attracting ethical investors, or attempting to prevent potentially onerous government regulation (Jones and Jonas 2011; Nikolaeva and Bicho 2011). There has been a great deal of research on the link between CSR and the economic performance of MNCs. Although there has been contradictory findings the majority of studies have found a weak link between CSR and superior

financial performance of firms (Samy et al. 2010). The level of CSR reporting by MNCs has steadily increased over the past two decades from 12 % in 1992, to 24 % in 1996, and to 28 % in 1999 (Nikolaeva and Bicho 2011). Fortanier and Kolk (2007) found that 161 of 250 (64 %) MNCs reported on their CSR activities. By 2011, CSR reporting had increased to 80 % of all MNCs (Jones and Jonas 2011).

2 Sustainability

Sustainability is frequently used interchangeably with CSR but essentially it is a subcategory of the overall bigger picture. In particular, sustainability is usually associated with the use of natural resources and issues related to environmental concerns. Sustainability can be broadly defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Chandler and Werther 2014, p. 536). Originally sustainability reporting focused solely on the environment but its scope has been broadened to include ethical/social issues, employee treatment, community involvement, and the organizational structure in place to control all these aspects (Kolk 2008).

3 CSR/Sustainability Reports

MNCs can report their CSR efforts in several different manners. The most common is through a CSR or sustainability report. The more recent trend is toward integrated reporting. Integrated reporting of CSR occurs when sustainability activities of the MNC are included in the annual report. Sweeney and Coughlan (2008) found little difference in the format or content of CSR whether it was reported separately or integrated into the annual report. CSR reporting can also be voluntary or mandatory. Originally all CSR reporting was voluntary. However, there has been a recent trend toward mandatory CSR reporting particularly in the European Union (EU). As of 2013 mandatory CSR reporting in some form exists in Argentina, Austria, Belgium, Brazil, China, Denmark, France, Germany, Greece, India, Indonesia, Italy, Malaysia, the Netherlands, Norway, Portugal, South Africa, Spain, Sweden, and the UK (Reider-Gordon 2013). These requirements may be through government regulation or through stock exchange procedures. France requires sustainability reporting under its *Nouvelles Régulations Economiques*, while Denmark mandates it through the Danish Financial Statements Act (Dragu and Tudor-Tiron 2013). The Shanghai Stock Exchange requires CSR reporting as a prerequisite for listing as does the Johannesburg and Bursa Malaysia exchanges (Reider-Gordon 2013; Dragu and Tudor-Tiron 2013). Of course, in the United States CSR reporting is strictly voluntary which explains why US MNCs lag behind their European brethren in CSR reporting. According to Breitbarth et al. (2010) 90 % of

European MNCs report on CSR compared to 59 % in the US, and 61 % of the rest of the world.

CSR reporting has mainly been conducted by MNCs. CSR reporting by small and medium size enterprises (SMEs) remains low even among developed countries (Tschopp et al. 2012). Although they may practice CSR many SMEs tend to avoid CSR reporting due to its cost, potential legal liabilities, and lack of standards (Jones and Jonas 2011). According to Jones and Jonas (2011) 80 % of the Fortune Global 250 (FG250) issued CSR reports. Verification by independent third parties remains spotty, as only 40 % of the FG250 issued reports with external assurance (Jones and Jonas 2011). Sweeney and Coughlan (2008) found differences in CSR reporting depending on industry: financial and retail tended to focus on customers and employees, pharmaceutical the community at large and customers, telecommunications on customers, and automobile, oil, and gas on the environment. Most CSR reporting did not address the impact on shareholders. Samy et al. (2010) found that most MNCs did not report on all six aspects of CSR required by the GRI G3. In fact, most (40 %) only reported on four of the six required aspects of CSR.

4 Reporting Standards

There is no universal standard for reporting CSR. The most commonly used reporting guidelines are produced by the Global Reporting Initiative (GRI). The most recent guideline is called G3 although G4 is expected to be released at some point in 2014 (Sarfaty 2013). G4 moves toward integrated reporting rather than the issuance of a separate CSR report. As of 2009, the G3 was used by over 1400 companies in over 64 countries (Jones and Jonas 2011). Over 75 % of the FG250 uses the GRI as a guideline for their CSR reporting (Sarfaty 2013). The GRI G3 requires that a firm report on seven different areas of CSR: community, environment, diversity, human rights, corporate governance, employee relations, and product responsibility (Cho et al. 2012). GRI reporting has been criticized because it relies on self-reporting, is mostly qualitative, requires no third party assurance, and does not report on outcomes (Jones and Jonas 2011). Sarfaty (2013) claims the GRI encourages box ticking and superficial compliance because the grading system is based on quantity of indicators not quality of performance. Investors in particular are beginning to demand assurance for the content of CSR reports by external providers such as accounting firms, consultants, or certifying bodies (Cho et al. 2012).

Other reporting standards include the ISAE 3000 produced by the International Audit and Assurance Standards Board, ISO 26000 produced by the International Standard Organization, the U.N. Global Compact, SA 8000, and AA1000 developed by Account Ability. ISAE 3000 mostly deals with risk management and with the two standards a firm may meet—reasonable assurance or low risk, and limited assurance or greater risk. AA1000 was created for the purpose of promoting

accountability for sustainability and is based on three principles materiality, completeness, and responsiveness (Jones and Jonas 2011).

SA 8000 is particularly interesting as a standard as it is the first CSR reporting mechanism designed for retailers, suppliers, and other companies that governs working conditions throughout the global supply chain. SA 8000 defines minimum requirements for workplace conditions that must be met by producers and their suppliers. SA 8000 covers eight areas: child labor, forced labor, health and safety, freedom of association and collective bargaining, discrimination, discipline, working hours, and pay scale (Rasche 2010). It is essentially a certification process. Suppliers who have SA 8000 certification can be expected to provide good working conditions for their employees because they are monitored by independent third parties. The lack of standardization in CSR reporting creates several issues. The multitude of reporting standards allow MNCs to select the set of indicators that places them in the best light possible (Nikolaeva and Bicho 2011). The lack of third party assurance and the narrative nature of most CSR reports make them of little value to investors or NGOs seeking to monitor the activities of MNCs.

5 Greenwashing

One of the more cynical views of CSR reporting is that it is merely for appearance sake or another form of marketing. Greenwashing is a practice that is deceptively used to promote the perception that a company's policies or products are environmentally friendly (Shacklett 2011). A study by Loughran et al. (2009) found that MNCs that used terms such as "ethical" and "socially responsible" in their 10 K SEC reports were more likely to be polluters and attempting to mislead the public and regulators. In other words the firms were engaging in greenwashing.

Many companies use CSR and sustainability reports as a form of damage control after an environmental disaster. For example, both Exxon and BP used CSR reporting as a method to blunt the outcry of the public in response to their disastrous oil spills (Bhatia 2012). Bhatia (2012) in a study of both Chinese and US CSR reporting found that reports were used to push a promotional agenda, and for self-justification of practices the public found offensive.

Even those MNCs who are above board in their CSR reporting tend to report only in generalities or through specific examples. Most sustainability reporting is qualitative and tends to highlight goals, ideals, commitments, and aspirations rather than actual deeds (Paul 2008). Many nongovernmental organizations (NGOs) do not trust the information contained in CSR and sustainability reports because it is not verified by a third party. Readership of CSR reports is low because they tend to focus on processes rather than actual performance (Sarfaty 2013).

Fortanier and Kolk (2007) found that only 16 % of FG250 reported on the economic impact of their activities on their host country. In contrast, most of the MNCs reported quantitatively on the number of jobs they had created. However, most firms reported CSR qualitatively highlighting examples and projects rather

than quantitatively reporting on their impact (Fortanier and Kolk 2007). Qualitative reporting of this type can lead to suspicions of greenwashing or showcasing a few examples of best practices. In a recent study, Freundlieb and Teuteberg (2013) found that many MNC sustainability reports failed to contain information on how key performance indicators (KPI) were calculated and that they tended to cherry pick the ones which shed a positive light on their business practices. Wagner et al. (2009) found that reporting of CSR activities inconsistent with actual practices had a destructive effect on MNC reputations as it led to consumer perceptions of corporate hypocrisy. Without an in place agreed upon standard and lacking independent third party verification most reports are viewed as little more than strategic marketing at best and greenwash at worst (Tschopp et al. 2011).

Many MNCs that report quantitatively on their own sustainability practices may fail to report on the practices of their supply chain. One of the criticisms of sustainability is that has little impact if firms do not practice it through their entire supply chain. The news has been filled with reports of MNCs such as Apple and Nike which practice CSR but do business with suppliers who mistreat their employees and degrade the environment (Locke 2013; Blanchard 2012). Starbucks has long presented itself as a leader in fair trade practices, but was recently criticized for attempting to block Ethiopian farmers from trademarking their coffee and attempting to keep the price low (Wagner et al. 2009). Passing the buck for sustainability down the supply chain is another type of greenwashing by MNCs. According to Sarfaty (2013) in order to avoid charges of green washing CSR reporting needs to be relevant to stakeholders, reasonably collected, and address issues on which change is most needed.

6 Green Supply Chains

A supply chain is made up of all the companies that are involved in producing a product or providing a service including suppliers, transporters, warehousemen, retailers and customers (Darnall et al. 2008). “Supply chain operations have significant impact on sustainability and therefore managing them in an environmentally and socially responsible way has now become a key management concern” (Bernon et al. 2012, p. 150). A green supply chain involves an MNC “assessing the environmental performance of their suppliers, and requiring suppliers to undertake measures that ensure the environmental quality of their products, and evaluate the cost of waste in their operating systems” (Darnall et al. 2008, p. 33). Green supply chains are being driven by various forces including retailer demand, customer preference, and regulatory pressure particularly in the EU (Scott 2011).

In a recent study of 142 Danish companies, where CSR reporting is mandatory, 89 % of the companies reported on CSR, of which 69 % reported on policies, 60 % on actions, but only 37 % on actual results (Pedersen et al. 2013). Only 29 % of the companies studied reported on the activities of their suppliers. Paul (2008)

examined the reports of the 100 Most Sustainable Corporations as named by Innovest Strategic Value Advisors a consulting firm. She found that 95 % of these MNCs reported on CSR or sustainability and the GRI was the most commonly used standard (40 %). Paul's study while interesting has one obvious limitation—the MNCs studied may report that they practice sustainability but is their reporting accurate and does it filter down through the supply chain?

One of the prime aspects of a green supply chain is in the area of carbon emissions. For most MNCs the prime culprit for a high level of carbon emissions is transportation. According to Webb (2009) 75 % of a company's carbon emissions are caused by transportation and logistics. Therefore, MNCs interested in a green supply chain should be attempting to cut their transportation carbon emissions and those of their suppliers. This can be accomplished by using biofuel, choosing the type of transportation with the least carbon foot print (trains and ships), utilizing smaller trucks when possible, and encouraging fuel efficient driving behavior by employees (Blanchard 2012; Shacklett 2011; Webb 2009).

One of the best ways to implement a green supply chain is through Life Cycle Analysis (LCA). LCA is a method to evaluate the environmental burdens associated with a set of business processes, assess the impacts on the environment, and evaluate opportunities for improvement (Beamon 2005). LCA takes into account such factors as greenhouse gas emissions, energy and water use, waste production, chemical impacts, using sustainable natural resources, carbon footprint, and recyclability (Scott 2011). The goal of LCA is to either reuse non-biodegradable materials or return natural materials to the environment in a safe manner (Scott 2011). Although there have been few studies that investigate green supply chains the evidence that exists is not encouraging. The consulting firm Accenture reported that only 10 % of companies are actively monitoring their supply chain global footprints, and 37 % had no idea of their supply chain greenhouse gas emissions (Blanchard 2009). The Hudson Gain Corporation, a consulting firm, found that of 1200 companies examined only 200 had a position dedicated to managing sustainability issues (Ladd 2010). Global sourcing lengthens and complicates the supply chain making it difficult for MNCs to monitor their suppliers (Wagner et al. 2009).

In addition, Locke (2013) argues that MNCs undermine their own CSR efforts through the demands they make on their suppliers. Many MNCs pressure their suppliers to cut costs, manufacture products on shorter deadlines, and frequently change their product lines and specifications. As a result of these pressures suppliers pay low wages, cut or offer no benefits, and demand excessively long hours and frequent unpaid overtime (Locke 2013). In a study of Scottish companies, Preuss (2005) found that the main factors in supplier selection were price, quality and delivery conditions. Only 23 % of the companies formally considered the environmental performance of their suppliers (Preuss 2005). Darnall et al. (2008) found that companies that had adopted an environmental management system (EMS) were more likely to monitor their suppliers' environmental practices. 58 % of EMS adopters assessed their suppliers environmental or required their suppliers to undertake specific sustainable activities (Darnall et al. 2008).

7 Methodology

This research utilized a mixed methodology approach. Quantitative analysis of the content of CSR reports of a sample of Fortune Global 250 MNCs was conducted. One of the main advantages of analyzing annual reports is the unobtrusive nature of the method. According to Breitbarth et al. (2010) analyzing annual reports offers a distinct advantage because the data represents the official, unambiguous, unified position of the organization which is free from the respondents' personal bias, access to information or partial recall and not subject to errors related to the content and the context of communication. In addition, qualitative research through content analysis of the actual wording of Fortune Global 250 MNC annual reports was conducted. Due to its simplicity and the ease of downloading reports from the Internet content analysis is the most commonly used methodology for evaluating CSR among MNCs. At its heart content analysis is a research method that is used to determine the presence and meaning of words or phrases within a text (Sweeney and Coughlan 2008). The goal was to "document both complexity of disclosure and its quantitative content" (Morhardt 2010).

The researcher adopted the content analysis framework of Bouten et al. (2011) which measures whether CSR reporting is made in a comprehensive manner by classifying it into three areas: vision and goals, management approach, and performance indicators. Only if the activity described includes all three categories of CSR reporting is it considered to be comprehensive. In particular, the researcher focused on CSR activities related to sustainability. By providing an indication of both the completeness and the comprehensiveness of CSR reporting, the developed content analysis structure gives a clearer indication of the extent to which an organization is accountable to its stakeholders (Bouten et al. 2011). The researcher was particularly concerned with sustainability activities involving the supply chain.

8 Sample and Data Collection

The overall population consisted of the 250 MNCs that make up the Fortune Global 250. A simple random sample with replacement of 10 % of these MNCs was taken using a random number generator located at <http://www.random.org>. One number reoccurred and was redrawn. As this research was primarily qualitative and involved in-depth content analysis the small sample size was appropriate (Miles and Huberman 1994). Reports older than 3 years were excluded from the analysis. Previous studies in the area have been criticized for opaque selection methods, for concentrating on particular industries or countries, and not providing a diverse picture of current reporting practices (Freundlieb and Teuteberg 2013). This study's selection process is transparent and provides a diverse look at the overall reporting practices of MNCs. See Table 1 for a listing of the 25 firms selected, their Fortune

Table 1 Companies included in research

Company name	FG Rank	Country	Industry	Report name	Year	# of Pages
Phillips 66	16	United States	Energy	Sustainability	2011	35
Petrobras	25	Brazil	Energy	Sustainability	2012	186
Statoil	39	Norway	Energy	Sustainability	2012	55
CVS Caremark	40	United States	Pharmaceuticals	CSR	2012	75
BNP Paribas	41	France	Banking	CSR	2012	116
Banco Santander	58	Spain	Banking	Sustainability	2012	103
Electricite de France	77	France	Energy	Sustainability	2012	121
Hyundai Motor	104	South Korea	Automotive	Sustainability	2013	99
Banco do Brasil	116	Brazil	Banking	Sustainability	2011	34
Tokyo Electric Power	117	Japan	Energy	No report	-	-
Sinochem Group	119	China	Chemicals	Sustainability	2012	74
Pertamina	122	Indonesia	Energy	Sustainability	2012	168
Mitsui	156	Japan	Energy	Sustainability	2013	93
Novartis	162	Switzerland	Pharmaceuticals	GRI	2012	90
Mitsubishi UFJ Financial Group	163	Japan	Banking	CSR	2012	63
Legal & General Group	173	Great Britain	Insurance	CSR	2012	180
China Telecommunications	182	China	Telecommunications	CSR	2011	5
Fujitsu	186	Japan	Technology	Sustainability	2013	49
Sumitomo Mitsui Financial Group	190	Japan	Banking	CSR	2012	66
Sabic	201	Saudi Arabia	Chemicals	Sustainability	2012	108
National Australia Bank	205	Australia	Banking	Annual Review	2012	36
Hyundai Heavy Industries	206	South Korea	Shipbuilding	CSR	2012	35
Merck	214	United States	Pharmaceuticals	Environmental	2013	309
Best Buy	226	United States	Electronics	CSR	2013	53
KDDI	233	Japan	Telecommunications	CSR	2013	121

Global 250 ranking, their country, their industry, whether they reported on CSR, the type of report generated, and number of pages included in the report.

9 Quantitative Results

Of the 25 MNCs randomly selected 24 (96 %) had posted some type of CSR report on their website. The only MNC without a CSR report was Tokyo Electric Power (TEPCO). A Google search revealed a cached CSR report from 2010 but it was no longer linked from the TEPCO web site. Due to its age it was excluded from the research. While TEPCO had no CSR report their web site was essentially dedicated to addressing the impact of the Fukushima nuclear reactor disaster. The front page alone contained links to addressing the contaminated water issue, information on compensation for nuclear related damages, updates on the current situation at the reactor, radiation updates, live webcams, and almost daily press releases. There was also a section on reforms the company had put in place to prevent a reoccurrence of a similar disaster (TEPCO website 2013). The website revealed an MNC desperately struggling to handle the CSR and sustainability public relations disaster which it had suffered. Unfortunately, no amount of greenwashing can explain away what the most devastating environmental disaster in world history is probably.

Phillips 66 was the highest ranked MNC selected from the FG250 with a ranking of sixteenth largest corporation. The smallest ranked MNC was KDDI at 233. Included in the sample were six MNCs from Japan, four from the US, two from China, France, South Korea and Brazil. The sample include eleven (44 %) Asian MNCs and six (24 %) European MNCs. The largest industry group was energy at 28 %, followed by banking at 24 %, pharmaceuticals at 12 %, and chemicals and telecommunications at 8 %.

Most of the MNCs referred to their reports as sustainability reports at 48 %. Corporate social responsibility reports were also common at 36 %. Despite the trend toward integrated reporting and the upcoming GRI G4 standard that requires it most MNCs published a separate sustainability or CSR report. Only two MNCs reported on sustainability in their annual reports (8 %)—National Australia Bank and KDDI. Most of the reports were from 2012 at 60 %, 24 % were from 2013, and 12 % were from 2011. Since there is no requirement on most MNCs to release CSR reports they are free to issue them as frequently or infrequently as they wish.

The reports varied considerably in length and in detail. The shortest report was by China Telecommunications, the 182nd ranked MNC on the FG250. The document consisted of five pages of poorly translated platitudes about the MNCs sincerity and trust, promises of connecting rural customers to the grid, care for its employees and attention to the environment (China Telecom 2011). There was no quantitative reporting of any kind in the document. In contrast Merck, the 214th ranked MNC, released a massive 309 page CSR report. Quantitative information was given in great detail, but the usefulness of the report was limited by the lack of

an index or even a table of contents (Merck 2013). As a result the reader is forced to go page by page through the report in a hunt for any specific information.

The most commonly used reporting standard was the Global Reporting Initiative (GRI). Sixty percent of the sampled MNCs used either version 3 or 3.1 of the GRI. Twenty percent of the MNCs used a home grown reporting method, and 8 % used an integrated report. All of the MNCs that issued a CSR report included environmental information (96 %). Third party certification of some type was used by 48 % of the sampled MNCs, 48 % contained no outside certification for the content of the report.

All of the MNCs which produced reports included information on their environmental impact (96 %). The level of detail varied but the vast majority reported quantitatively on greenhouse gas emissions, environmental accidents, water and energy use, and amount of waste generated. Most of the MNCs reported on their supply chain and their relationship with suppliers (80 %). However, the level of detail varied greatly and much of the information on suppliers dealt with human rights, labor practices and working conditions. Most of the environmental reporting on suppliers was short and frequently stated that they were selected on various factors including their sustainability practices or that suppliers were required to follow a sustainability code provided by the MNC. Only one MNC, Hyundai Motor Company, reported on the environmental impact of their suppliers. Hyundai listed the number of 1st, 2nd and 3rd level suppliers they did business with and stated that they were required to obtain ISO 14001 environmental management certification as well as follow a supplier carbon footprint management system (Hyundai Motor Company 2013). However, even Hyundai did not provide any actual numbers on supplier environmental impact. See Table 2 for a complete breakdown of the reporting standards, 3rd party certifications, environmental reporting, supplier information, level of detail on supplier interactions, and impact on the environment of supplier activities.

10 Qualitative Results

For the purposes of qualitative analysis the researcher adopted the coding structure created by Bouten et al. (2011) which measures whether CSR reporting is made in a comprehensive manner by classifying it into three areas: vision and goals, management approach, and performance indicators. Only if the activity described includes all three categories of CSR reporting is it considered to be comprehensive. The coding structure was modified to apply only to reporting on the environmental impact of suppliers. Thus the coding tree consisted of area (environment), ten items (materials, energy, water, biodiversity, emissions, products and services, compliance, transport, overall, and residual), and three information types (values and goals, management approach, and performance indicator).

Reporting on vision and goals includes information on disclosures related to values, aims, and future plans. In general, this information could be classified as

Table 2 Company reporting details

Company name	Report Stand	Environ Info	Supplier Info	Detail	Supplier Env Impact	3rd Party Cert.
Phillips 66	API	Yes	None	None	No	No
Petrobras	GRI 3.1	Yes	Yes	Detailed	No	Yes
Statoil	GRI 3.1	Yes	Yes	Medium	No	Yes
CVS Caremark	GRI 3.1	Yes	Yes	Detailed	No	No
BNP Paribas	ISAE 3000	Yes	Yes	Medium	No	Yes
Banco Santander	GRI3	Yes	Yes	Detailed	No	Yes
Electricite de France	GRI3	Yes	None	None	No	Yes
Hyundai Motor	GRI3.1	Yes	Yes	Detailed	Yes	Yes
Banco do Brasil	None	Yes	Yes	Minimal	No	No
Tokyo Electric Power	–	–	–	–	–	–
Sinochem Group	GRI3.1	Yes	Yes	Minimal	No	No
Pertamina	GRI3.1	Yes	Yes	Minimal	No	No
Mitsui	GRI3	Yes	Yes	Medium	No	Yes
Novartis	GRI3	Yes	None	None	No	Yes
Mitsubishi UFJ Financial Group	GRI3.1	Yes	Yes	Minimal	No	No
Legal & General Group	None	Yes	Yes	Medium	No	No
China Telecommunications	None	Yes	None	None	No	No
Fujitsu	None	Yes	Yes	Detailed	No	Yes
Sumitomo Mitsui Financial Group	GRI3.1	Yes	Yes	Minimal	No	No
Sabic	GRI3.1	Yes	Yes	Minimal	No	Yes
National Australia Bank	Integrated	Yes	Yes	Minimal	No	Yes
Hyundai Heavy Industries	None	Yes	Yes	Minimal	No	No
Merck	GRI3	Yes	Yes	Detailed	No	No
Best Buy	GRI3	Yes	Yes	Detailed	No	No
KDDI	Integrated	Yes	Yes	Minimal	No	Yes

general rhetoric or greenwashing. The MNC makes various claims about their commitment to only doing business with sustainable suppliers. MNCs that provide information on management approach are going a step further by describing specific actions or processes. This could include certifications required of suppliers and codes of conduct that suppliers must follow. Performance indicators are actual quantitative measures of supplier environmental impacts. This would include statements of greenhouse gas emissions, environmental accidents, water and energy use, and amount of waste generated.

In addition to Tokyo Electric Power, four other MNCs provided no information about the environmental aspects of their supply chain relationships—Phillips 66, Electricite de France, Novartis and China Telecommunication. Thus a full 20 % of the sample does not report on their supply chain environmental practices. The majority of the sampled MNCs report their supply chain sustainability at the value and goal level (48 %). There is a large level of variation in the information reported in this classification. Some such as Statoil pay mere lip service to sustainability with statements such as “we use suppliers committed to Health, Safety and the Environment (HSE)” and “we have minimum standards for HSE” (Statoil 2012). However, no information on how these standards are monitored or implemented is provided. Other MNCs such as CVS Caremark provide much more detail on their efforts but it does not quite rise to the level of a management approach. CVS Caremark states “we share best practices and engage suppliers on their environmental footprint” and “we audit suppliers to make sure they comply with environmental laws and have effective environmental management systems” (CVS 2012). However, CVS provides no details about these efforts.

A significant number of the MNCs sampled rose to the classification level of having a management approach to supply chain sustainability (32 %). As mentioned previously Hyundai Motor Company provided significant detail on their supply chain. Other MNCs that reached this level were Petrobras, Santander, Mitsui, Fujitsu, National Australia Bank, Best Buy and Merck. Best Buy included information on supply chain goals which if reached will move them into the classification of performance indicators. Best Buy has enacted a Supplier Code of Conduct, has begun environmental audits of suppliers, and is a member of the Global Social Compliance Programme (GSCP). The GSCP is a third party group which audits supplier conditions. Petrobras requires ISO 14001 certification by all its suppliers, has a system called the Engineering Supplier Development Program which assist suppliers with sustainability, and runs a biodiesel program for its suppliers (Petrobras 2012). Santander requires that its suppliers be signers of the U.N. Global Compact and audited 372 suppliers for compliance with this measure (Banco Santander 2012). No MNC rose to the level of performance indicator as none provided quantitative figures for their supplier’s impact on the environment.

11 Discussion and Conclusions

The level of green supply chain commitment varies considerably among the FG 250 MNCs sampled in this research. A majority of the sample (68 %) could be accused of greenwashing as they either do not report on the environmental impact of their supply chain at all or do so only at the values and goals level. It is apparent from studying the CSR reports of those MNCs who have reached the values and goals classification that some are genuinely attempting to both monitor and affect the environmental activities of their suppliers. Creating procedures for doing so is not an easy process—it is both a time consuming and expensive endeavor. MNCs

which have made this effort should be lauded for their activities and encouraged to continue down this path. The researcher also found evidence of greenwashing in a significant number of the MNCs included in the sample. Most of these MNCs followed no reporting standard, did not report on their supply chain, or reported only vague and meaningless clichés on their supply chain impacts.

The MNCs who rose to the level of management approach were obviously heavily invested in the sustainability of their supply chains. While none reached the level of including performance indicators it was obvious from the detailed reporting provided that they were taking active measures in an effort to develop a green supply chain. Most of these MNCs have received awards for their environmental efforts and are included in lists of most sustainable companies and socially responsible companies. They take not only their own CSR efforts but also those of their suppliers very seriously. Under the coding classification of Bouten et al. (2011) none of the MNCs included in the sample reached the level of comprehensive reporting on their supply chain. However, this research shows that progress is being made in the area of sustainability by MNCs and their suppliers. The progress made in the last decade alone is remarkable. It is to be hoped that in the next decade all MNCs will report not only on their own sustainability efforts but those of their suppliers as well. The move toward mandatory CSR reporting and toward one standard suggests that this is likely to occur.

12 Limitations and Future Research

The sample was limited to firms who were members of the Fortune Global 250 therefore it is not generalizable to the activities of small and medium sized (SMEs) firms. Although the small sample size was appropriate for the in-depth qualitative analysis performed, a larger sample would have a smaller standard error eliminating the likelihood that unusual subjects (MNCs) were chosen. The activities of MNCs in regard to their own sustainability were not studied. Most of the MNCs reported on their own sustainability often in a quantitative manner. The number of MNCs who reached the performance indicator level in regard to their own sustainability activities would have been much higher.

Future research should be performed to look at the sustainability efforts of SMEs and their suppliers. Most firms fall into this category and their sustainability activities have a large impact on the environment. Other research on MNCs could look at the activities of all FG250 from a broader spectrum studying not only their supply chain but also their own environmental impacts as well.

References

- Banco Santander. (2012). *Banco Santander sustainability report 2012*. [online] Accessed June 10, 2015, from http://www.santander.com/csgrs/Satellite/CFWCSancomQP01/en_GB/Corporate/Sustainability/Santander-and-sustainability/Reports.html
- Beamon, B. M. (2005). Environmental and sustainability ethics in supply chain management. *Science and Engineering Ethics, 11*(2), 221–234.
- Bernon, M., Baker, P., Mena, C., Palmer, A., Skipworth, H., & Smart, A. (2012). Towards more sustainable supply-chain management. In D. Grayson (Ed.), *Cranfield on corporate sustainability* (pp. 149–166). Sheffield: Greenleaf Publishing.
- Bhatia, A. (2012). The corporate social responsibility report: The hybridization of a confused genre. *IEEE Transactions on Professional Communication, 55*(3), 221–238.
- Blanchard, D. (2009). Green supply chain movement hits a speed bump. *Industry Week/IW, 258*(4), 42.
- Blanchard, D. (2012). Corporate social responsibility in the supply chain. *Industry Week/IW, 261*(5), 22–26.
- Bouten, L., Everaert, P., Van Liedekerke, L., De Moor, L., & Christiaens, J. (2011). Corporate social responsibility reporting: A comprehensive picture? *Accounting Forum, 35*(3), 187–204.
- Breitbarth, T., Harris, P., & Insch, A. (2010). Pictures at an exhibition revisited: Reflections on a typology of images used in the construction of corporate social responsibility and sustainability in non-financial corporate reporting. *Journal of Public Affairs, 10*(4), 238–257.
- Chandler, D., & Werther, W. B. (2014). *Strategic corporate social responsibility: Stakeholders, globalization, and sustainable value creation* (3rd ed.). Thousand Oaks, CA: Sage.
- China Telecom. (2011). *China telecommunications corporate social responsibility report 2011*. Accessed June 10, 2015, from <http://www.chinatelecom-h.com/en/ir/report/annual2011.pdf>
- Cho, S., Lee, C., & Park, C. K. (2012). Measuring corporate social responsibility. *CPA Journal, 82*(6), 54–60.
- CVS. (2012). *CVS Caremark corporate social responsibility report 2012*. Accessed June 10, 2015, from http://www.cvshealth.com/sites/all/modules/custom/csr_report/files/2012-CVS-Caremark-CSR-Report.pdf
- Darnall, N., Jolley, G., & Handfield, R. (2008). Environmental management systems and green supply chain management: Complements for sustainability? *Business Strategy and the Environment, 17*(1), 30–45.
- Dragu, I., & Tudor-Tiron, A. (2013). New corporate reporting trends. Analysis on the evolution of integrated reporting. *Annals of the University of Oradea, Economic Science Series, 22*(1), 1221–1228.
- Fortanier, F., & Kolk, A. (2007). On the economic dimensions of corporate social responsibility: Exploring fortune global 250 reports. *Business Society, 46*(4), 457–478.
- Freundlieb, M., & Teuteberg, F. (2013). Corporate social responsibility reporting—a transnational analysis of online corporate social responsibility reports by market-listed companies: Contents and their evolution. *International Journal of Innovation and Sustainable Development, 7*(1), 1–26.
- Hyundai Motor Company. (2013). *Hyundai Motor Company corporate social responsibility report 2013*. Accessed June 10, 2015, from [https://csr.hyundai.com/upfile/report/scw/SocialContributionActivitiesWhitePaper\(ENG\)_2013.pdf](https://csr.hyundai.com/upfile/report/scw/SocialContributionActivitiesWhitePaper(ENG)_2013.pdf)
- Jones, A., & Jonas, G. A. (2011). Corporate social responsibility reporting: The growing need for input from the accounting profession. *CPA Journal, 81*(2), 65–71.
- Kolk, A. (2008). Sustainability, accountability and corporate governance: Exploring multinationals' reporting practices. *Business Strategy and the Environment, 17*(1), 1–15.
- Ladd, S. (2010). Corporate greening: Good for the soul, but is it good for the bottom line? *Financial Executive, 26*(2), 36–41.
- Locke, R. M. (2013). Can global brands create just supply chains? *Boston Review, 38*(3), 12–29.
- Loughran, T., McDonald, B., & Yun, H. (2009). A wolf in sheep's clothing: The use of ethics-related terms in 10-K reports. *Journal of Business Ethics, 89*(1), 39–49.

- Merck. (2013). *Merck corporate responsibility report 2013*. [online] Accessed June 10, 2015, from <http://www.merckresponsibility.com/>
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. Thousand Oaks, CA: Sage.
- Morhardt, J. (2010). Corporate social responsibility and sustainability reporting on the Internet. *Business Strategy and the Environment*, 19(7), 436–452.
- Nemetz, P. N. (2013). *Business and the sustainability challenge: An integrated perspective*. New York: Routledge.
- Nikolaeva, R., & Bicho, M. (2011). The role of institutional and reputational factors in the voluntary adoption of corporate social responsibility reporting standards. *Journal of the Academy of Marketing Science*, 39(1), 136–157.
- Paul, K. (2008). Corporate sustainability, citizenship and social responsibility reporting. *Journal of Corporate Citizenship*, 32, 63–78.
- Pedersen, E., Neergaard, P., Pedersen, J., & Gwozdz, W. (2013). Conformance and deviance: Company responses to institutional pressures for corporate social responsibility reporting. *Business Strategy and the Environment*, 22(6), 357–373.
- Petrobras. (2012). *Petrobras sustainability report, 2012*. Accessed June 10, 2015, from <http://www.petrobras.com.br/en/society-and-environment/sustainability-report/>
- Preuss, L. (2005). Rhetoric and reality of corporate greening: A view from the supply chain management function. *Business Strategy and the Environment*, 14(2), 123–139.
- Rasche, A. (2010). The limits of corporate responsibility standards. *Business Ethics: A European Review*, 19(3), 280–291.
- Reider-Gordon, M. (2013). Understanding foreign states' mandatory corporate social responsibility reporting. *Litigation*, 39(1), 61–63.
- Samy, M., Odemilhin, G., & Bampton, R. (2010). Corporate social responsibility: A strategy for sustainable business success: An analysis of 20 selected British companies. *Corporate Governance*, 10(2), 203–217.
- Sarfaty, G. (2013). Regulating through numbers: A case study of corporate sustainability reporting. *Virginia Journal of International Law*, 53(3), 574–621.
- Scott, A. (2011). Corporate social responsibility: Greening the supply chain. *Chemical Week*, 173(8), 21–24.
- Shacklett, M. (2011). Sustainability, greenwashing, and the road ahead for the supply chain. *World Trade*, 24(12), 32–35.
- Statoil. (2012). *Statoil sustainability report*. [online] Accessed June 10, 2015, from <http://www.statoil.com/annualreport2012/en/sustainability/pages/sustainability.aspx>
- Sweeney, L., & Coughlan, J. (2008). Do different industries report corporate social responsibility differently? An investigation through the lens of stakeholder theory. *Journal of Marketing Communications*, 14(2), 113–124.
- TEPCO website. (2013). [online]. Accessed June 10, 2015, from <http://www.tepco.co.jp/en/decommission/principles/index-e.html>
- Tschopp, D., Barney, D., & Murphy, P. (2012). The institutional promotion of corporate social responsibility reporting: Second tier institutions. *Journal of Academic & Business Ethics*, 6, 1–17.
- Tschopp, D., Wells, S., & Barney, D. (2011). The institutional promotion of corporate social responsibility reporting. *Journal of Academic & Business Ethics*, 5, 1–18.
- Valentine, S. V., & Savage, V. R. (2010). A strategic environmental management framework: Evaluating the profitability of being green. In L. Lin-Heng, G. Ofori, M. L. Lai Choo, V. R. Savage, & T. Yen-Ping (Eds.), *Sustainability matters: Environmental management in Asia* (pp. 1–32). River Edge, NJ: World Scientific.
- Wagner, T., Lutz, R., & Weitz, B. (2009). Corporate hypocrisy: Overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing*, 73(6), 77–91.
- Webb, A. (2009). How green is my supply chain? *Logistics & Transport Focus*, 11(10), 34–37.

Accessing the Chinese Market: Best Practices

Eva Perea

Abstract A survey was conducted to find out what Spanish firms thought they had done right to access the Chinese market. Most firms agree that adapting to the culture and the right choice of staff are the key factors to have a successful venture. A value that seems to be particularly relevant for China is patience: endurance when presented with obstacles, and allowing the project enough time as results in China take time to appear. In terms of the market, it means adapting the product to local habits. Regarding the strategy from headquarters, two factors are most relevant. In the first place, planning the implementation strategy and the kick-off and getting the best assessment one can find to study the market. Secondly, it is very important to consider the Chinese venture as something strategically aligned with the headquarters and the core objectives of the business. China is a complex and competitive market. It is also a vast territory, and it requires a physical presence. To do regular business in China, frequent travelling is not enough: it is necessary to locate to China. All this is certainly difficult to achieve. However, opportunities are still arising and China is today perhaps the most attractive market in the world.

Keywords Access to market • Chinese market • Best practices • Western firms

1 Introduction

China remains a very competitive market and a very attractive one too, thanks to the continuous growth experimented by this country since 2001. This article investigates what are the best practices to do business in China for Western companies. Globalization would mean that the world is flat (Friedman 2005) and therefore there are no significant differences between countries, i.e. all markets are similar and regional differences are not significant. However, according to authors Gao et al. (2010), cultural differences between emerging China and the Western world are important and there is a need for more acute study of guanxi cultural norms and

E. Perea (✉)

Economics and Business Department, Abat Oliba CEU University, Barcelona, Spain
e-mail: epeream@uao.es

Table 1 Summary of survey methodology

Concept	Dates
Initial launch of survey	January 2013
Reminder schedule	15th February 1st March 15th March 2013 Some preliminary results were sent to all to encourage further answers in May. Throughout the period, telephone calls were combined with electronic emails to expedite responses.
Survey population	360 firms from two databases: Spanish firms belonging to the Spanish Chamber of Commerce in China, plus the ICEX Database of Spanish firms in China.
Chief obstacles	The main hurdle in obtaining useful answers from businesses was their reluctance to give information. This difficulty was overcome by re-sending of the questionnaires, use of phone calls as reminders and sending some preliminary results to all, in order to encourage more answers.
Sectors	All sectors are represented, from industrial products, construction and civil engineering to services (all types)
Location in China	All firms in China were considered, regardless of the geographic area, although three areas are clearly more represented: Pearl River Delta (Beijing Area), Yangtze River Delta (Shanghai Area) and South of China.
Number of questionnaires sent	360
Number of answers received	78

their behavioral consequences in emerging Chinese—Western intercultural relationships, given the rise of China in the global economy. This suggests that to do business in China, Western firms need to know the Chinese culture and be able to adapt to it.

While in the West business dealings have been largely based on the concept of transactions, in most Asian societies they are based on relationships (Hitt et al. 2002). The culture and the habits within countries can affect the managerial practices: the world is not flat, but cultural differences exist and need to be taken into account to avoid making costly mistakes in terms of both time and resources (Ghemawat 2007).

A survey was conducted to find out what Spanish firms thought they had done right to access the Chinese market. A questionnaire was sent to the 360 Spanish firms established in China, following the methodology explained in Table 1.

China is not an easy country to do business in. The World Bank publishes a very interesting index, the *Ease of doing business index*¹ (Table 2) that shows exactly the ranking by which countries can be considered easy/difficult.

¹ Ease of doing business index ranks economies from 1 to 183, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. The index ranks the simple average of the country's percentile rankings on ten topics covered in the World

Table 2 Ease of doing business index, world ranking (1 is the best/183 is the worst)

Country	2009	2012
Singapore	1	1
Hong Kong (China)	2	2
New Zealand	3	3
United Kingdom	4	4
United States	5	5
Spain	48	49
China	78	79

Source: Doing business project, www.doingbusiness.org

2 Cultural Differences

Starting a business is in a way like playing a game. Normally, when we take part in a new sport, we need to get to know the rules to be able to play well. When establishing business relations with China, we must know certain peculiarities of its culture and negotiation that will enable us to play better. Failing to know this, can result in a great loss of time, money, energies and opportunities.²

First, while western culture is based on the Greeks, the Romans, the Jewish-Christian philosophy, Chinese people are ruled by a whole new set of values. Perhaps the strongest basis is Confucius. From this perspective, the individual is not important, but the group, the family, the connections. What is important is to maintain the harmony and avoid conflicts. While westerners follow natural law and fairness and justice, for the Chinese is more important to keep harmony. Relations are not egalitarian but based on power: the father over the child, the teacher over the pupil, the authority over the people. The most important aspect for the politician is not how he is going to rule, what decisions are to be taken, but to keep the order and the harmony. It is important to respect the hierarchy, the age and the status of the person we are dealing with.

Second, while westerners are characterized by a sequential or linear thinking, Chinese thinking is global or circular. In the west, we plan our work, even our life, by objectives in a sequential order. We negotiate following rules, objectives and we make progress as we go along. We work towards a final objective, the signature of a contract, for instance. Chinese people establish their business on trust and personal relations. The objective is not the end result but the process in itself. Therefore, points that had been decided and agreed upon come back to the negotiation table time after time. This makes negotiation processes very long. However, once we have established the relations and the mutual trust, businesses will probably be long lasting. While in the west we tend to think short-time, in the east the view is long term.

Bank's Doing Business. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

² When we talk about cultural differences, we are forced to make generalizations. Even if we try to be as objective as possible, we will probably make mistakes by generalizing.

2.1 Family-Directed Operations

Western executives looking for the location of control of a Chinese family business should look to the head of the family. “Chances are that he or she is making all the important decisions for the business. This is especially important when the head of the family is not the same person as the business leader” (Chen 2001, p. 84). This family centred decision-making is frequently efficient, but according to Chen (Table 3), it can lead to difficulties. Business responsibilities are often vaguely defined, and conscientious managers can feel frustrated and left out. Moreover, the lack of transparency can be discouraging to western business people who do not understand the principles by which the business family system works.

2.2 Guanxi

In contrast with our western business culture, based mostly on transactions, Chinese business culture is based on relationships. A successful Chinese person is defined as a well-connected person. In this respect, the most fundamental word, studied by experts, is the concept of *guanxi*. This concept has received great media attention in the west, partially because it is a concept that has no direct translation into English, and partially because while essential to Chinese culture, it is a vague and difficult concept to understand.

It can be defined as connections: not just any connections but according to Chen (2001), those that are defined by reciprocity and mutual obligation. Ideally, these connections are also supported by a sense of goodwill and personal affection. Sometimes *guanxi* has been viewed as a form of corruption and bribery due to misunderstanding of the Chinese culture. However, this is a wrong view of the

Table 3 Traditional Chinese versus Western business practices

Chinese	Western
<ul style="list-style-type: none"> • Dominant purpose of company: serving family interests • Protection of financial data about company and family • Financing of company by family and other friendly families • Not for sale due to obligations to extended family • Unadvertised sale of company products, often based on family network • Senior managers recruited from within family, often by family patriarch • Stress on very long-term view of family prestige 	<ul style="list-style-type: none"> • Dominant purpose of company: maximizing stockholder wealth • Required audits of financial reports • Financing by public sale of stocks and bonds • Mergers: unfriendly acquisitions • Brand promotion via advertising and customer service; stress on competitive market position • Professional managers based on merit and attracted by money • Stress on short-run, bottom-line profits and changes in market value of stocks.

Source: Chen (2001). Inside Chinese business: A guide for managers worldwide

concept. *Guanxi* is based on mutual obligations, trust and shared experiences. This concept in fact has its roots back in ancient Chinese social customs when reciprocity and social exchange were used to build and maintain interpersonal relationships through society.

2.3 *Face*

Face is a concept hard to understand although, even as Westerners, everyone has face. When equated to Western values, face is very similar to the notion of reputation. Face is a dynamic which applies to both personal and business relationships in China. This concept refers to always keeping the reputation of the person one is dealing with intact, especially in front of other people. The Chinese are very sensitive about this. When negotiating, one has to be extremely careful not to hurt the other person's sensitivity, avoiding to cause others lose their face.

According to MacKinnon and Powell (2008), in the 70s there were four Cs that used to describe Chinese aspirations: Car—Cooler—Cooker—Console (referring to the television). Nowadays, the vital ingredients for the recipe for success in business dealing with Chinese can be framed in another set of 4 Cs, “the new four”: Cash, Clout, Connections and Culture. All of them are equally important. “We need to understand why certain ways of doing things are important to the Chinese, particularly reciprocity and the giving of face”.

Face is an accountable or bankable commodity that can be lost, can be saved and can even be lost. In situations where someone of reputation has made a mistake or done wrong, and the error is made attributable to that person in public, then that person has “lost face”: his reputation in the eyes of the others has been reduced. Losing face is an experience no-one wishes to have, therefore it is avoided at all cost.

Saving face implies a situation where someone's reputation is under question, or has already been lost, and is undergoing restoration. Saving face is an action through which one is able to prove that he was not wrong, or not as wrong as the others thought. This restoration is usually done with the help of someone else with good face: that could be called lending face. A person of recognized reputation is willing to support someone, endorse someone, to lend this person some of the trust he holds.

As a sociological construct, the Chinese concept of face is difficult to define. It is culturally accepted that in fact the concept of “face” cannot be translated or defined. It refers to the delicate set of non-written norms by which Chinese social intercourse is regulated. The closest translations, on top of reputation that was stated above, are along the lines of pride, dignity or prestige. According to expert in Chinese culture (China Mike 2013), “the Chinese concept goes beyond the narrow Western concept of face (and is perhaps closer to the Arab concept of honor).” It is certainly interesting to know about this concept for the culture sake. But, moreover, for business, it is not just a question of mere culture, but of survival: from the Western perspective, the Chinese are generally more sensitive to any perceived

feeling having to do with losing face since it's so ingrained in their culture. This cultural thin-skin or acute sensitiveness is largely a product of culture that has valued social harmony as the prime rule avoiding criticism. In the West, many of these sensitive situations are seen as minor and quickly forgotten, but in China, failing to appreciate face can cause serious problems. While an American business person might be respected back home for his frankness and directness, he would likely be viewed in China as uncultured, overbearing or even rude. For instance, an American subordinate attending a meeting where his boss is presenting would generally think nothing of raising a question, making an alternate suggestion, or even disagreeing in front of others. In China, this would be a serious face-losing situation for the subordinate, boss, and even the company.

2.4 Negotiation Differences

Negotiating with Chinese follows different rules to our western system. For instance, the choice of words is important when communicating with a Chinese person, as misinterpretation will lead to misunderstanding. It is also recommended to read between the lines, for double or hidden meanings. Although Chinese people do not deliberately hide the truth, they frequently do not say it openly in the same way as westerners do. Another difference is that Chinese often bring in new people during negotiations, or reopen subjects that seemed to be closed. This makes negotiations longer than one would have expected. The Chinese are process-oriented and seem to enjoy very long discussions. The main differences are listed on Table 4.

Table 4 Differences in the negotiation process: Western versus Chinese

Chinese	Western
The group is most important	Individualist
Hierarchical	Egalitarian
Decisions based on relations and trust	Decisions based on cold facts
Process-oriented	Result-oriented
The way is the goal	Final goal is important
Meetings are long combined with leisure activities	Meetings are short and to the point.
Good things take time	Time is money
Negotiation process is continuous	Negotiation process is limited
Relationship-oriented	Fact-oriented
Never lose face	Get quickly to the goals
Formality and protocol in relations	Informal relations
Mutual consensus	Efficiency
Use of mediators	Cold phone calls

Source: Lytras and Ordóñez de Pablos (2008)

2.5 Risk Avoidance

Chinese avoid risk, which is a natural result if our foremost intention is to keep harmony. Chinese children at school spend most of the time copying: education is to certain extent based on the repetition of the characters. Talking in public, or being creative are activities which are not especially encouraged. Therefore people tend to be very conservative, avoid risk and expect orders or very detailed instructions on how to perform tasks.

On the other hand, Chinese people do not like to say “no”. In the western negotiation style, business people say no whenever necessary and will expect the same from their opponents. But for a Chinese person saying no is rude, so he (she) will prefer to divert the answer making it more vague. It is not convenient to force them to a “no”, because that may make them lose “face”.

3 Best Practices to Access the Chinese Market

Spanish firms were asked what they thought they had done right to access the Chinese market. The answers were extremely rich and varied. Most of them agree that the choice of the staff (whether it is the expats or the local Chinese staff) is the key factor to have a successful venture. The emphasis is mostly put on the local staff: choose the right people, train them, give them autonomy to develop projects, integrate the staff in a western approach of business, and make the most of local personnel to act on all the problems related to the Chinese environment, which is not readily-accessible to foreigners.

On top of having competent and trained local human resources, it is very important to develop a solid *guanxi*. In many cases establishing alliances with local partners is also a great advantage. There has been an evolution in terms of the choice of legal form: it has always been very common to start doing business in China with a Representation Office. Afterwards, if a firm wants to invoice and grow, it will have to decide between establishing a WFOE (Wholly Foreign Owned Enterprise) or a Joint Venture (JV). A decade ago, it was more frequent to choose a JV, first, to have a local partner that would make business in the country easier but also because it was compulsory from a legal point of view. As the Government allowed the creation of foreign capital firms in the next years, businesses chose the WFOE so as to be more independent and avoid potential problems with Chinese partners. However, the trend in the last few years, according to some experts, is to move back to the JV model. In a country like China, so different to the Western countries, with such a great importance of social relations, with a culture that impregnates all aspects of business, having a local partner can be invaluable.

Following the section above, another influencing factor that is repeated by most firms is related to culture: avoid a culture shock, elude confrontation and instead, choose an approach that enriches both cultures. Learn, immerse oneself in the

Chinese culture, try to adapt to it, respect it and understand it, and, as it has been stated: approach the country with respect and humility. Moreover, realize that it is not about subtracting or even adapting totally to the Chinese culture. Instead, it is about keeping the original western business culture (especially concerning quality and efficiency) but adapting it to the Chinese culture, habits and uses.

Flexibility is another factor which has importance attached to it by the Spanish firms, and it refers to many fields, in particular, being flexible with the culture, with the pace of changes, with market peculiarities. In a world that is in a process of turbulent changes, the ability to adapt to changes can be the source of a competitive advantage. In China, where changes go much faster, it is the only way to survive.

Another value that seems to be particularly relevant for China and is frequently mentioned is patience: endurance in front of the obstacles and allow the project enough time because results in China take time to show. Related with patience is perseverance, to keep on going even when circumstances look adverse.

In terms of a concrete market approach, it also means to adapt the product and services to local habits. Plan a correct product diversification to match the needs of the Chinese market. Approach the customers candidly and openly, not taking anything for granted. Allow time for negotiations and search for mutual understanding. Aim for the correct positioning of the product or service. Guarantee at all times the quality and efficiency of the deliveries.

In terms of strategy from headquarters, we find two factors are the most relevant. In the first place, planning is of the essence. The implementation strategy should be programmed meticulously, including the project kick-off. Get the best assessment one can find to study the market, study the production alternatives, the partners and the implementation of the resources needed. The planning process may take a while and it will probably require some resources. It is important to invest the time and money in this first phase, which will generate future benefits. Secondly, it is very important to consider the Chinese venture as something strategically aligned with the headquarters and the core objectives of the business. Believe in the project and firmly support it. Send experienced expats from the beginning. The support must be multi-functional: management, commercial, technical. Some large companies even implement a Helpdesk to allow frequent exchanges between China and Europe.

China is a complex and very competitive market. It is also a vast territory, and it requires a physical presence. To do regular business in China, frequent travelling is not enough: it is necessary to localize. Even if one chooses the most simple of legal forms such as the Representation Office, at the very minimum it provides the opportunity to the Spanish firm to have a first-hand market view, a foot on the ground so necessary to choose suppliers, find alliances, establish partners, create a distribution channel, etc.

The following best practice is perhaps the most difficult one, or even impossible to achieve, for companies which are not in China yet. Many firms consider it their advantage that having been in China already a few years is the key to their success today. Some believe that nowadays it is too late and the resources needed would be too high. The market is too mature and large multinationals are already very established. However, even though it is true that the East of China is a difficult

territory to start with due to the competitiveness of the market, opportunities are still arising in second and third tier cities.

Many firms are established in China. Many are doing great business. Some others are struggling. What is sure is that it is not easy, but there are plenty of opportunities. Often we hear sentences like China is only accessible by large firms. It is true that there are many large national champions earning money in China like Inditex, Gamesa, Roca, Mango, Torres, and many others. It is also true that they have more resources at their disposal to spend on an initial investment and to adapt to the very different Chinese business culture. Time spent planning and time allowed before expecting results is also a rare resource not always affordable for the small ones.

Small firms start with a different set of conditions: their resources are limited, both in time and money. Their access to expert human resources is limited. Their capability to adapt to such a vast country is somewhat restricted. Do we have to conclude then that the Chinese market is only for the big and the beautiful? This writer does not think so. On the contrary, we have proved in this survey that there are compelling reasons to have a physical presence in China, where accessing the market is more relevant than accessing cheap labor costs (this is especially true for services); moreover, there are many difficulties—that is for sure—but most firms want to continue in China in the coming years; additionally, the opportunities are there in many different sectors: food and wine, equipment and machinery, professional services, infrastructure, tourism, anything that involves technology, anything that offers a valuable brand, water treatment, renewable energies, gastronomy and hotel and restaurant management, education, and many more. Finally, there is a set of best practices that firms are advised to follow. Firms that do so can increase their chances of success enormously. These practices are not just for large firms, but applicable for small ones.

Accessing the Chinese market is not easy, as we have seen. But we feel we have proved that it can be done. After all, opportunities are still arising and China is today perhaps the most attractive market in the world.

4 Conclusion

As a last question, Spanish firms were asked what they thought they had done right to access the Chinese market. The answers were extremely rich and varied. Most of them agree that the choice of staff (whether expats or local Chinese staff) is the key factor in having a successful venture. The accent is mostly put on the local staff: choose the right people, train them, give them autonomy to develop projects, integrate the staff in a Western approach of business, and make the most of local personnel to resolve problems related to the Chinese environment, which is not accessible to foreigners.

As well as having competent and trained local human resources, it is very important to develop a solid *guanxi*. In many cases establishing alliances with

local partners is also a great advantage. To do business in China, Western firms need to know the Chinese culture and be able to adapt to it. While in the West business dealings have been largely based on the concept of transactions, in most Asian societies they are based on relationships. The culture and the habits within countries can affect the managerial practices: the world is not flat, but cultural differences exist and need to be taken into account.

Flexibility is another factor highly valued by Spanish firms, and it refers to many fields, in particular, being flexible with the culture, with the pace of change, with market peculiarities. In a world that is undergoing substantial changes, the ability to adapt to change can be a source of competitive advantage. In China, where changes happen much faster, it is the only way to survive.

Another value that seems to be particularly relevant for China and that is frequently mentioned is patience when faced with obstacles, and allowing the project enough time since results in China take time to materialize. Related to patience is perseverance—to keep on going even when circumstances look adverse.

In terms of headquarters' strategy, we find two factors are most relevant: firstly, the carefully planning of an implementation strategy. Very often that implies getting the best assessment one can find to study the market, study the production alternatives, the partners and the implementation of the resources needed. Secondly, it is very important to consider the Chinese venture as something strategically aligned with the headquarters and with the core of the business. Believe in the project and firmly support it. That involves sending experienced expats from the beginning and giving a multi-faced support: executive, commercial and technical.

Finally, we conclude that the world is moving at a rapid pace and firms are trying to adapt quickly to those changes. Whilst in the recent past Western firms moved to China to access its cheap labor, nowadays they try to access its growing market. Opportunities are opening thanks to a rising middle class that is ready to consume. Access is difficult and full of obstacles. At the same time, short term profits are not easily available. But opportunities are there for Spanish firms of all sectors and sizes. With rigour and by following the best practices mentioned above, objectives can be reached. China is there to stay and Spanish firms are in China to stay.

References

- Chen, M. J. (2001). *Inside Chinese business: A guide for managers worldwide*. Boston: Harvard Business School Press.
- China Mike. (2013). [online] Accessed May 13, 2013, from www.china-mike.com
- Friedman, T. L. (2005). *The world is flat: A brief history of the twenty-first century*. New York: FSG Books.
- Gao, H., Ballantyne, D., & Knight, J. G. (2010). Paradoxes and guanxi dilemmas in emerging Chinese–Western intercultural relationships. *Industrial Marketing Management*, 39(2), 142.
- Ghemawat, P. (2007). *Redefining global strategy: Crossing borders in a world where differences still matter*. New York: Harvard Business School.

- Hitt, M., Lee, H., & Yucel, E. (2002). The importance of social capital to the management of multinational enterprises: Relational networks among Asian and Western firms. *Asia Pacific Journal of Management*, 19(2–3), 353–372.
- Lytras, M. D., & Ordóñez de Pablos, P. (2008). The importance of the cultural dimension when doing business in China. *International Journal of Chinese Culture and Management*, 12(5), 1–9.
- MacKinnon, A., & Powell, B. (2008). *China calling: A foot in the global door*. New York: Palgrave MacMillan.

Business Process Modeling for Sales Processes Automation

Alexandra Maria Ioana Florea, Vlad Diaconița, and Iuliana Dorobăț

Abstract In this paper we will detail the business process analysis and modeling stage of designing an automated solution for banking, focusing on the management of the lending activities business process. We will present the resulting business process model as well as the entities model. The latter represents the base upon which we design a Data Mart needed for implementing a scoring algorithm and data mining algorithms for profiling clients. The data mart is part of a departmental data warehouse to ensure better flexibility in the analysis of current activity.

Keywords Business process • Business process modeling • Analysis • Optimization

1 Introduction

The efficient management of resources always represented a continuous challenge in the evolution of companies but the economic crisis the world has experienced has forced most institutions to fundamentally rethink their business models (Ion 2008). Better business processes have an essential impact on profitability, reduced costs, higher revenues, motivated employees, and happier customers. By using dynamic business processes companies can transform their business models to obtain greater cost optimization that allow the business to be agile by quickly responding to business needs as well as market events and opportunities (Ram et al. 2013).

As mentioned in Bara et al. (2012) current environment, when the fraction of time can determine the evolution of the organization, requires the existence of efficient solutions in which data are directly presented, quickly, with synthetic relevant possibilities for forecasting and advanced analysis. Business Process Modeling (BPM) aims to improve the performance of an organization by optimizing the efficiency of activities interconnected in the supply of a product or a service.

A.M.I. Florea (✉) • V. Diaconița • I. Dorobăț
Department of Economic Informatics and Cybernetics, Bucharest Academy of Economic Studies, Bucharest, Romania
e-mail: alexandra.florea@ie.ase.ro; diaconita.vlad@ie.ase.ro; iuliana.dorobat@ie.ase.ro

In this paper we are discussing a case study whose aim is to develop an integrated solution which automates the sales processes of a banking institution, with focus on the management of lending activities. The solution is developed following the steps of a methodology we have proposed in a previous work (Florea 2013) identifying strategic objectives, investigation, business process analysis and modeling, identification of technologies and software platforms to be used, simulation and implementation models, execution and system monitoring, evaluation and optimization of the solution. The methodology has been developed after studying several other proposals such as (Mu et al. 2013).

2 Analysis and Modeling of Business Processes

The aim of this stage is to correctly identify the requirements for the integrated system, the identification regarding both the functional and non-functional requirements. The analysis stage provides the necessary specifications for developing the system, on which the developers will rely. The first action is to identify and analyze the initial business requirements from the management of the banking institution. After several talks with the management team we have identified the following requirements, grouped by type: functional requirements and non-functional requirements.

The detailed functional requirements for this particular situation have been presented in the paper (Florea 2011). As presented in the mentioned paper, they regard the following areas for which the developed application must offer solutions: customer management; management of the credit products portfolio, the management of the sales areas; a module dedicated to defining and interpreting the financial indicators, that is easy to use and flexible; a module for loan applications management that includes: recording financial information of customer data registration guarantees deposited automatically; calculating and interpreting financial indicators; keeping a history of scoring and pre-scoring simulations made on loan applications; determine eligibility of loan applications; a lending analysis module.

The non-functional requirements we have identified relate to the technical characteristics of the solution and the technologies used to implement it. These regard mostly access to the system, security, requirements regarding data (confidentiality, efficiency), performance, flexibility and interconnection. A more detailed presentation was done in the article (Florea 2013).

From the analysis of the organisation's needs as well as the functional requirements previously identified a number of basic processes carried out within organization can be detached, processes that the solution must manage. A first such process is the management of credit products, process that is the responsibility of the lending department. The normal procedure involves the insertion of a new loan product by the product manager and an attempt to validate it. Following validation, the product is subject to approval by the department manager, which may give its consent in which case the product comes into the organization's portfolio, may

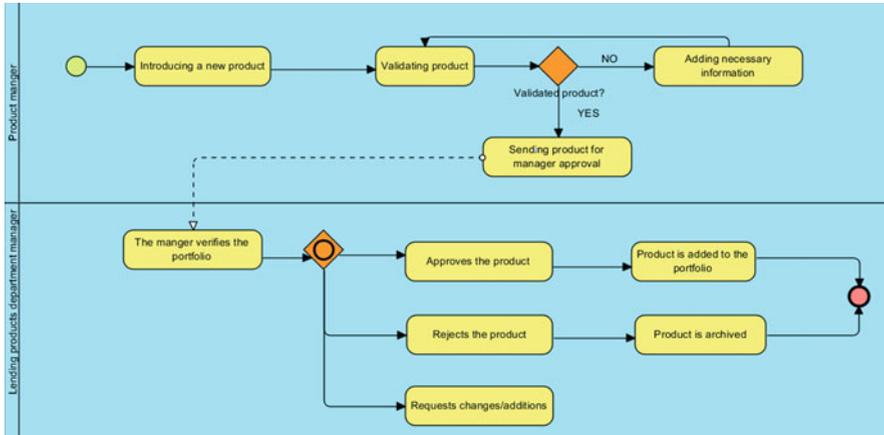


Fig. 1 The diagram of the lending products management process

rejected it or may require the completion of additions or modifications, when the product is taken over again by the manager product. Loan products are the cornerstone of the business which aims to optimize the solution so that special attention should be given to this process. A graphical representation of the process is presented in Fig. 1.

The pre-scoring process can be done repeatedly without involving contractual obligations or providing complete documents relating to the borrower. It aims to provide a preliminary assessment of the credit application launched by a client. Based on the results of this assessment the agent can guide the client to the product that would best meet their needs. Once the pre-scoring calculated for a given product, the customer can choose to repeat the procedure for the same product with other parameters or choose another product. All pre-calculated scorings are kept attached to the credit application to be accessed later by the client and have it be useful in choosing the right product, as shown in Fig. 2.

The scoring process is the logical continuation of the pre-scoring. It is conditioned by the implementation of the pre-scoring process, unable to execute without the precedent. This dependence goes both ways and we can have a pre-scoring not materialize and then launch a credit application and scoring calculation. The process starts by completing the information needed to launch the credit application. When launching the credit application documents are required from the client. These are loaded in electronic format and are stored in the SharePoint portal of the company. The SharePoint portal offers several document management facilities that can be used for this type of documents (Bates and Smith 2010). The required documents are scanned copies of the ID, the employment and house contracts.

In order to obtain a better score the customer can provide a number of guarantees. If this is the case we go to registration guarantees, otherwise we skip to the calculation of financial indicators. All the guarantees offered by the client to achieve a certain credit are validated by registering justifying documents

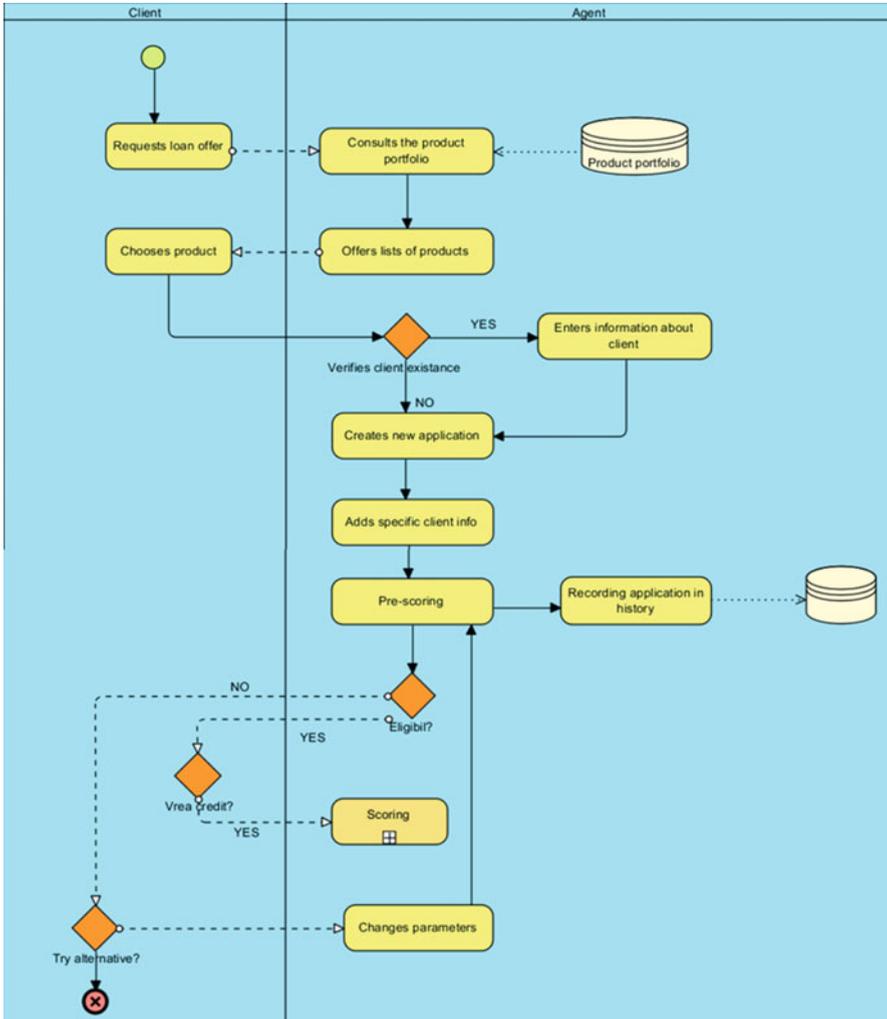


Fig. 2 The pre-scoring process diagram

electronically stored in the portal. Once entered all the relevant information in an application the calculation of financial indicators occurs. Based on information previously entered and the scoring algorithm its value is calculated as shown in Fig. 3.

Following the scoring calculation the application may be eligible or not. If eligible a repayment schedule is created. If the application is not eligible an analysis of the financial indicators occurs. After determining positive eligibility and creating the repayment schedule, the agent forwards the request to the central for final approval. It is possible that an application initially assessed as eligible to not receive

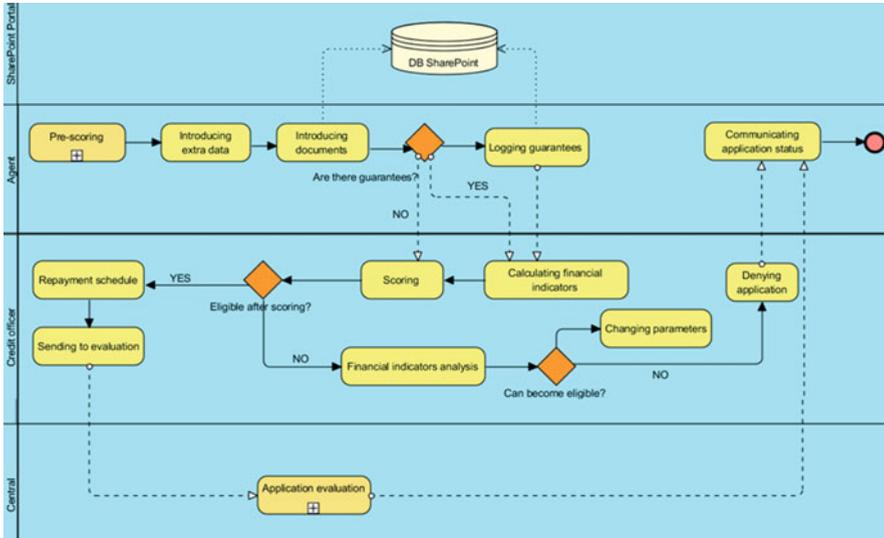


Fig. 3 The scoring process diagram

final approval. For applications assessed as ineligible after scoring, the agent makes an analysis of financial indicators and application parameters to identify opportunities for change in order to obtain eligibility. A decision on whether the analysis is possible to make changes that would result in change of status application is needed.

If it was established by the loan officer that the application may become eligible through changes to make these modifications are made and scoring calculation is resumed. After the application was forwarded to the central loan officer, a final examination is made based on information obtained from the credit bureau.

The application assessment process is the continuation of the scoring process and it is built on this by the central bureau. Within it there are applied the algorithms for determining the likelihood of contracting the credit and the amount that can be granted and based on the results the final evaluation of the credit application takes place.

As we can see in Fig. 4, after Scoring, we apply the data mining algorithm to determine the likelihood of contracting the loan. Once established the likelihood of contracting, the client is assigned to a predefined profile to see if it falls in the preferred credit granting area. The result of the clustering algorithms is checked and depending on the profile the client was classified in we move to the next algorithm or the application is refused. Once it is determined that the credit may be granted, the client being in the appropriate profile, it is established what is the amount that can be awarded based on the parameters specified in the scoring algorithm. If the assessment was positive, the central approves the requested credit and sends the result to the agent who handled the registration of the application. If the assessment was negative, the central rejects the credit requested and sends the result to the

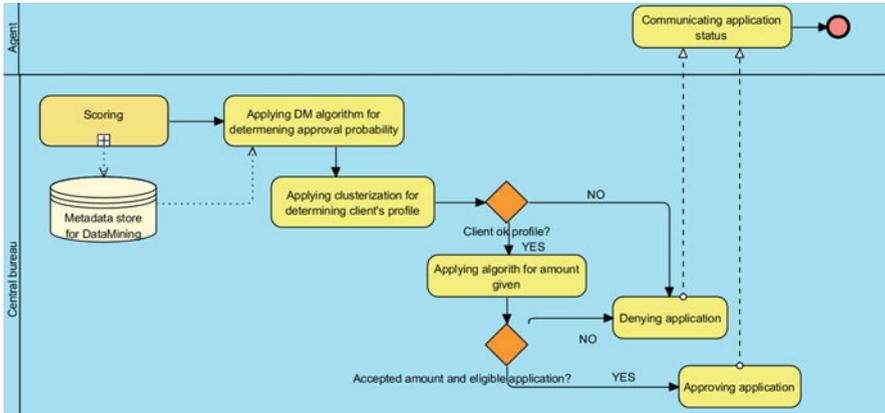


Fig. 4 The evaluation process diagram

agent who handled the registration of the application. The agent contacts the customer and notifies him of the final assessment, whether it is positive or negative.

3 Entities Analysis and Design

After completing the analysis of the operational processes and achieving a dynamic perspective on the system it is necessary to study it from the perspective of static structures. A first analysis of the business field leads to identification of the entities described below.

Individuals, Corporate, Authorized individuals will contain identification data and specific information such as name, tax identification code, often, phone, email, etc. Loan applications will contain common information as well as data specific to the type of client that launches the application. Essential information relate to the client, the desired product, the amount requested and the currency in which they will work. *Guarantees* contain information on the guarantees offered by customers to achieve the desired loan. It is related to loan applications because the client may provide guarantees for an application and not just a product. For an application more guarantees or none can be registered. *Documents* contain information on the documents provided for each loan application. For each new application it is required to provide a new set of documents that contain one or more documents. *Pre-scoring* represents the pre-scoring document created after the calculations required for a loan application. A pre-scoring calculation is performed for a single loan request and for an application more pre-scoring can be calculated. *Scoring* is similar to the pre-scoring, the difference is in the information included in the calculation algorithm. The relationship between scoring and loan applications is also similar to that of the application and pre-scoring. *Financial indicators*—for each scoring a number of financial indicators are calculated. A single set of

indicators is calculated for a single scoring. *Repayment schedule* contains information relating to the repayment schedule for an application for which the scoring was calculated. For each one there is only one repayment schedule. Rate of reimbursement provide details regarding the payments of the calculated repayment schedule. A schedule contains multiple rates, and the rates refer to a single schedule. *Products* is a class which contains information on loan products in the portfolio of the company such as product designation and minimum tenor. A product can be found on several loan applications, and an application is made for a single product. The connection between client and product is made through the application. *Notes* are both for products and for scoring and pre-scoring and mean that there can be attached additional information relevant to the item, in the form of notes. A note belongs to a single product, or scoring, and for any product, scoring or pre-scoring there can be one or more notes. *Users* contains information about the users of the solution, those who handle the loan applications. A user is working with one or more applications while an application has a single user responsible for managing it. *Territories* shows how work is organized on geographical territories, users having assigned one or more territories. A territory has one user assigned. *Sales areas* identifies how territories are divided into areas corresponding to major sales regions. A zone consists of several territories and a territory can be found in only one area. *Security roles* contain information on the role or roles that users may have in order to provide secure access to system data. A user can play several roles and a role groups several users. *Business units* contains information about departments in which users are grouped. A user can belong to a single department and a department consists of multiple users. *Teams* contains information on work teams that a user can be assigned to. Depending on the projects undertaken a user can work within one or more teams and each team is made up of multiple users.

Identified classes and their relationships are illustrated using the class diagram in Fig. 5.

The first step in refining the system design is refining the class diagram and fill it with attributes and operations. One of the main ways of refining is done through the generalization and specialization operations of classes, which allow the creation of new classes that cannot be directly identified through the functional specification document of the modeled information system. This generalization leads to the creation of new classes that will contain common attributes, operations and associations of an already identified group of classes.

It is noted that in this new chart a generalization was made of classes individuals *Individuals*, *Corporate*, *Authorized individuals* which resulted in the introduction of the Customer super class. This class will contain all the particulars common to the three types of clients such as name, address, phone, email, etc.

Regarding the *Loan applications* class the reverse process was applied, namely specialization, resulting in three subclasses that inherit *Loan applications*: *Individuals applications*, *Corporate applications*, *Authorized individuals*. This decision was taken because the financial information for each client who wants a credit is stored on the application level, which is variable in time and radically different depending on the type of client they work with.

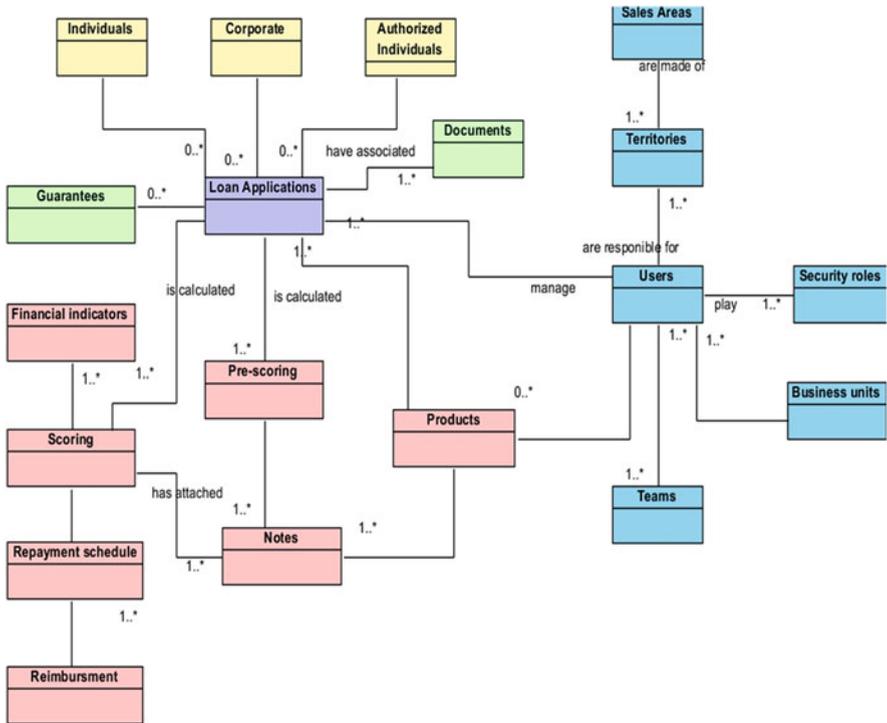


Fig. 5 Class diagram

The problem which arises when using inheritance is “what will happen with relationships?” There are two choices: they remain in the subclasses or they are put in the super class so as to represent a reunion of the subclass relationships. Both are correct, and for this particular case option two was preferred.

4 Conclusions

Business Process Management solutions are solutions that have demonstrated their value by increasing performance, productivity and decreasing processing time through automation and optimization of complex processes, managing workflow throughout the organization. These solutions are designed based on flexible standards, tailored to the needs of the organization and have a wide range of application so that they can be quickly implemented and easily configured according to the needs of beneficiaries, creating an infrastructure that connects users and applications.

In this paper we have studied the analysis and design stages for processes and entities in the design cycle of a solution that aims to automate the sales processes in

an institution. We have identified and developed a generic model of specific business processes for the analyzed banking institutions. The models we have obtained represents the base upon which we will design a Data Mart needed for implementing a scoring algorithm and data mining algorithms for profiling clients. The data mart is part of a departmental data warehouse to ensure better flexibility in the analysis of current activity.

Acknowledgement This paper was co-financed from the European Social Fund, through the Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/138907 “Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields—EXCELIS”, coordinator The Bucharest University of Economic Studies.

References

- Bara, A., Botha, I., & Velicanu, A. (2012). Solutions for increasing performance in business intelligence systems. In *The 11th International conference on informatics in economy, Education, Research & Business Technologies*. Bucharest, Romania, May 10–11, 2012.
- Bates, S., & Smith, T. (2010). *SharePoint 2010 user's guide: Learning microsoft's business collaboration platform (expert's voice in sharepoint)*. New York: Apress.
- Florea, A. (2011). Business process management solutions performance tuning and configuration. *Database Systems Journal*, *II*(3), 23–32.
- Florea, A. (2013). Database security for an integrated solution to automate sales processes in banking. *Database Systems Journal*, *IV*(1), 28–37.
- Ion, A. (2008). Knowledge management and e-learning. *Revista Informatica Economică*, *4*(48), 80–83.
- Mu, W., Benaben, F., & Pingaud, H. (2013). A methodology proposal for collaborative business process elaboration using a model-driven approach. *Enterprise Information Systems*, *IX*(4), 349–383.
- Ram, J., Corkindale, D., & Wu, M. (2013). Examining the role of organizational readiness in ERP projects. *Journal of Computer Information Systems*, *55*(2), 29–39.

Analysis of Information Systems in the Aspect of Managing Logistic Processes of Supply Chain

Dagmara Bubel

Abstract The aim of this paper is to analyze and evaluate information systems designed to support the management of logistic processes in the enterprises under analysis and their supply chains. It presents theoretical aspects of information systems used in the management of logistic processes. It describes research methodology and characterizes the population under examination. The paper also presents results of a survey of information systems used in the process of managing logistic processes in the enterprises analyzed and their supply chains. The paper presents current trends in the development of integrated information systems, concentrating on an effective coordination of partners in logistic supply chains through integration of information in IT systems of the different participants of supply chains. Continuously increasing market requirements force enterprises to react more quickly to changes in demand. Therefore the integration of information flow between the different partners of the logistic supply chain has to be accurate, both with reference to the content and time of receiving information.

Keywords Logistic processes • Information system • Enterprise • Supply chains

1 Introduction

The domain of logistic processes is management of the flow of materials and information within an enterprise and between entities to ensure customer-designed service at the lowest possible costs. Today, management of logistic processes takes place in the conditions of growing uncertainty, complexity, quick changes and high risk, which generates permanent need for information, which initiates the flow of goods and impacts its efficiency, enabling thereby their analysis.

According to the modern view, logistic processes mean integration of material and information streams, economic processes are understood through the prism of these streams, efficiency of their flow and costs (Nowakowska-Grunt 2011).

D. Bubel (✉)

Częstochowa University of Technology, Częstochowa, Poland

e-mail: dbubel@bg.pcz.pl

Processes of the flow of materials and information through an enterprise are implemented as part of a logistic process involving logistic processes of supply, production and distribution. As logistic processes of supply and distribution are connected with market, management of logistic processes involves acquisition, gathering, processing and forwarding a large amount of information before, during and after implementation of these processes.

Logistic processes of modern enterprises are characterized by a large complexity of the processes of the flow of material, financial and information resources that take place as part of them. A logistic process should be both flexible and open, highly consistent and strive at a higher degree of organization (Brzozowska 2013). Information enables rationalization of the flow of the streams of materials, capital, energy and people, coordination within a logistic process and its harmonious link with the environment.

An efficient management of a supply chain enables both physical transfer of goods and a flow of information about a particular transfer. During the circulation of goods in a logistic supply chain, information is very often modified. For that reason, IT systems of individual business partners designed to control the flow of information and goods in a supply chain have to guarantee integrity of all its links (Skowron-Grabowska 2010).

Enterprises, by deciding to purchase and implement an IT system, plan to improve their image in the eyes of their customers and at the same time improve the implementation of processes within an enterprise. Depending on the type of business activity and available funds allocated for the implementation, a particular IT system can have different functionality.

2 Information System and Management of Logistic Processes in an Enterprise and Supply Chains

An information system comprises an organization and the way of using information, which includes generating, writing, reading, storing, processing and forwarding information, as well as a set of techniques and technologies used in its organization and supporting its functioning (Jelonek 2009). The basic elements of an information system include: equipment, software, databases, telecommunication, intellectual capital and organization, resulting from the strategy of a company (Malara 2009). An appropriate information system is a condition for achieving high efficiency and effectiveness of logistic processes.

An information system comprises: an IT system, telecommunications system and traditional system for information handling, often called a manual system (Walczak and Tyrańska 2013). As a consequence of the globalization of the activity of enterprises and development of IT and telecommunications, a manual system becomes less and less important, whereas we can observe a tendency to integrate IT and telecommunications systems.

A logistic information system consists of information streams that link the executive elements of a logistic system with a management system and a set of procedures for information processing. This system allows for integration of numerous logistic processes and determines the synergy of logistic operations. It is strategic in nature, as it is designed and implemented to support the strategy adopted by an enterprise and is used to implement its objectives (Romanowska 2010). A logistic information system, due to its large impact on an enterprise's results and competitive position, should ensure information security.

For an information system to be effective, it has to meet the following quality requirements: availability, relevance, accuracy, completeness, comparability, reliability, processability, flexibility, efficiency, cost-efficiency, appropriate response time, detail, system stability, prioritization, confidentiality and safety. Apart from that, an information system should be ergonomic, which is connected with ensuring user-friendliness of an IT system (Adamczewski 2012). The integration of information flow makes a logistic process effective, open and capable to overcome barriers occurring in the processes of flow, which makes an enterprise's activity adapted to the needs and expectations of customers and changes in the environment.

In practice, management of the flow of materials and information takes place within an enterprise, supply chains or supply networks. Modern management of supply chains is based on a decision making process connected with synchronization of physical, information and financial streams of demand and supply that flow between its participants to ensure they achieve a competitive advantage and an added value is created for the benefit of all its links, customers and other stakeholders (Ciesielski 2011). Supply networks comprise a group of independent companies that compete and cooperate to improve the efficiency and effectiveness of the flow of products and accompanying information in accordance with customers' expectations.

In enterprises that constitute links of a supply chain, it takes longer to acquire and convey information with higher probability of its distortion, which may lead to failure to deliver an order on time and loss of a customer to a competitor. If no comprehensive IT solutions are used in a supply chain, then the risk of errors in information conveyed by subsequent links is very high. Additionally, due to a long time of information acquisition, it can become outdated and useless after some time.

Properly organized flow of information significantly impacts the effectiveness of a supply chain. IT systems are increasingly used to support decisions regarding logistic processes in supply chains. It should be however stressed that it takes effort and time to design and build an IT infrastructure integrating the entire supply chain. A system working in such an infrastructure has to very quickly react to changes in the demand and other factors, setting up and automatically adjusting the production plan and shipments of goods to the next link of the supply chain (Hałas 2011).

Modern information technologies enable quick exchange of increasingly detailed data about demand and supply. The difficulty lies in integrating data possessed by enterprises constituting links of a supply chain so that they best reflect the specificity of logistic processes, markets and final customers. Difficulties in

integration and synchronization of IT systems in a supply chain may lead to irregularities in information transmission, which has a negative effect on competitiveness of a particular supply chain (Jarzębowski and Klepacki 2013).

It is thus necessary to look for the best solutions to improve logistic processes in order to ensure required level of customer service at the lowest possible costs. An information system plays an important role in managing logistic processes in an enterprise and supply chains, as thanks to it they can adequately respond to market needs, reduce the level of uncertainty in logistic processes, effectively solve current logistic processes, identify the areas that require taking corrective measures and introduce product and process innovations. Investments in an effective information system allow enterprises to take actions aimed at increasing operational effectiveness, constant increase in revenues, increased market share and achievement of competitive advantage.

3 The Information System in the Enterprises Analyzed and Their Supply Chains: Selected Aspects

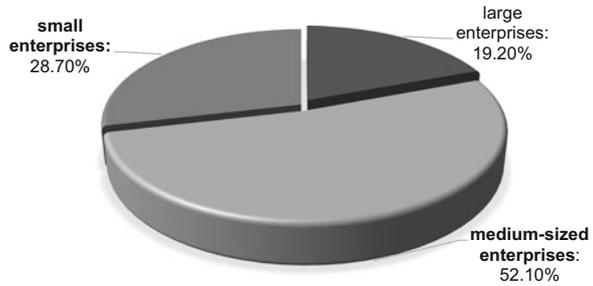
For the purpose of this paper, an empirical study was conducted concerning logistic processes of enterprises in the Silesian Voivodeship. The aim of the study was to analyze the tools designed to support the management of logistic processes in the enterprises analyzed and their supply chains. The method used to gather data was a direct interview with people responsible for logistic processes in the enterprises analyzed. A survey questionnaire was used during interviews to standardize and organize questions and answers provided to them. The research material was gathered in 2014, and the survey conducted covered the period 2012–2013.

The survey was conducted on 100 enterprises from the Silesian Voivodeship with different competitive positions on the market. Large enterprises accounted for 19.2 % of the enterprises examined. Medium-sized enterprises constituted 52.1 % of the research sample. Small enterprises accounted for 28.7 % of the companies examined. The survey examined services enterprises from the food sector, as shows Fig. 1.

The research material gathered was processed and the results received were systematized. The material was processed using methods of analysis and synthesis. The results presented refer to an information system supporting the management of logistic processes in the enterprises surveyed and their supply chains.

As already mentioned, the aim of the survey was to analyze logistic processes of the enterprises analyzed. Respondents were asked to indicate the importance of logistic processes in the enterprises analyzed. The analysis of the survey results allowed for the conclusion that between 2012 and 2013 logistic processes implemented in 42.8 % of the enterprises surveyed were a response to market conditions. In 45.7 % of the companies analyzed, logistic operations and solutions pervaded the whole enterprise and were intended to coordinate the flows of

Fig. 1 Distribution of enterprises participating in the survey



materials and information in the whole supply chain, whereas 37.3 % of the enterprises surveyed optimized logistic processes in the whole supply chain, as shows Fig. 2.

Between 2012 and 2013, processes of the flow of materials and information were not coordinated in the whole supply chain in most of the enterprises surveyed. However, more and more companies analyzed optimized the flow of materials and information in the whole supply chain. It should be stressed here that none of the respondents indicated that a close integration of logistic processes refers to the whole system of delivering value to the customer. As already stressed, in today's market conditions enterprises should attempt to manage logistic processes in an integrated supply chain, which requires involving all the participants in the creation and transformation of the processes of a supply chain. Studies confirmed that enterprises optimizing the flows of materials and information in the whole supply chain achieve significantly better results than the other market participants.

The survey analyzed the degree of cooperation of the enterprises examined in a supply chain. 32.8 % of the companies surveyed defined their relations as cooperation to achieve benefits from common action and meet customers' needs. Every fifth enterprise closely cooperated with suppliers and customers and had common systems for information sharing in a supply chain. 17.0 % of respondents defined the relations in the supply chain as partnership based on exchange of strategic and operational information.

The analysis of the survey results allows for the conclusion that the vast majority of the enterprises surveyed have no information system that enables them to take logistic decisions in the whole supply chain that are most adequate to changing market conditions, which has a negative effect on the results of enterprises constituting links of a supply chain.

Respondents were asked to indicate IT tools that support the management of logistic processes in the enterprises surveyed. Between 2012 and 2013, 17.0 % of the enterprises surveyed used a WMS designed to manage warehouse processes. IT systems of the WMS class precisely handle logistic aspects of a warehouse management such as: logistic parameters of various forms of packaging, classes of storage places, designations of storage locations in the form of bar codes and many others. A WMS enables analysis of stock levels by selected criteria (Pietrzak 2012).

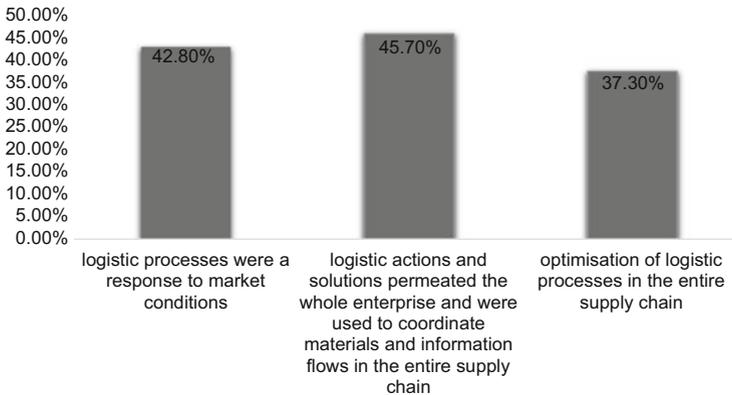


Fig. 2 Significance of logistic processes in the enterprises surveyed

In the period under analysis, 27 % of enterprises used a system of the ERP type, which is designed to manage the whole enterprise, to support the management of logistic processes. The ERP system (Enterprise Resource Planning) should be defined as a multi-module IT system designed to support management of a wide group of actions implemented in enterprises. Software of this class usually supports data gathering, storage, production planning, procurement, stock management, contacts with customers, tracking the completion of deliveries, accountancy and finances and management of human resources (Krupa 2013). Respondents stressed that a well implemented system brings the following benefits:

1. it allows the level of stocks to be reduced by precisely planning and implementing production processes, which shortens the length of the cycle of supplies and decreases the level of the work in progress;
2. it leads to the reduction of material costs as a result of grouping orders (following the concept of Economic Order Quantity—EOQ);
3. it ensures a smooth flow of production—thanks to an effective planning, the number of downtimes and factory rejects decreases;
4. it enables fast reaction to changes in customers' orders and problems with deliveries and control the collection of sums due;
5. it enables analysis and reporting on a continuous basis

It also has one more key advantage—it ensures a new look at the processes being implemented. The implementation of a system forces employees to analyze the course of processes and often to optimize them; it enables organization and elimination of unnecessary activities, and at the same time finding, often innovative, solutions to perform activities that are essential in an every-day operation of an enterprise. The main advantage of implementing this IT system, according to those surveyed, is data processing at one place, which ensures an enterprise a stable foundation for further activity. This system is a tool for conducting real-time analyses and reporting on key areas of the activity conducted by a company. It is

also important that the system enables accurate planning and analysis of processes taking place within an enterprise without controlling external events involving customers and suppliers of an enterprise (Nettsträter et al. 2015).

A system of the SCM type, which is used in managing a supply chain, was used by 18.5 % of the enterprises surveyed. The basic elements of SCM include planning of material flows at each stage, from the moment of their extraction to the delivery of a finished product to the customer, and joint designing of products, planning demand and supply, tracking the stock levels, organization of shipments and joint management of information. A SCM system integrates the links of a supply chain in order to increase its competitiveness and flexibility. Data exchange between the links of a logistic supply chain is the basic task of SCM systems. SCM manages the flow of information, goods and services, integrating the whole supply chain.

SCM systems are among the most complex IT systems in terms of functionality. The following constitute the basis for functional areas (Sobieska-Karpińska and Hernes 2012):

1. Supply Chain Planning software, SCP, that covers supply chain planning, demand and supply planning, production planning and transportation planning,
2. Supply Chain Execution, which uses the information generated in SCP, and its functionality covers: materials management, including availability of materials at the right place and time, coordination of all production processes, availability of ordered products, coordination of transport in the supply chain and warehouse management,
3. elements connected with the coordination of a supply chain, whose task is to manage events and efficiency,
4. elements connected with the optimization of a supply chain, which refer to the decisions connected with limited time resources, all types of limits of raw materials or production capacity, performance targets or optimization,
5. elements connected with cooperation within this chain, consisting in supporting CPFR (Collaborative Planning, Forecasting and Replenishment), VMI (Vendor Managed Inventory) and SMI (Supplier Managed Inventory).

The basic short-term negative factor is high cost of designing and implementing the system in the logistic supply chain. So, the implementation of an SCM system is not a way to generate short-term savings. In the long-run, this disadvantage turns into an advantage, as a good implementation of a SCM and its proper use by the properly trained staff leads to savings through improving the quality of the processes being implemented and reducing problems with creating stocks and maintaining them at the right level, in the particular links of the supply chain.

Other benefits of SCM, according to the respondents, include simplification and improvement of complicated processes of the logistic supply chain, improvement of the quality of customer service and increasing the effectiveness of using the working time by employees. It should also be added that a properly used SCM system will prevent situations when a customer order is accepted for a product that is no longer manufactured or is currently being redesigned (Grębowiec 2012). SCM systems are technologically highly advanced. They provide tools for managing the

whole chain—from designing and determining the source of the supply of materials through demand planning and distribution, to delivering a finished product to the consumer. Despite the complexity of SCM and difficulty with using it in the different links of the logistic supply chain, benefits of using it are an argument for the implementation of the system (Jałowiecki 2012). The most important benefits of using SCM, according to the respondents, include:

1. obtaining detailed information that allows a manufacturer to plan the size and duration of a production cycle in such a way that ensures shortening the cycle of delivering an order,
2. reaction time—depending on the increase or decrease of the demand, the system of orders detects changes early enough to ensure that appropriate actions are taken to increase or decrease the number of orders,
3. cost reduction and savings as a result of synchronization of the whole supply chain and optimization of the fulfillment of the market needs,
4. reduction of stocks.

The implementation of an SCM system should be preceded by the implementation of an ERP system into the company's environment. SCM systems are often considered to be solutions that are complementary to ERP systems (Kanicki 2011). It should be noted that an ERP system works with an SCM system. Customer information is collected by an CRM system, and the effects of the analysis of the information are sent to an ERP system, e.g. in the form of orders for finished goods or designs of new products compliant with customer requirements. The situation is the same with management of a supply chain: information generated from an SCM system is sent to an ERP system and is used, e.g. to deliver production orders connected with changes in market demand. A new perspective on IT systems assumes cooperation between the different links in a supply chain.

In the enterprises surveyed, which implemented IT systems to support management of logistic processes, many of the above-mentioned benefits have been observed. Most often, the respondents indicated the following benefits: improvement of the level of customer service (67.2 %), decreased number of errors (65.6 %), fast flow of information (61.9 %), improvement in timeliness of deliveries (59.7 %), accurate information (56.9 %), shortening the time taken to deliver an order (57.2 %), better identification of customer requirements and expectations (59.1 %), decreased number of documents (57.2 %), increased flexibility of an enterprise (54.8 %), and reduction of the level of stocks (42.8 %). The survey confirmed that in today's market conditions the use of IT systems to support the management of logistic processes has a positive impact on the results of enterprises and supply chains. The respondents were asked to indicate barriers to the improvement of logistic processes. Inappropriate IT technologies constituted a significant barrier to the improvement of logistic processes in 21.8 % of the enterprises surveyed. Benefits of implemented IT systems supporting management of logistic processes shows Fig. 3.

Results of the survey allowed for the conclusion that in most enterprises the logistic information system was dominated by a traditional information system

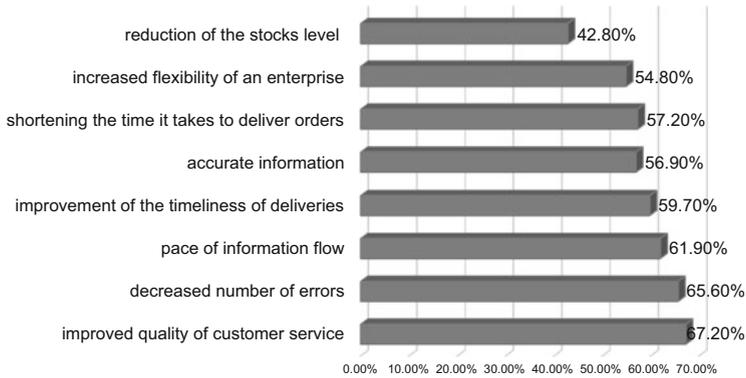


Fig. 3 Benefits of implemented IT systems supporting management of logistic processes

where paper is the basic information medium, and the basic methods of information exchange were sending it physically and direct interpersonal contacts. In the rest of the enterprises, IT and telecommunications technologies as well as traditional methods of handling information were used in the information system supporting the management of logistic processes. Between 2012 and 2013, in 32.5 % of the enterprises surveyed changes in the logistic system involved the use of new technologies for information and communication. 71 % of the survey participants indicated that in the period under analysis the effect of logistic actions and solutions was improvement of information flow.

The survey shows that in the period under analysis the processes of materials and information flow significantly impacted the results of the enterprises surveyed and their supply chains. In the period of market turbulences, logistic processes constituted mainly a tool for implementing economic objectives of an enterprise. More and more respondents are convinced that there is a huge potential of possibilities to improve the management of logistic processes in the enterprises surveyed. According to the survey participants, the biggest barrier to the improvement of the existing logistic system is lack of financial resources for implementing modern IT technologies.

4 Effectiveness of the Flow of Information in the Supply Chain in the Enterprises Surveyed

The information flow also encounters problems connected, among other things with the use of different formats of information and data, different information media and various IT systems used by partners for management in the supply chain. These problems constitute a barrier to information flow in this chain. An effective flow in the supply chain is multi-directional—upwards the supply chain in the form of an order, and downwards the supply chain as dispatch advice. Understanding the

necessity for increasing trust to business partners in the logistic supply chain (Nogalski 2009) and providing a wider access to important information for achievement of the common goal are the fundamental conditions for informational integration of the supply chain. Understanding the necessity of increasing confidence in business partners in a logistic supply chain and making important information more widely available for the achievement of a common goal are basic conditions for informational integration of a supply chain, which allows the chain to be effective and flexible and enables information exchange both between partners of the supply chain and between the supply chain and its environment (Qrunfleh and Tarafdar 2014).

Apart from fulfillment of these conditions, in order to eliminate the barriers to the flow of information, it is also necessary, according to the respondents, to:

1. implement standards for information writing, reading, recording and flow,
2. use bar codes and electronic markers as effective information media,
3. implement information carriers that have a programming function,
4. use both mobile and non-mobile devices for identification and enabling information flow,
5. record input and output data of every process taking place in a logistic supply chain,
6. use IT systems adapted to mutual communication.

In a complex supply chain, in which information flow does not function properly, a lot of threats can appear. The most popular ones, encountered in the logistic supply chain of the enterprises surveyed, include: delays in deliveries, when a supplier does not respond fast enough to changes in the demand, incorrect forecasts, when forecasts have been based on incomplete or outdated data—in such a situation the production plan may greatly deviate from the current demand, or there may be excessive or insufficient stocks—both these situations are disadvantageous and usually result from an incorrect forecasts.

5 Conclusion

Currently, management of logistic processes requires that decisions are taken fast based on a huge amount of data in the conditions of increasing uncertainty and complexity of the environment. An appropriate information system is a condition for high efficiency and effectiveness of logistic processes. It creates foundations for solving logistic problems at a global scale, in changing market conditions. It is obvious that an information system used as a tool to support the management of logistic processes should be adapted to the strategy of an enterprise perceived as something separate or part of the supply chain. The survey confirmed that enterprises optimizing materials and information flow in the entire supply chain achieve much better results than the other market participants.

The analysis of the survey results also shows that the biggest barrier to the improvement of the existing logistic information system in the enterprises surveyed and their supply chains is lack of financial resources for implementing IT technologies. Thus, the creation of a logistic information system has to be preceded by an in-depth analysis of the conditions of logistic processes and investment possibilities of an enterprise. An information system of every enterprise is an individual, unique solution.

Information allows for rationalization of materials flow, coordination within a logistic process and its harmonious link with the environment. Today logistic processes are understood as integration of material and information streams. The integration of information flow makes a logistic system effective, open and capable of overcoming barriers occurring in the processes of flow, which leads to adaptation of the operation of an enterprise to customer wishes and expectations and changes in its environment.

An efficient and effective management of materials flows in an enterprise and supply chain is not possible without investing in an effective information system. Management of logistic processes in global enterprises and supply chains that is effective and adequate to changing market conditions is now possible only by means of the latest information and telecommunication technologies.

A properly organized information system enables reduction of the level of uncertainty in logistic processes, effective solving of current logistic problems, identification of the areas that require taking corrective measures and introduction of product and process innovations. An appropriate information system also enables effective communication with the customer, early warning and response to signals of irregularities in customer service. Thus, investments in an effective information system make it possible to take actions to create and maintain strategic advantage of both enterprises and supply chains. An information system plays a fundamental role in managing logistic processes in an enterprise and supply chains.

The survey shows that the vast majority of the enterprises surveyed do not possess integrated IT systems supporting the management of logistic processes in the entire supply chain, which has a negative effect on acquisition of information that is necessary for fast and adequate response to changing market conditions. The largest, most competitive enterprises of those surveyed and their supply chains attached huge importance to creating an effective information system. Thanks to information in possession, in the period of market slowdown and destabilization, they took actions that made them more adaptable to quickly changing market conditions, which allowed them to create and maintain competitive advantage. Respondents from such enterprises stressed that the use of modern IT technologies had a very positive impact on the course of logistic processes in an enterprise and the entire supply chain, which led to a better customer service without incurring unnecessary costs. Building such a system is very difficult in practice, but creating supply chains and building mutual partner business relations is today a necessary element in building a strong position on the market. Standardization opens up global horizons, and business activity may go beyond regional markets. Investing in the development of entire supply chains—equipping them with advanced IT

tools—will allow enterprises to secure themselves against market changes and resulting costs connected with capital freeze and planning mistakes. This direction in the development and evolution of IT systems is inevitable and opens up new possibilities for enterprises to build a strong organization with a stable economic position.

References

- Adamczewski, P. (2012). E-logistyka jako czynnik rozwoju organizacji inteligentnych w gospodarce opartej na wiedzy [E-logistics as a development factor of intelligent organisations in the knowledge economy]. *Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu*, 40, 13–28.
- Brzozowska, A. (2013). Zarządzanie w globalnych sieciach transportowych [Management in global transport networks]. *Gospodarka Materiałowa i Logistyka*, 10, 10–17
- Ciesielski, M. (2011). Definicje i zakresy pojęć logistyki oraz sieci dostaw [Definitions and delimitations of concepts of logistics and supply network]. *Gospodarka Materiałowa i Logistyka*, 5, 2–4.
- Grębowiec, M. (2012). Systemy informacyjne i ich zastosowanie w logistyce produktów żywnościowych [Information systems and their use in food logistics]. *Logistyka*, 4, 947–959.
- Hałas, E. (2011). Rola standardów identyfikacyjnych i komunikacyjnych w nowoczesnym łańcuchu dostaw [Role of identification and communication standards in the modern supply chain]. *Zeszyty Naukowe/Szkoła Główna Handlowa. Kolegium Gospodarki Światowej*, 31, 183–195.
- Jałowiecki, P. (2012). Informatyczne wspomaganie logistyki w przedsiębiorstwach przetwórstwa rolno-spożywczego w Polsce [IT support of logistics in agricultural and food processing enterprises in Poland]. *Logistyka*, 6, 477–485.
- Jarzębowski, S., & Klepacki, B. (2013). Łańcuchy dostaw w gospodarce żywnościowej [Supply chains in food economy]. *Zeszyty Naukowe SGGW Ekonomika i Organizacja Gospodarki Żywnościowej*, 103, 107–117.
- Jelonek, D. (2009). Przegląd wybranych koncepcji pozyskiwania informacji o otoczeniu przedsiębiorstwa [Overview of selected concepts of acquiring information about an enterprise's environment]. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu. Informatyka Ekonomiczna*, 13, 112–121.
- Kanicki, T. (2011). Systemy informatyczne w logistyce [IT systems in logistics]. *Ekonomia i Zarządzanie*, 3, 87–97.
- Krupa, M. (2013). Uwarunkowania realizacji projektów informatycznych (ERP) w ramach sektora mśp w Polsce [Conditions of implementing IT projects (ERP) in SME sector in Poland.]. *Zeszyty Naukowe Uniwersytetu Szczecińskiego. Ekonomiczne Problemy Usług*, 102, 532–542.
- Malara, Z. (2009). Umiejętność zarządzania wiedzą i kapitałem intelektualnym jako czynnik sukcesu współczesnego przedsiębiorstwa [Ability to manage knowledge and intellectual capital as a success factor of the modern enterprise]. *Prace i Materiały Wydziału Zarządzania Uniwersytetu Gdańskiego*, 2(3), 809–821.
- Nettsträter, A., Geißen, T., Witthaut, M., Ebel, D., & Schoneboom, J. (2015). *Cloud computing for logistics*. Cham: Springer.
- Nogalski, B. (2009). Modele biznesu jako narzędzia reorientacji strategicznej przedsiębiorstw [Business model as tools for strategic re-orientation of enterprises]. *Master of Business Administration*, 17(2), 3–14.
- Nowakowska-Grunt, J. (2011). Strategie przedsiębiorstw na rynku usług logistycznych w Polsce i Europie [Strategies of enterprises on the market of logistic services in Poland and Europe]. *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*, 235, 291–300.

- Pietrzak, P. (2012). Specyfika i wdrożenia magazynowego systemu informatycznego (WMS) na gruncie polskich przedsiębiorstw [Specificity and implementations of a warehouse management system (WMS) in Polish enterprises]. *Logistyka*, 2, 957–964.
- Qrunfleh, S., & Tarafdar, M. (2014). Supply chain information systems strategy: Impacts on supply chain performance and firm performance. *International Journal of Production Economics*, 147, 340–350.
- Romanowska, M. (2010). Przełomy strategiczne w przedsiębiorstwie [Strategic breakthroughs in an enterprise]. *Studia i Prace Kolegium Zarządzania i Finansów/Szkoła Główna Handlowa*, 98, 7–15.
- Skowron-Grabowska, B. (2010). *Zarządzanie łańcuchem dostaw w teorii i praktyce*. Częstochowa: Sekcja Wydawnictwa Wydziału Zarządzania Politechniki Częstochowskiej.
- Sobieska-Karpińska, J., & Hernes, M. (2012). Wykorzystanie metod consensusu w procesie zarządzania łańcuchem dostaw [The use of consensus methods in the process of supply chain management]. *Studia Ekonomiczne, Uniwersytet Ekonomiczny w Katowicach*, 113, 195–208.
- Walczak, M., & Tyrańska, M. (2013). Systemy informacyjne w zarządzaniu operacyjnym [Information systems in operational management]. *Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie*, 922, 47–62.

Risk Management at Lithuanian Farms

Laura Girdziute and Astrida Miceikiene

Abstract Market grounds organized business involves risks as a consequence of various factors. So rapidly changing market conditions, increase competition and intensify the need to evaluate and manage risk. If risk is not evaluated it can lead to loss or even bankruptcy. Agricultural business organizations are facing with risk more than other business sectors, because agricultural products and services are related to natural processes and biological assets: plant's and animal's diseases. Agriculture is particularly exposed to adverse natural events, such as insect damage and poor weather conditions, what negatively impact production. Agriculture is unique sector mainly because of these reasons: seasonality; agricultural products are more prone to damage; climate fluctuations; agricultural demand, supply and price fluctuations. So in agriculture it is very important to evaluate and manage agriculture risk, only then will be possible to make effective decisions on time. Risk analysis helps simultaneously identify threats caused by several types of risk, which leads to an increased efficiency of economic decision-making. In order to make effective decisions at farm, it is necessary identify the main factors of the farm risk and to find the most appropriate management measures.

Keywords Farm risk • Risk factors • Risk management

1 Introduction

Risk evaluation and minimization should be very important to the society as a whole, because agriculture industry supplies the main survival source—food. Agriculture activity depends on production circles, biological asset and weather conditions. And because of that it slower adapts to changes in the market, demand is less elastic. So it is very important to evaluate and manage risks in agriculture.

L. Girdziute (✉) • A. Miceikiene
Faculty of Economics and Management, Aleksandras Stulginskis University, Akademija,
Lithuania
e-mail: girlau@gmail.com; astrida.miceikiene@asu.lt

Analyzing risk in agriculture context, it is possible to find researches that analyze individual risks or that are focused on general studies on risk assessment. Lithuanian researchers developed risk assessment models which were adapted for banking industry mostly. They analyses financial, business, credit and currency risks. Their created models were adapted for Lithuania's conditions.

As it was mentioned before, the assessment of individual risks has been widely analyzed. And risk occurrence in the agriculture sector has its own subtleties (Slovic 2001; Meuwissen et al. 2001; Hagigi and Sivakumar 2009; Pflieger 2000). Only a few years ago, researchers started to note advantages of integrated risk assessment and management.

The aim of this article is to analyze main types of agricultural risks, to exclude main risk factors of Lithuanian farms and to present the most effective risk management framework. To achieve this aim these steps will be carry out: risk types in agriculture will be discussed, the most popular risk assessment methods will be presented and in the end risk management framework for Lithuanian farms will be created. Methodology of this research covers general methods (deduction, induction, analysis and synthesis of literature) and graphic imaging technique.

2 Risk in Agriculture

Risk evaluation and minimization should be very important to every business, especially those that works in agriculture field. Agriculture activity depends on production circles, biological asset and weather conditions and many other factors. It is indicated that the following factors predetermining the specificity of agriculture (Harangus 2008; Brain 2010): environmental protection restrictions; long production cycle; seasonality; fluctuations in agricultural produce prices; agricultural products are perishable; variability in prices of raw materials; seasonality; a long production cycle; fluctuations in agricultural produce demand and supply; high transportation prices lead to an increase in product prices, which entails higher economic risk; climate changes.

In literature these types of risks are analyzed: economic, personal, politic, production. Their description and features are explained in Table 1.

As it is seen in Table 1, agriculture risks have different sources, but they also are related to each other. After analyzing risk and their features, it is possible to identify interaction between them. Farmers decides what kind of crop to produce according to situation in market, price level, what kind of policies are in his/her country, to the climate and in what region is his/her land, and of course in any kind of decision making process it is very important farmers personal opinion and expectations. So it seen that production risk is related to economic, political and personal risks. Economic risk depends on political situation in the country, and also depends on various regulations. Financial risk depends on legislation (that is part of political risk) and on general economic situation in the country. So analyzing risks in agriculture and seeking to evaluate them it is difficult to separate different types of risk.

Table 1 Risk types in agriculture and their features

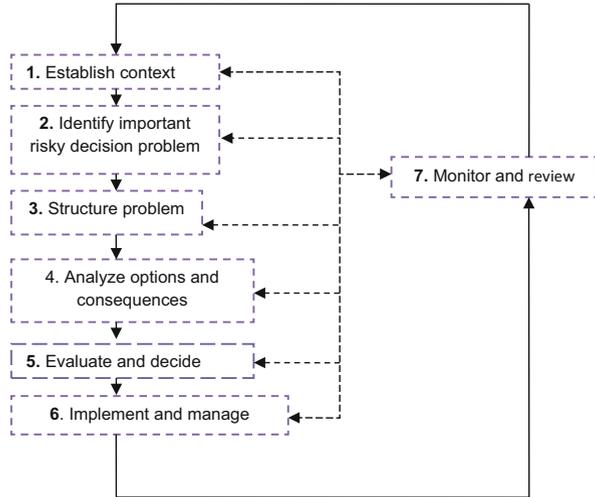
Risk type	Features
Production	Risk occurs because agriculture is affected by many uncontrollable events that are often related to weather, including excessive or insufficient rainfall, extreme temperatures, hail, insects, and diseases. Technology plays a key role in production risk in farming. The rapid introduction of new crop varieties and production techniques often offers the potential for improved efficiency, but may at times yield poor results, particularly in the short term. In contrast, the threat of obsolescence exists with certain practices (for example, using machinery for which parts are no longer available), which creates another, and different, kind of risk.
Financial	This type of risks depends from the way the firm's capital is obtained and financed. A farmer may be subject to fluctuations in interest rates on borrowed capital, or face cash flow difficulties if there are insufficient funds to repay creditors. The use of borrowed funds means that a share of the returns from the business must be allocated to meeting debt payments. Even when a farm is 100 % owner financed, the operator's capital is still exposed to the probability of losing equity or net worth.
Personal	This type of risk may result from such events as death, divorce, injury, or the poor health of a principal in the firm. In addition, the changing objectives of individuals involved in the farming enterprise may have significant effects on the long run performance of the operation.
Political	This risk results from changes in policies and regulations that affect agriculture. This type of risk is generally arise from changes in policies affecting the disposal of animal manure, restrictions in conservation practices or land use, or changes in income tax policy or credit policy, subsidies granting.
Economic	This type of risk is related to trade transactions and participants opportunities to meet its obligations under certain economic conditions in the country. This risk reflects the country's economic risk indicators.

Source: Girdžiūtė (2012)

It is important to draw attention that a different risk type occurs at different levels: economic and political risk mostly occurs at country level and personal, financial, production risk occurs at farm (company) level. Because of this reason risks in agriculture can be divided into two main groups: controlled and uncontrolled. In this case agricultural risk allocation would look next: (1) economic and political risks would be analyzed as uncontrolled risk; (2) production, financial, personal risks would be analyzed as controlled risk.

In this article one of the production risk factors is natural condition. Agribusinesses cannot control the natural conditions and climate change, therefore based on these conditions they may take appropriate management decisions, i.e. agricultural activities diversification, use of insurance services, change the nature of their activity and the like. As the main target of this research is risk management at farm, so further only production, personal and financial risks will be analyzed.

Fig. 1 Steps in risk management. *Source:* Hardaker et al. (2004)



3 Risk Evaluation and Management Process

Risk management may be divided into a number of steps that should be gone through in a routine and cyclic way by every organization. Usually risk management process is divided in four main steps: identification, evaluation, management and monitoring. A more detailed description of the risk management process is given in Fig. 1.

Step—establish context, includes environment in where farm operates. It includes farm management strategy, farm strength, opportunities, weaknesses, and threats. Step which identify risky decision problem includes situation modulation and answer to question “what if?”. Next step—structure problem, identifies the risk itself. At this step risk factors and interested parties are established. Then options and consequences are analyzed—the best possible solutions for farm are selected. The last steps are deciding what risk management path to follow and then implementation of that decision follows. Forasmuch as all decisions in agriculture are related to imperfect information and changing environment monitoring and review step is necessary for risk management process.

Decisions in agriculture are more risky than in other business sectors, because agriculture depends on weather conditions and biological asset (plants and animals). All these reasons only show that risk evaluation and management in agriculture sector request special attention.

One of the most important steps of risk management is risk evaluation. In this step it is necessary to find risk evaluation method who’s results will be interpreted and management decisions will be made. So risk evaluation results should be as much accurate as possible. In literature we can find a lot of quantitative and qualitative methods for risk evaluation (Wang et al. 2014; Rasche 2001; Ahmed et al. 2007; Bandyopadhyay et al. 1999; Dimitrakopoulos et al. 2010; Laskienė and

Snieška 2003; Maart-Noelck and Musshoff 2014). The diversity of the methods is given in Table 2.

According to Medova and Smith (2005), Kapustka et al. (2010), Iscoe et al. (1999), Tanaka and Muromachi (2003) the best way to evaluate risk at farm level is to use integrated risk assessment methods. Integrated assessment gives more accurate situation evaluation than individual risk assessment. Therefore methods given in Table 2 are able to evaluate only different kinds of individual risk.

Factor and reliability analysis can be used for integrated risk assessment for these reasons (Cherchill 2000; DeVellis 2003; Field 2005; Čekanavičius and Murauskas 2002): (1) factor analysis helps replace the set of characteristic features of the phenomenon analyzed by a combination of only several dimensions (factors); (2) factor analysis helps to reveal certain dimensions (factors); (3) factor analysis shows how variables in each group can be linked by some directly unobserved factor; (4) factor analysis helps to reduce data volumes by preserving the original information as much as possible and to make certain conclusions; (5) using factor analysis analyzed information becomes more concentrated and concrete; (6) reliability analysis presents the consistency of research results and the quality of measurement; (7) reliability analysis is used for justifying the suitability of analyzed variables; (8) the reliability test identifies how accurately and reliably the analyzed structure of features can reflect the phenomenon at issue. Meanwhile validity measures for factor and reliability analyses are introduced and described in Table 3.

Table 2 Risk evaluation methods

Quantitative	Qualitative
Variation-covariation method	What if?
Fuzzy matrix	Scenario analysis
Monte-Carlo simulation	Event Tree Analysis-ETA
Cost-Benefit Analysis—CBA	Fault Tree Analysis-FTA
Risk-at-value	Critical analysis

Table 3 Factor and reliability analysis validity measures

Full name of the indicator	Indicator abbreviation	Indicator validity range
Kaiser-Meyer-Olkin measure of sampling adequacy	KMO	$0.5 \leq \text{KMO} < 1.0$
Descriptive power of the factor	%	$0.1 \leq \%$
Item-total-correlation	i/tt	$0 < i/tt$
Mean correlation between estimators	r_{mean}	$0 < r_{\text{mean}}$
Minimum correlation between estimators	r_{min}	$0 < r_{\text{min}}$
Maximum correlation between estimator	r_{max}	$0 < r_{\text{max}}$
Factor weighting	L	$0.5 \leq L$
Cronbach's alpha based on standardized items	α	$0.5 \leq \alpha < 1$

Source: Girdžiūtė et al. (2014)

Using 2003–2011 empirical data of Lithuanian farms and methods of factor and reliability analysis Lithuanian farm risk index was constructed. Factor and reliability analysis were used as instrumentation for integrated risk assessment. This index evaluates production and financial risks in an integrated manner. The indexes of factor analysis identify the most important factors and set relationships, either direct or inverse, between the analyzed object and its variables. Constructed index demonstrates how risk fluctuates, either increases or decreases, with the change of the analyzed factor (variable).

4 Lithuanian Farm Risk Index

Next it will be presented Lithuanian farm risk index structure, which shows main risk factors of Lithuanian farms. Its structure is presented in Table 4.

Table 4 shows that the Lithuanian farm risk index consists of five sub-indexes: recoded climate risk index; non-productivity risk index; labor force risk index; recoded financial risk index; recoded farm biological and environmental impact risk index. Factor weighting of these sub-indexes fluctuates from 0.75 to 0.90. Most significant sub-index—Non-productivity risk index. Positioning of all variables in the aggregated index makes it possible to explain around 66.1 % of dispersion of the designed index. Meanwhile structure of recoded financial index is presented in Table 5.

As it is seen from Table 5 data, the constructed recoded financial risk index consists from four variables. Factor weighting of these variables fluctuates from 0.61 to 0.79. Ratio of current assets to equity has the highest factor weight—0.79. When REC financial index increases, farm risk decreases. This is reason why the

Table 4 Structure of Lithuanian farm risk index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r_{mean}	r_{min}	r_{max}
Lithuanian farm risk index	Non-productivity risk index	0.90	0.662	66.1	0.81	0.87	0.57	0.31	0.84
	REC farm biological and environmental impact risk index	0.86			0.77				
	REC climate risk index	0.77			0.64				
	Labor force risk index	0.78			0.67				
	REC financial risk index	0.75			0.62				

Source: Girdžiūtė et al. (2014)

Table 5 Structure of the REC financial index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r _{mean}	r _{min}	r _{max}
REC financial risk index	Ratio of current assets to equity	0.79	0.690	50.9	0.54	0.68	0.34	0.27	0.50
	Total sales profitability ratio	0.74			0.49				
	Asset use risk index	0.71			0.45				
	Liability discharge risk index	0.61			0.36				

Source: Girdžiūtė et al. (2014)

financial risk index is given in a recoded form. Table 6 presents the analysis of financial well-being of farm workers.

Labor force index consists of only two components: Employed labor costs/SD and Family labor costs/SD. The higher salary is paid for farm workers, the greater financial loss suffers the farm. So increase of constructed index shows increase of farm risk.

Table 7 presents the non-productivity index. It also consists only of two components: Animal husbandry production/LU and Crop cultivation production/ha.

Positioning of variables in this index makes it possible to explain around 75.0 % of dispersion of the non-productivity index. Then this index increase, agriculture risk increase also. The only way to decrease this risk is increasing farm productivity. The farm biological and environmental impact risk index is presented in Table 8.

Constructed index shows that an increase in the costs of soil improving and plant protection materials maximizes farm productivity and minimizes agriculture risk. The farm biological and environmental impact risk index takes a recoded form in the Lithuanian farm risk index.

Table 9 presents recoded climate risk index structure. It shows that weather conditions are very important in assessing agricultural risk.

Index structure shows that the highest risk to Lithuanian farms is posed by Lithuania’s hot summers. Positioning of all variables in the aggregated index makes it possible to explain around 59.8 % of dispersion of the constructed index.

Summarizing the results of the research of the constructed Lithuanian farm risk index it can be concluded that all its components: REC farm biological and environmental impact risk index, REC climate risk index, non-productivity risk index and REC financial risk index, have high factor weightings— $0.75 \leq L \leq 0.90$.

Lithuanian farm risk index uses integrated risk assessment for production and financial risks evaluation. The constructed Lithuanian farm risk index identifies the most important variables (factors) of internal farm risks. This index serves as

Table 6 Structure of the labor force risk index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r_{mean}	r_{min}	r_{max}
Labor force risk index	Employed labor costs/SD	0.76	0.500	58.3	0.17	0.29	0.17	0.17	0.17
	Family labor costs/SD	0.76			0.17				

Source: Girdžiūtė et al. (2014)

Table 7 Structure of the non-productivity risk index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r_{mean}	r_{min}	r_{max}
Non-productivity index	Crop cultivation production/ha	0.87	0.500	75.0	0.500	0.67	0.50	0.50	0.50
	Animal husbandry production/LU	0.87			0.500				

Source: Girdžiūtė et al. (2014)

Table 8 Structure of the REC farm biological and environmental impact risk index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r_{mean}	r_{min}	r_{max}
REC farm biological and environmental impact risk index	Expenses on fertilizers and soil improving materials	0.91	0.500	83.3	0.67	0.80	0.67	0.67	0.67
	Expenses on plant protection and pesticides	0.91			0.67				

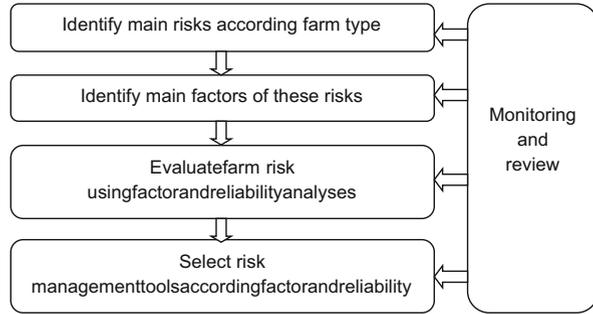
Source: Girdžiūtė et al. (2014)

Table 9 Structure of the REC climate risk index

Indicator	Factors	Factor analysis			Reliability analysis		Correlation analysis		
		L	KMO	%	i/tt	α	r_{mean}	r_{min}	r_{max}
REC climate risk index	Precipitation	0.77	0.500	59.8	0.20	0.33	0.2	0.2	0.2
	Mild climate risk index	0.77			0.20				

Source: Girdžiūtė et al. (2014)

Fig. 2 Risk management at farm logical framework



instrumentation for farmers helping to assess and manage risks at farms and make goal orientated decisions.

5 Risk Management at Farm Logical Framework

Previous chapter has proven that factor and reliability analyses can be used for risk evaluation at farm level. Based on the analysis, it can be concluded that these analyses should be included to risk management framework. Risk management framework is given in Fig. 2.

As it is seen in Fig. 2, first step of risk management logical framework is risk identification according farm type. Farm activities very differ according their type and risks as well. So first of all it is important to evaluate individual farm situation and it's specific. Second step is identification of main factors of the risks that were selected during first step. When main factors are selected, factor and reliability analysis can be used for constructed farm risk index. When farm risk index is constructed it is seen which factors are statistically significant for farm. According to the results of the study risk management tools can be adapted. This way to manage risk at farm level is very effective, because risk management tools are targeting main risks sources. And of course all risk management steps should be followed by monitoring and review.

6 Conclusions

Agricultural business organizations are facing with risk more than other business sectors, because agricultural products and services are related to natural processes and biological assets: plant's and animal's diseases. Agriculture is particularly exposed to adverse natural events, such as insect damage and poor weather conditions, what negatively impact production. Agriculture is unique sector mainly because of these reasons: seasonality; agricultural products are more prone to

damage; climate fluctuations; agricultural demand, supply and price fluctuations. So in agriculture it is very important to evaluate and manage agriculture risk, only then will be possible to make effective decisions on time.

The best way to assess risk at farm level is to use integrated assessment methodology. Integrated assessment advantages are: higher informative capacity; competitive advantage resulting from a more accurate assessment of the situation; possibility of more accurate identification of losses.

The result of integrated agricultural risk assessment is the Lithuanian farm risk index. This index assesses financial and production risk in integrated manner. It describes the internal farm situation and identifies main risk factors. Production risk is described by sub-indexes: REC farm biological and environmental impact risk index, mild climate risk index, non-productivity risk index, REC climate risk index and labor force risk index. Financial risk is characterized by REC financial risk index, asset use risk index, total sales indicator, ratio of current assets to equity, liability discharge risk index. When Lithuanian farm risk index increase the agricultural risk of farms also increases. The Lithuanian farm risk index is useful to Lithuanian farmers because it identifies main risk factors and their relations. Meanwhile integrated assessment methodology helps to make effective and goal-oriented decisions.

Integrated agricultural risk assessment was accomplished using the method of factor and reliability analyses. The method of factor analysis helps to discover structures among a number of variables and reliability and identify relations between the phenomena analyzed and its variables. Consequently this are reasons making factor and reliability analyses the most suitable methods for an integrated risk assessment at farm level.

Effective risk management process should consist from these steps: Identify main risks according farm type; Identify main factors of these risks; Evaluate farm risk using factor and reliability analyses; Select risk management tools according factor and reliability analyses results; Monitoring and review.

References

- Ahmed, A., Kays, B., & Amornsawadwatana, S. (2007). A review of techniques for risk management in projects. *An International Journal*, 14(1), 22–36.
- Bandyopadhyay, K., Mykytyn Peter, P., & Mykytyn, K. (1999). A framework for integrated risk management in information technology. *Management Decision*, 37(5), 437–444.
- Brain, M. (2010). Predisposition to risk farming. *Internal Auditing & Risk Management*, 3(19), 43–46.
- Čekanavičius, V., & Murauskas, G. (2002). *Statistics and its application: Part I*. Vilnius: TEV.
- Cherchill, G. A. (2000). *Маркетинговые исследования* [Market research]. St. Petersburg: St. Petersburg.
- DeVellis, R. F. (2003). *Scale development: Theory and applications* (2nd ed.). Thousand Oaks, CA: Sage.

- Dimitrakopoulos, D., Kavussanos, G. M., & Spyrou, S. I. (2010). Value at risk models for volatile emerging markets equity portfolios. *The Quarterly Review of Economics and Finance*, 50, 515–526.
- Field, A. (2005). *Discovering statistics using SPSS: (and sex, drugs and rock'n'roll)* (2nd ed.). London: Sage.
- Girdžiūtė, L. (2012). Risks in agriculture and their assessment methods. In S. Treija, & I. Skuja (Eds.), *Annual 18th International scientific conference proceedings: Research for rural development 2012* (pp. 197–202). Drukatava: Latvia University of Agriculture.
- Girdžiūtė, L., Slavickienė, A., & Vaitkevičius, S. (2014). Integrated risk assessment at Lithuanian farms. *Transformation in Business & Economics*, 13(1), 143–154.
- Hagigi, M., & Sivakumar, K. (2009). Managing diverse risks: An integrative framework. *Journal of International Management*, 15(3), 286–295.
- Harangus, D. (2008). Credit risk for agricultural farms. *Horticulture*, 65(2), 181–185.
- Hardaker, J. B., Richardson, J. W. G., Lien, D., & Schumann, K. D. (2004). Stochastic efficiency analysis with risk aversion bounds: A simplified approach. *Australian Journal of Agricultural & Resource Economics*, 48, 253–270.
- Iscoe, I., Kreinin, A., & Rosen, D. (1999). An integrated market and credit risk portfolio model. *AlgoRes*, 2(3), 21–37.
- Kapustka, L., Froese, K., & McCormic, R. (2010). Revisiting the rationale for holistic, integrated risk assessments. *Integrated Environmental Assessment and Management*, 4, 774–776.
- Laskienė, D., & Snieška, V. (2003). Business risk management and the essential features of the organizational structure. *Bridges*, 1, 250–255.
- Maart-Noelck, S. C., & Musshoff, O. (2014). Measuring the risk attitude of decision-makers: Are there differences between groups of methods and persons? *Australian Journal of Agricultural & Resource Economics*, 58(3), 336–352.
- Medova, E. A., & Smith, R. G. (2005). A framework to measure integrated risk. *Quantitative Finance*, 1, 105–121.
- Meuwissen, M. P. M., Hardaker, J. B., & Huirne, R. B. M. (2001). Sharing risk in agriculture: Principles and empirical results. *Netherlands Journal of Agriculture Science*, 49, 343–356.
- Pfleeger, S. L. (2000). Risky business: What we have yet to learn about risk management. *Journal of Systems and Software*, 53(3), 265–273.
- Rasche, T. (2001). *Risk analysis methods—A brief review*. St Lucia: The University of Queensland, Mineral Industry Safety and Health Center (MISHC).
- Slovic, P. (2001). Psychological study of human judgment: Implications for investment decision making. *The Journal of Psychology and Financial Markets*, 2, 160–172.
- Tanaka, S., & Muromachi, Y. (2003). *An integrative risk evaluation model for market risk and credit risk*. Maastricht: International AFIR Colloquium.
- Wang, Y., Li, P., Wu, Y., Sun, X., Yu, K., Yu, C., et al. (2014). The risk factors for avian influenza on poultry farms: A meta-analysis. *Preventive Veterinary Medicine*, 117(1), 1–6.

Part IV
Marketing and Tourism

The Online Strategy of Romanian Higher Education Institutions: Present and Future

Adela-Laura Popa, Naiana Nicoleta Țarcă, and Teodora-Mihaela Tarcza

Abstract The present paper focuses on two interesting topics: online marketing and educational marketing. Both concepts are relatively new and not clear defined at the moment, so that aspects regarding particularities of educational marketing and online marketing are discussed in this paper. The aim of this paper is to examine how the higher education institutions in Romania are using the huge potential of the Internet and the associated online marketing tools in their marketing activity and, also, to identify some new future directions for using these tools. A qualitative research based on content analysis research method was used in order to achieve the objectives of the study. Although the academic literature mentions the importance of marketing in the educational services industry since the mid-1980s, the awareness of the need to adopt a marketing orientation philosophy is a new trend not only for the higher education institutions in Romania, but also for those from outside Romania. Nowadays, the challenges the higher education institutions are facing are large and complex and involve, it seems, changes regarding the strategic approach, but also rapid changes in operational terms. The other important topic of the paper, online marketing, is also a relatively new one in the academic literature. Both the academic literature and practitioners in the field are using relatively similar concepts regarding the online marketing topic, concepts that are not yet clearly defined and delimited (including Internet marketing, digital marketing, e-marketing, web marketing etc.).

Keywords Online marketing • Educational marketing • Online marketing tools • Higher education institutions • Digital marketing

A.-L. Popa (✉) • N.N. Țarcă • T.-M. Tarcza
Faculty of Economics, Department of Management-Marketing, University of Oradea, Oradea,
Romania
e-mail: apopa@uoradea.ro; ntarca@uoradea.ro; ntarcza@uoradea.ro

1 Introduction

Nowadays, every marketer all over the world has become increasingly aware of the benefits of using the Internet in marketing activities. The marketing specialists are also aware that the online marketing tools are capable to offer marketers the possibilities to develop interesting and creative new strategies.

The importance of marketing online strategies for higher education institutions is more and more highlighted by the increasing number of specialists who analyze this domain. In recent years, also higher education institutions are increasingly aware of the major potential the Internet offers in their strategy development and goals achievement. Nowadays, for these institutions, the development of an effective online marketing strategy is not anymore a fashion or caprice, it becomes a necessity. But some questions arise: is the online presence of the higher education institutions based on a scientific grounded strategy or is this presence only based on some isolated actions without being integrated in a general strategy? Also we are asking in what measure Romanian universities have an online presence supported by a strategic vision and we are trying to find out if there are significant differences between the private and the public Romanian higher education institutions regarding this issue.

The education is an essential component in the development of a society, as the higher education sector is an important part of the economy because of its contribution to knowledge, research and connection with the business environment (Durkin et al. 2012). The year 1989 marked a lot of changes for Romania, the educational system being also touched by a lot of new visions, strategies and expectations. After 1990, private higher education institutions were established and, in time, the number of public and private higher education institution, together with the number of students and the number of specialization offered, rapidly increased (UEFISCDI 2013). The number of higher education institutions increased from 48 institutions (all public) to 126 institutions in 2001 (57 public, 69 private) and 103 institutions in 2014 (56 public, 47 private). Even if the number of students increased between 1990 and 2008—the number of students in the academic year 2008/2009 was almost seven times higher than the number of students in 1989/1990 (UEFISCDI 2013)—after 2008 the situation changed. Since 2008 the number of students started to decrease and this trend continues. Because of a complex of factors, the Romanian higher education institutions are increasingly aware that they can't just stay and wait for potential students to come, but they have to compete for the prospective students and to start treating them as clients.

2 Arguments that Highlight the Importance of Online Marketing for Higher Education Institutions

Based on the fact that there are researches that show that higher education institutions websites are placed second after campus visits as the most important sources for students when researching for information about colleges (Abrahamson 2000), we consider this demonstrates that these institutions must consider their online presence as a very important tool when developing their marketing strategy. The importance of online presence of educational institutions is even more dramatically important if we consider the following information: according to Abrahamson (2000), when prospective students feel the experience of visiting the websites as being disappointing, it is likely they will associate this experience with “the quality and functioning of the institution itself”. Pook and Lefond (2001) show the same thing: the subjects of the research associated an unprofessional website to a lower quality institution. Even if this information is known since 2000, Howard (2013) suggests that there are inadequate websites across educational platforms, university websites are poorly designed and they reflect less the educational institution.

3 Literature Review

Although the academic literature addresses the importance of marketing in the industry of educational services since the middle of '80s (Kotler and Fox 1985; Khan 2013), the awareness of the need to adopting a philosophy specific to the marketing orientation vision is a new tendency not only for the Romanian higher education institutions but also internationally. Anyhow the marketing of educational services is a relatively new domain (Durkin et al. 2012) which appeared in the interest of the specialists in the middle of the '80s as a branch of the healthcare services marketing (Hayes 2007) and, as a consequence, the research conducted in this area are still in the pioneering phase (Hemsley-Brown and Oplatka 2006). Until now there are few scientific papers that aim to treat the theme of value creation in educational context, and which, according to existing studies, is influenced by variables such as: teacher-student interaction, University's image and trust (Sanchez-Fernandez et al. 2010). Moreover, in practice it is not clearly understood to what extent the approach considering “student as a client” and the philosophy of placing student at the core of the organization's marketing activities are appropriate (Dominici and Palumbo 2013; Durkin et al. 2012). But, even if the academic literature regarding the place of marketing in higher education institutions activities is still unclear, the specialists in the field are able to identify the potential benefits of applying the marketing vision into the life of higher education sector (Carlos and Rodrigues 2012).

We consider that an approach perfectly lying on the mission of higher education institutions is the one specific to the societal marketing which, according to Philip

Kotler, brings to the front along with the organization's interests and the client interests, also the whole society's interests, but an approach probably better considered in a relational manner (Sanchez-Fernandez et al. 2010). Challenges which higher education institutions have to face are major and complex, assuming it seems both a change in strategy approach but also rapid changes at operational levels. In order to highlight this idea we are giving following arguments: more acute tendencies of the higher education institutions in approaching segments of the international market as a result of internationalization and globalisation (Hemsley-Brown and Oplatka 2006; Marginson 2010; Warwick 2014; Khan 2013), increasing competitiveness both at national and international level (Micu et al. 2010), awareness of the necessity in implying information and communications technologies (Gul et al. 2010) in a greater measure in its activity (considering this implication from the complex point of view of marketing activity materialized in created value proposition, delivering and communicating the value to the clients and, also, in the efficient management of the relationship with clients and other business partners directly interested in the organization's functioning). The emergence and expansion of the use of information technology, especially the Internet, which has led to the concept of the digital economy, are marking the way in which the higher education institutions operate, enabling them to provide educational services in an unprecedented way (Dominici and Palumbo 2013; Khan 2013).

When referring to the concept of online marketing, not only that we consider a very fashionable concept of this moment, but also a concept that, although it seems pretty easy to understand, is defined in different ways and somehow unclear in literature. What is, however, certain is the fact that the Internet has a major impact on all areas related to marketing activity (Schibrowsky et al. 2007). The concept of online marketing is still new and, in literature, relative similar concepts are approached regarding to this domain, concepts that are not yet clearly defined and delimited (among which Internet marketing, digital marketing, e-marketing, web marketing and so on) (Charlesworth 2009). The novelty of the online marketing concept is demonstrated also by the results of a research according to which 68.5 % of the articles which covered topics from the marketing online area have been published in the last 8 years (Pomirleanu et al. 2013). Also, according to a study conducted in 2005 (Teo 2005), the specific topic of the online marketing tools and of their efficiency is not debated in the academic literature, and we believe that the situation still persists at present.

Whatever differences of opinion regarding the meaning and definition of the online marketing concept, or in depicting its essence, we assume that the concept of online marketing does not intend to alter in any way the intrinsic essence of the classic marketing concept which, according to one of the benchmark definition of the marketing given by the prestigious organization American Marketing Association (AMA) and posted on the website of the organization (www.marketingpower.com), presents marketing as an organizational function and a set of processes for creating, communicating and delivering value for customers and also managing customer relationships in such ways which bring benefit both for the organization and its stakeholders. On the contrary, we consider that online marketing aims to

enrich the classic marketing concept by identifying and implementing new ways through which the organization should create, deliver and communicate value to customers and manage relationships with them in beneficial ways.

Often those which are not familiar with the essence of the marketing concept tends to overlap this concept to only one of its dimensions—value communication, particularly aimed at promoting component—forgetting that actually in marketing everything starts with creating value. Not even the online marketing concept escapes this incomplete interpretation, often the online marketing concept being considered synonymous to online promotion or online advertising. It is true that the value communication/promotion is much easier to be seen and, probably, this explains in some extent the incomplete vision of the concept among non-specialists. It is, however, necessary to emphasize each time that this is only a component of the marketing vision ad integrum, logic warning us that value communication implies first its creation and value creation is the start point (we may say the reference point) in marketing activity. Indeed the most and the most sophisticated online marketing tools gravitate around the specific dimension of value communication; however for a complete and thorough understanding of the topic we believe that more research is needed in order to describe the overall image of the online marketing concept.

4 The Aim and the Main Objectives of the Study

The aim of our paper is to contribute to the understanding of online strategies in the context of higher education institutions and to examine how the higher education institutions in Romania are using the high potential of the Internet and some associated online marketing tools in their marketing activity.

Based on the information above, we set the following main objectives for our study:

- to assess the importance the Romanian higher education institutions grant to their online presence and to analyze their online presence based on the following categories of online marketing tools: websites content elements, online interactivity elements (email marketing, social media marketing and eCRM), Search Engine Marketing (SEO and PPC ads), Website rankings (as measurements of websites' Internet performance/popularity);
- to find out if the online presence of the Romanian higher education institutions is supported by a strategic vision or is it only based on some isolated actions without being integrated in a general strategy;
- to find out if there are significant differences between the private and the public Romanian higher education institutions regarding these issues.

5 Research Methodology

The methodology used for this study is mostly based on the content analysis of the higher education websites, but also on using software applications that helped us analyze the rankings of the websites and to see in what extent the Romanian higher education institutions consider the search engine marketing as important activity for them. In order to find out if there are differences, and what kind of differences, between Romanian private and public higher education institutions we took into account for this study both private and public institutions. So, a number of 20 public and private Romanian higher education institution active websites were considered as the population of this study. In order to accomplish the purpose of this research, based on previous literature review, we developed an observation guide with the following main sections: website content elements, interactivity elements, search engine marketing and website rankings.

5.1 *Websites Content Elements*

The first element to think when talking about the online presence of any organization is the organization website. For education institutions, websites become more and more important for meeting and convincing their prospects to become customers (Bozyigit and Akkan 2014). Bozyigit and Akkan (2014) also consider that, for universities, websites should be an essential part of the marketing process. And, according to Padmannavar and Joshi (2011), the main purpose of the universities websites is to provide information especially to prospective students.

Into their research regarding the way how potential customers perceive university websites, Pooch and Lefond (2001) found some very interesting information: website content, the way the content is organized, how much the website is focused on target audience are elements of great importance, but the graphic elements do not seem to be very important compared with other features of a website; the webpages organized by target audience are more effective than those that are organized by function topics; a combination of 70 % text and 30 % graphics seems to be ideal for higher education institutions' websites; the need to obtain information within three clicks or the prospective students lose their interest. Ford (2011) also show the importance of the content of the website—according to the findings the content represents the most important characteristic for prospective students.

We consider that all these findings are essential and must be taken into account by higher education institution when developing the strategy of their online presence. In our research, when developing the observation guide, we tried to analyze if the Romanian higher education institutions websites match the issues raised here, or which of them are considered.

5.2 Interactivity Elements

An important part of marketing activity is focused on knowing and understanding customers and potential customers in order to develop mutually beneficial relationships with them. Referring to interactivity, the Internet offers a great potential for two-way interaction and provides new and exciting opportunities to build and develop relationships (Howard 2013). The presence on social media networks, the opportunity to subscribe to a newsletter, discussion groups, blogs or chat can be considered as interaction facilitators. Also, there are studies that emphasize the importance of the search feature on the higher education institution website (Padmannavar and Joshi 2011).

Considering all these aspects in developing the observation guide, in this section of the research we tried to find out if Romanian higher education institutions are interested in activities regarding: email marketing, social media marketing (SEM) and aspects referring to eCRM.

5.3 Search Engine Marketing

The results of a research concerning the consumer behavior conducted in 2006 by Yahoo and OMD (Optimum Media Direction) in the United States (Fuciu et al. 2011) have shown that the greatest influence of the Internet expresses on the side of information searching and identification of the alternatives. This highlights the importance of proper keywords identification and their use in search engine marketing activity. Search engine marketing represents the efforts of the organization materialized in two important directions: search engine optimization (SEO) and pay per click advertising (PPC). These efforts aimed to improve the website classification into the organic search results—when SEO technique is used—or by purchasing paid search—in this case PPC technique is used—or a combination of both (Stokes 2008; Nabout et al. 2012).

Nowadays, activities like search engine optimization and pay per click advertising are essential for every organization's web presence intended to attract potential customers, including the higher education institutions. In order to check if these institutions pay attention to these activities and realize the importance of having their website optimized for online search we used SEO and SEM audit software applications and we classified the results into: bad, medium and good.

5.4 Website Rank

Based on Salavati and Hashim (2015), Vaughan and Yang (2013), and Noruzi (2006), for this section of the research we used some instruments meant to evaluate

the Internet performance/popularity of the websites (rank of a website), such as: Alexa Traffic Rank, Google's PageRank—on the one hand, and the Webometrics Rank (WR) from the Ranking Web of Universities (Aguillo 2009), on the other hand.

Alexa traffic rank is one of the most used instrument in analyzing a site performance. As mentioned by Alexa, the algorithm behind this rank uses a combination of the following elements: an estimation of the average of daily unique visitors and an estimation of the number of page views over the past 3 months. The less the value of Alexa Rank is, the greater is the importance of the website. Google's PageRank score takes values from 0 to 10 and associates an importance ranking to any webpage (Salavati and Hashim 2015). According to the information offered by Google, Google's PageRank is calculated "based on things like the number of links leading to that page" (Google.com). The Webometrics rank is developed by Cybermetrics Lab—CSIC (<http://www.webometrics.info>) and used for ranking the Higher Education Institutions. At the moment we did our research the Webometrics rank was built on the following components: 50 %—visibility (impact—the number of external links the university web domain receives from third parties) and 50 %—activity (divided into three subcomponents equally involved in calculating this component: presence – the total number of webpages hosted in the main webdomain; openness—the number of total rich files published by the university according to Google Scholar; excellence—the total number of academic papers published in important international journals (<http://www.webometrics.info>)).

6 Results

Micu et al. (2010) highlight the differences between the online marketing strategic visions of Romanian and other European universities and they concluded that compared with the Romanian universities, the famous European universities develop more complex marketing strategies for communicating with their students and other stakeholders. We tried to find out if something changed since their research.

After analyzing the manner how the mission of the Romanian higher education institutions is presented on their webpage, we noticed that only 67 % are doing it in a visible manner, and we can conclude that there are no significant differences between public and private institutions regarding this issue. Information regarding the description of the institution is present on almost all websites (with only one exception, a private institution). All websites include information about the academic staff but this information is mostly limited to presenting the names of the academic staff, CVs, e-mail addresses and, in some cases, photos and a list of their scientific topics of interest. In only one case (a public university) we found links to personal websites of the academic staff.

One surprising result of our research is that none of the analyzed websites include on their homepages a link to a section dedicated to the potential students, but only links to the admission page. This kind of page includes only data about the educational offer, the admission criteria, fees, the necessary documents, etc. In our opinion, this means that none of the institutions included in the study are interested in previously developing relationships with the potential students, to try to know and understand them and, also, to open communication channels with them. But, on the other hand, Romanian higher education institutions are much more interested to offer information for current students (in 89 % of the situations there is a link from the homepage to a page dedicated to current students). Also in this situation there are no significant differences between public and private institutions. When we refer to alumni, the situation moderately changed: 56 % of the private institutions included on the homepage a link to a page dedicated to alumni, but only 30 % of the public institutions consider as important to create a page for this kind of target audience. This means, in our opinion, that the private institutions are more aware of the importance of alumni in the marketing activity. On the whole, only 42 % of the analyzed websites included on the homepage a link to an Alumni section. Another important audience to target on the homepage we consider it must be the partner organizations from the business environment. But only 21 % of the institutions target from homepage a section dedicated to business partners (30 % of the public institutions and 11 % of the private ones). This result is consistent with the fact that job offers were found only on 16 % of the analyzed websites (most of them on public institutions websites). Few Romanian higher education institutions are interested to develop a relationship with mass media based the facilities offered by the online environment—only 16 % posted on homepage a link to a section dedicated to mass media. The findings of our research also show that: very few institutions post on their websites audio/video files; 58 % of the websites have an English version of it but very few customize the website for languages like French, German and Hungarian; none of the analyzed websites are adapted for mobile communication; only very few institutions have an offer to study in English.

A very interesting aspect of our research refers to the way how the website is structured. All of the websites included in our study are organized by functional type and none is organized by target audience (prospective students, current students, alumni, business partners, mass media, etc.). We consider this as an indicator that reflects that the Romanian higher education institutions do not have yet a real and consistent marketing orientation vision. In this context we also need to mention the result of a research presented by Pooch and Lefond (2001) according to which the webpages organized by target audience are more effective than those that are organized by function topics.

Another topic we have analyzed is the one reflecting in what extent the Romanian higher education institutions are interested in developing two-way communication with their target audiences. Regarding interactivity, the most used online tool is social media (the most used social networks are: 79 % of the institutions have a page on Facebook, 53 % on Twitter and 53 % have channels on YouTube or Vimeo). The Romanian higher education institutions seem to consider less

important the field of e-mail marketing and they seem to be uninterested in creating and developing relationships with potential customers (very few institutions offer the possibility to subscribe to a newsletter or to access a discussion group or chat). We also found surprising the fact that these institutions show no interest to create a blog. This is consistent with the results of Micu et al. (2010). As Micu et al. (2010) emphasized in their study, blogs can be a very useful and efficient online marketing tool because of two reasons: on the one hand the language used on blogs is usually informal, and on the other hand the students can use the blogs to express their opinions and make commentaries. Our research confirms the results of Hite and Railsback (2010) that the higher education institution websites still use only one-way communication.

A third topic we tried to investigate is the interest of Romanian higher education institutions in search engine marketing activities. As mentioned before, this has two components: search engine optimization and pay per click advertising. Based on the results of our research we may conclude that Romanian higher education institutions manifest a moderate interest in optimizing their website for online search, but they manifest no interest in pay per click advertising. We intend to retake part of our research before the admission period, in order to find out if the situation improves in any way.

Regarding the analyzed rankings, the results reveal that the Romanian public higher education institutions are better placed than the private ones, no matter which rank we consider (Alexa rank, Google's PageRank or Webometrics Rank). On the whole, the institutions included in our study show less interest in the Internet performance/popularity of their websites.

7 Conclusions and Future Research Directions

Undoubtedly clients remain the core of the marketing activity, both internal customers and external customers, and we refer here equally to clients, prospects, business partners and employees. Just as the overall marketing strategy is built around them, also the online marketing strategy is implicitly founded on the same premise. On the other hand, online marketing strategy is necessary subordinate to the overall marketing strategy which organization has set. By default, the guiding directions of the online marketing strategy will aim at achieving the goals the overall marketing strategy has set. Starting from the classical definition of marketing offered by American Marketing Association, we consider that a possible definition of the online marketing concept might be: *the set of methods (methodologies) for using online tools aiming to achieve marketing objectives related to creation, delivery, communication/promotion of the value for customer and efficient customer relationship management.*

The most important conclusion we obtained from our research refers to the fact that the Romanian higher education institutions do not treat their website as a marketing tool, or if they do, they do it only to a small extent. Our findings confirm,

therefore, the results of Carlos and Rodrigues (2012). Based on previous researches (Abrahamson 2000), we can say the situation is even more dramatic: if the website is not a marketing tool meant to reflect a strategic marketing vision, this tool can turn against the interest of the higher education institution. And this may be a real concern for us and for the analyzed institutions.

So, it is essential to mention as a result of our research that, in our opinion, the online marketing presence of Romanian higher education institutions is not, at present, coordinated by a strategic vision, probably because there is not an overall marketing strategy strongly founded. However, these institutions are aware of the importance of being present in the online environment, but they are not aware yet about how much a consistent and strategically founded presence can influence their activity.

We are aware of the fact that the research is not an exhaustive one and we intend to take every topic regarding marketing online tools presented in the paper and to analyze it more deeply. We also think that a research meant to compare the online presence of Romanian higher education institutions and of other European institutions of this kind would be able to bring much more interesting results. An investigation of possible correlations between the quality of the institution's online presence and the ranking associated to that institution in the Romanian universities classification list offered by the Romanian Ministry of Education is also a topic of interest for our future researches.

Acknowledgment This paper has been financially supported within the project entitled "SOCERT. Knowledge society, dynamism through research", contract number POSDRU/159/1.5/S/132406. This project is co-financed by European Social Fund through Sectoral Operational Programme for Human Resources Development 2007–2013. Investing in people!

References

- Abrahamson, T. (2000). Life and death on the Internet: To Web or not to Web is no longer a question. *Journal of College Admission*, 168, 6–11.
- Aguillo, I. (2009). Measuring the institution's footprint in the web. *Library Hi Tech*, 27(4), 540–556.
- Bozyigit, S., & Akkan, E. (2014). Linking universities to the target market via Web sites: A content analysis of Turkish private universities' Web sites. *Procedia—Social and Behavioral Sciences*, 148, 486–493.
- Carlos, V. S., & Rodrigues, R. G. (2012). Web site quality evaluation in higher education institutions. *Procedia Technology*, 5, 273–282.
- Charlesworth, A. (2009). *Internet marketing: A practical approach*. Oxford: Butterworth-Heinemann.
- Dominici, G., & Palumbo, F. (2013). How to build an e-learning product: Factors for student/customer satisfaction. *Business Horizons*, 56, 87–96.
- Durkin, M., McKenna, S., & Cummins, D. (2012). Emotional connections in higher education marketing. *International Journal of Educational Management*, 26(2), 153–161.
- Ford, W. (2011). Evaluating the effectiveness of college Web sites for prospective students. *Journal of College Admission*, 212, 26–31.

- Fuciu, M., Luncean, L., & Dumitrescu, L. (2011). Internet and E-commerce—tools for creating value in the E-marketplace. *Marketing—from Information to Decision*, 4, 129–140.
- Gul, H., Gul, S., Kaya, E., & Alican, A. (2010). Main trends in the world of higher education, internationalization and institutional autonomy. *Procedia Social and Behavioral Sciences*, 9, 1878–1884.
- Hayes, T. (2007). Delphi study of the future of marketing of higher education. *Journal of Business Research*, 60, 927–931.
- Hemsley-Brown, J., & Oplatka, I. (2006). Universities in a competitive global marketplace: A systematic review of the literature on higher education marketing. *International Journal of Public Sector Management*, 19(4), 316–338.
- Hite, N. G., & Railsback, B. (2010). Analysis of the content and characteristics of University Websites with implications for web designers and educators. *The Journal of Computer Information Systems*, 51(1), 107–113.
- Howard, S. B. (2013). *Creating a consistent web presence: The dilemma of the College of Liberal Arts' departmental websites*. University of Minnesota Digital Conservancy, [online] Accessed November 29, 2014, from <http://hdl.handle.net/11299/167450>
- Khan, R. S. (2013). Marketing education online: A case study of New Zealand Higher Education Institutions. *Procedia—Social and Behavioral Sciences*, 103, 637–646.
- Kotler, P., & Fox, K. F. A. (1985). *Strategic marketing for educational institutions*. Englewood Cliffs, NJ: Prentice-Hall.
- Marginson, S. (2010). Higher education in the global knowledge economy. *Procedia—Social and Behavioral Sciences*, 2(5), 6962–6980.
- Micu, A., Micu, A.-E., Lukacs, E., Susanu, I., Cristache, N., & Căpățână, A. (2010). Comparative analysis of the web marketing strategies implemented by the higher education institutions. In *Recent advances in management, marketing, finances—Proceedings of the 8th WSEAS International conference on management, Marketing and Finances (MMF '10) Penang, Malaysia*, March 23–25. WSEAS Press, pp. 192–199.
- Nabout, N. A., Skiera, B., Stepanchuk, T., & Gerstmeier, E. (2012). An analysis of the profitability of fee-based compensation plans for search engine marketing. *International Journal of Research in Marketing*, 29(1), 68–80.
- Noruzi, A. (2006). Web presence and impact factors for middle-eastern countries. *Online*, 30(2), 22–28.
- Padmannavar, S., & Joshi, M. J. (2011). A survey analysis of National and International University Websites contents. *International Journal of Computer Applications*, 33(6), 49–58.
- Pomirleanu, N., Schibrowsky, J. A., Peltier, N., & Nill, A. (2013). A review of internet marketing research over the past 20 years and future research direction. *Journal of Research in Interactive Marketing*, 7(3), 166–181.
- Poock, M. C., & Lefond, D. (2001). How college-bound prospects perceive University Web sites: Findings, implications, and turning browsers into applicants. *College & University*, 77(1), 15–21.
- Salavati, S., & Hashim, N. H. (2015). Website adoption and performance by Iranian hotels. *Tourism Management*, 46, 367–374.
- Sanchez-Fernandez, R., Iniesta-Bonillo, M. A., Schlesinger-Díaz, W., & Rivera-Torres, P. (2010). Analysis of the value creation in higher institutions: A relational perspective. *Theoretical and Applied Economics*, 17(10(551)), 25–36.
- Schibrowsky, J. A., Peltier, J. W., & Nill, A. (2007). The state of internet marketing research. *European Journal of Marketing*, 41(7/8), 722–733.
- Stokes, R. (2008). *eMarketing: The essential guide to online marketing*. [pdf] Quirk eMarketing LTD. Accessed December 2, 2014, from <http://doer.col.org/handle/123456789/383>
- Teo, T. S. H. (2005). Usage and effectiveness of online marketing tools among Business-to-Consumer (B2C) firms in Singapore. *International Journal of Information Management*, 25, 203–213.

- UEFISCDI (The Executive Agency for Higher Education, Research, Development and Innovation Funding), (2013). *Equity in the Romanian higher education system*. Accessed December 3, 2014, from http://www.politici-edu.ro/wp-content/uploads/2013/10/Equity-in-the-Romanian-Higher-Education-System_policy-document.pdf
- Vaughan, L., & Yang, R. (2013). Web traffic and organization performance measures: Relationships and data sources examined. *Journal of Informetrics*, 7(3), 699–711.
- Warwick, P. (2014). The international business of higher education—A managerial perspective on the internationalisation of UK universities. *The International Journal of Management Education*, 12(2), 91–103.

Consumer Ethnocentrism in Polish Service Sector: A Study of Socio-demographic Determinants

Agnieszka Hat

Abstract The paper seeks to produce new research in the area of consumer ethnocentrism by investigating the construct in Polish service sector as this sector is characterized by a rapidly increasing internationalization trend. Consumer ethnocentrism has its roots in sociology and is about appropriateness, indeed morality, of purchasing foreign-made goods and services. Ethnocentric consumers are reluctant to make use of services provided by foreign companies, because of a sense of loyalty towards their home country and fear of harmful effects imports may have on their domestic economy situation. The study is intended to investigate the level of consumer ethnocentrism and relationship between consumer socio-demographic characteristics and ethnocentric tendencies in three Polish service markets (insurance, medical and airline). The key findings of the research revealed that consumer ethnocentric tendencies exist in analyzed service markets with varied level. With regard to socio-demographic factors, the results of the study confirmed in all three services markets the significant differences of education, place of living and assessment of the financial situation to consumer ethnocentric tendencies, contrary to gender and household size. In case of other socio-demographic factors different findings are reported in the three analyzed markets.

Keywords Consumer ethnocentrism • Service sector • Internationalization • CETCALE • Socio-demographic factors

1 Introduction

With growing number of service organizations transacting business internationally the internationalization of services appears to be the very core of the global economic environment. Consumers are not isolated from these changes and make certain adaptive decisions such as the desire to maintain national identity by adopting the ethnocentric attitudes in the sphere of consumption. Ethnocentric

A. Hat (✉)

Department of Consumer Research, University of Economics in Katowice, Katowice, Poland
e-mail: a.hat@poczta.fm

attitude is not developed in isolated conditions, but is an effect of a number of variables. It is therefore assumed that the level of consumer ethnocentrism is determined by many factors and those that directly shape the phenomenon are of socio-demographic character. The main advantage of using these factors lies in the opportunity of segmenting consumers according to their favorable and unfavorable disposition to foreign services as well as expressing the diversity of individuals and different perception or evaluation of the benefits domestic or foreign services can bring.

2 Consumer Ethnocentrism: Concept and Characteristics

Consumer ethnocentrism can be defined as a consumer's preference for domestically manufactured products, or conversely, as a bias against imported products (Netemeyer et al. 1991). Ethnocentrism, as a sociological concept, was originally developed by Sumner (1906) at the beginning of the last century, who defined it as the view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it. Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities and looks with contempt on outsiders. According to this concept ethnocentric people favor the in-group over and above the out group (Luthy 2007). Then, for marketing purposes Shimp and Sharma (1987) expanded the concept and used it to represent the beliefs held by American consumers about the appropriateness, indeed morality, of purchasing foreign-made goods. They proposed that consumer ethnocentrism results from fear of harmful effects imports may have on the economic situation of the individual and individual's society. As a result, this fear causes individuals to restrain from purchasing imported products and to exert pressure on other society members to do so. Subsequent authors noted that the ethnocentrism concept involves transferring of feelings that one's own population group is superior to other group, into economic actions, such as purchasing or boycotting products (Good and Huddleston 1995). In addition, ethnocentric consumers may be of the opinion that it is not appropriate, and even immoral to purchase products from other countries while are eager to buy domestic products, even though in extreme cases, the quality is below that of the imports (Sinkovics and Holzmüller 1994). In other words, not buying foreign products is appropriate, desirable and patriotic whereas buying them is inappropriate, irresponsible and unpatriotic. The reason is that they prefer domestic goods because they believe in this way they are supporting and contributing to the growth of the economy by favoring domestic products over foreign products (Kaynak and Kara 2002) while purchasing foreign products is related to the loss of domestic jobs and hurting the economy (Durvasula et al. 1997).

In economic literature (Riefler and Diamantopoulos 2009) attitude opposed to ethnocentrism is known as cosmopolitanism. A cosmopolitan consumer can be defined as an open-minded individual whose consumption orientation transcends any particular culture, locality or community and who appreciates diversity including trying products and services from variety of countries. Decision-making of such

an individual is mainly based on the comparison of the products' qualities rather than its origin. What is more, decisions of cosmopolitan consumers are based on rational premises without any appeals to emotional or moral aspects characteristic of the ethnocentrism. They compare all the products available on the market objectively and choose the one which, in their view, will bring the greatest profits. And so the consumer cosmopolitanism is a sign of taking care of self-interests from using the product, essential for satisfying a defined need. In marketing literature, next to the concept of cosmopolitanism, attitude of internationalism is frequently cited as contrary to the ethnocentric one. Internationalist consumers, similarly as ethnocentric, seek the information about the origin of a product, but consciously and consistently prefer foreign products to domestic products (Karcz 2004). That conviction that foreign products are superior results from comparing the features of domestic and foreign products in the process of using them, which is based on objective criteria or it may be an effect of the belief that having and using foreign products is an indicator of the potential and the position of the individual, the prestige and the membership of a particular group.

A significant contribution to consumer research on ethnocentrism was international application of CET scale (Consumer Ethnocentric Tendencies Scale) that was designed in order to measure this phenomenon by the creators of consumer ethnocentrism definition (Shimp and Sharma 1987). They developed a comprehensive 17 items scale with Likert statements to operationalize consumer ethnocentrism and measure level of how highly ethnocentric consumers are. The international validity of the CETSCALE was confirmed by several studies (Durvasula et al. 1997; Keillor and Hult 1999; Luque-Martinez et al. 2000; Shankarmahesh 2006) becoming the predominant scale used in marketing research to measure ethnocentric tendencies among consumers in various nations. Statements included in the scale relate to four issues: hurting the domestic economy, affecting loss of domestic jobs, patriotism and product availability (Lindquist et al. 2001). In the original scale the indicator can take a value from 17 to 119 points and is the basis for determining how much of the surveyed respondents exhibit ethnocentric attitude. Until now, several modifications and adaptation of the scale have been used mainly resulting in shortened scale version. In Poland, there have been several surveys concerning consumer ethnocentrism conducted so far, mainly revealing moderate ethnocentrism level (Ertmańska and Ertmański 2011; Wolanin-Jarosz 2013). The only study conducted in Poland on the ethnocentrism phenomenon in services sector also showed an average consumer ethnocentrism level (Smyczek 2006). Previous studies, therefore, in general provide an average intensity of ethnocentric attitudes among Polish consumer.

So far studies on the consumer ethnocentrism have been varied in nature and scope. However, most of the studies have tended to focus on the consumer ethnocentrism with tangible goods or the relationship of ethnocentrism with other phenomenon of contemporary world (such as globalization, global economic crisis, etc.) with limited documented research on consumer ethnocentrism among intangible product offerings, i.e. services. However, still several authors have noticed that services are the fastest growing area of international trade and have suggested

conceptualization of service ethnocentrism as the belief held by consumers about the appropriateness of making use of services provided by domestic institutions. Such opinion leads to systematic preference of domestic services and rejection of foreign ones (De Ruyter et al. 1998). De Ruyter et al. (1998), in a replication of Shimp and Sharma (1987) study modified the original CETSCALE substituting services for products. As for the Polish services market, the research which is worth mentioning has been conducted by Smyczek (2006) but concerns ethnocentric tendencies only in the market of financial services leaving other fields unsurveyed. The above mentioned authors underlined that services are entirely distinct from products since they possess four key differentiating characteristics (intangibility, inseparability of production and consumption, heterogeneity and transitoriness). And that these qualities together with the higher perceived risk of purchase distinguish them from tangible goods. This higher perceived risk level is mainly due to the fact that limited information is available before the purchase decision and what is more, physical display is mostly impossible, the influence of packaging is minimal and the provision of warranties complex. Each of these characteristics may lead to higher levels of perceived risk and may be even more applicable for services provided by relatively unknown companies from abroad.

3 Socio-economic Determinants of Consumer Ethnocentrism

The research into consumer ethnocentrism has so far recognized several important aspects of that concept. The previous studies focused on identification of the level of ethnocentric tendencies in different countries (Netemeyer et al. 1991; Shimp and Sharma 1987; Ettenson 1993) and for different product categories, such as food (Sajdakowska 2003) or financial services (Smyczek 2006). It has been suggested that an ethnocentric attitude develops under various socio-demographic or psychological influences (Sharma et al. 1995), therefore number of researchers have tried to identify these factors in an attempt to help marketers pinpoint consumers who are sensitive to imports. Consumer ethnocentrism related studies have looked at the demographics of the respondents as a separate set of influences. Researchers investigating ethnocentrism mainly have included demographic variables such as gender, age, income, and education in their studies. Household size, place of residence and employment were less commonly under consideration in the literature. When examining the effects of demographics on consumers' perceptions of imports, results are inconclusive for some factors and fairly consistent for others with researchers not always able to demonstrate statistical significance. The summary of the research results studying correlation between consumer ethnocentrism and demographic factors is presented in Table 1.

Age and ethnocentrism, in general, has been consistently significantly and positively related. The argument for a positive relationship between age and CET

Table 1 Correlation between customer ethnocentrism and demographic factors

Factor	Relationship	Authors
Age	Positive correlation	Han (1988), Falkowski et al. (1996), Schooler (1971), Wall and Heslop (1986), Good and Huddleston (1995), De Ruyter et al. (1998), Sharma et al. (1995), Klein and Ettenson (1999), Shankarmahesh (2006), Javalgi et al. (2005), Bruning et al. (1997), Caruana (1996), Balabanis et al. (2001)
	Negative correlation	Schooler (1971), Bannister and Saunders (1978)
	No correlation	Festervand et al. (1985)
Gender	Positive correlation—women	Bruning et al. (1997), Sharma et al. (1995), Kucukemiroglu (1999), Wolanin-Jarosz (2013), Han (1988), Good and Huddleston (1995) (Poland), Klein and Ettenson (1999), Shankarmahesh (2006), Javalgi et al. (2005), Balabanis et al. (2001) (Turkey)
	Positive correlation—men	Bannister and Saunders (1978)
	No correlation	McLain and Sternquist (1991), De Ruyter et al. (1998), Good and Huddleston (1995) (Russia), Caruana (1996), Balabanis et al. (2001) (Czech)
Education	Negative correlation	Falkowski et al. (1996), Schooler (1971), Wall and Heslop (1986), McLain and Sternquist (1991), De Ruyter et al. (1998), Watson and Johnson (1972), Sharma et al. (1995), Klein and Ettenson (1999), Shankarmahesh (2006), Javalgi et al. (2005), Bruning et al. (1997), Balabanis et al. (2001) (Turkey), Caruana (1996), Good and Huddleston (1995)
	No correlation	Han (1988), Balabanis et al. (2001) (Czech)
Income	Positive correlation	Balabanis et al. (2001) (Czech)
	Negative correlation	Falkowski et al. (1996), Wall and Heslop (1986), Good and Huddleston (1995), Sharma et al. (1995), Bruning et al. (1997), Klein and Ettenson (1999), Shankarmahesh (2006), Javalgi et al. (2005), Balabanis et al. (2001) (Turkey)
	No correlation	Han (1988), McLain and Sternquist (1991), De Ruyter et al. (1998), Witkowski (1998), Caruana (1996)
Place of living	Negative correlation	Falkowski et al. (1996), Šnihur (2010)
Employment sector	Positive correlation	De Ruyter et al. (1998), Wei (2008)
	No correlation	Anderson and Cunningham (1972), Caruana (1996)

Source: Own elaboration based on mentioned literature, Zięba and Ertmański (2006), and Alsughayir (2013)

is based on the opinion that elderly people have more ethnocentric tendencies than younger people, because they generally are more conservative and less inclined toward imports (Balabanis et al. 2001; Han 1988; Good and Huddleston 1995;

Sharma et al. 1995). In addition, the elderly are more likely to have experienced conflicts with foreign countries and ravages of military defeat and occupation and as a result may feel pride toward their country. While younger generation has not lived through any domestic wars, as may be the case for older consumers. Furthermore, the youth is today more exposed to a lot more foreign influences through their education and media, especially with the creation of the EU. Consequently, we can expect them to be more cosmopolitan in their preferences and attitudes and more favorably inclined toward imports than their older counterparts (Javalgi et al. 2005). It must also be mentioned that some studies did not find any statistically significant relationship between age and CET (Festervand and Sokoya 1994) and other older studies revealed a positive relationship between age and favorable foreign product evaluation (Schooler 1971; Bannister and Saunders 1978). Even though the empirical evidence is mixed, there seems to be more empirical support for the argument that younger people will have lower CET scores than older people (Sharma et al. 1995).

An overwhelming number of researchers support the proposition that women have higher ethnocentric scores than men (Bruning et al. 1997; Sharma et al. 1995). The underlying logic is that women are more conservative, conformist (Han 1988) and collectivistic concerned about maintaining social harmony and positive feelings among group members (Shankarmahesh 2006). In addition, women are said to be more patriotic and more likely to be driven by emotions, while men pay more attention to usability and quality of the purchase. However, there are some studies that found no significant gender differences (Caruana 1996) and other studies that found men to be more ethnocentric than women (Bannister and Saunders 1978).

The relationship of education and ethnocentrism has been found quite constant in literature (Wang and Chen 2004; Schooler 1971). But for a few exceptions, the findings have almost been consistent pointing to a negative relationship (Klein and Ettenson 1999; Caruana 1996). The underlying reason is that more educated people are more open and less likely to have ethnic prejudices (Watson and Wright 2000) and tend to be less conservative (Ray 1990). However, studies such as Han (1988) did not find education to be a significant factor in explaining consumer patriotism.

A majority of studies demonstrate a negative correlation between income levels and consumer ethnocentrism (Sharma et al. 1995; Bruning et al. 1997). In general, increased income level provides more opportunities for travel and purchase of foreign products thus resulting in more cosmopolitan views and greater openness to foreign products (Sharma et al. 1995). It is also probably due to the fact that people with lower incomes are more likely to buy domestic products because of the concerns about unemployment. According to this threat argument, individuals with lower income should manifest particularly strong ethnocentric tendencies because they are especially threatened by the prospects of losing jobs to foreign competitors and being unable to find new ones. In contrast, high-income consumers have relatively more secure jobs and tend to evaluate import products more favourably (Sharma et al. 1995). Shankarmahesh (2006) extends the conclusions regarding income and CET to social class that ethnocentric tendencies tend to fall as

consumers move up the social ladder. It was hypothesized that the desire for foreign products could be perceived as a quest for quality in the higher income categories (Bawa 2004). However, some studies (Han 1988; Witkowski 1998) found no income effects and other studies (Balabanis et al. 2001) reported a positive relationship between income and ethnocentrism level.

Household size, place of residence and employment were less commonly under consideration in the literature. Given that household size is correlated with income, it can be concluded that the ethnocentric attitudes will grow with the increase of the number of people in the household, but this has not been confirmed in previous studies. At the same time, increase of the size of the city, where the consumer lives will reduce its ethnocentric orientation and therefore the level of consumer ethnocentrism of rural residents will be higher compared to urban residents (Śnihur 2010). Additionally, a respondent's employment sector, although this has not been confirmed in many studies, can have a significant impact on the attitude adopted, like in the case of farmers who have less access to information about foreign products and limited resources to purchase them because of lower education level and lower income (Wei 2008). Similarly, in the case of persons employed in the service sector, where the use of foreign services may be more often associated with the adverse impacts and threats in the area of jobs in the domestic services market (De Ruyter et al. 1998).

Concluding, mostly older and less educated individuals with lower income are more likely to represent the ethnocentric attitude. In addition, women generally slightly higher rate imported products than men. However, inconsistency of these findings allows no generalization and implies that in the context of each country and sector type different influences on the ethnocentric attitudes may exist hence there is a need of further research, especially in markets so far unexplored. Using demographic factors in the identification of ethnocentric involves a significant limitation. Variables of this type do not explain attitudes sources, but still they provide information about the structure of the phenomenon in different groups of individuals. It is therefore important to study demographics due to their great implications for marketing practice since it allows segmentation of consumers with respect to their attitudes toward domestic and foreign products (Sharma et al. 1995). In addition, widespread availability of socio-demographic data makes them a convenient and reliable way to conduct a market segmentation.

4 Consumer Ethnocentrism in Polish Service Sectors: The Empirical Data Analysis

Three different kinds of services sectors, where both local and foreign service providers are available in Poland, were identified and implemented in the study. These services sectors included: insurance, air travel and health care. The services were selected on the basis of their potential level of internationalization. In all these

sectors, it is already possible for customers to choose between a Polish and a foreign service provider. In fact, international competition can be regarded a well-established phenomenon in case of insurance and airline services. Contrary to health care services, which is mainly delivered through a publicly funded health care system (funded in two ways—through government budgets to healthcare and through compulsory individual contributions to the state healthcare insurance scheme)? As a result, this sector is not so internationally competitive, however there is a number of foreign private healthcare institutions available in Poland and many citizens choose them to avoid the long waits imposed by the state system.

In order to empirically identify ethnocentric consumer attitudes in three service markets an online survey was conducted with the use of a structured questionnaire from May 2014 to June 2014. A sample of adult consumers was considered to be reasonable and valid sample type in this kind of study, which concerns professional services and lifelong development of orientations and sentiments about them (Netemeyer et al. 1991). The research was carried out on a sample respondents selected using a quota sample design, which is a method based on the assumption that the test group represents all features (quotas) considered to be important and interesting from the researcher's point of view (Smyczek and Glowik 2011). The assumed quotas in this case were age and gender. The respondents quotas were selected on the basis of the already known structure of the general population (Internet users) to be examined based on Central Statistical Office in Poland (2015). Eligible responses were obtained from 600 subjects in case of insurance sectors, 596 subjects for health care sector and 326 subjects (airline sector). The CETSCALE questionnaire was used as a measurement instrument and based on the previous literature was adapted to service market (Smyczek 2006). The measurement instrument consisted of 16 questions to which answers were marked on the five point Likert's scale, where 5 meant *I strongly disagree*, while 1 meant *I strongly agree* with summed points from the particular questions then varying between 16 to 80. The CETSCALE questionnaire was submitted to the process of internal consistency validation using Cronbach's alpha factor analysis, resulting in satisfactory internal compliance (>0.90). The results of the questionnaire research were analyzed by means of o IBM SPSS 20 program. The ANOVA variance analysis have also been used to determine dependencies which occur between the ethnocentrism and factors researched.

Using the consumer ethnocentric tendency scale (CETSCALE) measurement have enabled to indicate the degree of ethnocentric sentiments among Polish consumers. Total score on the 16 point CETSCALE might vary between 16 and 80 so the mean scale value is the predictor of the intensity of ethnocentrism (Shimp and Sharma 1987) and a lower mean scale value indicates higher consumer ethnocentrism. The mean value of the scale for consumers in insurance sector is 55.6 points, health care sector 58.3 points whereas in the airline sector 63.1 points (Table 2). If the possible results will be defined to be representing high ethnocentrism level (16–37 points), medium ethnocentrism level (38–58 points), and low ethnocentrism level (59–80 points), the data achieved indicate that in general consumers reflect rather low ethnocentrism level in their marketing choices with

Table 2 The average CETSCALE values for the respondents in three services sectors

Service sector	CETSCALE			
	N (the number)	\bar{x} (the average)	Me (the median)	s (standard deviation)
Insurance	600	55.6	56.0	14.8
Health care	596	58.3	59.0	14.7
Airlines	323	63.1	64.0	15.3
P ANOVA (test factor p of variance analysis ANOVA)	0.000			

Note: 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree

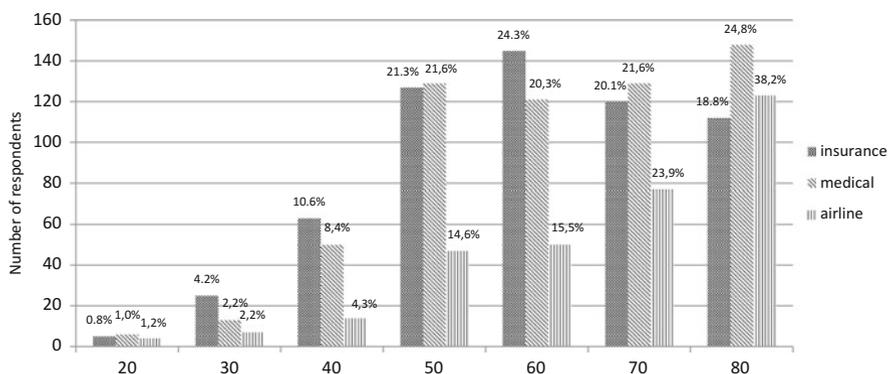


Fig. 1 The distribution of the CET scale values in researched sample

more visible ethnocentric tendencies in insurance and medical sector, than while making choices in airline market. This diversity is significant statistically, which is confirmed by the testing factor result of ANOVA variance ($p = 0.0000$).

The graphical representation of the distribution of the CET scale values in researched sample in the form of histogram provides rough sense of the density of the analyzed data (Fig. 1). More than 60 % of the respondents in airline sector achieved the CETSCALE values in the range from 70 to 80 reflecting the lowest level of ethnocentric tendencies while the insurance and medical sector is distinguished by more than a half of the respondents in the middle values (40–60 points). It should be underlined that in the insurance services market there is the biggest number of respondents representing the highest level of ethnocentrism (5 %) when compared to other markets analyzed.

In addition, analysis of the respondents acceptance degree of particular statements included in the CETSCALE has been performed. The average scale values given by the respondents in three service sectors to individual statements are presented in Table 3. It is necessary to emphasize that the average scale value below 3.0 stands for strong agreement with the statement, whereas average scale value above 3.0 corresponds to partial or total disagreement. Therefore, the lower the average scale value, the higher the consumer ethnocentrism level. Significantly

Table 3 The average values of the scale in three service sectors

CETSCALE questions		Average value*		
		Insurance	Health care	Airlines
1.	A real Pole should make use of services provided by Polish service companies	3.40	3.75	4.05
2.	We should make use of services provided by Polish service companies instead of letting other countries get rich off us	3.11	3.54	3.84
3.	Poles who make use of services provided by foreign companies are partially responsible for unemployment in Poland	3.75	3.81	4.00
4.	Making use of services provided by foreign companies is immoral	3.93	4.04	4.23
5.	Only those services that are unavailable in Poland should be provided by foreign service providers.	3.57	3.64	4.01
6.	It is always better to make use of services provided by Polish companies	3.15	3.45	3.78
7.	Making use of services provided by foreign companies is unpatriotic	3.85	3.94	4.17
8.	Foreign services should attract higher taxes	3.56	3.73	4.04
9.	Poles should not make use of services provided by foreign companies because this hurts Polish business	3.58	3.78	3.98
10.	Poles should make use of services provided by Polish companies even if they are more expensive	3.78	3.84	4.12
11.	Making use of services provided by foreign companies should be limited only to necessary situations	3.67	3.71	4.07
12.	The operation of foreign services companies in Poland should be under strict control	2.93	3.10	3.51
13.	Foreign service companies should not be allowed to invest in Poland	3.93	3.99	4.19
14.	Poles should make use of services provided by Polish companies because it gives work to Poles	3.06	3.22	3.58
15.	Foreign service companies should provide only those services which Polish companies are not able to provide	3.53	3.61	3.96
16.	It may cost me more in the long run but I prefer to support Polish service companies and make use of their services	3.38	3.57	3.83

Note: 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree
 *p- Kruskal-Wallis test = 0.000 for all statements except statement nr 3 (=0.001)

higher level of acceptance of particular statements in all three service sectors was observed in two statements (*The operation of foreign services companies in Poland should be under strict control* and *Poles should make use of services provided by Polish companies because it gives work to Poles*). It is noteworthy, that only in the insurance sector one statement (*The operation of foreign services companies in Poland should be under strict control*) obtained the average scale value below 3.0, which means that on the whole respondents agreed with it.

In addition, in case of insurance market, respondents display more intense opinion that they *should make use of services provided by Polish service companies instead of letting other countries get rich off them*. The highest level of disagreement has been in turn consistently observed in all three markets in such statements as: *Making use of services provided by foreign companies is unpatriotic*, *Making use of services provided by foreign companies is immoral* and *Foreign service companies should not be allowed to invest in Poland*. The other not mentioned statements were judged by the respondents in three service sectors in a different way.

The study has been mainly intended to investigate the influence of demographic factors on the consumer ethnocentric level in three service markets. A statistical method of ANOVA has been used for this purpose to test the differences. The conducted analysis indicates that there is no significant crucial difference in the CETSCALE value in case of gender and household size in all three sectors. Regarding gender, it is contrary to dominant view in literature that on significant gender differences that found women to be more ethnocentric than men. However with regard to other socio-demographic factors, the results of the study confirmed in all three services markets the significant impact of education, place of living and assessment of the financial situation to consumer ethnocentric tendencies. It can be noticed that, the respondents with elementary and vocational education, in all service sectors, show higher ethnocentric tendencies than the respondents with secondary and higher education (Table 4). There is a near consensus in the literature that the higher the education level the lesser the consumer ethnocentrism.

In the research, the dependencies between place of residence of the respondents and the values of CET scale received have also been analyzed. Inhabitants of densely populated urban areas (more than 100,000 inhabitants) reflect lower level of ethnocentric tendencies when compared to those living in rural areas and small towns up to 20,000 inhabitants (Table 5).

Table 4 Education as a determinant of the CETSCALE value

Education	CETSCALE											
	Service sector											
	Insurance				Health care				Airlines			
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s
Elementary/ vocational	60	49.1	50.0	13.5	57	51.9	51.0	14.8	17	51.5	56.0	22.5
Secondary	311	54.9	54.5	14.8	325	58.0	58.0	14.3	180	63.3	64.0	14.4
Higher education	229	58.3	59.0	14.6	214	60.6	61.5	14.9	126	64.4	66.5	15.0
P ANOVA (test factor p of variance analysis ANOVA)	0.000				0.001				0.004			

Note: 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree

Table 5 Place of living as a determinant of the CETSCALE value

Place of residence	CETSCALE											
	Service sector											
	Insurance			Health care			Airlines					
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s
Rural area	182	53.7	53.0	15.4	152	56.3	54.0	15.5	59	58.9	60.0	18.2
Urban area (<20,000 inhabitants)	92	52.7	51.0	15.4	86	53.8	50.0	14.3	39	59.5	61.0	16.3
Urban area (20,000–100,000 inhabitants)	188	55.6	56.0	13.7	171	58.9	60.0	14.1	84	63.7	64.0	14.5
Urban area (>100,000 inhabitants)	138	60.2	61.0	14.1	186	61.6	63.0	14.1	141	65.5	67.0	13.7
P ANOVA (test factor p of variance analysis ANOVA)	0.000				0.000				0.016			

Note: 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree

Table 6 Assessment of the financial situation as a determinant of the CETSCALE value

Assessment of the financial situation	CETSCALE											
	Service sector											
	Insurance				Health care				Airlines			
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s
Very bad	5	48.8	54.0	22.9	3	48.7	48.0	2.1	7	67.4	66.0	12.9
Bad	36	49.3	49.0	16.7	30	53.9	52.0	15.4	144	59.5	62.0	16.4
Average	353	55.0	54.0	14.1	311	56.7	57.0	14.7	157	66.2	68.0	13.5
Good	189	57.9	59.0	14.9	233	61.3	63.0	13.9	15	63.2	70.0	17.5
Very good	17	58.8	64.0	17.9	19	56.9	62.0	18.8	7	67.4	66.0	12.9
P ANOVA (test factor p of variance analysis ANOVA)	0.009				0.001				0.002			

Source: Own elaboration on the basis of the conducted research where 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree

The significant influence of the assessment of the financial situation factor to consumer ethnocentric tendencies was also confirmed during the study in all three service markets (Table 6). However, the results are not so consistent when comparing the analyzed markets. In general, in insurance and medical sectors it can be observed that the respondents who are more satisfied with their financial situation are more willing to make use of foreign services, so they show weaker ethnocentric tendencies. An opposite tendency can be observed in the airline market where also respondents assessing their financial situation as bad are definitely less prejudiced against foreign services.

The assessment of the financial situation is strongly related to income achieved by the respondents and serves as a subjective opinion on monthly remuneration received. Regarding income, similarly to the subjective opinion on financial situation, in medical and insurance market the wealthier the respondents are the lower their consumer ethnocentrism level is and consequently the more positive attitude towards foreign service providers is. It can be attributed to the fear of losing jobs to foreign competitors among those respondents who belong to lower socio-economic groups. In airline travel sector the tendency is similar, however it is not statistically significant enough (Table 7).

Regarding age, the dominant view is that there is positive relationship between this factor and ethnocentrism level and the older will be more consumer ethnocentric than the youth. Again, in health care and insurance sectors, the prevailing view has been confirmed and respondents in the age group of more than 55 years demonstrate the strongest ethnocentric tendencies. On the other side, the youngest respondents are not so consumer patriotic in terms of services. In airline sector the tendency is similar, however it is not statistically significant enough (Table 8).

Employment sector was the last determinant analyzed as a potential factor influencing the level of consumer ethnocentrism. The main purpose was to

Table 7 Income as a determinant of the CETSCALE value

Income	CETSCALE											
	Service sector											
	Insurance				Health care				Airlines			
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s
Less than 500 PLN	12	43.9	43.5	15.0	7	49.9	51.0	10.0	3	56.3	64.0	18.7
501–1000 PLN	124	55.0	56.0	13.8	105	57.2	58.0	15.5	44	60.8	64.0	17.7
1001–2000 PLN	256	54.9	54.0	14.2	245	57.4	57.0	14.4	126	62.2	63.0	14.7
2001–4000 PLN	172	57.6	59.0	15.3	197	59.2	61.0	14.5	117	63.9	66.0	15.3
4001–6000 PLN	22	56.5	55.0	18.0	26	65.6	65.5	14.6	20	70.4	75.5	11.1
More than 6000 PLN	14	59.6	62.0	18.0	16	61.3	64.5	15.5	13	63.7	70.0	16.5
P ANOVA (test factor p of variance analysis ANOVA)	0.030				0.041				0.233 ns			

Source: Own elaboration on the basis of the conducted research where 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree
 ns not significant

Table 8 Age as a determinant of the CETSCALE value

Age	CETSCALE											
	Service sector											
	Insurance				Health care				Airlines			
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s
18–24	138	60.0	60.0	13.7	200	60.6	61.5	13.2	170	65.0	65.5	12.8
25–34	167	56.3	55.5	14.5	157	58.4	60.0	15.7	74	62.3	64.0	17.9
35–44	140	52.4	51.0	16.0	123	56.1	57.0	16.1	52	60.6	64.5	18.8
45–54	100	55.7	53.0	14.0	71	57.0	58.0	14.3	16	60.9	63.0	13.9
55+	55	50.9	53.0	14.1	45	55.5	53.0	13.2	11	54.2	56.0	13.0
P ANOVA (test factor p of variance analysis ANOVA)	0.000				0.039				0.084 ns			

Note: 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree
 ns not significant

investigate whether respondents working in any of the service sector are more ethnocentric as a result of fear of losing jobs to foreign competitors. In health care and airline sector, it is slightly noticeable that people employed in agriculture demonstrate stronger ethnocentric tendencies. Noticeably, this group is followed by employees of services sectors who also reveal this tendency more than respondents working in other sectors, however it is not so much visible when compared to other employment sectors values achieved. Distribution of respondents by employment sector in insurance sector showed no statistically significant differences in the responses and only a tendency that employees of service sector demonstrate more ethnocentric attitude (Table 9).

5 Discussion and Research Implications

The results of the research presented in the following work enable to formulate a number of conclusions. It can be generally stated that Polish respondents demonstrate rather low level of consumer ethnocentrism in services sector. However, it is important to underline that stronger ethnocentric tendencies have been observed in insurance and medical sector, than while making choices in airline market. In addition, in the following research the assessment of 16 statements included in CETSCALE questionnaire, has been made. Significantly, higher level of acceptance in all three service sectors was observed in statements related to the issue of potential hurting the domestic economy (e.g. *Poles should make use of services provided by Polish companies because it gives work to Poles* or in insurance market *Poles should make use of services provided by Polish service companies instead of letting other countries get rich off them*) while the highest level of disagreement has been observed in statements connected with issue of patriotism (*Making use of services provided by foreign companies is unpatriotic* or *Making use of services provided by foreign companies is immoral*) so it may be concluded that ethnocentric tendencies are more of economic than moral character.

In order to provide an indication of the generalizability of the demographic factors and ethnocentrism relationships, the comparison of three service sectors is provided (Table 10). In all three sectors a negative relationship between education and place of residence has been found: in general people with higher educational level and living in densely populated areas have less ethnocentric tendencies toward services. The generalizability of relationships also applies to age, income and assessment of financial situation in case of health care and insurance services. Older people, with lower income and more negative opinion on their financial situation appear to be more ethnocentric in terms of making use of foreign services in these sectors. As can be concluded from Table 10 gender and household size is not a determinant of consumer ethnocentrism towards services. Finally, it is noteworthy, that people who are mainly employed in agriculture (not services sector) feel more threatened by foreign competition.

Table 9 Employment sector as a determinant of the CETSCALE value

Employment sector	CETSCALE												
	Service sector						Airlines						
	Insurance			Health care			Airlines			Airlines			
	N	\bar{x}	Me	s	N	\bar{x}	Me	s	N	\bar{x}	Me	s	
Industry	145	50.2	45.0	21.6	117	58.8	60.0	14.3	58	63.8	65.5	15.1	
Agriculture	18	55.3	54.0	13.2	16	52.6	51.0	13.8	3	48.7	36.0	21.9	
Services	239	48.7	48.5	13.2	232	56.7	57.0	15.4	122	59.5	61.0	16.1	
Trade	108	56.1	56.0	15.3	101	58.1	60.0	15.2	48	64.1	68.5	17.6	
Out of work	85	55.8	55.0	15.1	127	61.9	63.0	12.8	89	67.7	69.0	10.8	
P ANOVA (test factor p of variance analysis ANOVA)	0.340 ns						0.011						0.001

Source: Own elaboration on the basis of the conducted research where 1 stands for: strongly agree, 2—agree, 3—undecided, 4—disagree, 5—strongly disagree

ns not significant

Table 10 Comparison of correlations between customer ethnocentrism and demographic factors

Relationship	Insurance	Health care	Airlines
Gender-ethnocentrism	ns	ns	ns
Age- ethnocentrism	+	+	ns
Education- ethnocentrism	–	–	–
Place of residence- ethnocentrism	–	–	–
Income- ethnocentrism	–	–	ns
Assessment of the fin. Sit.- ethnocentrism	–	–	+
Household size- ethnocentrism	ns	ns	ns
Employment sector- ethnocentrism	ns	–	–

Note: + positive correlation, – negative correlation, ns not significant

As a result, studies have demonstrated the impact of the particular demographics on the level of consumer ethnocentrism in services sector in Poland. However, it needs to be emphasized that extreme consumer ethnocentrism is limited here to a particular segment of customers. Generally, consumers in services sectors in Poland fall into two segments: one comprising of consumers who are ethnocentric and opposed to making use of foreign service providers, and the other one comprising of less or non-ethnocentric consumers who are not biased against foreign service companies. As the present study reveals, ethnocentric market segment is likely to be comprised of people who are older, less educated, have lower income and live in rural or less populated areas. On the other hand, the non-ethnocentric market segment, is likely to be represented by younger consumers who have higher income level, are relatively more educated and live in bigger cities. Moreover, consumer ethnocentrism is also influenced here by service sector. In this case, insurance and healthcare service may be considered as services possessing high perceived level of risk while a purchase decision making process which can make these services sectors more sensitive than other. Some services seem to be more susceptible to consumer ethnocentrism than are others. Therefore, it would be interesting to extend the research design to other sectors.

The findings of this study can have contribution towards revealing how strong ethnocentric tendencies are and understanding consumer attitude towards foreign services in developing countries. Especially, the results could have implications for how international marketers should promote the country of origin when internationalizing their service offering. First, an understanding of the concept of consumer ethnocentrism leads to a better comprehension of target group behavior and to more effective marketing strategies. It is crucial to know consumers’ motives for using or not using a particular service, what preferences they have and which factors guide purchase decisions. Companies can now see why certain consumer segments inside a country are more likely to make use of foreign service providers than other segments. As a result, the potential negative effect of consumer ethnocentrism has to be borne in mind in the early stages of strategic marketing planning process since branding can be used to either emphasize the foreign origin of a service company or conceal its foreign origins. For instance, if a country is strongly

ethnocentric or reveals a large ethnocentric segment, a more ‘domestic-origin’ approach may be appropriate and implementation of a global marketing strategy may affect negatively (De Ruyter et al. 1998). It is strictly connected with regional marketing customizing marketing mix elements to regional preferences and geographic segmentation in consumers’ lifestyles and purchase behaviors (Shimp and Sharma 1987). In this case, advertising campaigns should diminish the foreignness of their promotion campaigns while inducing local and patriotic feelings can be used to attract consumers to make use of local service providers and enjoy a feeling of having safeguarded the interests of domestic industries against foreign competition. Contrary, campaigns focusing on consumers who are less ethnocentric could imply themes such as consumers desire of going for foreign services brands. Second, an understanding of the concept of consumer ethnocentrism can help a lot managers in market entry decisions which may be influenced by the extent of ethnocentrism. If country citizens demonstrate a high degree of ethnocentrism, a local subsidiary might not be a suitable entry mode since ethnocentric customers might perceive the company as being nondomestic and as a result be less eager to purchase its service products. A more cooperative entry mode such as licensing, joint ventures or strategic alliances might therefore be needed.

It should be borne in mind that this research has some limitations. The key limitation of this study is connected with the fact that demographic characteristics are not conceptually independent of the psychological constructs (consumer’s openness to foreign cultures, patriotism, conservatism and collectivism) and other moderating variables (perceived necessity of the product and perceived economic threat of foreign competition) since they all may have an impact on consumers’ attitude towards imported goods (De Ruyter et al. 1998). Further studies could look into the role of consumer ethnocentrism as one of influences in the consumer decision making process. This would enable to evaluate importance of ethnocentrism in comparison to other variables when predicting consumer behavior and developing effective marketing strategy. In addition, the study has been conducted by the means of online survey so there may be a lower incidence of older people who less frequently make use of information technologies. Future studies need to have samples with relatively larger representation of elderly persons so as to improve the generalizability of results.

Acknowledgment The project was financed by National Science Center granted under Decision No: 2011/03/N/HS4/00611.

References

- Alsughayir, A. (2013). Consumer ethnocentrism: A literature review. *International Journal of Business and Management Invention*, 2(5), 50–54.
- Anderson, W. T., & Cunningham, W. H. (1972). Gauging foreign product promotion. *Journal of Advertising Research*, 12, 29–34.

- Balabanis, G., Diamantopoulos, A., Mueller, R. D., & Melewar, T. C. (2001). The impact of nationalism, patriotism and internationalism on consumer ethnocentric tendencies. *Journal of International Business Studies*, 32(1), 157–175.
- Bannister, J. P., & Saunders, J. A. (1978). UK consumers' attitudes towards imports: The measurement of national stereotype image. *European Journal of Marketing*, 12, 562–570.
- Bawa, A. (2004). Consumer ethnocentrism: CETSCALE validation and measurement of extent. *Vikalpa*, 29(3), 43–57.
- Bruning, E. R., Cui, A. P., & Hao, A. W. (1997). Consumer ethnocentrism and evaluation of international airlines. In A. F. Alkhafaji & J. Biberman (Eds.), *Business research yearbook: Global business perspectives* (Vol. 3, pp. 201–206). Beltsville, MD: The International Academy of Business Disciplines.
- Caruana, A. (1996). The effects of dogmatism and social class variables on consumer ethnocentrism in Malta. *Marketing Intelligence & Planning*, 14(4), 39–44.
- Central Statistical Office in Poland. (2015). [online]. Accessed November 28, 2015, from <http://stat.gov.pl/obszary-tematyczne/nauka-i-technika-spoleczenstwo-informacyjne/spoleczenstwo-informacyjne/>
- De Ruyter, K., van Birgelen, M., & Wetzels, M. (1998). Consumer ethnocentrism in international services marketing. *International Business Review*, 7, 185–202.
- Durvasula, S., Andrews, J. C., & Netemeyer, R. G. (1997). A cross-cultural comparison of consumer ethnocentrism in United States and Russia. *Journal of International Consumer Marketing*, 7(4), 73–93.
- Ertmańska, K., & Ertmański S. (2011). *Etnocentryzm konsumentki wśród młodych konsumentów* [Consumer ethnocentrism among young consumer]. *Marketing Przyszłości—trendy, strategie, instrumenty*. ZNUSz, 660, 457–469.
- Ettenson, R. (1993). Brand name and country of origin effects in the emerging market economics of Russia, Poland and Hungary. *International Marketing Review*, 10(5), 14–36.
- Falkowski, A., Rożnowski, B., & Witkowski T. H. (1996). Etnocentryzm konsumentki a poznawczo-emocjonalne determinanty wyborów rynkowych. *Przegląd Psychologiczny*, 3/4 (39), 133–150.
- Festervand, T. A., Lumpkin, J. R., & Lundstrom, W. J. (1985). Consumer perceptions of imports: An update and extension. *Akron Business and Economic Review*, 16(1), 31–6.
- Festervand, T. A., & Sokoya, S. K. (1994). Consumer ethnocentrism in a developing economy: A preliminary investigation. *The International Executive*, 36(1), 95–105.
- Good, L. K., & Huddleston, P. (1995). Ethnocentrism of Polish and Russian consumers: Are feelings and intentions related. *International Marketing Review*, 12(5), 35–48.
- Han, C. M. (1988). The role of consumer patriotism in the choice of domestic versus foreign products. *Journal of Advertising Research*, 28(3), 25–32.
- Keillor, B., & Hult, G. (1999). A five-country study of national identity: Implications for international marketing research and practice. *International Marketing Review*, 16(1), 65–82.
- Javalgi, R. G., Khare, V. P., Gross, A. C., & Scherer, R. F. (2005). An application of the consumer ethnocentrism model to French consumers. *International Business Review*, 14, 325–344.
- Karcz, K. (2004). *Międzynarodowe badania marketingowe. Uwarunkowania kulturowe* [International marketing research. Cultural considerations]. Warsaw: PWE.
- Kaynak, E., & Kara, A. (2002). Consumer perceptions of foreign products: An analysis of product-country images and ethnocentrism. *European Journal of Marketing*, 36(7/8), 928–949.
- Klein, J. G., & Ettenson, R. (1999). Consumer animosity and consumer ethnocentrism: An analysis of unique antecedents. *Journal of International Consumer Marketing*, 11(4), 5–24.
- Kucukemiroglu, O. (1999). Market segmentation by using consumer lifestyle dimensions and ethnocentrism. An empirical study. *European Journal of Marketing*, 33, 470–487.
- Lindquist, J. D., Vida, I., Plank, R. E., & Fairhurst, A. (2001). The modified CETSCALE: Validity tests in the Czech Republic, Hungary and Poland. *International Business Review*, 10(5), 505–516.

- Luque-Martinez, T., Ibanez-Zapata, J., & Barrio-Garcia, S. (2000). Consumer ethnocentrism, measurement: An assessment of the reliability and validity of the CETSCALE in Spain. *European Journal of Marketing*, 34(11/12), 1353.
- Luthy, M. (2007). Conducting international consumer ethnocentrism surveys. *Journal of International Business Research*, 6(2), 33–42.
- McLain, S., & Sternquist, B. (1991). Ethnocentric consumers: Do they buy American? *Journal of International Consumer Marketing*, 4(1–2), 39–57.
- Netemeyer, R., Durvasula, S., & Lichtenstein, D. (1991). A cross national assessment of the reliability and validity of the CETSCALE. *Journal of Marketing Research*, 28(3), 320–327.
- Ray, J. J. (1990). Racism, conservatism and social class in Australia: With German, Californian and South African comparisons. *Personality and Individual Differences*, 11(2), 187–189.
- Riefler, P., & Diamantopoulos, A. (2009). Consumer cosmopolitanism: Review and replication of the CYMYC scale. *Journal of Business Research*, 62(4), 407–419.
- Sajdakowska, M. (2003). Etnocentryzm konsumentki—czynnik wpływający na decyzje nabywcze konsumentów na rynku żywności [Consumer ethnocentrism—factor in the purchasing decisions of consumers in food market]. *Acta Scientiarum Polonorum, Technologia Alimentaria*, 2(1), 177–184.
- Schooler, R. D. (1971). Bias phenomena attendant to the marketing of foreign goods in the US. *Journal of International Business Studies*, 2(1), 71–80.
- Shankarmahesh, M. N. (2006). Consumer ethnocentrism: An integrative review of its antecedents and consequences. *International Marketing Review*, 23(2), 146–172.
- Sharma, S., Shimp, T. A., & Shin, J. (1995). Consumer ethnocentrism: A test of antecedents and moderators. *Journal of the Academy of Marketing Science*, 23(1), 26–37.
- Shimp, T. A., & Sharma, S. (1987). Consumer ethnocentrism: Construction and validation of the CETSCALE. *Journal of Marketing Research*, 24(3), 280–289.
- Sinkovics, R., & Holzmüller, H. (1994, December 11–13). *Ethnocentrism. A key determinant in international corporate strategy formulation?* 20th EIBA Annual conference—Warsaw, Poland.
- Smyczek, S. (2006). Etnocentryzm konsumentki na rynku usług finansowych [Consumer ethnocentrism in financial services market]. In E. Kieźel (Ed.), *Konsumentki proces decyzyjny i jego determinanty* (pp. 105–139). Katowice: AE Katowice.
- Smyczek, S., & Glowik, M. (2011). Ethnocentrism of Polish consumers as a result of the global economic crisis. *Journal of Customer Behaviour*, 10(2), 99–118.
- Śnihur, J. (2010). Postawy etnocentryczne mieszkańców lubuskiego w świetle badań ankietowych [Ethnocentric attitudes of residents of Lubuskie—results of empirical research]. *Marketing przyszłości—trendy, strategie, instrumenty. ZNUSz*, 594, 159–164.
- Sumner, W. G. (1906). *Folkways: The sociological importance of usages, manners, customs, mores, and morals*. New York: Ginn & Company.
- Wall, M., & Heslop, L. A. (1986). Consumer attitudes toward Canadian-made versus imported products. *Journal of the Academy of Marketing Science*, 14, 27–36.
- Wang, C. L., & Chen, Z. X. (2004). Consumer ethnocentrism and willingness to buy domestic products in a developing country setting: Testing moderating effects. *Journal of Consumer Marketing*, 21(6), 391–400.
- Watson, G., & Johnson, D. (1972). *Social psychology: Issues and insights*. New York: J.B. Lippincott.
- Watson, J. J., & Wright, K. (2000). Consumer ethnocentrism and attitudes toward domestic and foreign products. *European Journal of Marketing*, 34(9–10), 1149–1166.
- Wei, Y. (2008). Does consumer ethnocentrism affect purchase intentions of Chinese consumers? Mediating effect of brand sensitivity and moderating effect of product cues. *Journal of Asia Business Studies*, 3(1), 54–66.
- Witkowski, T. H. (1998). Consumer ethnocentrism in two emerging markets: Determinants and predictive validity. *Advances in Consumer Research*, 25, 258–263.

- Wolanin-Jarosz, E. (2013). Porównanie postaw etnocentrycznych konsumentów polskich i rumuńskich—wyniki badań empirycznych [Comparison of ethnocentric attitudes of Polish and Romanian consumers—results of empirical research]. *Handel Wewnętrzny*, 05–06(2), 138–146.
- Zięba, K., & Ertmański, S. (2006). Rola etnocentryzmu konsumentckiego oraz kraju pochodzenia produktu w podejmowaniu decyzji zakupowych konsumentów [The role of consumer ethnocentrism and country of origin of the product in consumers' purchasing decisions]. *Marketing przyszłości—trendy, strategie, instrumenty*. *ZNUSz*, 438, 121–128.

The Influence of the Fit of Export Marketing Strategy and Competitive Strategy on Export Performance from Mediation and Moderation Perspectives

Regina Virvilaitė and Beata Šeinauskiene

Abstract The influence of the export marketing strategy on export performance by assessment of such contextual factors as generic competitive strategies is considered to be under researched. Generic competitive strategies are recognized as fragmentary referred and the least investigated factors which only recently attracted the attention of individual scientists. The research problem is conveyed in the form of the following question: how does the fit between export marketing strategy and competitive strategy affect export performance? Lithuanian companies which operate in the sector of milk and meat processing and export their products were chosen for the empirical verification. Multiple regression analysis (moderated regression and mediation—path analysis) was used to test the hypotheses. The results of the survey revealed that only the distribution adaptation significantly mediates the relationship between cost leadership and export performance. The decrease of cost leadership manifestation level is associated with a higher degree of distribution adaptation that in turn leads to increased export performance. Moderation perspective disclosed that when the level of cost leadership manifestation is low, a higher degree of distribution adaptation significantly determines better export performance.

Keywords Export marketing strategy • Standardization • Adaptation • Export performance • Competitive strategies

R. Virvilaitė • B. Šeinauskiene (✉)
School of Economics and Business, Marketing Department, Kaunas University of Technology,
Kaunas, Lithuania
e-mail: regina.virvilaite@ktu.lt; beata.seinauskiene@ktu.lt

1 Introduction

Survival and development of companies and phenomena associated with recent economic growth in many countries particularly dependent on the deeper understanding of determinants of export performance. In this context, the issues associated with the respective export marketing strategies enabling to compete successfully and ensuring effective expansion in foreign markets becomes especially relevant. Internationalizing companies face situation when on one hand the market convergence opens up greater opportunities for standardization of export marketing strategy, on the other hand the growing consumers' requirements and intensifying competition requires greater responsiveness and a higher degree of adaptation (Douglas and Craig 2011). In this context, the performance of exporting companies attracts attention of researchers suggesting that this aspect is one of the most important when assessing the suitability of particular export marketing strategy. However, contradictory results of the research of the direct link between export marketing strategy (its degree of standardization or adaptation) and export performance actualize the need of consideration of contextual factors while attempting to explain the particular relationship. According to many authors, in order to generate further insights it is essential to focus on the research of contextual factors and strategic fit perspective which until now were mostly ignored in the scientific literature. Latest literature suggests that namely the conception of the strategic fit would allow explanation of inconsistent and conflicting research results. Therefore the views prevail in the most recent scientific literature which state that the appropriate export marketing strategy will lead to the better performance if the strategic fit or strategic co-alignment between export marketing strategy and environment in which this strategy is being deployed will be achieved. However it is concluded by Schmid and Kotulla (2011) that except several sporadic attempts (Katsikeas et al. 2006; Xu et al. 2006; Schilke et al. 2009; Hultman et al. 2009, 2011; Gabrielsson et al. 2012) the influence of the fit of export marketing strategy (degree of standardization-adaptation) with the specific context in which it is being implemented on export performance is insufficiently explored. The insights mentioned above stimulate the search for new potentially significant contextual factors that might shape the nature of the influence.

The generic competitive strategies are recognized as fragmentary referred and the least investigated factors (Tan and Sousa 2013) which only recently attracted the attention of individual scientists (Solberg and Durrieu 2008; Schilke et al. 2009). The analysis of scientific literature allows affirmation that the influence of the export marketing strategy standardization-adaptation on performance by assessment of such contextual factors as competitive strategies wasn't properly tested, only few research exist (Aulakh et al. 2000; Solberg and Durrieu 2008; Schilke et al. 2009) which are characterized by contradictory theoretical insights. The conceptual substantiation of the export marketing strategy influence on export performance by evaluating the impact of competitive strategies remains episodic and considered to be under-researched. This highlights the relevance of the further

research in this field and stimulates contribution to important scientific discussions on purpose to reduce the existing knowledge gap, by investigating the influence of export marketing strategy on the performance through the strategic fit perspective. On the basis of stated arguments and considering the conceptualization limitations of the direct link between export marketing strategy and export performance and the importance of the context evaluation, the formulation of the scientific problem is conveyed in the form of the following question: How does the fit between export marketing strategy and competitive strategy affect export performance? The purpose of the research—to assess the influence of strategic fit between export marketing strategy and competitive strategy on export performance.

2 Theoretical Background and Hypothesis Development

2.1 *Standardization-Adaptation of Export Marketing Strategy*

The topic of standardization and adaptation of export marketing strategy is extensively researched in the context of export (Cavusgil and Zou 1994; Leonidou et al. 2002, 2010; O’Cass and Julian 2003; Lages and Montgomery 2004; Shoham 2003; Sousa and Bradley 2009; Leonidou and Katsikeas 2010; Chung et al. 2012). The issue concerning the degree of adaptation and standardization of marketing strategies and their relationship with performance of internationally engaged companies is also seen as one of the relevant topics of international business (Griffith et al. 2008; Hagen et al. 2012; Kustin 2004; Schmid and Kotulla 2011; Griffith 2010). According to Leonidou et al. (2011), export marketing strategy is defined by the solutions with respect to the product, price, distribution and promotion elements which create preconditions for a company to respond adequately to the environmental forces that affect foreign market and to achieve its export goals. Export marketing strategy is commonly defined through standardization-adaptation dimension (Jain 1989; Lages and Montgomery 2004; Lages et al. 2008; Sousa and Bradley 2009). Standardization (adaptation) reveals the degree of sameness or dissimilarity of export marketing strategy, pursued by the company in the particular export market in respect of certain frame of reference—domestic or another foreign market (Cavusgil and Zou 1994; Lages et al. 2008; Chung 2003; Katsikeas et al. 2006). Evolving conceptualization of standardization (adaptation) has led to doubts about meaningfulness of approach concerning standardization and adaptation which is seen as polar opposites suggesting that standardization (adaptation) should be viewed as a continuum where both approaches coexist and a variety of options between the two extremes is possible (Jain 1989; Cavusgil et al. 1993; Ozsomer and Simonin 2004; Vrontis et al. 2009; Poulis and Poulis 2013).

2.2 *Competitive Strategies*

Generic competitive strategies suggested by Porter (1980) show what approach is adopted by companies when they aim to outperform rivals in the industry. In order to gain competitive advantage companies develop certain strategies either by emphasizing various forms of product or service differentiation or by striving to achieve cost leadership. The second dimension that defines generic strategies, namely competitive scope, reveals how competitive advantage is used in different target markets—aiming broad market coverage or by focusing on niches. Cost leadership strategy is aimed to provide a consumer with the same or greater value at the lower price. In order to achieve cost advantage much attention is paid to optimization of internal processes, a strict policy is followed concerning cost reduction through accumulated experience and control of overheads, costs are purposefully minimized in such stages of value chain as R&D, services, sales force, advertising (Porter 1980). The companies which apply the strategy of cost leadership are determined to achieve the lowest costs in the industry in order to sell their products at the lowest price to price-sensitive market segments. Sources of cost advantage are associated with advantage of scale. The products of the companies which apply the strategy of cost leadership are characterized by high level of standardization, they are offered to mass markets, whereas cost-effectiveness, efficiency, and risk avoidance are seen as the dominant values of such companies (Mooradian et al. 2013).

The companies which apply differentiation strategy seek to develop such a product or service that would be widely perceived in the industry like the one that provides customers with unique and meaningful value (Porter 1980). Uniqueness can be achieved in various ways—through exclusive design, brand image, technologies applied, consumer service, and physical characteristics of a product sold, quality and other distinctive features that can better meet consumer needs, increase their satisfaction and reduce price sensitivity. Competitive advantage that is based on differentiation arises from the company's ability to propose its consumers exceptional offering that provides greater value and stimulates consumers' willingness to pay the price premium. Increase of consumer loyalty and creation of barriers to entry for new entrants are seen as the aim of the companies which apply differentiation strategy (Aulakh et al. 2000).

2.3 *Relationship Between Export Marketing Strategy, Competitive Strategy and Export Performance*

There is no unanimous opinion in the scientific literature regarding the link between competitive strategies, export marketing strategies and their impact on export performance. Some researchers (Solberg and Durrieu 2008) claim that relationship between competitive strategies and export performance is indirect, proposing that

competitive strategies lead to enhanced performance as a result of properly chosen export marketing strategy, while others (Schilke et al. 2009) suppose that effectiveness of export marketing strategy depends on the particular competitive strategy developed by the company. According to Schilke et al. (2009) competitive strategies are considered important moderators of export marketing strategy-performance relationship. It should be noted that different conceptualizations of competitive strategies and export marketing strategies suggested by various authors make the analysis of the relationship between these constructs even more complicated. For example, Baldauf et al. (2000) claim that cost leadership equals to standardization, whereas mentioned authors consider differentiation strategy as being similar to adaptation. On the contrary, Aulakh et al. (2000) stress that marketing standardization (adaptation) is distinct from cost leadership and differentiation strategies. According to the opinion of mentioned scholars, the exporting companies pursuing cost leadership or differentiation strategy may implement either marketing standardization or adaptation strategies. Solberg and Durrieu (2008) assumed positive relationship between cost leadership and standardization; however the research results revealed that standardization was not significantly linked to cost leadership strategy. Assumption of Schilke et al. (2009) that in case of the companies which apply differentiation strategy positive relationship between standardization and performance is weaker when compared to the companies pursuing cost leadership strategy also was not supported. However, results of empirical research which has been carried out by mentioned authors have demonstrated that cost leadership strategy has a significant effect on the standardization-performance relationship. The findings of Aulakh et al. (2000) show that when the companies from emerging economies export their products to developed countries, the strategy of cost leadership tends to enhance export performance while standardized marketing strategies tend to result in lower export performance. However, the latter findings are in contrary to the empirically supported premise of Schilke et al. (2009) maintaining that namely the cost leadership strategy strengthens the positive effect of standardization on performance.

Albaum and Tse (2001) stress that adaptation (standardization) of export marketing strategy should be interpreted not as the end in itself, but as the mean to be applied in order to achieve a higher goal of the company, i.e. to strengthen competitive advantage of the company in the export markets through adoption of standardization or adaptation. Similarly, Navarro et al. (2010) point out that decision in connection with the issues whether export marketing strategies should be adapted and to what extent are attributable to the instrumental strategies serving to achieve the main goal—competitive advantage. The study of Hagen et al. (2012) observed the linkage between differentiation and entrepreneurial, growth-oriented companies. Further, their finding has also revealed that companies of this type are the only ones which emphasize adaptation in the markets of foreign countries. While in other scientific research differentiation is often associated with consumer and market orientations. Although there are no explicit stance in the scientific literature on the connection between market orientation and export marketing strategy, since this topic has not yet been explored sufficiently, some scholars

presuppose that market orientation favor the adaptation of marketing strategy in export market (Samiee and Chabowski 2011). In summary, it can be stated that differentiation strategy and adaptation of export marketing strategy are related through market orientation. Thus, it can be assumed that companies which pursue differentiation strategy are more inclined to adapt their export marketing strategies. Both strategy of differentiation and strategy of adaptation is associated with better meeting of consumer needs—by creating superior customer value in case of differentiation and by increasing acceptability of the value offerings in the export market in case of adaptation. Given that both differentiation and adaptation strategies are pursued expecting the higher returns from the superior customer value that is based on greater responsiveness to local market needs, it may be asserted that coalignment of these strategies leads to enhanced export performance. The companies which develop the strategy of cost leadership may respectively use the cost-saving potential that occurs due to standardization since the objectives of both cost leadership and standardization of export marketing strategy are consistent and oriented toward greater efficiency (Schilke et al. 2009). Since standardization-adaptation is considered as the instrumental strategy that helps to maintain a competitive advantage that has been conditioned by the appropriate competitive strategy (Navarro et al. 2010), logical priority therefore should be given to competitive strategies in the causal sequence. Similarly, Tan and Sousa (2013) also conclude that the choice of standardization-adaptation strategy is likely to be constrained by the firm level strategies which are previously decided. Consistent with this view, we posit that the influence of standardization-adaptation of export marketing strategy on export performance should be investigated by interpreting standardization-adaptation as an appropriate generative mechanism that links the competitive strategy and export performance. Hence, we hypothesize that export marketing strategy mediates the competitive strategy-export performance relationship. Mediation perspective of strategic fit specifies that the effect of certain competitive strategy on export performance is transmitted through the aligned strategy of export marketing (Venkatraman 1989). Thus, we propose the following:

H_{1a}: A tendency to apply differentiation strategy determines a higher degree of adaptation of export marketing strategy that in turn enhances export performance.

H_{1b}: A tendency to apply the strategy of cost leadership determines a higher degree of standardization of export marketing strategy that in turn enhances export performance.

Complementary conceptualization of strategic fit from the moderation perspective enable to reveal at what levels of manifestation of competitive strategy the standardization (or adaptation) of export marketing strategy positively affect export performance and what is the strength of the relationship:

H_{2a}: A higher degree of adaptation of export marketing strategy leads to increased export performance when the company is inclined to pursue a differentiation strategy.

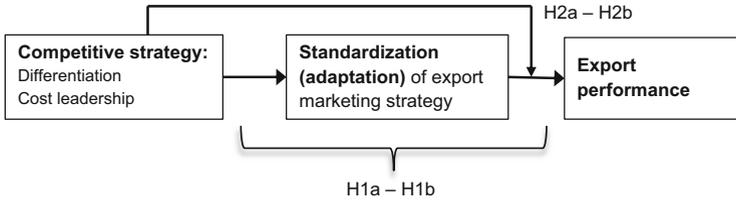


Fig. 1 Conceptual framework

H_{2b}: A lower degree of adaptation (a higher degree of standardization) of the export marketing strategy determines a better export performance when the company is inclined to pursue the strategy of cost leadership.

The hypothetical propositions defining the relationship between competitive strategies, standardization-adaptation of export marketing strategy and export performance are revealed in the conceptual framework (Fig. 1).

3 Method

3.1 Sampling and Measures of Constructs

To test the hypothesis, the data were obtained from the sample of Lithuanian exporting companies of milk and meat processing industries. Based on Lithuanian Statistics, there were 61 exporting company in those sectors in year 2013 (45.5 % of all companies in milk and meat processing sector are engaged in export activities). Lithuanian Statistics does not provide the information allowing to identify the sampling frame, so the list of the companies were got from State Agricultural Information and Rural Business Centre, Lithuanian Association of Meat Processors, Lithuanian Food Exporters Association and information platform Baltic Export.com. We generated a list of 125 companies, which were contacted by e-mail sending a link to the online questionnaire (limeservice.com). In total 34 informants from 25 Lithuanian milk and meat processing and exporting companies properly filled the questionnaires. Part of informants provided information about more than one export market that resulted in 43 product-export market venture cases suitable for further analysis. The response rate is 27.2 % and can be defined as moderate. In total 40.98 % of all exporting companies in these sectors participated in a survey.

Statistical methods used—descriptive statistics, correlation analysis, multivariate statistical methods—exploratory factor analysis, simple regression and multiple regression analysis (regression-based moderation and mediation). The PROCESS macro (Hayes 2013) implemented in SPSS 20 was utilized to estimate the mediation and moderation models (models 1 and 4 in PROCESS).

Table 1 Measures of constructs

Construct	References	Cronbach α
Total adaptation of export marketing strategy	Lages et al. (2008) (Likert type 5 point scale)	0.916
Product adaptation (8 items)		0.91
Price adaptation (6 items)		0.85
Promotion adaptation (5 items)		0.87
Distribution adaptation (3 items)		0.85
Differentiation strategy (4 items)	Schilke et al. (2009) (Likert type 5 point scale)	0.78
Cost leadership strategy (6 items)	Schilke et al. (2009) (Likert type 5 point scale)	0.90
Satisfaction with export performance (4 items)	Diamantopoulos and Kakkos (2007) (Satisfaction: Likert type 7 point scale) Further the composite AEP index was calculated based on methodology of the above mentioned authors	0.85

Measurement scales were adopted from previous research (Table 1). Reliability and validity of scales were assessed by exploratory factor analysis (principal components with Varimax rotation). Results indicated good psychometric properties for all constructs. In general, Cronbach's alphas were strong (ranging from 0.78 to 0.91), and all exceeded the accepted benchmark of 0.70 (Pallant 2007) (Table 1).

4 Analysis and Results

4.1 Hypothesis Testing Results: Mediation Perspective of Strategic Fit

As recommended for small samples, we used nonparametric bootstrapping analyses (see Preacher and Hayes 2004; Hayes 2013) to test the mediational model of adaptation of export marketing strategy as a mediator of the relationship between competitive strategy (differentiation or cost leadership) and export performance. In these analyses, mediation is significant if the 95 % Bias Corrected confidence intervals for the indirect effect do not include zero value (Preacher and Hayes 2004; Preacher et al. 2007; Hayes 2013). Based on the latest methodological recommendations the only requirement for mediation is that the bootstrap test of the indirect effect $a \times b$ be significant (mathematical product of path a and path b) (Hayes 2013; Preacher and Hayes 2008; Zhao et al. 2010; Malhotra et al. 2014). Correlations of constructs and descriptive statistics are presented in Table 2.

Table 2 Correlations and descriptive statistics

Construct	1	2	3	4	5	6	7	8	M	SD
1. Total adaptation of export marketing strategy	1								2.8446	0.7358
1. Product adaptation	0.875**	1							2.7064	1.0333
3. Price adaptation	0.671**	0.495**	1						3.0349	0.8401
4. Promotion adaptation	0.629**	0.461**	0.183	1					2.7953	0.9577
5. Distribution adaptation	0.481**	0.182	0.316*	0.335*	1				2.9147	1.0568
6. Export performance	-0.093	-0.093	-0.108	0.02	0.131	1			3.8547	1.3685
7. Differentiation strategy	0.108	-0.008	0.184	-0.02	0.032	0.297	1		4.1618	0.8570
8. Cost leadership strategy	-0.022	0.011	-0.053	-0.07	-0.25	0.464**	0.491**	1	3.5000	0.9692

*Correlation is significant at $p < 0.05$

**Correlation is significant at $p < 0.01$

Table 3 Regression coefficients of the model of cost leadership as a predictor of export performance mediated by distribution adaptation

Antecedent	Consequent							
	M (Distribution adaptation)				Y (Export performance)			
	Path	<i>b</i>	SE	<i>p</i>	Path	<i>b</i>	SE	<i>p</i>
Constant	<i>i</i> ₁	3.9295	0.6743	0.0000	<i>i</i> ₂	0.5689	1.1432	0.6222
X (Cost leadership)	<i>a</i>	-0.2796	0.1859	0.1424	<i>c'</i>	0.6781	0.2271	0.0055**
M (Distribution adaptation)					<i>b</i>	0.4553	0.2087	0.0369*
Characteristics of models	<i>R</i> ² = 0.066, <i>F</i> (1, 32) = 2.2622, <i>p</i> > 0.05				<i>R</i> ² = 0.2629, <i>F</i> (2, 31) = 2.2622, <i>p</i> < 0.01 (= 0.0088**)			
Total effect (<i>c</i>)	<i>R</i> ² = 0.15, <i>b</i> = 0.550, <i>t</i> = 2.37, <i>p</i> = 0.0238*							
Indirect (<i>a</i> × <i>b</i>)	<i>b</i> = -0.1273 , SE = 0.0967, CI [-0.4221, -0.0016]							

N = 34. CI = 95 % confidence interval for indirect effect; if CI does not include zero, indirect effect is considered statistically significant and is displayed in bold. Number of bootstrap samples for bias corrected bootstrap confidence intervals: 20,000

***p* < 0.01

**p* < 0.05

Hypothetical proposition H1a: Regression models testing the mediating effect of adaptation of export marketing strategy on the differentiation-export performance relationship indicated that the available data did not meet the assumptions of the least-squares linear regression. The models do not contain predictors which are associated with a dependent variable. Export performance is dependent neither on the differentiation strategy nor the level of adaptation of export marketing strategy. All bias corrected bootstrap confidence intervals of the indirect effect contain zero. Therefore, a hypothetical proposition H1a with available data has not been supported.

Hypothetical proposition H1b: Statistically significant indirect effect has been determined only in case of distribution adaptation. The results of regressions' models which test mediating effect of distribution adaptation on the cost leadership-export performance relationship are presented in Table 3.

Results of the simple regression of distribution adaptation predicted from cost leadership (path *a* in Table 3) show that cost leadership does not significantly predict distribution adaptation. The fact that the *b* is negative (*b* = -0.2796) tells that relationship is negative—as manifestation of cost leadership increase, the degree of distribution adaptation decrease (and vice versa).

The results of the regression of export performance predicted from both cost leadership (path *c'* in Table 3) and distribution adaptation (path *b* in Table 3) show that cost leadership significantly predicts export performance even with distribution adaptation in the model (*b* = 0.6781, *t* = 2.99, *p* = 0.0055). Distribution adaptation also significantly predicts export performance (*b* = 0.455, *t* = 2.18, *p* = 0.037). The model explains 26.3 % of the variance in export performance. The positive *b* for cost leadership tells that as cost leadership manifestation increases, export performance increases also (and vice versa). The positive *b* for distribution adaptation

tells that as distribution adaptation increases, export performance increases also (and vice versa).

The total effect model (path c in Table 3) shows that when distribution adaptation is not in the model, cost leadership significantly predicts export performance ($b = 0.550$, $t = 2.37$, $p = 0.0238$). Model explains 15 % of the variance in export performance. Therefore when distribution adaptation is not included in the model, cost leadership has a significant positive relationship with export performance.

PROCESS macro generates estimates of the indirect effect ($a \times b$) as well as a bootstrapped standard error and confidence interval (Table 3). 95 % confidence intervals contain the true value of a parameter in 95 % of samples. Indirect effect of cost leadership on export performance through mediating variable of distribution adaptation is equal to product of coefficients of path a and path b ($a \times b = -0.2796 \times 0.4553$ ($b = -0.127$)) and is statistically significant. It can be stated with guarantee of 95 % that the true b value for the indirect effect falls between -0.4221 and -0.0016 . Since the bias corrected confidence interval does not contain zero, we can conclude that distribution adaptation is a mediator of the relationship between cost leadership and export performance.

The effect of cost leadership on export performance in isolation (total effect, path c) is positive and statistically significant. However, in case of inclusion of mediator (distribution adaptation) in the model, the indirect effect of cost leadership on export performance is also statistically significant, however it becomes negative, whereas the effect of cost leadership (direct effect, c') on export performance remains statistically significant and positive. The case when both indirect path ($a \times b$) and direct path (c') are statistically significant but are of opposite signs, is called competitive mediation (Zhao et al. 2010) and indicates suppression effect.

Negative path a for distribution adaptation shows that increase in manifestation of cost leadership predicts decrease in degree of distribution adaptation, which, in turn, predicts decrease in export performance (positive path b). The significant mediation indicates that part of the statistical association between cost leadership and export performance is transmitted indirectly through changes in distribution adaptation, regardless of the sign of the path a and path b . Mediation model suggests that increase in manifestation of cost leadership is indirectly associated with worse assessment of export performance through decrease in distribution adaptation. In other words, a higher inclination to apply the strategy of cost leadership leads to the lower degree of distribution adaptation (a higher degree of distribution standardization) which in turn leads to a worsened export performance or, respectively, lower inclination toward cost leadership leads to a higher degree of distribution adaptation which in turn leads to a better export performance.

In summary, it can be concluded that strategic fit between cost leadership and a degree of distribution adaptation has a positive impact on export performance. *Hypothetical proposition H1b has been partially supported.*

4.2 Hypothesis Testing Results: Moderation Perspective of Strategic Fit

Hypothetical proposition H2a: Regression models did not meet the assumptions of the least squares linear regression’s models ($R^2 < 0.2, p > 0.05$). Consequently it is concluded that hypothetical proposition H2a with the data available has not been supported—the strategy of differentiation does not function as the moderator of the relationship between adaptation of export marketing strategy and export performance.

Hypothetical proposition H2b: Moderated regressions were employed for testing cost leadership moderating effect. Statistically significant interaction was determined only in case of distribution adaptation. The results in Table 4 show that model explains 41.2 % of variance in export performance ($R^2 = 0.412, p < 0.001$). As shown in Table 4, the interaction is statistically significant ($b = -0.58, 95\% \text{ CI } [-0.9157, -0.2435], t = -3.52, p < 0.01$), indicating that the relationship between the distribution adaptation and export performance is moderated by cost leadership.

Table 5 shows the results of three different regressions: the regression for distribution adaptation as predictor of export performance when manifestation of cost leadership is low (-0.9692); at the mean value of manifestation of cost leadership (0); and when the value of manifestation of cost leadership strategy is high (0.9692).

When the level of manifestation of cost leadership is low, significant positive relationship between distribution adaptation and export performance ($b = 1.101, 95\% \text{ CI } [0.455, 1.748], t = 3.48, p = 0.0016$) is observed. At the mean value of cost leadership, there is a significant positive relationship between distribution adaptation and export performance ($b = 0.539, 95\% \text{ CI } [0.156, 0.923], t = 2.87, p = 0.0074$ respectively). However, when the level of manifestation of cost

Table 4 Results from a regression analysis examining the moderation of the effect of distribution adaptation on export performance by cost leadership

Dependent variable Y: export performance				
	<i>b</i>	<i>SE B</i>	<i>t</i>	<i>p</i>
Constant	4.1383 [3.7418, 4.5349]	0.1941	21.315	0.0000***
Cost leadership (centered)	0.7020 [0.3528, 1.0512]	0.1710	4.1059	0.0030**
Distribution adaptation (centered)	0.5394 [0.1559, 0.9229]	0.1878	2.8725	0.0074**
Distribution adaptation x Cost leadership	-0.5796 [-0.9157, -0.2435]	0.1646	-3.5218	0.0014**

$R^2 = 0.412. N = 34.$ Heteroscedasticity-consistent SEs

*** $p < 0.001$

** $p < 0.01$

* $p < 0.05$

The bold values are statistically significant

Table 5 Conditional effect of distribution adaptation on export performance at values of moderator (cost leadership)

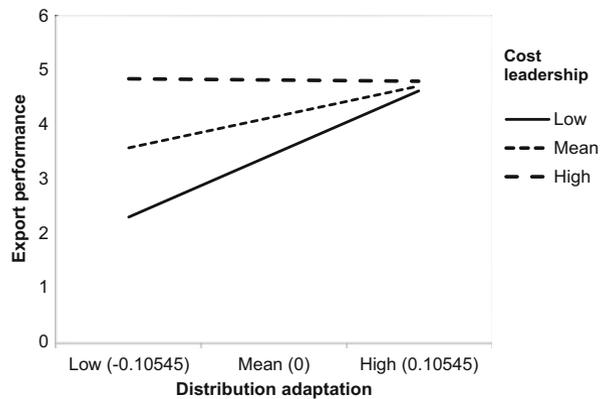
Level of moderator	Value of moderator (centered)	<i>b</i>	<i>SE</i>	<i>t</i>	<i>p</i>	LLCI	ULCI
Low	-0.9692	1.1012	0.3166	3.4776	0.0016**	0.4545	1.7479
Mean	0.0000	0.5394	0.1878	2.8725	0.0074**	0.1559	0.9229
High	0.9692	-0.0224	0.1454	-0.1539	0.8787	-0.3194	0.2746

N = 34. Level of moderator (cost leadership): mean = centered mean; low = -1 standard deviation of the centered mean; high = +1 standard deviation of the centered mean

***p* < 0.01

The bold values are statistically significant

Fig. 2 A visual representation of the conditional effect of distribution adaptation on export performance at three levels of cost leadership



leadership is high, then the relationship between distribution adaptation and export performance is non-significant and negative ($b = -0.0224$, 95 % CI [-0.319, 0.275], $t = -0.154$, $p = 0.8787$ respectively). The visual representation of the conditional effect of distribution adaptation on export performance at different levels of cost leadership is depicted in Fig. 2.

The simple slopes graph in Fig. 2 reveals that significant positive relationship between distribution adaptation and export performance is observed only in case of low or at the mean value of cost leadership. When the level of manifestation of cost leadership is high, there is non-significant positive relationship between distribution adaptation and export performance. The relationship between distribution adaptation and export performance gets stronger at lower levels of cost leadership.

5 Discussion and Conclusion

The research results showed that only distribution adaptation significantly mediates the relationship between cost leadership and export performance. The increase of manifestation of cost leadership predicts a decrease in distribution adaptation that in

turn predicts worse assessment of export performance. Increase of manifestation of cost leadership is indirectly related with worse assessment of export performance due to decrease in distribution adaptation. The result obtained shows that the level of cost leadership and distribution adaptation changes in opposite directions, i.e. when one of them increases, then another one decreases (and vice versa). Respectively the level of distribution adaptation and export performance are changing in the same direction, i.e. when one of them decreases, then another one decreases too (and vice versa). Therefore, the reverse formulation of a hypothetical proposition should be equivalent. Increase in the level of manifestation of cost leadership leads to lower degree of distribution adaptation that in turn leads to worse assessment of export performance and vice versa—decrease in the level of manifestation of cost leadership is associated with higher degree of distribution adaptation that in turn predicts better export performance. The results of empirical research supported only an inversely formulated causal relationship.

Significant interaction has been determined only in case of distribution adaptation. When level of manifestation of cost leadership is high, a higher degree of distribution adaptation is associated with worse assessment of export performance, however, such relationship, although it is in the predicted direction, is very weak and non-significant. Meanwhile, when the level of manifestation of cost leadership is low, a higher degree of distribution adaptation significantly predicts improvement in export performance. The results obtained show that the companies which do not tend to base their competitive strategies on cost advantage can enhance export performance when they develop the solutions which are more adapted to foreign markets. Although low level of manifestation of cost leadership is beyond assertion that such companies tend to apply differentiation, the relationship can be explained using the same arguments—a higher degree of adaptation that is usually associated with additional cost is likely less compatible with orientation towards cost minimization, thus it is less acceptable for the companies which apply the strategy of cost leadership. Therefore, such result is not unexpected and partially corresponds to hypothesized relationship.

5.1 Managerial Implications

For companies intending to transfer the proven business models (in respect of product, price, promotion and distribution decisions) from domestic to export market it is recommended to focus on a set of distribution decisions which degree of adaptation has a significant impact on export performance. For companies whose competitive strategies are not based on cost minimization, better export performance will result from higher extent of adaptation rather than standardization of distribution. Companies, whose competitive strategies are not focused on cost leadership, should not rely on domestically proven distribution decisions.

5.2 *Limitations and Further Research Perspectives*

The research limitations are associated with selection of two industrial sectors (milk and meat processing), preventing the generalization in regard to other industrial sectors. The hypothetical propositions should be repeatedly tested using other methods of operationalization of constructs and involving a wider range of countries and industry sectors. Additional investigations may attempt to uncover the effect of dual strategies. The more detailed conceptualization and operationalization of competitive strategies taking into account market coverage could also provide additional insights for more comprehensive explanation of the phenomenon.

References

- Albaum, G., & Tse, D. K. (2001). Adaptation of international marketing strategy components, competitive advantage, and firm performance: A study of Hong Kong exporters. *Journal of International Marketing*, 9(4), 59–81.
- Aulakh, P., Kotabe, M., & Teegen, H. (2000). Export strategies of service companies emerging markets. *The Academy of Management Journal*, 43(3), 342–361.
- Baldauf, A., Cravens, D. W., & Wagner, U. (2000). Examining determinants of export performance in small open economies. *Journal of World Business*, 35(1), 61–79.
- Cavusgil, S. T., & Zou, S. (1994). Marketing strategy-performance relationship: An investigation of the empirical link in export market ventures. *The Journal of Marketing*, 58(1), 1–21.
- Cavusgil, S. T., Zou, S., & Naidu, G. M. (1993). Product and promotion adaptation in export ventures: An empirical investigation. *Journal of International Business Studies*, 24, 479–506.
- Chung, H. F. L. (2003). International standardization strategies: The experiences of Australian and New Zealand firms operating in the greater China markets. *Journal of International Marketing*, 11(3), 48–82.
- Chung, H. F. L., Wang, C. L., & Huang, P. (2012). A contingency approach to international marketing strategy and decision-making structure among exporting firms. *International Marketing Review*, 29(1), 54–87.
- Diamantopoulos, A., & Kakkos, N. (2007). Managerial assessments of export performance: Conceptual framework and empirical illustration. *Journal of International Marketing*, 15(3), 1–31.
- Douglas, S. P., & Craig, C. S. (2011). Convergence and divergence: Developing a semiglobal marketing strategy. *Journal of International Marketing*, 19(1), 82–101.
- Gabrielsson, P., Gabrielsson, M., & Seppälä, T. (2012). Marketing strategies for foreign expansion of companies originating in small and open economies: The consequences of strategic fit and performance. *Journal of International Marketing*, 20(2), 25–48.
- Griffith, D. A. (2010). Understanding multi-level institutional convergence effects on international market segments and global marketing strategy. *Journal of World Business*, 45(1), 59–67.
- Griffith, D. A., Cavusgil, S. T., & Xu, S. (2008). Emerging themes in international business research. *Journal of International Business Studies*, 39(7), 1220–1235.
- Hagen, B., Zucchella, A., Cerchiello, P., & De Giovanni, N. (2012). International strategy and performance—Clustering strategic types of SMEs. *International Business Review*, 21(3), 369–382.
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. New York: Guilford Press.

- Hultman, M., Katsikeas, C. S., & Robson, M. J. (2011). Export promotion strategy and performance: The role of international experience. *Journal of International Marketing*, 19(4), 17–39.
- Hultman, M., Robson, M. J., & Katsikeas, C. S. (2009). Export product strategy fit and performance: An empirical investigation. *Journal of International Marketing*, 17(4), 1–23.
- Jain, S. C. (1989). Standardization of international marketing strategy: Some research hypotheses. *Journal of Marketing*, 53(January), 70–79.
- Katsikeas, C. S., Samiee, S., & Theodosiou, M. (2006). Strategy fit and performance consequences of international marketing standardization. *Strategic Management Journal*, 27(9), 867–890.
- Kustin, R. A. (2004). Marketing mix standardization: A cross cultural study of four countries. *International Business Review*, 13(5), 637–649.
- Lages, L. F., Abrantes, J. L., & Lages, C. R. (2008). The STRATADAPT scale: A measure of marketing strategy adaptation to international business markets. *International Marketing Review*, 25(5), 584–600.
- Lages, L. F., & Montgomery, D. B. (2004). Export performance as an antecedent of export commitment and marketing strategy adaptation: Evidence from small and medium-sized exporters. *European Journal of Marketing*, 38(9/10), 1186–1214.
- Leonidou, L. C., & Katsikeas, C. S. (2010). Integrative assessment of exporting research articles in business journals during the period 1960–2007. *Journal of Business Research*, 63(8), 879–887.
- Leonidou, L. C., Katsikeas, C. S., & Coudounaris, D. N. (2010). Five decades of business research into exporting: A bibliographic analysis. *Journal of International Management*, 16(1), 78–91.
- Leonidou, L. C., Katsikeas, C. S., & Samiee, S. (2002). Marketing strategy determinants of export performance: A meta-analysis. *Journal of Business Research*, 55(1), 51–67.
- Leonidou, L. C., Paliwadana, D., & Theodosiou, M. (2011). National export-promotion programs as drivers of organizational resources and capabilities: Effects on strategy. *Journal of International Marketing*, 19(2), 1–29.
- Malhotra, M. K., Singhal, C., Shang, G., & Ployhart, R. E. (2014). A critical evaluation of alternative methods and paradigms for conducting mediation analysis in operations management research. *Journal of Operations Management*, 32(4), 127–137.
- Mooradian, T. A., Matzler, K., & Ring, L. J. (2013). *Strategic marketing: Pearson new international edition* (1st ed.). Upper Saddle River, NJ: Pearson.
- Navarro, A., Losada, F., Ruzo, E., & Díez, J. A. (2010). Implications of perceived competitive advantages, adaptation of marketing tactics and export commitment on export performance. *Journal of World Business*, 45(1), 49–58.
- O’Cass, A., & Julian, C. (2003). Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters. *European Journal of Marketing*, 37(3/4), 366–384.
- Ozsomer, A., & Simonin, B. L. (2004). Marketing program standardization: A cross-country exploration. *International Journal of Research in Marketing*, 21(4), 397–419.
- Pallant, J. (2007). *SPSS survival manual: A step-by-step guide to data analysis using SPSS version 15*. Nova Iorque: McGraw Hill.
- Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and companies*. New York: Free Press.
- Poulis, K., & Poulis, E. (2013). The influence of intra-national cultural heterogeneity on product standardization and adaptation: A qualitative study. *International Marketing Review*, 30(4), 357–383.
- Preacher, K. J., & Hayes, A. F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior Research Methods, Instruments, & Computers*, 36(4), 717–731.
- Preacher, K. J., & Hayes, A. F. (2008). Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. *Behavior Research Methods*, 40(3), 879–891.
- Preacher, K. J., Rucker, D. D., & Hayes, A. F. (2007). Addressing moderated mediation hypotheses: Theory, methods, and prescriptions. *Multivariate Behavioral Research*, 42(1), 185–227.

- Samiee, S., & Chabowski, B. R. (2011). Knowledge structure in international marketing: A multi-method bibliometric analysis. *Journal of the Academy of Marketing Science*, 40(2), 364–386.
- Schilke, O., Reimann, M., & Thomas, J. S. (2009). When does international marketing standardization matter to firm performance? *Journal of International Marketing*, 17(4), 24–46.
- Schmid, S., & Kotulla, T. (2011). 50 years of research on international standardization and adaptation—From a systematic literature analysis to a theoretical framework. *International Business Review*, 20(5), 491–507.
- Shoham, A. (2003). Standardization of international strategy and export performance: A meta-analysis. *Journal of Global Marketing*, 16(1–2), 97–120.
- Solberg, A. C., & Durrieu, F. (2008). Strategy development in international markets: A two tier approach. *International Marketing Review*, 25(5), 520–543.
- Sousa, C. M. P., & Bradley, F. (2009). Price adaptation in export markets. *European Journal of Marketing*, 43(3/4), 438–458.
- Tan, Q., & Sousa, C. M. (2013). International marketing standardization. *Management International Review*, 53(5), 711–739.
- Venkatraman, N. (1989). The concept of fit in strategy research: Toward verbal and statistical correspondence. *Academy of Management Review*, 14(3), 423–444.
- Vrontis, D., Thrassou, A., & Lamprianou, I. (2009). International marketing adaptation versus standardisation of multinational companies. *International Marketing Review*, 26(4/5), 477–500.
- Xu, S., Cavusgil, S. T., & White, J. C. (2006). The impact of strategic fit among strategy, structure, and processes on multinational corporation performance: A multimethod assessment. *Journal of International Marketing*, 14(2), 1–31.
- Zhao, X., Lynch, J. G., Jr., & Chen, Q. (2010). Reconsidering Baron and Kenny: Myths and truths about mediation analysis. *Journal of Consumer Research*, 37(2), 197–206.

The Impact of Country-of-Origin on Brand Positioning for Luxury Goods

Stoenescu Roxana-Denisa, Căpățină Gabriela, and Cristea Adina

Abstract Brand positioning for luxury goods requires creating unique and strong associations in consumers' minds regarding upscale benefits and high social status. Country-of-origin has numerous implications on brand image perception, being an important positioning element. This paper's purpose is to examine the impact of country-of-origin on brand positioning for luxury goods, for a more accurate understanding of how brand image can be affected by product provenance. We analyze the effects of the degree of fit between country image and the associated product category. Furthermore, through an exploratory research, based on investigation of secondary information as a data collection method, we emphasize the variation of favorable perceptions due to a brand's perceived country-of-origin. We also highlight the effects that country image has on brand prestige, influencing consumers' willingness to pay a premium price for the brand. The study explains how desired positioning can be achieved by leveraging country-of-origin characteristics to brand image. Main findings support previous research, showing how a favorable country image can reinforce brand positioning. Finally, we discuss the implications of brand origin for luxury goods in the era of global brands and offer recommendations for future research.

Keywords Country-of-origin • Brand positioning • Luxury goods • Brand image • Country image

1 Introduction

Globalization has encouraged international competition between companies, also affecting product evaluation. When perceiving a product, consumers nowadays rely on more information, which they receive through various channels, ranging from the classic ad campaigns to word-of-mouth messages. Brand origin has become a significant information cue in determining a positive or negative reaction from

S. Roxana-Denisa (✉) • C. Gabriela • C. Adina
Faculty of Marketing, Bucharest University of Economic Studies, Bucharest, Romania
e-mail: rdstoenescu@gmail.com; gabriella.capatina@yahoo.com; adina.cristea87@gmail.com

potential consumers, especially if country-of-origin (COO) is associated with a certain stereotype. There are brands that build their positioning strategy on their COO. Also, COO can also be perceived as the country that manufactures and assembles the product, which is finally associated with it (Lee and Lee 2009). At the moment, COO is one of the most researched factors in terms of impact on consumer's purchase intention (Lin and Chen 2006), mainly because it can alter brand positioning both positively and negatively, thus affecting the perceived brand image.

This article focuses on studying the COO influence on brand positioning for luxury goods, a product category which relies on a set of very particular characteristics. We aim to emphasize the main positioning elements which differentiate luxury products from others categories. Previous research showed that brands are important "vectors of strategies", used by consumers in the decision-making process (Dubois et al. 2005; Vigneron and Johnson 2004). In order to examine luxury brand impact, it is important to understand the luxury brands particularities. Researchers have not found a unanimous definition that could explain the general intrinsic characteristics of a luxury brand, but agree about the major aspects that consumers desire in order to place a brand in the luxury category. These elements are beauty, quality, rarity and price, determining a competition between brands in showing their capability to convey exclusivity, perceived quality, brand identity and brand awareness for consumers (Phau and Prendergast 2000). Moreover, there are conflicting conclusions regarding the significance and intensity of COO effect in general, while there is also a lack of COO effect research in the luxury segment.

This study aims to review the main findings regarding the COO impact on luxury brand positioning, offering recommendations for future research. The article begins by presenting the influence of COO effect components and moderators on perceived brand image. We briefly review the existing literature on COO, emphasizing the elements that have a higher influence on the luxury products category. We further examine brand positioning particularities for luxury products, as a transitional stage to analyzing the COO role in achieving the desired brand positioning for luxury goods.

2 Country-of-Origin Definition, Characteristics and Effects on Brand Image: A General Perspective

Researchers have studied the effects country of origin (COO) has on products' image for many decades, illustrating the inexhaustible potential this topic still generates. Ozretic-Dosen et al. (2007) discovered four reasons why consumers and marketers use COO in evaluating products. The first one refers to the fast growth of economic exchanges, resulting in globalization and an easier access to foreign brands. The second reason relies on the multiple sources of information present nowadays that facilitate consumers' reach of previously unknown details about the product and its complexity. Thirdly, COO offers companies the

opportunity to improve their marketing strategies and to speed the entrance in a promising new market. Finally, consumers desire to experience another country's products, as a challenge and a satisfied curiosity.

Explaining COO effects using country image began with Roth and Romeo (1992), who studied the influence of country image on product categories. Country image can be defined as the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history, and traditions (Nagashima 1970).

Brijs et al. (2011) stated that country image includes all aspects an individual associates with the country and its inhabitants, but not with its products. These aspects are cultural identity, political climate, language, history, climate, landscape, economical and technical development, religion and people. The country image effect has been studied from two main perspectives, the macro and micro-image (Hamzaoui-Essoussi et al. 2011). The macro country image is based on three dimensions: politics, technology and economy. The micro image consists in beliefs about specific products manufactured by a country. Consumers' brand preference is therefore related to the economic development of the brand's home country, but also to the image the country has in the brand's product category. Consequently, these two dimensions of country image can affect brand equity. For example, the image computers created in USA have in a given market (e.g. Australia) can influence consumers' perception of brands from the computers category, as Apple or IBM. From this perspective, country image has an important impact on brand associations, perceived quality and brand loyalty (Pappu et al. 2007).

3 Country-of-Origin Effect Moderating Variables

Consumers may draw brand origin cues from past information about the brand antecedents (Thakor and Lavack 2003). According to Fig. 1, consumers collect information from antecedent experiences with the brand and use it to develop their own perceptions of quality, price expectations and value, which will finally lead to their purchase intention, based on antecedents.

Perceived brand origin can have multiple implications on perceived quality, which can be defined as consumer judgment about a product's overall performance (Zeithaml 1988). There are two primary factors that compose perceived quality: design and manufacturing quality. Design reflects consumers' judgment about the aesthetics, ergonomics and functionality of the developed product. Perceived manufacturing quality refers to the materials, parts or pieces of the product, illustrating the standard in assembly and the superiority of the component parts.

Previous research stated that COO effect relies on many *moderators and variables* that can increase or decrease its influence on perceived quality, value, price expectations and purchase intentions. One of the most important moderators is *product knowledge* (Chiou 2003). This is determined by the degree of familiarity

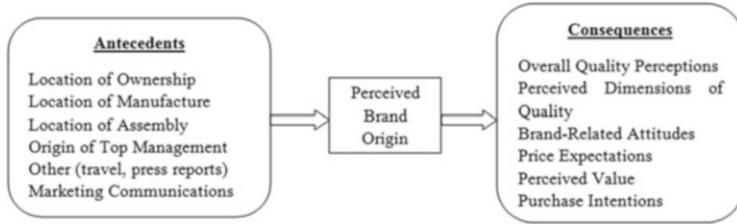


Fig. 1 A model of antecedents and consequences of brand origin. *Source:* Thakor and Lavack (2003, p. 396)

consumers have towards the product category. The relation between familiarity and COO effect relies on how much consumers resort on COO in evaluating a product. Brand name has been considered to have a higher influence on consumers' choices than COO. Consumers actually rely on brand awareness in their buying decisions because it helps adopt a product faster (Ahmed et al. 2002). If consumers have a low degree of brand and product familiarity, COO creates a halo effect to compensate (Rezvani et al. 2012a). In other words, when people have little information about a product, they tend to use COO to compensate that blank.

On the other hand, product *class involvement* also influences the intensity of COO effect. The more involvement and knowledge of a product the consumer has, the more complex his means-end-theory chain becomes (Grunert and Grunert 1995). Therefore, the consumer will more actively search for information, including about the originating country. Thus with higher involvement will increase the likelihood of using COO information in a product evaluation situation (D'Astous and Ahmed 1992). It is not yet clear where COO cues will rank against the other cues the informed consumer uses, the importance given to COO varying on product category, product class and consumer profile.

COO's impact can be increased or decreased by the degree of *product standardization and homogeneity* in the category, the effect on perceived product image being smaller if the product belongs to a standardized category. From the opposite point of view, if the product category has a higher level of diversity, COO effect grows (Lampert and Jaffe 1993). As luxury products are highly individualized, COO effect is therefore much stronger than in other product classes.

Another important factor when considering COO is *patriotism*. The concept came from political science and has two perspectives, according to Adorno et al. (1950) ethnocentric patriotism and healthy patriotism. In general, patriotism is an emotional feeling, manifested by people for their own country, containing a sense about traditions, symbols and values, in relation with personal beliefs (Meier-Pesti and Kirchler 2003). Ethnocentrism is the desire of buying domestic products, in support of one's national economy. As example, American and French cars are purchased by 50 %, respectively 60 % of local customers. Even in Romania, Dacia Logan achieved spectacular sales due to Romanian consumers' loyalty for the brand they knew for many years before. This type of behavior can be explained

by the desire of helping their own economy, seeing the advantages this could have for their society.

Ethnocentric behavior has a great impact on international production, influencing the global market (Morse and Shive 2011). However, it can also be an obstacle for multinational companies in their quest to enter new markets. Both patriotism and ethnocentrism are psychological variables that influence consumers' buying intention, seen as one of the strongest factors in terms of competition on the international market (Vida et al. 2008).

Consumers are also influenced by the level of *economic development* and economic stability in their evaluation of products, which influence perceived quality. Consumers from developed countries tend to make an incomplete judgment, relying mostly on subjectivity, for their home country products. On the other hand, in developing countries, consumers are willing to also buy products conceived in developed countries, as a result of globalization. Past research showed that food products and cars have the best chances to be bought if they come from developed countries like US or Germany because the country's brand image has positive connotations in consumers' minds, especially for highly educated and wealthy people (Rezvani et al. 2012b).

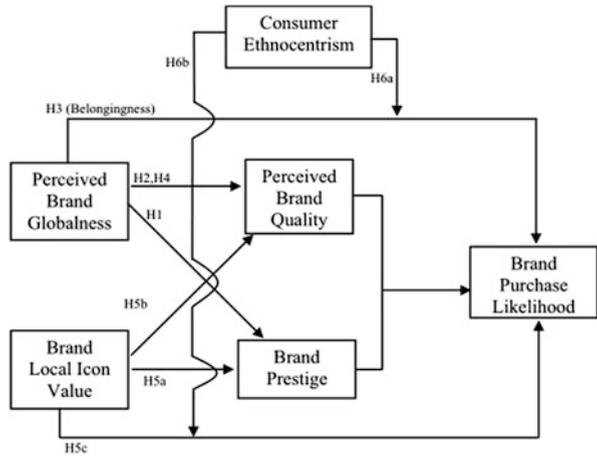
In general, COO is used and highlighted in marketing campaigns if the country has a good reputation and can support the product by providing a sense of trust for its potential consumers. For countries with a negative image, it is recommendable to adapt brand strategies in order to minimize the COO effect and to build positive brand images by relying on their strengths rather than their weaknesses (Mohamad et al. 2000).

4 Country Image Influence on Brand Identity and Prestige

COO plays a significant role in brand distinctiveness, being a source of information for innovation, technology and brand prestige. Global brands' appeal is based on three distinctive sources: higher perceived quality, higher prestige and the psychological benefits of perceived brand globalness (Steenkamp et al. 2003). Therefore, perceived brand globalness can influence the purchase likelihood in a direct manner or indirectly via brand quality and prestige (Han 1990). Figure 2 illustrates these relationships in a graphical diagram.

Consumers' preference for global brands can be explained by their association with higher prestige. Batra et al. (2000) indicate that global brands are typically more scarce and more expensive than local brands. Superior price and greater scarcity lead to higher expectations from potential consumers, creating aspirations and desire for achieving prestige. Moreover, global brands might be associated with cosmopolitanism (Thompson and Tambyah 1999), as certain consumers buy them in order to magnify their self-image as modern, sophisticated and cosmopolitan individuals (Friedman 1990).

Fig. 2 Brand globalness influence on brand value.
Source: Steenkamp et al. (2003, p. 54)



Brand prestige can increase due to other associations or sponsorships. Therefore, companies choose globally recognized events like World Soccer Cup, The Olympic Games or celebrities like Tiger Woods, Harrison Ford, Steffi Graf to enhance their notoriety by transferring the prestige attached to these events and celebrities to the brand (Steenkamp et al. 2003).

Luxury goods are most of the time global brands based on numerous symbolic benefits, like exclusivity and high social status, which determine consumers to pay a superior price. This leads to a greater monetary risk, so luxury goods require a high-involvement and a more elaborate purchase decision, increasing the COO effect importance (Piron 2000).

5 Brand Positioning Particularities for Luxury Brands

Brand positioning implies crafting a product’s image so that it occupies a distinct and valued place in the target consumer’s mind. The product becomes significant for the consumer, through the creation of strong, favorable and unique brand associations (Keller 2013). In a traditional sense, positioning represents the process through which a brand aims to be perceived as distinct and offering a superior value in relation to competitors.

Successfully managing consumer perceptions is essential for effective brand positioning. In the case of luxury brands, managers must ensure that the brand consistently reaches consumers’ social, private, financial and functional motivations of luxury consumption (Wiedmann et al. 2007), by making the desired brand personality and values match the personality and values of target consumers. Further on, managers should find the means for the brand to convey this unique personality in practice, along with high non-functional value, through its entire marketing mix. Although there will always be several luxury brands in a product

category, target consumers perceive them as having unique creative personalities, which, as with human celebrities, cannot be compared, but acknowledged for what they are. Therefore, brand choice will be more a result of personality and values affinity rather than a functional comparative process (Kapferer and Bastien 2012).

Luxury is a challenging term to define—it is incredibly fluid and its meaning changes dramatically in time, space and culture. People of different ages, races or genders understand and relate to luxury in various forms. Yeoman and McMahon-Beattie (2006) argue that luxury is more and more about experience and authenticity than monetary value, status and high price. Luxury doesn't represent a necessity or a required expenditure, but a personal, authentic, emotional and experiential indulgence. The high predominance of symbolic and emotional motivational components over functional benefits is what mostly differentiates luxury products from other categories.

Luxury brands are regarded as images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, rarity, extraordinariness and symbolic meaning (Heine 2012). The levels of these six dimensions forming the brand's prestige can position luxury products on various luxury levels, thus offering an important means for differentiation. However, the luxury segment should be differentiated from the masstige segment and the premium segment, which attain progressively lower levels on all six dimensions.

Luxury brands are meant to create unique and strong associations in consumers' minds regarding upscale benefits and high social status. The upscale prices are justified through the psychological benefits of prestige, specialness and hedonistic experience. Luxury is generally associated with special heritage, know-how and culture.

The brand identity of luxury products places a lesser importance on functional components like product intrinsic characteristics and a major focus on emotional components, bearing strong non-functional, symbolic associations. Functional associations mainly relate to a high level of price, quality and aesthetics, which can be seen as a mandatory "code of luxury". The emotional dimension of luxury brands is closely related to the idea of brand personality, which encompasses the human characteristics associated with the brand (Aaker 1997). Adapted for the luxury segment, the five major personality dimensions of luxury brands are *modernity, eccentricity, opulence, elitism and strength* (Heine 2010).

Luxury symbolic associations are strongly related to human values and lifestyles (Vigneron and Johnson 2004). As a consequence, luxury brand positioning should be focused on conveying these symbolic associations through a value based positioning, which covers a certain spectrum of values relevant for the target consumer group (Heine and Trommsdorff 2010). Position is usually defined by attributes and equity drivers that are important to a specific consumer group (Janonis and Virvilaitė 2007). Therefore, in positioning a luxury product, one can emphasize value drivers relevant for the luxury segment, such as aesthetics, premium quality, product personal history, expensiveness, as well as self-pleasure (De Barnier et al. 2006). Conveying brand values should be based on an attentive means-end-chain approach (Zeithaml 1988), with product attributes being embedded with the

relevant benefits and values connotations. The aim is to create psychological and social depth to the brand, which will closely relate to the consumer's psyche (Kapferer and Bastien 2009).

Luxury brand positioning starts from identifying the main luxury consumer segments based on their values and motivations. Heine and Trommsdorff (2010) identify a self-enhancement segment dominated by the values of power and achievement, another driven by individualistic motives such as hedonism, stimulation and self-direction and the third of traditionalists, who value prestige, security and conformity. At the other end of the value spectrum, there are luxury consumers who place high value on altruism or intellectual idealism. For example, eco-ethical luxury brands with a feminine public, like Nina Ricci, are high on values of self-transcendence, as opposed to achievement and power. A value positioning map based on consumer value preferences can therefore be created, allowing marketers to design unique value-cascade combinations (Heine and Trommsdorff 2010) which will highly differentiate their luxury brand.

One can easily identify a correspondence between the previous consumer value segments with their implied personality traits and Heine's (2010) luxury brand personality traits. This corresponds with Aaker's (1999) view that brand personality should be congruent with consumers' actual or ideal personality. The consumer axis of self-enhancement versus self transcendence corresponds to the strength and elitism axis of the luxury brand, while the change versus conservation preference is analogue to the brand's eccentricity and modernity personality dimensions. Finally, a hedonic oriented personality is correspondent to an opulent brand (Table 1).

As managers conceive the desired positioning consisting of a unique brand personality, they must further find the appropriate means to implement and communicate this positioning to target consumers by adopting an integrated, coherent and long term vision marketing mix (Palmer 2000). The marketing mix creates constant barriers for the non-enthusiasts, which allow the devoted target market to feel privileged and unique (Kapferer and Bastien 2012), acting as exclusivity and prestige cues.

Besides creating barriers to increase the luxury aura and desirability, luxury brands use several other cues which embed the brand with luxury connotations. An important series of luxury cues is related to *exceptional quality*, like: being hand-made and custom made; the use of rare, noble and exceptional materials; perfection, detail and precision of craft; a craftsman heritage; exclusive and personalized services (Heine 2012). *Aesthetics* is also essential for luxury products, being implemented through unique, beautiful, elegant and creative designs. Finally, luxury brands use the highest forms of *symbolism*, in order to evoke the magic of the brand, its emotional intangible appeal, along with social and personal identity dimensions.

Country-of-origin can act as a multifaceted cue for luxury brands, as it can add historical and cultural associations of quality, wealth, social status, lifestyle and personal values. These various associations can reinforce and enhance the exclusivity and value positioning of the brand, as well as its unique personality.

Table 1 The relation between consumer values and personality and luxury brand personality

Consumer values and personality		Luxury brand personality			Consumer values and personality	
<i>Self-enhancement</i>	Power	Strong Masculine	<i>Strength</i>	Soft Feminine	Universalism	<i>Self-transcendence</i>
	Achievement	Elitist	<i>Elitism</i>	Democratic	Benevolence	
	Hedonism	Opulent	<i>Opulence</i>	Discreet		
<i>Openness to change</i>	Stimulation	Eccentric Modern	<i>Eccentricity Modernity</i>	Decent Traditional	Conformity Tradition	<i>Conservation</i>
	Self direction				Security	

Source: Adapted from Heine (2010) and Heine and Trommsdorff (2010)

6 Country-of-Origin Role in Positioning Luxury Goods

Luxury brands have an international profile, being present in the world's most fashionable cities and in specific retail luxury areas. On the other hand, they also have a strong national character, COO being evoked through various brand elements. The luxury industry has developed clear associations between product categories and countries of origin for which these products are typical and ethnical, such as German cars, Italian fashion, French perfumes and Swiss watches.

In this international context, COO can be a significant positioning element for luxury goods, which can affect the overall perceptions about the luxury brand. The perceived COO of a luxury product has a strong influence on perceived luxury and on consumers' buying decisions (Krupka et al. 2014). Moreover, Piron (2000) demonstrates that the COO influence upon evaluating product characteristics is much stronger for luxury goods than for necessity goods. This can be partially explained by the fact that luxury goods are high involvement products, as well as highly heterogenic products, as COO occurrence increases with high product class involvement (D'Astous and Ahmed 1992) and product heterogeneity (Lampert and Jaffe 1993).

Perceived brand positioning is affected by social and cultural perceptions (Schiffman and Kanuk 2007), which depend both on the culture and social values of consumers, as well as on those perceived in regards to the COO. By activating various social and cultural cues, images and stereotypes, the country-of-origin can be an indicator for several attributes and values specific to luxury brands, affecting the *overall quality perceptions* of consumers regarding the luxury brand.

On a *cognitive* level, COO has associations of functional quality, craftsmanship and tradition, which are highly important for luxury consumers belonging to the traditionalist segment. Germany has especially strong associations in this segment, regarding the manufacture of cars and industrial technology. Exceptional quality perceptions can be enhanced by positive COO associations with a certain craft and activity domain (for example, Swiss watches or US aircrafts), with the use of rare exceptional materials originating in the COO or with a culture that roots for perfection, precision and responsibility (like the German culture).

At the *affective* level, country-of-origin determines symbolic and emotional product connotations of social status and pride, which are relevant for luxury consumers driven by self-enhancement motives. Sophistication, lifestyle or exotic COO associations, such as those related to French perfumes, may trigger the individualistic luxury segment, open to change and new experiences. Consumers use brands to express predilection for a certain lifestyle in an act of self-expression (Munteanu and Pagalea 2014). Lifestyle connotations are highest for luxury products, therefore more developed countries with perceived luxurious lifestyles will transmit these associations to the luxury brand and subsequently, to their owner.

The COO influence on luxury product consumption has several moderators, which are partly common to those generally associated with COO effects, like *cultural affinity, ethnocentrism, economic development and antecedents of brand*

origin. The COO effect can be highly dependent on the distance and *cultural affinities* to the country where the brand is sold. For example, Chinese students were not affected by the COO in their evaluation of several Italian luxury brands, due to a low level of awareness and associations regarding Italy (Checchinato et al. 2014). Godey et al. (2012) also found different levels of importance given to COO among seven countries included in their study. Therefore, marketers should not generalize and take for granted popular existing associations regarding COO, both for luxury and non-luxury brands. Moreover, for geographically distant countries, a “region effect” might be considered more important than a specific COO effect.

Different results were found on the influence of *ethnocentrism* on luxury goods purchase. In a study on fashion luxury products for youth in Thailand, ethnocentrism had no significant effect (Tovikkai and Jirawattananukool 2010). However, ethnocentrism had a significant negative effect for South Korean young people who tend to buy luxury products. Therefore, ethnocentrism in the luxury product segment might be dependent on the general attitude of ethnocentrism of a specific country, but may also be lower for the luxury products category than for other categories. Moreover, as ethnocentrism affects brand evaluations only if domestic brand alternatives are available (Nijssen and Douglas 2004), developing countries with no significant autochthonous luxury brands should not be affected by it. In addition, consumers in developing economies generally evaluate luxury domestic goods more negatively than foreign goods (Kapferer and Bastien 2012; Dan et al. 2011).

Positive associations between a product’s category and its COO create a *halo effect* (Kotler and Armstrong 2010), as other products from the same category and country leverage these positive associations. Perceptions about a country brand influence local brands and vice versa (Keller 2013), as brands and country image act together in a holistic manner. For example, France has an image of classiness, sophistication and taste that has also been influenced by its world known luxury brands. However, these country-related stereotypes are usually specific to only certain product categories and it is difficult to transfer them to other product categories from the same country (Keegan and Schlegelmilch 2001). Therefore, France’s image may be compatible with luxury fashion and perfumes, but not also with luxury cars, as it does not have positive associations in the technology department. However, Thakor and Katsanis (1997) suggested that country equity could be product category specific and also *transferable* between product categories (Agarwal and Sikri 1996). Positive associations may therefore be transferred, but only to similar product categories, belonging to the same broad area (e.g. technology).

Perceptions about a product are more favorable when the brand and COO images are *coherent* (Haubl and Elrod 1999), as the COO contributes in shaping the brand’s personality. The more typical the product is perceived to be for a certain COO, the greater is the coherence between the brand and its COO. Luxury brands are generally viewed as ‘the best the West has to offer’ (Kapferer and Bastien 2012), being therefore mostly related to Western European countries. Countries related to

luxury brands are predominantly France, Italy, Germany U.K., U.S. and Japan, depending on their specific positive associations with product categories.

This however greatly limits the manufacturing of new luxury brands in countries which do not leverage positive COO associations with the product category and with the luxury segment in general. Developing countries generally represent a negative association in regards to luxury goods. Studies demonstrate that consumers place greater trust in products from economically developed countries. Manrai et al. (1998) emphasize the interaction between the economical development of a country and product typology, which is highest for luxury goods and declines for shopping and convenience goods.

In this context, it is difficult if not unfeasible for other countries, especially developing countries, to associate themselves with a luxury product. Here some autochthonous luxury brands might still be successful, but entering the international market is very challenging. The paradox is that COO is partly formed by the image of most prestigious representative brands, including luxury brands, but at the same time it influences the image and positioning of new originating brands. The case of Czech luxury watches Prim is a singular example of a successful luxury brand from Central Europe, which has developed some latent positive COO associations (Král and Tisovski 2011). The producer based brand positioning on being Czech made since 1949 and using only European sourced components. It also associated the brand with Prague and with the Czech, French and American presidents using the watch.

7 Conclusions, Managerial Implications and Directions for Future Research

This paper presented a comprehensive conceptual framework of country-of-origin importance in positioning luxury goods. Modern cosmopolitan society offers a large international background for developing luxury brands. Consumers want to identify with strong brands, capable of reassuring their social image, as well as satisfying their inner desires for pleasure and self-respect. In this context, COO should leverage positive associations to the luxury brand, offering a notable competitive advantage and superior brand equity. The range of existing COO associations should be thoroughly analyzed in accordance to the luxury brand's personality dimensions, so as to emphasize specific COO characteristics that will reinforce specific brand personality traits.

The study reveals several important strategic decisions for managers in regards to optimally controlling and benefiting from COO effects. We begin by reviewing the general COO concept and COO effect moderators. Next we identify the antecedents of luxury customers' motivation and the dimensions of luxury brand positioning. We further present the particularities of COO effect in the context of luxury goods, by reuniting the presented findings in the two fields of research.

Our analysis leads to a series of managerial suggestions, as well as directions for future research. In order to engage luxury brand consumers from different countries, managers should focus on creating and communicating an appropriately adapted brand positioning for luxury brands. On a macro level, managers should study the particularities of the targeted countries in regards to *ethnocentrism*, *cultural affinity* with a certain COO and *economical development*. However, a cosmopolitan cities versus smaller cities differentiation could also be made, not assuming that the entire country population has the same profile.

Ethnocentrism may be lower for luxury brands and could be diminished by the increasing desire of cosmopolitanism of certain consumers. The awareness of a COO will also differ according to the geographical distance and to historical cultural affinities. Therefore, for a low COO affinity a positioning as “Western European” rather than of a specific country could be more effective.

Economical development should also be analyzed, evaluating the stage of maturity of the luxury market in particular. The preferences and expectancies of consumers in Western European countries will be different than those in Asian cultures and in developing countries. On mature markets in developed countries, luxury expectations can be higher, as well as consumer’s skepticism, who are already accustomed with the glitter of luxury brands and may want more specific emotional benefits. COO may have less impact for French perfumes and Italian fashion, when consumers are already familiar with various luxury brands in that specific category. Therefore, in terms of product life cycle, luxury brand managers should be aware that luxury consumers are also innovators and knowledgeable about the most recent international luxury trends. Emerging markets may be more open and less exigent to international luxury brands, due to a perceived high degree of equity of western COOs, regarded as cues for class, upper status and extraordinary lifestyles.

At a micro level, the luxury brand personality should match the personality of target consumers, also benefiting from COO associations that will reinforce its personality traits. By finding unique combinations of values motivating consumers and mirroring them through brand personality values and COO values, unique positioning niches can be obtained. Brand personality should be adapted to the cultural norms and values specific to the country and target segment, in order to resonate with consumers’ motivations of luxury consumption. Secondly, communicating brand positioning should maintain brand exclusivity and prestige perceptions, increasing consumers’ desire for attaining the brand. Communication should focus on both social and personal luxury consumption motives, according to consumers’ profile. Luxury stores sales forces should also be conscious of the different purchase motivations of consumers in this category and adapt sales techniques where appropriate.

Depending on the target consumer segment, the impact of having an unfavorable country of manufacture (COM) or of assembly, along with the perceived COO, should be thoroughly analyzed. Negative perceptions could lose loyal consumers and diminish their perceived luxury level, while, on the other hand, gain other consumers in new countries, due to a greater productivity. Advantages and

disadvantages of relocating manufacturing processes should be considered, in accordance to the luxury brand strategic view. Depending on the brand's level of luxury, on its product category and on consumers' expectations, brand origin could be dissociated from a different less favorable COM. Successful luxury brands with high brand equity may externalize their production and assembly, as long as their perceived COO, relying on location of ownership and of the brand's concept, is strong. Strong brands may emphasize brand origin through specific heritage, manufacturing processes and unique elements which aren't dependent on COM, making this cue irrelevant for consumers.

Countries that aren't associated with luxury categories may consider leveraging latent COO associations, related to specific famous towns, people, historical events and achievements. This however requires time and building a story and an integrated communication campaign around an autochthonous prestigious brand. Therefore most often, negative COO cues should be dissociated, by emphasizing different brand origins, through a real or fictional name with a particular linguistic resonance and positive COO associations. The simple foreign sound of a name positively related to the product category would be able to positively influence brand equity (Krupka et al. 2014; Leclerc et al. 1994).

Future research is necessary regarding perceptions of luxury, as well as of specific COO images, in various countries and cultures. A relevant research could be a comparison between the perceptions and purchasing decisions of consumers during the launch of same luxury brands in different countries. Moreover, consumers' awareness and importance given to a country of manufacture or assembly different than the perceived COO should be researched, on specific luxury product categories. Finally, while this paper shapes the key dimensions regarding luxury positioning and COO effect moderators, a complementary study could evaluate the effect of these individual moderators through structural equation modeling. The model should focus on the match between various consumer luxury profiles, luxury brand personalities and the associated COO.

Acknowledgement This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/142115 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain.”

References

- Aaker, J. L. (1997). Dimensions of brand personality. *Journal of Marketing Research*, 34(2), 347–356.
- Aaker, J. L. (1999). The malleable self: The role of self-expression in persuasion. *Journal of Marketing Research*, 36(2), 45–57.
- Adorno, T. W., Frenkel-Brunswik, E., Levinson, D. J., & Sanford, R. N. (1950). *The authoritarian personality*. New York: Harper.

- Agarwal, S., & Sikri, S. (1996). Country image: Consumer evaluation of product category extensions. *International Marketing Review*, 13(4), 23–39.
- Ahmed, Z. U., Johnson, J. P., Ling, C. P., Fang, T. W., & Hui, A. K. (2002). Country-of-origin and brand effects on consumers' evaluations of cruise lines. *International Marketing Review*, 19(3), 279–302.
- Batra, R., Ramaswamy, V., Alden, D. L., Steenkamp, J. B. E., & Ramachander, S. (2000). Effects of brand local and nonlocal origin on consumer attitudes in developing countries. *Journal of Consumer Psychology*, 9(2), 83–95.
- Brijs, K., Bloemer, J., & Kasper, H. (2011). Country-image discourse model: Unraveling meaning, structure, and function of country images. *Journal of Business Research*, 64(12), 1259–1269.
- Checchinato, F., Dissegna, M., & Vescovi, T. (2014). *Does country of origin affect brand associations? The case of Italian brands in China*. New York: Global branding and country of origin.
- Chiou, J. (2003). The impact of country of origin on pretrial and posttrial product evaluations: The moderating effect of consumer expertise. *Psychology and Marketing*, 20(10), 935–954.
- D'Astous, A., & Ahmed, S. A. (1992). Multi-cue evaluation of made-in concept: A conjoint-analysis study in Belgium. *Journal of Euromarketing*, 2(1), 9–29.
- Dan, W., Yani, C., & Jintao, H. (2011). Research on the influence of country-of-origin effect to brand attitudes of Chinese consumers on luxury goods. In *Proceedings of the 8th International conference on innovation & management*, November 30–December 2, 2011. Kitakyushu: Japan.
- De Barnier, V., Rodina, I., & Valette-Florence, P. (2006). Which luxury perceptions affect most consumer purchase behavior? A cross-cultural exploratory study in France, the United Kingdom and Russia. In *Proceedings des Congrès Paris-Venise des Tendances Marketing* (pp. 8–17). Paris, France.
- Dubois, B., Czellar, S., & Laurent, G. (2005). Consumer segments based on attitudes toward luxury: Empirical evidence from twenty countries. *Marketing Letters*, 16(2), 115–128.
- Friedman, J. (1990). Being in the world: Globalization and localization. *Theory, Culture and Society*, 7(2), 311–328.
- Godey, B., Pederzoli, D., Aiello, G., Donvito, R., Chan, P., Oh, H., Singh, R., et al. (2012). Brand and country-of-origin effect on consumers' decision to purchase luxury products. *Journal of Business Research*, 65(10), 1461–1470.
- Grunert, K., & Grunert, S. (1995). Measuring subjective meaning structures by the laddering method: Theoretical considerations and methodological problems. *International Journal of Research in Marketing*, 12(3), 209–225.
- Hamzaoui-Essoussi, L., Merunka, D., & Bartikowski, B. (2011). Brand origin and country of manufacture influences on brand equity and the moderating role of brand typicality. *Journal of Business Research*, 64(9), 973–978.
- Han, C. M. (1990). Testing the role of country image in consumer choice behavior. *European Journal of Marketing*, 24(6), 24–40.
- Haubl, G., & Elrod, T. (1999). The impact of congruity between brand name and country of production on consumers' product quality judgments. *International Journal of Research in Marketing*, 16(3), 199–215.
- Heine, K. (2010, April 18–20). The luxury brand personality traits. In *Thought leaders international conference in brand management* (pp. 1–14). Lugano: Switzerland.
- Heine, K. (2012). *The concept of luxury brands*. In *Luxury brand management*, Technische Universität Berlin. ISSN: 2193-1208. Accessed November 22, 2014, from www.luxury-brand-management.com
- Heine, K., & Trommsdorff, V. (2010). Practicable value-cascade positioning of luxury fashion brands. In *Proceedings of the 9th International marketing trends conference*, 21–23 January 2010, Venice.
- Janonis, V., & Virvilaitė, R. (2007). Brand image formation. *Engineering Economics*, 2(52), 78–90.

- Kapferer, J. N., & Bastien, V. (2009). The specificity of luxury management: Turning marketing upside down. *Journal of Brand Management*, 16(5), 311–322.
- Kapferer, J. N., & Bastien, V. (2012). *The luxury strategy: Break the rules of marketing to build luxury brands*. London: Kogan Page.
- Keegan, W. J., & Schlegelmilch, B. B. (2001). *Global marketing management: A European perspective*. London: Prentice-Hall Europe.
- Keller, K. L. (2013). *Strategic brand management—building, measuring and managing brand equity* (3rd ed.). Upper Saddle River, NJ: Prentice Hall.
- Kotler, P., & Armstrong, G. (2010). *Principles of marketing* (13th ed.). Upper Saddle River, NJ: Pearson Prentice Hall.
- Král, P., & Tisovski, M. (2011). *Building “CEE-made luxury” image—Case of Czech Republic*. [online] *E-Leader Croatia*. Accessed November 19, 2014, from <http://www.g-casa.com/conferences/manila/papers/Kral.pdf>
- Krupka, Z., Ozretic-Dosen, D., & Previsic, J. (2014). Impact of perceived brand name origin on fashion brand's perceived luxury. *Acta Polytechnica Hungarica*, 11(3), 153–166.
- Lampert, S., & Jaffe, E. D. (1993). *International marketing: Theory and practice*. Working paper. School of Business Administration, Bar-Ilan University, Tel Aviv, Israel.
- Leclerc, F., Schmitt, B. H., & Dube, L. (1994). Foreign branding and its effects on product perceptions and attitudes. *Journal of Marketing Research*, 31(2), 263–270.
- Lee, J. K., & Lee, W. N. (2009). Country-of-origin effects on consumer product evaluation and purchase intention: The role of objective versus subjective knowledge. *Journal of International Consumer Marketing*, 21(2), 137–151.
- Lin, L. Y., & Chen, C. S. (2006). The influence of the country-of-origin image, product knowledge and product involvement on consumer purchase decisions: An empirical study of insurance and catering services in Taiwan. *Journal of Consumer Marketing*, 23(5), 248–265.
- Manrai, L. A., Lascu, D. N., & Manrai, A. K. (1998). Interactive effects of country of origin and product category on product evaluations. *International Business Review*, 7(6), 591–615.
- Meier-Pesti, K., & Kirchler, E. (2003). Nationalism and patriotism as determinants of European identity and attitudes towards the euro. *Journal of Socio-Economics*, 32(6), 685–700.
- Mohamad, O., Ahmed, Z. U., Honeycutt, E. D., & Tyebkhan, T. H. (2000). Does “made in” matter to consumers? A Malaysian study of country of origin effect. *Multinational Business Review*, 8(2), 69–74.
- Morse, A., & Shive, S. (2011). Patriotism in your portfolio. *Journal of Financial Markets*, 14(2), 411–440.
- Munteanu, C. C., & Pagalea, A. (2014). Brands as a mean of consumer self-expression and desired personal lifestyle. *Procedia-Social and Behavioral Sciences*, 109, 103–107.
- Nagashima, A. (1970). A comparison of Japanese and U.S. attitudes toward foreign products. *Journal of Marketing*, 34(1), 68–74.
- Nijssen, E. J., & Douglas, S. P. (2004). Examining the animosity model in a country with a high level of foreign trade. *International Journal of Research in Marketing*, 21(1), 23–38.
- Ozretic-Dosen, D., Skare, V., & Krupka, Z. (2007). Assessments of country of origin and brand cues in evaluating a Croatian, western and eastern European food product. *Journal of Business Research*, 60(2), 130–136.
- Palmer, A. (2000). *Principles of marketing*. Oxford: Oxford University Press.
- Pappu, R., Quester, P. G., & Cooksey, R. W. (2007). Country image and consumer-based brand equity: Relationships and implications for international marketing. *Journal of International Business Studies*, 38(5), 726–745.
- Phau, I., & Prendergast, G. (2000). Consuming luxury brands: The relevance of the “rarity principle”. *Journal of Brand Management*, 8(2), 122–138.
- Piron, F. (2000). Consumers' perceptions of the country-of-origin effect on purchasing intentions of (in) conspicuous products. *Journal of Consumer Marketing*, 17(4), 308–321.

- Rezvani, S., Dehkordi, G. J., Rahman, M. S., Fouladivanda, F., Habibi, M., & Eghtebasi, S. (2012a). A conceptual study on the country of origin effect on consumer purchase intention. *Asian Social Science*, 8(12), 205–215.
- Rezvani, S., Shenyari, G., Dehkordi, G. J., Salehi, M., Nahid, N., & Soleimani, S. (2012b). Country of origin: A study over perspective of intrinsic and extrinsic cues on consumers purchase decision. *Business Management Dynamics*, 1(11), 68–75.
- Roth, M. S., & Romeo, J. B. (1992). Matching product category and country image perceptions: A framework for managing country-of-origin effects. *Journal of International Business Studies*, 23(3), 477–498.
- Schiffman, L. G., & Kanuk, L. L. (2007). *Consumer behavior*. Upper Saddle River, NJ: Prentice Hall.
- Steenkamp, J. B. E., Batra, R., & Alden, D. L. (2003). How perceived brand globalness creates brand value. *Journal of International Business Studies*, 34(1), 53–65.
- Thakor, M. V., & Katsanis, L. P. (1997). A model of brand and country effects on quality dimensions: Issues and implications. *Journal of International Consumer Marketing*, 9(3), 79–100.
- Thakor, M. V., & Lavack, A. M. (2003). Effect of perceived brand origin associations on consumer perceptions of quality. *Journal of Product & Brand Management*, 12(6), 394–407.
- Thompson, C. J., & Tambyah, S. K. (1999). Trying to be cosmopolitan. *Journal of Consumer Research*, 26(3), 214–241.
- Tovikkai, K., & Jirawattananukool, W. (2010). *An exploratory study on young Thai women consumer behavior toward purchasing luxury fashion brands*. Accessed November 16, 2014, from <http://mdh.diva-portal.org/smash/get/diva2:326249/FULLTEXT01.pdf>
- Vida, I., Dmitrovic, T., & Obadia, C. (2008). The role of ethnic affiliation in consumer ethnocentrism. *European Journal of Marketing*, 42(3/4), 327–343.
- Vigneron, F., & Johnson, L. W. (2004). Measuring perceptions of brand luxury. *Journal of Brand Management*, 11(6), 484–506.
- Wiedmann, K. P., Hennigs, N., & Siebels, A. (2007). Measuring consumers' luxury value perception: A cross-cultural framework. *Academy of Marketing Science Review*, 7(7), 333–361.
- Yeoman, I., & McMahon-Beattie, U. (2006). Luxury markets and premium pricing. *Journal of Revenue and Pricing Management*, 4(4), 319–328.
- Zeithaml, V. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52, 2–22.

The Dependencies Between Internal and External Communication of the Organization: The Problem of Coherence

Anna Rogala

Abstract All messages sent by the company to its surroundings create a complex image of the company and its offer. For this reason, they should be coherent to the highest possible degree. Coherence enables building credibility and reputation, which have positive influence on the organization's overall performance. Many communication activities planned as internal ones, affect the elements of the marketing mix. Moreover, they can also result in intentional or unintentional transfer of information to external customers. Therefore, it is necessary to integrate communication activities directed to the clients and the market with the inside of the company. The main purpose of this paper is an in-depth analysis of the interdependencies between communication addressed to the inside and the outside of the organization. Particular attention should be given to: the impact of internal communication on various aspects of the organization's functioning; the coherence of internal and external communication, as well as the interdependencies between the internal communication effectiveness and internal and external communication coherence. The article will be based mainly on the statistical analysis of the survey results, conducted on a sample of 1354 respondents, and the qualitative analysis of data obtained from 23 focus groups interviews.

Keywords Organizational communication • Internal communication • Corporate communication • Effectiveness • Coherence

1 Introduction

The speed of information spread, the availability of information, as well as the development of social networks may hinder the consistency of all the information about an organization, including information sent outside by the company itself,

A. Rogala (✉)

Department of Marketing Strategies, Poznan University of Economics, Poznan, Poland
e-mail: anna.rogala@ue.poznan.pl

given by its employees, or made public by other stakeholders. At the same time, it is the above mentioned consistency that builds a company's reputation, along with the trustworthy image, and makes the company's information policy credible.

The main purpose of the study undertaken in this article is to present the results of the analysis of the network of relationships between external and internal communication of an organization. Particular attention will be paid to the issues related to: the impact of internal communication on various aspects of the organization's functioning; the coherence of internal and external communication, as well as the interdependencies between the internal communication effectiveness and internal and external communication coherence.

The article will be based on a critical review of literature, as well as on the statistical analysis of the survey results, conducted on a sample of 1354 respondents, and the qualitative analysis of data obtained from 23 focus groups interviews.

2 Organizational Communication in the Present Reality

In the times of the dynamic development of Information Technology and nearly unlimited access to information, managing communication in an organization is a growing challenge. Taking into account the changes in the organization's surroundings, as well as the changing customers' habits and behaviors related to seeking information, it is necessary to adapt the company's communication activities to the present reality. Today organizations' marketing activity is treated as a complex process, which is reflected by the twenty-first century marketing concept. It is based on the so-called holistic orientation, which assumes development, design and implementation of marketing programs, processes and activities that recognize their breadth and interdependencies (Kotler and Keller 2012). Therefore, the concept of holistic marketing is based on understanding the complexity of marketing activity. The four basic components of holistic marketing are: relationship marketing, integrated marketing, internal marketing and performance marketing. In this concept it is assumed that only the consistency of actions undertaken in the above mentioned areas will enable a company to effectively function on the market. Consequently, holistic marketing implies changes in the traditional marketing mix. For the better illustration of the present market conditions, a set of categories of marketing tools within the new marketing management consists of new 4Ps. These are: people, processes, programs and performance, with a particular stress on people. According to the supporters of the holistic approach, these are the employees' competences and the way they perform their duties that decide about the success or failure of the organization.

The diversity of areas of communication activities, as well as the need for their comprehensive treatment very often leads to deficits in the organizational communication systems. These deficits most often appear when the conveyed messages are inconsistent in their content, time of distribution, or the formal aspects, or if they are mutually exclusive. The analysis of the communication deficits is predominantly focused on the level of consistency of internal and external communication, i.e. on

the classical communication gap. This gap occurs when employees are not informed about their company’s communication activities directed outside, or when the conveyed messages are contradictory (Zajkowska 2011). Inconsistent messages, choice of tools, or objectives of the organizational communication lead to discrepancies between employees’ attitudes and customers’ expectations. In consequence, they negatively affect the image of the organization as a whole.

A concept meant to eliminate the above mentioned deficits is named Integrated Marketing Communications. It is defined by the American Marketing Association as a planning process designed to assure that all brand contacts received by a customer or prospect for a product, service, or organization are relevant to that person and consistent over time. An important feature of this definition is the fact that it is not limited to the aspects of an organization’s activities related to the marketing department’s operation. This view is shared by Duncan and Mulhern (2004), who claim that the integration of marketing communication should have a strategic and not just executive dimension. As a result, it is a series of processes which go beyond the traditionally understood organizational units. According to Porcu et al. (2012), the basic objective of IMC is consistent, transparent and using the synergy effect communication to various groups of stakeholders. In addition, the authors notice that this communication, in the short, medium and long run, should enable the organization to build profitable relations with the outside community. Therefore, the last concept is of a multidimensional nature, as it indicates the four basic dimensions indispensable for IMC: one voice communication, interactivity, cross-functional planning and profitable, long-term relationships (see Fig. 1).

The requirement of unanimity is the core of integration and assumes conveying consistent messages by means of all the marketing communication tools used by the organization. As for the dimension of interactivity, it requires a permanent two-way dialog between the organization and various groups of its stakeholders, not just

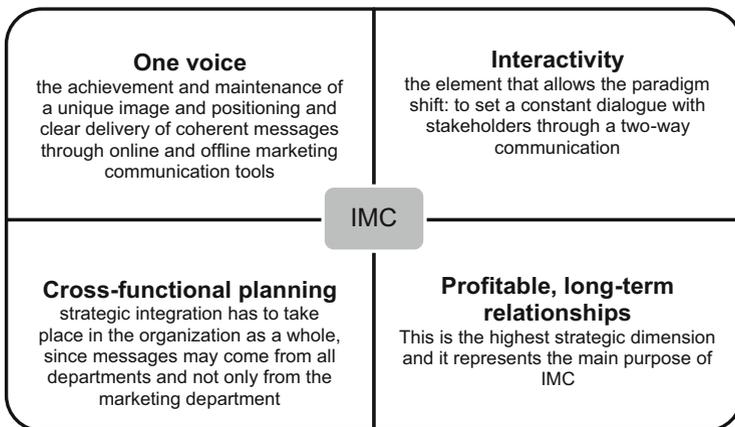


Fig. 1 IMC dimensions. Source: Porcu et al. (2012, p. 327)

customers. From the point of view of marketing communication, there are the following groups of stakeholders: customers, employees, local community, media, consumer groups, public opinion, opinion leaders and the unintended recipients (Wells et al. 2006). Therefore, in marketing communication the subject of communication is a large audience, not just the target consumer (Wiktor 2011).

In conclusion, for the multifunctional and interdisciplinary planning of IMC, the point of reference needs to be the organization as a whole. In this approach, it is the integration that conditions the competitive advantage, which is achieved due to the optimization of relationships between messages, channels and recipients, not just the coordination of particular elements of the marketing mix. The last dimension, which is at the same time the primary objective of IMC, is the profitable, long-term relations with stakeholders, which positively influence the brand value (Porcu et al. 2012).

A growing number of communication specialists tend to believe that it is time to stop treating marketing communication and corporate communication separately. Among advocates of such an approach are: Christensen et al. (2008) in whose opinion integration can only be discussed in the context of corporate communication as a whole. According to those authors, integrated communication is “the notion and the practice of aligning symbols, messages, procedures and behaviors in order for an organization to communicate with clarity, consistency and continuity within and across formal organizational boundaries” (Christensen et al. 2008, p. 424). Taking into account, on the one hand, the common access to information, speed of information flow, democratization of media, and the growing popularity of social networks and, on the other, decline in the trust to the traditional forms of promotion, it is hard to disagree with this approach.

Many communication activities meant as internal may influence the elements of the marketing mix, or may result in an intended or unintended transfer of information to external recipients (cf. e.g. Smith et al. 2002). This point of view is reflected in the systematics of organizational communication objectives, which makes a distinction between internal and external recipients (see Table 1).

At the same time it should be noted that even if we only take into account the external objectives of communication, the staff take an active part in their implementation. This results from the fact that employees participate in the corporate communication process in three roles: the transmission channel, the tool and the recipient. Therefore, internal communication requires special care and attention from the people responsible for the company’s communication policy. The main reason is the fact that internal communication plays a significant role in motivating workers, which, in turn, affects the quality of products and services. It should also be borne in mind that the effectiveness of the motivational and training system influences the employees’ attitudes in their contacts with customers.

The integrating element of internal and external communication should be the organization’s internal image. As it also affects the employees’ attitudes and behaviors, it is significant for brand positioning of the offered products and services. It results from the fact that not only do the introduced strategies and changes influence employees, but they also indirectly or directly affect the external

Table 1 The most important objectives of the organization’s communications

Objectives	Addressees of actions
• Create awareness of a new product offering	→ Internal and external
• Launch a new product offering	→ External
• Stimulate trial purchase	→ External
• Increase frequency of purchase	→ External
• Increase consumption	→ External
• Increase retail store traffic	→ External
• Encourage brand switching	→ External
• Reduce or eliminate post-purchase cognitive dissonance	→ External
• Generate sales leads	→ External
• Set up appointments for salespeople	→ External
• Make a specific sales presentations	→ External
• Reinforce brand loyalty	→ External
• Render a public service	→ Internal and external
• Change perceptions or attitude towards a product or a company	→ Internal and external
• Convey positive information about the organization	→ Internal and external
• Build the image of the product or organization	→ Internal and external
• Improve employees’ attitudes towards the organization	→ Internal

Source: Own elaboration based on Koekemoer (2005, p. 23)

surroundings (Olsztyńska 2005). That is why the communication activities directed outside should be based on the efficient internal communication process. Another important fact is that employees have their own opinions about the market offer and the company as a whole, so it is necessary to aim at consistency of the internal and external image. The staff’s attitude has an influence on the present and potential customers and, in consequence, affects the organization’s sales results.

It is more and more often emphasized that there is a need to achieve both consistency and synergy of various marketing and communication activities undertaken by an organization. Supporters of this opinion claim that it is thanks to their cooperation and interactions, as well as the way in which various brand touch points influence consumers, customers, employees, financial institutions, local communities, or other stakeholders, companies achieve market success (Shultz 2004).

3 Methodology

The presented analyses are based on the quantitative research in the form of direct and online surveys, conducted in: production, service, trade-production and trade-service types of companies in Wielkopolskie voivodeship (Poland). The research comprised 1398 employees, representing all levels of management. Throughout the survey 787 direct and 611 online questionnaires were collected, 1354 of which were qualified for the further study.

In the second stage of the research the qualitative method based on the focus group interview (FGI) was applied. 23 focus group interviews were conducted among 142 employees of production and service companies selected by means of

purposive sampling. The focus groups included representatives of all the hierarchy levels of the companies. The selection of respondents was based being employed on the basis of a contract of employment, working on a specified hierarchy level, working in technical and administrative positions, and excluding people in charge of the information flow in a company.

The interviews were conducted in accordance with the funnel strategy, on the basis of a previously prepared script, within the so-called affinity group. The biggest number of participants were representatives of the middle level of management (72 people), whereas the smallest number represented the top management (16 people). 62 respondents work for production companies, 51 for service companies, and 29 for production-trade and service-trade types of companies.

4 Findings

Employees, their opinions and attitudes in relations with their surroundings significantly affect the way in which their organization is perceived. Therefore, one of the issues of the research was the analysis of the way in which communication activities conducted inside the organization influence the following areas:

- the degree to which employees are informed about their company's products/services,
- the general working atmosphere,
- how the company is perceived by its employees,
- their willingness to recommend their company's offer to family and friends,
- their tendency to recommend their company as a good employer.

All these aspects directly or indirectly affect a company's external image. The five-degree Likert's scale was adopted for the responses, from the "definitely not" option, with number 1, to "definitely yes"—marked as 5. Subsequently, the weighted average was calculated for each aspect. A further question concerned the influence of the communicative activities on the defined areas. The averages of the obtained responses were calculated in an analogical way. The comparison of the results for both questions is presented in Fig. 2.

As it is clear from Fig. 2, communication activities influence all the aspects covered within both questions, with particular emphasis on the working atmosphere (average assessment 4.15), as well as the way in which a company is perceived by the employees (4.1). To the lowest degree they influence the willingness to recommend the company's offer to family and friends (3.1). According to the respondents, internal communication in their company has the biggest positive influence on the general working atmosphere (3.36) and the willingness to recommend the company as an employer (3.3). The most lowly evaluated element is the influence of communication activities on the degree to which employees are informed about the company's products (3.15). The last result can be interpreted as a signal about the deficient system of information about products and services in the researched companies.

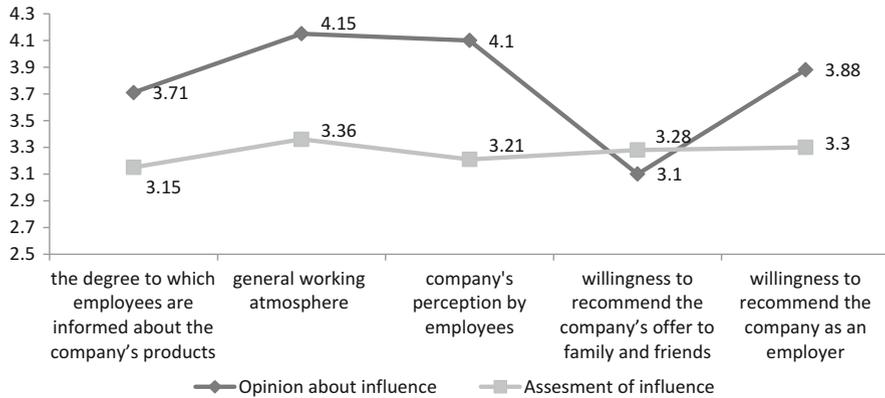


Fig. 2 The relationships between the respondent’s opinion about whether or not the internal communication influences various aspects of a company’s functioning and the assesment of this influence in the respondent’s company

Table 2 Descriptive statistics for particular aspects of shaping a company’s image by its employees

Assessed aspect of shaping a company’s image	Mean	Standard deviation	Test t result	Significance level
The degree to which employees are informed about the company’s products	3.71	0.99	26.10	<0.001
General working atmosphere	4.15	0.84	50.42	<0.001
Company’s perception by employees	4.10	0.83	49.14	<0.001
Willingness to recommend the company’s offer to family and friends	3.76	1.02	27.47	<0.001
Willingness to recommend the company as an employer	3.88	0.97	33.17	<0.001

The bold values are statistically significant

With a view to testing the way in which internal communication affects particular areas of building the organization’s image by employees, a t-Student test was conducted for one sample. The following hypothesis was subject to verification:

H1: Internal communication in an organization significantly influences the company’s image shaped by its employees.

In the course of research it was verified whether the assesment of the influence of internal communication on particular aspects is higher than the theoretical average evaluation (3 = hard to say). The results of the analysis are presented in Table 2.

The results of the t-Student test for one sample proved that communication activities inside an organization significantly influence particular aspects of shaping the organization’s image by its employees: $p < 0.001$. Therefore, Hypothesis 1 was corroborated. The way in which employees perceive their company influences its external image. Thus, it is desirable to aim at the highest possible consistency between the external and internal images (Rogala 2014a).

During the focus group interviews a company's image was also discussed. The respondents expressed a number of varied opinions and gladly shared not only their own views about it, but also opinions heard from their clients and colleagues. Table 3 shows the participant's selected statements about the external and internal image of the companies they work for. The statements were divided into three groups; the first one consisted of respondents satisfied with the internal communication, the second—moderately satisfied and the third group included participants negatively evaluating this communication. Those respondents who positively assessed such aspects as the communication atmosphere and relationships between employees and employers more often had a positive approach to the organization as a whole. In organizations run by their founders, it was the founder's character that influenced the company's external and internal image. In one of the analyzed companies, the owner was a taciturn and introvert, but fair and hard-working person. He was respected by his employees, who felt secure in the company and were engaged in its development. In another organization the owner was an opinionated extrovert, which negatively influenced relationships with the company and discouraged employees from putting forward any ideas. Respondents made it clear that job security and salary security are of great importance for them and they affect their perception of the companies they work for. The focus group interviews show that the internal image to a higher degree influences the external image of companies operating locally. It results from the fact that these are the employees who shape the opinions about their companies as: employers, producers and service providers in their reference groups. Due to the close relations between people in small communities and in small geographical areas, the employees' opinions are treated as trustworthy and they spread quickly. In spite of their often negative opinions about an organization as a whole, the way it functions, or the communication activities it undertakes, the focus group participants could objectively assess their company's offer. It means that they feel responsible for the company they work for and see customers' positive opinions as a recognition of their own hard work.

Owing to the relationships between internal and external communication, it seemed justified to analyze their consistency. Respondents were asked to say if in their opinion communication directed outside their company was consistent with internal communication. Responses were based on the 5-degree Likert scale—from "definitely not" (number 1) from "definitely yes" (number 5). The next step was to add up the values obtained for each area and calculate weighted averages. The breakdown of the results is presented in Table 4.

According to the respondents the above mentioned consistency is moderate in the majority of the researched areas. It should be noted that for each of the areas there are a big number of the "hard to say" responses. The proportion of the hesitant takes the values from 35.2 % to 49.3 % and can result from the employees' insufficient knowledge about these issues. This group is dominated by production workers. The highest consistency rate appeared in the area of the company's image (average assessment 3.32). The lowest assessment was related to the employment policy (3.17). The low assessment results from the relatively big number of

Table 3 Selected extracts of focus group participants’ opinions about the internal and external image of the company represented by them

Opinion about external image	Opinion about internal image
Positive opinion about internal communication	
<ul style="list-style-type: none"> • “(. . .) when I last was (. . .) the customer was very satisfied that the second year has been buying from our company. . . . and doesn’t feel like changing it. There is good quality (. . .), no delays, just as it should be.” • “(. . .) our company is well perceived, especially in the neighborhood. And I think there are no reasons why it shouldn’t.” • “(. . .) I talked to a client and he says that he’s been bringing his grain here for a long time and is satisfied, because we pay on time. (. . .) we’re rather positively perceived. (. . .) a lot of positive opinions I’ve heard about the boss and the company.” • “I guess we’re well perceived by the local farmers. At least our customer base grows year by year.” 	<ul style="list-style-type: none"> • “It’s OK, it’s robust, developing in the good direction, in my opinion. It’s solvent for us and for the clients, I think so. Can be a model (. . .)” • “Among the workers the opinion is good, if only for the reason that salaries are paid on time (. . .). The fact that there are more and more people—over these 3 years from 26 to 77, so it’s (. . .) a gigantic growth. The boss doesn’t fire anyone without a reason, but only if something really happens. And even if something does happen, he gives a chance, anyway.” • “It’s a place where I like to be, because I know that there are people who I can talk with, have a laugh, and everything is better than (. . .)” • “(. . .) developing, pleasant and open.”
<ul style="list-style-type: none"> • “In my view the company is well perceived on the local market (. . .)” • “Good, because we sell a lot, simply.” • “The product is good, sells very well.” • “There are orders from abroad, if anything was wrong, there wouldn’t be any.” • “They are very positive in my opinion.” 	<ul style="list-style-type: none"> • “I think it’s good. That’s how I feel.” • “Very good. It’s great to work for a modern, developing company.” • “Rather positive, positive a lot.” • “I have positive feelings. If you ask me.” • “Nobody creates it in our company, nobody convinces us that it’s better.”
Average opinion about internal communication	
<ul style="list-style-type: none"> • “(. . .) they evaluate us very high when it comes to the quality of the products, because they say we have the best products on the market (. . .) but we, really, have delays.” • “(. . .) with most our clients we have very stable relations and often less and less formal. They consider us a reliable company.” • “Customers are satisfied. Our company has a very good image, has everything in order.” • “Our image outside is often bad, because phone calls are taken by those who shouldn’t take them.” • “(. . .) we once heard an opinion that if it wasn’t for the level of service that our department guarantees, they wouldn’t stay with us.” 	<ul style="list-style-type: none"> • “The older workers (. . .) have a good opinion about the company, because they’ve worked here for several years, they created it. The young ones come here and, I don’t know how much they earn, but would like a lot more, for sure.” • “(. . .) I’m satisfied with what I have. It’s not far from my home, so, as it was earlier mentioned, I don’t have to commute. The company is stable.” • “Weak” • “So so”
<ul style="list-style-type: none"> • “I think it’s positive. There are some grudges from time to time, but generally the image is very good. Anyway, you can see it when you look at some forums. In general, the image is positive 	<ul style="list-style-type: none"> • “Surprisingly, the opinion is low. Just because of the lack of motivation. (. . .) we don’t have such developed mechanisms as communication. (. . .) A big part of workers would be ready to go somewhere else for a little higher salary.”

(continued)

Table 3 (continued)

Opinion about external image	Opinion about internal image
<ul style="list-style-type: none"> • “We have a small percentage of complaints, so rather positive, I guess.” 	<ul style="list-style-type: none"> • “It depends (...) Generally people don’t work here as punishment (...)” • “Workers are satisfied in general.”
Negative opinion about internal communication	
<ul style="list-style-type: none"> • “It depends on if our shoes sell well or not. If they do, everybody (...) is satisfied, in general. (...) but if not, the opinion about the company changes.” • “Because in general we have very nice shoes.” 	<ul style="list-style-type: none"> • “Not really good, for sure. They work, because they have to (...)” • “Why do we always assume that it’s bad? It’s good, it’s good...” • “I guess it’s good, but on the fifth everybody sees that it’s bad (...). Everybody will tell you that if we had better salaries, it would be OK.”

Source: Own elaboration based on quality research

Table 4 Assessment of consistency of internal and external communication in appointed areas

	Definitely not 1	Rather not 2	Hard to say 3	Rather yes 4	Definitely yes 5	Weighted average of assessments
Information about offered products and/or services	4.7 %	9.2 %	49.3 %	30.8 %	6.1 %	3.25
Employees’ opinions about offered products and services	5.3 %	14.8 %	39.4 %	34.8 %	5.8 %	3.21
The company’s image	3.7 %	15.5 %	35.2 %	36.6 %	9.0 %	3.32
The organization’s values	5.2 %	11.3 %	45.9 %	32.2 %	5.3 %	3.21
Employment policy	6.2 %	12.7 %	46.2 %	27.5 %	7.4 %	3.17

The bold values are statistically significant

“definitely not” and “rather not” responses (18.9 %), as well as “hard to say” answers (46.2 %). It may be caused by the fact that the employees are underinformed in this area. The most worrying result seems to be the over 20 % share of negative responses in the area of consistency of the employees’ opinions about the offered products and/or services, as it may mean that the staffs talk about them differently at work and outside work. Therefore, if employees are to become the ambassadors of the offer of the company they work for, it is necessary to integrate the above mentioned opinions.

Internal communication plays an important role in shaping employees’ attitudes in relation to both the organization and to the world outside it. That is why it seemed justified to find out if there is a relationship between the effectiveness of communication within a company and the consistency of internal and external communication. The following hypothesis was formulated and subjected to verification:

H2: The higher the assessment of the overall effectiveness of internal communication, the more highly the consistency between internal and external communication is evaluated.

Analyses of the r-Pearson correlation between the achievement of internal communication objectives and external communication activities were conducted. Table 5 shows the coefficients of the correlation between the studied variables.

Analyses of the correlation proved the existence of statistically significant positive relations between the achievement of internal communication objectives and the assessment of the consistency of internal and external communication in particular aspects, as well as between the overall evaluation of internal communication effectiveness and the evaluation of consistency of comprehensive communication activities. The highest correlation coefficients were noted for the overall assessment of the consistency of communication activities and the evaluation of internal communication effectiveness ($r = 0.53$, moderate correlation). The same value was observed for the assessment of the consistency of a company's image and the evaluation of achievement of the objective of creating the company's positive image through internal communication. A slightly weaker correlation ($r = 0.52$, moderate correlation) was noted for the assessment of the consistency of a company's image and the overall evaluation of the internal communication effectiveness as well as between the overall assessment of the consistency of communication activities and the evaluation of the achievement of the objective of building a company's positive image among its employees within the internal communication.

Due to the fact that the existence of statistically significant correlations was confirmed, hypothesis 2 was positively verified. It was noticed that building and managing a company's image is an essential area of communication activity.

The next step was to find out if there was any correlation between the effectiveness of internal communication and the consistency of communication activities addressed at a company's employees and outside the organization. The relationships between the variables were researched by means of the r-Pearson correlation analysis. Table 6 shows the results of the conducted analyses.

The analyses proved the existence of statistically valid correlations between variables. The higher the assessment of particular aspects of the internal communication efficiency, the more highly the consistency of the comprehensive communicative activities was evaluated. The highest correlation coefficient concerned the amount of information received in relation to the amount of information needed, as well as the analyzed consistency. Moreover, it should be noted that the results for the category of the internal communication efficiency are somewhat lower than for its effectiveness, which may mean that this aspect is of a lower significance for the overall communication activities.

The staff's attitudes and their approach to the organization, its products and services also depend on the degree of achievement of the internal communication objectives. In the author's opinion these are giving employees particular information about the company and its offer, influencing employees' attitudes and behavior

Table 5 Coefficients of r-Pearson correlation between the achievement of the internal communication (IC) objectives and the evaluation of the consistency of internal and external communication

IC objective	Consistency evaluation							
	Information about company's offer	Employees opinions about company's offer	Company's image	Values shared within company	Employment policy	Overall evaluation of consistency		
Sharing up-to-date information	0.40*	0.35*	0.42*	0.30*	0.33*	0.44*		
Motivating workers to work for the company	0.38*	0.36*	0.45*	0.34*	0.40*	0.48*		
Creating a good working atmosphere	0.36*	0.35*	0.46*	0.31*	0.40*	0.46*		
Unifying around a mission, a value, or a strategy of a company	0.30*	0.27*	0.41*	0.30*	0.36*	0.41*		
Creating the company's internal image	0.40*	0.37*	0.53*	0.37*	0.42*	0.52*		
Preparing for pending changes	0.33*	0.27*	0.39*	0.25*	0.34*	0.39*		
Overall evaluation of IC effectiveness	0.43*	0.39*	0.52*	0.37*	0.44*	0.53*		

Notes *p < 0.05

The bold values are statistically significant

Table 6 Coefficients of r-Pearson correlation between the assessment of particular aspects of communication and the evaluation of the effectiveness of internal communication, as well as the assessment of the consistency of internal and external communication

Assessment of particular aspects of communication	Assessment of consistency of internal and external communication
Access to information	0.40*
Speed of information flow	0.39*
Amount of information received in relations to amount of information needed	0.42*
Reliability and completeness of received information	0.40*
Adaptation of communication activities to employees' needs	0.38*
Communication atmosphere	0.38*

Notes *p < 0.05

The bold values are statistically significant

in relations with customers, creating and reinforcing the organization’s positive image among its employees, and encouraging employees to use the company’s offer.

The analysis of the objectives related to the internal marketing communication was based on the assumption that their achievement should largely depend on the appropriate communication policy in the organization. Therefore, it was necessary to verify the following research hypothesis:

H3: The effectiveness of marketing communication directed to employees is positively correlated with the effectiveness of internal communication.

Its verification was based on the analysis of the r-Pearson correlation between the achievement of particular purposes of marketing communication and internal communication, as well as between the overall assessment of both these processes. Table 7 presents a breakdown of the correlation coefficients for the researched variables.

The correlation analyses revealed statistically significant positive correlations between all the researched variables. The highest correlation coefficients were observed for the creating and consolidating the company’s positive image among employees through IMC, as well as the overall assessment of the IC effectiveness (r = 0.55 moderate correlation). The same level of correlation was noted for creating and consolidating the positive image among employees through IMC, as well as building a positive image of the company among its employees by means of IC. A slightly lower value of coefficient (r = 0.54, moderate correlation) was observed for the overall assessments of the IMC effectiveness and the IC effectiveness and creating positive atmosphere in the workplace through IC, as well as the overall assessment of the IC effectiveness.

In the light of these results, the areas deserving special attention of people responsible for communication activities should be shaping the company’s image among employees and creating positive atmosphere in the workplace. Taking into

Table 7 r-Pearson correlation coefficients between the achievement of internal marketing communication (IMC) and internal communication (IC) objectives

IC objectives	IMC objectives				
	Sharing information about company's offer	Influencing employees attitudes and behaviors in their relations with clients	Creating and consolidating the company's positive image among employees	Encouragement to use the company's offer	Overall evaluation of IMC effectiveness
Sharing up-to-date information	0.46*	0.37*	0.42*	0.39*	0.46*
Motivating workers to work for the company	0.48*	0.40*	0.48*	0.44*	0.48*
Creating a good working atmosphere	0.49*	0.39*	0.47*	0.45*	0.49*
Unifying around a mission, a value, or a strategy of a company	0.44*	0.39*	0.47*	0.43*	0.44*
Creating the company's internal image	0.47*	0.42*	0.55*	0.46*	0.47*
Preparing for pending changes	0.39*	0.36*	0.38*	0.34*	0.39*
Overall evaluation of IC effectiveness	0.54*	0.46*	0.55*	0.50*	0.54*

Notes *p < 0.05

The bold values are statistically significant

consideration the fact that statistically significant correlations were revealed both between the overall assessments of internal communication and marketing communication directed to employees and between particular objectives of these two, it was decided to accept hypothesis 3 (Rogala 2014b).

5 Conclusions

Analyses of the correlations have revealed that there are statistically significant positive correlations between the achievement of the internal communication objectives in its particular aspects, as well as the overall assessment of internal communication effectiveness, and the evaluation of the consistency of the comprehensive communication activities. Moreover, there are areas in which low assessment of the consistency proves the necessity of undertaking corrective actions. For the activities undertaken within the internal marketing communication the basic aim should be to properly inform employees about the company's offer. In order to win favor of the employees as the company's ambassadors, it is necessary to create appropriate work atmosphere and build a positive image among the workers, provided that it is consistent with the company's external image. Internal communication has an important role to play in this process.

6 Implications

The overview of literature, as well as the research results proves the necessity of assuring consistency of all the activities of the communicative character undertaken by an organization. In particular, it is important to take a good care of the information flow inside a company, as the degree of effectiveness of communication directed to employees is significantly and positively correlated with the assessment of the degree of consistency of internal and external communication. Moreover, an organization's image, shaped in the course of the professional and personal interactions of employees and customers, is an area communicatively sensitive, which requires consistency, regardless of the target recipient. Taking into consideration the fact that it is built in both intended and unconscious, random way, it is a huge challenge for communication managers.

Due to the existing networks of correlations between a company's external and internal communication, as well as the expansion IT solutions and the changing preferences as to the ways of seeking information and the evolving assessment of credibility of particular sources of information, today's organizations will be forced to revise their communication strategies. In the light of the analyses conducted in this article, it is justified to accept the necessity of a holistic, comprehensive and integrated approach to the communication policy of a company, instead of treating internal, marketing and organizational communication separately.

Acknowledgement The project was financed with the National Science Center resources, granted on the basis of the decision number DEC-2011/03/N/HS4/00701.

References

- Christensen, L. T., Firat, A. F., & Torp, S. (2008). The organisation of integrated communications: Toward flexible integration. *European Journal of Marketing*, 42(3–4), 423–452.
- Duncan, T., & Mulhern, F. (2004). *A white paper on the status, scope and future of IMC*. New York: McGraw Hill.
- Koekemoer, L. (2005). *Marketing communications*. Lansdowne: Juta.
- Kotler, P., & Keller, K. L. (2012). *Marketing*. Poznan: Rebis.
- Olsztyńska, A. (2005). *Marketing wewnętrzny w przedsiębiorstwie: koncepcja i narzędzia wspomagające integrację działań wewnętrznych organizacji* [Internal marketing in the organization: The concept and tools supporting integration of the organization's internal activities]. Poznan: Wydawnictwo Akademii Ekonomicznej.
- Porcu, L., del Barrio-Garcia, S., & Kitchen, P. (2012). How integrated marketing communications (IMC) works? A theoretical review and an analysis of its main drivers and effects. *Comunicacion Y Sociedad*, 25(1), 313–348.
- Rogala, A. (2014a). Znaczenie komunikacji wewnętrznej dla kształtowania wizerunku przedsiębiorstwa przez pracowników [Importance of internal communication in building the image of company by its employees]. In A. Czubała, P. Hadrian, & J. W. Wiktor (Eds.), *Marketing w 25-leciu gospodarki rynkowej* (pp. 329–337). Warsaw: Polskie Wydawnictwo Ekonomiczne.
- Rogala, A. (2014b). Znaczenie porozumiewania się w organizacji dla działań z zakresu komunikacji marketingowej [The meaning of internal communication in marketing communications activities]. *Marketing i Rynek*, 8, 625–630.
- Shultz, D. E. (2004). Building an internal marketing management calculus. *Interactive Marketing*, 6(2), 111–129.
- Smith, P. R., Berry, C., & Pulford, A. (2002). *Strategic marketing communications: New ways to build and integrate communications*. London: Kogan Page.
- Wells, W., Moriarty, S., & Burnett, J. (2006). *Advertising: Principles and practices*. Upper Saddle River, NJ: Prentice Hall.
- Wiktor, J. W. (2011). Komunikacja marketingowa—perswazja czy manipulacja? W stronę reguły 30-70 [Marketing communication—persuasion or manipulation? Towards the 30-70 rule]. In B. Pilarczyk (Ed.) *Komunikacja rynkowa. Strategie i instrumenty*. UEP Scientific Papers no 208 (pp. 11–22). Poznan: Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu.
- Zajkowska, M. (2011). Deficyty komunikacyjne jako determinanta implementacji integracji komunikacji przedsiębiorstwa [Communication deficits as a determinant of the implementation of enterprise communications integration]. In B. Pilarczyk (Ed.) *Komunikacja rynkowa. Strategie i instrumenty*. UEP Scientific papers no. 208 (pp. 63–72). Poznan: Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu.

The Nationality and the Type of Celebrities Endorsing Products Versus Ethnocentric Attitudes of Polish Consumers

Ewa Jerzyk and Kamil Wyczynski

Abstract One of the methods of winning consumers' favor towards a brand is endorsement, which takes place when a brand or a product is advertised with the support of a widely known and admired person, who can be defined as a star. The effectiveness of endorsement depends on a number of factors, among others: the star's compatibility with the brand or the product, the creativity of the advertising message, or the choice of promotion forms and media. Another interesting issue is the influence of the nationality or the type of a star (an expert, an actor, a sports person) on the effectiveness of this form of marketing communication. This article aims to analyze the way in which endorsement of food products is perceived by consumers with ethnocentric attitudes. It is assumed that the attitudes of consumer ethnocentrism, which are characterized by the preference for the domestic or foreign brands and products, affect the reception of advertising messages endorsed by a domestic or a foreign star. On the basis of a survey conducted among Polish consumers, the authors will define the relationship between the nationality of the endorser of a food brand and the level of ethnocentrism diagnosed by means of CETSCALE (Shimp's and Sharma's Consumer Ethnocentrism Tendencies Scale). Moreover, they will specify the types of stars involved in the endorsement of food products, which are most favored by consumers with different levels of ethnocentrism. The obtained results indicate that the higher the level of consumer ethnocentrism towards food products, the stronger the preference for domestic stars endorsing brands and products.

Keywords Celebrity • Endorsement • Ethnocentrism • Food products

E. Jerzyk

Department of Marketing Strategies, Poznan University of Economics, Poznan, Poland
e-mail: e.jerzyk@ue.poznan.pl

K. Wyczynski (✉)

Faculty of Management, Economy and Science, Universite Catholique de Lille, Lille, France
e-mail: kamil.wyczynski@lille.iseg.fr

1 Introduction

Endorsement is a brand creation tool used by marketers for decades, which has been considerably growing in popularity since the beginning of the 1970s (Choi et al. 2005; Till et al. 2008). This phenomenon is based on transferring positive qualities of famous people from the world of sport, film, television and the media onto the brand perception. What is more, it is a good way to distinguish an advertisement from a plethora of others and to give a consumer a chance to remember it, in spite of the media overload they experience every day (Edwards and La Ferle 2009; Erdogan 1999; Money et al. 2006). Due to the process of globalization, celebrities surpass the borders of the countries where they have gained fame and become stars recognizable all over the world. Companies do not have to limit themselves to the cooperation with local stars from their country of origin (COO). In the hope of achieving better results, often known figures from other countries are engaged in marketing campaigns. However, as McCracken (1989) notices, the success of a celebrity participating in a marketing campaign depends on whether he or she is a person appealing to the recipient. This is an interesting issue with reference to consumers showing ethnocentric tendencies. In their work the authors aimed to compare the influence of domestic and foreign celebrities used in advertising messages on the way the endorsement is perceived by this type of consumers.

2 The Overview of Literature: A Celebrity, Endorsement vs. Consumer Attitudes

‘Celebrity’ is an English term which denotes a well-known, valued and respected person. According to a dictionary definition, this term means a celebrated person (Merriam-Webster.com 2012). In some people’s opinion, celebrity is a figure with characteristic personality and reputation. People’s admiration and respect for them result from the fact that they are exceptionally good in their field (Niczewski and Potrzebowski 2010). For instance, celebrities are: actors (e.g. Jennifer Anniston, or Robert De Niro), sportspeople (e.g. Lionel Messi or Maria Szarapova), presenters (e.g. David Letterman or Jay Leno), musicians (Keith Richards or Beyonce), or models (Anja Rubik or Cindy Crawford).

Nevertheless, this definition does not seem to include a yet another type of a well-known person. Hellmueller and Aeschbacher (2010) note that the name celebrity is also used with reference to people famous for being famous. Examples of such celebrities are: participants of reality shows (Snookie and Jwoww), or the heiress of the hotel fortune Paris Hilton. Both these definitions complement each other, creating a full picture of a contemporary celebrity.

In the English-language literature the engagement of a well-known person in advertising activities is referred to as celebrity endorsement. Even though this

phenomenon has existed since the beginning of the twentieth century, the term celebrity endorsement was coined in literature relatively late. One of the first definitions, created by Friedman, appeared in the mid-70s. It describes celebrity endorser as a person known for their achievements unrelated to the product they support (Friedman et al. 1976). Freiden (1984) expanded this term, to cover also people directly related to the brand supported by them.

The definition regarded as the most precise and at the same time the most often quoted, is the one created by McCracken. According to this American author, a celebrity endorser is a person who enjoys public recognition and who uses this fame to support consumer goods or services, through the appearance in advertisements of these goods or services (McCracken 1989; Biswas et al. 2006; Seno and Lukas 2007).

The idea of celebrity endorsement can be explained by means of the theory of associative learning, which is based on the assumption that each person has a number of connotations which make up a certain type of a system. This structure, known as associative network, consists of interrelated images and/or concepts about the surrounding reality (Till and Shimp 1998; Biswas et al. 2006). In terms of celebrity endorsement, both a celebrity and a brand are linked by a consumer's associations about them, based on his or her experience and reflected in their attitudes and assessments. Being repeatedly linked in advertising messages, the brand and the celebrity become parts of each other's associative sets (Till and Busler 2000). The main factor influencing the ease of linking associative sets is the similarity of the associations, as well as the frequency of exposure to them.

The foundations of the influence models were laid by Hovland and Weiss (1951), who described the trusted source model, as well as McGuier (1962), who wrote about the attractive source model. Both these concepts are referred to as source models. In the light of the trusted source model, the effectiveness of information depends on the perceived by consumers level of expertise and credibility of the celebrity endorsing a message and a brand (Hovland and Weiss 1951; Dholakia and Sternthal 1977; Ohanian 1991). Information from a trusted source, which is a celebrity, may influence views, beliefs, attitudes, or behavior through the process of internalization. It occurs when the recipients accept the source's influence exerted on them, in the context of their own attitudes and system of values (Kellman 1961).

One of the dimensions of this model is a celebrity's credibility. According to the authors, advertising experts should opt for celebrities who are perceived by recipients as honest and trustworthy. The main attribute of a celebrity's credibility is how much they are liked by the public. Another important element of the credibility is the celebrity's ethnic group of origin. It is significant in the case of a message addressed to a selected ethnic group, e.g. Germans, Asians, etc. (Erdogan 1999).

The level of expertise is the second dimension of the trusted source model, defined as the degree to which the message sender is perceived by the recipient as having reliable and convincing information on a given topic (Erdogan 1999). In other words, it is the assessment of the celebrity's experience in the field they advertise. In the light of Ohanian (1991), the celebrity's expertise level outweighs

their attractiveness and credibility, as an incentive for consumers' buying decisions. Moreover, this fact proves that celebrity endorsement is most effective if the engaged stars have experience, qualifications and knowledge of the product they endorse.

The attractive source model is related to the perceived attractiveness of the message sender, suggested by Kellman (1961). He maintains that the effectiveness of the message depends on familiarity with, similarity to, and fondness towards a given person. Similarity is understood as the characteristics which the recipient believes to have in common with the celebrity. Familiarity means that the celebrity is recognized, because the consumer has had contacts with the star before. As for fondness, it is the way the celebrity influences the recipient, as a result of their physical or social attractiveness and behavior (Jerzyk and Wyczyński 2014). In terms of attractiveness, the process which affects the persuasive message is the recipient's identification with the sender of the message (Kellman 1961).

Kahle's and Homer (1985) have proven that participants exposed to an advertisement with an attractive celebrity have a more positive attitude to both the product and the brand than the respondents from the group with a non-attractive star. Undoubtedly, attractive celebrities positively influence the attitude to the advertisement and the brand; however, in spite of numerous experiments it has not been found out if attractiveness has also an impact on purchase decisions. A possible explanation of this phenomenon is the fact that celebrity endorsement influences mainly the cognitive and affective, not behavioral aspects of attitudes (Erdogan 1999).

A desired effect of celebrity endorsement is the transfer of the celebrity's positive features onto the brand they support. This process takes place during the so-called transfer of meaning. The process is divided into three stages: culture, endorsement and consumption (Fig. 1).

2.1 Stage I: Culture

The recognition celebrities enjoy has its source in the mass culture. In the first stage, celebrities derive their special characteristics from their careers in acting, media,

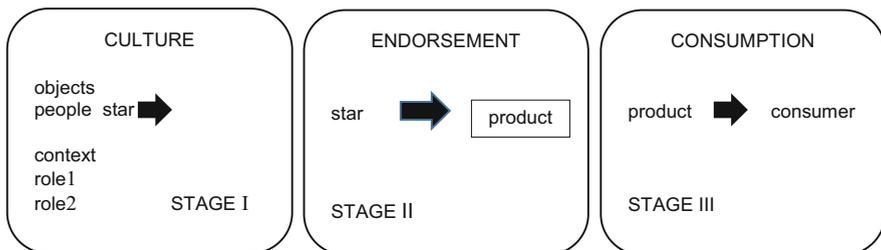


Fig. 1 Three stages in the transfer of meaning model. Source: Kozłowska (2011, p. 363)

sport, or music. Each successive role, sport achievement, or presence in the media enhances their specific image. In other words, the meanings which they transfer onto advertising have their origin in, among others, film roles, or sports stadiums.

According to McCracken, celebrities differ from anonymous actors, who often appear in advertising because of the fact that they are used in order to add significance to the advertisement and the brand. Like advertising actors, they may convey the basic information about sex, age, or status, but they do it in a far more precise way. They can provide the brand with a variety of meanings, at different levels of complexity and strength. Moreover, celebrities have unique personalities and life styles, impossible to imitate by ordinary characters present in advertisements (McCracken 1989).

Nevertheless, in spite of their numerous and supreme achievements, the advertising capabilities of certain famous people are limited. In McCracken's view, such a person is Meryl Streep, who appeared in a big number of roles of various types. As she is not associated with a specific type of roles, she does not convey such specific meanings, as, for instance Chuck Norris, who is associated with a physically fit and brave macho from an action film.

2.2 Stage II: Endorsement

The decision about the choice of a celebrity depends on the array of meanings a given person is associated with and also on the requirements of the recruiter. At the second stage, the task of a marketing department or an advertising agency is to establish a set of symbols they want to attribute to a product. It is essential to take into account the meanings of the product, or the whole category of products that have been perceived by consumers so far.

The next step is to select a celebrity, whose image includes the meanings most closely corresponding to the pre-established requirements. Once the selection is made, it is necessary to focus on the possibly best exposure of all the desired elements of the celebrity's image in the advertising message while downplaying all the other features (McCracken 1989). The advertisement should be designed in such a way that it will emphasize the similarity between the celebrity and the brand recommended by them, which will result in the transfer of meaning.

2.3 Stage III: Consumption

The last stage of the process takes place between the product and the consumer. It consists in the transfer of meaning from the advertised object onto the recipient. Brands and their symbols play an important role in the consumers' lives, as they enable them to manifest their own identity and belongingness to a particular social group. Therefore, consumers constantly seek brands which will enhance their

personality by means of their symbolic meanings. In a sense, consumers try to replay the first stage of the model—they aim to “charge” their own image with meanings, by possessing and using particular goods (McCracken 1989; Erdogan 1999). The consumption process will be successful on condition that the meanings offered to consumers are attractive and meet their needs.

As any other type of communication strategy, celebrity endorsement may have a particular level of reception effectiveness. In the first place, its effectiveness relies on matching a celebrity to the image of the brand endorsed by them. Depending on the situation, there may be a need to enhance the present brand image, or to try to change it. To achieve this objective, marketing specialists carry out research with a view to defining the array of meanings attributed to a given person. On the basis of these features, the potential candidates for endorsers are shortlisted and then the final decision is made. For some companies, after taking the decision about endorsement cooperation, another dilemma appears—should a domestic star be chosen, or would it be more worthwhile to hire a foreign celebrity?

In relation to this dilemma, the authors of this paper aimed to establish the influence of celebrity’s origin on the way they affect the brand perception and win consumers’ trust. In order to analyze this influence, it was necessary to refer to the consumer ethnocentrism theory and its measuring instruments.

3 Consumer Ethnocentrism vs. Endorsement

The theory of consumer ethnocentrism focuses on some consumers’ preferences for domestic products, as opposed to the products of foreign origin. It is a conscious choice caused by the moral considerations or emotional reasons (Shimp and Sharma 1987). As it was proven by the research conducted by Wall and Heslop (1986), in their buying decisions ethnocentric consumers may choose products of a domestic origin even if their quality is much lower than that of the foreign products. The scale commonly used for measuring the degree of ethnocentrism is the CETSCALE (Consumer Ethnocentrism Tendencies Scale), created by Shimp and Sharma (1987). It is based on two dimensions. One of them is belonging to a group and the other is the belief that it is morally justified to support the economy of their own country. CETSCALE is a widely accepted form of measuring the level of consumer ethnocentrism. Its main advantage is the fact that it clearly shows the way in which the loyalty of consumers towards their own national group is in line with their tendency to avoid foreign products (Kipnis et al. 2012). Each consumer group is vulnerable to the influence of certain forms of marketing communication. The authors decided to check if consumer ethnocentrism causes the preference for marketing communication using national endorsement. The assumption was that the higher the level of consumer ethnocentrism, the stronger the preference for national endorsement.

4 Research Methodology and Characteristics of Respondents

Quantitative research, in the form of a structured interview, was conducted on a sample of 440 inhabitants of three Polish cities: Poznań, Szczecin, and Lublin. The respondents were adults, who make purchase decisions in their households and watch television commercials. It was assumed that the research would be limited to the food market and the food products promoted by means of endorsement. The quota sampling was used and the sampling criteria were age and gender. As for age, the structure of the sample corresponded to the structure of the population. In terms of gender, men accounted for 30 % of the total number of respondents and women—for 70 %, because earlier research showed that women make purchase decisions much more often in relation to food products. More detailed characteristics of respondents are presented in Table 1. The research was financed by the Polish Scientific Marketing Association, as well as the Faculty of Marketing Strategies of UEP.

So far no scientific research into the effectiveness of endorsement of food products and brands in relation to consumer ethnocentrism had been conducted in Poland. Therefore, the major research issue was to identify the influence of

Table 1 Structure of respondents participating in research (N = 440)

Variable	Number of responses	Share %
Total	440	100
<i>Gender</i>		
Woman	314	71
Man	126	29
<i>Age</i>		
18–24	47	11
25–34	97	22
35–44	92	21
45–54	78	18
55–64	67	15
65 and more	58	13
No response	1	0
<i>Place of residence</i>		
Poznań	154	35
Szczecin	150	34
Lublin	136	31
<i>Education</i>		
Elementary	1	0
Vocational	36	8
Secondary	170	39
Higher	232	53
No response	1	0

consumer ethnocentrism on the perception of endorsement, taking into account the nationality and the type of the star endorsing food product brands.

With a view to defining the level of consumer ethnocentrism, the slightly modified (the general term “Polish products” was replaced with “Polish food”, and instead of the slogan “American products first, last, and foremost”, the words: “If food, only Polish!” was used) Shimp’s and Shrimp’s (1987) scale was adopted. The original 7-degree scale was replaced with a 5-degree scale (where 5—definitely yes, and 1—definitely no). For checking the level of ethnocentrism, the respondents were to refer to 17 statements (Nestorowicz and Kaniewska-Sęba 2014). In this way, the ethnocentrism ratio was obtained (from 17 to 85). Next, the respondents were divided into three groups: those with the low ethnocentrism ratio (17–39), medium ratio (40–62) and the high level of ethnocentrism (ratio 63–85).

Another issue, which was subject to empirical research, was endorsement analyzed from the point of view of both the celebrity’s nationality (domestic star—foreign star) and their type (an expert, an actor, a sports person). The subjects of the analysis were well-known food products and brands promoted by means of endorsement. The Polish and foreign celebrities selected for the research have widely known images and participated in promotional campaigns which were in progress at the time of the research. Moreover, celebrities of the Polish and foreign nationalities were selected for similar categories of products they endorsed:

- Authorities/culinary experts: Karol Okrasa (Lidl), Jamie Oliver (healthy food);
- Actors/actresses: Daniel Olbrychski (Biedronka chain of stores), Antonio Banderas (Orbit chewing gums), Monica Bellucci (CisiowiankaPerlage mineral water), Anna Przybylska (Veroni mineral water), Danuta Stenka (Delicje cookies);
- sportspeople: Mike Tyson (Black Energy Drink), Dariusz Michalczewski (Tiger), Adam Małysz (Teekane).

Respondents were asked about the way in which the presence of a particular star influenced the image of the endorsed brand and which celebrity (the domestic or the foreign star) was more trustworthy in the advertisements of food products. Respondents were also asked to specify if Polish/foreign products should be advertised by Polish/foreign stars. Their opinions about endorsement were confronted with their level of ethnocentrism.

5 The Effectiveness of Endorsement vs. Consumer Ethnocentrism

The research results show that respondents fairly positively assess the influence of stars on the images of food brands and products. In the course of the research respondents were asked for opinions about ten celebrities endorsing food brands (four foreign stars: Antonio Banderas, Monica Bellucci, Jamie Oliver and Mike Tyson, as well as six Polish ones: Daniel Olbrychski, Adam Małysz, Anna

Przybylska, Danuta Stenka, Karol Okrasa and Dariusz Michalczewski). The most positive influence of the celebrity on the brand image was declared for: Karol Okrasa, Monica Bellucci and Anna Przybylska (respondents who do not know a star were excluded from the analysis) (Table 2). The obtained results indicate that the most effective endorsement of a brand is that of a culinary expert (Polish) and actresses (Polish and foreign). According to respondents, the least positive effect on a brand had the endorsement of: Daniel Olbrychski (an actor) and Jamie Oliver (expert), as well as sport stars (Mike Tyson, Dariusz Michalczewski and Adam Małysz).

Table 2 also presents the mean values for the opinions of respondents with a low, medium and high level of ethnocentrism about the influence of a particular celebrity on the image of the brand endorsed by them. A few interesting conclusions could be drawn from the analysis of these opinions. Firstly, what is remarkable is the number of positive opinions (over 3) in response to the question about a celebrity's influence on the image of the endorsed brand given by respondents with a low level of ethnocentrism, as well as the fact that the celebrities' nationality and the type were irrelevant for these respondents' opinions. In the case of five celebrities, both Polish and foreign (experts, actors, sportspeople), there were positive opinions about their influence on the brand image. It means that consumers with a low level of ethnocentrism have a positive attitude to endorsement. Secondly, these consumers do not evaluate the influence of the celebrity's nationality and type on the promotional message, so they can focus on the creativity of the message conveyed by means of endorsement. These opinions allow for a conclusion that buyers with a low level of ethnocentrism accept endorsement in marketing communication and have a positive attitude towards it, if it is original and resourceful. Among the respondents with a high level of ethnocentrism the observed approval for endorsement was much lower—the only celebrity whose influence was positively evaluated was Karol Okrasa.

The summary of indexes for stars' nationalities (calculated on the basis of the mean values obtained for individual stars) indicates a higher preference for domestic stars than for foreign ones (Table 3). Moreover, consumers with a high level of ethnocentrism express a weaker interest in endorsement than those with a low one. Additionally, their opinions show a stronger preference for Polish stars than for foreign ones. Thus, they confirm the fact that Polish stars are more favored by Polish consumers (especially those with a low level of ethnocentrism).

Another subject of the research was respondents' opinions about the Polish and foreign celebrities' endorsing Polish and foreign brands (Figs. 2 and 3). Expectedly, it turned out that the cosmopolitanism of consumers with a low level of ethnocentrism was expressed by the dominating opinion that the nationality of the celebrity endorsing a brand is irrelevant. Among the people with a high level of ethnocentrism the tendency is opposite. The dominating opinion is that Polish products should be advertised by Polish stars. With the growing consumer ethnocentrism, the preference for Polish stars endorsing Polish products is increasing.

This could be an important message for a part of foreign companies, which are beginning their business activity in Poland and want to use endorsement for the promotion of their brands. A safer solution would be to use a Polish star for their

Table 2 Respondent's opinion about a celebrity's influence on the image of the endorsed brand vs. ethnocentric attitude

Celebrities	Total		Low level of ethnocentrism		Medium level of ethnocentrism		High level of ethnocentrism	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
(a) Daniel Olbrychski	2.42	1.31	2.39	1.20	2.49	1.28	2.30	1.45
(b) Antonio Banderas	2.89	1.34	2.92	1.21	3.03	1.32	2.52	1.47
(c) Adam Malysz	2.84	1.39	2.75	1.40	2.88	1.34	2.85	1.50
(d) Monica Bellucci	3.03	1.43	3.14	1.36	3.08	1.37	2.81	1.61
(e) Anna Przybylska	3.02	1.37	3.14	1.28	3.00	1.29	2.93	1.62
(f) Danuta Stenka	2.96	1.38	3.00	1.31	2.99	1.31	2.86	1.58
(g) Jamie Oliver	2.66	1.42	2.69	1.34	2.83	1.39	2.29	1.50
(h) Karol Okrasa	3.69	1.40	3.99	1.27	3.71	1.34	3.37	1.57
(i) Mike Tyson	2.83	1.48	3.29	1.42	2.77	1.44	2.49	1.52
(j) Dariusz Michalezewski	2.79	1.44	3.11	1.37	2.76	1.40	2.52	1.52

Note: Rank scale from 1 to 5, where 1—definitely does not affect positively and 5—definitely affects positively, disregarding the respondents who do not know a star

Table 3 Mean values of opinions of respondents with low and high level of ethnocentrism about endorsement of Polish and foreign stars

Star's nationality	Low level of ethnocentrism		High level of ethnocentrism	
	Mean	Standard deviation	Mean	Standard deviation
Polish stars	3.06	1.05	2.56	1.26
Foreign stars	2.78	1.05	2.24	1.18

Note: Scale from 5—definitely positively to 1—definitely negatively

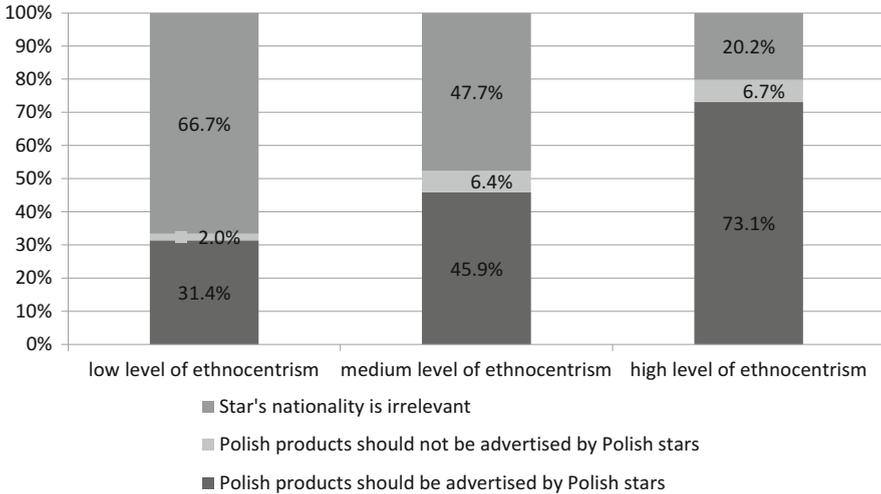


Fig. 2 The level of consumer ethnocentrism vs. endorsement of Polish food brands by Polish stars (N = 440)

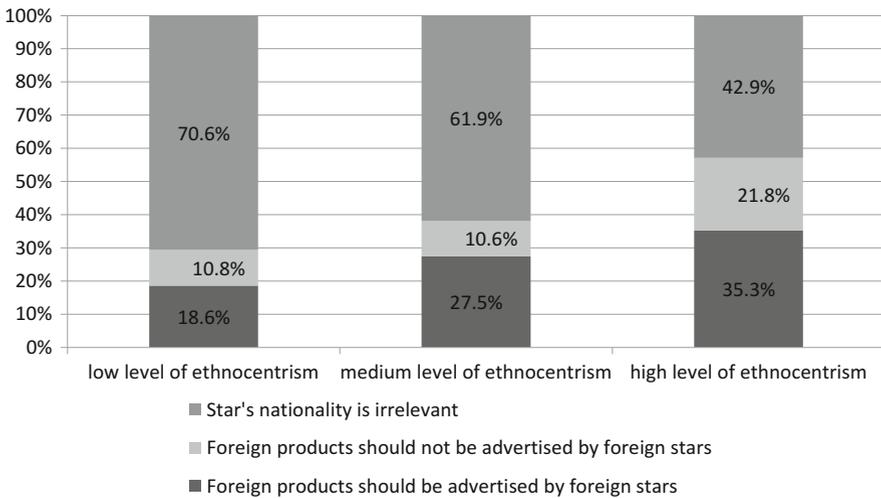


Fig. 3 The level of consumer ethnocentrism vs. endorsement of foreign food brands by foreign stars (N = 440)

Table 4 Celebrities' nationalities and types vs. respondents' trust

Celebrity type	Low level of ethnocentrism		Medium level of ethnocentrism		High level of ethnocentrism		Total	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Celebrity (in general)	3.72	1.64	3.18	1.59	2.68	1.46	3.17	1.60
Expert (authority)	3.40	1.85	2.68	1.65	2.28	1.37	2.74	1.67
Actor/actress	3.79	1.59	3.27	1.52	2.88	1.50	3.28	1.56
Sports person	3.25	1.63	3.10	1.62	2.79	1.53	3.05	1.60

Note: Mean assessments, according to the scale from 1–definitely Polish to 7–definitely foreign

Table 5 Pearson's correlation indexes for variables

Variables	Ethnocentric attitude
Index 1	-0.145*
Index 2	-0.140*
Index 3	-0.175**

Notes **Correlation is significant at the level of 0.01 (two-sidedly). *Correlation is significant at the level of 0.05 (two-sidedly)

endorsement, especially in a situation when a consumer is not sure about the country of origin of a brand (in a survey respondents were asked if Biedronka (in English Ladybird) discount chain, belonging to the Portuguese consortium Jeronimo Martins, was a Polish brand, 13.2 % respondents claimed it was Polish and a similar group did not know the origin of the brand). Moreover, the analysis of the research results indicates that what is important is the appropriate matching of a star to a brand, as well as the creativity of the endorsement message.

A significant element in matching a star to a brand, beside their nationality, is the celebrity's type. The following types were included in the research: experts, sportspeople and actors. The results have proven that for each celebrity type, consumers with a high level of ethnocentrism have more trust for Polish stars (Table 4). The celebrities who enjoy the highest trust are Polish stars defined as experts, the next group is Polish sportspeople, and the last position is occupied by Polish actors. Among consumers with a low level of ethnocentrism foreign actors have a slight advantage.

On the basis of the calculated indexes (mean values of respondents' opinions): a star positively influences the brand image; a Polish star positively influences a brand image; a foreign star positively influences a brand image.

The cause-and-effect relationship between the endorsement preference and the consumer ethnocentrism was analyzed. The correlations obtained as a result of the analysis are statistically significant ($p < 0.05$), but relatively weak (Table 5). The 'minus' sign may indicate a reverse correlation: the more ethnocentric a consumer is, the less they prefer endorsement in the marketing communication related to food products.

6 Conclusions

The research results presented in the article indicate a significant influence of a consumer's ethnocentric attitude on the endorsement effectiveness. Increase in consumers' ethnocentric attitudes should lead to a change in a company's marketing communication strategy. An element of a particular importance is the matching of a star, in terms of both nationality and type. Celebrities of a Polish origin win more trust amongst Polish ethnocentric consumers.

The knowledge of the preferences of Polish ethnocentric consumers can be a valuable support in taking decisions about marketing communication for multinational companies which invest in Poland. Choosing endorsement by a Polish celebrity may increase the trust to the products and positively influence the brand image in the segment of ethnocentric consumers.

Besides a celebrity's nationality, another significant condition of the effectiveness of endorsement is the appropriate matching of the star type, as well as the creativity of the way a celebrity is in promotional communication. The more resourceful the way in which the endorsement is used and the more interesting a star, the higher the endorsement effectiveness.

References

- Biswas, D., Biswas, A., & Das, N. (2006). The differential effects of celebrity and expert endorsements on consumer risk perceptions. *Journal of Advertising*, 35(2), 17–31.
- Choi, S. M., Lee, W., & Kim, H. (2005). Lessons from the rich and famous. *Journal of Advertising*, 34(2), 85–98.
- Dholakia, R. R., & Sternthal, B. (1977). Highly credible sources: Persuasive facilitators or persuasive liabilities? *Journal of Consumer Research*, 3, 223–232.
- Edwards, S., & La Ferle, C. (2009). Does gender impact the perception of negative information related to celebrity endorsers? *Journal of Promotion Management*, 15, 22–35.
- Erdogan, B. (1999). Celebrity endorsement: A literature review. *Journal of Marketing Management*, 15, 291–314.
- Freiden, J. B. (1984). Advertising spokespersons effect: An examination of endorser type and gender on two audiences. *Journal of Advertising Research*, 25(4), 33–41.
- Friedman, H. H., Termini, S., & Washington, R. (1976). The effectiveness of advertisements utilizing four types of endorsers. *Journal of Advertising*, 5(3), 22–24.
- Hellmueller, L. C., & Aeschbacher, N. (2010). Media and celebrity: Production and consumption of "wellknownness". *Communication Research Trends*, 29(4), 3–34.
- Hovland, C. I., & Weiss, W. (1951). The influence of source credibility on communication effectiveness. *Public Opinion Quarterly*, 15, 635–650.
- Jerzyk, E., & Wyczyński, K. (2014). Wpływ negatywnej informacji o celebrycie na wizerunek wspieranej marki [The impact of a negative information about a celebrity on the image of supported brand]. In G. Rosa, & A. Smalec (Eds.), *Marketing przyszłości: trendy, strategie, instrumenty: Zachowania konsumentów i komunikacja marketingowa w zmieniającym się otoczeniu* (pp. 255–268). Szczecin: Wydawnictwo Naukowe Uniwersytetu Szczecińskiego.
- Kahle, L. R., & Homer, P. M. (1985). Physical attractiveness of the celebrity endorser: A social adaptation perspective. *Journal of Consumer Research*, 11, 954–961.

- Kellman, H. C. (1961). Processes of opinion change. *Public Opinion Quarterly*, 25, 57–78.
- Kipnis, E., Kubacki, K., Broderick, A. J., Siemieniako, D., & Pisarenko, N. L. (2012). They don't want us to become them: Brand local integration and consumer ethnocentrism. *Journal of Marketing Management*, 28, 836–864.
- Kozłowski, A. (2011). *Reklama. Techniki perswazyjne* [Advertising. Persuasion techniques] (p. 363). Warszawa: OW SGH.
- McCracken, G. (1989). Who is the celebrity endorser? Cultural foundations of the endorsement process. *Journal of Consumer Research*, 16, 310–321.
- McGuier, W. J. (1962). Persistence of the resistance to persuasion induced by various types of prior belief defenses. *Journal of Abnormal and Social Psychology*, 64(4), 241–248.
- Merriam-Webster.com. (2012). *Definicja celebrity* [Definition of celebrity]. [online] Accessed April 2, 2012, from <http://www.merriam-webster.com/dictionary/celebrity>
- Money, R. B., Shimp, T. A., & Sakano, T. (2006). Celebrity endorsements in Japan and the United States: Is negative information all that harmful? *Journal of Advertising Research*, 46(1), 113–123.
- Nestorowicz, R., & Kaniewska-Seba, A. (2014). Zastosowanie CETSCALE do pomiaru etnocentryzmu konsumenckiego na rynku produktów żywnościowych w Polsce [The use of CETSCALE to measure consumer's ethnocentrism on food market in Poland]. *Marketing i Rynek*, 6, 501–517 (CD).
- Niczewski, R., & Potrzebowski, J. (2010). *Celebryci w ataku* [Celebrities in the attack]. Warszawa: Agora Corp.
- Ohanian, R. (1991). The impact of celebrity spokespersons' perceived image on consumers' intention to purchase. *Journal of Advertising Research*, 31(1), 46–54.
- Seno, D., & Lukas, B. A. (2007). The equity effect of product endorsement by celebrities: A conceptual framework from a co-branding perspective. *European Journal of Marketing*, 41(1/2), 121–134.
- Shimp, T. A., & Sharma, S. (1987). Consumer ethnocentrism: Construction and validation of the CETSCALE. *Journal of Marketing Research*, 24(3), 280–289.
- Till, B., & Busler, M. (2000). The match-up hypothesis: Physical attractiveness, expertise, and the role of fit on brand attitude, purchase intent and brand beliefs. *Journal of Advertising*, 29(3), 1–13.
- Till, B. D., & Shimp, T. A. (1998). Endorsers in advertising: The case of negative celebrity information. *Journal of Advertising*, 27(1), 67–82.
- Till, B. D., Stanley, S. M., & Priluck, R. (2008). Classical conditioning and celebrity endorsers: An examination of belongingness and resistance to extinction. *Psychology & Marketing*, 25(2), 179–196.
- Wall, M., & Heslop, L. (1986). Consumer attitudes toward Canadian-made versus imported products. *Journal of the Academy of Marketing Science*, 14(2), 27–39.

Being Successful in International Markets: The Role of International Marketers' Competencies

Ana Maria Soares and Fernando Santos Eduardo

Abstract The globalization of economies poses considerable challenges to companies. Firms are no longer protected by local governments nor can they afford to ignore non-domestic competitors. This context calls for an understanding of the competencies required for the success of international marketing activities. An exploratory and comparative study based on interviews and content analysis of recruitment advertisements for International Marketing Managers was conducted in Brazil and Portugal to identify the competencies that managers perceive as more important for dealing with the complexities of export, international and global marketing. Respondents recognized the specific challenges of marketing at the international level and the need for specialized knowledge in international marketing environments and in operational techniques, as well as the importance of specific competencies for international marketers.

Keywords International marketing • International business • International marketing managers • Cross-cultural competencies

1 Introduction

Internationalization is a strategic goal for companies worldwide. Faced with increasing competition in their home markets, many firms are forced to search for marketing opportunities abroad. Becoming active and successful in international marketing (IM), however, poses considerable challenges to international marketing managers (IMM). Among these, are questions related to IMM' competences and

A.M. Soares

School of Economics and Management, University of Minho, Guimaraes, Portugal

e-mail: amsoares@eeg.uminho.pt

F.S. Eduardo (✉)

Management Department, Pontifical Catholic University of Minas Gerais State, Belo Horizonte, Brazil

e-mail: fernandoeduardo@hotmail.com

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_38

expertise. This context calls for an understanding of the competencies required for success of international marketing activities.

Understanding international markets and competitors and defining marketing strategies is arguably more complex than those deployed in domestic markets. In international markets companies must operate to the best of their abilities (Morgan et al. 2006). Thus knowledgeable human resources become fundamental for international operations. Companies must recruit and train marketing managers with the right set of skills and competencies to deal with the challenges and differences of international markets and contribute to international performance. Identifying the expertise (competencies and knowledge bases) that international marketing managers need to help companies compete internationally is paramount. Such an understanding may offer important insights for promoting internationalisation efforts at different levels: policymaking, industry boards' activities and companies' recruiting and training activities. Additionally, it may have important consequences for universities, contributing for designing adequate graduate and post-graduate international marketing programs (Beamish and Calof 1989; White and Griffith 1998; Yenyurt et al. 2005; Gray et al. 2007).

However, despite substantial interest of researchers about internationalization topics, including internationalization performance, market selection and entry mode choice, there is a gap in what concerns research aiming at understanding those responsible for the development and implementation of international marketing strategies (Griffith and Hoppner 2013). In addition, a general concern in business-related subjects' teaching concerns whether formal university education is relevant from the companies' perspective, i.e. whether academic education is effectively capable of developing the capabilities required by companies (Beamish and Calof 1989; Gray et al. 2007).

Beamish and Calof (1989) argued that the content of international programs should be set in consultation with industry so as to assure its relevance. Thus, several studies surveyed practitioners' in order to identify the knowledge base and capabilities perceived as important for different management functions. Such studies may prove useful in highlighting areas and training methods that may improve academic curricula and training programs. In what concerns International Marketing, however, there is a dearth of research addressing the development of global knowledge competencies (Yenyurt et al. 2005) and, to the best of our knowledge, no such study has been conducted in Brazil before.

The literature on international management training is scarce. Moreover much of such research has been conducted in developed countries. However, globalization opportunities lay increasingly in emergent and developing economies (Neupert et al. 2005). Thus research in national settings such as Brazil and other emergent countries is especially relevant.

This paper describes the result of an exploratory study carried out to identify the competencies deemed most important for marketers and managers dealing with international markets and consumers, as well as their educational background. The paper is organized as follows: first, literature regarding development of international competencies is reviewed, then, the study methodology findings are presented. Conclusions and implications follow.

2 Literature Review

Globalization of markets is a reality for most industries and services. Local governments no longer protect firms nor can they afford to ignore non-domestic competitors (Cavusgil 1991; Yenyurt et al. 2005). Thus, the importance of internationalisation for companies' long term survival has been emphasised, for example Yenyurt et al. (2005) contents that having a global orientation is no longer a luxury, but a necessity for economic survival in a large number of industries.

Becoming active and successful in international marketing (IM), however, poses considerable challenges to international marketing managers (IMM). Among these, are questions related to international marketers' competences and expertise. In fact, international marketing presents specific challenges. Ambler et al. (1992) stress that it is not merely a difference in scale (national vs global) as the IMM's role is significantly different from domestic marketer's role. Success in domestic markets is not synonym of a good performance in international operations, and international marketers may find that the mental maps they were used to do not always work in other countries (Neupert et al. 2005).

In a similar vein, Harvey (1996) contend that the quality of managers in international markets becomes even more crucial than in national markets. Neupert et al. (2005) argue that skills required for success in international business can be developed in two ways: trial and error and training and education programmes.

Thus, it has been argued that IM requires specific competencies and knowledge base (Johanson and Vahlne 1977; Ambler et al. 1992; Beamish and Calof 1989; Monye 1995; Gorchels et al. 1999; Yenyurt et al. 2005). The process model of internationalization highlighted the impact of knowledge, both objective and experiential, in the degree of internationalisation of the firm (Johanson and Vahlne 1977). Objective knowledge refers to issues such as market methods, statistical tools and can generalised across markets while experiential knowledge pertains to culture, distribution systems and market characteristics. Experiential knowledge influences perceived market uncertainty and therefore impacts on commitment to internationalisation (Hadley and Wilson 2003). The knowledge base required for firm's internationalization includes "foreign institutional knowledge, or knowledge of governments, institutional frameworks, norms and culture, (and) is significantly related to the degree to which firms have invested in foreign assets and, marginally to the foreign earnings achieved" (Hadley and Wilson 2003, p. 712).

De Toni and Nassimbeni (2001) emphasised the role of the characteristics of the entrepreneur (decision maker's export expectations, level of education and amount of experience, attitudes towards risk, etc) as variables explaining firm's propensity for exporting and level of success abroad. Griffith and Hoppner (2013) build upon the distinction between soft and hard skills of human capital and identify those that are especially important for global marketing managers. In what concerns hard skills, they list being able to use market estimate modes; to understand foreign languages; to use forecasting methods for identifying relevant trends as well as knowledge of home and foreign countries' institutions, among others (Griffith and

Hoppner 2013). The authors stress however that non-technical skills, soft skills, may be more important than hard skills for global marketing as these skills are critical to adapt strategy to a changing internal and external environment.

Consequently, although the barriers faced by companies when going international are numerous, the fact that competencies-related barriers constitute an important constraint specially for Small and Medium's Enterprises (SME) in accessing international markets has been acknowledged by academics, practitioners and policy-makers alike. Policy-makers have highlighted the need for developing specific capabilities for international marketing. The Organization for Economic Co-operation and Development—OECD (2006) listed a number of barriers to SME's internationalization which included identifying international business opportunities, locating and analyzing suitable markets, contacting potential overseas customers, obtaining reliable foreign representation, accessing finance for internationalization, engaging specialist staff to assist with the management of international markets and many others. According to the European Union—EU (2007) these problems can be grouped into three groups of concern: Insufficient managerial time and/or skills required for internationalization; lack of financial resources and lack of knowledge of foreign markets.

Concern for the need for specific competencies in international marketing has been expressed by managers as well. For example, an empirical study conducted in UK managers concluded that 75 % of the respondents thought that international marketing management specific knowledge was needed for international activities success (Monye 1995). However, the lack of qualified human resources has been acknowledged. For example, Harvey (1996, p. 103) considered that “the shortage of qualified international managers to expatriate is considered to be one of the most significant constraints on the expansion of multinational corporations”.

Concurrently, several studies documented the importance of an internationally oriented education system as a means to enhance companies' and countries' competitiveness at the international level (Beamish and Calof 1989; Gniewosz 1996; White and Griffith 1998). A comparative study of the 21 top US graduate programmes in international business found that the majority of the programmes had internationalised the curriculum only to a small extent while experts emphasised that international managers needed to understand the interdisciplinary nature of problems in a culturally diverse manner. In general, these studies expressed their concern for the fact that course content had not achieved the practical content orientation to cultivate high-calibre global managers (White and Griffith 1998).

Ball and McCullough (1993) studied the views of American multinational CEOs on the importance of international business education and courses such as Principles of International business, International Marketing and International Finance were valued. Nevertheless, 80 % of the respondents agreed that employees learnt the international aspects of the business on the job. In fact, the suitability of academic programs to meet practitioners' requirements is a recurrent concern among business disciplines and the question whether IM curricula are responsive to corporate needs has also been addressed (Beamish and Calof 1989; White and

Griffith 1998). In general, these studies pointed to the conclusion that training for IMM calls for collaboration between universities and the practitioners' (Beamish and Calof 1989; Monye 1995).

This brief literature review identified a gap regarding the understanding of IMM' competencies. We carried out an exploratory study in order to identify the competencies that managers perceive as more important for dealing with the complexities of marketing at the international level.

3 Methodology

This is a qualitative study with an interpretative approach. As a preliminary step, a content analysis of recruitment ads for IMM was conducted to identify the main requirements employers look for staff in international marketing related functions. Subsequently, personal interviews with IMM and CEOs of exporting and trading companies were conducted to identify the main competences and abilities deemed necessary to such functions.

For the first stage, recruitment ads published by a major Portuguese newspaper and by Brazilian most important weekly newspapers and monthly business magazines over a 90-day period were collected. Additionally, recruitment and headhunter companies' ads were also analysed. These were content analysed in terms of required education, experience, and competencies for positions related to the field in matter. The ads were categorized by region and size of the company.

In what concerns the second stage, semi-structured interviews were conducted with international managers. In Portugal, a list of exporting companies of the official Portuguese Export Agency—ICEP was used to identify potential companies for the interviews. A convenience group of companies from diverse industries were identified and their international marketing managers were contacted. Notably, textile companies were predominant reflecting the structure of the industry in the northern region of Portugal, where interviews were held. In Brazil, a database of trading and export companies that was available at Brazilian Agency for Export Promotion and Investments in Brazil—APEXBRASIL and National Confederation of Industry of Brazil—CNI was used to identify a convenience sample of companies. Contrary to the Portuguese sample, there was no predominance of any single industry, however the sample included both industrial and trading companies. It is important to state the role of trading companies for export activities in Brazil since in this country the largest part of exports comes from SMEs that resort to trading companies to start their activities abroad.

Eighteen interviews were conducted, nine in-depth interviews of about 60 min were conducted in Portugal and the same was done in Brazil. In Portugal, two researchers conducted personnel interviews. In Brazil, interviews were conducted through Skype. Interviews were transcribed and content analysed. In Portugal, all companies were strongly oriented to international marketing with sales in international markets of up to 99 % of total sales. In the Brazilian case, five companies

were direct exporters and four were trading companies, but all of them were involved in export business for over 10 years and with export sales accounting around 50–100 % of the total income.

4 Results

Both in Portugal and Brazil, the content analysis of recruitment ads revealed that employers typically seek for individuals with higher education, with previous experience in international markets preferably in the same industry. Fluency in English was required, and in some cases other languages were valued. Interpersonal, organization and marketing management capabilities such as negotiation and information technologies were strongly emphasized. In the specific case of Brazilian ads, it is interesting to point that many of them were not directly open for IMM, but for export activities in general, thus including both administrative work and marketing activities.

In what concerns the interviews, in spite of the importance of international sales and/or international activities, in Portugal none of the companies had managers with specific educational background in IM. In the Brazilian case, the situation was very similar when the companies were direct exporters, but all trading companies had managers with specific educational background in international marketing.

In general, for both countries, respondents highlighted the specificity of IM activities, the need of specific theoretical training and experience, the importance of strong technical knowledge of the value chain, the need for considerable investments in time and financial resources in order to obtain results in international markets, and the lack of reliance on the government as a source of export knowledge and information. It is interesting to emphasise that Brazilian and Portuguese companies stated some difficulties to obtaining support from their governments. In Brazil some trading companies highlighted that after the creation of Brazilian Association of Export and Investment—APEX—they could have more access to international markets, but there were no specific programmes for training and developing IMM skills.

Additionally, all the respondents of both countries agreed that training in marketing, and specifically in IM, could help solve some of the problems related to their international activity and sales. These include the difficulty to identify and deal with differences between domestic and international markets; handling the bureaucratic/red tape in foreign markets; difficulty in establishing and maintaining relationships with international partners, including communication and cultural problems; difficulties in launching brands internationally; international segmentation and positioning; and the high level of resources needed for marketing internationally, difficult to obtain for individual companies.

Identifying required competencies for IM in Brazil and Portugal was a key driver of this research. Respondents pointed several competencies deemed important for

IM. These can be grouped under three types: Personal and interpersonal competencies, supporting competencies and specific competencies.

Personal and interpersonal competencies: In both countries, respondents highlighted the importance of personal and interpersonal competencies as well as personality-related traits needed to be successful in this area, specifically: organization, communication, and cross-cultural skills such as adaptability, flexibility, curiosity and openness to new cultures and behaviours.

Supporting competencies: Issues covered were the importance of quantitative methods, information technologies, and foreign languages. English was obviously required, but other languages such as Spanish, Russian or Chinese were also highly valued. In the Brazilian case, all of the companies interviewed pointed that Brazilians, in general, do not speak a second language, and it was very hard to find this competence in their managers for IM and export positions.

Specific competencies for international marketers were grouped into two major groups:

1. Technical and substantive knowledge: included here were knowledge of the international system, international economy, and international commerce needed to understand the dynamics of international negotiations and cooperation, namely questions such as international agreements and organizations; international law and contracts; negotiations and alliances; logistics; custom formalities; and exchange rate fluctuations.
2. Strategic and operational marketing skills: These competencies pertain to the need to fully understand the value chain of the business and the technical aspects of the product and process, including sourcing decisions and outbound logistics.

For the specific competencies above, Brazilian and Portuguese companies agreed that they are essential for the operations abroad. In the Brazilian case, most of the activities of IM involve also administrative export tasks which is reflected in more attention to these specific competencies in the ads.

5 Discussion and Conclusions

This exploratory comparative study sought to evaluate the requirements for success in international marketing in Brazil and Portugal, as well as identifying the needs of employers in this area and main difficulties in international marketing.

The specificity of international marketing was recognized by respondents, who acknowledged that international marketing activities requires specific theoretical training, experience, as well as a strong technical knowledge of the business value chain. The lack of qualified human resources to work in IM was highlighted by several respondents, both in Portugal and in Brazil. Companies rely on experience and in-job training to develop expertise in international markets. Experience, preferably in the same industry, was also evident in the recruitment ads and interviewees highlighted the importance of recruitment within the industry in

Portugal. In Brazil, respondents did not state preference for previous experience in the same industry, but they highlighted the supporting and specific competencies as mandatory.

However learning 'on-the-job' is often not an optimal mode for acquiring exporting knowledge (Samiee and Walters 2002). Offering executive training seminars in international marketing and international business may, thus, represent an opportunity for universities and consulting companies. It has been suggested that, in times of economic recession which constraint companies to recur to expatriates, the education process assumes even greater significance in creating international knowledge (Cavusgil 1991). This type of offering presents specific requirements. For example, a study on the perceptions of export education revealed sporadic and regular exporting firms have different requirements regarding this type of training programs (Samiee and Walters 2002).

Improving programme curricula in order to allow students to develop and train these competencies will certainly contribute to providing companies with more qualified human resources for successful international marketing. Although experience, by definition, cannot be taught, different pedagogical methods provide hands-on-reality learning environments. Active learning such as project-led based learning methodologies and case studies can be used as experience-based approaches allowing enriching students' problem solving capabilities.

The identification of essential competencies for IM constitutes an important contribution of this study. The importance of cross-cultural competencies has been highlighted, especially in Portugal, however the importance of such competences cannot be overlooked for international companies aiming at being more competitive in international markets. Cross-cultural competence has been defined as "an individual's effectiveness in drawing upon a set of knowledge, skills, and personal attributes in order to work successfully with people from different national cultural backgrounds at home or abroad" (Johnson et al. 2006, p. 530). This is, thus, a particularly relevant requirement for engaging in mutually satisfying intercultural encounters which requires further attention from an international business perspective (Johnson et al. 2006).

Cross-cultural competencies can be improved through experience and cross-cultural sensitivity training. Thus, it is important to provide students and trainees with opportunities for cross-cultural environments and international contacts. Kayes et al. (2005) identified the following competencies for cross-cultural knowledge absorption: valuing different cultures; building relationships within the host culture; listening and observing; coping with ambiguity; translating complex ideas; taking action and managing others. In Portugal and European countries there are more programmes of exchange, such as European Union Erasmus, that can contribute towards this end however more systematic approaches towards this may be implemented. In Brazil, the initiatives for this kind of programmes are still very new and are available only in the largest universities.

The importance of foreign languages is another question that can be stressed. This finding is in accordance with the results of different studies that have acknowledged the need to include foreign languages in business and management programs

curricula (Grahn and Van Bloomen 1995; Shanahan 1996). The importance of language as a condition for developing cross-cultural competencies cannot be understated as it has universally recognized importance for cross-cultural encounters. Foreign language knowledge is not only required for effective communication in foreign countries, as it constitutes a means to understand culture (Kayes et al. 2005).

Our study has limited generalizability given its exploratory nature. However, these results provide implications that can contribute to improve graduate and executive education course design in the area of International marketing and business. For future studies, we recommend developing a survey-based quantitative approach to the study of IMM competences and skills, preferably conducted in different countries and with a large sample of companies.

References

- Ambler, T., Roberts, A., & Vagneur, K. (1992). Developing international marketing managers: Getting out of the boxes. *European Business Journal*, 4(2), 40–48.
- Ball, D., & McCullough, W. (1993). The views of American multinational CEOs on internationalized business education for prospective employees. *Journal of International Business Studies*, 24(2), 383–391.
- Beamish, P., & Calof, J. (1989). International business education: A corporate view. *Journal of International Business Studies*, 20(3), 553–564.
- Cavusgil, S. (1991). Internationalization of business programs: Issues and perspectives. *Business Horizons*, 34(6), 92–100.
- De Toni, A., & Nassimbeni, G. (2001). The export propensity of small firms. *International Journal of Entrepreneurial Behaviour and Research*, 7(4), 132–147.
- European Union (EU). (2007). *Final report of the expert group on supporting the internationalisation of SME's*. Brussels: European Commission–Enterprise and Industry Directorate-General.
- Gniewosz, G. (1996). International business education at Australian universities in 1993. *Journal of Teaching in International Business*, 7(3), 1–16.
- Gorchels, L., Jambulingam, T., & Aurand, T. (1999). Executive insights: International marketing managers: A comparison of Japanese, German, and U.S. perceptions. *Journal of International Marketing*, 7(1), 97–105.
- Grahn, J., & Van Bloomen, D. (1995). Including a foreign language component in tertiary international business curricula: A critical analysis. *Journal of Teaching in International Business*, 7(1), 77–91.
- Gray, B., Ottesen, G., Bell, J., Chapman, C., & Whiten, J. (2007). What are the essential capabilities of marketers? A comparative study of managers', academics' and students' perceptions. *Marketing Intelligence and Planning*, 25(3), 271–295.
- Griffith, D., & Hoppner, J. (2013). Global marketing managers. *International Marketing Review*, 30(1), 21–41.
- Hadley, R., & Wilson, H. (2003). The network model of internationalization and experiential knowledge. *International Business Review*, 12, 697–717.
- Harvey, M. (1996). The selection of managers for foreign assignments. *Columbia Journal of World Business*, 31(4), 103–118.

- Johanson, J., & Vahlne, J. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Johnson, J., Lenartowicz, T., & Apud, S. (2006). Cross-cultural competence in international business: Toward a definition and a model. *Journal of International Business Studies*, 37, 525–543.
- Kayes, C., Kayes, A., & Yamazaki, Y. (2005). Essential competencies for cross-cultural knowledge absorption. *Journal of Managerial Psychology*, 20(7), 578–589.
- Monye, S. (1995). Research note: International marketing management: A separate academic discipline? *International Marketing Review*, 12(3), 5–15.
- Morgan, N. A., Vorhies, D. W., & Schlegelmilch, B. B. (2006). Resource-performance relationships in industrial export ventures: The role of resource inimitability and substitutability. *Industrial Marketing Management*, 35, 621–633.
- Neupert, K. E., Baughn, C. C., & Thanh Lam Dao, T. (2005). International management skills for success in Asia. *Journal of European Industrial Training*, 29(2), 165–180.
- Organization for Economic Co-operation and Development (OECD). (2006). The Athens action plan for removing barriers to SME access to international markets. In *OECD-APEC Global conference*, November 6–8, 2006, Athens, Greece.
- Samiee, S., & Walters, P. (2002). Export education: Perceptions of sporadic and regular exporting firms. *International Marketing Review*, 19(1), 80–97.
- Shanahan, D. (1996). From language learner to multicultural manager. *European Management Journal*, 14(3), 315–320.
- White, D., & Griffith, D. (1998). International perspective: Graduate international business education in the United States—comparisons and suggestions. *Journal of Education for Business*, 74(2), 103–115.
- Yeniyurt, S., Cavusgil, S., & Hult, T. (2005). A global market advantage framework: The role of global market knowledge competencies. *International Business Review*, 14(1), 1–19.

Information Asymmetry and the Effectiveness of Marketing Communications on Health-Oriented Food Market

Renata Nestorowicz

Abstract The paper presents the results of research on the relationship between the consumers' knowledge and the effectiveness of marketing communications on the health-oriented food market. Effective marketing communication should minimize the information asymmetry. The study is primarily related to communication through packaging. The following hypothesis was formulated: the more a consumer knows about food, the more likely they are to look for the information on the product packaging. We assume that the consumers' search for information leads to equalizing the level of knowledge between the consumer and the producer, and thus contributes to the reduction of information asymmetry. Moreover, if the consumer knows more about food, they are less susceptible to manipulation used in marketing communications. Misleading messages or claims increase information asymmetry between producers and consumers, but a well-informed consumer will not believe in any misleading information provided by the manufacturer.

Keywords Information asymmetry • Marketing communication • Health-oriented food • Asymmetry of information • Packaging

1 Introduction

Information asymmetry characterises all markets. It appears on a market when the amount of information is different for particular transaction participants (Pietrzak et al. 2008). Information asymmetry means that one of the transaction participants has more information, or has access to more valuable information than the other one. On the food market producers know more about their products and have access to many more data concerning their goods than customers, which gives them an advantage over consumers. Moreover, in the shopping process an average consumer is not able to verify the quality of a product to be purchased. According to

R. Nestorowicz (✉)

Department of Marketing Strategies, The Poznań University of Economics, Poznań, Poland
e-mail: r.nestorowicz@ue.poznan.pl

classification suggested by Nelson (1970), food belongs to a category of products the qualities of which can be ascertained only upon consumption (experience-qualities).

Functional food belongs to the category of credence-quality goods (Darby and Karni 1973). Consumers are unable to thoroughly check the qualities of this type of food either before or during consumption. Functional food is food with a proved positive effect on the vital functions of the organism. Apart from supplying nutrients, it contributes to the improvement in health and well-being and/or to lower incidence of lifestyle diseases, etc. (Gawęcki and Mossor-Pietraszewska 2004). This influence may be noticed only after a long period of the food consumption or may be difficult for the consumer to observe altogether (whether or not a risk of a disease decreases). Therefore, consumers have to trust producers and their declarations as to the particular characteristics of such products.

The consequences of information asymmetry for the food market are not as negative as assumed by Akerlof (1970). The market as such cannot disappear altogether, but—due to the asymmetry—some of its segments may shrink or their development may not be dynamic enough, causing the segments to remain at the stage of market niches. The functional food market can be regarded as such a segment.

When information asymmetry occurs, some market entities make attempts to reduce its scale. Such effort is referred to as an information activity. It should be understood as gathering, transmitting and exchanging information by and between market participants and as actions taken to extend one's own knowledge or the knowledge of other entities (Forlicz 2001). Reducing the asymmetry may be initiated by the more or the less informed party. Information supplied by manufacturers (the better informed participants) includes data about a product or its producer (message) or implies qualities of a product or its producer (signalling). A message may provide facts about the properties, the composition, the effect, the price and the point of sale of a product or about the history and the effectiveness of the company's operations. The information may be transmitted through various channels of marketing communication, like advertising, public relations, sales promotion, personal selling, direct marketing and packaging. As regards the healthy food market, these instruments have been described in greater detail by Nestorowicz (2012). Signalling may mean creating an impression that a product is of a high quality by setting a high price, designing a package in a way associated with exclusive products (e.g. through the use of adequate colours, materials or fonts) (Jerzyk 2007), selecting desired points of sale or ensuring special exhibition at a point of sale. Consumers (participants with limited information) can be either passive recipients or active seekers of information. A consumer's knowledge depends (among others) on their own activity in this respect.

The objective of the article is to show the relationship between the knowledge of consumers and the effectiveness of marketing communications on the health-oriented food market. It is assumed that marketing communication should minimize the information asymmetry. Marketing communication is effective when it minimizes the information asymmetry between producers and consumers. Marketing

communication is a two way process, but we will focus on the information flowing from the producer to the consumer. The study relates primarily to communication through packaging.

Two hypotheses were subject to verification. The first hypothesis was: the more a consumer knows about food, the more likely they are to look for the information on the product packaging. We assume that the search for information by consumers leads to equalizing the level of knowledge between the consumer and the producer, and thus contributes to the reduction of information asymmetry. The second hypothesis was: If the consumer knows more about food, they are less susceptible to manipulation used in marketing communications. Misleading messages or statements increase information asymmetry between producers and consumers. If the manufacturer provides misleading information, a well-informed consumer, does not believe in this information. Consumer's susceptibility to manipulation may be related to their trust in the reliability of the information provided by the manufacturer. Moreover, our intention was to find out if people with more knowledge have more trust in the information from producers.

2 Research Methodology

I would like to present the results of five various research projects, which correspond to these hypotheses. We started our research in 2010, with the aim of the initial recognition of preferences and attitudes of potential buyers of functional food. At the end of 2014 we began the last phase of the research, aiming at the recognition of the preferences of consumers and potential consumers in relation to the bioactive products.

In 2010 both qualitative and quantitative research was conducted within the Bioactive Food Project: two focus-group interviews with potential consumers of bioactive food, nine in-depth interviews with dieticians, as well as 322 structured interviews with people suffering from the four earlier specified diseases, people belonging to the risk groups of these diseases and also with healthy people. Focus-group interviews were the most closely related to the hypotheses referred to in article. One interview was conducted with female conscious consumers, the second—with young people, open to new ideas. These two groups were chosen because they are the potential innovators on the health-oriented food market.

In 2012, I conducted an experiment among students of a university in Wielkopolska. The experiment was supported by an auditorium questionnaire. Respondents were asked to take part in a questionnaire and informed that they would be given a jelly in reward for the time they devoted to it. They chose the prize before completing the questionnaire. The participants chose one out of six kinds of jelly. There were two flavors to choose from. Every flavor was in three versions:

- packaging with a nutrition claim: “Natural colours only”:

- packaging with a catchphrase put in the place of a nutrition claim: “Intensely fruity”
- packaging without any catchphrases.

The presentation of the packaging lasted 10 s. After having chosen the prize for the participation in the research, the respondents filled out a short questionnaire, due to which it was possible to determine the differences in the level of influence of nutrition claims upon preferences, depending on the level of the declared “nutritious awareness” of the respondent, their familiarity with nutrition claims and their declared influence on shopping decisions. More information about it was given by Nestorowicz (2013).

The next research was conducted in November 2013 by the Department of Marketing Strategies at the Poznań University of Economics and the Polish Scientific Association of Marketing (PNTM). We interviewed 444 people responsible for food shopping in their households.¹ Structured interviews were organized in three Polish cities: Poznań, Szczecin and Lublin. These cities represent different regions of Poland. One of objectives was to find the relationship between the consumers’ declared knowledge about food and their information seeking activities, such as reading the information on packaging, understanding the information and their confidence in it.

In 2012/2013 another team carried out a survey among students and senior citizens within the Bioactive Food Project. The survey aimed to find out the degree of acceptance of food products on the basis of the information on packaging, in relation to the respondents’ knowledge about food (Flaczyk et al. 2013). Flaczyk’s team carried out their research on a group of 281 respondents: 150 students and 131 auditors of the Third Age University. The research into their level of knowledge about food was conducted by means of a single choice test. Next, the respondents were to specify if they accept products described by ten different types of nutrition information. These were, among others, yoghurt containing genetically modified organisms, bread with a heightened level of fiber, mayonnaise enriched in omega-3 acids and cheese spread containing phosphates and cherry jam with flavonoids.

In December 2014 our team started research among the students of the last year of the graduate studies at the Poznań University of Economics. So far 150 students have taken part in it. They have been divided into four groups: people who have gained extra knowledge about food and nutrition (42 people); people who have gained additional knowledge about persuasion in marketing communication used on food packaging (35 people); people who have gained knowledge in both these areas (36 people) and those who have not acquired any knowledge in either of these fields (37 people).

One week after acquiring their knowledge, the respondents chose a reward for the participation in the research. They were supposed to choose one out of four

¹Detailed characteristics of the respondents were presented by Nestorowicz and Kaniewska-Seba (2014).

broccoli soups, with different information on the packaging. There were four different package designs: packages with the message: “Helps maintain proper weight. *Confirmed by research “New bioactive food with programmed health-oriented characteristics” POIG 01.01.02-00-061/09; packages with the signal: “Guaranteed health-oriented action of the broccolis” with a graphic resembling a seal; packages with both the message and the signal; packages with no additional information. The respondents were being observed while making their choice and the selection time was measured. Next, they filled out a questionnaire, where they declared, among others, their information seeking activity. At the next stage of the experiment another variation will be introduced, that is, packages with incredible information will appear: the message: “The taste of real green broccolis. American scientists confirm: 9 out of 10 women recognized the taste of a real green broccoli in the soup” or the signaling: “green broccoli taste guarantee”. The other experiment assumptions will remain unchanged.

Next weeks the experiment will be continued and further 100 people will choose a package of broccoli soup. However, these participants will be making their selection 4 weeks after acquiring their knowledge, as we wish to find out how the passage of time influences the selection process.

3 Research Results

The qualitative research (focus-group interviews) shows that people belonging to the group of the “more conscious” consumers were more skeptical about bioactive food. The information about the special effects of the food aroused suspicions among female consumers that these food products or their ingredients may have been genetically modified, or contain artificial additives. They were also skeptical about the possible certificates of the health-oriented character of the products. They would rely more on the information about the effectiveness of such products given by their acquaintances, or, possibly, doctors or dieticians, than on the producers’ claims. It may mean that this group of consumers is more resistant to producers’ manipulation.

The experiment conducted in 2012 revealed that the products with a visible nutritional claim were preferred by respondents who had encountered the claim “natural colors only” earlier—the differences in the preferences as to the packaging in these groups of respondents are statistically significant (Table 1).

If the consumer has earlier seen a nutritional claim, they are more likely to choose products with the same information. More extensive knowledge (in this case knowledge about a nutritional claim) contributes to the choice of a product on which there is a real nutritional claim, not a marketing catchphrase.

During the structured interviews, the consumers were asked to declare to what degree they agreed with the statement that they know little about the food they buy. As it could be expected, the majority (60 %) of respondents disagreed with it (26.4 %—definitely not, 33.9 %—rather not), which is typical of declarative

Table 1 Preferred packaging in groups of respondents established according to an earlier contact with nutritional claim “natural colors only”

The chosen packaging	Respondents who have seen earlier a nutritional claim “natural colors only”.	Respondents who haven’t seen a nutritional claim “natural colors only”.
“Natural colors only”	61 %	29 %
“Intensely fruity”	22 %	17 %
without any catchphrases	17 %	54 %
Total	100 %	100 %

Source: Nestorowicz (2013)

research. What is more, over 15 % admitted to knowing very little about it (12.6 %—rather yes, 3.2 % definitely yes). The remaining ones (23.9 %) did not clearly define their level of knowledge about the food they buy (Nestorowicz 2014).

The respondents were divided into three groups:

- people declaring their knowledge about the food they buy,
- people who did not clearly define their level of knowledge about the food they buy,
- people declaring their lack of knowledge about the food they buy.

In the group of respondents declaring knowledge about the food they buy, those who do not read the information on the food products packaging are considerably less numerous (13.5 %) than those who claim that their knowledge about food is very poor (half of the respondents from this group do not read the information on packaging). The more explicitly respondents declare their knowledge about the food products they buy, the more often they read the information on the food packaging (Fig. 1). In any case, reading the information on packaging can contribute to the reduction of information asymmetry between the producer and the consumer.

Those who admitted to knowing little about the food they buy, also declared a lower understanding of the information on food packaging (Fig. 2). More than 40 % of them do not fully understand the information on food packaging, whereas among those declaring knowledge, the proportion is 18 %.

Consumer confidence does not depend on their knowledge about food (Fig. 3). Limited confidence is typical of the Polish market.

Flaczyk’s research showed that students more readily accept almost all the analyzed products than the elderly people. What is more, it was established that the students’ better knowledge about food means higher acceptance of the products, whereas in the senior group such a relationship was not observed (Flaczyk et al. 2013).

So far, the experiment in 2014/2015 has established (Table 2) that people who have obtained additional knowledge about food, nutrition and persuasion in

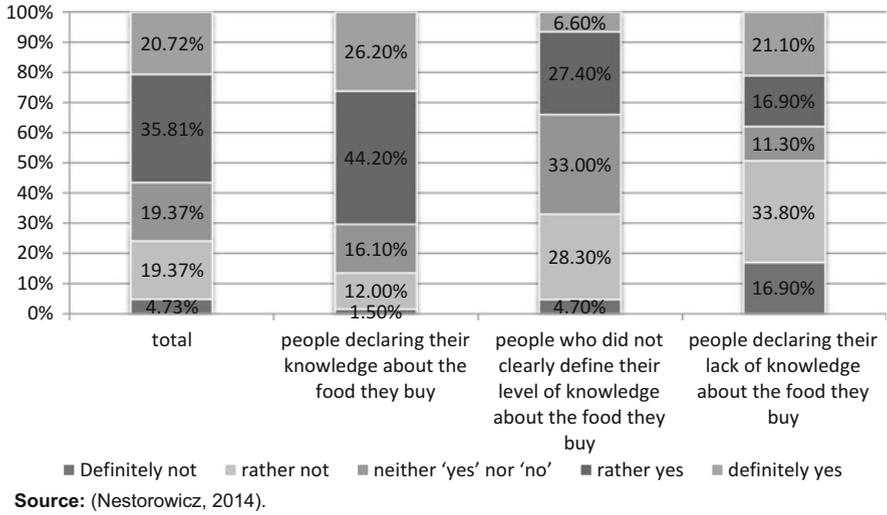


Fig. 1 I always carefully read the information on the food packaging. Source: Nestorowicz (2014)

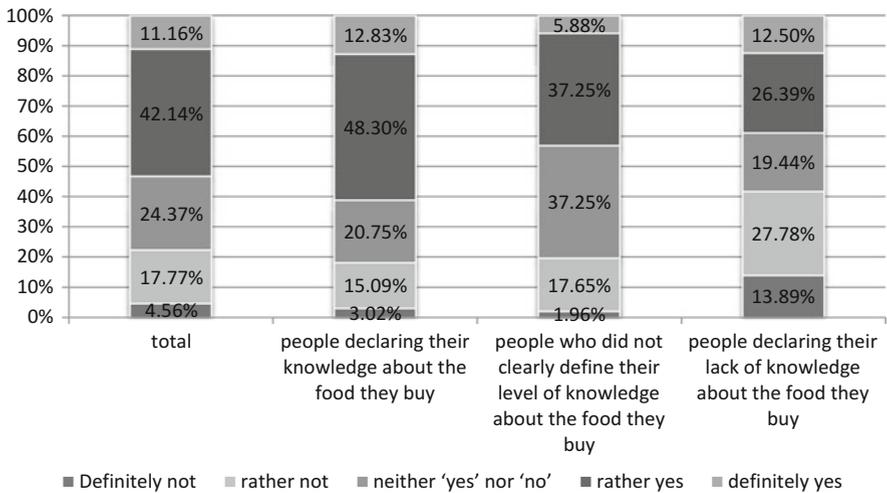


Fig. 2 The information on the food packaging is fully comprehensible for me

marketing communication used on food packaging more often read the information on the reverse side of the package. They more often pick up the package from the shelf and more frequently compare the information included on different packages than the respondents who have no extra knowledge. They spend more time on the product selection than the respondents who have extra information only about food or only about persuasion.

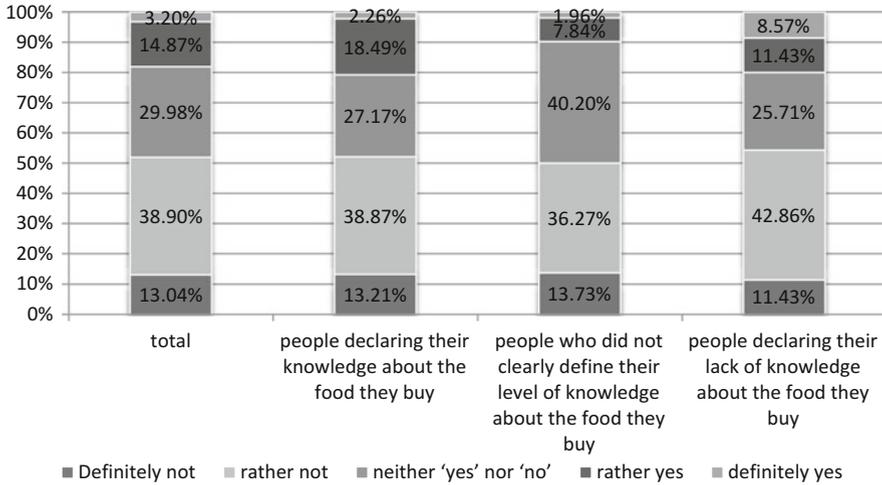


Fig. 3 Food manufacturers honestly inform about their products

Table 2 Experiment results

	Average time spent on product selection (s)	Percentage of respondents, who picked up the package	Percentage of respondents, who read the information on the reverse side of the package	Percentage of respondents, who compared information on different packages
Extra knowledge				
About food and nutrition	46	21.4	14.3	7.1
About persuasion in marketing communication used on food packaging	40	22.8	20.0	14.3
In both these aspects	49	33.3	27.8	11.1
No extra knowledge	48	21.6	18.9	5.4

The final results will be known after the end of the second phase of the experiment. Then it will be possible to conclusively verify the hypotheses.

Research conducted so far shows that consumers' information seeking activity to a large extent depends on the improvement of their knowledge about food, which reduces the information discrepancy between them and food producers (Table 3).

Table 3 Summary of the hypotheses and research results

Research	Hypothesis	
	The more consumer knows about food, the more likely they are to look for the information on the product packaging	If the consumer knows more about food, they are less susceptible to manipulation used in marketing communications
Focus groups (2010)	Not applicable	Yes
Experiment (2012)	Not applicable	Yes
Structured interviews	Yes	Inconclusive
Flaczyk's research	Not applicable	Inconclusive; depends on the age
Experiment (2014/2015)	Yes, but it is necessary to continue the experiment	At this stage of the experiment cannot be concluded yet

4 Conclusions

People with a higher level of knowledge (not education, but knowledge about food and nutrition), often seek information on their own and more often than others read the information on food products packaging. Even an earlier contact with some kinds of messages might be enough to influence consumers' behavior: paying attention to this information and using it while choosing a food product. More conscious people with a better knowledge are more often distrustful towards some messages provided by producers. The increase in the level of knowledge particularly strongly influences the behavior of young respondents. The older ones are less trustful and less likely to buy innovative products.

The question whether or not the increase in the level of knowledge about food and nutrition, as well as about persuasive messages on food packaging has some influence on consumers' susceptibility to manipulation will remain unanswered until the end of our research. In order to strengthen the effectiveness of marketing communication on the bioactive food market, first of all it is necessary to provide consumers with reliable information, taking into account their present level of knowledge and their communicative competences (Rogala 2011).

Acknowledgment These hypotheses were verified through the analysis of the results of research conducted in Poland. Part of the research was conducted within the project: New Bioactive Food with Designed Functional Properties POIG01.01.02-00-061/09, and one study—by the Department of Marketing Strategies at the University of Economics in Poznań and Polish Scientific Association of Marketing (PNTM). The objective of the New Bioactive Food Project is to develop an innovative production technology of a line of food products limiting the incidence of civilization diseases: obesity, hypertension, diabetes and inflammatory bowel disease. The project is being implemented by a scientific consortium including six research units with strongly differentiated substantive profiles. These are: the Poznań University of Life Science, the Poznań University of Economics, the Wrocław University of Environmental and Life Science, the University of Life

Science in Lublin, the Poznań University of Medical Science and the Institute of Natural Fibres and Medicinal Plants.

References

- Akerlof, G. A. (1970). The market for “lemons”: Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 3, 488–500.
- Darby, R. R., & Karni, E. (1973). Free competition and the optimal amount of fraud. *Journal of Law and Economics*, 16, 67–87.
- Flaczyk, E., Charzyńska, A., Przeor, M., & Korczak, J. (2013). Akceptacja produktów żywnościowych na podstawie informacji na opakowaniach w zależności od wieku, wiedzy żywieniowej i płci konsumentów [Acceptance of food products on the basis of label information depending on age, gender and nutrition knowledge of consumers]. *Nauki Inżynierskie i Technologie*, 4, 20–38.
- Forlicz, S. (2001). *Niedoskonała wiedza podmiotów rynkowych* [Imperfect knowledge of market players]. Warszawa: Wydawnictwo Naukowe PWN.
- Gawęcki, J., & Mossor-Pietraszewska, T. (Eds.). (2004). *Kompendium wiedzy o żywności, żywieniu i zdrowiu* [Compendium of knowledge about food, nutrition and health]. Warszawa: Wydawnictwo Naukowe PWN.
- Jerzyk, E. (2007). Wykorzystanie opakowania jako kreatora wizerunku produktu i przedsiębiorstwa [Package as the creator of the product and the company's image]. In Z. Waškowski (Ed.), *Metody i narzędzia komunikacji marketingowej* (pp. 75–84). Gniezno: GWSHM Milenium.
- Nelson, P. (1970). Information and consumer behavior. *Journal of Political Economy*, 78, 311–329.
- Nestorowicz, R. (2012). Narzędzia komunikacji marketingowej wspierające prozdrowotne wybory żywieniowe a zachowania nabywców [The use of marketing communication tools to support health-promoting food choices and behavior of buyers]. *Handel Wewnętrzny*, 5–6, 283–291.
- Nestorowicz, R. (2013). The asymmetry of information on food market and consumers' preferences—some aspects. *Polityki Europejski, Finanse i Marketing*, 10(59), 506–513.
- Nestorowicz, R. (2014). Aktywność informacyjna konsumentów na rynku żywności prozdrowotnej—wybrane aspekty [Consumers' Information Activity on the health-oriented Food Market—selected Aspects]. *Marketing i Rynek*, 11, 415–425. [online] Accessed December 12, 2014, from http://www.marketingirynek.pl/archiwum/marketing_i_rynek_nr_11_2014.p1525939542
- Nestorowicz, R., & Kaniewska-Sęba, A. (2014). Zastosowanie CETSCALE do pomiaru etnocentryzmu konsumenckiego na rynku produktów żywnościowych w Polsce [The use of CETSCALE to measure consumer ethnocentrism on food market in Poland]. *Marketing i Rynek*, 6, 505–522. [online] Accessed July 8, 2014, from http://www.marketingirynek.pl/archiwum/marketing_i_rynek_nr_06_2014.p22868518
- Pietrzak, Z., Polański, B., & Woźniak, B. (2008). *System finansowy w Polsce* [The financial system in Poland]. Warszawa: Wydawnictwo Naukowe PWN.
- Rogała, A. (2011). Przekazy reklamowe a kompetencje komunikacyjne odbiorców [Advertising messages and the consumers' communicative competences]. In Z. Waškowski & B. Pilarczyk (Eds.), *Komunikacja Rynkowa: Strategie i Instrumenty* (pp. 233–234). Poznań: Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu.

Determination of Factors Affecting Petrol Station Brand Choice in Lithuania

Lina Pilelienė and Arvydas Petras Bakanauskas

Abstract The aim of the research was to determine the factors affecting petrol station brand choice. Achieving to reach the aim of the article, questionnaire research was provided. The research was held in Lithuania in 2014. The data analysis was provided in stages: first, the mostly known petrol station brands and mostly visited petrol stations were determined. At the second stage, petrol station brands were ranked by respondent priorities. Finally, the importance-performance matrix for factors attracting consumers to petrol stations was composed to reflect the existing situation. Research results indicate that petrol stations in Lithuania do not react to consumer needs and wishes properly. The most important factors for consumers while choosing a petrol station appeared to be price-quality relation (in terms of perceived value), price, and location. Moreover, evaluating sales promotion used by petrol stations, only price-related promotions were evaluated as important. Seven petrol station brands were indicated by the respondents during the research; three of them share the vast majority of the market. However, the competition is hard. Therefore, achieving to attract consumers petrol stations' management has to apply appropriate measures. Latter measures (factors) have to correspond to consumer priorities to gain the optimal result.

Keywords Consumer choice • Lithuania • Petrol station

1 Introduction

Consumer choice behaviour is widely discussed in scientific literature. Contemporary market conditions are forcing organizations to shift their orientations from a profit-driven perspective to a market-driven one. Therefore, organizations engage in studying consumer behaviour, processes of consumer choice, factors affecting customer loyalty, etc. The determination of factors affecting consumer choice becomes one of the key success measures for every company faced with

L. Pilelienė (✉) • A.P. Bakanauskas
Marketing Department, Vytautas Magnus University, Kaunas, Lithuania
e-mail: l.pileliene@evf.vdu.lt; a.bakanauskas@evf.vdu.lt

competition. Moreover, an appropriate management of latter factors can help an organization to get a long-term leading position in the market.

Intensifying competition can be observed in almost all business sectors in Lithuania: starting from commodity goods and finishing with luxury services. Petroleum market is not an exception. According to Dugar (2007), petroleum has always been an inseparable part of life in our times. Despite the necessity of petroleum products in everyday human lives and businesses' performance, the competition in latter sector is becoming very intensive. Moreover, as petrol is an undifferentiated commodity, the loyalty towards the petrol stations carries more significance than loyalty towards branded petrol (Raj and Raj 2013). According to Ministry of Energy of the Republic of Lithuania (2014a), in 2012 there were 916 active licences for petroleum retailing in Lithuania. Moreover, the amount of key market participants (retail petrol station chains) is less than ten. Therefore, knowing customers' (mainly Lithuanian car-owners') preferences and factors affecting petrol station brand choice can be crucial for surviving in latter market. Accordingly, the scientific problem analyzed in the article is formulated by a question: what factors affect petrol station brand choice in Lithuania and how they can be managed?

The aim of the research is to determine the factors affecting petrol station brand choice. Four objectives are set to achieve the aim: (1) to assess car-owners' preferences for petrol station brands in Lithuania; (2) to determine most important factors for consumers while choosing petrol stations; (3) to assess latter factors' implementation by petrol stations; (4) to provide managerial implications for petrol stations in Lithuania for consumer attraction.

Achieving to reach the aim of the article, the questionnaire research was provided. The data analysis was provided in stages: first, the mostly known petrol station brands and mostly visited petrol stations were determined; at the second stage, petrol station brands were ranked by respondent priorities; finally, the importance-performance matrix for factors attracting consumers to petrol stations was composed to reflect the existing situation in Lithuania.

2 Petroleum Product Market in Lithuania

According to Ministry of Energy of the Republic of Lithuania (2014b), there are six key participants in Lithuanian petroleum market: two local oilfield companies ("Orlen Lietuva" and "Klaipėdos nafta") and four major wholesale and retail chains ("Lukoil Lietuva", "Statoil Lietuva", "Neste Lietuva", and "Baltic Petroleum"). However, few more well known brands exist. The consumption amount of the main sorts of petroleum products in Lithuania is provided in Table 1.

As it can be observed in Table 1, the total petroleum product consumption has slightly decreased. The main decrease was observed in gasoline and gas consumption. However, diesel is becoming more popular as a cheaper substitute. Analyzing customer loyalty to petrol stations in Lithuania, Šalčiuvienė and Auruškevičienė

Table 1 Consumption of the main sorts of petroleum products in Lithuania, 2009–2013

Main sorts of petroleum products	Consumption (in thousands tones)				
	Y2009	Y2010	Y2011	Y2012	Y2013 (preliminary)
Gasoline	367.7	295.7	258.4	231.4	208
Diesel	897.7	1004.6	1055.6	1050.9	1082
Gas	209.7	205	197.2	191.6	190

Source: Ministry of Energy of the Republic of Lithuania (2014b)

(2003) detected that the degree of customer loyalty on resistance to competing offers is low; however, Lithuanians’ propensity to loyalty was found to be high. It can be argued that properly selected marketing measures applied by petrol stations can help creating customer-brand relationship.

Achieving to attract consumers the competition among petroleum products retailers is being provided in price and non-price related levels. The price (per liter) differences in petrol stations vary in a range of almost 10 %. Almost all the retail petrol station chains offer their customers loyalty programs; often compete through various discounts. According to Dugar (2007), since the main product of petrol sellers is a “commodity”, which is undifferentiated, companies are trying to attract consumers by converting their “commodity buying” into a “pleasant experience” and for that many value added services are being used to augment the basic undifferentiated product and these services. As the non-price measures used for competition can be named: physical environment of petrol station, auxiliary products and services provided. Moreover, according to Raj and Raj (2013), customers are patronizing the petrol pumps in specific geographical areas rather than petrol companies for their brand. Thus, petrol station’s location might be considered as an important factor affecting station’s brand choice.

However, the amount of services provided or luxurious petrol station’s environment does not guarantee success in the market. To be effective, all the marketing efforts used have to correspond to consumers’ preferences.

3 Research Methodology

Achieving to determine the main factors affecting petrol station brand choice in Lithuania, questionnaire research was provided. The research was held in Lithuania in 2014. The questionnaire was composed to reflect respondents’ opinion about the existing situation in petroleum retail market in Lithuania. There were three main parts of the questionnaire: (1) general part about petrol station brands and services provided; (2) reflective part which contained questions-statements about the importance and performance (17 statements for each) of factors possibly affecting petrol station brand choice; (3) socio-demographic part. Seven petrol station brands were provided for respondent evaluation: Baltic Petroleum, EMSI, Lukoil, Neste, Orlen, Statoil, and Ventus.

The population of the research was Lithuanian car owners; the sample was composed to proportionally reflect all ten counties of Lithuania. The simple random sampling method was applied. 400 questionnaires were distributed and 312 were returned; 200 men and 112 women participated in the research.

The data analysis was provided in three stages: first, the mostly known petrol station brands and mostly visited petrol stations were determined. At the second stage, petrol station brands were ranked by respondent priorities. Finally, the importance-performance matrix for factors attracting consumers to petrol stations was composed to reflect the existing situation.

4 Research Results

Seven petrol station brands were provided for respondent evaluation. Achieving to keep discreetness, during the analysis all the brands were coded alphabetically as 'Brand A', 'Brand B', etc., thus, all the further results will be provided using code-names attached.

The initial questions in the questionnaire were intended to determine respondents' knowledge regarding the petrol station brands. As it can be seen in Fig. 1, one brand was known by all the 100 % of respondents. Three more brands were identified as familiar by more than 90 % of respondents.

Moreover, as in the second question respondents had to identify only one petrol station brand they use most often, research results revealed three market leaders. Quite controversial results were obtained regarding the 'Brand D'. As it can be noticed in Fig. 1, the brand is well-known by Lithuanian car-owners; however, only 7 % of respondents indicated it as their "first choice" petrol station brand.

The two following questions in the first part of the questionnaire were also interrelated. In the third question, respondents were asked to rank petrol station brands from 1 to 7, where '1' meant their first choice and '7'—the last choice. The fourth question was given to identify respondents' willingness to recommend the petrol station brand to others. The question-statement was provided in 5-point Likert scale (where '1' meant 'Definitely disagree', '3'—'Neither agree nor disagree', and '5'—'Definitely agree') with a no-choice possibility. The comparison of respondent evaluations is provided in Fig. 2.

As it can be observed in Fig. 2, only three brands were evaluated as recommendable by respondents (intention to recommend equals or higher than 3). The same three brands ('Brand B', 'Brand A', and 'Brand C') were ranked in the primary positions. Summarizing, it can be stated that Lithuanian customers choose the petrol station brands without an enthusiasm, and more like a necessity than something they feel a relation with.

Evaluations of the frequency of usage of the auxiliary services are provided in Fig. 3. Evaluations are provided in a 5-point scale, where '1' means 'Never', '2'—'Rarely', '3'—'Neither rarely, nor often', '4'—'Often', and '5'—'Always'.

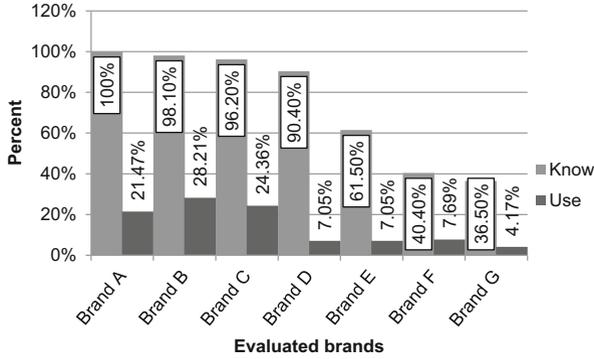


Fig. 1 Respondents' knowledge and priorities regarding petrol station brands in Lithuania

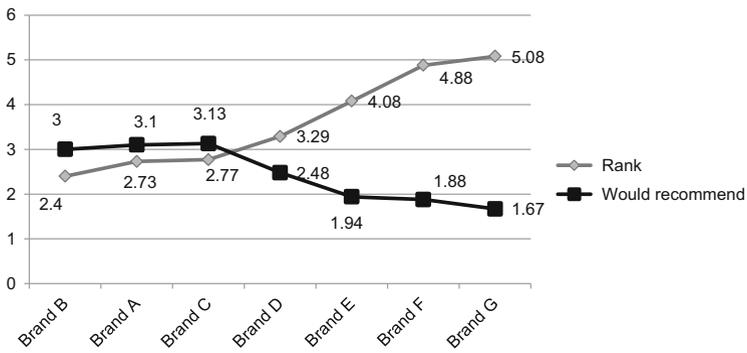


Fig. 2 Relation between respondent ranking and intention to recommend regarding petrol station brands in Lithuania

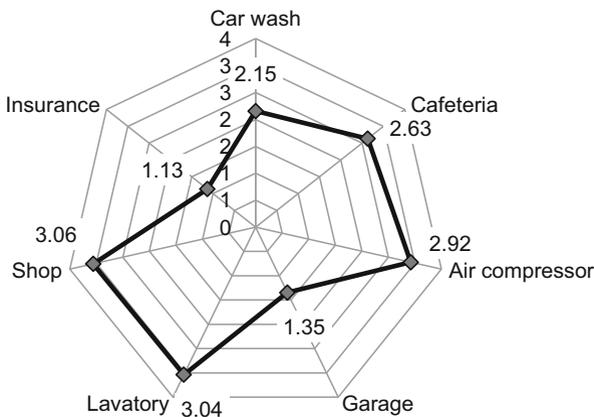


Fig. 3 Frequency of usage of the auxiliary services

As it can be observed in Fig. 3, such auxiliary services as garage or insurance services are not frequently used by consumers. However, shop, lavatory, and air compressor can be considered as necessary services. Also, cafeteria and car-wash services can be considered as bringing an additional value for casual customers.

Achieving to determine the most important factors for consumers while choosing petrol stations and to assess latter factors' implementation by the petrol stations, the second part of the questionnaire was composed. Seven latent variables (possibly having influence on petrol station brand choice) were given for respondent evaluations: perceived value, product assortment, station atmosphere, location, image, price, and sales promotion. Respondents were asked to evaluate latter factors in two conditional situations: factor importance and performance. Seventeen statements reflecting latent variables were provided for respondent evaluations in 5-point Likert scale, where '1' meant absolutely negative evaluation and '5'—absolutely positive evaluation.

The scale reliability results are provided in Table 2. As Cronbach's alpha tends to provide a severe underestimation of the internal consistency reliability of latent variables (Werts et al. 1974), the composite reliability is applied to substantiate the scale. The degree of internal consistency reliability is acceptable: all composite reliability values are above 0.7.

The results of respondent evaluations are provided in the importance-performance matrix in Fig. 4. Martilla and James (1977) were the first who applied the importance-performance matrix for scholarly research. The matrix offers a number of advantages for evaluating consumer acceptance of a marketing program; facilitates management interpretation of the data and increases their usefulness in making strategic marketing decisions.

The performance and importance of the variables are often measured by the average score of the criteria of all respondents (Charaf and Rahmouni 2014). As the average evaluation in 5-point Likert scale ('3') is interpreted as "neither agree, nor disagree", the position of dividing coordinates is shifted up by 0.5. According to the meaning of valuations', every variable on the X axis which average valuation is above 3.5 is important and has to be considered by the management of the petrol station. Moreover, only those variables which performance (Y axe's value) is higher than 3.5 can be considered as satisfactory.

Based on the evaluation means, the importance-performance matrix is divided into four main areas (squares):

- Unimportant/Well managed ($x < 3.5$; $y \geq 3.5$);
- Important/Well managed ($x \geq 3.5$; $y \geq 3.5$);
- Important/Poorly managed ($x \geq 3.5$; $y < 3.5$);
- Unimportant/Poorly managed ($x < 3.5$; $y < 3.5$).

Moreover, all the factors appearing in the different quadrants have to be considered differently by company's management.

Analyzing the research results, the insufficient performance of five factors can be observed. Two of them: 'Image' and 'Sales promotion' are considered as unimportant. Accordingly, it can be argued that the investments into latter areas

Table 2 Composite reliability of latent variables

Latent variable	Composite reliability
Assortment	0.8919
Atmosphere	0.8481
Image	0.8259
Perceived value	0.9176
Location	0.8635
Price	0.8961
Sales promotion	0.8361

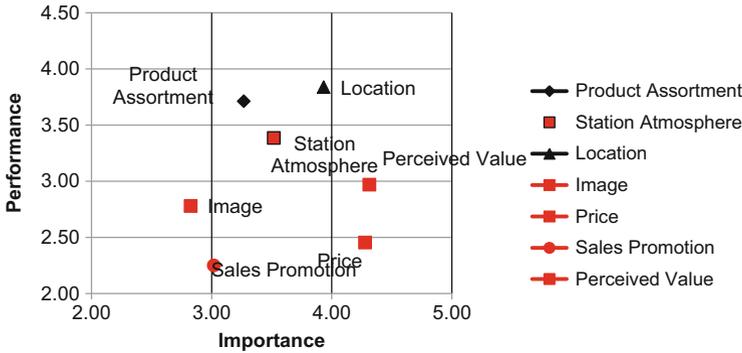


Fig. 4 Factors’ affecting petrol station brand choice importance-performance relation

are not effective. The low importance of sales promotion can be explained by the manifest variables included into the questionnaire. The manifest variables reflecting the latent variable ‘Sales promotion’ were mainly related to non-price-based promotions; thus, it can be stated that only price-based promotions are important to consumers (the manifest variable reflecting price-based promotions was considered as a variable reflecting ‘Price’).

Analyzing the results related to petrol station’s image evaluation, the assumption can be made that consumers feel no relation to any particular brand. Consumers choose petrol station based on other factors, e.g. better prices or higher perceived value. It can be stated that the factor is not important. Moreover, as it can be observed in Fig. 4, petrol stations do not invest much into the image maintenance.

Analyzing three remaining factors with the low performance, an unsatisfying situation can be observed. All three factors in the third quadrant (Important/Poorly managed) need to be considered by the management. The worst situation is related to the variable ‘Price’. However, petroleum products’ price is managed not only by the particular station: it is mainly managed by the global prices and governmental solutions. Nevertheless, some price-related tactical solutions in terms of price promotions might be applied. The other poorly managed variable is ‘Perceived value’. Research results highlighted this variable as being the most important for consumers. However, its performance is insufficient. As perceived value is globally considered as price-quality relation, petrol stations’ management has to consider

the investments into better quality or quality marketing. Considering the latter solution, positive market opinion has to be maintained. All the remaining variables (latent variables of the research) might be invoked to create a higher perceived value. Consequently, not only the perceived value will be improved; petrol station's image will be enhanced as well.

Considering petrol stations' atmosphere, this variable is important to consumers. Therefore, the investments into this variable are necessary. First of all, polite and helpful staff has to be hired. Well organized communication with customers will elevate their perception about the station.

Analyzing the factors with sufficient performance, two kinds of factors can be identified. Product assortment can be considered as a well managed factor; however, it has low importance to consumers. Further investments into this factor are vacuous.

Finally, petrol station's 'Location' can be considered as the best managed factor by petrol stations in Lithuania. According to respondents, station's location is a very important factor. Moreover, this factor's performance was also evaluated positively.

5 Conclusion

The research results show that there are three most popular petrol station brands in Lithuanian market. However, the competition is hard. Achieving to attract consumers the petrol stations' management has to apply appropriate measures. Latter measures (factors) have to correspond to consumer priorities to gain the optimal result.

The research results indicate that petrol stations in Lithuania do not react to consumer needs and wishes properly. The most important factors for consumers while choosing a petrol station appeared to be price-quality relation (in terms of perceived value), petrol price, and location. However, analyzing the performance of latter factors it was found that only the location-related aspects are managed well by petrol stations in Lithuania. Prices and perceived value are undermanaged—respondents evaluated latter factors' performance negatively.

Evaluating sales promotion used by the petrol stations, only price-related promotions were indicated as important; however, the factor's performance was found to be insufficient.

The least important factor for Lithuanian car-owners was found to be petrol station's image. Consumers choose petrol station based on other factors, e.g. better prices or higher perceived value. Moreover, petrol stations do not invest much into the image maintenance—factor's performance was evaluated negatively.

Summarizing, it can be suggested that petrol stations in Lithuania have to direct their investments towards the improvement of customer perceived value. As Lithuanian car-owners have a propensity to be loyal, perceived better value can encourage and maintain their loyalty.

References

- Charaf, K., & Rahmouni, A. F. (2014). Using importance performance analysis to evaluate the satisfaction of activity-based costing adopters. *Accounting & Management Information Systems*, 13(4), 665–685.
- Dugar, A. (2007). Marketing of petrol in India—Transformation of an undifferentiated low involvement commodity into high involvement brands. *Innovative Marketing*, 3(4), 52–59.
- Martilla, J. A., & James, J. C. (1977). Importance-performance analysis. *Journal of Marketing*, 41(1), 77–79.
- Ministry of Energy of the Republic of Lithuania. (2014a). *Licences for wholesaling (and retailing) non-packed oil products*. [online] Accessed November 14, 2014, from <http://www.enmin.lt/lt/services/paslaugos/licencijos/>
- Ministry of Energy of the Republic of Lithuania. (2014b). *Lithuanian petroleum sector*. [online] Accessed November 14, 2014, from http://www.enmin.lt/lt/activity/veiklos_kryptys/elektra_ir_siluma/naftos_sektorius.php?clear_cache=Y
- Raj, M. P. M., & Raj, M. D. R. (2013). Measuring customers' choice and commitment of petrol retail outlets-comparative study between cosmopolitan city & tier-2 city. *Journal of Marketing & Communication*, 9(2), 66–72.
- Šalčiuvienė, L., & Auruškevičiėnė, V. (2003). Study on the dimensions of fuel customer loyalty: Multidimensional concept. *Management of Organizations: Systematic Research*, 28, 163–171.
- Werts, C. E., Linn, R. L., & Jöreskog, K. G. (1974). Intra-class reliability estimates: Testing structural assumptions. *Educational and Psychological Measurement*, 34, 25–33.

The Medical Tourism and Health Tourism, Future Business for Romania

Celia Dana Beşciu

Abstract The identification of the health tourism potential of a geographic region, may be a first step to creating a successful strategy in order to attract new investors or new tourists. The effectiveness of the medical tourism management in Romania, indicate the quality of tourism services provided for medical needs but also the level at which there are valued and promoted. This paper present a conceptual framework in order to identify in what extent a proper understanding of the concept of medical tourism and health tourism may influence a high level of development of the tourism services and what are the most important elements that ensure a high level of promoting. The conceptual analysis had been developed at the macroeconomic level and through this had been identified the most important steps taken in Romania, for medical and health tourism but also the negative aspects that may affect a high level of quality of medical services. The data obtained are useful both for the field researchers and tourism operators, involved economic agents but also for the investors interested in the challenge that Romania launches through tourist services offered in medical purpose.

Keywords Management • Health tourism • Economic recovery • Business

1 Introduction

Health tourism is the new challenge of the twenty-first century and represents the most dynamic sector of global medical travel. Health tourism become a future business from the moment that generates profit for all involved actors. The potential of the market is large and emerging. A powerful health tourism is supported by a modern infrastructure and has the capacity to promote intense natural and cultural resources, but also depends on how the health system is seen in terms of safety and hospitality. Health tourism turns into a real business when those interested in this field understand and exploit all the opportunities offered. Over the years, health

C.D. Beşciu (✉)

Management Doctoral School, Bucharest University of Economic Studies, Bucureşti, Romania
e-mail: celia_dana@yahoo.com

tourism has grown in importance and has evolved in the same time with the economic and social changes. There are a lot of specialists who combine the analysis of health tourism with medical tourism, noting that this domain depends one to each other.

Tourism represents the ensemble of measures applied for organizing a travel for many reasons and involves leisure trips and specialized companies (Scorțu et al. 2013). Sometimes medical tourism means medical travel and the medical tourists are people from industrialized and developed nations as USA, Australia, Europe (Purandare 2014). The changes of society had generated new consumer needs or new forms of tourism: medical tourism, cultural tourism, city-break, adventure tourism. Using best marketing strategies, Romania can compete with the most famous medical tourism destinations like India, Hungary and Turkey, with particular emphasis on dental health tourism (Enache et al. 2013). Overall, it begins to be more obvious the competition inside health care industry and patients are following services at a cost as low as possible (Devon 2007). In Europe of the last 20 years there has been an unprecedented comeback of spa tourism. EU countries with a tradition in promoting natural therapeutic factors, such as Germany, Italy, France, Spain, have paid a special attention to this area and have supported the investors in everything they did around these sources of health. The integration of the balneoclimateric resorts in the healthcare system is the concept of Doctor Pratzel, The President of the International Society of Balneology and Climatology. This concept means rehabilitation of the chronically ill with treatment in balneoclimateric resorts (Soare et al. 2011). Health tourism is one of the most dynamic areas in which natural recreation resources can be harnessed, especially for medical purpose (Aluculesei et al. 2013). Medical tourism means the movement of patients for the purpose of medical care and combined with other tourist facilities, with the mention that it has several connotations. The global market for medical tourism is estimated to 100 billion dollars (Iordache and Ciochina 2014). The demand for medical tourism is increasing continuously and patients communicate globally on healthcare issues and medical treatment in other countries than the homeland (Ricafort 2011). In Romania, even if the medical tourism is still at the beginning, there is interest, curiosity and demand for this type of tourism development. Health tourism can generate a mix of accelerated economic growth and technological progress. The global medical tourism market is estimated at 12 million tourists. Medical tourism is the most dynamic sector of the global travel with an annual growth rate estimated at 30 % (Enea and Pupazan 2013). Spa and health tourism include aspects as: the combination between holiday and the recovery of body capabilities, prevent and combat aging, maintaining vitality and beauty (Condrea et al. 2014). Spa tourism is the most expressive form of medical tourism, valuing natural factors with therapeutic role. Regarding spas, they have become a real business and have an annual profit of over 20 million euros at the European level (Munteanu et al. 2013).

2 Literature in Review

Medical tourism must be analyzed in relation to trends in health, global vision, the consumers profile, the medical technology and future trends (Siddharth 2014). A qualitative medical tourism it is based on a high level of patient satisfaction. Qualitative health services means competence, accessibility, efficiency, effectiveness, continuity, physical infrastructure and comfort (Cepoi 2014). Patients travel in foreign countries for medical treatment thanks to: 100 % medical quality, 100 % non-clinical services, relatives, friends, cost/benefits, waiting lists or because they analyzed some challenges as: legal aspects, safety, ethical considerations, economic aspects, language skills or staff qualification. Consumers may travel with the purpose of receiving health care services or combine the travel with an enjoyable vacation (Purandare 2014). Medical and health tourism can mean: cosmetic surgery, spa therapies, fertility or treatment of illnesses. The basic factors, which include ideal climatic conditions, natural resources and geographic location, are the advantages for medical tourism especially for visitors from colder climates (Lee and Spisto 2007). Balneary resort is the most expressive form of health tourism and means the presence of natural therapeutic factors. For medical tourism, the importance of the research of therapeutic properties of the natural factors it is essential for promoting spas. The attention given to health tourism at the international level is point out by the declaration of the 2000 year as “The International Year of Balneology” and the scientific manifestations organized: *The International Congress of Balneology from Rome*, 2000, with the theme “Balneology for the Third Millennium”, where specialists from different countries presented points of view and valuable solutions for the future of European balneology. Sometimes, especially in the European countries, modern spa cure and balneotherapy form a complex medical treatment. Medical tourism which is practiced in countries such Hungary, Thailand, Tunisia, can be practiced in Romania with the help of the treatments by Dr. Aslan and refers to surgical procedures performed in specialized institution at a lower prices than in other countries (Munteanu et al. 2013).

There are various interpretations and different significations of the two concepts analyzed, namely medical tourism and health tourism and there are levels at which there are interconnected. The conceptual framework it is complex, as we can observe also from the analysis performed by Kelly (2013) (Fig. 1) and the delimitation of these two concepts is difficult and complicated. The economic and social aspects as privatization or global competition are influenced by the institutional and technological structures and in the same time this aspects may influence the health outcomes. The technological aspects and the whole health system, have a high impact for medical tourism. All of this coexist in globalization context and depend one to each other. We cannot confirm which are the limits of the two concepts, noting that there are some specialists who sustain the interdependence of this two concepts, medical tourism being completed by health tourism.

Romania is an international force through the richness and variety of spa products, with over 200 locations with potential spa natural factors that can solve

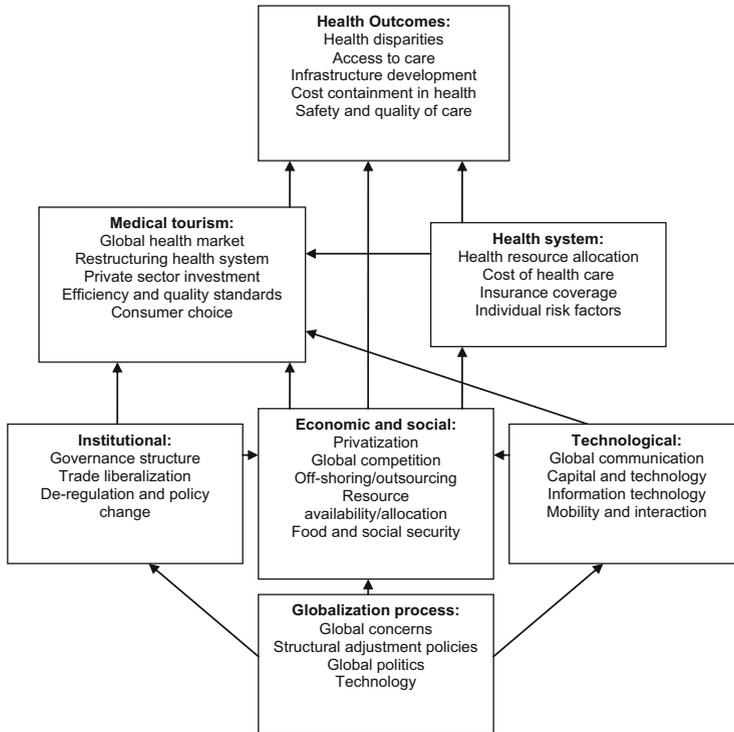


Fig. 1 Conceptual framework of globalization and medical tourism. *Source:* Kelly (2013)

over 14 types of health problems and 29 spa resorts with national importance (Stancioiu et al. 2013). Romania has a great balneary heritage and own a third of spas resources and mineral resources of the European continent, being placed in the Southeast Europe (Munteanu and Munteanu 2011). Romania has a valuable ground with lakes with therapeutic potential, therapeutic mud and a lot of climatic zones with effect for health. Romania has a huge potential for health tourism, particularly by exploiting the spa resources, especially the therapeutic mud resources located in resorts as: Amara (therapeutic mud for gynecological and endocrinological diseases) Balta Alba (therapeutic mud for dermatologic diseases), Fundata si Nuntasi (therapeutic mud for musculoskeletal problems) Techirghiol (for all mentioned diseases). Romania also has a huge potential for therapeutic cures made with mineral mud which is located in Sibiu, Sovata, Mures, Telega Turda and Salt Lake (Munteanu 2012). In Romania, we can observe littoral resorts, mountain resorts and balneal resorts. One of the classifications of spa resorts in Romania is based on the treated affections. The specialized institutions in this field, divided them into some categories, namely: spas for rheumatic affections at Lacul Sărat, Amara, Băile Felix, Băile Herculane and Eforie Nord; spas for procedures and naturistic treatments at Băile Herculane and Eforie Nord; spas for medical cosmetic treatments in locations as Băile Felix, Băile Herculane and Eforie Nord; spas for

respiratory affections at Govora and Slănic Prahova; spas for digestive affections and internal diseases at Olănești and Călimănești. Localities as 1 Mai or Băile Felix, may be considered international spa resorts, through the high qualitative standards of the medical structures and through the of the international demands that are fulfilled. Other national spa resorts, such as Vatra Dornei, Slănic Moldova or Băile Herculane, aspire to this statute, trying to attract new tourists. Covasna and especially Sovata already attract international tourists that are interested for medical tourism, but need significant investments in the infrastructure in order to raise their standards and to diversify their offer (Erdeli et al. 2011). Romania can develop a qualitative spa tourism and has approximately 8500 mineral and thermal springs. The employers of Spa Tourism field, argue that Romania is the richest country in Europe in terms of spa resource, but only 10 % of resources are exploited (Munteanu and Cinteza 2011).

Romania must intensively promote the extraordinary effects on health offered by therapeutic mineral water springs for internal treatment. Romania has to promote the external effects of the cure with salt water, sulfur water, carbonated waters, alkalinous waters but also litinifere waters. This types of cures with water springs, may be found in resorts such as: Sovata, Amara, Ocna Sibiului, Techirghiol, Slanic Prahova, Govora, Olanesti, Baltatesti, Govara, Olanesti, Borsec, Tusnad, Vatra Dornei, Covasna, Sangeorz-Bai, Slanic Moldova. External cure with salt water it is recommended for a lot of diseases such as: musculoskeletal disorders, degenerative spondylosis or inflammatory spondylosis. External cure can be done in resorts such as: Amara, Sovata, Ocna Sibiu, Balta Alba, Lacul Sarat, Ocna Mures, Ocna Sugatag, Slanic Prahova, Turda, Singeroz-Bai, Calimanesti-Olanesti, Baile Herculane, Tusnad, Buziaș, Covasna and a lot of other resorts (Munteanu 2013). In addition to the potential offered (spas, therapeutic water springs, resorts with salt water), Romania must take the advantage of the existing climatic factors that have therapeutic action. Climatic factors are of several types and may solve various diseases such as: rheumatic diseases, cardiovascular diseases, bronchitis, osteoporosis, intellectual overexertion, neurovegetative disorders. This types of factors may be found in resorts such as: Slănic Moldova, Slănic Prahova, Govora, Băile Olănești, Băile Herculane, Sovata, Ocna Șugatag, Amara, Lacul Sarat, Băile Felix, Buziaș, Tușnad, Borsec, Sinaia, Vatra Dornei, Lacul Rosu, Cheia, Bușteni, Predeal, Păltinis (Munteanu and Cinteza 2011).

3 Objectives of the Research

The first objective of the research is to know the Romanian health tourism and medical tourism potential, related to its current level of development and promotion. The second research objective is to identify the advantages and the vulnerabilities of the Romanian health tourism in order to formulate a several recommendations useful both for interested specialists in this field and both for involved competent authorities.

4 Research Methodology

Research methodology is based on the literature in review. Research methodology includes the identifying and the investigation of the literature but also the analyzing and the synthesizing of the most important information. I investigated the contents of the most recent studies in the domain of health tourism and medical tourism and extracted the most relevant and important information for this field. Research methods are focused on understanding the health tourism phenomenon but also are focused on the meaning and the importance of medical tourism. I read books and articles specialized on medical tourism theme. I extracted and analyzed relevant information that were contained in some presentations of the scientific conferences. I analyzed the market of health tourism at the intern level and international level and I focused on current trends and on the offered opportunities. I decided to choose this research methodology in order to generate a conceptual framework useful for all interested persons such as: researchers from this field, tourist operators, business persons, economists, medical staff or policy makers.

5 Macro Environment Analysis

5.1 Positive Actions Undertaken for Practicing a Qualitative Medical Tourism and a Qualitative Health Tourism

The Medical Cluster “Health Romania” is the first step made for progress and also to align this field with European Directives and to the EU market requirements. This Cluster brings together top healthcare institutions, health care providers and medical tourism facilitators (Borsan 2014).

Romanian Association of Balneology supports ARB strategy and try to develop health tourism in 2014 by promoting scientific research in the spa field and also by promoting an opened system for a knowledge-based economy that could generate the prerequisites for growth and competitiveness (Romanian Association of Balneology 2014). The Tourism Master Plan led to a hierarchy of the balneoclimateric resorts in accordance with their attractiveness, the existing potential and the competitors in the field (Stancioiu et al. 2013).

In the context of International Forum for Health Tourism, the 5th-Edition, there have been discussed major issues for medical tourism development and the importance of the partnerships in promoting medical tourism destinations (Siddharth 2014). Regarding the medical tourism, Romanian Medical Tourism Association (RMTA) is the first nonprofit association which promotes this concept both nationally and internationally, trying to include Romania among the countries with tradition in medical tourism. This association will promote a small guide that will include the best hospitals and clinics for various treatments (dentistry, cosmetic

Table 1 Comparative prices of dental services in three countries of Europe

Dental procedure	Rates (€)			
	Italy	Germany	Hungary	Romania
Temporary filling	37	–	Free	3.5
Filling	–	100–150	60–80	15-2
Extraction	–	300	70	6–15
Dental implant	–	1200–3000	1000	400
Crown	1000-1800	–	255	110–140
Complete prosthesis	2000	–	560	135

Source: <http://stiri-medicale.clinicistomatologic.ro/turism-stomatologic.html#right>

surgery, rehabilitation, spa) but also the specific attractions and activities in this area (Romanian Medical Tourism Association 2011).

Seytour is the first company in Romania specialized in medical tourism that improves the quality of life through the intermediation of health services, dental surgery and plastic surgery. Seytour intermediates medical services from countries such as Romania, Hungary, Austria, Germany, Switzerland, Spain, France, Italy, Turkey, Greece, USA and more (Seytour 2011). Romanian national strategy for tourism includes the spa treatment resorts for preventing aging, repositioning of traditional spas, implementing new technologies and retraining of medical staff to work in spa treatment centers. In 2015, it is estimated according to data provided by the National Tourism Authority, that medical tourism revenues will be double compared to 2010 and will be over 500 million euros (Enea and Pupazan 2013). We have significant potential to develop dental tourism (Table 1) with low prices and well-trained doctors and we need to intensively promote these positive aspects (Enache et al. 2013).

5.2 Negative Trends that Are Evident for Nationwide

At a general level we could mention that it does not exist a clear strategy for marketing, are missing the promotional activities, there is not a unique base of tourism information, there is not a system of evaluations and criteria of performance that should be obtained. We have not a good representation of tourism and the presentations of sites is out-of-date (Ministry of Regional Development and Tourism 2010).

At the nationwide we can observe a high level of bureaucracy and the lack of transparency of Government decisions for foreign investment but also the lack of sustainable development of tourism and the early stage of health reforms (Moraru 2011). The volume of the workforce in tourism and the number of specialized employees in medical tourism is gradually reduced (Erdeli et al. 2011) and the level of financing medical tourism research it is at a low level. We do not have relevant information about certain qualitative indicators such as the tourist typology, there

are not tourist information centers or spa museums. Another aspect that may influence a negative perception, is the erroneous image of Romania as a “poor country” because of economic interests owned by media across Europe.

6 The General Recommendations Are Based on Several Directions to Improve the Quality of Romanian Health Tourism and Medical Tourism (a Part of This), Such as

The best solutions could be applied through the transfer of best practices from countries that are known in health tourism and medical tourism in terms of high level of promoting, high level of quality of services and the revenues obtained. Analyzing the most requested destinations for medical tourism and their specifics, we can observe how in Thailand, Bangkok Hospital, had served annually more than 500,000 tourists and in India, the Government investing \$3.6 billion for medical tourism. The clinics of Singapore have the best methods of diagnosing cancer in the world and the most accreditations of functioning. In Malaysia there is the best-kept secret of medical tourism (Enache et al. 2013). At a nationwide, we may follow in certain strategic directions, how were modernized and restructured the resorts in Portugal, especially that 17 resorts that were fully restored and looks like new (Teixeira 2012). Through the identification of the best practices, we can exchange ideas and experiences with world-renowned centers in medical tourism. We can also establish new alliances between some ministries, organizations and institutions that have impact in the promotion of medical tourism and health tourism. We have to increase the capacity for monitoring the spas and use the E-marketing of medical tourism services in order to provide services at a lower price, on-time and in a personalized way.

7 Conclusions and Discussions

Romania has a huge health tourism potential that deserves to be exploited thanks to the existing natural resources and to the easy access to them. Romanian medical tourism is emerging and deserve special attention from international business community. We need reliable investors and strategic partnerships to develop and implement innovative solutions in order to modernize the Romanian health tourism. To analyze properly the trends in health tourism, we should observe and associate this, with medical tourism. Medical tourism remains an essential component of health tourism. Both terms interact and coexist simultaneously, even if there are still specialists that have contradictory opinions. Health tourism includes as some specialists said, several segments, namely: medical tourism, balneal tourism, thalassotherapy, hydrotherapy, spa and fitness. Medical tourism and health tourism are

based on the therapeutic potential of natural factors and it is obvious that these areas are interconnected, the first it is based on spa resources and the second on the balneary resources. Often, balneology and spa forms a complex medical treatment. Medical tourism and health tourism may represent an engine of economic recovery and may improve the quality of health services.

Acknowledgement This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/134197 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain.”

References

- Aluculesei, A. C., Nistoreanu, P., & Stanculescu, G. (2013). Innovative ways to exploit the natural resources of Romania spa services through travel. *Cactus Tourism Journal*, 4(1), 6–17.
- Borsan, A. (2014). The medical cluster—health Romania. [online] Accessed December 1, 2014, from <http://www.cmr.ro/wp-content/uploads/2014/07/Scrisoare-EN.pdf>
- Cepoi, V. (2014). *Methods of continuous improvement of health services*. International Forum for Health Tourism, 5th ed., Buşteni, Romania, 24–26 October 2014.
- Condrea, E., Stanciu, A. C., & Constandache, M. (2014). The role of quality assurance in Romanian balneotherapeutic tourism services. *Practical Application of Science*, 1(3), 117–122.
- Devon, M. H. (2007). *Medical tourism: Global competition in health care*. Dallas: National Center for Policy Analysis. Accessed December 2, 2014, from <http://www.ncpa.org/pdfs/st304.pdf>
- Enache, E., Gabor, M. R., & Morozan, C. (2013). Considerations about dental tourism development and its specific marketing in Romania. *Management Strategies*, Special issue, 420–426.
- Enea, C., & Pupazan, M. M. C. (2013). *Oltenia northern medical tourism and development in terms of the possibility of regional sustainability*. Annals of the “Constantin Brancusi” Economic Series. Accessed October 30, 2014, from http://www.utgjiu.ro/revista/ec/pdf/2013-03/10_Constanta%20Enea,%20Mungiu%20Claudia.pdf
- Erdeli, G., Dinca, A. I., Gheorghilas, A., & Surugiu, C. (2011). Romanian spa tourism: A communist paradigm in a post communist era. *Journal of Studies and Research in Human Geography*, 5(2), 41–56.
- Iordache, M., & Ciochina, I. (2014). Medical tourism industry challenges in the context of globalization. *Management Strategies Journal*, 24(2), 62–70.
- Kelly, E. (2013). *Medical tourism*. [online] World Health Organization. Accessed December 20, 2014, from http://www.who.int/global_health_histories/seminars/kelley_presentation_medical_tourism.pdf
- Lee, C., & Spisto, M. (2007). *Medical tourism, the future of health services*. Best Practices in Ed. & Public. Accessed December 2, 2014, from <http://bm.nsysu.edu.tw/tutorial/iylu/12th%20ICIT/07-07.pdf>
- Ministry of Regional Development and Tourism. (2010). *National Tourism Development Master Plan 2007-2026*. Ministry of Regional Development and Tourism. Accessed November 2, 2014, from http://www.mie.ro/_documente/turism/studii_strategii/masterplan_partea1.pdf
- Moraru, C. (2011). Romania’s competitiveness as a tourist destination. *Cactus Tourism Journal*, 2(2), 7–14.
- Munteanu, C. (2012). *Therapeutic mud*. Bucharest: Balneara.
- Munteanu, C. (2013). *Therapeutic mineral waters*. Bucharest: Balneara.

- Munteanu, C., & Cinteza, D. (2011). *The scientific research of natural therapeutic factors*. Bucureşti: Balneară.
- Munteanu, C., Cinteza, D., & Lazarescu, H. (2013). Balneary resort—importance of natural therapeutic factors research. *International Journal for Responsible Tourism*, 2(1), 7–24.
- Munteanu, C., & Munteanu, D. (2011). Ape Minerale Litinifere [Litinifer Mineral Waters]. *Balneo-Research Journal*, 2(1), 41–45.
- Purandare, N. (2014). Health tourism-Global positioning of India. *Sai Om Journal of Commerce & Management*, 1(6), 7–17.
- Ricafort, K. M. F. (2011). *A study of influencing factors that lead medical tourists to choose Thailand hospital as medical tourism destination*. Master of Business Administration, Webster University. Accessed December 2, 2014, from <http://www.webster.ac.th/2012/pdf/thesis/2011-12/mba/Kristine%20Ricafort/RicafortK.pdf>
- Romanian Association of Balneology (RAB). (2014). *RAB Strategy for Balneary Tourism Development*. [online] Romanian Association of Balneology. Accessed December 2, 2014, from <http://bioclima.ro/Strategia%20ARB%202014.pdf>
- Romanian Medical Tourism Association (RMTA). (2011). *The RMTA activity*. [online]. Accessed December 2, 2014, from <http://artm.ro/en/actiuni>
- Scorţe, C., Dragolea, L., & Paschia, L. (2013). Tourism-The main component of hospitality industry-its evolution in Romania. *Annales Universitatis Apulensis Series Oeconomica*, 15 (2), 703–715.
- Seytour. (2011). *About Seytour*. [online] Accessed November 1, 2014, from http://www.turism-medical.eu/despre_noi.php
- Siddharth, S. (2014). *Transformations in Healthcare- a view on 2020*. Romania: International Forum for Health Tourism. Accessed November 30, 2014, from <http://www.turismuldesanatate.ro/wp-content/uploads/2014/10/03.pdf>
- Soare, I., Costachie, S., Maziliu, M., & Dumitrescu, D. (2011). The repercussions of Romania's integration in the European Union over the spa tourism potential. In *University Center Drobeta Turnu Severin. 1st International conference on Tourism and Economic Development (TED '11)*. Drobeta Turnu Severin, Romania, October 27–29, 2011.
- Stancioiu, A. F., Baltescu, C. A., Botos, A., & Pargaru, I. (2013). Conceptual issues regarding the marketing of spa tourism in Romania. *Theoretical and Applied Economics*, 2(579), 124–137.
- Teixeira, F. (2012). The state of art, health resort medicine in Portugal. *Medical Hydrology and Balneology: Environmental Aspects*, 6(2012), 60–63.

Hashtag Progress: The Digital Fingerprint of Web 2.0 on Tourism and Hospitality Industry Management—A Case Study for Romania

Adina Popescu, Dan Popescu, and Cristina State

Abstract Internet evolution is rapidly changing the way we communicate, buy and behave on a day to day basis. The tourism and hospitality industry is strongly influenced by the dynamic development of web 2.0. Our main focus was to capture the online presence of top tourism organizations in Romania's online market in terms of visibility and to get a customer feedback on the elements that influence the purchase of tourism services. The conclusions of the study underline the fact that a company's lack of online activity negatively affects tourists trust in the organization. We also noticed the importance of social inputs in the purchase decision. The study also highlights the fact that even though the purchase funnel tends to be long, there vast online activity usually reflects in an offline purchase.

Keywords Tourism • Hospitality • Internet • Digital

1 Introduction

The modern society has an informational structure based on the accelerating development of information technology and communications. In the twenty-first century the key to success for most organizations is the capacity to instantly adapt to the fast changes of the digital environment.

Regardless of the main activity of the organizations, business success requires, among others, the optimal use of all informational means and resources available. In a relatively short time the Internet has become extremely popular. Today it has around 3 billion users, a number that represents 40 % of the entire global population. In terms of number of websites we are fast approaching the threshold of 1 billion. The dynamic evolution of this sector is highlighted by the rapid progress

A. Popescu • D. Popescu • C. State (✉)

Department of Management, The Bucharest University of Economic Studies, București, Romania

e-mail: adina.popescu@animalpet.ro; dan.popescu@man.ase.ro; cristina.state@man.ase.ro

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_42

555

noticed in the number of websites which, in a 13 years span, from 1991 to 2013, got from 1 million to no less than 700 million, figures that tend to continuously increase at incredible rates. The development of information and communication technology in general, and the Internet in particular, has a tremendous impact on tourism industry (Buhalis et al. 2010).

If until now Business to Business, Business to Consumer, Peer to Peer, Government to Citizen etc., were the traditional business models, today's consumers purchase behavior and the constant development of online instruments made it a necessity to "add on the list" the O2O model. O2O stands for Online to Offline. This model is representative for the Industry of Tourism and Hospitality, but there are almost no limits to its usability, this business model being used more and more on different markets.

Slowly but steady all industries will be visible influenced by the progress of information technology and communications. The tourism and hospitality industry is very responsive to all these changes, trying to keep the pace with the rapid growth of Internet and digital instruments. As we talk about the possibilities available right now, we can go from static presentation websites to the fascinating, and probably a future's normality, augmented reality.

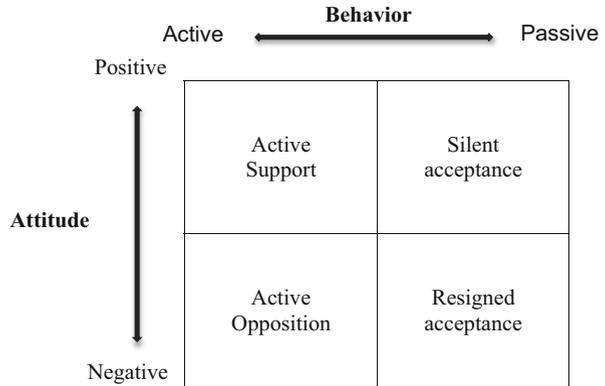
Even though the digital instruments offer an overwhelming potential, we need to keep in mind that the consumers' experience, in our case the tourists experience, is the most important thing, and that means the online strategy must be in tight correlation with an outstanding offline management. There is no need to mention the importance of an online presence of every player in the tourism and hospitality industry, but in 2015 that is not enough. As the market is constantly developing, all the managers must be familiar with mobile responsive websites, online buying platforms, consumer reviews, viral marketing etc. Web 2.0 definitely leaves its fingerprints on the tourism and hospitality market, and is the job of every manager to discover the best way to use the big potential of this digitalized era.

2 The Tourism and Hospitality Industry in the Internet Era

Promoting the image of the company, getting a quick access to a global size market and increasing profitability are the main elements that made successful managers in the tourism and hospitality industry shift their attention to the digital environment. In an interview regarding the trends of tourism industry, CEO & President of World Travel & Tourism Council, David Scowsill stated that "Technology can play a big role in speeding up and simplifying travel into a country" (TTGmena 2014).

Regarding tourism management strategy, the words of Stephen Kaufer, TripAdvisor CEO, point to some of the benefits of using the world's largest travel site: "For the travel industry, a site like TripAdvisor has provided massive opportunities to build and promote customer loyalty, compare themselves to their

Fig. 1 Traditional attitudes and behaviors. *Source:* Sharpley (2014)



competitors and reach global audiences—all for free” (Preferente.com 2011). One of its main competitors, and a big player in the tourism and hospitality industry, Orbitz Worldwide’s CEO, Barney Harford, is highlighting another advantage of using the Internet resources: “We can segment the audience and provide loyalty-related offerings to them to really reflect their profile, and their needs” (Schaal 2014).

The behavior and attitudes of tourism consumers are also following the fast steps of Internet development. We consider that the actions of “technology driven consumers” are starting to no longer follow the traditional pattern (Fig. 1), by being more active, in both positive and negative attitude cases.

The “silent acceptance” and “resigned acceptance” are in full transition to “online feedback activity”, in a time when passive behavior is getting very rare in the tourism and hospitality industry. Tourism has been directly influenced by digital technology. The vast majority of travelers use digital resources in the course of their travel journeys, from the first steps of imagining and planning to the final steps of posting feedback and reviews on their social networks. The Boston Consulting Group offered a compendium for the latest development in the field: “The average customer visits or uses a combination of 19 websites and mobile applications during the course of one trip, and many travelers use digital tools to share their experiences and reactions throughout the process” (Alvarez et al. 2014, p. 1).

It is therefore necessary, at both strategic and tactical management levels, to turn the opportunities and challenges of the Internet driven era into advantages of tourism and hospitality organizations and enhance their innovation and competitiveness (Buhalis and Law 2008). Sparks and Browning (2011) notice the growing reliance on the Internet as an information source when making choices about tourism products. The Consumer Barometer confirms their findings, offering the following statistics for the last 12 months, regarding the percentage of purchasers in the tourism and hospitality industry whose purchases were realized after online research only (Fig. 2): Europe—59 %, Oceania—60 %, Asia—49 %, North-America—58 %, South-America—44 %, and Africa—48 %.

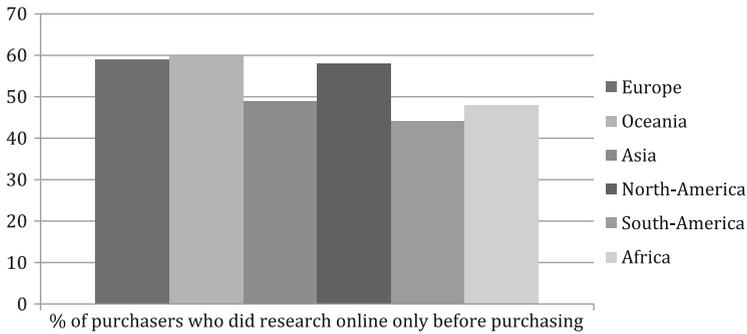


Fig. 2 Online research only purchases overview

3 Research Methodology and Findings

The Internet and the new technologies enable tourism and hospitality organizations to increase their competitiveness by reducing costs, increasing their visibility and enhancing local co-operation (Buhalis and Law 2008). For the managers working in this field, a fine elaborated overview of the online industry and an up-to-date consumer feedback are the main pillars of their strategies. This research aims to highlight Romania's tourism and hospitality industry activity in the online area, and also to underline the consumers' perception of it.

3.1 Hypothesis

After we made an overview of the studies in this field and analyzed the main online references, we moved on to test the following four hypothesis:

- H₁: All socio-demographic sectors do online research before purchasing something from the tourism and hospitality industry;
- H₂: Romania's tourism and hospitality market is balanced in the online area, with a good competition and no absolute leader;
- H₃: The majority of the purchases are still closed in the "brick and mortar" shops;
- H₄: The "trust" in a tourism and hospitality organization is seriously affected when the company is not present in the online environment.

3.2 Research Method

The research was realized in two different stages, with two different approaches. The first stage was based on secondary data analysis and gave us the chance to

project a realistic and comprehensive image of Romania's tourism and hospitality online market, with the help of Big Data. The study focused on Romanian users and Romanian language searches only. The second stage was based on the method of quantitative sociological inquiry, and the technique used was self-applied questionnaire. The questionnaire was completed by 174 respondents from Romania, belonging to different demographic sectors.

The Big Data analysis revealed there is almost no difference between Romanian tourism male and female tourism consumer behavior. The information we want to highlight is that, no matter of consumers gender, there are more customers who purchased after online research only, than both "online & offline research" and "offline research only" put together. Separated on genres, the results based on Consumer Barometer indicators, are as Fig. 3 indicate that 56 % of Romanian females purchasers did online research only before purchasing, 36 % after online & offline research, and 0.8 % did only offline research. For Romanian males, 55 % of purchasers did online research only before purchasing, 38 % after online & offline research, and 1 % did only offline research. The rest did no research before purchasing.

According to SEOmonitor (2014) analysis on flight ticket purchase related researches on Google in the Romanian market, showed the followings (Fig. 4): Vola.ro attracts the most users with 72,000 visits per month, BileteAvion.ro is on second place, with 53,000 visits per month, Wizzair.com attracts 28,000 visits per month, Aerotravel.ro is on 4th place with 22,000 visits per month, while on the 5th position is esky.ro with 19,500 users per month.

In the same data, provided by SEOmonitor, we've identified the top five websites that attracted the users that searched on Google for "vacation packages" related topics, on the Romanian market, indicating them in Fig. 5. In the order of their performance, the websites are as follows: jeka.ro—19,500 visits per month, paralela45.ro—18,000 visits per month, christiantour.ro—16,000 visits per month, europatravel.ro—15,000 visits per month and eximtur.ro with 14,000 visits per month.

Big data allowed us to partially confirm the second hypothesis of this research, proving that Romania's tourism and hospitality market has a balanced competition in the online area, in terms of visits per month with no big gaps between the first five top brands, in the field of vacation packages. Regarding the flight tickets domain, Vola.ro has a head start, but the competition is still quite balanced, with no brand clearly dominating the market.

Having set out the macro overview of top tourism brands digital presence, we can state that from the visibility point of view, there is not a big difference between the top five key players of tourism and hospitality industry in touristic packages segment, and the flights tickets segment is less balanced, with the main two competitor gathering more than 64 % of top five brands total monthly visits on "flight ticket" topic on Romanian online market.

The acquisition funnel has usually more than one element so, starting from the macro data about tourism purchasers initial online activity, we've created a questionnaire to determine if the information showed above is correlated with the final

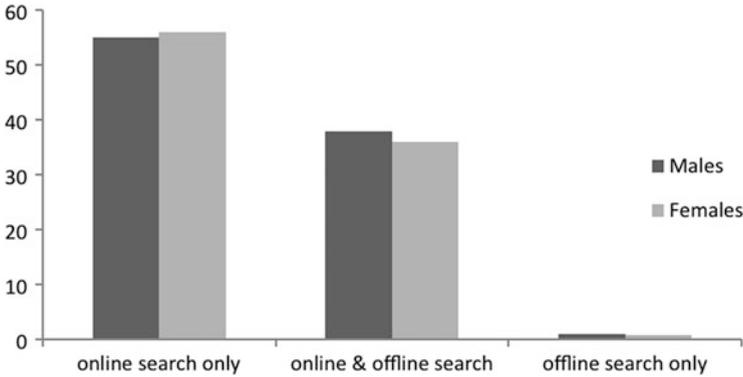


Fig. 3 Tourism purchasers research behavior (% of purchasers who did research before purchasing, by gender)

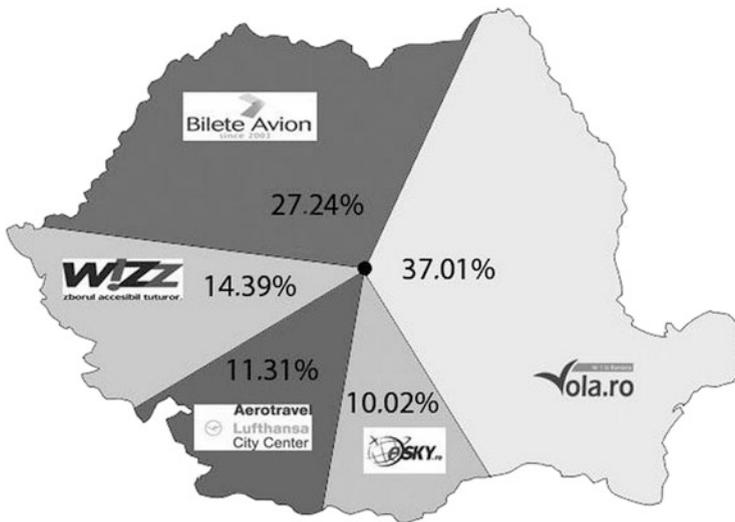


Fig. 4 Romanian Tourism online “flight ticket” top brands. *Note:* Percentage of top five brands total monthly visits on “flight ticket” topic on Romanian online market

act of purchasing. From a total of 174 people who answered the questionnaire, 55.17 % are females and 44.82 % are males. The majority of respondents, 47.7 %, are in the range of 30–45 years old. Those between the age of 18 and 29 cover 38.5 %, while the ones who are 45 or above registered 13.79 %. In terms of location, 158 respondents, representing 90.8 %, are living in urban areas, while 16, representing 9.19 %, live in rural areas. The monthly revenue places the most respondents, 87, in the “150–250 % minimum wage” income per month.

From the traveling experience point of view, 80.45 % travel at least 2 times per year, and 33.9 % take part in international traveling, while the rest practice

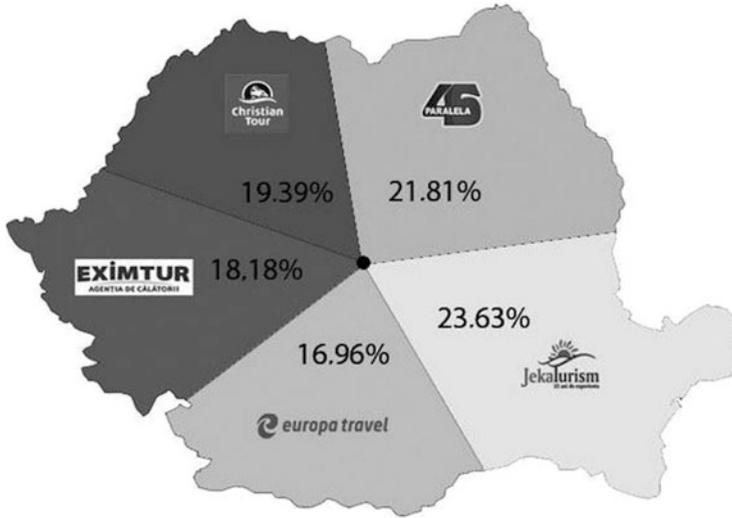


Fig. 5 Romanian Tourism online “vacation packages” top brands. *Note:* Percent of top five brands total monthly visits on “vacation packages” topic on Romanian online market

domestic travel. The multiple-answer question “Regarding the tourism and hospitality industry, what of the following elements do you consider to have an impact on your purchase behavior?” triggered these responses: Friends—97.7 %, Family—74.71 %, Celebrity lifestyle—32.75 %, Commercials—51.72 %, Movies—61.49 %, Other elements—21.26 %.

Regarding their use of Internet (Fig. 6), on a weekly basis, 41.95 % stated that they spend between 8 and 15 h online every week. Less than 22 % stated that they spend less time on Internet, 15.51 % choosing the 3–7 h category and 6.32 % the 0–2 h group. It is interesting to notice that 13.74 % of respondents spend more than 25 h per week on the Internet.

When asked about their purchasing experience, an overwhelming 82.18 % of respondents stated that Internet activity was a part of the buying funnel, but only 21.83 % actually finalize the transaction online (Fig. 7).

A “yes or no” question, “Do you think that the absence of a tourism and hospitality organization in the online environment can negatively influence your trust in it?” triggered 130 positive responses. The results highlighted the fact that 74.71 % of the respondents agree that organizations presence on Internet influence the consumers trust.

The responses to the question “Do you have a preferred website you use when purchasing a product/service from the tourism and hospitality industry?” underlined the fact that 96.55 % do not have a favorite website when it comes to tourism purchasing (Fig. 8).

Another question we found it had interesting results was based on the respondents choices of “a good online presence for an organization in tourism and

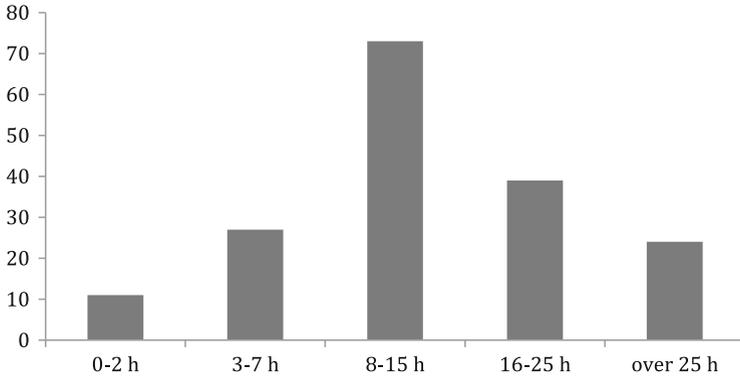


Fig. 6 Weekly time spent on Internet (Nr. of respondents/Weekly time spent on Internet)

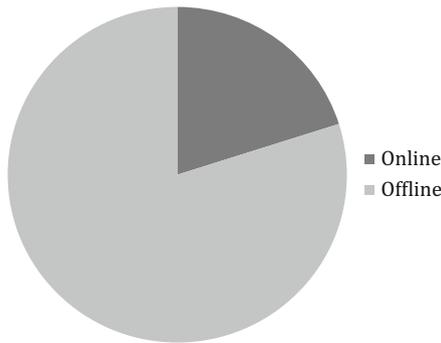


Fig. 7 The medium of tourism related transactions

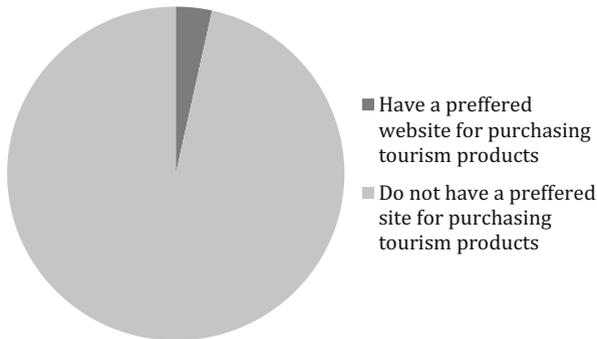


Fig. 8 Respondents preferences regarding websites for tourism products purchasing

hospitality industry should reflect in: (a) presentation website (b) online buying website (c) forum (d) blog (e) social pages (e.g. Facebook, Tumblr etc.)". The social network signals show up to be the most important, with 72.41 % of respondents choosing the "social pages" option (Fig. 9). On the second and third position in top

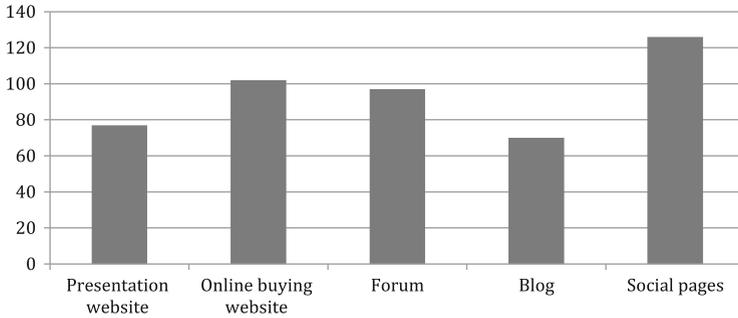


Fig. 9 Responders perception of a “good online presence” of a tourism and hospitality organization (Nr. of respondents/Good online presence options)

are “online buying website” and “forum” with 58.62 % and 55.78 %. “Presentation website” and “blog” were chosen by 44.25 % and 40.22 % of the total respondents.

4 Conclusions

Romania is an emerging market in the industry of tourism and hospitality, with a balanced presence in the online world, in terms of competitor’s visibility. Friends and family are still the most influential elements in the tourism and hospitality purchases. Even though more than 80 % of the purchases made in tourism and hospitality industry involve an Internet component, just a little more than 20 % end up with an online transaction. The “brick and mortar” shops, with real life human interactions are still the ones preferred by most buyers. An online presence it’s becoming a must having in mind the fact that 80 % of the respondents stated that the absence of a tourism and hospitality organization in the online environment can negatively influence their trust in it. Also, social signals from the big networks (Facebook, Tumblr etc.) should be the main focus when managing the online activity of a tourism organization.

Acknowledgement This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007–2013, project number POSDRU/159/1.5/S/142115 “Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”.

References

Alvarez, A., Guggenheim, J., Jhunjunwala, P., Kremser, S., McCabe, L., & McCaleb, T. (2014). *Travel goes mobile*, p. 1. The Boston Consulting Group. [online] Accessed August 15, 2014, from https://www.bcgperspectives.com/content/articles/transportation_travel_tourism_digital_economy_travel_goes_mobile

- Buhalis, D., & Law, R. (2008). Progress in information technology and tourism management: 20 years on and 10 years after the Internet—The state of eTourism research. *Tourism Management*, 29(4), 609–623.
- Buhalis, D., Law, R., & Qi, S. (2010). Progress in tourism management: A review of website evaluation in tourism research. *Tourism Management*, 31(3), 297–313.
- Preferente.com. (2011). Interview with Stephen Kaufer, TripAdvisor CEO. *Preferente*. [online] Accessed June 15, 2014, from <http://www.preferente.com/english/marketing-english/interview-with-stephen-kaufer-tripadvisor-cofounder-and-ceo-102405.html>
- Schaal, D. (2014). Interview: Orbitz CEO on the future of travel booking and loyalty. *Skift*. [online] Accessed September 15, 2014, from <http://skift.com/2014/08/12/interview-orbitz-ceo-on-the-future-of-travel-booking-and-loyalty>
- SEOMonitor. (2014). *The top of the most visible brands in Google in 2014*. Bucharest: SEOMonitor.com.
- Sharpley, R. (2014). Host perceptions of tourism: A review of the research. *Tourism Management*, 42, 37–49.
- Sparks, B., & Browning, V. (2011). The impact of online reviews on hotel booking intentions and perception of trust. *Tourism Management*, 32(6), 1310–1323.
- TTGmena. (2014). Interview with CEO & President, World Travel & Tourism Council, David Scowsill. [online] Accessed June 15, 2014, from <http://www.ttgmena.com/Interview-with-CEO-and-President-World-Travel-and-Tourism-Council-David-Scowsill>

The Impact of Turkish TV Series on Turkey's Image: Evidence from Eastern Europe

Mehmet Huseyin Bilgin, Ender Demir, and Davor Labas

Abstract Tourism has been one of the fastest growing sectors in Turkey. Turkey is the 6th most popular tourist destination in the world, attracting around 40 million tourists in 2014. The popularity of Turkish television series has skyrocketed in the last decade not only in Turkey but also in many countries especially in Middle Eastern and southern European countries. Turkish TV series serve not only as an export item. TV series also boost the tourism. Moreover, Turkish TV series is an aspect of soft power of Turkey. Therefore, Turkish TV series have various effects in social, economic, tourism, and political aspects. We examine the impact of Turkish TV series in terms of perception, tourism and product preferences in four Eastern European Countries namely Macedonia, Croatia, Bulgaria, and Serbia. For this purpose, survey is conducted by GFK company to 200 (100 male/100 female) university students and 300 (150 male/150 female) non-students in each capital city of those countries. According to survey findings, majority of respondents know at a Turkish TV series. Followers of Turkish TV series has more (less) positive (negative) thoughts about Turkey compared to non-followers. Also, Turkish TV series increases the publicity of Turkey in those countries. While we find a positive effect on tourism destination choice while there is no effect of Turkish TV series on Turkish product purchase behavior.

Keywords Turkey • TV series • Eastern Europe • Tourism

1 Introduction

There is a growing body of literature that investigates the effect of films and TV series on tourism, country perception, and consumer behaviors. Compared to movies, TV series create a stronger emotional engagement and commitment due

M.H. Bilgin • E. Demir (✉)

Istanbul Medeniyet University, İstanbul, Turkey

e-mail: bilginmh@gmail.com; ender.demir@medeniyet.edu.tr

D. Labas

University of Zagreb, Zagreb, Croatia

e-mail: dlabas@efzg.hr

© Springer International Publishing Switzerland 2016

M.H. Bilgin, H. Danis (eds.), *Entrepreneurship, Business and Economics - Vol. 1*,

Eurasian Studies in Business and Economics 3/1,

DOI 10.1007/978-3-319-27570-3_43

to regular viewing and longer screening period (Kim and Long 2012). In this regard, in the last couple of years, Turkish TV series has become internationalized and they play an important role in terms of tourism.

Tourism has been one of the fast growing sectors in Turkey. Turkey is the 6th most popular tourist destination in the world, attracting around 40 million tourists in 2014. The contribution of tourism sector to the GDP is US \$34 billion in 2014. The net tourism revenue financed around 53 % of Turkey's current account deficit. In terms of 2023 targets of Turkey, tourism sector targets 50 million tourist arrivals and revenue of US \$50 billion. The contribution of Turkish TV series will be important to achieve those targets. The popularity of Turkish TV series has skyrocketed in the last decade not only in Turkey but also in many countries especially in Middle Eastern and southern European countries. Turkish TV series were locally produced till the beginning of 2000s. As a result of increasing local demand lead, Turkish TV series has started to have better scenarios, more charming actors and actresses, and better production quality. And this increasing quality along with government policies has attracted the interest of foreigners. Currently, Turkey becomes globally the second highest exporter of TV series abroad after the United States (Hurriyet Daily News 2014). The first Turkish TV series was exported to Kazakhstan in 2001. After that, export of TV series rises dramatically. In 2010, over 70 TV series were exported at a value of US \$50 million. In 2012, 11,000 h of Turkish TV series were exported at a value of US \$150 million. Exports of Turkish TV programs totaled US \$180 million in 2014, a figure approximately 18 times that of 2008 (Tavsan 2015). Among many of them, especially Suleiman the Magnificent, Gumus, 1001 Gece, Fatmagül'ün Suçu Ne, Adımı Feriha Koydum and Aşk-ı Memnu have been the leading the TV series of Turkey. At the initial steps of export, the worth of one episode of Turkish TV series was around US \$35–50. Currently, the selling price of episodes reaches to a value between US \$500 and US \$200,000.

Nowadays, Turkish TV series serve not only as an export item. TV series also boost the tourism. The desire of people of Turkish TV series importing countries increases rapidly. They want to visit Istanbul and the locations where Turkish TV series are shot. Istanbul becomes one of the most tourist attracting cities in the world. According to Oktem (2010), Turkish TV series is an aspect of soft power of Turkey. Popular culture is as important as economic and political power, but of course also mutually interdependent with the two. TV series have helped Turkey to create a new image and to serve as a role model especially in the Arabic speaking countries and Eastern Europe. The shared history under Ottoman domination fosters the soft power of Turkey in the Arab world and the Balkans. Turkey is using its soft power potential in the foreign policy-making Turkey which leads to a significant strategic diplomatic move in Balkans countries (Brljavac 2011). Recently, Turkish TV series are exported to many around 75 different countries. So, Turkish TV series have various effects in social, economic, tourism, and political aspects.

In this paper, we examine the case of Turkish TV series in Macedonia, Croatia, Serbia, and Bulgaria by conducting surveys to more than 2000 respondents. The

relations among family members and relatives, focus on family and family relations, respect between couples, love between poor and rich, grandfather/grandmother living with the family, quality of production, support of family members to each other, the fight between strong and weak, mother in law and bride relationship have been major factors for the popularity of Turkish TV series in Eastern European countries. Oktem (2010) categorizes Turkish TV series in two, namely 'The Istanbul Dream' (includes love stories of rich and beautiful people, equal gender roles, nice views of Istanbul) and 'The Turkish Nightmare' (includes mafia dramas, glorify gang culture, machismo, and violence). And both types attract fans from all over the world but especially from Eastern European and Arab speaking countries. The interest of people in Eastern European countries to Turkish TV series has made Turkish TV actors and actresses famous in those countries. They are followed by the society like Hollywood stars. Also, news about them is in local magazines, newspapers, and TV shows. The names of Turkish stars are given to new born babies. Local people have started learning Turkish to better understand the TV series. Local travel agencies organize tours to locations where TV series are shot. While examining the impact of Turkish TV series, we need to pay special attention the cases of Serbia and Croatia compared to the countries populated by Muslim majorities. For Serbia and Croatia, there is a religious difference and a negative historical role played by the Ottoman Empire (Tomic 2011).

We will investigate the profile of Turkish TV series followers and the effects of Turkish TV series on Turkey's perception and on Turkish product choices. Also, we will explore whether Turkish TV series motivates followers to visit Turkey. According to survey findings, majority of respondents know at a Turkish TV series. Followers of Turkish TV series has more (less) positive (negative) thoughts about Turkey compared to non-followers. And Turkish TV series increases the publicity of Turkey in those countries. While we find a positive effect on tourism destination choice, there is no effect of Turkish TV series on Turkish product purchase behavior.

This paper is structured as follows. Section 2 is the literature review. Section 3 briefly outlines the structure of the survey. Section 4 presents and discusses the survey findings. And Sect. 5 concludes the study.

2 Literature Review

The effects of films and TV series on tourism, country perception, and consumer behaviors are widely examined in the literature. Connell (2005) examines the effects of a pre-school children's television program called Balamory on the Isle of Mull where it is filmed. While the awareness of Mull as a tourism destination increases due to the popularity of Balamory, there is less certainty about appeal and profitability of Mull as a tourism destination. Kim et al. (2007) explores the effects of the Korean television (TV) drama series entitled, Winter Sonata, on Japanese tourist flows to Korea. The success of the TV series produces positive economic

effects to a featured location in terms of visitors. Moreover, it has been a vehicle for improving the image of Korea. Also, the interest to *Winter Sonata* increases the desire to understand Korean culture and language. As a result of survey, it is found that Japanese respondents in their 40s and over-preferred Korean TV. And a high level of interest and empathy for leading actors and actresses are the key factors for their preference for Korean dramas. Kim et al. (2009) examines the effects of popular Korean TV dramas on Taiwanese outbound travel to Korea between 1997 and 2005. There is a significant structural change in the total number of Taiwanese visitors to Korea due to the strong effects of Korean TV series in Taiwan.

Su et al. (2011) investigate how Korean TV dramas affect Taiwanese consumers' attitudes toward the locations where the dramas are filmed. It is found that consumers' parasocial relationships with a character and consumers' attitudes toward the character are related to their attitudes toward the location. And cultural proximity plays a vital role in determining the strength of the effects. Hsu (2012) examines the impacts of Korean TV soap operas on Taiwanese female undergraduates' clothing purchase behavior. It is found that there is a significant effect of the clothing shown on favorite Korean TV soap operas on the clothing purchase behavior in terms of the relationships among degrees of viewing frequency, involvement, recall, attention factors, viewing motivations, purchasing motivations, and different stages of clothing consumption. Balli et al. (2013) focus on the indirect marketing effects of the Turkish soap operas on tourist inflows to Turkey. It is found that the recent increase in the popularity of the Turkish soap operas in the Middle East and Eastern Europe boosts the number of inbound tourists to Turkey from those countries. They also show that the termination of visa requirements increases the tourist flows.

3 Survey

We examine the impact of Turkish TV series in terms of perception, tourism, and product preferences in four Eastern European Countries namely Macedonia, Croatia, Bulgaria, and Serbia. For this purpose, our survey is conducted by GFK company to 200 (100 male/100 female) university students and 300 (150 male/150 female) non-students in each capital city of those countries. For non-students, the questions are asked to 50 people in 20–30, 31–40, and 41–50 age groups. But we receive 510 and 517 questionnaires from Croatia and Serbia and therefore as a result, in total, 2027 persons respond to survey questions. Moreover, we also did interviews with colleagues at universities and the officials of Turkish Embassies in four countries in order to better examine and interpret the survey findings.

4 Survey Results

Figure 1 shows the percentage of female and male knowing a Turkish TV series. According to the survey results, it is seen that the percentage of female is higher than male in terms of knowing a Turkish TV series. In Macedonia, 93.2 % of female knows a Turkish TV series. For female, the lowest ratio is observed in Serbia and Bulgaria by 86.5 % and 87.2 %, respectively. We can conclude that most of the female knows a Turkish TV series. In Macedonia, 84.4 % of male knows a Turkish TV series. Interestingly, the lowest ratio for male is in Bulgaria by 66.8 %. 900 of 1000 female survey participants and 750 of 1000 male survey participants know at least one Turkish TV series.

Figure 2 presents the ratio of positive answers of respondents to “Have you ever watched any Turkish series?” question. When we compare Fig. 2 with Fig. 1, there is a sharp difference between knowing and watching. The highest ratios for female and male are observed in Macedonia. The lowest female and male ratios are in Croatia by 27.1 % and 52.9 % for male and female, respectively. The ratio of female is higher than male for each country. This finding is in line with the literature which documents that female watch more TV series than male.

When the answers are grouped as student and non-students, we see that there is no dramatic difference between those groups. In Serbia, 84 % of students gives a positive reply to “do you know any Turkish TV series” question while only 76.4 % of students gives a positive reply. In Croatia, the percentage of positive replies of non-students is same with students. For “Have you ever watched any Turkish series?”, the ratio of non-students is higher than students in all countries which shows that students are less interested in watching Turkish TV series. The highest ratio for students is observed in Macedonia.

Figure 3 represents the answers according to age group. The highest ratio is observed in 41–50 age group. There is a positive association between age and Turkish TV series knowledge. In Croatia, we see an equal knowledge among different age groups.

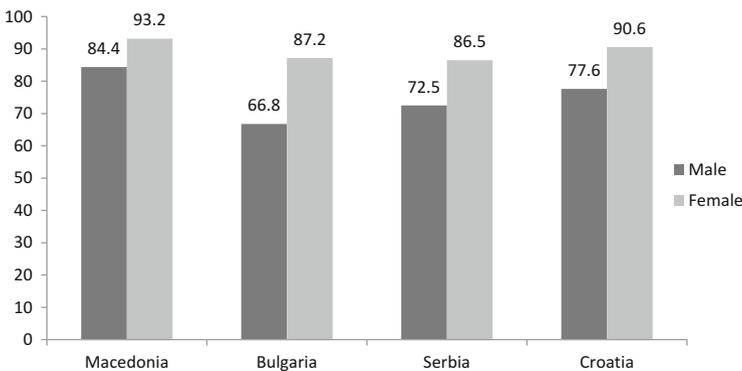


Fig. 1 Do you know any Turkish TV series? (According to Gender)

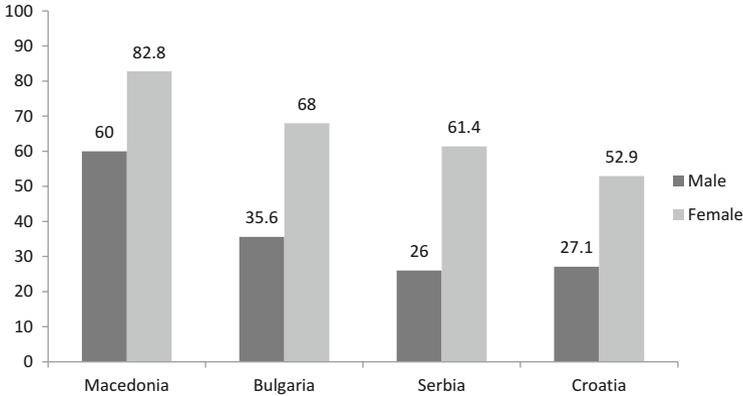


Fig. 2 Have you ever watched any Turkish series? (According to gender)

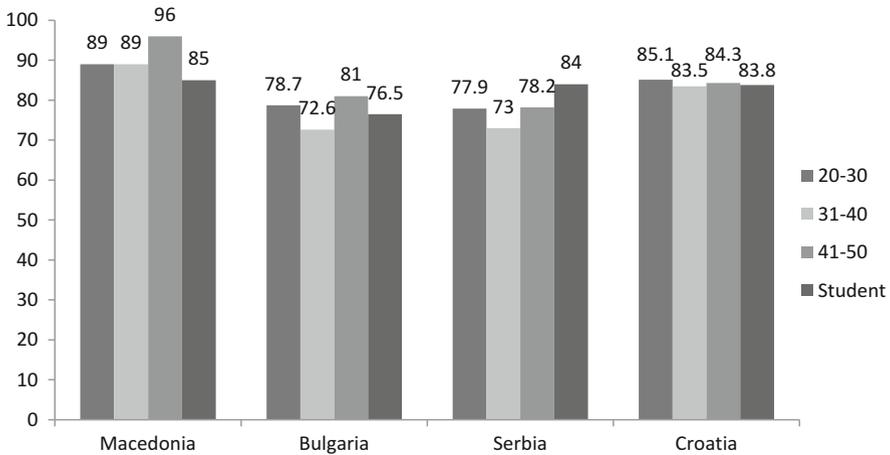


Fig. 3 Do you know any Turkish TV series? (According to Age group)

According to Fig. 4, older persons watch at least one Turkish TV series however for Serbia we observe a different situation. In Serbia, 20–30 age group has the highest ratio in terms of watching. Also, this ratio decreases with age. It shows that in Serbia young persons show a higher interest to the Turkish TV series. For students, the highest ratio is in Macedonia.

Figure 5 shows that in Macedonia and Bulgaria, there is a negative relation between Turkish TV series knowledge and education level. As the education level rises, the ratio of persons knowing a Turkish TV series decreases. On the contrary, we see an opposite pattern in Serbia.

Figure 6 shows the ratio of positive answers to “Have you ever watched any Turkish series?” question according to education level. Education is negatively associated with watching a Turkish TV series. The lowest ratio among is observed

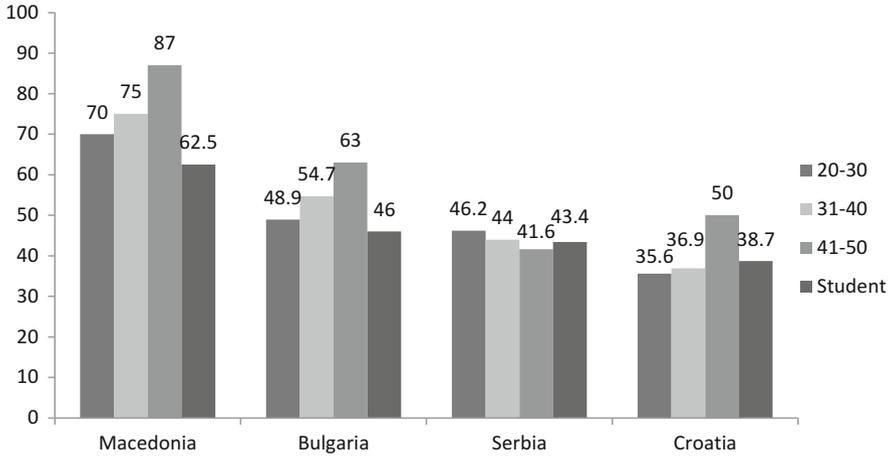


Fig. 4 Have you ever watched any Turkish series? (According to Age group)

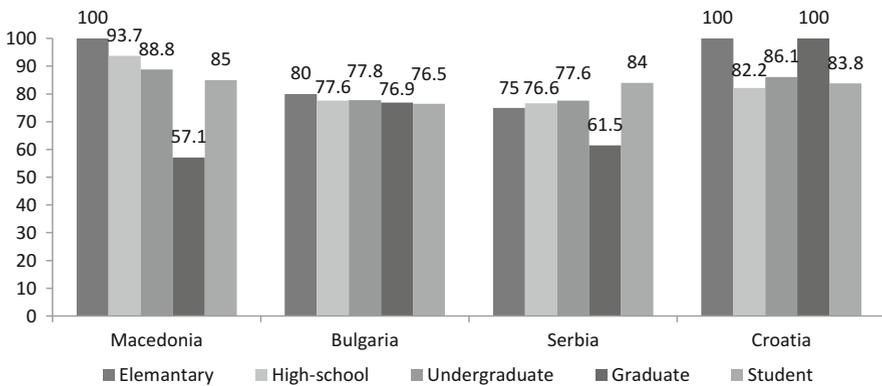


Fig. 5 Do you know any Turkish TV series? (According to Education)

in the graduate group. This ratio decreases to 14.3 % in Croatia while the ratio is 100 % in Macedonia and Croatia for elementary school group.

The answers to previously mentioned two questions are also grouped according to income level. Some of the respondents do not want to indicate their income level. In Macedonia and Bulgaria, positive answers to “do you know any Turkish TV series” decreases in higher income groups while in Croatia, the relation turns to be positive. The ratio of people in high income group is higher than other groups in Croatia. Likewise, the positive replies to “Have you ever watched any Turkish series?” question decrease with income almost for all countries.

Those findings show that majority of people know about Turkish TV series and half of them watch at least one of Turkish TV series. However, we would like to examine whether this situation increases the publicity of Turkey in those countries.

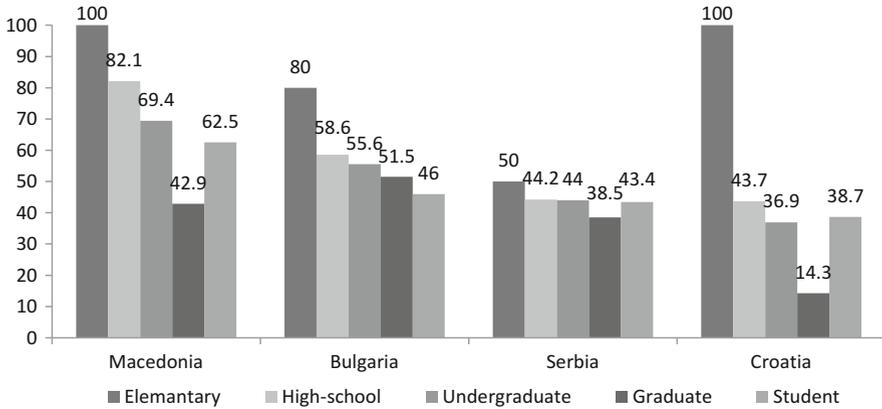


Fig. 6 Have you ever watched any Turkish series? (According to Education)

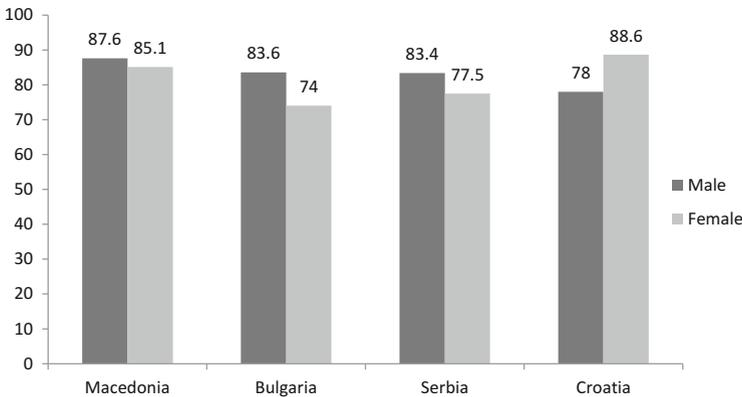


Fig. 7 According to you, does TV series increase the publicity of Turkey in your country? (according to Gender)

Around 80 % of the respondents say that Turkish TV series increase the publicity of Turkey in their country. The ratio of male is higher than female in Macedonia, Bulgaria, and Serbia. In Croatia, the ratio positive replies of female is 88.6 % while for male, this ratio is 78 %. 80 % of students think that Turkish TV series increase the publicity of Turkey in Bulgaria while 77 % of non-students think so. In other countries, the ratio of students' positive replies is less than the others (Fig. 7).

Questionnaire is divided into two depending on whether the respondents follow any Turkish TV series or not. The effects of TV series are expected to be higher on followers compared to non-followers. In all countries, ratio of female followers is significantly higher than ratio of male which is in line with the literature. The highest ratios for female are observed in Macedonia and Bulgaria with 46.4 % and 46.8 %, respectively. This means that almost half of female follow at least one

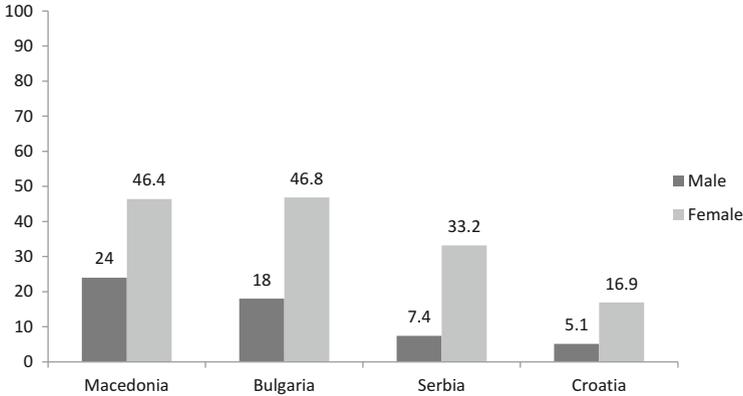


Fig. 8 Do you weekly follow Turkish TV series? (According to Gender)

Turkish TV series. The lowest ratios for male are in Serbia and Croatia. Percentage of student followers is significantly less than non-student followers in all countries. Bulgaria with 24 % has the highest number of student followers (Fig. 8).

Table 1 represents the thoughts of Turkish TV series followers categorized as before and after. In this regard, we can see how the thoughts of followers change after following a Turkish TV series. The highest percentage of positive thoughts about Turkey is in Macedonia which is expected due to a share history and recent political connections. The positive ideas of male increase after watching Turkish TV series in all countries. In Bulgaria, the ratio rises from 42.2 % to 73.3 %. Likewise, we observe a decrease in negative thoughts about Turkey. In Serbia, 10.53 % of male has negative thoughts before watching TV series, however this ratio decreases to 0 after watching Turkish TV series. This behavior is also document for female respondents. For the case of students, the results are the same.

Figure 9 compares follower and non-followers in terms of their thoughts about Turkey. In all countries, the ratio of positive thoughts is significantly higher for followers. For example, this ratio is 82.1 % for followers and 37.57 % for non-followers in Bulgaria. This shows that Turkish TV series are an important tool which can affect the thoughts of followers.

Table 2 shows the impact of Turkish TV series on Turkish product choice. In Macedonia, 62.5 % of followers bought or used a Turkish product after watching Turkish TV series. In Bulgaria, this ratio is 47.5 %. When we compare the choices of followers with non-followers, we see an interesting result. The choice for Turkish products of non-followers is higher than followers. So, Turkish TV series followers do not prefer to buy or use Turkish products more than non-followers.

According to Table 3, 20 % and 24.7 % of followers in Macedonia and Bulgaria search and buy a Turkish product after watching Turkish TV series. This ratio decreases to 16.2 % and 14.3 % in Serbia and Croatia. This shows that Turkish TV series do not motive followers to buy Turkish products. When we analyze Tables 2 and 3, it is clearly seen that Turkish TV series don’t affect the product behavior of

Table 1 Ideas of Turkish TV series followers about Turkey

	Macedonia		Bulgaria		Serbia		Croatia	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Before following Turkish TV series (male)	60 %	3.33 %	42.2 %	6.67 %	47.37 %	10.53 %	76.92 %	7.69 %
After following Turkish TV series (male)	85 %	1.67 %	73.3 %	0 %	70 %	0 %	84.62 %	0 %
Before following Turkish TV series (female)	71.55 %	0 %	47.01 %	0.85 %	37.21 %	6.98 %	34.88 %	0 %
After following Turkish TV series (female)	82.76 %	1.72 %	85.47 %	0 %	69.77 %	2.33 %	76.74 %	0 %
Before following Turkish TV series (student)	42.86 %	0 %	43.75 %	0 %	34.29 %	8.57 %	33.33 %	5.56 %
After following Turkish TV series (student)	71.43 %	0 %	79.17 %	0 %	68.57 %	0 %	55.56 %	0 %
Before following Turkish TV series (non-student)	73.76 %	1.42 %	46.49 %	3.51 %	41.43 %	7.14 %	50.00 %	0 %
After following Turkish TV series (non-student)	86.52 %	2.13 %	83.33 %	0 %	70 %	2.86 %	89.47 %	0 %

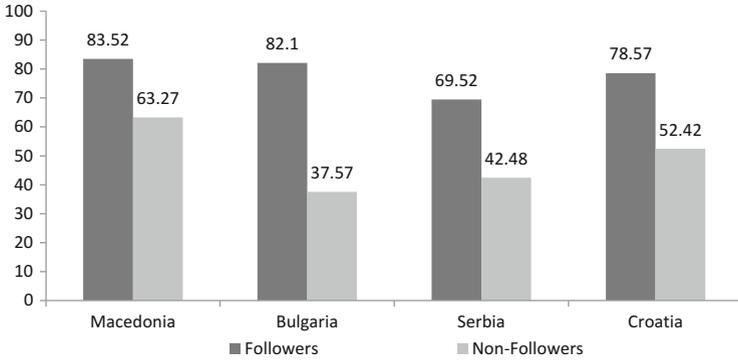


Fig. 9 Percentage of survey respondents with positive ideas about Turkey

Table 2 Have you bought or used any Turkish product after you have seen the Turkish series (followers)

	Macedonia	Bulgaria	Serbia	Croatia
Total (followers)	62.5 %	47.5 %	30.5 %	28.6 %
Total (non-followers)	85.2 %	55.6 %	57.5 %	31.1 %
Male	61.7 %	51.1 %	36.8 %	46.2 %
Female	62.9 %	46.2 %	29.1 %	23.3 %
Student	51.4 %	47.9 %	22.9 %	16.7 %
Non-student	65.2 %	47.4 %	34.3 %	34.2 %

Table 3 Did you specifically search and buy any Turkish products after watching TV series? (followers)

	Macedonia	Bulgaria	Serbia	Croatia
Total	19.9 %	24.7 %	16.2 %	14.3 %
Male	20 %	26.7 %	21.1 %	30.8 %
Female	19.8 %	23.9 %	15.1 %	9.3 %
Student	11.4 %	35.4 %	5.7 %	11.1 %
Non-student	22 %	20.2 %	21.4 %	15.8 %

followers. According to the regulations in Turkey, product placement is strictly forbidden. The brands and logos in TV series are blurred. Therefore, TV series cannot market any product. We believe that the regulations can be relaxed for TV series which are exported to other countries so that Turkey can get benefits more from the exports of TV series. Gur (2014) also argues that Turkish TV series can be edited to attract the interest of foreigners to Turkey and Turkish products.

Table 4 represents the choices of followers and non-followers in terms of visiting Turkey. In Macedonia and Bulgaria, more than half of the followers have visited Turkey after watching a Turkish TV series. This shows the direct effect of TV series

Table 4 Visits to Turkey

	Macedonia	Bulgaria	Serbia	Croatia
If you visited Turkey in the recent past, did the Turkish TV series play an important role on your decision? (followers)	61.1 %	51.9 %	14.3 %	–
If you have not yet visited Turkey, do you plan/want to visit after watching Turkish TV series? (followers)	82.9 %	70.3 %	81.7 %	82 %
If you have not yet visited Turkey, do you plan/want to visit in near future? (non-followers)	77.1 %	38.6 %	62.1 %	9.5 %

on tourism. This ratio decreases to 14.3 % in Serbia while in Croatia, there are no recent visits to Turkey. When we ask “If you have not yet visited Turkey, do you plan/want to visit”, we observe a difference between replies of followers and non-followers. The desire of followers to visit Turkey is higher than the non-followers. Following Turkish TV series motivates persons to visit Turkey in near future.

5 Results

Tourism has been one of the fastest developing sectors in Turkey. Turkey is the 6th most popular tourist destination in the world, attracting around 40 million tourists in 2014. The contribution of tourism to the GDP is US \$34 billion in 2014. The net tourism revenue financed around 53 % of Turkey’s current account deficit.

The popularity of Turkish television series has skyrocketed in the last decade not only in Turkey but also in many countries especially in Middle Eastern and southern European countries. Turkish TV series were locally produced till the beginning of 2000s. As a result of increasing local demand lead, Turkish TV series has started to have better scenarios, more charming actors and actresses, and better production quality. And this increasing quality along with government policies has attracted the interest of foreigners. Currently, Turkey becomes globally the second highest exporter of TV series abroad after the United States (Hurriyet Daily News 2014). Exports of Turkish TV programs totaled US \$180 million in 2014, a figure approximately 18 times that of 2008 (Tavsan 2015). Recently, Turkish TV series are exported to around 75 different countries.

Turkish TV series serve not only as an export item. TV series also boost the tourism. The desire of people of Turkish TV series importing countries increases rapidly. They want to visit Istanbul and the locations where Turkish TV series are shot. Istanbul becomes one of the most tourist attracting cities in the world. Moreover, Turkish TV series is an aspect of soft power of Turkey. Therefore, Turkish TV series have various effects in social, economic, tourism, and political aspects.

We examine the impact of Turkish TV series in terms of perception, tourism and product preferences in four Eastern European Countries namely Macedonia, Croatia, Bulgaria, and Serbia. For this purpose, survey is conducted by GFK company to 200 (100 male/100 female) university students and 300 (150 male/150 female) non-students in each capital city of those countries. According to survey findings, majority of respondents know at a Turkish TV series. Followers of Turkish TV series has more (less) positive (negative) thoughts about Turkey compared to non-followers. Also, Turkish TV series increases the publicity of Turkey in those countries. While we find a positive effect on tourism destination choice while there is no effect of Turkish TV series on Turkish product purchase behavior. According to the regulations in Turkey, product placement is strictly forbidden. The brands and logos in TV series are blurred. Therefore, TV series cannot market any product. We believe that the regulations can be relaxed for TV series which are exported to other countries so that Turkey can get benefits more from the exports of TV series. Gur (2014) also argues that Turkish TV series can be edited to attract the interest of foreigners to Turkey and Turkish products.

Acknowledgement This research (project number SUA-2013-384) was supported by the Scientific Research Projects Coordination Unit of Istanbul Medeniyet University. We thank them for their support.

References

- Balli, F., Balli, H. O., & Cebeci, K. (2013). Impacts of exported Turkish soap operas and visa-free entry on inbound tourism to Turkey. *Tourism Management*, 37, 186–192.
- Brljavac, B. (2011). Turkey entering the European Union through the Balkan doors: In the style of a great power!? *Zbornik radova Pravnog fakulteta u Splitu*, 48(3), 521–531.
- Connell, J. (2005). Toddlers, tourism and Tobermory: Destination marketing issues and television-induced tourism. *Tourism Management*, 26(5), 763–776.
- Gur, N. (2014). *Yeni Türkiye'nin Yumuşak Güç Unsuru: Turizm* [The new Turkey's soft power element: Tourism]. Accessed July 10, 2015, from http://file.setav.org/Files/Pdf/20140804151240_turkiyenin-yumusak-guc-unsuru-turizm.pdf
- Hsu, H.-J. (2012). Korean TV soap operas in Taiwan: An investigation of consumers' clothing purchase behavior. *International Journal of Marketing Studies*, 4(3), 16–30.
- Hurriyet Daily News. (2014). *Turkey world's second highest TV series exporter after US*. [online] Accessed July 10, 2015, from <http://www.hurriyetaidailynews.com/turkey-worlds-second-highest-tv-series-exporter-after-us.aspx?pageID=238&nID=73478&NewsCatID=345>
- Kim, S. S., Agrusa, J., Lee, H., & Chon, K. (2007). Effects of Korean television dramas on the flow of Japanese tourists. *Tourism Management*, 28(5), 1340–1353.
- Kim, H. J., Chen, M.-H., & Su, H.-J. (2009). The impact of Korean TV dramas on Taiwanese tourism demand for Korea. *Tourism Economics*, 15(4), 67–73.
- Kim, S., & Long, P. (2012). Touring TV soap operas: Genre in film tourism research. *Tourism Studies*, 12(2), 173–185.
- Öktem, K. (2010). *Turkey's foreign policy in a changing world: Old alignments and new neighbourhoods*. International Conference on Projecting power: Turkish TV series and their external effects, Oxford, 30 April–2 May.

- Su, H. J., Huang, Y., Brodowsky, G., & Kim, H. J. (2011). The impact of product placement on TV-induced tourism: Korean TV dramas and Taiwanese viewers. *Tourism Management*, 32, 805–814.
- Tavsan, S. (2015). *Exports grow to new levels*. [online] Accessed July 10, 2015, from <http://asia.nikkei.com/Life-Arts/Life/Exports-grow-to-new-levels?page=2>
- Tomic, D. (2011). *1001 episodes: A diplomatic perspective to Turkish TV series in the Western Balkans*. Paper presented at the international conference “EU as a global actor”, Berlin, July. <http://www.culturaldiplomacy.org/academy/content/pdf/participant-papers/eu/Djordje-Tomic-The-1001-Episodes-A-Diplomatic-Perspective-to-Turkish-TV-Series-in-the-Western-Balkans.pdf>

A Study on the Spatial Distribution of India Tourism Resources and Tourism Product Innovation—Based on the Background of Industrial Convergence

Yan Li

Abstract The different spatial distribution of tourism resources brings about spatial transference of tourists. After meeting the general need of the mass tourists, traditional tourism products are no longer satisfactory to more tourists, and need personalized products, which will promote the convergence of tourism with other industries. The seeking of new tourism products, under the tourism convergence, must take the local resources into consideration. Indian tourism went through a certain stage of development, however, due to various restrictions, it began to suffer the bottleneck effect gradually. In order to eliminate these obstacles and stimulate its fully development, Indian tourism followed the trend of future tourism that is, to look for new tourism resources and develop new tourism products through tourism convergence, and made a great breakthrough in tourism. This article makes a brief analysis of India's tourism convergence from the perspective of the spatial distribution of tourism resources and the innovation of tourism products in India.

Keywords Indian tourism • Industrial convergence • Tourism resources • Tourism products

1 Introduction

Industrial convergence is a new economic phenomena accompanied by technological change and diffusion process in a cross between information industries. Since the mid-1990s, the issue of industrial convergence has been highly concerned in economics, and has become one of the research frontiers in industry economics (Yuanyuan and Yulin 2012). Tourism convergence also emerged gradually under the impetus of demand for tourism products diversity and the support of the development of science and technology. Tourism convergence refers to a dynamic

Y. Li (✉)
Sichuan University, Chengdu, Sichuan, China
e-mail: 306569035@qq.com

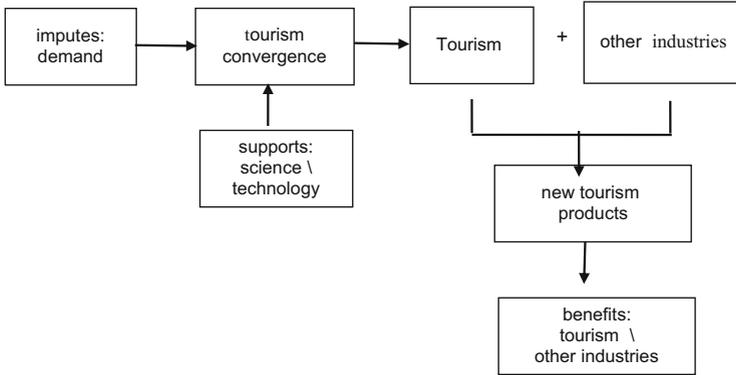


Fig. 1 The progress of tourism convergence. *Source:* The author compiled by the sources

developing progress, in which tourism penetrates into other industries or coordinates internal various businesses to develop new tourism products, business channels or tourist forms (Junqing 2012). It is beneficial to both tourism and other industries (see Fig. 1). On the one hand, it enriches its connotation and denotation, expands its development space, and attains more capital, thus to create conditions for its structure upgrading, on the other hand, it increases the added value of the traditional industries, extends their industrial chains, achieves functional replacement and innovation of some functions of traditional industries, and promotes the development of regional economy.

2 The Development Situation of Indian Tourism

2.1 The Number of Tourists Has Greatly Increased

Tourists appeared a substantial increase, including the number of inbound tourism, outbound tourism and domestic tourism in Indian. According Ministry of Tourism and Government of India, the number of inbound tourists increased by 75.89 % from 1.68 million in 1991 to 6.97 million in 2013, the compound annual growth rate was 8.76 %. The number of domestic tourists soared by 94.18 % from 66.67 million in 1991 to 1145.28 million in 2013, the compound annual growth rate was 13.08 %. The number of outbound tourists increased by 88.33 % from 1.94 million in 1991 to 16.63 million in 2013 with the compound annual growth rate of 10.3 %. The increase of tourists reflects the increasing demand of tourism, especially among the increasing middle class, which will produce more tourists. Therefore, it is imminent to develop new tourism products to meet the needs of tourism market.

Table 1 Percentage share of top ten states/UTs in foreign tourist visits in 2013

Rank	States/UT	Percentage of share (%)
1	Maharashtra	20.83
2	Tamil Nadu	20
3	Delhi	11.54
4	Uttar Pradesh	10.3
5	Rajasthan	7.2
6	West Bengal	6.24
7	Kerala	4.3
8	Bihar	3.84
9	Karnataka	3.19
10	Goa	2.47
	Total of ten top states	89.91

Source: India Tourism Statistics, 2013, Ministry of Tourism of India, <http://india.gov.in/>

2.2 *The Tourist Purpose Is Monotonous, and Destinations Are Focused*

Indian tourism has been based on the strength of culture, attracting a lot of international and domestic tourists. According Ministry of Tourism and Government of India, the international tourists to India were mainly concentrated in the top ten states entertained 17.94 million international tourists, accounting for 89.91 %, while the other states only accounted for 10.09 % (see Table 1). It was also true to domestic tourists, highly centered in the top ten states, accounting for 84.94 %, while the other states only accounted for 15.06 % (see Table 2).

From the data mentioned above, it can be concluded that Indian tourist destinations are highly focused not only for domestic tourists but also for the international tourists, which causes the regional disparity of tourism in Indian.

2.3 *The Competition of Tourism Market Is Intense*

In recent years, after suffered the global financial crisis and economic recession, the world tourism rebounded from the setbacks of 2008–2009, the number of inbound tourists and the foreign exchange earnings from tourism have also increased (see Table 3). Although India tourism has witnessed improvement from 2011 to 2013, India tourism still encountered huge pressure.

First, the competition is intense from the neighboring countries. The international ranking of India is still not high. In terms of international tourist arrivals, India's rank during 2011, 2012 and 2013 was 39th, 41st and 42nd, respectively. In terms of international tourism receipts, India's rank was 18th in 2011, 16th in 2012 and 2013. Seven countries in Asia maintained their respective ranks of international tourist above India during 2011, 2012 and 2013.

Table 2 Percentage share of top ten states/UTs in domestic tourist visits in 2013

Rank	State/UT	Percentage of share (%)
1	Tamil Nadu	21.33
2	Uttar Pradesh	19.78
3	Andhra Pradesh	13.28
4	Karnataka	8.56
5	Maharashtra	7.22
6	Madhya Pradesh	5.51
7	Rajasthan	2.65
8	Gujarat	2.39
9	West Bengal	2.23
10	Chhattisgarh	1.99
	Total of top ten States	84.94

Source: India Tourism Statistics, 2013, Ministry of Tourism of India, <http://india.gov.in/>

Table 3 The number of tourist arrivals and the receipts in World and in India

Region	2011	2012	2013
<i>World</i>			
Arrival (million)	997.0	1037.0	1087.0
Annual change (%)	5.1	4.1	4.8
Receipts (billion)	1042.0	1115.0	1195.0
Annual change (%)	12.0	7.0	7.2
<i>India</i>			
Arrival (million)	6.31	6.58	6.97
Annual change (%)	9.2	4.3	5.9
Receipts (billion)	16.56	17.74	18.44
Annual change (%)	9.2	7.1	3.9

Source: India Tourism Statistics, 2013, Ministry of Tourism of India, <http://india.gov.in/>

Second, the major inbound tourists to India are from faraway. According Ministry of Tourism of India, the number of inbound tourist in India has been increasing from all regions during the year 2013, the growth was maximum from Eastern Europe (29.5 %) followed by West Asia (17.9 %), South Asia (3.7 %), North America (3.4 %), East Asia (2.2 %) and Western Europe (0.2 %). The top ten source countries for foreign tourist arrivals in India in 2013 were, respectively, from USA 15.58 %, United Kingdom 11.62 %, Bangladesh 7.53 %, Sri Lanka 3.77 %, Russian Fed. 3.72 %, Canada 3.66 %, Germany 3.62 %, France 3.56 %, Malaysia 3.48 %, Japan 3.16 %. These ten countries accounted for 59.70 % of the total Indian inbound tourists, respectively, Europe 22.52 %, America 19.24 %, and Asia 17.94 %. The principle of the outbound travel tells that tourists prefer to go to neighboring countries first. However, the statistics shows that the major inbound tourists to India are from faraway Europe and America, so Indian tourism will be greatly affected by three factors of economic, time distance and psychological distance.

Facing the two factors mentioned above, in order to attract more foreign tourists and retain the local tourists, India must strengthen the convergence of tourism with other industries to develop new forms of tourism products to enhance the competitive capability of Indian tourism in the world.

3 The Spatial Distribution Features of Tourism Resources in India

3.1 Cultural Tourism Resources Permeate the Whole India

India is a large and populous country with a great past and a great tradition. Almost every part of India has cultural resources. The cultural resources consist of ancient temples, monuments or recent buildings of varied architectural design. There are different festivals in each state, traditional arts and crafts, music, dance, and these help in formulating its scope. India is rich in heritage tourism. This is also true of almost every part of the country and today 32 such sites have been included among world tourist sites.

3.2 The Natural Tourism Resources Are Abundant

The natural resources are diversity. It may be ascribed to the landforms and biological diversity, such as the tapering shape of its peninsula, the latitudinal extent astride the tropic of cancer, the situation at the head of the Indian ocean, the vast Himalayan mountain system. The diversity natural resources like snow peaks of Himalayas, valleys, tropical rain-forests, deserts, coastal regions form the bases for development of tourist resources and environment. Sandy beaches, coves, spits and lagoons, reefs seaside cliffs are tourist's hot spots.

3.3 Tourism Resources Vary in Different Regions Due to Various Climates

The climatic conditions in India is varied, which is different from north to south in the continent, is different from interior, even of west coast to east coast, is different from the snowy Himalaya in the great northern plain. These major contrasts are of great advantage to engage tourists in a variety of activities during their stay in the country.

Seen from the perspective of destination regions, spatial distribution of Indian tourism resources is uneven, which in return leads to the regional imbalance of

development. According to the economic role of tourism industry, tourism industry can shrink the disparity between different regions, facilitate the economic development of the poor areas, and solve the employment problem in the poor areas. It is important to learn the spatial distribution of India's tourism resources, to promote the combination of tourism with other industries, and to innovate tourism products.

4 Strengthen the Integration of Tourism with Other Local Industries, and Innovate Tourism Products

Now, the Ministry of Tourism has taken measures to develop and promote the niche tourism products according to the natural resources and the cultural resources. This measure is tourism convergent. The tourism convergent with other local industries, especially with the local agricultural resources, industrial resources and other resources, together with the innovation of tourism products will ensure the sustainable development of tourism.

4.1 To Develop Agricultural Tourism Through the Convergence of Tourism with Agriculture

Tourism convergent with the local agricultural resources produce agricultural tourism. The abundant agricultural resources, with the sound rural ecological environment, the beautiful rural scenery, the colorful folk customs and regional characteristic products can be used to stimulate the convergence of agriculture with tourism, to promote the development of leisure agriculture, ecological agriculture, and sightseeing agriculture.

There are rich agricultural resources in India. Rice is planted in the region from the southern Indian states of Kerala and Thai Milner Dupont to most area of the northeastern state of Assam. Wheat is planted in such states Uttar Pradesh, Punjab Pradesh, Haryana and Madhya Pradesh. Corn is planted in the north of Uttar Pradesh and the east of Bihar. Millet is planted in central and southern plateaus, and some western and northern states. In addition to the traditional planting and cultivation, the agricultural resources, with the aid of the enormous potential of population in the Indian urban, can be used to develop new tourism products, to drive the development of agriculture (fishing) Knorr, B & Bs and other industry formats.

Using the different agricultural resources to develop agricultural sightseeing projects, agricultural harvest, agricultural cultivation, and agricultural education activities in the states of Gujarat, Madhya Pradesh, Thai Milner Dupont, and Orissa.

4.2 To Develop Industrial Tourism Through Tourism with Industry

Industrial tourism refers to the prior and optional promotion of the convergence of tourism with the resource-advantageous second industry, such as industry (manufacturing), involving the development of tourism resources such as production, labor scene, plant landscape, industrial history, to meet the participatory and experiencing demands of the tourism market, to increase the social and economic benefits of industry (Wang 2011). For example, the cotton textile industry, located in Mumbai, Maharashtra and Ahmadabad, Gujarat, can be used to develop such tourism activities as observation of the cotton & textile production, visiting and studying the production bases, so can the sugar industry in Uttar Pradesh and Bihar develop the observation of sugar production and exhibition of sugar food.

Electronic industry is the new technology industry of India, mainly concentrated in Karnataka, Bangalore, Maharashtra, and Delhi, Bhubaneswar, Calcutta, Madras, etc. These industrial areas, can be opened to common domestic tourists to popularize the knowledge of production procedures, as well as to students as popular science educational bases. For international visitors, the convergence can be made with the Indian jewelry industry, to develop tourism products, such as jewelry manufacture observation, processes, jewelry fair, jewelry manufacturing base visiting, thus to attract international visitors, and even to promote the jewelry sales.

4.3 To Develop Various Innovative Tourism Products Through the Combination of Tourism with the Third Industry

4.3.1 To Carry Out Medical Tourism Through the Fusion with the Medical Industry

Medical tourism means health tourism including physical and mental treatment. Medical tourism may impact on both the country to which a person travels for treatment (the exporter of medical tourism services) and the source country (who import medical tourism services) (Lunt and Horsfall 2014). In India medical industry has three advantages—the latest technologies, the lower cost of treatment, and the English speaking medical staff. The advantages have attracted many tourists from Europe and North America. Apart from the view of the above, India has proved to be the best value provider for medical tourism in the terms of availability, affordability and accessibility of quality medical treatment and care. According to India Medical Travel Association (IMTA), while an average holiday tourist may spend US \$2000 on his trip to India—a medical tourist spends much higher at an average US \$5000. Wellness tourism like Yoga and Ayurveda is growing rapidly. The mountain ranges of the Himalayas, Rishikesh, Kedarnath,

Gangotri of northern India are some of the places where one can get eternal peace and satisfy their spiritual quest and the perfect destinations for Yoga Tourism while the state of Kerala in South India is the perfect destination of Ayurveda tourism. In all, Indian medical tourism including ayurveda, yaga, sidha, unani, naturopathy and other traditional treatments is very unique and exotic.

4.3.2 To Carry Out the MICE Tourism Through the Combination with Conference, Exhibition Industry

According to the rapidly increasing of the economy in India, 'Conventions and Conferences' are been acknowledged as a significant of the tourism industry. India has hosted 100 international conferences during 2010 and is at present, rank at 31 positions globally according to ICCA (International Congress & Convention Association) statistics. In the future, India has the potential to be one of the top 20 destinations in the world for hosting international conference, exhibitions and events. Apart from the only international convention center at Hyderabad, there is an urgent need to crest new world class convention center in important cities like New Delhi, Mumbai, Chennai, Kolkata and Bangalore. It is necessary to carry out the MICE through the combination with conference, exhibition industry in India.

4.3.3 To Carry Out the Film Tourism Through the Fusion with the Film Industry

Film tourism has emerged as a major growth sector for research in tourism and it is widely recognized as a driver of tourism development for many destinations (Connell 2012). Film is an important source of entertainment in the most of the countries, it is an important part of culture, it reflects the lifestyle, religious, history, even society of countries. Films introduce the countries to the world, the tourists were attracted by the place where produced the film or attracted by the life style reflected in film. For example, the enduring film "Roman Holiday" has made its film location Rome a holy place of love and a paradise for lovers. The hit of the film "Lord of the rings" has drawn in-numerous tourists to the picturesque landscape of New Zealand. India is one of the countries producing large number of films every year, especially, Bollywood produces around a thousand films each year, as such, it is arguably the most important film industry in the world. The most films reflected the life style in India, expressed the natural and cultural resources of India, for example, "Slumdog millionaire", set and filmed in the slum of Mumbai, fully reflects the Indian culture and religion as well as people's living condition, and propaganda India to the whole world. The slum of Mumbai, the places where the protagonists goes to, and even the whole India has become hot tourist destinations in the eyes of international tourists. Also the hit of "Life of Pi" helped the world remember the brave young man, and the scenic Indian spots appearing in the film. In addition, the film festival activities, such as the annual Cannes film festival have

made the city Cannes a golden tourism destination. So it is viable to strengthen the fusion of tourism with film industry, and to develop film theme parks and movie and television bases to provides chances to tourists to visit “Bollywood”, to appreciate the scenery appearing in films.

4.3.4 To Develop Sports Tourism Through the Fusion with Sports Industry

Sport tourism considered as a part of tourism created through of integration of sports and tourism, it is growing to convince every country to open a field in their industry (Taleghani and Ghafary 2014). In India, it has hold many important sport meetings, 2010 commonwealth games, 2011 cricket World Cup, formula one motor racing. Traditional Polo is still played and practiced in its primitive form in Manipur and Ladakh, is widely accepted as a heritage sports in India. In order to promote golf tourism to attract foreign tourists, India opened its golf courses. So with the experiences of holding sports, the measures to develop the traditional sports and the fashionably sports, it is necessary to develop sports tourism through the fusion with sports industry and other sports events stimulated the popularity of sports tourism.

4.3.5 To Carry Out Cultural Festival Tourism Through the Combination with the Local Culture Industry

The integration of tourism and cultural industries is an inevitable trend of industry development. Because of many religions and ethnics, India has many festivals, from January to December, the most attractive of which is the Indian New Year (or the Indian Republic Day), celebrations and parades are made in every state capital. Parades in Capital New Delhi are the most spectacular. The water-sprinkling festival in Indian is held annually from February to March, during which groups of Hindus are singing and dancing. The Horses Harvey Festival is held from March to April in every year, when thousands of Christians gathering in front of the marble status to hold memorial and sacrificial ceremonies, memorize and focus on the big stone hold memorial for Jain Saint. Ten Winning Festival also called the Triumphant Day held in 10 days from September to October, is the biggest Hindu festival, celebrating Rama’s triumph over the evil spirit. The Lantern Festival is one of the four Hindus big festivals, held from October to November, during which Hindu temples across the country are all busy.

These festivals can be used to strengthen the cooperation of tourism and cultural industry, to carry out the festival activities, to increase the participation and entertaining of tourists. At the same time, these festivals should combine the local culture and folk customs, and folk experience to produce tourism products, such as folk custom experiencing activity and local culture experiencing activity to facilitate a better understanding of the local customs.

5 Conclusion

With the development of tourism in India, a great tourism era is coming, and the trend of tourism convergence is inevitable. Through the integration with other industries, Indian tourism has found the converging point and cross area of the fusion, and has produced new tourism products. At the same time, as a new way for the innovative development of the tourism industry, tourism convergence, adding new blood to the development of tourism has become the new pursuing target in tourism industry. However, this integration requires that tourism and other industries fully understand their own strength and situation of development, as well as the association and integration points between industries.

Above all, it is wish that tourism convergence with the suitable industry in the region, developing the niche products, this measure can overcome the aspect of seasonality to promote India as a 365 days destination, attract tourists with specific interests, produce the tourism developing sustainability.

References

- Connell, J. (2012). Film tourism—evolution, progress and prospects. *Tourism Management*, 33(5), 1007–1029.
- Junqing, L. (2012). Analysis of the implementation mechanism and the integration path about tourism industry of China. *Economic Forum*, 12(11), 113–115.
- Lunt, N., & Horsfall, D. (2014). Medical tourism. In A. J. Culyer (Ed.), *Encyclopedia of health economics* (Vol. 2, pp. 263–270). San Diego: Elsevier.
- Taleghani, G. R., & Ghafary, A. (2014). Providing a management model for the development of sports tourism. *Procedia—Social and Behavioral Sciences*, 120, 289–298.
- Yuanyuan, S., & Yulin, Z. (2012). Foreign theoretical research progress on industry convergence. *Economic Review*, 6(5), 152–160.
- Wang, Z. (2011). The development of space tourism path and strategy of industrial convergence. *Tourism Tribune*, 12(6), 6–7.